



Diamond Transmission Partners
RB Limited
Separation and Independence of the
Transmission Business
Compliance Statement

Document History

Issue	Date	Summary of Changes / Reasons	Author(s)	Approved By (Inc. Job Title)
1	25/10/19	First issue incorporating Ofgem's comments as stated in their email dated 21/12/18.	Tawanda Gwatinyanya	The Board
2	12/08/20	Updated structure to account for Sun Life and MC's acquisition of Eneco and OVO. DTPG and DTPWE added. Headings 11 and 12 corrected.	Joel Matthews	G Thornton
3	28/08/20	Updated following comments from Ofgem.	Joel Matthews	G Thornton
4	04/11/20	Updated following comments from Ofgem.	G Thornton	The Board
5	04/01/21	Updated following comments from Ofgem.	G Thornton	The Board
6	12/02/21	Updated following comments from Ofgem dated 26 January 2021.	G Thornton	The Board
7	31/03/21	Updated following comments from Ofgem dated 04 March 2021, the addition of Hornsea One and the deletion of Infrastructure Investments Holdings Limited (UK).	G Thornton	The Board
8	26/10/21	IRCP TRIG fund amended and InfraRed Fund V – 5 added.	G Thornton	The Board
9	25/10/22	IRCP restructure.	G Thornton	The Board
10	07/11/23	Hornsea Two addition. Removal of DGE, Moray Firth Offshore windfarm, which MC no longer own. Change of management service provider to BTW1L. Removal of Charles II Realisation LLP as ultimate controller.	T Gwatinyanya	The Board

TABLE OF CONTENTS

1 INTRODUCTION	4
2 PURPOSE AND SCOPE	4
3 COMPANY STRUCTURE.....	6
4 OPERATING MODEL.....	8
5 CONDUCT OF THE TRANSMISSION BUSINESS (AMENDED STANDARD CONDITION E12-C1)	9
6 SEPARATION AND INDEPENDENCE OF THE TRANSMISSION BUSINESS (AMENDED STANDARD CONDITION E12-C2).....	10
7 COMPLIANCE OFFICER (AMENDED STANDARD CONDITION E12-C4).....	13
8 PROHIBITION OF CROSS SUBSIDIES (STANDARD CONDITION E6)	14
9 RESTRICTIONS ON ACTIVITY AND FINANCIAL RING FENCING (STANDARD CONDITION E7).....	14
10 MONITORING, RESPONSIBILITY AND REPORTING.....	15
11 INVESTIGATION OF COMPLAINTS REGARDING COMPLIANCE WITH THIS STATEMENT	15
12 APPROVAL	16
APPENDIX 1 – CODE OF CONDUCT	17

1 INTRODUCTION

- 1.1 This Separation and Independence of the Transmission Business Statement of Compliance (the "**Statement**") is prepared pursuant to Amended Standard Condition E12-C2 (Separation and Independence of the Transmission Business) of the Offshore Electricity Transmission Licence as granted to Diamond Transmission Partners RB Limited (the "**Licensee**") (registered in England with number 10457056) 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 Statement has been prepared to secure compliance with paragraphs 1, 2, 4, 5 and 6 of Amended Standard Condition E12-C2 of the Offshore Electricity Transmission Licence (the "**Licence**") held by the Licensee.
- 1.3 It is a requirement of the Licensee to have in place this Statement (as approved by the Gas and Electricity Markets Authority ("the **Authority**")) within 30 days of the Licence grant (or as otherwise directed by the Authority) and to maintain at all times the required systems of control and governance that are described in this Statement.

2 PURPOSE AND SCOPE

- 2.1 The purpose of this Statement is to describe the practices, procedures and systems which the Licensee has adopted to secure compliance with its obligations under the following conditions of the Licence:
- a. Standard Condition E6 (Prohibition of Cross-subsidies);
 - b. Standard Condition E7 (Restriction on Activity and Financial Ring Fencing);
 - c. Amended Standard Condition E12-C1 (Conduct of the Transmission Business);
 - d. Amended Standard Condition E12-C2 (Separation and Independence of the Transmission Business);
 - e. Amended Standard Condition E12-C3 (Restriction on use of certain information); and
 - f. Amended standard condition E12-C4 (Appointment of Compliance Officer) (the "**Relevant Duties**").
- 2.2 The Licensee is required to revise this Statement when circumstances change such that this Statement no longer secures compliance with its licence obligations detailed in paragraph 2.1.
- 2.3 Any revisions to this Statement shall only become effective once the Authority has approved the revised Statement.
- 2.4 This Statement sets out how the Licensee shall:
- a. Maintain appropriate managerial and operational independence of the Licensee in undertaking its activities under the Licence, from any Associated Business as required by Amended Standard Condition E12-C2 paragraph 4(a).
 - b. Ensure that the Transmission Business shall not give any cross-subsidy to, or receive any cross-subsidy from, any other business of the Licensee or of an Affiliate or Related Undertaking of the Licensee as required by Standard Condition E6.

- c. Not conduct any business or carry on any activity other than the Transmission Business, save as provided for by paragraphs 3 and 4 of Standard Condition E7.
- d. Conduct its Transmission Business in the manner best calculated to secure that, in complying with its obligations under the Licence:
 - i. the Licensee;
 - ii. any Affiliate or Related Undertaking of the Licensee;
 - iii. any user of the National Electricity Transmission System; and
 - iv. any other Transmission Licensee.

obtains no unfair commercial advantage including, in particular, any such advantage from a preferential or discriminatory arrangement, being, in the case of such an advantage accruing to the Licensee, one in connection with a business other than its Transmission Business as required under Amended Standard Condition E12–C1 paragraph 1.

- e. As required under Amended Standard Condition E12–C1 paragraph 2, except insofar as the Authority may direct, secure and procure separate premises, equipment, systems for recording and storing data, facilities, staff, and property from:
 - i. those owned by the System Operator responsible for co-ordinating and directing the flow of electricity onto or over the National Electricity Transmission System; and
 - ii. those owned by any Associated Business of the Licensee that is authorised to generate or supply electricity.
- f. As required under Amended Standard Condition E12–C2 paragraph 4(b) except insofar as the Authority consents to the Licensee not doing so, ensure:
 - i. any Associated Business of the Licensee that is the System Operator responsible for co-ordinating and directing the flow of electricity onto or over the National Electricity Transmission System; and
 - ii. any Associated Business of the Licensee that is authorised to generate or supply electricity, shall not use or have access to:
 - premises or parts of premises occupied by persons engaged in, or engaged in respect of, the management or operation of the Transmission Business or any External Transmission Activities;
 - systems for the recording, processing or storage of data to which persons engaged in, or engaged in respect of, the management or operation of the Transmission Business or any External Transmission Activities also have access;
 - equipment, facilities or property employed for the management or operation of the Transmission Business or any External Transmission Activities; or
 - the services of persons who are (whether or not as their principal occupation) engaged in, or in respect of, the management or operation of the Transmission Business or any External Transmission Activities; and

-
- iii. it can and does, insofar as is legally possible, prevent any person who has ceased to be engaged in, or in respect of, the management or operation of the Transmission Business from being engaged in, or in respect of, the activities of any Associated Business of the Licensee until the expiry of an appropriate time from the date on which he ceased to be engaged by the Transmission Business, where that Associated Business is either:
 - o the System Operator responsible for co-ordinating and directing the flow of electricity onto or over the National Electricity Transmission System; or
 - o authorised to generate or supply electricity.
 - g. As required under Amended Standard Condition E12-C3 paragraph 2 the Licensee shall not (and shall procure that its Affiliates and Related Undertakings shall not) disclose or authorise access to Confidential Information.
 - h. As required under Amended Standard Condition E12-C4 paragraph 1 the Licensee shall, following consultation with the Authority, appoint a competent person (who shall be known as the "**Compliance Officer**") for the purpose of facilitating compliance by the Licensee with paragraph 2.1 of this statement.
 - i. Put in place and at all times maintain such systems of control and other governance arrangements which are necessary to ensure that the Licensee complies with its obligations contained in Standard Condition E6, Standard Condition E7, Amended Standard Condition E12-C1 and Amended Standard Condition E12-C2.

3 COMPANY STRUCTURE

- 3.1 The Licensee is a wholly owned subsidiary of Diamond Transmission Partners RB (Holdings) Limited (the "**Parent Company**"). The Licensee was incorporated on 01 November 2016 and the Parent Company was incorporated on 31 October 2016. The Licensee was granted an offshore transmission licence to own and operate the Race Bank offshore electricity transmission system on 10 October 2019 (the "**Financial Close Date**").
- 3.2 The Licensee will comprise three ultimate shareholders (see Figure 3.1):
 - a. Mitsubishi Corporation ("**MC**"), through its wholly owned subsidiaries Diamond Transmission Corporation Limited ("**DTC**") and Diamond Transmission UK Limited ("**DTUK**") owns 51% of the shares; and
 - b. Sun Life Financial Inc. ("**SLF**") and Charles II Realisation LLP¹ ("Charles II RLLP") owns 49% of the shares, via SLF's wholly owned subsidiary InfraRed (UK) Holdco 2020 Limited ("**IR(UK)H**") owning 80% and Charles II RLLP owning 20% of InfraRed Partners LLP ("**IRPLLP**"), which wholly owns InfraRed Capital Partners (HoldCo) Limited ("**IRCPHL**"), which wholly owns InfraRed (Infrastructure) Capital Partners Limited ("**IR(I)CPL**"), which wholly owns Infrastructure Investments General Partner Limited ("**IIGPL**"), which has the 100% legal ownership of Infrastructure Investments Australia

¹ Noting that Charles II RLLP 20% voting rights in IRPLLP is not a majority controlling shareholder and hence Charles II RLLP is not an ultimate shareholder of the Licensee.

LLP (UK)² ("**IIAL**"), which wholly owns Infrastructure Investments PPP OFTO Holdings LLP² ("**IPOH**"), which wholly owns Infrastructure Investments PPP OFTO MidCo LLP² ("**IIPOM**"), which wholly owns Infrastructure Investments PPP OFTO LLP² ("**IPO**"), which wholly owns Infrastructure Investments OFTO1 Limited ("**IIO1L**");

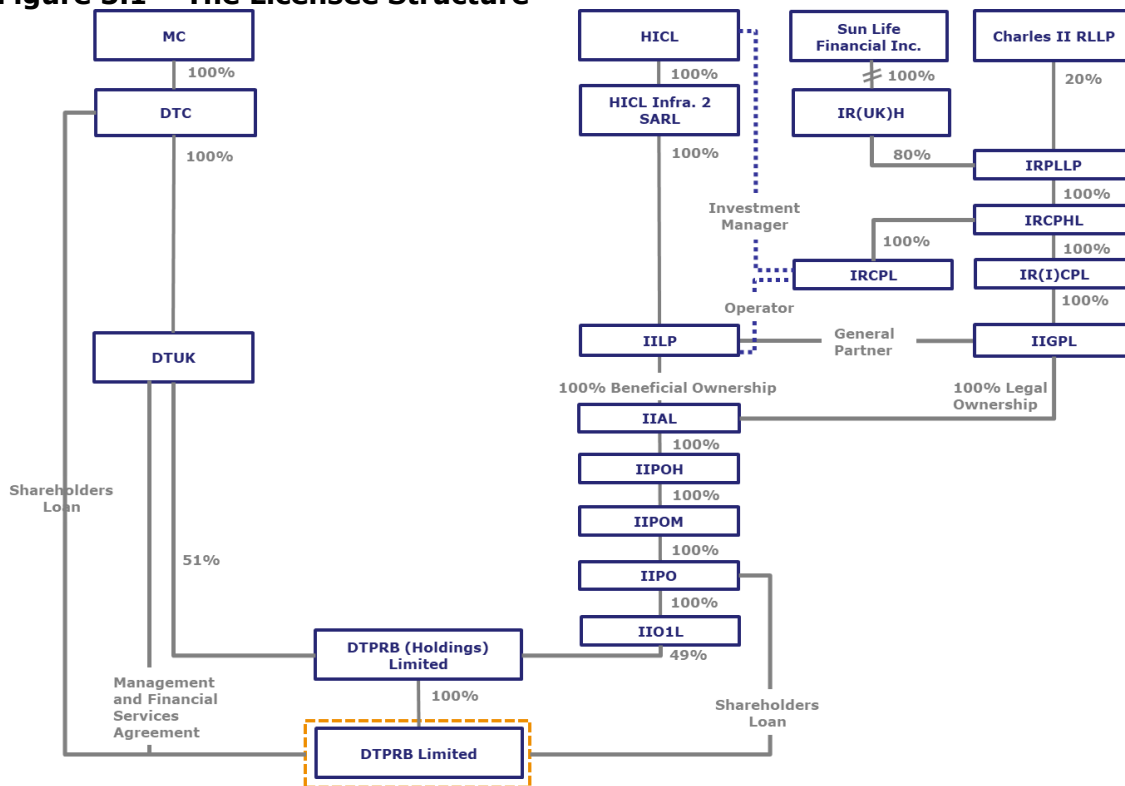
HICL Infrastructure Plc ("**HICL**"), via its wholly owned subsidiary HICL Infrastructure.2 SARL owns the beneficial interest in 49% of the shares via the 100% beneficial ownership of the OFTO LLPs.

- 3.3 MC owns a 20% stake in the energy supply company OVO Energy ("**OVO**") which holds an electricity supply licence. MC also owns 80% of the shares in Eneco Groep N.V. ("**Eneco**"). The Licensee operates independently from Eneco and OVO.
- 3.4 InfraRed Capital Partners Limited ("**IRCPL**"), HICL's investment manager, wholly owned by IRCPHL, is also the fund manager for 'The Renewables Infrastructure Group (UK) Limited ("**TRIG**")', the London Stock Exchange listed renewables infrastructure fund. TRIG owns in excess of 50 wind and solar p.v. projects of which several have a generation licence. In addition, IRCPL is the Fund Manager for InfraRed Infrastructure Fund V and InfraRed European Infrastructure Income Fund 4, where several projects have a generation licence. The Licensee operates independently from TRIG, InfraRed Infrastructure Fund V and InfraRed European Infrastructure Income Fund 4.
- 3.5 SLF has debt investments in certain generation and supply assets in the UK and elsewhere. The debt investments made by SLF do not allow SLF to exert any degree of control and influence over the noted generation and supply assets. SLF has no other direct infrastructure investments outside of its investment in IRPLLP.
- 3.6 DTUK 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**").
- 3.7 DTUK and IIO1L each owns 50% of Diamond Transmission Partners BBE Limited ("**DTPBBE**") and 51% and 49% respectively in Diamond Transmission Partners Galloper Limited ("**DTPG**") and 51% and 29% respectively in Diamond Transmission Partners Walney Extension Limited ("**DTPWE**");
 DTUK and SLF / Charles II RLLP through their wholly owned subsidiary Infrastructure Investments OFTO2 Limited ("**IIO2L**") each own 25% and 75% respectively of Diamond Transmission Partners Hornsea Two Limited ("**DTPHT**");
 DTUK owns 20% in Diamond Transmission Partners Hornsea One Limited ("**DTPH**");
 which each hold an offshore electricity transmission licence to operate an offshore electricity transmission system, together (the "**DTP OFTOs**").

² These entities are LLPs - the holding structure shows the primary member for each entity which receives the balance of proceeds on winding up. Each LLP has a second member which holds a de minimis interest - in the case of IIAL the secondary member is UK GDN Investments TopCo Ltd which holds a contribution of AUD 51 and for the other 3 LLPs beneath it the secondary member is UK GDN Investments HoldCo Ltd which holds a contribution of £1 in each. Both of these secondary members are ultimately 100% owned by IILP.

- | | |
|-----|--|
| 3.8 | All relevant DTUK staff as shareholders and directors of Blue Transmission OFTOs and DTP OFTOs are aware of the Separation and Independence of the Transmission Business Compliance Statement of the relevant BTI and DTP OFTOs company. The Licensee operates independently from the Blue Transmission OFTOs and DTP OFTOs. |
|-----|--|

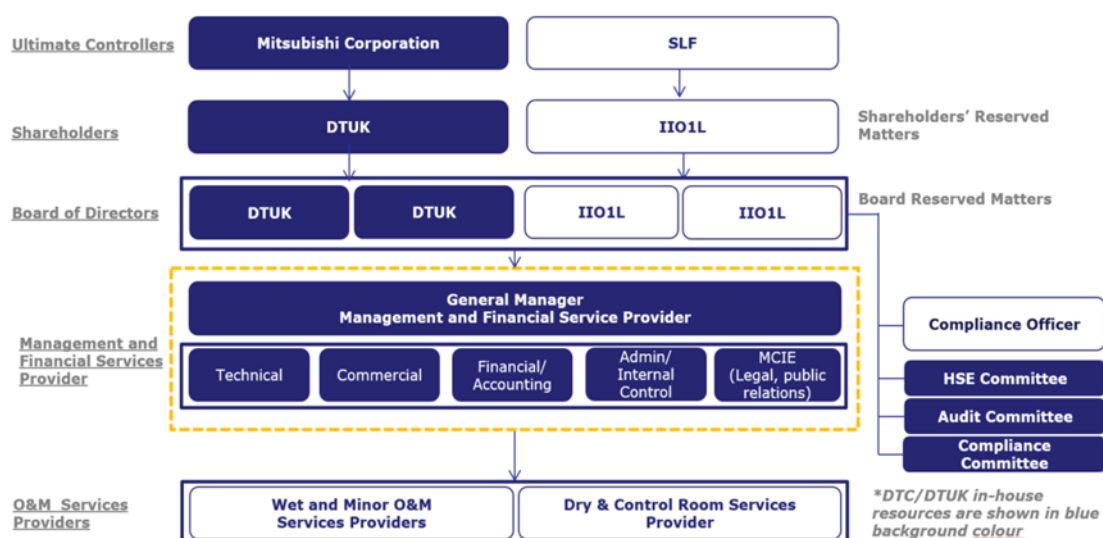
Figure 3.1 – The Licensee Structure



4 OPERATING MODEL

- 4.1 The Licensee primarily operates and maintains its offshore electricity transmission system through a series of bilateral contractual arrangements with independent third parties.
- 4.2 Consistent with the operating model described in paragraph 4.1, the management of the operations of the Licensee is undertaken in-house by DTUK via a Management and Financial Services Agreement ("**MFSA**").
- 4.3 The provider of operating and maintenance services ("**O&M**") to maintain and operate the transmission assets of the Licensee is Renewable Energy Systems Limited ("**RES**").

Figure 4.1 – The Licensee Operating Model (Simplified)



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

5.1 Obtaining no unfair commercial advantage

5.1.1 In accordance with Amended Standard Condition E12-C1 paragraph 1, the Licensee is required, as referenced above, to conduct its Transmission Business in the manner best calculated to secure that, in complying with its obligations under the Licence:

- the Licensee;
- any Affiliate or Related Undertaking of the Licensee;
- any user of the National Electricity Transmission System; and
- any other Transmission Licensee.

obtains no unfair commercial advantage including, in particular, any such advantage from a preferential or discriminatory arrangement, being, in the case of such an advantage accruing to the Licensee, one in connection with a business other than its Transmission Business.

5.1.2 The Licensee has put in place a Code of Conduct that applies to employees of DTUK and IRCPL (directors and in the case of DTUK providers of management and financial services to the Licensee).

5.1.3 The Code of Conduct explains and requires those subject to the Code of Conduct to carry out their duties, tasks and other activities in such a manner as to secure compliance with certain obligations under the Licence and in particular, compliance with Amended Standard Condition E12-C1 as to the conduct of the Transmission Business.

5.1.4 The Licensee has in place certain procurement procedures to ensure that the Licensee procures goods and services in an efficient and cost effective manner. Authorisation for procurement events take place at different value levels and are designed to prevent unauthorised, non-compliant behaviour. The procurement process is administered by DTUK. Material contracts require the Licensee's board approval.

- 5.1.5 Management and financial services are provided to the Licensee by DTUK. Fees in respect of such management and financial services are negotiated at arms-length and on normal commercial terms.
- 5.1.6 The Licensee's directors are required to declare any potentially conflicting interest at each board meeting and understand their fiduciary duties to the Licensee under both company law and the Licence. The Licensee directors understand that their fiduciary duty to the Licensee, as Licensee, is distinct from that of any other company including those that hold a transmission licence. Decisions taken by the Licensee's board have regard to these fiduciary duties.
- 5.1.7 The Licensee directors receive such training and support as required to ensure that they understand their obligations to the Licensee - see paragraph 6.1.4.
- 5.1.8 The Licensee's board, its compliance committee and Compliance Officer monitor compliance with Amended Standard Condition E12-C1.

5.2 Premises, equipment, systems for recording and storing data, facilities, staff and property

- 5.2.1 In accordance with Amended Standard Condition E12-C1 paragraph 2, the Licensee is required, except insofar as the Authority may direct, to secure and procure separate premises, equipment, systems for recording and storing data, facilities, staff, and property from:
- a. those owned by the System Operator responsible for co-ordinating and directing the flow of electricity onto or over the National Electricity Transmission System; and
 - b. those owned by any Associated Business of the Licensee that is authorised to generate or supply electricity.
- 5.2.2 The Licensee does not and does not intend to share any resources with any Transmission Licensee that holds a co-ordination licence and is responsible for co-ordinating and directing the flow of electricity onto or over the National Electricity Transmission System. The Licensee owns, rents, or otherwise has access to premises, equipment, and systems for recording and storing data, facilities and staff independent of such a Licensee.
- 5.2.3 Whilst the Licensee's ultimate parent companies own or manage businesses and projects that are authorised to generate electricity or supply electricity, the Licensee does not share resources (in the case of MC, with OVO, Eneco and in the case of HICL / Sun Life Financial Inc. / IRCPMLLP, with TRIG, InfraRed Infrastructure Fund V and InfraRed European Infrastructure Income Fund 4). Consequently, the Licensee is fully compliant with Amended Standard Condition E12-C1 paragraph 2.
- 5.2.4 The Licensee directors will monitor compliance with the obligations of Amended Standard Condition E12-C1 paragraph 2 in the light of any change in circumstances.

6 SEPARATION AND INDEPENDENCE OF THE TRANSMISSION BUSINESS (AMENDED STANDARD CONDITION E12-C2)

6.1 Managerial and operational independence of the Licensee

- 6.1.1 In order to maintain the requisite managerial and operational independence of the Licensee, the Licensee and its Parent Company have been established as legally separate companies, each with their own separate board of directors.
- 6.1.2 Other than as previously stated in paragraph 3.3 and 3.4 no Affiliate or Related Undertaking of the Licensee is authorised to generate, distribute, or supply electricity, or to provide meter reading or meter related services.

-
- 6.1.3 Amended Standard Condition E12-C2 (paragraphs 5 and 6) imposes the following obligations on the Licensee:
- a. The Licensee is required to establish separate boards of directors for the Transmission Business and for any Associated Businesses; and
 - b. Each member of such boards of directors or executives for Associated Businesses who is also a director of the offshore Transmission Business shall fulfil their role in relation to the taking of such decisions as if he or she were a director of a legally incorporated company whose sole business is the business in respect of which the board he or she is a member of has been established.
- 6.1.4 Responsive to the obligations imposed on the Licensee under Amended Standard Condition E12-C2 (paragraphs 5 and 6), and responsive to other obligations contained within the Licence including, but not limited to the appointment of a Compliance Officer in accordance with Amended Standard Condition E12-C4, the following arrangements have been put in place:
- a. The Licensee, Parent Company, the DTP OFTOs, the Blue Transmission OFTOs, OVO, Eneco, the relevant TRIG, InfraRed Infrastructure Fund V and InfraRed European Infrastructure Income Fund 4, entities each have a separate board of directors.
 - b. The Licensee has appointed an independent Compliance Officer, which together with the establishment of a compliance committee, is designed to ensure that there is appropriate corporate governance and independence of the Licensee.
 - c. The directors of the Licensee and Parent Company are required at all times to act in accordance with their fiduciary duties to that company in accordance with the requirements of company law and, in the case of the Licensee its offshore transmission licence. This means that they must discharge their duties and take all decisions as a member of the board of that company in the best interests of the business without regard to the interests of any other company or business.
 - d. The directors of the Licensee have and will continue to receive support and any training as required to ensure that they understand their obligations to the Licensee upon whose board they serve. In particular, the importance of business separation has been explained and reinforced to the directors of the Licensee and discussions have been held and will continue to be held with the Licensee directors regarding the importance of compliance with the obligations of the Licence generally and in respect of business separation in particular – both with the management and the independent Compliance Officer.
- 6.2 **Staff, premises, IT and other facilities**
- 6.2.1 As referenced under paragraph 2.4 f) the Licensee is not permitted to share certain resources with particular entities unless the Licensee has been allowed to do so by the Authority. The entities that are not permitted to share or use certain resources (except where permitted to do so by the Authority) are as follows:
- a. a Transmission Licensee that holds a co-ordination licence and is responsible for co-ordinating and directing the flow of electricity onto or over the National Electricity Transmission System; and
 - b. any Associated Business of the Licensee that is authorised to generate or supply electricity.

-
- 6.2.2 The Licensee and Parent Company does not share any resources with any entity (including Associated Businesses) that meets the operating characteristics described in paragraph 6.2.1. Furthermore, based on the current plans of the Licensee the directors do not expect this situation to change. Consequently the Licensee is compliant with the conditions of Amended Standard Condition E12-C2 paragraph 4(b) (i) and (ii).
- 6.2.3 The directors will monitor the future activities and plans of the Licensee, affiliates and their controlling companies, to ensure that it remains compliant with the conditions of Amended Standard Condition E12-C2 paragraph 4(b) (i) and (ii).
- 6.2.4 Amended Standard Condition E12-C2 paragraph 4 (b) (iii) requires the Licensee to ensure that it can and does, insofar as is legally possible, prevent any person who has ceased to be engaged in, or in respect of, the management or operation of the Transmission Business from being engaged in, or in respect of, the activities of any Associated Business of the Licensee until the expiry of an appropriate time from the date on which he ceased to be engaged by the Transmission Business, where that Associated Business is either:
- a. the System Operator responsible for co-ordinating and directing the flow of electricity onto or over the National Electricity Transmission System; or
 - b. authorised to generate or supply electricity.
- 6.2.5 The Licensee will ensure, in so far as is legally possible, that 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. The Licensee directors will monitor future activities, plans and make suitable enquiries to ensure that it remains compliant with the conditions of Amended Standard Condition E12-C2 paragraph 4(b)(iii).
- 6.2.6 The Licensee does not employ its own staff and has entered into a MFSA with DTUK (to which Blue Transmission OFTOs and the DTP OFTOs are not parties) whereby DTUK provides a range of general management and financial services to the Licensee. Blue Transmission OFTOs have separate boards of directors, do not employ any staff and, with the exception of Blue Transmission Walney 1 ("**BTW1L**"), have a separate Management Services Agreement ("**MSA**") and Shared Resources Agreement ("**SRA**") with Frontier Power Limited ("**FPL**") whereby FPL provide a range of general management and other shared services to Blue Transmission OFTOs. Blue Transmission Walney 1 has a separate MSA with DTUK and a financial services agreement with IML whereby DTUK and IML provide a range of management and financial services to BTW1L. DTP OFTOs have separate boards of directors, do not employ any staff and have a separate MFSA with DTUK whereby DTUK provides a range of general management and financial services to DTP OFTOs.
- 6.2.7 All resources provided to the Licensee, Blue Transmission OFTOs, and DTP OFTOs are via totally separate service agreements as stated in paragraph 6.2.6, with no sharing of resources in normal circumstances. If resources are required to be shared in the future between the Licensee, Blue Transmission OFTOs and DTP OFTOs, this will be undertaken on a commercial arm's length basis.
- 6.2.8 The Licensee is not authorised to obtain, nor allow any Affiliate or Related Undertaking or staff from any Affiliate or Related Undertaking to obtain, an unfair commercial advantage from having shared access or use of resources related to the Licensee. Given the ownership and group structure within which the Licensee operates, the nature of the regulatory regime and the inherent low risk business model operated by the Licensee, it is the opinion of the Licensee

directors that the likelihood of an unfair commercial advantage being gained by the Licensee is considered extremely low. The Licensee's Code of Conduct, described in paragraph 6.2.9, ensures that all relevant personnel are aware that the obtaining of an unfair commercial advantage is not permitted. In addition, the Compliance Officer monitors this compliance through the review of the Licensee's procedures, interviews with management, regular meetings with the Licensee board, and the review of the agenda, papers and minutes of the Licensee's board meetings.

- 6.2.9 The Licensee has implemented processes to ensure that all persons involved in the management or operation of the Licensee's Transmission Business conduct the Transmission Business in the manner best calculated to secure that the Licensee complies with the Licence conditions covered by this Statement. These processes include requiring all such persons to comply with the Code of Conduct set out in Appendix 1.
- 6.2.10 The Licensee has implemented security to premises, physical documents and IT systems, as appropriate, to secure the confidentiality of information and only allow access by authorised persons.
- 6.2.11 There are only a limited number of employees and/or consultants providing management and financial services to the Licensee. Information is only shared with those employees/consultants necessary for the performance of their duties and information (including financial information) is segregated accordingly by the use of logical access controls. Other IT controls include the use of passwords. Physical access is restricted to the premises and/or documents by the uses of keys and/or key code access.

7 COMPLIANCE OFFICER (AMENDED STANDARD CONDITION E12-C4)

- 7.1 The Licensee has, following consultation with the Authority, appointed a competent person as the "Compliance Officer" for the purpose of facilitating compliance by the Licensee with Amended Standard Condition E12-C4 of the Licence and with 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) and Amended Standard Condition E12-C2 (Separation and Independence of the Transmission Business) and Amended Standard Condition E12-C3 (Restriction on use of certain information) (the "relevant duties").
- 7.2 The function of the Compliance Officer will be to perform the duties and tasks outlined in paragraph 7 of Amended Standard Condition E12-C4 (covering advising, monitoring, investigating and reporting on compliance matters). This will include providing relevant advice and information to the Licensee (including individual directors of the Licensee) and its compliance committee. The Compliance Officer will report annually to the compliance committee and to the Licensee board of directors. Thereafter, the Licensee will make a report to the Authority.
- 7.3 The Compliance Officer is independent of the management of the Licensee and provides an important check and balance in relation to Licensee's overall Licence compliance framework in general and specifically in relation to the issue of business separation and independence. The Compliance Officer's independence from the management of the Licensee is an essential characteristic of a Compliance Officer. This characteristic allows the Compliance Officer to form an independent and objective view as to the Licensee's compliance with the Transmission Business separation requirements of the Licence, independent from any views that may be expressed by the management and the Licensee directors.

-
- 7.4 The Compliance Officer is able to offer independent advice to the management and directors of the Licensee in a number of areas, including:
- a. the procedures and processes that have been put in place to achieve business separation and independence of the Transmission Business;
 - b. any interpretation of the Licence in business separation matters generally; and
 - c. to proffer advice in relation to ad-hoc issues as they arise.

8 PROHIBITION OF CROSS SUBSIDIES (STANDARD CONDITION E6)

- 8.1 Standard Condition E6 (Prohibition of Cross-subsidies) prohibits the Licensee as the Licence holder, from giving or receiving a cross-subsidy from any other business or an Affiliate or Related Undertaking of the Licensee.
- 8.2 As referred to in Section 4 Operating Model, the Licensee primarily operates and maintains its transmission system through a series of contractual arrangements with independent third parties. The nature of these arrangements means that the costs incurred by the Licensee are negotiated at market prices at the date the arrangements are entered into.
- 8.3 The Licensee contracts directly with its principal external service providers e.g. the O&M contractors with such contracts administered by DTUK as the management and financial service provider.
- 8.4 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. Finally, the governance and compliance procedures outlined in this Statement (including the Code of Conduct described in paragraph 6.2.9) that have been adopted by the Licensee give the Licensee's board assurance that they will continue to comply with this Licence obligation.

9 RESTRICTIONS ON ACTIVITY AND FINANCIAL RING FENCING (STANDARD CONDITION E7)

- 9.1 With certain exceptions, the Licensee as the Licence holder is not permitted to conduct any business or carry on any activity other than the Transmission Business.
- 9.2 The principal exceptions to paragraph 9.1 relate to: the conduct of de minimis business (as defined in Standard Condition E7) whether carried out by the Licensee or a subsidiary created for that purpose; investments acquired in the normal course of the Licensee's treasury activities; investment in subsidiaries that have the sole purpose of carrying out financing activities; investment in entities that carry out the Transmission Business of the Licensee; and any other business activity to which the Authority has given its consent.
- 9.3 Through the operation of the MFSA to the Licensee, DTUK has to operate within certain parameters. Amongst other conditions, these operating parameters restrict DTUK from entering into any arrangements, agreements or from carrying out any activities that are inconsistent with any operating plan approved by the Licensee's board. The approved operating plan does not pre-suppose any proposed activities or arrangements that are inconsistent with the obligations contained within this Statement.

-
- 9.4 The Licensee directors are aware of the general prohibition relating to non-Transmission Business (subject to the exceptions described in paragraph 9.2) and would not permit the Licensee to engage in this prohibited activity. Finally, in the event of the failure of any of the above processes and controls, the Compliance Officer would bring the attention of such activity to the attention of the Licensee directors ensuring that the appropriate remedial action would be taken.

10 MONITORING, RESPONSIBILITY AND REPORTING

- 10.1 The Licensee board is responsible for ensuring that the Licensee complies with the obligations of the Licence generally and this Statement in particular, and will take all reasonable measures to ensure compliance with the terms of this Statement.
- 10.2 The Licensee has appointed a compliance committee to specifically monitor compliance with the conditions of the Licence and the compliance committee reports to the Licensee's board and that of the Parent Company.
- 10.3 The Licensee has appointed a Compliance Officer (as required by Amended Standard Condition E12-C4) who is responsible for facilitating compliance by the Licensee with certain conditions of the Licence, including the conditions shown at paragraph 2.1 of this Statement. The Compliance Officer will report to the compliance committee.
- 10.4 The compliance committee, Compliance Officer and board of directors of the Licensee will monitor the activities of the Licensee in relation to compliance with all Licence obligations.
- 10.5 The compliance committee is scheduled to meet on an annual basis. This committee will consider whether the Licensee has complied with its obligations under the Licence and will report upon its deliberations to the Licensee's board of directors, including any breaches or potential breaches of Licence conditions. The compliance committee will consider reports from DTUK (who are providing management and financial services under the terms of the MFSa) and from the Compliance Officer.
- 10.6 DTUK maintains a register of obligations which, amongst other things, records relevant obligations under the Licence. DTUK reviews on a regular basis the content of this register and whether these obligations have been met. A regular review of this register is one of the management processes that allow Licence obligations to be monitored and reported against.
- 10.7 In the event that DTUK, the Compliance Officer or any member of the compliance committee becomes aware of a licence breach or a potential breach, then an ad-hoc meeting of the compliance committee will be called to consider the breach or potential breach. The compliance committee will make a recommendation to the Licensee's board and where appropriate the Licensee's board will be convened to consider the appropriate response.
- 10.8 The duties of the Compliance Officer include the requirement to report annually to the compliance committee and to the Licensee's board as to his activities which will indicate the Licensee's compliance or otherwise with the obligations of this Statement in particular. Thereafter, the Licensee will report to the Authority and amongst other matters will confirm compliance or otherwise with the obligations of this Statement.

11 INVESTIGATION OF COMPLAINTS REGARDING COMPLIANCE WITH THIS STATEMENT

- 11.1 The Compliance Officer along with his other duties, is responsible for investigating all complaints in relation to compliance with this Statement and the Licence, and will be allocated such resources and assistance as necessary to carry out any such investigation as he deems necessary to complete that investigation.
- 11.2 Any complaints or queries relating to business separation should be addressed in the first instance to:
The Compliance Officer
Diamond Transmission Partners RB Limited
c/o Power System Consultants Limited

12 APPROVAL

- 12.1 The board of the Licensee has endorsed this Statement prior to its submission to the Authority for approval. The Authority has approved this Statement.

APPENDIX 1 – CODE OF CONDUCT

The purpose of this Code of Conduct is to ensure that relevant personnel are aware and comply with the obligations of the transmission licence granted to the Licensee.

All relevant personnel are required to confirm their acceptance and compliance with this Code of Conduct on an annual basis.

1 Who must abide by the code?

The Licensee and Parent Company directors.

Employees and consultants of DTUK and IRCPL engaged in the management and operation of the Licensee's Transmission Business or the Transmission Business of any of the Licensee's affiliates.

2 What requirements must be complied with and where can these be found?

2.1 The Licensee's Licence:

- Standard Licence Condition E6: Prohibition of Cross-Subsidies;
- Standard Licence Condition E7: Restriction on Activity and Financial Ring Fencing;
- Amended Standard Licence 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) (the "**Relevant Duties**").

2.2 S105 Utilities Act 2000: General restrictions on disclosure of information.

2.3 Failure to comply could result in adverse consequences for the Licensee, including:

- financial penalty;
- criminal prosecution;
- liability payments to a third party for breach of a contract;
- investigations and other enforcement action by Ofgem;
- additional and more onerous Licence conditions; and
- serious damage to the Licensee's reputation.

2.4 Breach of this Code of Conduct will be treated as a disciplinary matter and will be reported to the Authority.

3 What should be done if a breach is discovered?

3.1 Any breach of the Code of Conduct by employees or relevant personnel whether deliberate or unintentional, must be immediately reported to a member of the Licensee's compliance committee.

4 General Rules

4.1. Confidential information

4.1.1 Any information relating to or deriving from the management or operation of the Licensee's Transmission Business is to be treated as confidential and should not

be disclosed except where the Licensee and its affiliates are permitted to disclose information by virtue of:

- i. any requirement of a “competent authority” as defined in Amended Standard Condition E12-C3 which term includes (among others) the Secretary of State, Ofgem and the Compliance Officer;
 - ii. conditions of the transmission licence granted to the Licensee;
 - iii. any other requirements of law;
 - iv. the rules of the Electricity Arbitration Association or of any judicial or other arbitral process or tribunal of competent jurisdiction;
 - v. information being provided by or relating to any person who has notified the Licensee that it need not be treated as confidential; and
 - vi. where information, not being provided by or relating to any person other than the Licensee, is placed in the public domain or where such information is required for assisting the holder of a co-ordination licence (e.g. NGESO), to prepare for and plan and develop the operation of the National Electricity Transmission System.
- 4.1.2 Here “Transmission Business” means the authorised businesses of the Licensee or any Affiliate or Related Undertaking in the planning or development or construction or operation or maintenance of a transmission system.
- 4.1.3 It is therefore permissible to share information between the Transmission Businesses of the Licensee, or any Affiliate or Related Undertaking, with an authorised Transmission Business, for the purpose of the efficient planning or development or construction or operation or maintenance of the Licensee’s transmission system. In addition, in sharing information with any other Affiliate or Related Undertaking of the Licensee no unfair commercial advantage shall be provided.
- 4.1.4 An unfair commercial advantage will be presumed where there is a financial benefit obtained by either the Licensee or Affiliate or Related Undertaking of the Licensee entering into a commercial arrangement with the Licensee since the date of licence grant and financial close where such an arrangement has not been benchmarked or market tested and is on materially different terms to any such similar arrangement entered into at licence grant and financial close and is based on the knowledge of confidential information to the Licensee.

4.2 Relevant personnel must not:

- 4.2.1 Relevant Personnel being the Licensee and Parent Company directors, staff of DTUK and IRCPL.
- 4.2.2 Provide information that is commercially confidential to the Licensee to any Affiliate or Related Undertaking of the Licensee or that of any third party, except:
- i. to the extent that such information is required for the Affiliate or Related Undertaking of the Licensee or third party to perform an activity under the terms of a contract which supports the management or operation of the Transmission Business licensed to the Licensee provided the use of such information does not confer an unfair commercial advantage as set out above and where the provision of such information is governed by suitable confidentiality restrictions; or
 - ii. to personnel of any holder of a transmission licence engaged in the External Transmission Activities of that transmission licence holder, to the extent necessary for the performance by such personnel of those external transmission activities, and the use by such personnel of that information

for that purpose provided the use of such information does not confer an unfair commercial advantage as set out above and where the provision of such information is governed by suitable confidentiality restrictions; or

- iii. to personnel engaged in the planning or development or construction or operation or maintenance the use of such information does not confer an unfair commercial advantage as set out above and where the provision of such information is governed by suitable confidentiality restrictions.
- 4.2.3 Provide or receive any cross subsidy to or from the Licensee or any Affiliate or Related Undertaking of the Licensee whether by means of direct or indirect financial assistance, or non-cost-reflective charges for services, use of facilities or otherwise.
- 4.2.4 Enter into any new commercial agreement between the Licensee and an Affiliate or Related Undertaking after financial close unless it is on an arm's length basis and on normal commercial terms as approved through the related party contract authorisation process by the Licensee's Board.

4.3 Employees and relevant personnel must:

- 4.3.1 Ensure that adequate records are maintained in respect of all new services provided to the Licensee by affiliates or related undertakings since financial close so as to demonstrate that such arrangements do not confer an unfair commercial advantage and are entered into consistent with the conditions described in paragraph 4.2.3 of this Code of Conduct.
- 4.3.2 Ensure that the reporting requirements as specified or implied by the terms of the management services agreement are communicated in a timely manner, including:
- i. immediate notification of any actual or potential regulatory breaches; and
 - ii. in the manner, detail and frequency as agreed following implementation of the management services agreement.
- 4.3.3 Ensure that the cost of services under any new joint contracts entered into with an Affiliate or Related Undertaking or a third party with the Licensee and any other Transmission Business is fairly allocated to the Licensee and each of the Transmission Businesses such that there is no cross subsidy given to any Transmission Business.

5. Further Guidance and Advice

If you need further guidance in the first instance speak to the Licensee's General Manager or Compliance Officer.