



# **Annual Compliance Report**

April 2012

## **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 2011. It follows a format which was the subject of discussion with the Commission and which has been employed in fulfilment of this Condition in previous years.

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 2010/11**

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 fully

committed to ensuring that EirGrid has appropriate and effective procedures to ensure that it meets all its legal and regulatory 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 also established a company wide steering group in 2011 to continue to develop and refine its approach to ensuring compliance with its statutory and licence requirements.

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 2011 EirGrid's independent Audit and Compliance Function completed audits of compliance with the Trading and Settlement Code, compliance with the requirements of the Grid Code and compliance with the requirements of its operating licenses – in particular the specific Licence requirements in regard to non discriminatory dispatch and the duty to hold confidential and commercially sensitive information securely. Reports to management highlighted areas for improvement that management agreed to resource and address. The Audit and Compliance Function also confirmed that the recommendations made in compliance reports completed in 2009/10 were actioned as previously agreed with management.

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 2011/12 which will include follow up reviews to ensure that management have addressed the points raised in the previously completed reviews.

### **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 discriminate was reinforced and EirGrid continues to ensure staff are aware of these obligations through the normal company communication channels.

### **Establishment of principle and practice**

EirGrid has further 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.