



Restriction on Use of Certain Information and  
Independence of the Transportation Business

**Report of Compliance Officer for the Year  
to 30<sup>th</sup> April 2007**

## Contents

1. Introduction
2. Overall Approach
3. Company Structure
4. Managerial and Operational Separation
5. Branding
6. Information Systems
7. Access to Premises
8. Common / Corporate Services
9. Transfer of Employees
10. Responsibility and Monitoring
11. Complaints and Investigations

# 1 Introduction

Standard Special Condition A33 of the Gas Transporter Licence of Northern Gas Networks Limited (NGN) requires that the transportation business is managed and operated in such a way that it does not restrict or prevent or distort competition elsewhere in the energy industry and maintains the confidentiality of related commercially sensitive information.

NGN agreed with Ofgem and published a Statement of Compliance which sets out how NGN complies with the requirements of Standard Special Condition A33.

Standard Special Condition A34 of NGN's licence required NGN to appoint a Compliance Officer to facilitate compliance by NGN with Standard Special Condition A33. The specific duties are to provide advice, monitor the effectiveness of the practices, procedures and systems adopted by NGN, investigating complaints and reporting annually to the Board of Directors of NGN in respect of compliance with Standard Special Condition A33..

Following consultation with the Authority, Stephen Parker Regulation Manager of NGN was appointed Compliance Officer in May 2005. This is the second annual report to the Directors.

## 2 Overall Approach

NGN has a general regulatory compliance policy and associated monitoring system. The requirements for business separation under Standard Special Licence Condition A33 have been included as an integral part of this overall system.

The work undertaken as Compliance Officer during the year has been to ensure the requirements of Standard Special Condition A33 are incorporated in the NGN regulatory compliance policies and procedures. Quarterly reviews of compliance responsibilities have been undertaken and relevant managers have signed off these responsibilities and confirmed compliance for the relevant periods.

This work has confirmed that the culture of the organisation is geared towards compliance with business separation obligations.

## 3 Company Structure

Northern Gas Networks Limited (NGN) is a wholly owned subsidiary of Northern Gas Networks (Holdings) Limited. NGN's has a gas transportation business and is obliged under the terms of its gas transportation licence to provide meter related and meter reading services.

NGN has no relevant supplier, relevant shipper, relevant generator nor any trading business as defined in standard special condition A33. NGN has outsourced the provision of meter related and meter reading services to Transco Metering Services Ltd (TMS) via a managed services agreement. TMS is a wholly owned subsidiary of National Grid plc.

This structure means the risk of non-compliance with business separation obligations is extremely low. There have been no changes to this structure during the last 12 months.

## **4 Managerial and Operational Separation**

The transportation business is managed by the Directors of NGN. The meter related and meter reading businesses are operationally managed by the Directors of TMS with information provided to NGN to fulfil its licence obligations.

There have been no changes to these arrangements during the last 12 months.

## **5 Branding**

The transportation business uses the NGN branding. TMS uses its own separate branding save as otherwise excepted by the written consent of the Authority,

There have been no changes to these arrangements during the last 12 months.

## **6 Systems**

TMS staff are strictly prohibited from access to any NGN transportation business systems.

There have been no changes to these arrangements during the last 12 months.

## **7 Premises**

TMS staff are situated remotely from the transportation business and have no access to any premises used by the transportation business.

There have been no changes to these arrangements during the last 12 months.

## **8 Common/ Corporate Services**

There are no common or corporate services provided to TMS and NGN.

There have been no changes to these arrangements during the last 12 months.

## **9 Transfer of Employees**

As NGN has outsourced its meter related and metering services to TMS there are no internal staff transfers between the transportation and meter related/meter reading businesses.

Relevant staff are subject to employment contracts which prevent unauthorised release of data to third parties including TMS.

There have been no changes to these arrangements during the last 12 months.

## **10 Responsibility and Monitoring**

The NGN Board has responsibility for compliance. It is the responsibility of managers to ensure compliance within their own business areas.

NGN has appointed a compliance officer as required by condition standard special condition A34 and has worked closely with the compliance officer in carrying out the duties. These duties include providing advice, monitoring effectiveness and reporting annually on the effectiveness of the practices and procedures. The compliance officer has had full and open access to all staff, systems and documentation.

## **11 Complaints & investigations**

A process is in place whereby any complaints received by NGN in relation to business separation will be reported to the compliance officer. The compliance officer will carry out investigations and recommend or advise the NGN directors upon any remedial action any such investigation has demonstrated to be necessary or desirable.

For the 12 months to 30 April 2007 no complaints have been received in relation to business separation.

Stephen Parker  
Regulation Manager  
Northern Gas Networks  
10 May 2007