

Annual Compliance Report 2017

July 2018



1 Introduction and Background

EirGrid is separately licensed as Transmission System Operator (TSO) and Market Operator (MO) by the Commission for the Regulation of Utilities (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 2017. 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.

2 Approach 2017

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 Internal Audit & Compliance Function continually assesses 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. These reports are also presented to the Compliance Board which reviews progress of any associated actions on an on-going basis. 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.

The Compliance Board 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 at least 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.

2.1 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.

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.

EirGrid has established a comprehensive suite of policies and procedures in relation to ethics which are applicable to all employees, third parties and contractors, specifically:

- **Information Security** (Acceptable Use Policy, Access Control Policy, Document Control Policy, Information Security Incident Management Policy, Information Security Policy, Internet and Email Security Policy, Third Party Security Policy). The Head of Internal Audit & Compliance/Compliance & Assurance Officer is an independent member of the Cyber Security Forum which oversees Information Security related risks; and

- **Ethics** (Directors Code of Conduct, Employee Code of Conduct, Disclosure of Interests Policy & Procedures, SONI Ethical Dealing Policy, Ethics in Public Office Act Policy). An Internal Audit of Adherence to Ethics Policies was performed in 2017 by the Head of Internal Audit & Compliance/Compliance & Assurance Officer and received SATISFACTORY assurance. The review provided assurance in relation to ensuring current ethics-related policies are in line with statutory and leading practice requirements, Directors and employees are aware of all ethics-related policies and codes, ethics-related policies and codes are being adequately adhered to, through testing of ethics compliance declarations made by Directors and employees, where ethics related issues arise, there is appropriate evidence of the Group addressing such issues in an effective and transparent manner.

2.2 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*;

- **Statutory Compliance Review** – the objectives of this compliance review were to assess compliance with the recorded statute within the EirGrid Statutory register while assessing the effectiveness of the management procedures, in particular;
 - the management of the EirGrid statutory register under the Records Management procedures
 - the capability to demonstrate compliance with applicable statute
 - identifying if new statute and or amendments have been captured in the EirGrid register for the purposes of demonstrating on-going compliance
 - the awareness of any legislative change that may be applicable to the Group
- **Trading & Settlement Code (TSC) – SEMO** – based on an agreed scope and tests performed it was concluded that the enduring process of monitoring SEMO compliance to the TSC obligations and maintenance of the TSC Compliance Register is operating in a consistent manner;
- **Market Non-Discrimination (SEMO)** – the aim of this compliance review was to determine how the non-discriminatory obligations are adhered to in the business processes established by SEMO in the carrying out of its functions of Single Electricity Market Operator. It was concluded that established business processes are operating in a non-discriminatory manner and do not distinguish between the users or classes of users;
- **Transmission Use of System (TUoS) Billing Process Audit** – this internal audit assessed and tested the system of control over the TUoS billing process, and in particular sought to ensure that:
 - The meter data and standing data uploaded to the Counterparty Settlement and Billing system (**CSB**) is complete;
 - The tariff has been applied correctly and that controls over changes to the tariff are adequate. The evidence was available to prove that all meter data received in the billing system has been billed;
 - An audit trail is maintained to provide evidence that exceptions have been checked and dealt with appropriately;
 - The recommendations made in the previous reports have been actioned;

- The resettlement process has adequate controls that ensure that it meets its objectives and that these controls are operating effectively; and
- The accuracy of the billing data was maintained during the cutover and parallel running of both Access and CSB in SONI.

Based on this assessment and testing of the controls currently in operation, the findings of the review concluded that **FULL ASSURANCE** can be provided over EirGrid TUoS Billing.

2.3 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.

2.4 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. No such situations arose in 2017.