



Scottish Hydro Electric Transmission plc

Compliance Annual Report 2013/14

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Introduction

This report is for the year to March 2014, as required by Special Condition 2H.9 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 transmission business ("compliance"). Specifically, this report will comment on compliance during the relevant year with the Relevant Duties; and about the implementation of the practices, procedures, and systems adopted in accordance with the Statement of Compliance, also required to be produced by the licensees.

SHE Transmission is a wholly owned subsidiary's of Scottish and Southern Energy Power Distribution (SSEPD), which itself is part of the SSE plc group of companies. As a result of a Gas & Electricity Markets Authority derogation, SSEPD has in place a common board structure also covering Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc.

The Compliance Officer role, as required by Condition 2H.4, was performed for 2013/14 by external Audit firm Henderson Loggie. This appointment has been continued for 2014/15.

Legal separation and governance

SSEPD has published a Statement of Compliance, as required by the distribution and transmission licences. This can be found on the SSEPD website:

www.ssepd.co.uk

SSEPD has a separate board of directors from the main SSE plc parent company. The board comprises of a chairman, a deputy chairman, four executive directors, and two sufficiently independent non-executive directors. Corporate governance procedures, which have been advised on by the Compliance Officer, continue in place between the SSEPD and SSE boards. One of the SSEPD directors is also a SSE director, which reinforces the decision-making authority of the SSEPD board and maintains appropriate corporate governance.

SSEPD has its own management structure under which SHE Transmission staff are employed. The Director of Transmission is an executive member of the SSEPD board and is responsible, along with their senior management team, for the day-to-day operation and management of the Transmission businesses. Staff are directly employed by SHE Transmission, or under a contractual agreement that includes confidentiality provisions.

Responsibility and monitoring

The SSEPD 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 Group Internal Audit department.

During the year SHE Transmission 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 Group 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 SSEPD, as required by the licences, is attached to this report.

Compliance with the Relevant Duties

SHE Transmission have demonstrated compliance with the Relevant Duties as documented within, and through the production of the Compliance Officer's report, the Statement of Compliance and the Group Internal Audit report on Business Separation. Staff are aware of the need to maintain the confidentiality of transmission information as necessary, and no issues have arisen to give any concern towards meeting this requirement.

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 SHE Transmission to the supply and generation businesses, where there is a compliance implication, are discussed with the Compliance Officer.

During 2013/14, there have been no staff transfers which have had a compliance implication.

Complaints or representations on compliance

There were no complaints regarding SHE Transmission received during the year.

Further information

Queries on this report should be addressed to:

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