



## **Scottish Hydro Electric Transmission plc**

**Compliance Annual Report 2014 / 15**

# **SHE Transmission Compliance Annual Report 2014 / 15**

## **1. Introduction**

This report is for the year to 31 March 2015, as required by special licence condition 2H.9 for Scottish Hydro Electric Transmission plc (SHE Transmission).

The report summarises the licensee's compliance with the Relevant Duties, and on the implementation of the practices, procedures, and systems adopted in accordance with the joint Statement of Compliance, also required to be produced and published by the licensee. In addition, the report details the activities of the Compliance Officer throughout the year including reference to any investigative work necessarily undertaken.

As such this report should be read in conjunction with the SSEPD Statement of Compliance v8 and the Henderson Loggie Compliance Officer Report 2014 / 15.

## **2. Compliance with the Relevant Duties**

### **2.1 Review work**

SHE Transmission has demonstrated compliance with special licence condition 2H.9(a), Relevant Duties, through the business separation review work undertaken by the external Compliance Officer, Group Internal Audit and Networks Compliance over the course of 2014 / 15.

From these reviews it is apparent that staff are aware of the need to maintain the confidentiality of transmission information as necessary, and no issues were identified to give concern to this requirement. In addition, there have been no reported instances of cross subsidy breaches between SHE Transmission and other Affiliates or Related Undertakings, this being evidenced through the annual EU Cross Subsidy report prepared by KMPG.

The Compliance Officer role, as stipulated for in special licence condition 2H.8, was performed during reporting year 2014 / 15 by external audit firm Henderson Loggie. This appointment has been ratified by the SSEPD Board to continue for 2015 / 16. The external Compliance Officer has had full and open access to all staff and documentation during the review year. There have also been regular meetings with stakeholders such as Networks Regulation, Group Audit and Networks Compliance to assist the external Compliance Officer monitor ongoing business separation compliance. As part of their role, the external Compliance Officer has assessed, either directly or indirectly, the robustness of SSEPD's managerial and operational independence, systems, branding, staff transfers, training arrangements, protection of confidential information and complaints.

### **2.2 Managerial and operational independence of SSEPD**

SHE Transmission is a wholly owned subsidiary 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 Scottish Hydro Electric Power Distribution plc and Southern Electric Power Distribution plc, and separate to the main SSE plc parent company.

The SSEPD board comprises five executive directors, one non-executive chairman, and two sufficiently independent non-executive directors. Corporate governance procedures, which have been advised on by the external Compliance Officer, continue in place between the SSEPD and SSE boards. One of the SSEPD directors is also an 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 Managing Director of Networks is an executive member of the SSEPD board and is responsible, along with his senior management team, for

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the day-to-day operation and management of the transmission business. Staff are directly employed by SHE Transmission, or under a contractual agreement that includes confidentiality provisions.

### **2.3 Systems**

There have been no newly introduced, or modifications to existing IT systems where there has been any need to take into account business separation considerations.

### **2.4 Branding**

SHE Transmission uses the common brand, "Scottish and Southern Energy Power Distribution", in their day-to-day operations in order to maintain a separate identity from other parts of SSE plc. No issues were identified with branding on equipment, facilities and property, staff workwear, identity cards or stationery.

### **2.5 Staff Transfers**

Staff transfers from SHE Transmission to the Supply and Generation businesses, are notified to the SSE Business Separation Compliance Officer (BSCO) who may also discuss with Henderson Loggie and the SSEPD Board. During 2014 / 15, there have been no staff transfers which have had a business separation implication.

## **3. Breach reporting and complaints**

There have been no reported business separation breaches or complaints regarding SHE Transmission received during 2014 / 15. Since March 2015 any breaches and complaints of this nature require to be directed to the BSCO.

## **4. Staff Training**

A new comprehensive business separation policy and e-learning module was implemented during 2014 / 15. All relevant SHE Transmission staff have been required to undergo the training in order to further raise awareness of business separation requirements, with completion monitored by the Networks Compliance team. This will now become an obligatory annual exercise. New entrants into the business are also expected to complete the training depending on their role.

## **5. Contact**

Queries relating to this report should be addressed to:

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