



ESB NETWORKS COMPLIANCE REPORT 2019

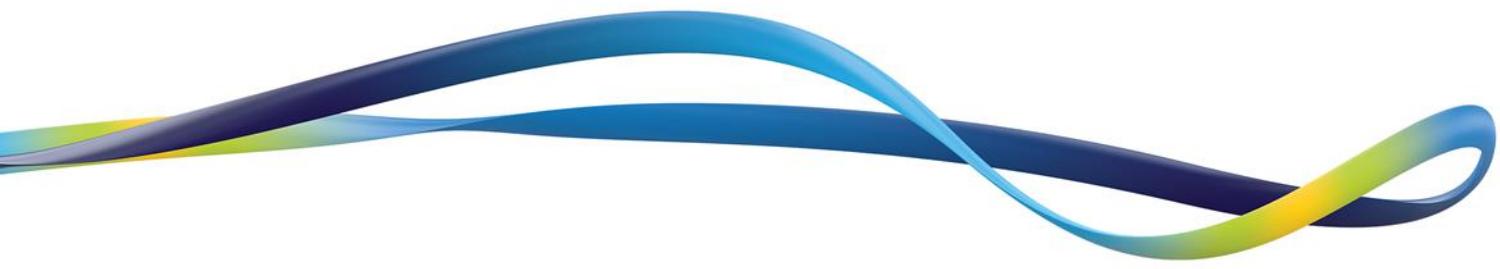
ESB Networks DAC on behalf of DSO and TAO

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Introduction

ESB Networks Ltd (now referred to as “ESB Networks DAC”) was vested as Distribution System Operator (DSO) on 1st 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 CER to ESB on the 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 2019.

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.

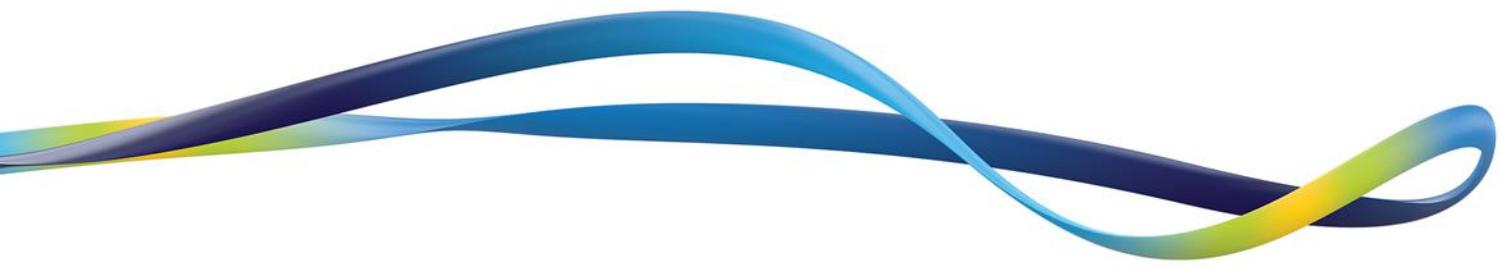
Condition 18 of the DSO Licence also requires the DSO to report to CRU on the effectiveness of the practices, procedures and systems implemented by the Licensee under the Compliance Programme.

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 timeline for Reporting has been agreed with CRU.

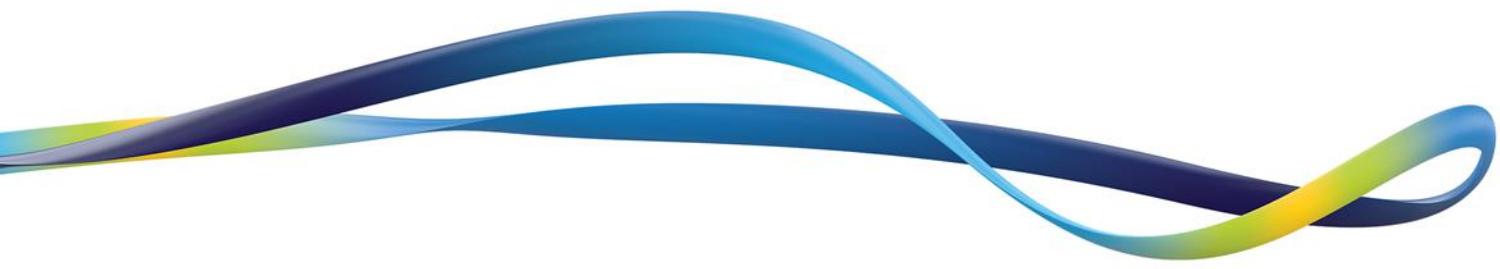
2019 Compliance Activity Overview

The following is a summary of the compliance issues that arose in 2019:

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1. Management/Organisation Separation

- The Board of ESB Networks DAC met 5 times in 2019.
- The term of the two independent Board Members, Mr Des Geraghty and Ms Gina Quin came to an end in 2019.
- In accordance with Regulation 5 of European Communities (Internal Market in Electricity) (Electricity Supply Board) Regulations 2008, the Board of ESB appointed Ms Caroline Spillane and Mr Ian Talbot as Directors of ESB Networks DAC, subject to the approval of the Minister for Communitation's, Climate Action and Environment in concurrence with the Minister for Public Expenditure and Reform
- By letter dated 14 May 2019 the Minister for Communications, Climate Action and Environment, in concurrence with the Minister for Public expenditure and Reform confirmed approval for the appointment of Ms Spillane and Mr Talbot as Directors of ESB Networks DAC for a five-year term.
- The Senior Management Team in ESB Networks remain employed by ESB Networks DAC.
- The Directors 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, Executive Director Customer Delivery 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 4 December 2019 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 11 December 2019.
- 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

- A number of staff transferred into and out of ESB Networks during 2019. 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.

As the procedure for staff transfers has now been put online and considerably strengthened the Guidelines will be updated to reflect this.

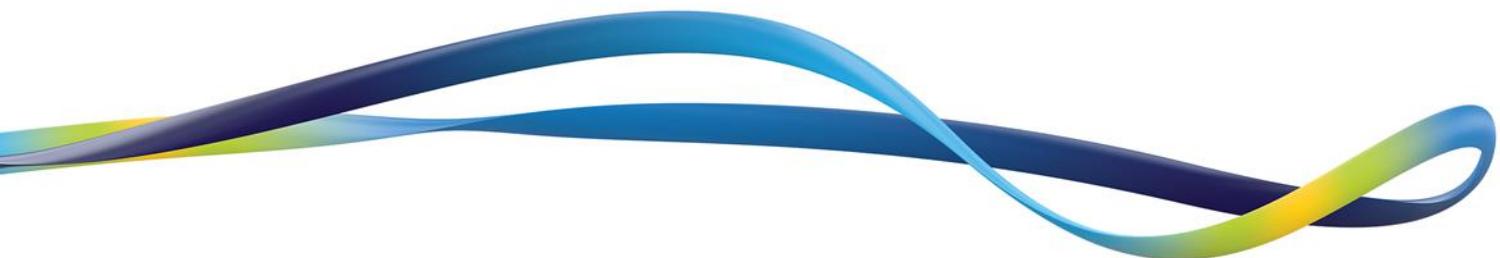
- A procedure is in place in relation to staff joining ESB Networks for the first time which requires sign-off that the staff member has read and understands the ESB Networks Compliance Code of Conduct.

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 2019 have been prepared and audited and will be submitted to CRU in April 2020.

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.

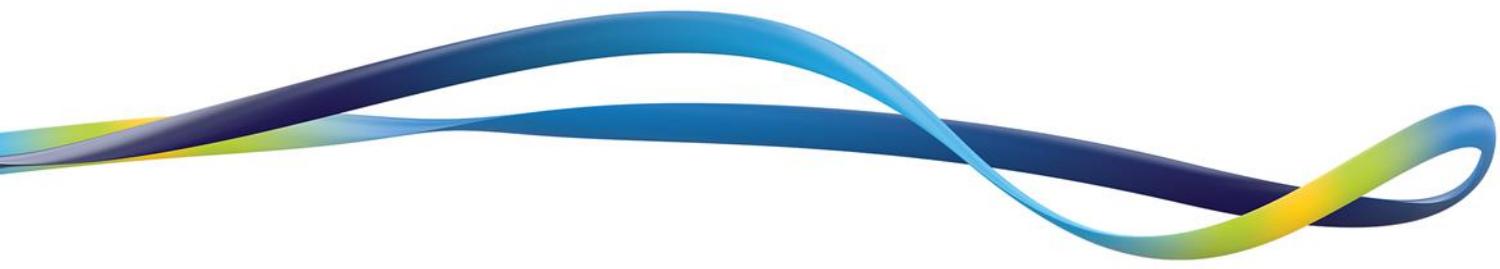
6. Breaches

There were no material compliance breaches identified in 2019.

7. Management and Staff Communications

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

- In August 2019 the Compliance Code of Conduct for staff, which was approved by CRU in December 2015, 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 August 2019. The Code contains detailed provisions around staff transfers into and out of the Networks business and the procedures to be followed.

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8. 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.

Anne Marie Kean
Compliance Officer ESB
Networks DAC 27 March
2020