

ESB Networks Compliance Report 2014

**ESB Networks Ltd. on behalf of DSO and TAO
26th March 2015**

Doculive Number: DOC-140415-BYG

Introduction

ESB Networks Ltd. was vested as Distribution System Operator (DSO) on 1st January 2009 in accordance with the European Communities Regulations 2008 (S.I. 280 of 2008). ESB Networks Ltd. subsequently prepared a Compliance Programme in accordance with Regulation 11 of S.I. 280 which was approved by the Commission for Energy Regulation (CER).

The Transmission System Owner (TAO) Licence was granted by CER to ESB on the 25th 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 2014.

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 CER for approval.

Condition 18 of the DSO Licence also requires the DSO to report to CER 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 CER 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 CER.

2014 Compliance Activity Overview

The following is a summary of the compliance issues that arose in 2014:

1. Management/Organisation Separation

- The Board of ESB Networks Ltd. met 6 times in 2014.
- Ms. Marguerite Sayers was appointed the Managing Director of ESB Networks Ltd. following the resignation of Mr Jerry O'Sullivan from that position.

Ministerial approval was obtained to the appointment of Ms. Sayers in December 2014 in accordance with Regulation 5 of S.I. 280 of 2008.

- The Directors of ESB Networks Ltd. 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 for 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 Ltd. on 8th December 2014 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 CER on the 10th December 2014.
- ESB Networks Ltd. and ESB continue to operate at arms length on the basis of an Operating Agreement and Personnel Agreement approved by CER.

2. Staff Transfers

- A number of staff transferred out of ESB Networks during 2014. In all cases the procedures set out in the Staff Transfer Business Separation Guidelines and the Code of Compliance were fully implemented. This involved, 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.

3. Separate Accounts

- ESB Networks Ltd. continues to have separate bank accounts to which income received is lodged and from which payments are made.
- The Regulatory Accounts for ESB Networks Ltd. for 2014 have been prepared and audited, and will be submitted to CER in April 2015.

4. Compliance Activity Programme

- The DSO Compliance Programme approved by CER 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 sheet has been received from the manager of each of these areas confirming compliance with the DSO Licence obligations. No material compliance breaches were identified in this process. [Copies of the sign-off sheets are available to CER on request].

5. Audits

In March 2014 ESB Group Internal Audit carried out an audit to assess the adequacy of ongoing compliance by ESB Networks Ltd. with the governance arrangements approved by the ESB Board and with the relevant Ministerial and Regulatory consents as at March 2014. The overall conclusion of the audit was that there is an effective level of compliance with the governance framework and DSO licence obligations, including compliance monitoring and reporting within ESB Networks Ltd.

6. Breaches

There were no material compliance breaches identified in 2014.

7. Management and Staff Communications

- The Board of ESB Networks Ltd. was updated on compliance issues throughout the year.

- ESB Networks Staff were briefed on the Compliance Code of Conduct in February 2014. The briefings set out the requirements relating to confidential/commercially sensitive information and non-discrimination.
- Staff within ESB Group who provide services to or on behalf of ESB Networks and staff who interact with Networks were briefed on the Compliance Code of Conduct in February 2014.

Summary/Conclusion

ESB Networks Ltd. 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.

Annelie Walsh
Compliance Officer
ESB Networks Ltd.
26th March 2015