



Scottish Hydro Electric Transmission plc

Compliance Annual Report 2021/22

1. Introduction

This report is for the year to 31 March 2022, as required by Special Licence Condition 9.15.10 for Scottish Hydro Electric Transmission plc (SSEN Transmission).

The report summarises the licensee's compliance with the Relevant Duties and provides an update on the implementation of the practices, procedures, and systems adopted in accordance with the joint Statement of Compliance which is published on the Scottish and Southern Electricity Networks (SSEN) website. In addition, the report details the activities of the Compliance Officer throughout the year including reference to any investigative work undertaken.

As such, this report should be read in conjunction with the current SSE Networks Statement of Compliance and the external Compliance Officer's Report 2021/22 (provided by Henderson Loggie LLP), both of which are published on the SSEN [website](#).

2. Compliance with the Relevant Duties

2.1 Review Work

SSEN Transmission has demonstrated compliance with Special Licence Condition 9.15.6 Relevant Duties, through the business separation review work undertaken by the external Compliance Officer, Group Compliance, Transmission Risk and Assurance Team and Networks Business Assurance over the course of 2021/22. The Group Compliance function is independent of the operations of SSEN Transmission and its parent, Scottish and Southern Energy Power Distribution Limited (SSEPD), reporting directly into the General Counsel directorate (as part of Corporate Services) of the SSE Group. Networks Business Assurance was a specialist joint team within SSEPD carrying out regular assurance checks on behalf of both the Distribution and Transmission business management teams. To facilitate greater independence in the operation of Transmission and Distribution, a separate Assurance function has been established for Transmission. The Transmission Risk and Assurance team will continue to collaborate with the Distribution Business Assurance team on Business Separation aspects, for consistency across the Networks business.

From the review work undertaken, no significant issues were identified, and overall indications are that staff are aware of the need to maintain the confidentiality of SSEN Transmission information as required. In addition, there have been no reports of cross subsidy breaches between SSEN Transmission and other Affiliates or Related Undertakings, as evidenced through the annual EU Cross Subsidy report prepared by SSEN Transmission which is reviewed by EY using agreed upon audit procedures and sent to Ofgem.

The Compliance Officer role, as stipulated in Special Licence Condition 9.15.9 was performed during reporting year 2021/22 by the external audit firm Henderson Loggie LLP. Between April 2021 and March 2022, the external Compliance Officer has had full and open access to all staff and documentation to complete this work. Regular meetings have been held with key stakeholders from the business, Networks (now known as Distribution) Business Assurance, Transmission Risk and Assurance, Transmission Regulation and Group Compliance to assist the external Compliance Officer in monitoring ongoing business separation compliance. As part of the role, the external Compliance Officer has assessed the robustness of SSEPD's managerial and operational independence, systems, branding, staff transfers, training arrangements, protection of Confidential Information and complaints. A summary assessment has been captured in the external Compliance Officer's annual report and presented to the SSEPD Board. No material issues were identified within this report, with the external Compliance Officer satisfied that SSEN Transmission continues to comply with its stated business separation policy by implementing and enforcing procedures and controls commensurate with that policy. The external

report also acknowledges the independent review work of Group Compliance which highlighted some observations that will be considered for 2022/23. These include: i) ensuring SSEN Transmission stays informed with respect to progress on the annual review of SLAs; ii) ensuring Information System checks are documented and carried out; iii) documenting a process for reviewing and getting Business Separation Compliance Statements approved; iv) considering who should be required to undertake Business Separation training and how this is tracked and v) documenting the definition of a 'low risk' with respect to Business Separation in the existing procedures.

It should be noted that the re-appointment of the external Compliance Officer is considered by the SSEPD Board every year, normally during Quarter 1 of the financial year.

2.2 Managerial and Operational Independence of SSEPD

SSEN Transmission is a wholly owned subsidiary of Scottish and Southern Energy Power Distribution Limited (SSEPD), which itself is part of the SSE plc group of companies. As a result of a derogation given by the Gas & Electricity Markets Authority, SSEPD has in place a common board structure also covering Scottish Hydro Electric Power Distribution plc and Southern Electric Power Distribution plc and separate to the main SSE plc parent company.

At the beginning of April 2022, the SSEPD board comprised six executive directors, three non-executive directors (including the chairman) and two sufficiently independent non-executive directors. Corporate governance procedures, which have been advised on by the external Compliance Officer, continue to operate between the SSEPD and SSE Boards. One of the SSEPD directors (the chairman) is also a director of SSE plc, which reinforces the decision-making authority of the SSEPD board and maintains appropriate corporate governance.

SSEPD has its own management structure under which SSEN Transmission staff are employed. The Managing Director of Transmission is an executive member of the SSEPD Board and is responsible, along with his senior management team, for the day-to-day operation and management of the transmission business. During 2021/22, the day-to-day management of the transmission business was co-ordinated through the Transmission Executive Committee (TEC) which reported to the SSEPD Board. The TEC is responsible for ensuring every part of the transmission business operates in a safe, responsible, and efficient manner, including compliance with relevant legislation and regulations. Staff are directly employed by SSEN Transmission, or under contractual agreements that include confidentiality provisions.

2.3 Systems and Confidential Information

No significant system changes were implemented during the financial year.

The Transmission Risk & Assurance team conduct business separation routine checks to ensure access controls to confidential information are being adequately applied in existing and new systems and not adversely impacted by system changes.

Three IT systems access control reviews were undertaken in Transmission last year. No material issues were identified during these reviews, and this programme of regular assurance checks provides confidence in the business's ability to identify any potential access control weaknesses.

Procedures for managing access controls to Transmission premises and office areas have been maintained to ensure clarity of processes and consistency in approach, and regular assurance checking of controls applied across the business have been performed. During Covid 19 access to sites was limited to essential workers only. Site access control reviews were not undertaken as focus had been on maintaining essential services and limiting interaction of personnel to reduce the risk of Covid being introduced to sites. During 2021/22, site access control reviews recommenced and two were completed in the period.

The combination of these measures has ensured continued focus on business separation arrangements throughout the year, especially on access to confidential information across Networks.

2.4 Branding

SSEN Transmission currently uses the common brand of “Scottish and Southern Electricity Networks” (SSEN), which also covers Scottish Hydro Electric Power Distribution plc and Southern Electric Power Distribution plc, in its day-to-day operations to maintain a separate identity from other parts of SSE plc. Equipment, facilities/property, fleet, staff uniform, identity cards and stationery are clearly marked with this branding. Over the last 12 months no significant issues have been reported with branding.

2.5 Staff Transfers

A formal process for identifying and reporting key staff transfers from SSEN Transmission to the Supply, Generation and other SSE businesses exists. Any transfers “of concern” (i.e., those that may impact business separation) are notified to the SSE Business Separation Compliance Officer (BSCO – see below) who may then discuss with the external Compliance Officer (Henderson Loggie LLP) and the SSEPD Board, as necessary. During 2021/22, there were two transfers of concern in relation to SSEN Transmission reported to the BSCO. These were risk assessed and processes followed to ensure no issues arose with the transfers.

3. Breach Reporting and Complaints

In accordance with internal practices and procedures, any business separation breaches, and complaints of this nature are required to be directed to the internal BSCO, who works in conjunction with the external Compliance Officer in providing advice to Networks Businesses on business separation. During 2021/22, no material reports relating to breaches or complaints for SSEN Transmission were received by the BSCO.

4. Staff Training

Networks Business Separation training continues to be provided via an e-learning module which sits on the SSE Group training platform and is rolled out to all SSEN Transmission staff, including new starts and any relevant contractors. In addition, due to the importance of business separation across the SSE Group, most corporate staff and senior management from other SSE businesses are required to undertake the training. This approach ensures a high level of staff awareness and understanding of business separation requirements. During the year, the e-learning module was reviewed and revised to make the information more accessible to those completing it. The completion of this training is mandatory for key personnel and its uptake is monitored and reported to management. To ensure ongoing compliance, relevant staff are required to undertake regular training, normally each financial year. The Transmission Risk & Assurance team monitor and report on the status of staff training on Business Separation to senior management, including the Transmission Executive Committee and senior leadership team.

The above training is supported by formal procedural documents which provide detailed guidance to Transmission staff on the required processes for managing access to IT systems and premises, handling staff transfers, raising business separation queries and reporting potential breaches to the BSCO. These procedures have been reviewed, updated, and extended in places to facilitate staff understanding and ensure appropriate action is taken in the event of any business separation issue. A dedicated, internal mailbox is in operation to facilitate the management of queries and reporting of potential issues by staff. Overall, the above measures ensure there is a continued focus on maintaining business separation awareness and required arrangements throughout the year.

The business continues to utilise an internal application (known as I-Comply) which captures key regulatory and legislative obligations applicable to SSEPD business operations in a single system. This system is designed to assist managers and staff in their understanding of key rules, including business separation requirements, via rule content summaries, the identification of affected business areas and allocation of business owners to each rule. Further development of the I-Comply application was carried out during 2021/22 to enhance its usability and functionality for business users and to ensure change is tracked to completion.

5. Contact

Queries relating to this report should be addressed to:

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