



Diamond Transmission Partners
BBE Limited
Annual Compliance Report

Document History

Issue	Date	Summary of Changes / Reasons	Author(s)	Approved By (Inc. Job Title)
1	30/10/18	New document	G Thornton	DTPBBE board
2	16/04/19	Section 2.3, 2.4, 5.5, and 5.6 added. Section 2.5, 3.2, 4.6, 6.2, 9.1 and 10.1 amended.	G Thornton	DTPBBE board

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1 INTRODUCTION

- 1.1 The Annual Compliance Report is prepared pursuant to Amended Standard Condition E12 – C4 (Appointment of compliance officer) of the Offshore Electricity Transmission Licence (the “**Licence**”) as granted to Diamond Transmission BBE Limited (the “**Licensee**” or the “**Company**”) (registered in England with number 10122057) whose registered office is Mid City Place, 71 High Holborn, London, WC1V 6BA under section 6(1)(b) of the Electricity Act 1989.
- 1.2 The Licence was issued to the Licensee on 25 April 2018 and came into force on 26 April 2018, addresses:
- a) compliance with the relevant duties (as defined below) during the period of this annual report being the period 26 April 2018 through to 30 October 2018 inclusive; and
 - b) implementation of the practices, procedures and systems adopted in accordance with the “Separation and Independence of the Transmission Business Compliance Statement” or “the Statement” which was published by the Licensee on 24 May 2018.
- 1.3 The relevant duties of the Licensee require compliance with the following conditions of Licence granted to the Company on 25 April 2018:
- standard condition E6 (Prohibition of Cross-subsidies);
 - standard condition E7 (Restriction on Activity and Financial Ring Fencing);
 - amended standard condition E12 - C1 (Conduct of the Transmission Business);
 - amended standard condition E12 – C2 (Separation and Independence of the Transmission Business);
 - amended standard condition E12 – C3 (Restriction on use of certain information); and
 - amended standard condition E12 – C4 (Appointment of compliance officer).
- 1.4 For the avoidance of doubt this compliance report relates solely to the Company’s compliance with its relevant duties and business separation practices and references to any other compliance report included herein are provided for information purposes only.

2 COMPLIANCE WITH THE RELEVANT DUTIES

- 2.1 Under the terms of the Licence, the Licensee is required to publish a compliance statement (the “**Statement**”) that details how the Company intends to comply with its obligations under amended standard condition E12 – C2 of the Licence. The Statement was approved by the Company’s Board and by the Authority on 14 May 2018. The Statement has been published on the Diamond Transmission website and is available via the following link:
- [Burbo Bank Extension OFTO - Our Projects - Diamond Transmission Partners](#)
- 2.2 For the period 26 April 2018 through to 30 October 2018 inclusive, the Company held an offshore electricity transmission licence to operate an independent offshore electricity transmission system.
- 2.3 The Company is jointly owned in equal proportions by a consortium of independent investors being Diamond Transmission Corporation Limited (“**DTC**”), whose ultimate parent company is Mitsubishi Corporation (“**MC**”) and Infrastructure Investments OFTO 1 Limited (“**IIO1**”), which is wholly owned by Infrastructure Investments Holdings Limited (“**IHL**”), which is wholly owned by Infrastructure Investments Limited Partnership (“**IILP**”), a wholly owned

- subsidiary and investment vehicle of HICL Infrastructure Plc (“**HICL**”). HICL does not contain any employees and employs InfraRed Capital Partners Limited (“**IRCP**”) in an investment advisory capacity.
- 2.4 MC wholly owns Diamond Generation Europe Limited (“**DGE**”). DGE has a 33.4% stake in the Moray Firth Offshore Wind Farm (“**MFOW**”) which holds an electricity generation licence. MC also owns a 20% stake in the energy supply company OVO Energy (“**OVO**”). IRCP is the Fund Manager for ‘The Renewables Infrastructure Group’ (“**TRIG**”), the London Stock Exchange listed renewables infrastructure fund. TRIG owns in excess of 50 wind and solar p.v. projects of which seven have a generation licence. The Company operates independently from DGE, MFOW and TRIG.
- 2.5 DTC owns 50% of the Blue Transmission Investments (“**BTI**”). BTI has 100% indirect equity interests in Blue Transmission Walney 1 Limited, Blue Transmission Walney 2 Limited, Blue Transmission Sheringham Shoal Limited and Blue Transmission London Array limited which each hold an offshore electricity transmission licence to operate an offshore electricity transmission system, together “the Blue Transmission OFTOs”. All relevant DTC staff as shareholders and directors of Blue Transmission OFTOs are aware of the relevant BTI company Separation and Independence of the Transmission Business Compliance Statement. The Company operates independently from the Blue Transmission OFTOs.
- 2.6 The Company has taken appropriate steps to ensure business separation was effective during the period of this annual report and the relevant issues understood by the directors of the Company together with the employees, directors and consultants of DTC (provider of management services to the Company).
- 2.7 For the period of this report the Licensee has been in compliance with its relevant duties.
- 2.8 An annual compliance plan was produced by the compliance officer for the purpose of ensuring compliance with the relevant duties of the Licensee. The annual compliance plan detailed the actions to be undertaken by the compliance officer in relation to the relevant duties of the Licensee and included a consideration of:
- a) advice and information to be provided by the compliance officer;
 - b) information sharing processes;
 - c) the Licensee’s Licence monitoring processes;
 - d) the agendas, papers and minutes of the Licensee’s Board and committee meetings, reporting; and
 - e) complaint handling.

Further details of the monitoring, responsibilities and reporting obligations in so far as they relate to the relevant duties of the Licensee and how the Board, Compliance Committee and compliance officer discharge those duties can be seen from section 10 to 12 of the Licensee’s Statement – a hyperlink to this statement is provided above.

3 COMPLIANCE COMMITTEE

- 3.1 The Compliance Committee is a permanent internal body having an informative and consultative role, without executive functions, with powers of information, assessment and presentation to the Company’s Board. The Compliance Committee is a committee of the Company’s Board and reports to the Company’s Board in relation to matters of compliance with the Licence and has

been formed to assist the Company's Board in the effective discharge of its responsibilities as to compliance with the obligations placed on the Company as a result of being granted the Licence.

- 3.2 Mr Michael Walbank the Company's compliance officer. Mr Walbank is not engaged in the management or operation of the licensed transmission business system, or the activities of any associated business. On the 07 March 2019 Mr Graeme Hutchison replaced Mr Michael Walbank as the Company's compliance officer. Mr Hutchison is not engaged in the management or operation of the licensed transmission business system, or the activities of any associated business.
- 3.3 Members of the Compliance Committee during the period of this report and who were members for the whole period and through to the date of this report unless otherwise noted were as follows:

Name	Appointed	Resigned
Gary Thornton	08 May 2018	
David Foot	08 May 2018	
Kwansoo Lee	08 May 2018	

- 3.4 No issues in relation to the relevant duties of the Licensee have arisen during the period and no complaints have been received by the compliance officer.
- 3.5 The Company does not have an internal audit department and therefore no routine audits of compliance with the relevant duties have been undertaken; however, the Compliance Committee, the Company's Board and the compliance officer have considered the various compliance reports and other evidence in respect of the relevant duties of the Licensee and have concluded that no such audit is necessary as no issues have arisen.
- 3.6 Detailed references to the work of the compliance officer are given in Section 9.

4 AMENDED STANDARD CONDITION E12-C1 (CONDUCT OF THE TRANSMISSION BUSINESS)

- 4.1 The Licensee has complied at all times during the period of this report with the requirements of amended standard condition E12 – C1.
- 4.2 The Licensee has conducted the business of its Transmission Business consistent with the Statement in general and in particular the code of conduct ("the code") included at appendix 1 to the Statement. A hyperlink to the Statement is given above. All employees of the Company (although in fact the Company had no employees during the period of this report), the Company's directors together with all employees, directors and consultants of any of the Company's affiliates including DTC that are engaged in providing management services to the Licensee are obliged to abide by the code and the Company and compliance officer has monitored compliance with the code.
- 4.3 In respect of the Licensee's conduct of its transmission business, through the application of the procedures and processes referenced in its Statement: the Compliance Committee; the Company's Board; and the compliance officer all concur that no unfair commercial advantage has been conferred on or by the Licensee, its affiliates or related undertakings, any user of the national electricity transmission system or any other transmission licensee.

- 4.4 In particular the Compliance Committee; the Company's Board and compliance officer have all noted or concluded, as appropriate, during the period of this report the following:
- a) that all employees and consultants of DTC (its affiliates and related undertakings to the extent those employees and consultants provide management services directly or indirectly to the Company) had confirmed their acceptance of the code that informs those individuals of their obligations under the Licence (as amended by any consents granted by the Authority);
 - b) that in respect of the individuals referenced in a) above that they had confirmed adherence to the code;
 - c) that the compliance officer had interviewed some of the individuals referenced in a) above to ensure that they understand the importance of the code and for them to confirm adherence and he has satisfied himself that they have done so;
 - d) that the operating model as described in the Section 4 of the Statement has resulted in the Licensee primarily contracting with independent third parties with limited contractual arrangements being entered into with any affiliate, related undertakings and/or related parties of the Licensee. Consequently, the risk of the Licensee (including its affiliates and related undertakings), any user of the national electricity system or any other transmission licensee obtaining an unfair commercial advantage is considered very unlikely;
 - e) the Licensee has a procurement policy in place that requires certain authorisations to be obtained at different levels of procurement that is designed to prevent unauthorised, non-compliant behaviour.
- 4.5 Consequently, the Company's Board have concluded that the Licensee has been in compliance at all times with paragraph 1 of amended standard condition E12 - C1 (Conduct of the Transmission Business) over the period of this report.
- 4.6 The Compliance Committee, the Company's Board and compliance officer also note that the Licensee has secured and procured separate premises, equipment, systems for recording and storing data, facilities, staff, and property that these are held separately from:
- a) those owned by the transmission licensee that, being a holder of a co-ordination licence, is responsible for co-ordinating and directing the flow of electricity onto or over the national electricity transmission system; and
 - b) Associated business of the licensee that is authorised to generate or supply electricity being DGE, OVO and TRIG.

Consequently, the Company's Board has concluded that the Licensee has been in compliance with paragraph 2 of amended standard condition E12 - C1 (Conduct of the Transmission Business) over the period of this report.

5 AMENDED STANDARD CONDITION E12 – C2 (SEPARATION AND INDEPENDENCE OF THE TRANSMISSION BUSINESS)

- 5.1 The Licensee has complied at all times during the period of this report with the requirements of amended standard condition E12 – C2.
- 5.2 The Licensee has conducted the business of its Transmission Business consistent with the Statement in general and in particular paragraph 6 and the sub-clauses thereto of the Statement.

- 5.3 A description of the corporate governance arrangements that applied during the period of this report that are consistent with the arrangements described in the Statement. Note this will be seen in the Company's regulatory accounts to be first published in July 2019.
- 5.4 The Compliance Committee, the Company's Board and the compliance officer note the publication of the Statement was compliant with the requirements of paragraph 2, 3 and 4 of amended standard condition E12 – C2.
- 5.5 The Compliance Committee, the Company's Board and the compliance officer has monitored the activities and plans during the reporting period to ensure the Licensee has not shared any resources with any entity that meets the operating characteristics of Amended Standard Condition E12 - C2 paragraph 4(b)(i) and (ii) during the reporting period. Consequently the Licensee is compliant with the conditions of Amended Standard Condition E12 - C2 paragraph 4b(i) and (ii).
- 5.6 The Compliance Committee, the Company's Board and the compliance officer has monitored any person who has ceased to be engaged in, or in respect of the management and operation of the transmission business from being engaged in, or in respect of, the activities of an associated business until the expiry of an appropriate time. As no persons has ceased to be engaged in, or in respect of the management and operation of the transmission business from being engaged in, or in respect of, the activities of an associated business, the Company's Board has concluded that the Licensee has been in compliance with paragraph 4(b)(iii) of amended standard condition E12 – C2 (Separation and Independence of the Transmission Business) over the period of this report.

6 AMENDED STANDARD CONDITION E12-C3 (RESTRICTION ON USE OF CERTAIN INFORMATION)

- 6.1 The Licensee has complied at all times during the period of this report with the requirements of amended standard condition E12 – C3.
- 6.2 All employees of the Company (although as previously noted there were no such employees during the period of this report) together with all employees, directors and consultants of DTC engaged in the supply of management services to the Company (either directly or indirectly) are obliged to abide by the code which makes specific reference to the restrictions on the use of certain information and ensuring in sharing information no unfair advantage shall be provided and the Licensee has monitored compliance with the code by way of enquiry of management; the activities of the compliance officer; and discussions held within the Compliance Committee and/or the Company's Board.
- 6.3 Management has put in place controls and procedures to restrict access to information to authorised personnel only. These include controlling physical access to buildings and rooms within buildings and logical access / password protection in relation to data stored on computer systems and related data storage systems. In addition, management assesses the risk of the deliberate disclosure of information to unauthorised personnel as being highly unlikely as the commercial value of such information is considered very low. The compliance officer, Compliance Committee and the Company's Board concur with this assessment.

7 STANDARD CONDITION E6 – PROHIBITION OF CROSS-SUBSIDIES

- 7.1 The Licensee has complied at all times during the period of this report with the requirements of standard condition E6.
- 7.2 The Licensee has complied with the requirement not to give or receive a cross subsidy at any time during the period covered by this report to or from any other business or an affiliate or related undertaking of the Licensee.

- 7.3 As noted at paragraph 8.4 of the Statement the nature of the operating model inherently minimises the risk of cross subsidisation as the nature of the regulatory arrangements means that the pricing of transmission services are set for the whole of the period that the Licence has been granted – 20 years. As a consequence, there is no incentive on the management, and/or any individual or individuals to intentionally receive or give a cross subsidy to or from the licensee or its affiliates and related undertakings as it can have no impact on the revenue of the licensee.
- 7.4 The Compliance Committee, the Company's Board and the compliance officer note that there have been no transactions with affiliates or related parties of the Licensee during the period of this report that were not permitted by the offshore electricity transmission licence.

8 STANDARD CONDITION E7 – RESTRICTION ON ACTIVITY AND RING FENCING

- 8.1 The Licensee has complied at all times during the period of this report with the requirements of standard condition E7.
- 8.2 The Licensee has conducted the business of its Transmission Business consistent with the Statement in general and in particular paragraph 9 of the Statement.
- 8.3 During the period of this report, the Compliance Committee, the Company's Board and compliance officer have considered the activities undertaken by the Licensee to ensure that they fall within the remit of those activities permitted under the Licence. This consideration has included, amongst other matters, a review of:
- a) the budget;
 - b) forecasts;
 - c) quarterly management reports;
 - d) reports prepared by DTC (provider of management services to the Licensee); and
 - e) any reports prepared by the compliance officer after carrying out his activities.
- 8.4 The Compliance Committee, the Company's Board and the compliance officer have reviewed the nature of the activities undertaken by the Licensee or contemplated by the Licensee and are satisfied that all the activities undertaken during the period of this report or contemplated during the period of this report and included within the budget or forecast are all permitted activities under the terms of the licence.
- 8.5 The Compliance Committee, the Company's Board and compliance officer having considered the evidence available to them in the form of the reports etc. referenced above noting that during the period of this report, the Licensee, which does not have any "relevant associates" (as defined under its offshore electricity licence), has not carried out any activities other than those activities that directly relate to the operation of an offshore transmission business.

9 AMENDED STANDARD CONDITION E12-C4 - APPOINTMENT OF COMPLIANCE OFFICER

- 9.1 Mr Michael Walbank was the Company's appointed compliance officer for the reporting period. Mr Walbank has worked for over twenty years in the UK electricity supply industry holding senior positions in Ramboll, Northern Power Grid, Parson Brinkerhoff, and National Grid. Mr Walbank's is a qualified lead

- auditor and has been engaged by water business, transmission and distribution electricity business and regulator to undertake regulatory compliance audits.
- 9.2 As compliance officer Mr Walbank prepared an annual compliance plan for the Company which was presented to the Company's Compliance Committee and the Company's Board on 30 October 2018.
- 9.3 By way of enquiry during the period of this report of both the management of the Licensee and the compliance officer together with a review of reports provided by the compliance officer and management and having observed the activities of the compliance officer, the Compliance Committee and the Company's Board satisfied themselves that consistent with the requirements of amended standard condition E12 – C4 (3) that the compliance officer was not engaged in the management or operation of the of the Licensee's transmission system or that of any associated business. In addition, the Company's Board and Compliance Committee noted and the compliance officer confirmed that the compliance officer had not been engaged in the management or operation of the Licensee's transmission system or that of any associated business during the period of this report.
- 9.4 The Company's Board noted that a compliance Committee (being a committee of the Company's Board of directors of the Licensee) had been established in accordance with amended standard condition E12 – C4 (4) for the purpose of overseeing and ensuring the performance of the duties and tasks of the compliance officer as set out in paragraph 7 of amended standard condition E12-C4 and the compliance of the Licensee with its relevant duties.
- 9.5 The Company's Board further noted that the compliance committee, consistent with the requirements of paragraph 4 of amended standard condition E12-C4, had:
- a) reported to the Company's Board; and
 - b) included within their membership: a director who took responsibility for day-to-day compliance with the activities of the Licence; and such persons from within the Licensee's business who are responsible for the management of regulatory issues relating to the Licence.
- 9.6 The Company's Board and the compliance committee by way of regular enquiry of the compliance officer and management confirmed that they were satisfied that during the period of this report, that the compliance officer had been provided with such staff, premises, equipment, facilities and other resources as necessary together with such access to the Licensee's premises, systems, information and documentation as necessary for the compliance officer to carry out his duties. The Company's Board and compliance committee noted and the compliance officer concurred that in accordance with amended standard condition E12 – C4 (5) that the compliance officer had been provided with all the staff, premises, equipment, facilities and other resources together with access to premises, systems, information and documentation as required to carry out the duties of the compliance officer.
- 9.7 The Company's Board noted that the Licensee had received no complaint or representation from any person in respect of a matter arising under or by virtue of the relevant duties.
- 9.8 The compliance officer's activities during the year included:
- a) preparation and presentation of an annual compliance plan to the compliance committee;
 - b) reviewing all Board and management papers and minutes to ensure compliance with the relevant duties of the Licensee;

- c) discussion with certain DTC employees and consultants to ensure that the principles and practices of the relevant duties in general were understood and that the principles and practices relating to business separation in particular were adhered to;
 - d) reviewing policy and process documents together with employment contracts and the code to confirm that compliance with the relevant duties of the Licensee was properly represented and adhered to;
 - e) reviewing the register of obligations to ensure compliance with the relevant duties of the Licensee;
 - f) presenting reports to the Company's compliance committee in line with the annual compliance plan and discussing any potentially regulatory compliance issues with the Committee; and
 - g) reporting annually to the Company's Board on compliance with the relevant duties of the Licensee.
- 9.9 The compliance officer was not asked to investigate any complaints during the period of this report and did not identify any breaches of the Licensee's relevant duties which required the attention of the compliance committee or the Company's Board.

10 CERTIFICATE OF COMPLIANCE

- 10.1 The certificate of Compliance as required under Amended Standard Condition E12-C4 (9) (d) is attached as Annex 1.

11 WHO TO CONTACT FOR MORE INFORMATION

Mr G Hutchison
Compliance officer
Diamond Transmission Partners BBE Limited c/o
Ramboll
116 Quayside
Newcastle Upon Tyne
NE1 3DX
United Kingdom

Annex 1

Certificate of Compliance as required under Amended Standard Licence
Condition, E12-C4 (9) (d)

SEE ATTACHED CERTIFICATE