

1. Introduction

This report is for the year to 31 March 2022, as required by Standard Licence Condition 31B of Optimal Power Networks' (OPN) Electricity Distribution Licence. The report summarises the licensee's compliance with the Relevant Requirements and provides an update on the implementation of the practices, procedures, and systems adopted in accordance with the Statement of Compliance which is published on OPN's website. In addition, the report details the activities of the Business Compliance Officer (BCO) throughout the year including reference to any investigative work he has undertaken. As such this report should be read in conjunction with the current OPN Statement of Compliance and the Compliance Officer's Report (provided by Andy Austin of SSE Group Compliance, our Business Separation Compliance Officer), both of which are published on our website.

Weekly calls are held between the IDNO Management Team and their Corporate support representatives from Regulation, Legal, Assurance and Compliance.

2. Compliance with the Relevant Requirements

2.1 Review Work

OPN has demonstrated compliance with licence condition 31B through the business separation review work undertaken by the Compliance Officer, Group Compliance and SSE Distributed Energy (DE) Business Assurance during 2021-22. The Group Compliance function is independent of the operations of OPN, reporting directly into the General Counsel directorate (as part of Corporate Services) of the SSE Group. DE Assurance sits within the SSE Enterprise group of businesses and is the principal function used by the business to ensure compliance with the general and business separation licence obligations.

Three issues were identified during BS report for the financial year 2020-21 which resulted in a requirement of corrective actions. The details were provided in the 2021 BCO Directors report. Actions were monitored and managed independently by Group Compliance. All were closed within agreed timeframes.

The Group Compliance team has undertaken an annual review of OPN Business Separation for 2021-22. This review identified one finding and five observations. Whilst such issues increase the risk of non-compliance, it is not considered they give rise to any actual problems; the points raised have been considered by OPN to ensure they are acted upon timeously and appropriately.

This review work has shown that the practices, procedures and systems in OPN supporting the statement of compliance are being fully implemented as the business starts to grow.

2.2 Managerial and Operational Independence

OPN is a wholly owned subsidiary of SSE Enterprise Limited, which itself is part of the SSE plc group of companies. OPN's status as a separate legal entity under SSE Enterprise provides an appropriate



structure for separation. The OPN board currently comprises of three executive directors and one secretary who are sufficiently independent from any relevant undertakings.

Absolute separation from the wider SSE Enterprise directorate would not be consistent with SSE shareholder and stewardship responsibilities. However, systems, procedures and structures have been implemented and continued to operate to ensure the key objectives of separation have been met. In particular the group and SSE Enterprise structure has allowed effective managerial and operational independence within the group strategic plan.

2.3 Systems and Confidential Information

OPN has implemented new IT systems as part of their commencement of trading as an IDNO. OPN's IT systems have not been audited in the first year of operation because new systems have been developed specifically for OPN and are operated independently from any relevant undertaking. Business Separation and the requirement to restrict access to confidential information have been considered through the implementation of these new IT systems.

Service Level Agreements are in place with other Group companies for certain functions. SSE places emphasis on confidentiality and Business Separation clauses in intergroup Service Level Agreements.

2.4 Branding

During the year 2021-22, OPN rebranded from its previous name of Forbury Assets Limited (FAL), with the formal change of name being made in December 2021. This rebrand was supported with a new logo, standalone website and marketing materials.

OPN's policy is to maintain a separate identity from Relevant Undertakings. This is reinforced in the marketplace through the branding of the OPN information on its website and social media.

The BCO is satisfied that branding is in keeping with group policy and consistent with the need to separately identify OPN within the marketplace. This will continue to be monitored in the following 12 months as the business develops and changes in its parent company are implemented.

2.5 Staff Transfers

OPN has a formal process for managing transfers of staff to or from Relevant Undertakings. During the year 2021-22 there were no such transfers.

3. Breach Reporting and Complaints

There is an established procedure within the SSE Enterprise Assurance team whereby any breach reports or complaints received will be advised to the BCO setting out the investigation work being undertaken. The BCO will review details of the Assurance response to the complaint and any remedial action taken or proposed. The BCO will then consider if he needs to undertake his own investigation.

There was one potential Business Separation related complaint in March 2022. It was identified by OPN Directors and communicated to the BCO on receipt. An investigation was undertaken to establish the facts and formal report was provided by the BCO to the Head of OPN on 14 March

2022. It is the consideration of the BCO that there was no breach of Business Separation Licence Conditions, however opportunities to strengthen existing arrangements were identified.

There have been 20 further enquiries logged in the dedicated OPN BS inbox in the previous reporting period. The majority of these related to technical issues in completing the new Business Separation eLearning programme. None required further investigation or escalation.

4. Staff Training

Business Separation training is delivered at two levels, with group wide Business Separation e-learning supplemented by OPN-specific aspects for identified individuals. OPN-specific Business Separation training is provided to all OPN staff and to those in other SSE Group roles whose work brings them into contact with OPN and OPN's activities.

Completion of Business Separation training is mandatory for all those who have been specifically identified. This year, the OPN training package was enhanced to incorporate eLearning, including an online assessment. Training is expected to be completed by all relevant OPN and SSE personnel annually. Completion statistics are monitored regularly by the DE assurance team and shared with the IDNO management team. This ensures that training is completed, and action taken where training has not been undertaken within the required time scales.

As at 31st March 2022 completion rates were above the 91% target set by Group Compliance.

5. Contact

Queries relating to this report should be addressed to:

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