

1. Introduction

This report is for the year to 31 March 2023, 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 she has undertaken.

Fortnightly calls are held between the IDNO Management Team and their Corporate support representatives from Assurance and Compliance, including the BCO. Further fortnightly calls, on alternate weeks, are held also with representatives of the Corporate Regulation team.

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 2022-23. 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 Business 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.

One issue was identified for the financial year 2021-22 which resulted in corrective actions. This was monitored and managed independently by Group Compliance and was closed within agreed timeframes. A further five observations were made for consideration by the OPN board, and have been acted upon where it was identified that doing so would conform with best practice.

The Group Compliance team has undertaken an annual review of OPN Business Separation for 2022-23. This review identified two findings resulting in corrective actions and three 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 continues 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 continued to operate IT systems as required to trade as an IDNO. Access to these IT systems was reviewed as part of the annual Business Separation Compliance Audit. Business Separation and the requirement to restrict access to confidential information were considered through the implementation phase of these new IT systems, and continues to be reviewed by the IDNO Team, supported by DE Business Assurance, as the business grows.

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

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 2022-23 there were no such transfers.

3. Breach Reporting and Complaints

There is an established procedure within the SSE DE Business 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 she needs to undertake her own investigation.

There were 10 enquiries logged in the dedicated OPN Business Separation inbox in the reporting year 2022-2023. One potential Business Separation enquiry was received in November 2022. An investigation was undertaken to establish the facts and concluded that there was no breach of Business Separation Licence Conditions.

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. The OPN training package incorporates eLearning, including an online assessment, with automated reporting of completion rates. For individuals without online access, offline training is available. 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. 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 2023 completion rates were above the 91% target set by the Group.

5. Contact

Queries relating to this report should be addressed to:

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