



BLUE TRANSMISSION

BLUE TRANSMISSION SHERINGHAM SHOAL LIMITED

26 November
2020

Annual Compliance Report
2019-20

Prepared pursuant to Amended Standard Condition E12 – C4 (Appointment of compliance officer) of the Offshore Electricity Transmission Licence as granted to Blue Transmission Sheringham Shoal Limited (“BTSS”) (registered in England with number 08085795) whose registered office is Cannon Place, 78 Cannon Street, London EC4N 6AF under section 6(1)(b) of the Electricity Act 1989.

1. Introduction

This report produced pursuant to Amended Standard Condition E12 – C4: Appointment of compliance officer of the Offshore Electricity Transmission Licence (“The Licence”) which was issued to Blue Transmission Sheringham Shoal Limited (“Licensee”) on 26 June 2013 and came into force on 27 June 2013 addresses:

- 1) Compliance with the relevant duties (as defined below) during the period of this annual report being the period 27 June 2019 through to 26 June 2020 inclusive; and
- 2) Implementation of the practices, procedures and systems adopted in accordance with the “Separation and Independence of the Transmission Business Compliance Statement” or “the Statement” which was published by Blue Transmission Sheringham Shoal Limited on 10 July 2013.

The relevant duties of the Licensee require compliance with the following conditions of Licence granted to Blue Transmission Sheringham Shoal Limited (“BTSS” or “the Company”) on 26 June 2013:

- Standard condition E6 (Prohibition of Cross-subsidies);
- Standard condition E7 (Restriction on Activity and Financial Ring Fencing);
- Amended standard condition E12 - C1 (Conduct of the Transmission Business);
- Amended standard condition E12 – C2 (Separation and Independence of the Transmission Business);
- Amended standard condition E12 – C3(Restriction on use of certain information); and
- Amended Standard condition E12 – C4 (Appointment of compliance officer).

For the avoidance of doubt this compliance report relates solely to BTSS’s compliance with its relevant duties and business separation practices and references to any other compliance report included herein are provided for information purposes only.

2. Compliance with the relevant duties

Under the terms of the Licence, the Licensee is required to publish a compliance statement that details how the Company intends to comply with its obligations under amended standard condition E12 – C2 of the Licence. The Statement was approved by the Board and by the Authority on 17 July 2013. The Statement has been published on the Blue Transmission website and is available via the following link:

<http://www.bluetransmission.com/sitemanager/uploads/files/Blue%20Transmission%20Sheringham%20Shoal%20compliance%20statement%20final%20with%20appendicies%20approved%20by%20the%20Authority.pdf>

For the period 27 June 2019 through to 26 June 2020 inclusive, BTSS and its fellow subsidiary undertakings Blue Transmission Walney 1 Limited (“BTW1”), Blue Transmission Walney 2 Limited (“BTW2”) and Blue Transmission London Array Limited (“BTLA”) each held an offshore electricity transmission licence to operate offshore electricity transmission systems that are independent of each other. BTSS, BTW1, BTW2, and BTLA are all wholly owned indirect subsidiaries and hence affiliates of Blue Transmission Investments Limited (“BTI”).

The offshore electricity transmission licences granted to BTSS, BTW1 and BTW2 together with the consents issued by The Gas and Electricity Markets Authority (“the Authority”) under amended standard condition E12-C2 of the respective offshore electricity transmission licence permit these companies that hold an offshore electricity transmission licence to share certain resources with BTI and its affiliates, which includes BTSS, BTW1, BTW2 and BTLA.

The offshore electricity transmission licence granted to BTLA by the Authority permits this company to share certain resources with BTI and its affiliates, which includes BTSS, BTW1 and BTW2.

Further details of the relationship between BTSS, BTW1, BTW2 and BTLA are contained within the BTLA compliance statement that was approved by the Authority on 5 November 2013 and is available via the following link:

<http://www.bluetransmission.com/sitemanager/uploads/files/Blue%20Transmission%20London%20Array%20compliance%20statement%20-board%20and%20Ofgem%20approved%205%20Nov%202013.pdf>

BTSS has taken appropriate steps to ensure business separation was effective during the period of this annual report and the relevant issues understood by the directors within the BTI group of companies together with the employees, directors and consultants of Frontier Power Limited (provider of management services to the Company).

For the period of this report the Licensee has been in compliance with its relevant duties.

An annual compliance plan was produced by the compliance officer for the purpose of ensuring compliance with the relevant duties of the Licensee. The annual compliance plan detailed the actions to be undertaken by the compliance officer in relation to the relevant duties of the Licensee and included a consideration of: the advice and information to be provided by the compliance officer; information sharing processes; the Licensee’s Licence monitoring processes; the agendas, papers and minutes of the Licensee’s Board and committee meetings, reporting; and complaint handling. Further details of the monitoring, responsibilities and reporting obligations in so far as they relate to the relevant duties of the Licensee and how the Board, Compliance Committee and compliance officer discharge those duties can be seen from section 7 and 10 of the Licensee’s Statement – a link to this statement is provided above.

Compliance Committee

The Compliance Committee is a permanent internal body having an informative and consultative role, without executive functions, with powers of information, assessment and presentation to the Board. The Compliance Committee is a committee of the Board and reports to the Board in relation to matters of compliance with the Licence and has been formed to assist the Board in the effective discharge of its responsibilities as to compliance with the obligations placed on the Company as a result of being granted the Licence.

Mr Robert Tivey is the Company’s compliance officer. Mr Tivey is not engaged in the management or operation of the licensed transmission business system, or the activities of any associated business.

Members of the Compliance Committee during the period of this report, and through to the date of this report were as follows:

Name
Matthew Edwards
Graham Farley
Matthew Pitts ¹
Gary Thornton

No issues in relation to the relevant duties of the Licensee have arisen during the period and no complaints have been received by the compliance officer.

The Company does not have an internal audit department and therefore no routine audits of compliance with the relevant duties have been undertaken; however, the Compliance Committee, the Board and the compliance officer have considered the various compliance reports and other evidence in respect of the relevant duties of the Licensee and have concluded that no such audit is necessary as no issues have arisen.

Detailed references to the work of the compliance officer are given in section 2 (f) below.

a) Amended Standard Condition E12-C1 (Conduct of the Transmission Business)

The Licensee has complied at all times during the period of this report with the requirements of amended standard condition E12 – C1.

The Licensee has conducted the business of its Transmission Business consistent with the Statement in general and in particular the code of conduct (“the code”) included at appendix 1 to the Statement. A link to the Statement is given above. All employees of the Company (although in fact the Company had no employees during the period of this report), the Company’s directors together with all employees, directors and consultants of any of the Company’s affiliates including its ultimate parent undertaking (BTI) and Frontier Power Limited that are engaged in providing management services to the Licensee are obliged to abide by the code and the Company and compliance officer has monitored compliance with the code.

In respect of the Licensee’s conduct of its transmission business, through the application of the procedures and processes referenced in its Statement (see link to approved Statement above): the Compliance Committee; the Board; and the compliance officer all concur that no unfair commercial advantage has been conferred on or by the Licensee, its affiliates or related undertakings, any user of the national electricity transmission system or any other transmission licensee.

In particular the Compliance Committee; the Board and compliance officer have all noted or concluded, as appropriate, during the period of this report the following:

- 1) That all employees and consultants of Frontier Power Limited (its affiliates and related undertakings to the extent those employees and consultants provide management services directly or indirectly to BTSS) had confirmed their acceptance of the code that informs those individuals of their obligations under the Licence (as amended by any consents granted by the Authority);
- 2) That in respect of the individuals referenced in 1) above that they had confirmed adherence to the code;
- 3) That the compliance officer had interviewed some of the individuals referenced in 1) above to ensure that they understand the importance of the code and for them to confirm adherence and he has satisfied himself that they have done so;
- 4) That the operating model as described in the section 4 of the Statement has resulted in the Licensee primarily contracting with independent third parties with limited contractual arrangements being entered into with any affiliate, related undertakings and/or related parties of the Licensee. Consequently, the risk of the Licensee (including its affiliates and related undertakings), any user of the national electricity system or any other transmission licensee obtaining an unfair commercial advantage is considered very unlikely;
- 5) The Licensee has a procurement policy in place that requires certain authorisations to be obtained at different levels of procurement that is designed to prevent unauthorised, non-compliant behaviour.

Consequently, the Board have concluded that the Licensee has been in compliance at all times with paragraph 1 of amended standard condition E12 - C1 (Conduct of the Transmission Business) over the period of this report.

The Compliance Committee, the Board and compliance officer also note that no associated business of the Licensee is authorised to generate and/or supply electricity and that to the extent that the licensee has secured and procured separate premises, equipment, systems for recording and storing data, facilities, staff, and property that these are held separately from those owned by the transmission licensee that, being a holder of a co-ordination licence, is responsible for co-ordinating and directing the flow of electricity onto or over the national electricity transmission system. Consequently the Board has concluded that the Licensee has been in compliance with paragraph 2 of amended standard condition E12 - C1 (Conduct of the Transmission Business) over the period of this report.

b) Amended Standard Condition E12 – C2 (Separation and Independence of the Transmission Business)

The Licensee has complied at all times during the period of this report with the requirements of amended standard condition E12 – C2.

The Licensee has conducted the business of its Transmission Business consistent with the Statement in general and in particular paragraph 6 and the sub-clauses thereto of the Statement.

A description of the corporate governance arrangements that applied during the period of this report that are consistent with the arrangements described in the Statement can be seen in the Company's regulatory accounts on pages 26 to 30 inclusive and can be seen here:

[https://www.bluetransmission.com/sitemanager/uploads/files/BTSS_Reg_accts_18-19 -
_signed.pdf](https://www.bluetransmission.com/sitemanager/uploads/files/BTSS_Reg_accts_18-19_-_signed.pdf)

The Compliance Committee, the Board and the compliance officer note the following:

- The publication of the Statement was compliant with the requirements of paragraph 2, 3 and 4 of amended standard condition E12 – C2;
- That the Licensee requested and received consent from the Authority and was at all times compliant with that consent in regard to:
 - the sharing of certain resources between affiliates of the Licensee for the purpose of managing the transmission business; and
 - enabling any person who ceases to be engaged in the management or operation of the transmission business to be engaged in, or in respect of, the activities of the affiliates of the Licensee without limitation as to the expiry of an appropriate time from the date on which he ceased to be engaged by the transmission business that would otherwise be required under amended standard condition E12-C2 paragraph 4 (ii).
- That BTW2 and BTSS requested and received a similar consent from the Authority as that described above that included reference to the sharing of certain resources with that of the Licensee and its affiliates;
- That the transmission licence issued to BTLA does not prohibit the sharing of resources with BTW1, BTW2 and BTSS. Furthermore, the transmission licence issued to BTLA would allow for the engagement of a person, who had ceased to be engaged in, or in respect of, the management or operation of the BTLA transmission business, by any of the current associated businesses of BTLA.

Copies of the relevant consents referenced above can be seen here:

<https://www.ofgem.gov.uk/publications-and-updates/blue-transmission-walney-1-limited-%E2%80%93-consent-under-amended-standard-condition-e12-c2>

<https://www.ofgem.gov.uk/publications-and-updates/blue-transmission-walney-2-limited-%E2%80%93-consent-under-amended-standard-condition-e12-c2>

<https://www.ofgem.gov.uk/publications-and-updates/amended-standard-condition-e12-c2-consent>

c) Amended Standard Condition E12-C3 (Restriction on use of certain information)

The Licensee has complied at all times during the period of this report with the requirements of amended standard condition E12 – C3.

All employees of the Company (although as previously noted there were no such employees during the period of this report) together with all employees, directors and consultants of Frontier Power Limited engaged in the supply of management services to the Company (either directly or indirectly) are obliged to abide by the code which makes specific reference to the restrictions on the use of certain information (paragraph 5 refers) and the Licensee has monitored compliance with the code by way of enquiry of management; the activities of the compliance officer; and discussions held within the Compliance Committee and/or the Board.

Management has put in place controls and procedures to restrict access to information to authorised personnel only. These include controlling physical access to buildings and rooms within buildings and logical access / password protection in relation to data stored on computer systems and related data storage systems. In addition, management assesses the risk of the deliberate disclosure of information to unauthorised personnel as being highly unlikely as the commercial value of such information is considered very low. The compliance officer, Compliance Committee and the Board concur with this assessment.

All employees (if the Company engaged staff) and Frontier Power employees and consultants, to the extent that they are engaged in supplying management services to BTSS directly or indirectly are required to confirm adherence to the code. In addition, the compliance officer has interviewed certain Frontier Power employees and consultants to ensure that they understand the importance of the code and for them to confirm adherence and has satisfied himself that they have done so.

d) Standard Condition E6 – Prohibition of cross-subsidies

The Licensee has complied at all times during the period of this report with the requirements of standard condition E6.

The Licensee has complied with the requirement not to give or receive a cross subsidy at any time during the period covered by this report to or from any other business or an affiliate or related undertaking of the Licensee.

As noted at paragraph 8.1.6 of the Statement the nature of the operating model inherently minimises the risk of cross subsidisation as there is a separation of the ultimate ownership of the Licensee from those entities contracted to operate the transmission system – these entities being independent of the ultimate owners (the investors in BTI).

The Compliance Committee, the Board and the compliance officer note that there have been no transactions with affiliates or related parties of the Licensee during the period of this report that were not permitted by the offshore electricity transmission licence.

e) Standard Condition E7 – Restriction on Activity and Ring Fencing

The Licensee has complied at all times during the period of this report with the requirements of standard condition E7.

The Licensee has conducted the business of its Transmission Business consistent with the Statement in general and in particular paragraph 9 of the Statement.

During the period of this report, the Compliance Committee, the Board and compliance officer have considered the activities undertaken by the Licensee to ensure that they fall within the remit of those activities permitted under the Licence. This consideration has included, amongst other matters, a review of: the budget; forecasts; quarterly management reports; reports prepared by Frontier Power (provider of management services to the Licensee); and any reports prepared by the compliance officer after carrying out his activities. The Compliance Committee, the Board and the compliance officer have reviewed the nature of the activities undertaken by the Licensee or contemplated by the Licensee and are satisfied that all the activities undertaken during the period of this report or contemplated during the period of this report and included within the budget or forecast are all permitted activities under the terms of the licence.

The Compliance Committee, the Board and compliance officer having considered the evidence available to them in the form of the reports etc. referenced above note that during the period of this report, the Licensee, which does not have any “relevant associates” (as defined under its offshore electricity licence), has not carried out any activities other than those activities that directly relate to the operation of an offshore transmission business.

f) Amended Standard Condition E12-C4 - Appointment of Compliance Officer

Mr Robert Tivey is BTSS's appointed compliance officer. Mr Tivey has worked for over thirty years in the UK electricity supply industry holding senior management positions in the CEGB, National Power and National Grid. Mr Tivey's experience includes, *inter alia*, responsibility for managing a number of quasi-judicial processes such as planning inquiries and regulatory compliance in both the public and private sectors.

As compliance officer Mr Tivey prepared an annual compliance plan for BTSS which was presented to BTSS's Compliance Committee and Board on 27 November 2019.

By way of enquiry during the period of this report of both the management of the Licensee and the compliance officer together with a review of reports provided by the compliance officer and management and having observed the activities of the compliance officer, the Compliance Committee and Board satisfied themselves that consistent with the requirements of amended standard condition E12 – C4 (3) that the compliance officer was not engaged in the management or operation of the of the Licensee's transmission system or that of any associated business. The Board and Compliance Committee noted that the compliance officer, Mr Robert Tivey, had been appointed as compliance officer to Blue Transmission Walney 1 Limited, Blue Transmission Walney 2 Limited, Blue Transmission London Array Limited and WoDS Transmission plc but further noted that the position of compliance officer to these companies was not a position of management in those companies. In addition, the Board and Compliance Committee noted, and the compliance officer confirmed that the compliance officer had not been engaged in the management or operation of the Licensee's transmission system or that of any associated business during the period of this report.

The Board noted that a Compliance Committee (being a committee of the board of directors of the Licensee) had been established in accordance with amended standard condition E12 – C4 (4) for the purpose of overseeing and ensuring the performance of the duties and tasks of the compliance officer as set out in paragraph 7 of amended standard condition E12-C4 and the compliance of the Licensee with its relevant duties.

The Board further noted that the Compliance Committee, consistent with the requirements of paragraph 4 of amended standard condition E12-C4, had:

- 1) reported to the Board; and
- 2) included within their membership: a Director who took responsibility for day-to-day compliance with the activities of the Licence; and such persons from within the Licensee's business who are responsible for the management of regulatory issues relating to the Licence.

The Board and the Compliance Committee by way of regular enquiry of the compliance officer and management confirmed that they were satisfied that during the period of this report, that the compliance officer had been provided with such staff, premises, equipment, facilities and other resources as necessary together with such access to the Licensee's premises, systems, information and documentation as necessary for the compliance officer to carry out his duties. The Board and Compliance Committee noted, and the compliance officer concurred that in accordance with amended standard condition E12 – C4 (5) that the compliance officer had been provided with all the staff, premises, equipment, facilities and other resources together with access to premises, systems, information and documentation as required to carry out the duties of the compliance officer.

The Board noted that the Licensee had received no complaint or representation from any person in respect of a matter arising under or by virtue of the relevant duties.

The compliance officer's activities during the year included:

- Preparation and presentation of an annual compliance plan to the Compliance Committee;
- Reviewing all Board and Management papers and minutes to ensure compliance with the relevant duties of the Licensee;
- Discussion with certain Frontier Power directors, employees and consultants to ensure that the principles and practices of the relevant duties in general were understood and that the principles and practices relating to business separation in particular were adhered to;
- Reviewing policy and process documents together with employment contracts and the code to confirm that compliance with the relevant duties of the Licensee was properly represented and adhered to;
- Reviewing the register of obligations to ensure compliance with the relevant duties of the Licensee;
- Specific discussion with management on Blue Transmission's the methodology in relation to cost attribution and cost allocations within the Blue Transmission group to ensure there is no cross subsidisation;
- Presenting Reports to the BTSS Compliance Committee in line with the annual compliance plan and discussing any potentially regulatory compliance issues with the Committee;
- Reporting annually to the Board on compliance with the relevant duties of the Licensee.

The compliance officer was not asked to investigate any complaints during the period of this report and did not identify any breaches of the Licensee's relevant duties which required the attention of the Compliance Committee or the Board.

Certificate of Compliance

The certificate of Compliance as required under Amended Standard Condition E12-C4 (9) (d) is attached as Annex 1.

3. Who to contact for more information

Mr R Tivey


Compliance officer
Blue Transmission Sheringham Shoal Limited
The American Barns
Lighthorne
Warwickshire
CV35 0AE

Annex 1

Certificate of Compliance as required under Amended Standard Licence Condition, E12-C4 (9) (d)

The Board of directors of Blue Transmission Sheringham Shoal Limited hereby confirm that that the Licensee has at all times been in compliance with the relevant duties of the Licensee and that the report of the compliance officer fairly presents the licensee's compliance with its relevant duties.

Approved by Resolution of the Board and signed on its behalf



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Graham Farley

Director

26 November 2020