



**Annual Compliance Report
2013**

May 2014

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 2013. 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:

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

Approach 2013

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 in place 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.

In EirGrid an independent Audit and Compliance Function continually 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.

During 2013, the existing Compliance Steering Group was reconstituted as the Compliance Board which is tasked with monitoring the established EirGrid Group Compliance Process and in particular, to ensure that it continues to be consistently applied throughout the Group and is fit for purpose. The Compliance Board meets quarterly and has ensured that there is a consistent and effective approach to compliance with all statutory and licence requirements. The duty of non-discrimination is one of the obligations that is managed by this process.

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

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 2013 EirGrid's independent Audit and Compliance Function completed audits of 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 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 2011/12 had or were in the process of being auctioned 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 2013/14 which will include follow up reviews to ensure that management have addressed the points raised in the previously completed reviews.

Details of a number of audits and review carried out in 2013 are set out below.

Audits & Reviews

As part of the annual review of Licence obligations to keep commercial information confidential and to ensure that it does not discriminate unfairly/ unduly in operating its business, a number of audits and process reviews were conducted, *inter alia*;

- **Transmission Use of System (TUoS) Billing Process Audit**

A review of the internal controls in place over the TUoS Billing Process was carried out in July 2013. A new billing system, Counterparty and Settlement Billing (CBS) was introduced in the 2012/2013 tariff year to replace the existing "EVE" system. It was concluded that the process and related control employed to transfer data from the old billing system to the new billing system was executed as designed, with source data transferred and the accuracy of the billing data maintained during the cut over and parallel running of both systems. In addition it was further concluded that the design of the control environment is appropriate and in general, operating effectively. Overall the findings from this review provided full assurance over the controls currently in operation in relation to the TUoS Billing process.

- **ATR Customer Communications Process Audit**

The objective of the audit was to ensure that effective processes and controls have been established over the processes for communication with customers in regard to ATR's and their impact on the scheduled FAQ dates or release of FAQ for generation, post execution of individual connection agreements. Overall the findings from this review provided satisfactory assurance over the system of controls currently in operation. A small number of recommendations were made to strengthen the overall control environment and operational effectiveness of this process, which are currently being advanced and closed out.

- **EirGrid Grid Code Compliance Audit**

An audit of the Grid Code was carried out and looked at the TSO obligations, evidence of compliance, controls of the derogation process, and a review of the recommendations made in the 2012 Audit. No non compliance issues were identified. It was determined that all of the recommendations made in the 2012 audit had been or were in the process of being addressed.

- **Confidential Information Audit**

A review of the Confidentiality Policy and Managing Confidential Information procedure was completed by Internal Audit & Compliance, to ensure ongoing compliance with both licences and statutory obligations in this area. It was determined that the processes established across the Group provide adequate control over Confidential Information and operates effectively.

Human Resource Related Approach

EirGrid sets out and reinforces the obligation of all staff in regard to their duty to not discriminate unfairly through a number of HR policy documents and procedures;

- **Code of Conduct**

EirGrid maintains a Code of Conduct document, within which an obligation in regard to the duty of Staff to not discriminate unfairly is set out. This document has been approved by the Commission in accordance with the licence. It applies to all employees irrespective of level or location and forms part of the contractual arrangements for EirGrid staff.

- **Anti-Bribery Policy**

In addition to the Code of Conduct EirGrid has in place an Anti-Bribery Policy for both directors and employees. This policy both bolsters and makes transparent EirGrid's position in this important area which is key to ensuring that EirGrid acts in a transparent and non discriminatory fashion.

- **Staff Induction & Ongoing Awareness**

The need for compliance with the licence requirements to both protect commercially sensitive and confidential information and to not unfairly discriminate is reinforced at induction to all staff. EirGrid continues to ensure staff are aware of their obligations through the normal company communication channels.

Establishment of principle and practice

EirGrid has further kept the Commission updated in respect of situations which have arisen during the period where the possibility might exist that EirGrid could be perceived as 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. Examples of such instances in 2013 include, *inter alia*;

- **Application of standard charging policy framework for SO driven works at sites where there is legacy ESB Asset separation**

In December 2013 EirGrid wrote to the Commission in regard to the application of the standard charging policy framework in instances where projects driven solely by the System Operator require works to also be carried out on the Customer's side of the ownership boundary at sites where there are legacy ESB Asset separation requirements. EirGrid confirmed with the Commission that it would proceed with projects at such sites on the basis that the standard charging framework applies.

- **Applicability of the PSO (Public Service Obligation) levy to Interconnectors in Ireland**

In September 2011 the SEM Committee decided through SEM-11-078 that Interconnector (existing and future) would not be subject to Generator Transmission Use of System (GTUoS)

charges. In March 2012 the Commission confirmed that the corollary of this position is that Interconnectors should not be charged Demand TUoS.¹ However, it was noted by EirGrid that correspondence from the Regulatory Authorities was silent in respect to the application of the PSO levy on interconnectors connected in Ireland. In November 2013, EirGrid sought confirmation from the Commission of the liability or otherwise of interconnector capacity of PSO payments. The Commission confirmed that interconnector capacity is not liable for PSO payments.

- **Application of Standard Charges for Cable termination where cable is contested**

In May 2013 EirGrid engaged with the Commission in respect to the application of the standard charge for cable termination at customer sites. It was recognised that the standard charge for cable terminations, as approved by the Commission, was premised on the basis of end to end installation of non-contested cable. However, under the contestability framework, it is possible that customers connecting into an existing station could contest the all aspects of the installation of a cable; with the exception of the termination(s), and that the approved standard charges do not accommodate such a situation. It was agreed with the Commission that in such a situation EirGrid should request a quote from ESB Networks for the actual works which will be carried on a non-contestable basis and that the actual outturn costs should be charged to the customer on a pass through basis.

- **TSO Interpretation of SEM Decisions (SEM-11-105², SEM-13-010³ and SEM-13-012⁴) on Treatment of Price Taking Generation in Tie-Breaks in Dispatch**

Following the publication of SEM-11-105 and in the lead up to the publication of SEM-13-10 the TSOs⁵ sought clarity from the Regulatory Authorities on a number of key issues pertinent to modelling and implementation of these decisions. On 1st March 2013 the Regulatory Authorities (RAs) wrote to the TSOs indicating *“The RAs note the TSO’s documents as a reasonable interpretation of the SEM Committee’s decision SEM-11-105 in relation to the specific instances outlined in these documents. Accordingly we suggest that these interpretation notes are published on the TSOs’ websites to provide clarity to the Industry.”* EirGrid published its document entitled ‘TSO Interpretation of SEM Decisions on Price Taking Generation in Tie Break’⁶, which sets out the interpretation provided and the basis upon which work on analysing constraint groups and specifying changes to the Energy Management Systems in both control rooms is taking place.

- **SO-Px trading / SO Countertrading Arrangements on the Interconnectors**

On the 19th April 2013, the TSOs wrote to the Regulatory Authorities (RAs) in regard to System Operator Trading and advised that the TSOs had determined that, in order to continue to meet industry and regulatory requirements, and consistent with the approval previously granted by the SEM Committee that they should now enter into countertrading arrangements to facilitate

¹ For the avoidance of doubt the CER confirmed, March 2012, that interconnectors should pay TUoS of metered demand for ‘house’ load (e.g. building services, lighting etc.).

² [SEM-11-105](#) “Treatment of Price Taking Generation in Tie Breaks in Dispatch in the Single Electricity Market and Associated Issues”

³ [SEM-13-010](#) “Treatment of Curtailment in Tie-break situations”

⁴ [SEM-13-012](#) “Constraint Groups arising from SEM-11-105”³ on constraint groups”

⁵ TSOs – refers to EirGrid plc. the licenced TSO in Ireland and SONI Ltd the licenced TSO in Northern Ireland

⁶ [TSO Interpretation of SEM Decisions on Price Taking Generation in Tie Breaks](#) – 08 May 2013

priority dispatch in accordance with SEM-11-062. The RAs confirmed their approval for the TSOs to proceed in this regard.

The TSOs publish Information Notes⁷ on SO Interconnector Countertrading, which summarise recent activity on enhancing SO interconnector countertrading and forms a part of the System Operators (SOs) continuing commitment to provide updates to industry stakeholders.

⁷ Example: [Information Note on SO Interconnector Countertrading – 12 July 2013](#)