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**Diamond Transmission Partners**  
**Walney Extension 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	06/06/19	First Issue	Joel Matthews	G Thornton

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## 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 Walney Extension Limited (“the **Company**” or “the **Licensee**”) (registered in England with number 10726538) 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 Company.
- 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 Company 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) (the “**Relevant Duties**”); and
  - f. Amended standard condition E12-C4 (Appointment of Compliance Officer).
- 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:

- o 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;
- o 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;
- o equipment, facilities or property employed for the management or operation of the Transmission Business or any External Transmission Activities; or
- o 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:

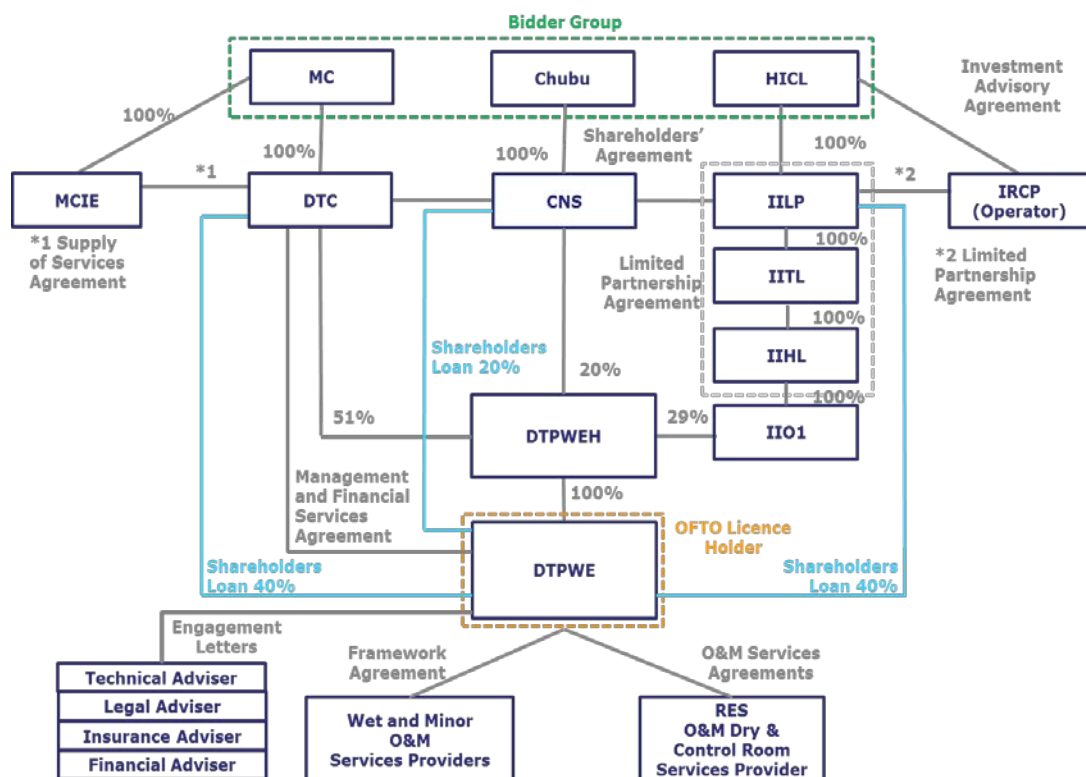
- o the System Operator responsible for co-ordinating and directing the flow of electricity onto or over the National Electricity Transmission System; or
  - o authorised to generate or supply electricity.
- g. Put in place and at all times maintain such systems of control and other governance arrangements 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, Amended Standard Condition E12-C2, Amended Standard Condition E12-C3 and Amended Standard Condition C4.

### 3 COMPANY STRUCTURE

- 3.1 The Company is a wholly owned subsidiary of Diamond Transmission Partners Walney Extension (Holdings) Limited (the “**Parent Company**”). The Company was incorporated on 18 April 2017 and the Parent Company was incorporated on 13 April 2017. The Company was granted an offshore transmission licence to own and operate the Walney Extension offshore electricity transmission system on 01 June 2020 (the “**Licence Grant Date**”).
- 3.2 The Company will comprise three ultimate shareholders (see Figure 3.1):
- a. Mitsubishi Corporation (“**MC**”), through its wholly owned subsidiary Diamond Transmission Corporation Limited (“**DTC**”) will own 51% of the shares;
  - b. HICL Infrastructure Plc (“**HICL**”), through its 100% owned subsidiary Infrastructure Investments OFTO 1 Limited (“**IIO1**”) will own 29% of the shares; IIO1L is wholly owned by Infrastructure Investments Holdings Limited (“**IHL**”), which is wholly owned by Infrastructure Investments Trafalgar Limited (“**IITL**”), which is wholly owned by Infrastructure Investments Limited Partnership (“**IILP**”), which is wholly owned by HICL. HICL does not contain any employees and employs InfraRed Capital Partners Limited (“**IRCP**”) in an investment advisory capacity; and
  - c. Chubu Electric Power Co., Inc. (“**Chubu**”) through its wholly owned subsidiary Chubu NewCo SPV (“**CNS**”) will own 20% of the shares.
- 3.3 MC wholly owns Diamond Generation Europe Limited (“**DGE**”). DGE has a 33.4% stake in the Moray Firth Offshore Wind Farm (“**MFOF**”) which holds an electricity generation licence. MC also owns a 20% stake in the energy supply company OVO Energy (“**OVO**”) which holds an electricity supply licence. The Company operates independently from DGE, MFOF and OVO. The Company operates independently from DGE, MFOF and OVO.
- 3.4 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 TRIG. The Company operates independently from TRIG.
- 3.5 Chubu has 50% equity interests in Jera Co., Inc. (“**JERA**”). JERA has a 24.95% stake in the Gunfleet Sands Offshore Wind Farm (“**GSOW**”) which holds an electricity generation license. JERA also owns a certain stake in Zenobe Energy Ltd. (“**Zenobe**”) which is a UK energy storage company with 73MW of operational assets with generation license. The Company operates independently of JERA, GSOW and Zenobe.

- 3.6 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**"). In addition DTC and IIO1L each own 50% of Diamond Transmission Partners BBE Limited ("**DTPBBE**") and 51% and 49% respectively in Diamond Transmission Partners Race Bank Limited ("**DTPRB**") and Diamond Transmission Partners Galloper Limited ("**DTPG**"), which each hold an offshore electricity transmission licence to operate an offshore electricity transmission system, together ("the **DTP OFTOs**"). All relevant DTC staff as shareholders and directors of Blue Transmission OFTOs and DTP OFTOs are aware of the relevant BTI, DTPBBE, DTPRB and DTPG company Separation and Independence of the Transmission Business Compliance Statement. The Company operates independently from the Blue Transmission OFTOs and DTP OFTOs.

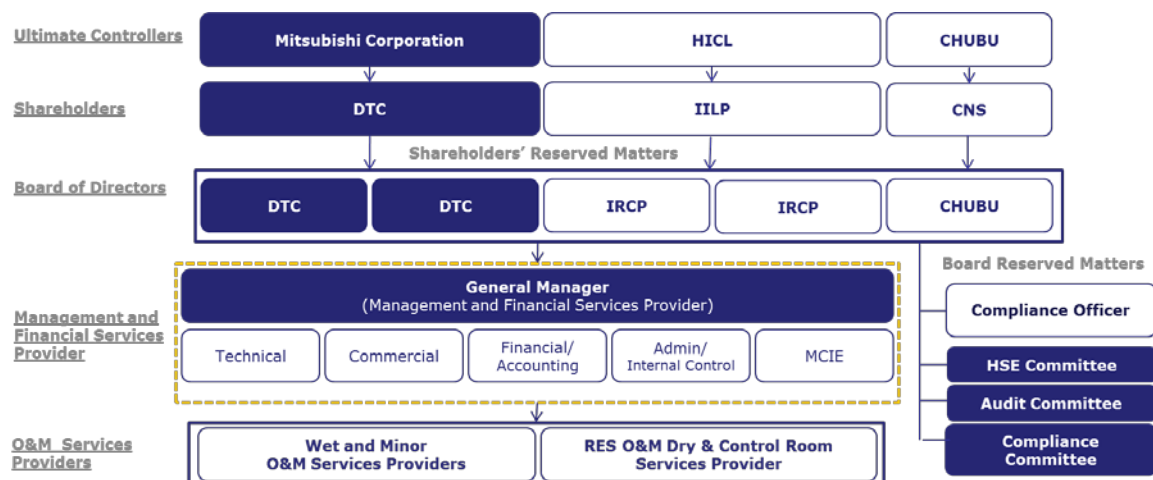
**Figure 3.1 – The Company Structure (on financial close)**



## 4 OPERATING MODEL

- 4.1 The Company 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 Company is undertaken in-house by DTC 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 Company is Renewable Energy Systems Limited ("**RES**").

**Figure 4.1 – The Company Operating Model**



## 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 Company 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 Company has put in place a Code of Conduct that applies to employees of DTC, IRCP and Chubu (directors of the Company and the Parent Company and in the case of DTC providers of management and financial services to the Company).
- 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 Company 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 DTC. Material contracts require the Company's board approval.
- 5.1.5 Management and financial services are provided to the Company by DTC. Fees in respect of such management and financial services are negotiated at arms-length and on normal commercial terms.

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- 5.1.6 The Company's directors are required to declare any potentially conflicting interest at each board meeting and understand their fiduciary duties to the Company (and Licensee) under both company law and the Licence. The Company directors understand that their fiduciary duty to the Company, as Licensee, is distinct from that of any other company including those that hold a transmission licence. Decisions taken by the Company's board have regard to these fiduciary duties.
- 5.1.7 The Company directors receive such training and support as required to ensure that they understand their obligations to the Company - see paragraph 6.1.4.
- 5.1.8 The Company'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 Company 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 Company 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 Company 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 Company's ultimate parent companies own or manage businesses and projects that are authorised to generate electricity or supply electricity, the Company does not share such resources with, in the case of MC, DGE, OVO, in the case of HICL / IRCP, TRIG and in the case of Chubu, JERA, GSOW and Zenobe. Consequently, the Company is fully compliant with Amended Standard Condition E12–C1 paragraph 2.
- 5.2.4 The Company will ensure that relevant personnel in DTC, IRCP and Chubu (directors of the Company and the Parent Company and in the case of DTC providers of management and financial services to the Company) are aware of and comply with the Company Code of Conduct (Appendix 1).
- 5.2.5 The Company 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 Company as the Licensee, the Company and its Parent Company have been established as legally separate companies, each with their own separate board of directors.



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- 6.1.2 Other than as previously stated in paragraph 3.3, 3.4 and 3.5 no Affiliate or Related Undertaking of the Company is authorised to 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 Company, Parent Company, Blue Transmission OFTOs, DTP OFTOs, MFOW, OVO, the relevant TRIG entities and JERA, GSOW and Zenobe each have a separate board of directors.
  - b. The Company 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 Company.
  - c. The directors of the Company 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 Company the Licences. 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 Company have and will continue to receive support and any training as required to ensure that they understand their obligations to the Company upon whose board they serve. In particular, the importance of business separation has been explained and reinforced to the directors of the Company and discussions have been held and will continue to be held with the Company 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 facilitates**
- 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 to generate or supply electricity.
- 6.2.2 The Company 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 Company 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 Company, 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 prevent, in so far as is legally possible, 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 an Associated Business until the expiry of an appropriate time. The Company 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 Company does not employ its own staff and has entered into a MFSA with DTC (to which Blue Transmission OFTOs and DTP OFTOs are not parties) whereby DTC provides a range of general management and financial services to the Company. Blue Transmission OFTOs have separate boards of directors, do not employ any staff and 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. Each DTP OFTO has a separate board of directors, do not employ any staff and each has a separate MFSA with DTC whereby DTC provides a range of general management and financial services to each DTP OFTO.
- 6.2.7 All resources provided to the Company, 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 Company, Blue Transmission OFTOs and DTP OFTOs, this will be undertaken on a commercial arm's length basis e.g. provision of purchase orders at market rates.
- 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 Company. 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

Company directors that the likelihood of an unfair commercial advantage being gained by the Company is considered extremely low. The Company's Code of Conduct, described in paragraph 6.2.9 and shown in Appendix 1, ensures that all relevant personnel are aware that the obtaining of an unfair commercial advantage is not permitted, and in addition, the Compliance Officer monitors this compliance through the review of the licensee's procedures; interviews with management; regular meetings with the Company board; and the review of the agenda, papers and minutes of the Company's board meetings.

- 6.2.9 The Company has implemented processes to ensure that all persons involved in the management or operation of the Company's Transmission Business conduct the Transmission Business in the manner best calculated to secure that the Company 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 Company 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 Company. 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 CONDITON 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 Company 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 Company directors.

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- 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 the procedures and processes that have been put in place to achieve business separation and independence of the Transmission Business; and any interpretation of the Licence in business separation matters generally. The Compliance Officer is also able to proffer advice in relation to ad-hoc issues as they arise.

## **8 PROHIBITION OF CROSS SUBSIDIES (STANDARD CONDITON E6)**

- 8.1 Standard Condition E6 (Prohibition of Cross- subsidies) prohibits the Company 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 Company 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 Company are negotiated at market prices at the date the arrangements are entered into.
- 8.3 The Company contracts directly with its principal external service providers e.g. the O&M contractors with such contracts administered by DTC 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 Company give the Company's board assurance that they will continue to comply with this Licence obligation.

## **9 RESTRICTIONS ON ACTIVITY AND FINANCIAL RING FENCING (STANDARD CONDITON E7)**

- 9.1 With certain exceptions, the Company 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 Company or a subsidiary created for that purpose; investments acquired in the normal course of the Company'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 Company, DTC has to operate within certain parameters. Amongst other conditions, these operating parameters restrict DTC from entering into any arrangements, agreements or from carrying out any activities that are inconsistent with any operating plan approved by the Company'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 Company 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 Company directors ensuring that the appropriate remedial action would be taken.

## **10 MONITORING, RESPONSIBILITY AND REPORTING**

- 10.1 The Company board is responsible for ensuring that the Company 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 Company has appointed a compliance committee to specifically monitor compliance with the conditions of the Licence and the compliance committee reports to the Company's board and that of the Parent Company.
- 10.3 The Company 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 Company will monitor the activities of the Company 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 Company's board of directors, including any breaches or potential breaches of Licence conditions. The compliance committee will consider reports from DTC (who are providing management and financial services under the terms of the MFSA) and from the Compliance Officer.
- 10.6 DTC maintains a register of obligations which, amongst other things, records relevant obligations under the Licence. DTC 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 DTC, 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 Company's board and where appropriate the Company'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 Company's board as to his activities which will indicate the Licensee's compliance or otherwise with the obligations of this Statement and under the Licence 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 MONITORING, RESPONSIBILITY AND REPORTING**

- 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 Walney Extension Limited

c/o Power System Consultants Limited

## **12 MONITORING, RESPONSIBILITY AND REPORTING**

- 12.1 The boards of the Company and Parent Company have 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 licences granted to the Company.

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 Company and Parent Company directors.

Employees and consultants of DTC, IRCP and Chubu 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) (the "Relevant Duties"); and
- Amended standard condition E12-C4 (Appointment of Compliance Officer).

#### **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.
- 4.1.5 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 Company and Parent Company directors, staff of DTC, IRCP and Chubu.
- 4.2.1 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.
- 4.2.2 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.
- 4.2.3 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.