

ESB Networks Compliance Report 2021

**ESB Networks DAC on behalf of DSO and TAO
31 March 2022**

Introduction

ESB Networks Ltd (now referred to as “ESB Networks DAC”) was vested as Distribution System Operator (DSO) on 1 January 2009 in accordance with the European Communities Regulations 2008 (S.I. 280 of 2008). A Compliance Programme was prepared in accordance with Regulation 11 of S.I. 280 which was approved by the then Commission for Energy Regulation (now CRU). In August 2016, pursuant to the Companies Act 2014, ESB Networks Ltd converted to a Designated Activity Company (“DAC”).

The Transmission System Owner (TAO) Licence was granted by CRU to ESB on 25 June 2001 pursuant to European Communities (Internal Market in Electricity) Regulations (S.I. 445 of 2000).

This Report outlines the activities undertaken by the DSO and TAO in relation to the implementation of the Compliance Programme during 2021.

Statutory and Licence Obligations

Regulation 12(1) of S.I. 280 of 2008 provides that within three months after the date of each anniversary on which it was established, the DSO shall prepare a compliance report about the implementation of its compliance programme during the twelve months ending on that date and shall submit it to CRU for approval.

Condition 18 of the DSO Licence also requires the DSO to report to CRU on the effectiveness of the practices, procedures and systems implemented by the Licensee under the Compliance Programme.

Condition 13 of the TAO Licence provides that the TAO shall appoint a compliance officer who shall report to CRU on compliance issues relating to the TAO business.

This Compliance Report addresses the requirements of both the Statutory Instrument and the Licence as outlined. This time-line for reporting has been agreed with CRU.

2021 Compliance Activity Overview

The following is a summary of the compliance items of note that arose in 2021:

1. Management/Organisation Separation

- The Board of ESB Networks DAC met 7 times in 2021. Due to the government restrictions relating to Covid-19 all Board meetings since 6 March 2020 have been held remotely.

- In July 2021 Mr Paddy Hayes resigned as Managing Director to take up the role of ESB Chief Executive. Mr Paul Mulvaney, Executive Director, ESB Networks resigned from ESB Networks DAC in November 2021 and moved to a role outside of ESB Group.
- In September 2021 the ESB Board appointed Mr Nicholas Tarrant as Managing Director of ESB Networks and as a Director of ESB Networks DAC, subject to the approval of the Minister for the Environment, Climate and Communications (“The Minister”), given with the concurrence of the Minister for Public Expenditure and Reform. This approval was sought pursuant to Regulation 5 of S.I. 280 of 2008 and Article 11 of the Articles of Association of ESB Networks DAC. In a letter dated 2 March 2022 the Minister conveyed his approval to Mr Tarrant’s appointment, with the concurrence of the Minister for Public Expenditure and Reform, for a five year term.
- The Senior Management Team in ESB Networks remain employed by ESB Networks DAC. On his appointment, Mr Tarrant’s employment was transferred to ESB Networks DAC.
- The Managing Director of ESB Networks DAC and the Senior Management Team have no day-to-day involvement in the management or operations of any ESB generation or supply businesses.
- The performance targets of the Managing Director and Senior Management Team relate solely to the performance of ESB Networks and are not linked in any way to the performance of ESB’s supply or generation businesses.
- In accordance with Condition 32 of the DSO Licence, a Certificate of Resources was approved by resolution of the Board of ESB Networks DAC on 9 December 2021 confirming that the DSO has sufficient resources and financial facilities to enable the DSO carry on the Distribution Business for twelve months from the date of the Certificate. The Certificate was submitted to CRU on 9 December 2021.
- ESB Networks DAC and ESB continue to operate at arm’s length on the basis of an Operating Agreement and Personnel Agreement approved by CRU.

2. Staff Transfers

- In April 2021 CRU approved a revised ESB Networks Compliance Code of Conduct which has now been published on ESB Networks’ website.
<https://www.esbnetworks.ie/docs/default-source/publications/staff-compliance-code-of-conduct.pdf>

A revised Staff Transfer process for staff joining or leaving ESB Networks is one of the key controls put in place to prevent the unauthorised flow of information.

- . The procedures set out in the Staff Transfer Business Separation Guidelines and the Code of Compliance were fully implemented for all staff transferred into and out of ESB Networks during 2021. This involves, inter alia, revoking IT access, the return of keys and access cards and obtaining confirmation that commercially sensitive information would not be brought to the new position. The procedure for staff transfers is now available to staff online.
- A procedure is in place in relation to staff joining ESB Networks for the first time which requires sign-off that the staff member has read and understands the ESB Networks Compliance Code of Conduct.

3. Separate Accounts

- ESB Networks DAC continues to have separate bank accounts to which income received is lodged and from which payments are made.
- The Regulatory Accounts for ESB Networks DAC for 2021 have been prepared and audited and will be submitted to CRU in April 2022.

4. Premises

- A small number of non-ESB Networks staff continue to work from ESB Networks premises. These staff are not engaged in generation or supply activities and appropriate restrictions are in place to ensure these staff do not have access to confidential/commercially sensitive ESB Networks information.
- ESB continues to have an arm's length commercial arrangement with SIRO whereby staff seconded or engaged by SIRO have access to office accommodation occupied by ESB Networks staff.

5. Compliance Activity Programme

- The DSO Compliance Programme, approved by CRU, included a Compliance Activity Programme whereby the person responsible for the relevant area in the Networks business is required to sign off on an annual basis that the necessary measures and controls have been put in place to ensure compliance with Licence requirements. The key areas for which this applies in the Compliance Activity Programme include:
 - Premises Separation
 - IT Separation
 - Accounts
 - Staff Transfers
 - Connections to the Distribution System
 - Wind Generation Connections
 - Metering and Data Services
 - Regulatory

- Legal

- A sign-off has been received from the manager of each of these areas (copies are available to CRU on request). No material compliance breaches were identified in this process.

6. CRU Compliance Monitoring

In 2020 CRU commenced a compliance monitoring process whereby quarterly spot checks are carried out on compliance with licence requirements for the electricity distribution and transmission owner (DAO) and TAO) and the Distribution System Operator (DSO).

CRU published their findings in relation to the Q4 2020 spot check in July 2021. This spot check related to the DSO's compliance with the Code of Practice on de-energisation and disconnection. CRU found the DSO was in compliance with its licence obligations and there were no actions for ESB Networks arising from the audit.

CRU also carried out a spot check in Q3 2021 on the DSO's complaints handling procedure and the findings have recently been published on CRU's website. CRU recommended that the DSO publish the complaints procedure on its website. CRU also recommended that the complaints procedure is reviewed and submitted to CRU review and approval. This review is currently underway.

In September 2021 CRU requested a report on compliance with each of the licence conditions in the DSO and TAO licences for 2020. This report was submitted to CRU in January 2022.

7. Breaches

In January 2022, as part of the licence compliance submission to CRU a number of issues relating to compliance with waste legislation were brought to the attention of CRU. A tender process is due to be finalised shortly which will address any shortcomings in this area.

In July 2021 the ESB Networks website was upgraded in 2021 to improve the user experience, on the morning of the go-live, one of the planned steps was to put up a holding page to notify visitors of the temporary ESB Networks website outage. Due to an administrative error the holding page that was posted was an Electric Ireland version, rather than ESB Networks. The error was immediately identified and the correct ESB Networks holding page was posted within a short period. The incident was fully investigated and separately advised to CRU. Steps have been put in place to prevent a re-occurrence.

There was a delay in revoking access to a Networks drive for a staff member who finished working on an ESB Networks IT project. The staff member has confirmed that during the period that she continued to have access she did not access any relevant ESB Networks information.

8. Management and Staff Communications

- The Board of ESB Networks DAC was updated on compliance issues and the information in this report is shared with Board members throughout the year.
- In November 2021 the ESB Networks Compliance Code of Conduct, approved by CRU in April 2021, was briefed to all Networks staff.
- Staff within ESB Group who provide services to, or on behalf, of ESB Networks and staff who interact with Networks were also briefed on the requirements on the Compliance Code of Conduct in October. The Code contains detailed provisions around staff transfers into and out of the Networks business and the procedures to be followed. Senior Managers in ESB Group confirmed that in 2021 all relevant staff were briefed on the ESB Networks Compliance Code of Conduct. Senior Managers were also requested to provide details of any breaches that may have occurred, and no material breaches were reported
- As notified to CRU in 2018, a directorate within ESB called Enterprise Services was created as part of an overall ESB re-organisation. This business unit offers supports to ESB Networks in areas such as IT, pensions and procurement. In March 2021 a Memorandum of Understanding (MOU) was put in place between Enterprise Services and ESB Networks setting out the basis on which Enterprise Services provides services to the ESB Networks businesses. The MOU which compliments the ESB Networks Compliance Code of Conduct sets out the principles to be adopted in preserving confidential and sensitive information. The MOU sets out that ESB Networks shall retain all control over strategic decision making relating to workstreams and project. Under the terms of the MOU ESB Networks is entitled to carry out audits of compliance.
- The Code of Conduct and MOU between Engineering & Major Projects and ESB Networks, as referenced in the 2020 Annual Compliance Report, continued to operate in 2021.

Summary/Conclusion

ESB Networks DAC. continues to adhere to the stringent compliance requirements set out in S.I. 280 of 2008 and S.I. 445 of 2000, the DSO and TAO Licenses, the Compliance Programme in relation to non-discrimination and independent operation of the DSO and TAO and the Separation of the transmission and distribution businesses from ESB's generation and supply businesses.

I am satisfied that the framework established is comprehensive, is operating effectively and has been adequately tested and reviewed.

This Compliance Report is submitted for approval of the Commission.

Eddie Byrne
Compliance Officer
ESB Networks DAC
30 March 2022