



**Eastern Power Networks plc
London Power Networks plc
South East Power Networks plc**

**Confidentiality of Information and Business
Independence**

STATEMENT REQUIRED UNDER
LICENCE CONDITION 42
OF THE STANDARD ELECTRICITY
DISTRIBUTION LICENCE

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1. Introduction

This statement outlines the practices, procedures and systems adopted (or to be adopted) by UK Power Networks (Operations) Ltd. on behalf of Eastern Power Networks plc, London Power Networks plc and South Eastern Power Networks plc to ensure that it does not restrict, prevent or distort competition in the supply of electricity or gas or the shipping of gas or the generation of electricity.

UK Power Networks (Operations) Ltd. is part of UK Power Networks Holdings Ltd., whose details are as follows:

UK Power Networks Holdings Ltd
Newington House
237 Southwark Bridge Road
LONDON
SE1 6NP
Registered Company Number: 07290590

This statement is produced to satisfy the relevant requirements of Electricity Standard Licence Condition 42 and is approved by Ofgem.

UK Power Networks (Operations) Ltd will take reasonable measures to ensure compliance with the terms of this statement as from time to time revised.

For completeness, we have replicated the text of Licence Conditions 42 and 43 in full in Sections 11 and 12 of this Statement.

For the remainder of this statement:

- UK Power Networks (Operations) Ltd will be referred to as “UK Power Networks”
- Eastern Power Networks plc as “EPN”
- London Power Networks plc as “LPN”; and
- South Eastern Power Networks plc as “SPN”;

2. Managerial Separation

UK Power Networks includes the three licensed electricity distribution businesses, EPN, LPN and SPN. UK Power Networks does not contain any relevant supplier, shipper or generation business. It also includes UK Power Networks (IDNO) Ltd but this licensee is not subject to Electricity Standard Licence Conditions 42 and 43.

UK Power Networks has its own Chief Executive who is supported by an Executive Management Team and, together, they make the day to day decisions that control the running of the business.

3. Operational Separation

UK Power Networks is a separate company with no affiliated relevant licence holders. As part of its transition to an independent company following its sale from part of EDF Energy, UK Power Networks will receive some services from EDF Energy. These include: payroll, IT and pensions. These services will be provided for a transitional period currently programmed to last no longer than May 2012, although in many cases these services will complete by the end of April 2011. During this time close scrutiny of them will be undertaken by UK Power Networks.

4. Information Separation

IT systems for UK Power Networks are not shared with any suppliers, however as identified in Section 3 some transition services are being provided by the former owner (EDF Energy).

5. Branding

UK Power Networks conducts activates on the three licensees using the following logo.



6. Codes of Conduct and Staff Training

6.1 Code of Conduct Staff Leaflet

All UK Power Networks staff, contractors and agents are bound by a strict Code of Conduct that makes it a disciplinary offence to pass confidential information to anyone who does not have a right to that information. This document was last revised and updated in December 2010.

Disciplinary rules apply to all UK Power Networks employees. Listed below are situations which would be considered as examples of misconduct in respect of disclosure of confidential information:

- Deliberate misuse or unauthorised disclosure of data stored in any UK Power Networks' computer systems, or attempts (whether successful or not) to gain access to computer systems or files for which the employee does not have authority, or unauthorised interference with any such data; and
- Disclosure to others of confidential information gained during the course of employment with UK Power Networks, such disclosure being actually or potentially detrimental UK Power Networks' interests.

Managers are responsible for ensuring all staff, contractors and agents who are involved in handling confidential data, or using systems that record confidential data, receive training that covers their responsibility to maintain confidentiality. Training to avoid anti-competitive behaviour has also been given.

6.2 New Staff

All new staff joining the Company will undertake an induction process. As part of that process they are briefed on Licence Condition 42 and are given a Code of Conduct Staff Leaflet, as outlined in Section 6.1.

7. Appointment of Compliance Officer

UK Power Networks has appointed Paul Measday as its Compliance Officer under Licence Condition 43. He has been given full access to staff, resources, premises, etc. in order to discharge his duties, as described by Licence Condition 43.

8. Monitoring Compliance

The Director of Business Strategy and Regulation within the UK Power Networks is responsible for ensuring compliance with Licence Conditions 42 and 43. He is responsible for the production of periodic reports as required under Licence Condition 43. This responsibility is devolved to the Head of Regulation, Compliance and Risk.

9. Investigation of Complaints

Both the Compliance Officer and Head of Regulation, Compliance and Risk have developed appropriate working arrangements to ensure adequate communication, investigation, remedy and customer outcome notification, to deal with all reported potential breaches.

All reported potential breaches, including failure to comply with the controls implemented in UK Power Networks will be notified to the Compliance Officer and considered by the Director of Business Strategy and Regulation/Chief Executive Officer. Any procedural or control weaknesses will be identified and corrected and, if appropriate, disciplinary action will be taken.

10. Contacts

A copy of this Statement can be found on the UK Power Networks website: www.ukpowernetworks.co.uk

Should any person require a printed copy of this Statement, or wish to discuss any issue of a compliance nature, please contact Paul Measday, the UK Power Networks Compliance Officer, by writing to:

Paul Measday
Compliance Officer
UK Power Networks
Energy House
Hazelwick Avenue
Three Bridges
CRAWLEY
West Sussex
RH10 1EX

11. Licence Condition 42

Independence of the Distribution Business and restricted use of Confidential Information

Licensee's obligations

42.1 The licensee must put in place and at all times maintain managerial and operational systems that prevent any Relevant Licence Holder from having access to Confidential Information except and to the extent that such information:

(a) is made available on an equal basis to any Electricity Supplier, gas supplier, or gas shipper;

(b) is referable to a Customer who at the time to which the information relates was a Customer of the Relevant Licence Holder; or

(c) is of a type that has been confirmed by the Authority in Writing as corporate information.

Compliance Statement must always be in place

42.2 Except with the Authority's consent, the licensee must at all times have in place Compliance Statement, approved by the Authority, that describes the practices, procedures, and systems which the licensee has adopted (or intends to adopt) to ensure compliance with paragraphs 42.1.

42.3 If the Authority does not direct the licensee to amend the Compliance Statement within 60 days of receiving it, the statement is to be treated as approved by the Authority.

42.4 The licensee must take all reasonable steps to ensure that it complies with the terms of the Compliance Statement in place under this condition.

Specific contents of the Compliance Statement.

42.5 The Compliance Statement must, in particular, set out how the licensee will:

(a) maintain the full managerial and operational independence of the Distribution Business from any Relevant Licence Holder;

(b) maintain the branding of the Distribution Business so that it is fully independent from the branding used by any Relevant Licence Holder; and

(c) manage the transfer of employees from the Distribution Business to any Relevant Licence Holder.

42.6 The Compliance Statement must also ensure that any arrangements to which the licensee is party that fall within any of the descriptions given in paragraph 42.7 are such as to prevent any breach of the requirements of paragraphs 42.1.

- 42.7 The arrangements referred to in paragraph 42.6 are those that enable any Relevant Licence Holder, or any person engaged in or in respect of the activities of such a Relevant Licence Holder, to have any use of or access to:
- (a) premises or parts of premises occupied by persons engaged in, or in respect of, the management or operation of the Distribution Business;
 - (b) systems for recording, processing, or storing data to which persons engaged in, or in respect of, the management or operation of the Distribution Business also have access;
 - (c) equipment, facilities, or property employed for the management or operation of the Distribution Business; and
 - (d) the services of any persons who are (whether or not as their principal occupation) engaged in, or in respect of, the management or operation of the Distribution Business.

Revision and publication of Compliance Statement.

- 42.8 The licensee may, with the Authority's approval, revise a Compliance Statement prepared in accordance with paragraph 42.2.
- 42.9 The licensee must publish a copy of every Compliance Statement prepared in accordance with paragraph 42.2 (or revised in accordance with paragraph 42.8) its Website (if it has one) within 21 days of its approval by the Authority.

Interpretation

- 42.10 In this condition:

Confidential Information means information relating to, or derived from, the Distribution Business that is not published or otherwise legitimately in the public domain.

Relevant Licence Holder means any holder of:

- (a) a Supply Licence; or
- (b) a gas supply licence; or
- (c) a gas shipper licence,

that is also an Affiliate or a Related Undertaking of the licensee.

12. Licence Condition 43

Appointment of Compliance Officer

Purpose of appointment

43.1 The licensee must ensure, following consultation with the Authority, that a competent person (who is to be known as the Compliance Officer) is appointed for the purpose of facilitating the licensee's compliance with the Relevant Requirements.

Appropriate tasks for the Compliance Officer

43.2 The licensee must at all times ensure that the Compliance Officer is engaged for the performance of such duties and tasks as the licensee considers it appropriate to assign to him for the purpose specified at paragraph 43.1.

43.3 Those duties and tasks for the Compliance Officer must include:

(a) providing relevant advice and information to the licensee for the purpose of facilitating its compliance with the Relevant Requirements;

(b) monitoring the effectiveness of the practices, procedures, and systems adopted by the licensee in accordance with the Compliance Statement required under paragraph 2 of standard condition 42 (Independence of the Distribution Business and restricted use of Confidential Information);

(c) advising whether, to the extent that the implementation of such practices, procedures, and systems requires the co-operation of any other person, they are designed so as reasonably to allow the required co-operation;

(d) investigating any complaint or representation made available to him in accordance with paragraph 43.5;

(e) recommending and advising on the remedial action that any such investigation has demonstrated to be necessary or desirable;

(f) providing relevant advice and information to the licensee for the purpose of ensuring its effective implementation of the practices, procedures, and systems referred to at sub-paragraph (b), and of any remedial action recommended in accordance with sub-paragraph (e); and

(g) reporting annually to the licensee's directors about his activities during the period covered by the report, including the fulfilment of any other duties assigned to him by the licensee under this condition.

Licensee's duties to the Compliance Officer

43.4 The licensee must ensure that the Compliance Officer:

(a) is provided with such staff, premises, equipment, facilities, and other resources; and

(b) has such access to the licensee's premises, systems, information, and documentation, as he might reasonably expect to require for the fulfilment of the duties and tasks assigned to him.

43.5 The licensee must give the Compliance Officer a copy of any complaint or representation that it receives from any person about a matter arising under or because of the Relevant Requirements.

Licensee's own Compliance Report

43.6 The licensee must, as soon as is reasonably practicable after receiving each annual report of the Compliance Officer under paragraph 43.3(g), produce a report ("the Compliance Report"):

(a) about its compliance during the relevant year with the Relevant requirements; and

(b) about its implementation of the practices, procedures, and systems adopted in accordance with the Compliance Statement required under paragraph 2 of standard condition 42.

43.7 The Compliance Report produced in accordance with paragraph 43.6 must, in particular, do the things described in paragraphs 43.8 to 43.10.

43.8 It must detail the activities of the Compliance Officer during the relevant year.

43.9 It must refer to such other matters as are or may be appropriate in relation to the licensee's implementation of the practices, procedures, and systems adopted in accordance with the Compliance Statement required under paragraph 2 of standard condition 42.

43.10 It must set out the details of any investigations conducted by the Compliance Officer, including:

(a) the number, type, and source of the complaints or representations on which those investigations were based;

(b) the outcome of the investigations; and

(c) any remedial action taken by the licensee following them.

Publication of Compliance Report

43.11 The licensee must:

(a) give the Authority a copy of every Compliance Report; and

(b) publish each such report on, and in a way that is readily accessible from, its Website (if it has one).

Interpretation

43.12 For the purposes of this condition, **Relevant Requirements** means:

(a) the requirements of standard condition 42 (Independence of Distribution Business and restricted use of Confidential Information);
and, so far as they relate to relationships with Relevant Licence Holders within the meaning of standard condition 42, the requirements of:

(b) paragraph 9 of standard condition 4 (No abuse of the licensee's special position) (which prohibits cross-subsidy between the licensee's Distribution Business and any other business of the licensee or of an Affiliate or Related Undertaking of the licensee);

(c) paragraph 1 of standard condition 19 (Prohibition of discrimination under Chapters 4 and 5) (which prohibits the licensee from discriminating between any person or class or classes of persons when providing Use of System or connections or carrying out works for the purposes of connection); and

(d) paragraphs 1 and 3 separately of standard condition 41 (Prohibition of discrimination under Chapter 9) (which prohibit the licensee from discriminating between any person or class or classes of persons when providing, respectively, Legacy Metering Equipment and Data Services).