

BLUE TRANSMISSION LONDON ARRAY LIMITED

5 November 2013

Separation and Independence of the Transmission Business Compliance Statement

Prepared pursuant to Amended Standard Condition E12-C2 (Separation and Independence of the Transmission Business) of the Offshore Electricity Transmission Licence as granted to Blue Transmission London Array Limited (registered in England with number 08275752) whose registered office is: The American Barns, Lighthorne, Warwickshire, CV35 0AE under section 6(1)(b) of the Electricity Act 1989.

SEPARATION AND INDEPENDENCE OF THE TRANSMISSION BUSINESS COMPLIANCE STATEMENT

1. Introduction

1.1 This Separation and Independence of the Transmission Business Statement of Compliance (the “Statement”) has been prepared to secure compliance with paragraphs 1, 2, 4, 5 and 6 of Amended Standard Condition E12-C2 of the Offshore Electricity Transmission Licence (the “Licence”) held by Blue Transmission London Array Limited (“BTLA”) - the “Licensee” or “the Company”.

1.2 It is a requirement of the Licensee to have in place this Statement (as approved by the Gas and Electricity Markets Authority (“the Authority”)) within 30 days of the Licence grant (or as otherwise directed by the Authority); and to maintain at all times the required systems of control and governance that are described in this Statement.

2. Purpose and changes to the Statement

2.1 The purpose of this Statement is to describe the practices, procedures and systems which BTLA has adopted to secure compliance with its obligations under the following conditions of the Licence:

- a) Standard Condition E6 (Prohibition of Cross-subsidies);
- b) Standard Condition E7 (Restriction on Activity and Financial Ring Fencing);
- c) Amended Standard Condition E12-C1 (Conduct of the Transmission Business); and
- d) Amended Standard Condition E12-C2 (Separation and Independence of the Transmission Business)

2.2 The Licensee is required to revise this Statement when circumstances change such that this Statement no longer secures compliance with 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); and Amended Standard Condition E12-C2 (Separation and Independence of the Transmission Business)

2.3 Any revisions to this Statement shall only become effective once the Authority has approved the revised Statement and once approved this Statement may only be revised with the approval of the Authority.

2.4 This Statement sets out how BTLA shall:

- a) Maintain appropriate managerial and operational independence of the Licensee in undertaking its activities under the Licence, from any associated business as required by Amended Standard Condition E12-C2 paragraph 4(a).
- b) Ensure that the transmission business shall not give any cross-subsidy to, or receive any cross-subsidy from, any other business of the Licensee or of an affiliate or related undertaking of the Licensee as required by Standard Condition E6.
- c) Not conduct any business or carry on any activity other than the transmission business, save as provided for by paragraphs 3 and 4 of Standard Condition E7.

- d) Conduct its transmission business in the manner best calculated to secure that, in complying with its obligations under the Licence:
- the Licensee;
 - any affiliate or related undertaking of the Licensee;
 - any user of the national electricity transmission system; and
 - any other transmission licensee;

obtains no unfair commercial advantage including, in particular, any such advantage from a preferential or discriminatory arrangement, being, in the case of such an advantage accruing to the Licensee, one in connection with a business other than its transmission business as required under Amended Standard Condition E12–C1 paragraph 1.

- e) As required under Amended Standard Condition E12–C1 paragraph 2, except insofar as the Authority may direct, secure and procure separate premises, equipment, systems for recording and storing data, facilities, staff, and property from:

- those owned by the transmission licensee that holds a co-ordination licence and is responsible for co-ordinating and directing the flow of electricity onto or over the national electricity transmission system; and
- those owned by any associated business of the Licensee that is authorised to generate or supply electricity.

- f) As required under Amended Standard Condition E12-C2 paragraph 4(b) except insofar as the Authority consents to the Licensee not doing so, ensure:

- i) a transmission licensee that holds a co-ordination licence and is responsible for co-ordinating and directing the flow of electricity onto or over the national electricity transmission system; and
- ii) any associated business of the Licensee that is to generate or supply electricity,

may not use or have access to:

- premises or parts of premises occupied by persons engaged in, or engaged in respect of, the management or operation of the transmission business or any external transmission activities;
- systems for the recording, processing or storage of data to which persons engaged in, or engaged in respect of, the management or operation of the transmission business or any external transmission activities also have access;
- equipment, facilities or property employed for the management or operation of the transmission business or any external transmission activities; or
- the services of persons who are (whether or not as their principal occupation) engaged in, or in respect of, the management or operation of the transmission business or any external transmission activities; and

- iii) it can and does, insofar as is legally possible, prevent any person who has ceased to be engaged in, or in respect of, the management or operation of the transmission business from being engaged in, or in respect of, the activities of any associated business of the Licensee until the expiry of an appropriate time from the date on which he ceased to be engaged by the transmission business, where that associated business is either:
 - a transmission licensee that holds a co-ordination licence and is responsible for co-ordinating and directing the flow of electricity onto or over the national electricity transmission system; or
 - authorised to generate or supply electricity.

- g) Put in place and at all times maintain such systems of control and other governance arrangements which are necessary to ensure that the Licensee complies with its obligations contained in Standard Condition E6, Standard Condition E7, Amended Standard Condition E12-C1 and Amended Standard Condition E12-C2.

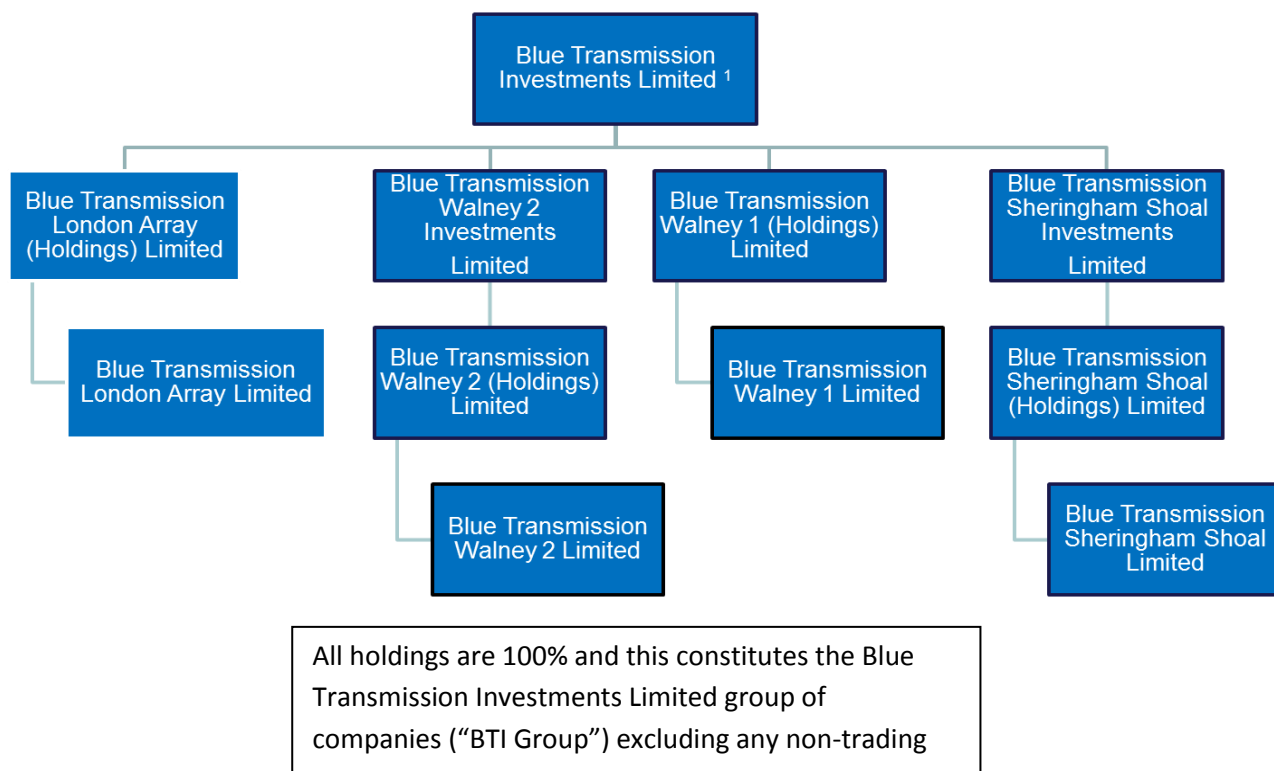
3. Group Structure

- 3.1 BTLA is a wholly owned subsidiary of Blue Transmission London Array (Holdings) Limited which itself is a wholly owned subsidiary of Blue Transmission Investments Limited ("BTI"). BTLA was incorporated on 31 October 2012 and together with its wholly owned parent undertaking was acquired by BTI on 19 November 2012. BTLA commenced trading on 10 September 2013 (the "financial close date") being the day after BTLA was granted an offshore transmission licence to own and operate the London Array (Phase 1) offshore electricity transmission system.

- 3.2 BTI is jointly owned in equal proportions by a consortium of independent investors being BIF Offshore Windkraft Holdings Limited ("BOWH" - a wholly owned subsidiary of Barclays Integrated Infrastructure Fund LP) and Diamond UK Transmission Corporation Limited ("DUTC") (a wholly-owned indirect subsidiary of Mitsubishi Corporation).

- 3.3 BTI has 100% indirect equity interests in Blue Transmission Walney 1 Limited ("BTW1"), Blue Transmission Walney 2 Limited ("BTW2") and Blue Transmission Sheringham Shoal Limited ("BTSS") which each hold an offshore electricity transmission licence to operate an offshore electricity transmission system.

3.4 On the financial close date, the BTI Group structure was as follows:



¹Owned by a consortium of independent investors (the “Blue Transmission Consortium”).

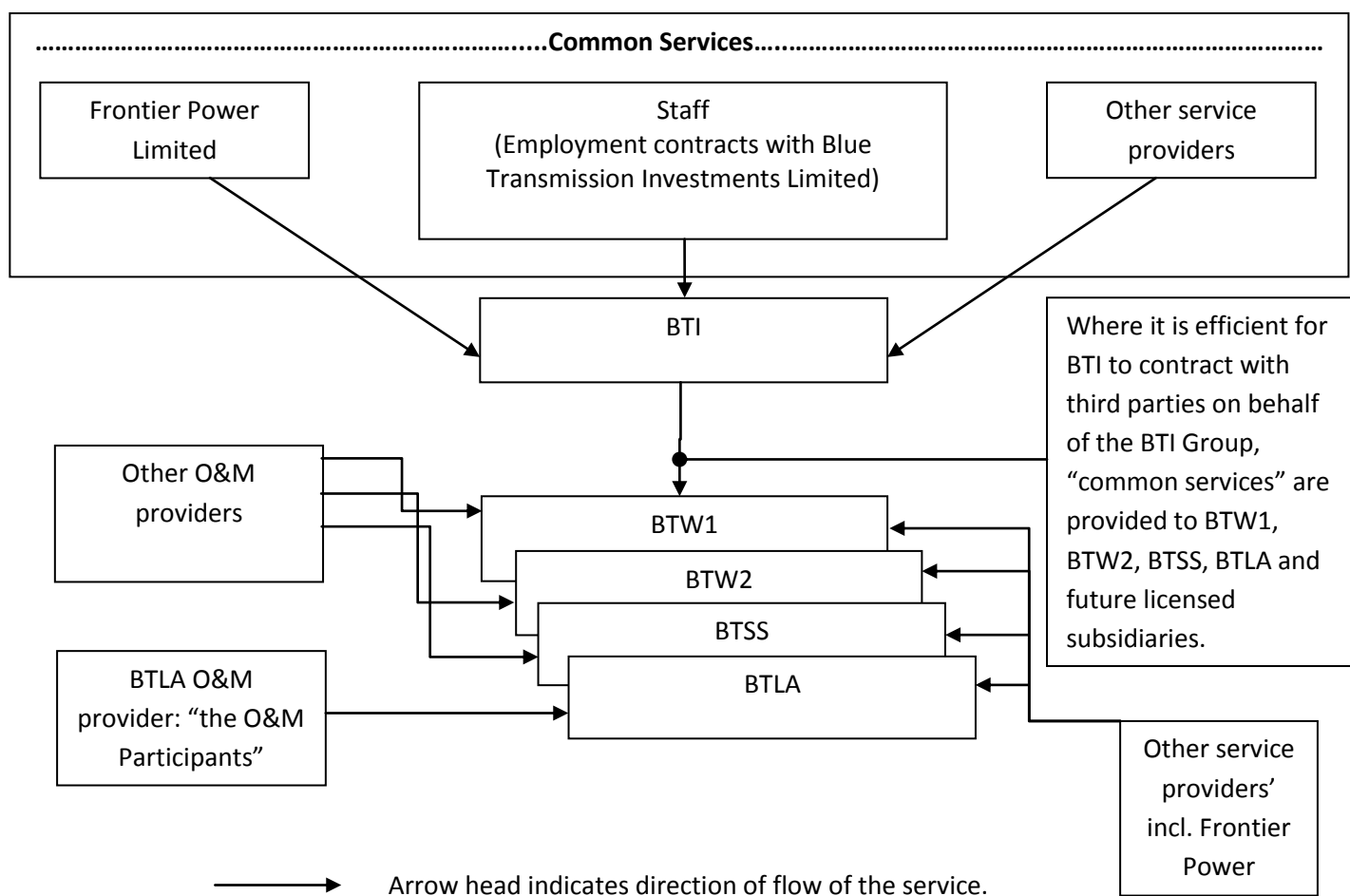
4. Operating Model

4.1 BTLA primarily operates and maintains its offshore electricity transmission system through a series of bilateral contractual arrangements with independent third parties and with BTI (which in itself also contracts with independent third parties). BTI acts as both: a service and holding company to the BTI Group, providing certain shared services to BTLA and to the other offshore transmission companies within the BTI Group. These shared services may include the services of staff that may be employed by BTI from time to time and all these services or “common services” are provided to BTLA, BTW1, BTW2, BTSS and future potential members of the BTI Group – the flow of common services are shown in diagrammatic form in paragraph 4.4 below.

4.2 Consistent with the operating model described in paragraph 4.1 above, the management of the operations of BTLA has been outsourced to an independent third party, Frontier Power Limited, a specialist in the provision of asset management services to the energy sector. Frontier Power Limited has contracted with BTI to provide management and other shared services to that company and its subsidiaries including BTLA. Frontier Power Limited is not affiliated in any way to the BTI Group.

4.3 The provider of operating and maintenance services (“O&M”) to maintain and operate the transmission assets of BTLA is Dong Energy London Array Limited, Dong Energy London Array II Limited, E.ON Climate & Renewables UK London Array Limited and Masdar Energy UK Limited (together the “O&M Participants”). O&M services are provided to BTW1, BTW2 and BTSS by different providers.

4.4 A simple diagrammatical representation of the operating model is shown below:



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

5.1 Obtaining no unfair commercial advantage

5.1.1 In accordance with Amended Standard Condition E12-C1 paragraph 1, BTLA is required, as referenced above, to conduct its transmission business in the manner best calculated to secure that, in complying with its obligations under the Licence:

- a. the Licensee;
- b. any affiliate or related undertaking of the Licensee;
- c. any user of the national electricity transmission system; and
- d. any other transmission licensee;

obtains no unfair commercial advantage including, in particular, any such advantage from a preferential or discriminatory arrangement, being, in the case of such an advantage accruing to the Licensee, one in connection with a business other than its transmission business.

5.1.2 BTLA has put in place a Code of Conduct that applies to all employees of BTLA, its affiliates and for related undertakings involved in any activities in relation to any wholly owned subsidiaries of its ultimate parent undertaking (BTI) and to employees and consultants of Frontier Power Limited (provider of management services to BTLA – see paragraph 4.2 above).

- 5.1.3 The Code of Conduct explains and requires those subject to the Code of Conduct to carry out their duties, tasks and other activities in such a manner as to secure compliance with certain obligations under the Licence and in particular, compliance with Amended Standard Condition E12-C1 as to the conduct of the transmission business.
- 5.1.4 BTLA has in place certain procurement procedures to ensure that the Licensee procures goods and services in an efficient and cost effective manner. Authorisation for procurement events take place at different value levels and are designed to prevent unauthorised, non-compliant behaviour. The procurement process is administered by Frontier Power Limited. Material contracts require BTLA board approval.
- 5.1.5 Management services are provided to BTLA by Frontier Power Limited which is an independent management services company as explained in paragraph 4.2 above. Fees in respect of such management services are negotiated at arms-length and on normal commercial terms.
- 5.1.6 The BTLA directors are required to declare any potentially conflicting interest at each board meeting and understand their fiduciary duties to the Company (and Licensee) under both company law and the Licence. The BTLA directors understand that their fiduciary duty to BTLA, as Licensee, is distinct from that of any other company including those that hold a transmission licence (including any entities that are affiliates). Decisions taken by the BTLA board have regard to these fiduciary duties.
- 5.1.7 BTLA directors receive such training and support as required to ensure that they understand their obligations to the Company - see paragraph 6.1.4 below.
- 5.1.8 The BTLA board, its compliance committee and Compliance Officer monitor compliance with Amended Standard Condition E12-C1.

5.2 *Premises, equipment, systems for recording and storing data, facilities, staff and property*

- 5.2.1 In accordance with Amended Standard Condition E12-C1 paragraph 2, BTLA, is required, except insofar as the Authority may direct, to secure and procure separate premises, equipment, systems for recording and storing data, facilities, staff, and property from:
- a. those owned by a 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; and
 - b. those owned by any associated business of the Licensee that is authorised to generate or supply electricity.

- 5.2.2 BTLA does not and does not intend to share any resources with any transmission licensee that holds a co-ordination licence and is responsible for co-ordinating and directing the flow of electricity onto or over the national electricity transmission system. BTLA owns, rents, or otherwise has access to premises, equipment, and systems for recording and storing data, facilities and staff independent of such a licensee. Similarly, BTLA does not share such resources with any business that would fall within the definition of an “...associated business of the Licensee that is authorised to generate or supply electricity” as no such associated businesses exist. Consequently, BTLA is fully compliant with Amended Standard Condition E12–C1 paragraph 2 as the circumstances that this condition addresses are not relevant to the Company.
- 5.2.3 The BTLA directors will monitor compliance with the obligations of Amended Standard Condition E12–C1 paragraph 2 in the light of any change in circumstances.

6. Separation and Independence of the Transmission Business (Amended Standard Condition E12-C2)

6.1 Managerial and operational independence of the Licensee

- 6.1.1 In order to maintain the requisite managerial and operational independence of the Licensee, BTLA, its fellow subsidiary undertakings and its parent undertaking have all been established as legally separate companies, each with their own separate board of directors.
- 6.1.2 No affiliate or related undertaking of BTLA is authorised to generate, distribute or supply electricity, or to provide meter reading or meter-related services. BTW1, BTW2 and BTSS are the only affiliates or related undertakings of BTLA that are authorised to transmit electricity.
- 6.1.3 Amended Standard Condition E12–C2 (paragraphs 5 and 6) imposes the following obligations on the Licensee:
- a. The Licensee is required to establish separate boards of directors for the transmission business and for any associated businesses; and
 - b. Each member of such boards of directors or executives for associated businesses who is also a director of the offshore transmission business shall fulfil their role in relation to the taking of such decisions as if he or she were a director of a legally incorporated company whose sole business is the business in respect of which the board he or she is a member of has been established.

6.1.4 Responsive to the obligations imposed on the Licensee under Amended Standard Condition E12–C2 (paragraphs 5 and 6), and responsive to other obligations contained within the Licence including, but not limited to the appointment of a Compliance Officer in accordance with Amended Standard Condition E12-C4, the following arrangements have been put in place:

- a. Separate boards of directors for each company in the BTI Group have been established, the appointment of an independent Compliance Officer for each licensed business within the BTI Group together with the establishment of a compliance committee for each Licensee, is designed to ensure that there is appropriate corporate governance and independence of each company within the BTI Group.
- b. The directors of each company within the BTI Group are required at all times to act in accordance with their fiduciary duties to that company in accordance with the requirements of company law and, in the case of BTLA, BTW1, BTW2 and BTSS their offshore transmission licences. This means that they must discharge their duties and take all decisions as a member of the board of that company in the best interests of the business (the transmission business in the case of BTLA, BTW1, BTW2 and BTSS) of that company and without regard to the interests of any other company or business.
- c. The directors of each company within the BTI Group have and will continue to receive support and any training as required to ensure that they understand their obligations to the company upon whose board they serve and in particular, in relation to BTLA, BTW1, BTW2 and BTSS transmission licence holders, the relevant licence obligations with which they and the licensees have to comply. In particular, the importance of business separation has been explained and reinforced to the directors of each company within the BTI Group and they have and will continue to be provided with regular reports on compliance. Discussions have been held and will continue to be held with the BTLA directors regarding the importance of compliance with the obligations of the Licence generally and in respect of business separation in particular – both with the management and the independent Compliance Officer.

6.2 Staff, premises, IT and other facilities

6.2.1 As referenced under paragraph 2.4 f) above the Licensee is not permitted to share certain resources with particular entities unless the Licensee has been allowed to do so by the Authority. The entities that are not permitted to share or use certain resources (except where permitted to do so by the Authority) are as follows:

- a. a transmission licensee that holds a co-ordination licence and is responsible for co-ordinating and directing the flow of electricity onto or over the national electricity transmission system; and
- b. any associated business of the Licensee that is to generate or supply electricity.

- 6.2.2 The BTI Group does not share any resources with any entity (including associated businesses) that meets the operating characteristics described in paragraph 6.2.1 above. Furthermore, based on the current plans of the Company and the BTI Group, the BTLA directors do not expect this situation to change. Consequently the Licensee is compliant with the conditions of Amended Standard Condition E12–C2 paragraph 4(b) (i) and (ii).
- 6.2.3 The directors will monitor the future activities and plans of the BTI Group to ensure that it remains compliant with the conditions of Amended Standard Condition E12–C2 paragraph 4(b) (i) and (ii).
- 6.2.4 Amended Standard Condition E12–C2 paragraph 4 (b) (iii) requires the Licensee to ensure that it can and does, insofar as is legally possible, prevent any person who has ceased to be engaged in, or in respect of, the management or operation of the transmission business from being engaged in, or in respect of, the activities of any associated business of the Licensee until the expiry of an appropriate time from the date on which he ceased to be engaged by the transmission business, where that associated business is either:
- a. a transmission licensee that holds a co-ordination licence and is responsible for co-ordinating and directing the flow of electricity onto or over the national electricity transmission system; or
 - b. authorised to generate or supply electricity.
- 6.2.5 The Licensee or ultimate controllers have no associated businesses that meet the characteristics of the businesses described in paragraph 6.2.4 above and therefore the conditions envisaged by Amended Standard Condition E12– 2 paragraph 4 (b) (iii) currently do not apply. For the same reasons outlined in paragraph 6.2.2 the Licensee is and expects to remain fully compliant with the conditions of Amended Standard Condition E12–C2 paragraph 4(b) (iii) as there are no plans for such associated businesses to operate in the foreseeable future. However, the BTLA directors will monitor future activities, plans and make suitable enquiries to ensure that it remains compliant with the conditions of Amended Standard Condition E12–C2 paragraph 4(b)(iii).
- 6.2.6 BTI has its own board of directors, employs its own staff from time to time and has or contracts for access to administration facilities whereas by contrast, BTLA, BTW1, BTW2 and BTSS have separate boards of directors but do not employ any staff or have their own administration facilities. In addition, BTI has entered into a Management Services Agreement (“MSA”) with Frontier Power Limited (to which the other companies in the BTI Group are also parties) whereby Frontier Power Limited will provide a range of general management and other shared services to the BTI Group and will supervise any BTI staff that may be employed.

- 6.2.7 The Licensee is not authorised to obtain, nor allow any affiliate or related undertaking or staff from any affiliate or related undertaking to obtain, an unfair commercial advantage from having shared access or use of resources shared within the BTI Group. Given the ownership and group structure within which the Licensee operates; the nature of the regulatory regime; the inherent low risk business model operated by the Licensee; and the nature of the resources being shared, all of which are described elsewhere in this Statement, it is the opinion of the BTLA directors that the likelihood of an unfair commercial advantage being gained by any of the parties referenced above, is considered extremely low. The Company's Code of Conduct, described in paragraph 6.2.8, ensures that all relevant personnel are aware that the obtaining an unfair commercial advantage is not permitted, and in addition, the Compliance Officer monitors this compliance through the review of the Licensee's procedures; interviews with management; regular meetings with the BTLA board; and the review of the agenda, papers and minutes of the BTLA board meetings.
- 6.2.8 The BTI Group has implemented processes to ensure that its employees and all other persons involved in the management or operation of BTLA's transmission business conduct the transmission business in the manner best calculated to secure that BTLA complies with the Licence conditions covered by this Statement. These processes include requiring all such employees and other persons to comply with the Code of Conduct set out in Appendix 1.
- 6.2.9 The BTI Group has implemented security to premises; physical documents; and IT systems, as appropriate, to secure the confidentiality of information and only allow access by authorised persons.
- 6.2.10 There are only a limited number of employees and/or consultants providing management services to the BTI Group. Information is only shared with those employees/consultants necessary for the performance of their duties and information (including financial information) is segregated accordingly by the use of logical access controls. Other IT controls include the use of passwords. Physical access is restricted to the premises and/or documents by the uses of keys and/or key code access.

7. Compliance Officer (Amended Standard Condition E12 – C4)

- 7.1 The Licensee has, following consultation with the Authority, appointed a competent person as the "Compliance Officer" for the purpose of facilitating compliance by the Licensee with Amended Standard Condition E12–C4 of the Licence and with 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) and Amended Standard Condition E12-C2 (Separation and Independence of the Transmission Business) and Amended Standard Condition E12-C3 (Restriction on use of certain information) (the "relevant duties").

7.2 The function of the Compliance Officer will be to perform the duties and tasks outlined in paragraph 7 of Amended Standard Condition E12–C4 (covering advising, monitoring, investigating and reporting on compliance matters). This will include providing relevant advice and information to the Licensee (including individual directors of the Licensee) and its compliance committee. The Compliance Officer will report annually to the compliance committee and to the BTLA board of directors. Thereafter, the Licensee will make a report to the Authority.

7.3 The Compliance Officer is independent of the management of the Licensee and provides an important check and balance in relation to Licensee’s overall Licence compliance framework in general and specifically in relation to the issue of business separation and independence. The Compliance Officer’s independence from the management of the Licensee is an essential characteristic of a Compliance Officer. This characteristic allows the Compliance Officer to form an independent and objective view as to the Licensee’s compliance with the transmission business separation requirements of the Licence; independent from any views that may be expressed by the management and the BTLA directors.

7.4 The Compliance Officer is able to offer independent advice to the management and directors of the Licensee in a number of areas; including the procedures and processes that have been put in place to achieve business separation and independence of the transmission business; and any interpretation of the Licence in business separation matters generally. The Compliance Officer is also able to proffer advice in relation to ad-hoc issues as they arise.

8. Prohibition of Cross subsidies (Standard Condition E6)

8.1 Standard Condition E6 (Prohibition of Cross- subsidies) prohibits BTLA as the Licence holder, from giving or receiving a cross-subsidy from any other business or an affiliate or related undertaking of the Licensee.

8.2 As referred to above in section 4 Operating Model; BTLA primarily operates and maintains its transmission system through a series of bilateral contractual arrangements with independent third parties or where it is efficient to do so with BTI. BTI also contracts with independent third parties and has or intends to employ a limited number of employees. The nature of these arrangements means that the costs incurred within the BTI Group are negotiated at market prices at the date the arrangements are entered into, and where costs are not directly attributed, they are allocated within the BTI Group in a fair and equitable manner – see paragraphs 8.4 and 8.5 below.

8.3 BTLA contracts directly with its principal external service providers e.g. the O&M Participants; but such contracts are administered by BTI.

8.4 BTI contracts for a range of common services used by its licensed undertakings’ (and to be used by future licensed subsidiaries). The costs of the common services provided by BTI which cannot be directly attributed to BTLA, BTSS, BTW1 and BTW2 are allocated to these entities by reference to a number of metrics. As and when further subsidiaries are established to acquire other offshore transmission assets, and the benefits of the common services provided by BTI are extended to such subsidiaries, it will be necessary to attribute and allocate the costs of such services across the expanded BTI Group.

- 8.5 The advantage of the arrangements referred to above is that it allows the BTI Group to obtain economies of scale from the sharing of administrative services and the benefits of these economies are reflected in each of the entities by virtue of the fact that separate services do not have to be established for each entity and that there is a fair and equitable sharing of the cost of these services. Such services include the cost of IT systems, facilities, property, employee and other management services. To the extent that a cost arising from a specific activity can be attributed to a particular entity, then the consequential costs arising will be charged to that particular entity. To the extent that costs cannot be attributed to any specific entity then the costs will be allocated – using appropriate metrics including the use of time allocation where appropriate.
- 8.6 The nature of the operating model inherently minimises the risk of cross subsidisation as there is a separation of the ownership from those entities contracted to operate the transmission system – these entities being independent of the owners. In addition, the nature of the regulatory arrangements means that the pricing of transmission services are set for the whole of the period that the Licence has been granted – 20 years. As a consequence, there is no incentive on the management, and/or any individual or individuals to intentionally receive or give a cross subsidy to or from the Licensee or its affiliates and related undertakings as it can have no impact on the revenue of the Licensee. Finally, the governance and compliance procedures outlined in this Statement (including the Code of Conduct described in paragraph 6.2.8 above) that have been adopted by BTLA give the BTLA board reasonable assurance that they will continue to comply with this Licence obligation.

9. Restriction on Activity and Financial Ring Fencing (Standard Condition E7)

- 9.1 With certain exceptions, BTLA as the Licence holder is not permitted to conduct any business or carry on any activity other than the transmission business.
- 9.2 The principal exceptions to paragraph 9.1, relate to: the conduct of de minimis business (as defined in Standard Condition E7) whether carried out by BTLA or a subsidiary created for that purpose; investments acquired in the normal course of BTLA's treasury activities; investment in subsidiaries that have the sole purpose of carrying out financing activities; investment in entities that carry out the transmission business of the Licensee; and any other business activity to which the Authority has given its consent.
- 9.3 Through the operation of the MSA in providing management services to BTLA, Frontier Power Limited has to operate within certain parameters. Amongst other conditions, these operating parameters restrict Frontier Power Limited from entering into any arrangements, agreements or from carrying out any activities that are inconsistent with any operating plan approved by the BTLA board. The approved operating plan does not pre-suppose any proposed activities or arrangements that are inconsistent with the obligations contained within this Statement.

9.4 The management of the Licensee operates through a series of delegated authorities and in particular, Frontier Power Limited, in its capacity as provider of management services, would not be permitted to enter into any business arrangement other than that of the transmission business without obtaining the permission of the BTLA directors. The BTLA directors are aware of the general prohibition relating to non-transmission business (subject to the exceptions described in paragraph 9.2) and would not permit the Licensee to engage in this prohibited activity. Finally, in the event of the failure of any of the above processes and controls, the Compliance Officer would bring the attention of such activity to the attention of the BTLA directors ensuring that the appropriate remedial action would be taken.

10. Monitoring, responsibility and reporting

10.1 The BTLA board is responsible for ensuring that BTLA complies with the obligations of the Licence generally and this Statement in particular, and will take all reasonable measures to ensure compliance with the terms of this Statement.

10.2 BTLA has appointed a compliance committee to specifically monitor compliance with the conditions of the Licence and the compliance committee reports to the BTLA board and that of the ultimate holding company.

10.3 BTLA has appointed a Compliance Officer (as required by Amended Standard Condition E12–C4) who is responsible for facilitating compliance by the Licensee with certain conditions of the Licence, including the conditions shown at paragraph 2.1 of this Statement. The Compliance Officer will report to the compliance committee.

10.4 The compliance committee, Compliance Officer and board of directors of BTLA will monitor the activities of the Company in relation to compliance with all Licence obligations.

10.5 The compliance committee is scheduled to meet on an annual basis. This committee will consider whether the Licensee has complied with its obligations under the Licence and will report upon its deliberations to the BTLA board directors, including any breaches or potential breaches of Licence conditions. The compliance committee will consider reports from Frontier Power Limited (who are providing management services under the terms of the MSA) and from the Compliance Officer.

10.6 Frontier Power Limited maintains a register of obligations which, amongst other things, records relevant obligations under the Licence and they consider on a regular basis the content of this register and whether these obligations have been met. A regular review of this register is one of the management processes that allow Licence obligations to be monitored and reported against.

10.7 In the event that Frontier Power, the Compliance Officer or any member of the compliance committee becomes aware of a licence breach or a potential breach, then an ad-hoc meeting of the compliance committee will be called to consider the breach or potential breach. The compliance committee will make a recommendation to the BTLA board and where appropriate the BTLA board will be convened to consider the appropriate response.

10.8 The duties of the Compliance Officer include the requirement to report annually to the compliance committee and to the BTLA board as to his activities which will indicate the Licensee's compliance or otherwise with the obligations of this Statement in particular. Thereafter, the Licensee will report to the Authority and amongst other matters will confirm compliance or otherwise with the obligations of this Statement.

11. Investigation of complaints regarding compliance with this Statement

11.1 The Compliance Officer along with his other duties, is responsible for investigating all complaints in relation to compliance with this Statement and the Licence, and will be allocated such resources and assistance as necessary to carry out any such investigation as he deems necessary to complete that investigation.

11.2 Any complaints or queries relating to business separation should be addressed in the first instance to:

The Compliance Officer
Blue Transmission London Array Limited
The American Barns,
Lighthorne,
Warwickshire CV35 0AE

12 Approval

The boards of BTLA and BTI have endorsed this Statement prior to its submission to the Authority for approval. The Authority has approved this Statement.

Document version management and amendment

Version	Date	Reason(s) issued or amended	Board approval	Effective from
Version 1.0	05 November 2013	Approval by the Authority	05 November 2013	05 November 2013

Appendix 1 - Code of Conduct

The purpose of this Code of Conduct is to ensure that employees and other relevant personnel are aware and comply with the obligations of the transmission licences granted to all BTI Group OFTO Licensees, as amended by the consents issued by the Authority under paragraph 4(b) of Amended Standard Condition E12-C2 (Separation and Independence of the Transmission Business) of the said licences, in relation to certain compliance matters, to the extent set out below. No equivalent consent has been issued by the Authority in relation to BTLA as the Licence issued to BTLA differs in certain respects to the transmission licences issued in respect of other OFTOs. The practical effect of the consents issued under paragraph 4(b) of Amended Standard Condition E12-C2 (Separation and Independence of the Transmission Business) of those transmission licences issued to OFTOs other than BTLA is to ensure that this condition (as amended by the consents) now operates in a practical manner similar to the equivalent amended standard condition included within the BTLA Licence.

For the purposes of the BTLA Compliance Statement, all references in this Code of Conduct to “the Licensee” are to BTLA.

All employees and other relevant personnel are required to confirm their acceptance and compliance with this Code of Conduct on an annual basis.

1. Who must abide by the code?

1.1. All employees of the Licensee or employees of its affiliates and for related undertakings involved in any activities in relation to any wholly owned subsidiaries of its parent company (Blue Transmission Investments Limited (BTI)). For this purpose, the Licensee’s affiliates and related undertakings include BTI and any of its subsidiaries held directly or indirectly.

1.2. Employees and consultants of Frontier Power Limited engaged in the management and operation of the Licensee’s transmission business or the transmission business of any of the Licensee’s affiliates.

2. What requirements must be complied with and where can these be found?

2.1. The Licensee’s Licence:

- Standard Licence Condition E6: Prohibition of Cross-Subsidies
- Standard Licence Condition E7: Restriction on Activity and Financial Ring Fencing
- Amended Standard Licence Condition E12 - C1: Conduct of the Transmission Business
- Amended Standard Condition E12 – C2 (Separation and Independence of the Transmission Business).

2.2. S105 Utilities Act 2000: General restrictions on disclosure of information

Appendix 1 - Code of Conduct

2. What requirements must be complied with and where can these be found (continued)?

2.3. Failure to comply could result in adverse consequences for the Licensee, including:

- Financial penalty
- Criminal prosecution
- Liability payments to a third party for breach of a contract
- Investigations and other enforcement action by Ofgem
- Additional and more onerous Licence conditions, and
- Serious damage to the Licensee's reputation.

2.4. Breach of this Code of Conduct will be treated as a disciplinary matter and will be reported to the Authority.

3. What should be done if a breach is discovered?

3.1. Any breach of the Code of Conduct by employees or relevant personnel whether deliberate or unintentional, must be immediately reported to a member of the Licensee's Compliance Committee.

4. General Rules

4.1. Confidential information

4.1.1 Any information relating to or deriving from the management or operation of the Licensee's transmission business is to be treated as confidential and should not be disclosed except where the Licensee and its affiliates are permitted to disclose information by virtue of:

- i. Any requirement of a "competent authority" as defined in Amended Standard Condition E12-C3 which term includes (among others) the Secretary of State, Ofgem and the Compliance Officer;
- ii. Conditions of the transmission licence granted to the Licensee;
- iii. Any other requirements of law;
- iv. The rules of the Electricity Arbitration Association or of any judicial or other arbitral process or tribunal of competent jurisdiction;
- v. Information being provided by or relating to any person who has notified the Licensee that it need not be treated as confidential;
- vi. Where information, not being provided by or relating to any person other than the Licensee, is placed in the public domain or where such information is required for assisting the holder of a co-ordination licence (e.g. NGET), to prepare for and plan and develop the operation of the national electricity transmission system.

Appendix 1 - Code of Conduct

4.1 Confidential information (continued)

- 4.1.2 Here “transmission business” means the authorised businesses of the Licensee or any affiliate or related undertaking in the planning or development or construction or operation or maintenance of a transmission system.
- 4.1.3 It is therefore permissible to share information between the transmission businesses of the Licensee, or any affiliate or related undertaking, with an authorised transmission business, for the purpose of the efficient planning or development or construction or operation or maintenance of the Licensee’s transmission system.
- 4.1.4 Additionally it is permissible to share information with BTI and any other affiliate or related undertaking of the Licensee provided that no unfair commercial advantage is provided.
- 4.1.5 An unfair commercial advantage will be presumed where there is a financial benefit obtained by either the Licensee or affiliate or related undertaking of the Licensee entering into a commercial arrangement with the Licensee since the date of licence grant and financial close where such an arrangement has not been benchmarked or market tested and is on materially different terms to any such similar arrangement entered into at licence grant and financial close and is based on the knowledge of confidential information to the Licensee.

5.2 Employees and relevant personnel must not:

- 5.2.1 Provide information that is commercially confidential to the Licensee to any affiliate or related undertaking of the Licensee or that of any third party, except:
- i. to the extent that such information is required for the affiliate or related undertaking of the Licensee or third party to perform an activity under the terms of a contract which supports the management or operation of the transmission business licensed to the Licensee provided the use of such information does not confer an unfair commercial advantage as set out above and where the provision of such information is governed by suitable confidentiality restrictions; or

Appendix 1 - Code of Conduct

5.2 Employees and relevant personnel must not (continued):

- ii. to personnel of any holder of a transmission licence engaged in the external transmission activities of that transmission licence holder, to the extent necessary for the performance by such personnel of those external transmission activities, and the use by such personnel of that information for that purpose provided the use of such information does not confer an unfair commercial advantage as set out above and where the provision of such information is governed by suitable confidentiality restrictions; or
- iii. to personnel engaged in the planning or development or construction or operation or maintenance the use of such information does not confer an unfair commercial advantage as set out above and where the provision of such information is governed by suitable confidentiality restrictions.

5.2.2 Provide or receive any cross subsidy to or from the Licensee or any affiliate or related undertaking of the Licensee whether by means of direct or indirect financial assistance, or non-cost-reflective charges for services, use of facilities or otherwise.

5.2.3 Enter into any new commercial agreement between the Licensee and an affiliate or related undertaking after financial close unless it is on an arm's length basis and on normal commercial terms as approved through the related party contract authorisation process by the Licensee's Board.

5.3 Employees and relevant personnel must:

5.3.1 Ensure that adequate records are maintained in respect of all new services provided to the Licensee by affiliates or related undertakings since financial close so as to demonstrate that such arrangements do not confer an unfair commercial advantage and are entered into consistent with the conditions described in paragraph 5.2.3 of this Code of Conduct.

5.3.2 Ensure that the reporting requirements as specified or implied by the terms of the management services agreement are communicated in a timely manner, including:

- i. Immediate notification of any actual or potential regulatory breaches; and
- ii. in the manner, detail and frequency as agreed following implementation of the management services agreement.

Appendix 1 - Code of Conduct

5.3 Employees and relevant personnel must (continued):

- 5.3.3 Ensure that the cost of services under any new joint contracts entered into with an affiliate or related undertaking or a third party with the Licensee and any other transmission business is fairly allocated to the Licensee and each of the transmission businesses such that there is no cross subsidy given to any transmission business.

6. Further Guidance/Advice

If you need further guidance in the first instance speak to the Licensee's General Manager or Compliance Officer.