



Annual Compliance Report

September 2009

Introduction and Background

EirGrid is separately licensed as Transmission System Operator (TSO) and Market Operator (MO) by the Commission for Energy Regulation ('the Commission'). These licences both contain Conditions respecting the Duty of Non Discrimination – Condition 17 of the TSO licence and Condition 9 of the MO licence respectively.

Licence Condition - Duty of Non Discrimination

1. *In carrying out its functions under this Licence, the Licensee shall not discriminate unfairly between persons or classes of persons, or between system users or classes of system users, particularly in favour of its subsidiaries, associated or affiliated undertakings, joint ventures or shareholders.*
2. *The Licensee shall establish a compliance programme on the measures taken to ensure that discriminatory conduct by it or its employees is prevented, which shall include specific obligations imposed on its employees to prevent discrimination.*
3. *The Licensee shall report to the Commission at intervals of not more than one year, in such form as the Commission determines, specifying the measures taken and the level of compliance in relation to paragraph 2. The report shall be published by the Licensee in such manner as shall be determined by the Commission.*

This short document is in fulfilment of paragraph 3 of the above Conditions for the year ending 30 September 2009. It follows a format discussed with the Commission in December 2008.

EirGrid has prepared this report in the context of the nature of its activities as a fully regulated business and in the recognition that:

- Ø It is engaged in little or no competitive activity.
- Ø It is not a vertically integrated entity with neither generation nor supply interests.
- Ø There is a Licence requirement for the sharing of information between its System Operator and Market Operator roles.

Approach 2008/09

EirGrid takes seriously its obligation to ensure that it complies with all relevant statutory requirements and regulatory obligations. The Board and Executive of EirGrid are committed to ensuring that EirGrid has appropriate and effective procedures to ensure that it meets all its legal and regulated obligations. EirGrid has established a compliance framework which clearly defines roles and responsibilities with regard to compliance. It recognises that it operates in a highly regulated environment and that there are ever increasing legal requirements. EirGrid has empowered its managers to be responsible for ensuring that it meets its obligations and that they take corrective action when they become aware of any non compliance issues.

EirGrid has established an independent Audit and Compliance Function, to assess whether the compliance framework operates as intended. An annual programme of compliance audits is completed including a review of Licence obligations to keep commercial information confidential and to ensure that it does not discriminate unfairly/ unduly in operating its business. The resulting reports are discussed and agreed with the relevant managers with the aim of improving the processes and procedures for ensuring EirGrid is compliant. A summary of the report findings and progress of the audit programme is discussed with the Executive and Board via the Audit Committee. The compliance audit programme and reporting process therefore help to ensure that EirGrid meets all of its obligations.

EirGrid has satisfied its obligations under these licence conditions in the following ways.

Following Regulated Processes

EirGrid is a regulated business by statute and licence. EirGrid is subject to regulatory rules and oversight regarding contractual terms, Trading & Settlement Code, Grid Code, Transmission Planning & Security Standards, Statement of Charges, and Connection Offer Process etc.

In 2008/09 EirGrid's independent Audit and Compliance Function completed audits of compliance with the Trading and Settlement Code and compliance with the requirements of the Grid Code. Reports to management highlighted areas for improvement that management agreed to resource and address. The audits concluded that EirGrid has processes that ensure that it is aware of its obligations in regard to the Codes but that it would benefit from further enhancing the recording of evidence of compliance with all the obligations in the Codes.

A summary of the work completed was presented by the Head of Audit and Compliance to the EirGrid Executive Team and the Audit Committee. A further programme of compliance audits will be completed in 2009/10 which will include follow up reviews to ensure that management have addressed the points raised in the reviews completed in 2008/09.

Human Resource Related Approach

At induction Staff are advised of their duty to not discriminate unfairly and an obligation to this effect is included in the EirGrid Code of Conduct which forms part of the contractual arrangements for EirGrid staff and which has separately been approved by the Commission in accordance with the licences.

The need for compliance with the licence requirement to both protect commercially sensitive and confidential information and to not unfairly/ unduly discriminate was reinforced and re-communicated to all staff during 2008/09 through normal company communication channels.

Establishment of principle and practice

EirGrid has kept the Commission updated in respect of any situations which have arisen during the period where the possibility might exist that EirGrid be accused of acting in an unduly discriminatory manner. This recognising that the very nature of EirGrid's role means it must from time to time employ subjective judgement in analysing complex technical matters. In a number of instances where such situations have arisen, EirGrid has engaged with the Commission and sought to put in place underlying frameworks where that judgement may be exercised. Two examples which have arisen in 2008/09 concern the framework for the consideration of the posting of security for the MEC Capacity Bond and for the extension of live connection offers. In both instances the introduction of the framework has provided a basis with which the Commission is comfortable EirGrid exercise any necessary discretion.