



**Southern Electric Power Distribution plc
Scottish Hydro Electric Power Distribution plc
Scottish Hydro Electric Transmission plc**

Compliance Annual Report 2012/13

Restriction on use of certain information and independence of the Distribution and
Transmission Businesses

Compliance Report 2012/13

Introduction

This report is for the year to March 2013, as required by Condition 43 of the standard distribution licences of:

Southern Electric Power Distribution plc (SEPD), and
Scottish Hydro Electric Power Distribution plc (SHEPD)

and by Special Condition 2H of the Transmission Licence of:

Scottish Hydro Electric Transmission plc (SHE Transmission).

as to compliance with the licence requirements on the restriction on use of certain information and independence of the distribution and transmission businesses ("Compliance").

Scottish and Southern Energy Power Distribution is a trading name of SEPD, SHEPD and SHE Transmission, part of the Scottish and Southern Energy plc (SSE) group of companies.

Henderson Loggie continued to be appointed as Compliance Officer for 2012/13 and have been re-appointed for 2013/14.

Legal separation and governance

Scottish and Southern Energy Power Distribution has published a Statement of Compliance, as required by the distribution and transmission licences. This can be found on the Scottish and Southern Energy Power Distribution website:

www.ssepd.co.uk.

Scottish and Southern Energy Power Distribution has a separate Board of Directors. Corporate governance procedures, which have been advised on by the Compliance Officer, continue in place between the Scottish and Southern Energy Power Distribution Board and the SSE Board. One of the Scottish and Southern Energy Power Distribution Directors is also a SSE Director, which reinforces the decision-making authority of the Scottish and Southern Energy Power Distribution Board and maintains appropriate corporate governance.

Scottish and Southern Energy Power Distribution has its own management structure. SSE power systems staff are employed by Scottish and Southern Energy Power Distribution.

Responsibility and monitoring

The Scottish and Southern Energy Power Distribution Board has overall responsibility for Compliance.

It is the responsibility of managers to ensure Compliance within their own business areas, in accordance with SSE policy. Business processes are designed to ensure Compliance by staff in the normal course of their duties. Monitoring of these processes is carried out internally by the SSE Internal Audit department, in liaison with the Head of Regulation, Networks.

During the year Scottish and Southern Energy Power Distribution has worked closely with the Compliance Officer, appointed in accordance with the requirements of the licences. The Compliance Officer's work during the year was to monitor the ongoing effectiveness of procedures and systems with regard to Compliance, and Internal Audit is utilised in carrying out this role.

The Compliance Officer has full and open access to all staff and documentation. There have been regular visits and meetings with the Compliance Officer during the year to monitor ongoing Compliance. The Compliance Officer's report to the Directors of Scottish and Southern Energy Power Distribution, as required by the Licences, is attached to this report.

New or modified systems

There have been no new, or modifications to, IT systems where there has been any need to take into account Compliance considerations.

Staff training and movements

Staff transfers from Scottish and Southern Energy Power Distribution to the supply and generation businesses, where there is a Compliance implication, are discussed with the Compliance Officer.

During 2012/13, there have been no staff transfers which have had a Compliance implication.

Transmission

SSE jointly manages and operates its transmission and distribution businesses.

Complaints or representations on compliance

There were no complaints regarding Scottish and Southern Energy Power Distribution received during the year.

Further information

Queries on this report should be addressed to:

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