



**STATEMENT ON THE RESTRICTION ON USE OF CERTAIN INFORMATION AND  
INDEPENDENCE OF THE TRANSPORTATION SYSTEM**

## **SSLCA33 RESTRICTION ON USE OF CERTAIN INFORMATION & INDEPENDENCE OF THE TRANSPORTATION BUSINESS**

### **Introduction**

Wales & West Utilities Limited (WWU) is the company responsible for distributing gas to 2.3m customers throughout the South West and Wales.

This is the statement required by Standard Special Condition A33 of the Gas Transporter's Licence granted to WWU and has been approved by the Gas and Electricity Markets Authority ("the Authority") and may only be revised with the approval of the Authority.

WWU will use its best endeavours to ensure compliance with this statement.

1 Standard Special Condition A33, Restriction on Use of Certain Information and Independence of the Transportation Business, requires WWU to put in place, and at all times maintain, managerial and operational systems which prevent any relevant shipper, any trading business, relevant supplier, relevant generator, its meter-related services business or its meter reading business from having access to confidential information with the following exceptions:-

a) that such information is made available on an equal basis to any gas or electricity supplier or gas shipper or any meter asset manager or electricity generator

b) that such information appertains to a customer who at the time to which the information relates was a customer of the relevant supplier or

c) that the Authority otherwise consents in writing

Paragraphs 2 – 5 sets out what will be contained in the compliance statement:-

2 WWU shall at all times manage and operate its transportation business in a way calculated to ensure that it does not restrict, prevent or distort competition in the supply of electricity or gas, the shipping of gas, the generation of electricity, any trading business or the supply of meter related services or of meter reading services.

3 WWU must set out how the business shall maintain the full managerial and operational independence of its transportation business from any relevant supplier, relevant shipper, any trading business, any relevant generator its meter related services business and its meter reading business.

4 WWU must maintain the branding of its transportation business so that it is fully independent from the branding used by any relevant supplier, relevant generator; relevant shipper, any trading business, any meter related services business or its meter reading services business.

5 WWU must secure that any access for the 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 transportation business;

- b) systems for the recording, processing or storage of data to which persons engaged in, or in respect of, the management or operation of the transportation business also have access;
- c) equipment, facilities or property employed for the management or operation of the transportation business or;
- d) 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 transportation business by any relevant supplier, relevant shipper, relevant generator, any trading business, its meter-related services business or its meter reading business or by any person engaged in or in respect of the activities of such a relevant shipper, relevant supplier, relevant generator, any trading business, its meter-related services business or its meter reading business shall be such as to prevent any breach of the requirements as set out in paragraphs 1 - 5.
- e) WWU will manage the transfer of employees from the transportation business to any relevant supplier, relevant shipper, relevant generator, any trading business, its meter-related services business or its meter reading business so as to ensure that relevant information remains confidential (see the section under Staff at the end of this statement for further details).

### **Managerial and Operational Independence**

WWU is a gas transporter and does not own or conduct shipping, electricity generation, supply of gas or electricity or any trading business. Meter-related services businesses are conducted through a series of contracts with suppliers and Meter Asset Managers. WWU does not have a Meter Asset Management (MAM) business. It provides metering services to MAMs under contract. The commercial offering to suppliers is therefore controlled by the MAMs and not by WWU, which only provides metering services to these MAMs under contract. The contracts for metering services run for a minimum of two years with fixed prices and the transportation business could obtain no benefit from knowledge of these terms. Further the metering business work management systems are separate from the transportation business systems.

WWU has no meter reading business other than the residual obligations under the network code in respect of must-reads and primes and subs-reads and daily meter reads. (Must reads are where the supplier has failed to inspect the meter as required by the network code and the transporter does the read for them. Prime and subs reads are meter reading relating to prime and sub deduct meters. Daily meter reads relate to daily metered reads on dataloggers.).

WWU has its own Board of Directors, and corporate governance procedures are being developed. One of the companies within the Macquarie Bank group, which is an international organisation, has a gas shipper's licence. WWU shares no Directors with the gas shipping business company; is in completely independent premises and runs completely independent IT systems. Furthermore important conditions are imposed by virtue of Standard Special Conditions A6 and A35. Condition A6 requires WWU to conduct its transportation business to secure that no affiliate or related undertaking of the licensee, gas shipper or supplier, obtains any unfair commercial

advantage from a preferential or discriminatory arrangement. Condition A35 prohibits WWU from giving or receiving any cross subsidy to or from any other business of the licensee or of an affiliate or related undertaking.

The following paragraphs describe the governance arrangements for WWU and how these are entirely separate from those for the licensed gas shipper activity within Macquarie Bank Limited (MBL).

WWU is a wholly owned subsidiary of MGN Gas Networks (UK) Limited (MGN). The share ownership of MGN is in several hands. Its Board comprises seven directors, three appointed by the various Macquarie managed funds that will invest in MGN, two appointed by other shareholders and two independents. As is normal under UK company law, that Board has duties to act in the best interests of its shareholders generally, and not to some of them in particular. The way in which the Board is required to operate is set out in a shareholders agreement, in which there are a number of non-routine matters that require 80% Board approval in order to be passed.

Of the MGN directors appointed by the Macquarie managed funds, one is not an MBL employee and two work for a division of MBL called Infrastructure and Specialised Funds (ISF). ISF is responsible for the management of infrastructure funds, and assets held by those funds, on behalf of the fund's shareholders. The principal duties of ISF are owed to the funds that it manages. As such, ISF is subject to contractual, legal and regulatory obligations to act in the best interests of each fund. For these and other regulatory reasons, a Chinese wall policy is maintained whereby ISF staff are separated from other groups or divisions. MBL's Chinese walls involve a combination of organisational, physical and behavioural measures, which amongst other things include the presence of a swipe card entry system that will not permit access by staff from other parts of MBL into the ISF, secure area. ISF staff do not have any involvement in the management of MBL trading activities, and *vice versa*. All MBL staff are provided with awareness training regarding the Chinese walls policy, and are required to sign a statement acknowledging that they have read, understood and will comply with these rules.

All premises are access controlled and staff have ID cards that are programmed to allow access on an appropriate basis. This means that staff not authorised to enter particular premises will not be given access.

### **Responsibility, Monitoring and Investigation of Complaints**

The WWU Board has overall responsibility for Compliance for the provisions of this statement. At present there are 8 Directors on the Board of whom 1 is Executive and 7 are Non-Executive.

It is the responsibility of managers to ensure Compliance within their respective business areas, in accordance with WWU policy. Each responsible manager has been allocated his respective area of compliance responsibility and has been made aware of these responsibilities. Annual periodic compliance assurance procedures are being developed. This will include normal business risk assessment, licence and ring-fence compliance, including review of the separation arrangements to enable the WWU Board to assure itself of continued compliance in these areas. It is planned to

undertake the first compliance assurance programme within 6 months from sale completion and thereafter at least once in every subsequent year.

In addition, an Internal Audit function has been established. Regulatory compliance will be one of the business risks that will be assessed in the development of the risks and opportunities framework. The framework will drive internal audit activity.

In the event of any alleged breach of confidentiality policy and procedures, the WWU Board will allocate responsibility for investigating the complaint to an appropriate Senior Manager who will have the necessary skills and authority to undertake the investigation. In addition the Compliance Officer (see below) will be provided with a copy of any complaint or representation received concerning Standard Special Condition A33. The Compliance Officer will also investigate the matter separately under the duties assigned to him by virtue of Standard Special Condition A34. These duties include providing relevant advice and information to the licensee for the purpose of ensuring its compliance with relevant duties and monitoring the effectiveness of the practices, procedures and systems adopted by the licensee in accordance with this statement. The Compliance Officer may also recommend changes to practices and procedures and must make an annual report to the WWU Board on the fulfilment of their duties and responsibilities. A procedure will be agreed with the Compliance Officer, within a month of his/her appointment, for the notification and investigation of any complaints received.

Information on all complaints concerning Standard Special Condition A33 will be provided to the Audit Committee. Where appropriate details of any investigation will also be passed to the Audit Committee. In cases where the Senior Manager investigating the complaint and the Compliance Officer come to materially different conclusions, both reports will be passed to the Audit Committee who will determine what appropriate action to take.

WWU has appointed a Compliance Officer, as required by Standard Special Condition A34, for the purposes of facilitating compliance by Wales & West with Standard Special Condition A33. The Compliance Officer will be provided with such staff, premises, equipment, facilities and other resources and has such access to WWU premises, systems, information and documentation as required in order to fulfil their duties and responsibilities referred to earlier.

## **Branding**

WWU has developed a new brand for the business. The WWU brand will be used on all company communications, whether directed at customers, the public, suppliers, shippers or anyone else. The full transfer is a major undertaking and will not occur overnight. However any meters owned by WWU will be clearly branded as such from Day 1. The key customer facing interfaces are scheduled for completion within 1 to 3 months from 1 June 2005 with all work completed within 12 months. In respect of metering and meter-reading work, staff will be branded as WWU and a consent under Standard Special Licence Condition A33(6) has been sought and obtained from Ofgem for this activity. It should be stressed that as much rebranding as possible will be undertaken from Day 1 and roll-out will continue on a daily basis thereafter. The timeline as per the following schedule sets out the absolute deadline. In practice it is envisaged the majority of the work will be completed ahead of the timeline:-

<b>Item</b>	<b>Timeline</b>
Visitor Security Passes	Day 1
Business Cards	Day 1
Promotional Items	Day 1
Business Stationary	Day +1 month
Office Signs	Day +1 month
Computer Hardware	Day +1 month
Security Passes/ID cards	Day +1 month
Vehicles	Day +3 months
Work wear	Day +3 months
Temporary Street Furniture	Day +3 months
Fuel Cards	Day +3 months
Publications	Day +3 months
Telephone Directory Listings	Day +3 months
Computer Software	Day +6 months
Mobile Plant	Day +6 months
Permanent Street Furniture	Day +12 months
Outstation Signs	Day +12 months

## **I.T.**

WWU will have an IT Security Policy in place by 1<sup>st</sup> June 2005. This policy will follow the core values of the ISO17799 standard for Information Security Management. The key components of this policy that relate to Data Management will be as follows:

1. All WWU staff will be assigned a user identifier and password for access to WWU systems. Other Macquarie businesses will not have access to WWU systems. WWU systems are stand alone.
2. All applications will have access restricted by the use of specific user identifiers and passwords. Within an application separate roles will be defined to segregate application access for metering and transportation. Therefore no user will have access to both sets of information.
3. All metering and transportation data will only be accessible to those who are appropriately authorised and that, in this regard, confidential metering data will be segregated from confidential transportation data.
4. Access to data held on files and print servers will be restricted to defined users or groups of users, which will allow segregation of data by function and individual. This will ensure that confidentiality of information is maintained across the user base and between metering and transportation businesses.
5. Audit trails will ensure compliance to the above policies and software will be in place to identify any inappropriate attempts to access information.
6. External bodies, such as for example suppliers, shippers and other Macquarie businesses, will not have direct access to the WWU environment. Information will be

shared across specific interfaces that will ensure security of information that is passed from and to all external bodies.

### **Staff**

On 1<sup>st</sup> June 2005 all staff will receive a day one induction pack. That pack contains WWU's Code of Conduct that sets out clear guidance and instructions in respect of the restriction of use of confidential information and non-discrimination requirements. The Code is monitored by line managers and breaches will be dealt with under the WWU disciplinary procedure. The Compliance Officer appointed under Standard Special Condition A34 has a duty to monitor the effectiveness of the practices, procedures and systems adopted by WWU under this statement and provide advice to WWU for the purpose of ensuring its implementation.

Staff who leave WWU's employment will be reviewed to assess if there is a Compliance implication. This will be discussed with the Compliance Officer who will advise on the appropriate action necessary to protect the confidentiality of relevant information.