

Greater Gabbard OFTO plc

Report of the Compliance Officer

For the year ended 31 March 2023



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1 Introduction

- 1.1 This report is prepared in accordance with Amended Standard Condition E12 - C4 (Appointment of Compliance Officer) of the Offshore Electricity Transmission Licence granted to Greater Gabbard OFTO plc (“GG OFTO”) having its registered office at 3rd Floor, South Building, 200 Aldersgate Street, London, EC1A 4HD.
- 1.2 GG OFTO is required, following consultation with the Office of Gas and Electricity Markets Authority (“the Authority”) to appoint a competent person (who shall be known as the “Compliance Officer”) for the purpose of facilitating compliance by the licensee with this Condition 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), Amended Standard Condition E12 - C2 (Separation and Independence of the Transmission Business) and Amended Standard Condition E12 - C3 (Restriction on use of certain information) (together the “relevant duties”).
- 1.3 For the avoidance of doubt our engagement and this report deals solely with GG OFTO’s compliance with the relevant duties as defined at 1.2 above and not with any other aspects of compliance under the terms of the licence or elsewhere.
- 1.4 GG OFTO shall engage the services of the Compliance Officer for the performance of such duties and tasks as they consider it appropriate to assign to him for the purposes specified in paragraph 1.2. Duties and tasks shall include those set out in the Appendix to this report.
- 1.5 GG OFTO shall ensure that the Compliance Officer is not engaged in the management or operation of the licensee’s transmission system or, except to the extent that the Authority agree otherwise, the activities of any associated business.
- 1.6 Henderson Loggie LLP, Chartered Accountants, is the Compliance Officer appointed by GG OFTO. On behalf of Henderson Loggie LLP, the Compliance Officer role is led by Gavin Black, a partner with nine years’ experience of performing similar roles within the electricity and gas sectors.
- 1.7 Amended Standard Condition E12 - C4 requires us to report annually to both the Compliance Committee and the Board of Directors of GG OFTO on our activities over the period to 31 March and thereafter GG OFTO is required to report to the Authority on the Compliance Officer’s activities and other relevant issues.
- 1.8 This report has been prepared covering the year from 1 April 2022 to 31 March 2023 for consideration by the Compliance Committee and the Board of Directors of GG OFTO.



2 Overall approach

- 2.1 GG OFTO has compiled a Separation and Independence of the Transmission Business Compliance Statement (last revised 8 June 2022) (“Compliance Statement”) which is prepared pursuant to Amended Standard Condition E12 - C2 (Separation and Independence of the Transmission Business) of the Offshore Electricity Transmission Licence and the consent issued by the Authority under paragraphs 4(b)(i) and 4(b)(ii) of Amended Standard Condition E12 - C2 of the Offshore Electricity Transmission Licence granted to GG OFTO.
- 2.2 Since our appointment as Compliance Officer we have developed a Compliance Review Programme which details the review and monitoring we consider necessary to ensure that GG OFTO is operating in accordance with the above Compliance Statement, including the Compliance Policy included as an Appendix to the Compliance Statement. The scope of our work is agreed annually with the Compliance Committee at the beginning of the engagement.
- 2.3 Our main contacts during the year have been Roger Morgan, Shyam Popat and Oscar Rutherford-Browne of Equitix Management Services Limited (“EMS”) and all of our work has been undertaken remotely.
- 2.4 EMS does not have a separate internal audit function upon which we can place reliance but has internal review controls in place. Our monitoring and review work was carried out directly by means of discussions with key team members, systems and process reviews and reviewing documentation including procedures, invoices and minutes.
- 2.5 All aspects of the Compliance Statement were considered, risk assessed and reviewed for evidence that the principles of all relevant duties were understood, and that policies and processes were operating in accordance with the terms of the Compliance Statement and Compliance Policy.
- 2.6 We confirmed that there were no complaints noted requiring investigation, and that no breaches of the relevant duties had been reported to the Compliance Committee or the Board.
- 2.7 Our report is structured in line with GG OFTO’s Compliance Statement. It sets out the results of our review and our assessment of GG OFTO’s compliance with the terms of that Statement and accordingly with the relevant duties of GG OFTO under the licence conditions.



3 Managerial and operational independence (Amended Standard Condition E12 – C2)

- 3.1 GG OFTO has put in place an organisational and governance structure as detailed below to ensure that it maintains managerial and operational independence from any associated business as per the requirements of Amended Standard Condition E12 - C2(4)(a) and is a separate legally incorporated company with its own board of directors as per the requirements of Amended Standard Condition E12 - C2(5).
- 3.2 GG OFTO is owned and operated as follows:
- Equitix Fund II LP holds an indirect 66.7% ownership interest in GG OFTO through Equitix Fund Holdco 2 Limited, Equitix Capital Eurobond 2 Limited, Equitix Transmission 2 Limited and Greater Gabbard OFTO Holdings Limited (“GGOHL”).
 - Equitix Fund IV LP holds an indirect 33.3% ownership interest in GG OFTO through Equitix Fund Holdco 4 Limited, Equitix Capital Eurobond 4 Limited, Equitix Infrastructure 4 Limited, Equitix Capital Investors UK Cable Limited and GGOHL.
 - GGOHL holds a direct 100% ownership interest in the GG OFTO as the Licensee and is owned indirectly in proportions by Equitix Fund II LP (66.7%) and Equitix Fund IV LP (33.3%).
- 3.3 EDS HV Management Limited (“EDS”) is the principal contractor of the Licensee for all Operation and Maintenance (“O&M”) services. EDS is fully independent of GG OFTO and was appointed by GG OFTO following a tendering exercise and detailed comparison with the previous service provider.
- The provision of management services including general management and financial services continues to be performed by EMS, a wholly owned subsidiary of Equitix Holdings Limited.
- 3.4 The Authority has issued a consent under paragraph 4(b) of Amended Standard Condition E12 - C2 to allow associated businesses of GG OFTO to use and have access to GG OFTO’s premises or parts of premises; systems for the recording, processing or storage of data; equipment; systems for the recording, processing or storage of data; equipment; facilities and property employed or engaged in respect of the transmission business; and the services of persons who are engaged in management or operation of GG OFTO. The consent can be found here:
- <https://www.ofgem.gov.uk/node/73629/view>
- 3.5 We have confirmed that GG OFTO has a Compliance Statement in place as required by paragraph 2 of Amended Standard Condition E12 - C2 and has published this statement on its website (<https://ggofto.co.uk/>) in accordance with paragraph 9 of Amended Standard Condition E12 - C2.
- 3.6 We have confirmed that GG OFTO has established a separate board of directors which consists of two directors, one of whom represents Equitix Fund II LP and the other represents Equitix Fund IV LP.
- 3.7 EMS is the only affiliated entity that has provided services to GG OFTO during the year. GG OFTO directors are not also directors of EMS and therefore independence is maintained.
- 3.8 EDS’s relationship with GG OFTO is governed by an O&M contract. The agreement ensures that any EDS staff providing services to GG OFTO work under the direction and control of GG OFTO’s board of directors.
- 3.9 EMS’s relationship with GG OFTO is governed by a Management Services Agreement (“MSA”).



- 3.10 All directors and employees of EDS and EMS who provide services to GG OFTO do so under the terms of the relevant contracts.
- 3.11 All directors and employees of EMS are also required to sign a contractual declaration which details the requirements that GG OFTO operates under in order to comply with the Licence obligations. In signing this declaration those individuals who assist with GG OFTO's operations confirm that they agree and understand the requirements of GG OFTO's Licence obligations and that any breach will lead to disciplinary action.
- 3.12 During the course of our review we have not encountered any breaches of GG OFTO's Compliance Statement or Compliance Policy which would suggest that GG OFTO was not complying with its Licence Obligations in this area.

4 Conduct of the transmission business (Amended Standard Condition E12 – C1)

- 4.1 In accordance with Amended Standard Condition E12 - C1 (Conduct of the Transmission Business), GG OFTO is required to conduct its transmission business in the manner best calculated to secure that, in complying with its obligations under the Licence:
- GG OFTO;
 - Any affiliate or related undertaking of GG OFTO;
 - Any user of the national electricity transmission system; or
 - 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 GG OFTO, one in connection with a business other than its transmission business. GG OFTO is a special purpose vehicle (SPV) whose sole business is operating offshore transmission assets.
- 4.2 GG OFTO has received consent from the Authority to allow associated businesses of GG OFTO to have access to the use of premises, IT systems, equipment and staff providing services to GG OFTO. However, GG OFTO has developed and implemented arrangements to restrict access to the above to authorised persons who are engaged in management or operation of the transmission business or any external transmission activity and who require access to the information for that purposes. These arrangements secure the protection of confidential information. Procedures are in place to ensure that authorisation is removed when a member of staff leaves or changes their role.
- 4.3 Although GG OFTO does not have any direct employees, it has implemented processes to ensure that the relevant staff of its affiliates and related undertakings, including EMS, shall conduct the transmission business in the manner best calculated to ensure that it complies with its Licence obligations. These processes include requiring all such relevant personnel to comply with the Compliance Policy set out in Appendix 1 to the Compliance Statement, which ensures that all relevant personnel are aware that obtaining any unfair commercial advantage is not permitted. Further, the Compliance Policy issued to all authorised persons sets out the Licence restrictions on the transfer of confidential information. Breaches of this policy are subject to disciplinary procedures as appropriate and will be reported to the Authority.
- 4.4 During the course of our review we have not encountered any breaches of GG OFTO's Compliance Statement or Compliance Policy which would suggest that GG OFTO was not complying with its Licence obligations in this area.



5 Restriction on use of certain information (Amended Standard Condition E12 – C3)

- 5.1 Under the terms of this condition GG OFTO must not disclose or authorise access to confidential information which is defined as being any information relating to or deriving from the management or operation of the transmission business.
- 5.2 The exceptions to the requirement under 5.1 are where there is a requirement to provide information:
- to personnel engaged by GG OFTO in its transmission business
 - to personnel engaged by another transmission licence holder if necessary for the performance of their duties under that licence
 - required by a competent authority
 - required by the Licence
 - by another legal requirement
 - by the rules of the Electricity Arbitration Association or other arbitral process or tribunal
 - where GG OFTO has been notified it need not be treated as confidential
 - where the information is in the public domain
 - where it is necessary for the holder of a co-ordination licence to plan and develop the national electricity system
- 5.3 All directors and employees of EMS are required to sign a contractual declaration which details the requirements that GG OFTO operates under in order to comply with the Licence obligations. In signing this declaration all directors and employees who assist with GG OFTO's operations confirm that they agree and understand the requirements of GG OFTO's Licence obligations and that any breach will lead to disciplinary action.
- 5.4 During the course of our review we have not encountered any breaches of GG OFTO's Compliance Statement or Compliance Policy which would suggest that GG OFTO was not complying with its Licence Obligations in this area.

6 Prohibition of cross subsidies (Standard Condition E6)

- 6.1 The only business which GG OFTO is engaged in is activities under its Licence. GG OFTO is an SPV and therefore the significant majority of its activities are governed by contracts and long-term debt funding requirements established at financial close. Such business activities are monitored by the board of directors and the independent funders who would require formal consultation before a significant change to the business would be allowed.
- 6.2 EMS is the only affiliated business that provided services to GG OFTO during the year.
- 6.3 EMS provides services to GG OFTO in accordance with an MSA. These services are priced on a "cost plus margin" basis. In order to ensure that this is at "arm's length" based on market prices, the GG OFTO board has carried out a sufficient level of benchmarking when negotiating pricing of the MSA. This ensures that the arrangement does not breach Standard Condition E6.
- 6.4 The operation of the MSA is regularly considered by the GG OFTO board.
- 6.5 During the course of our review we have not encountered any breaches of GG OFTO's Compliance Statement or Compliance Policy which would suggest that GG OFTO was not complying with its Licence Obligations in this area.



7 Restriction on activity and financial ring fencing (Standard Condition E7)

- 7.1 GG OFTO is an SPV which is established solely for the purpose of managing and operating the Greater Gabbard offshore transmission assets. Under the financing documents and the shareholder agreement there are restrictions in place which prevent GG OFTO from carrying out any other business activities outside of managing and operating the transmission assets.
- 7.2 During the course of our review we have not encountered any breaches of GG OFTO's Compliance Statement or Compliance Policy which would suggest that GG OFTO was not complying with its Licence Obligations in this area.

8 Monitoring responsibility and reporting (Amended Standard Condition E12 – C4)

- 8.1 As detailed in section 1, Henderson Loggie LLP is the appointed Compliance Officer for GG OFTO as required by Amended Standard Condition E12 - C4 paragraph 1, under the terms of an Engagement Letter dated 6 April 2022.
- 8.2 We confirm that Henderson Loggie LLP is not engaged in the management or operation of GG OFTO's transmission system or the activities of any associated business.
- 8.3 GG OFTO has formed a Compliance Committee, as required by Amended Standard Condition E12 - C4. The Compliance Committee consists of two directors being one from each of the two shareholder parent bodies.
- 8.4 In our role as Compliance Officer we have received:
- a. such staff, premises, equipment, facilities and other resources; and
 - b. such access to premises, systems, information and documentation as we have required for the fulfilment of our duties as Compliance Officer.
- 8.5 Our work during the year under review included:
- a. preparation of a Compliance Review Programme which detailed the work to be carried out by the Compliance Officer in order to monitor compliance with GG OFTO's Compliance Statement and the relevant duties under its Licence obligations
 - b. meetings with relevant personnel
 - c. review of company contracts, agreements, board minutes and other relevant documentation
 - d. review of controls and procedures in place relating to governance arrangements detailed in GG OFTO's Compliance Statement
 - e. enquiring whether any relevant complaints had been received during the period
 - f. advising on complaints procedure, annual compliance reporting and ongoing compliance monitoring
 - g. reporting to the Compliance Committee and the Board of GG OFTO.



9 Overall conclusions

- 9.1 For the avoidance of doubt these conclusions and recommendations relate solely to GG OFTO's compliance with its relevant duties as detailed in 1.2, and do not cover any other compliance obligations under the Licence or elsewhere.
- 9.2 With regard to Management and Operational independence (Amended Standard Condition E12 - C2) we confirm that no breaches of this Licence obligation were identified during our review.
- 9.3 With regard to the Conduct of the Transmission Business (Amended Standard Condition E12 - C1) we confirm that no breaches of this Licence obligation were identified during our review.
- 9.4 We regard to the Restriction on use of certain information (Amended Standard Condition E12 - C3) we confirm that no breaches of this Licence obligation were identified during our review.
- 9.5 With regard to Prohibition of Cross Subsidies (Standard Condition E6) we confirm that no breaches of this Licence obligation were identified during our review.
- 9.6 With regard to Restriction on Activity and Financial Ring Fencing (Standard Condition E7) we confirm that no breaches of this Licence obligation were identified during our review.
- 9.7 With regard to Monitoring, Responsibility and Reporting (Amended Standard Condition E12 - C4) we confirm no breaches of this Licence obligation were identified during our review.
- 9.8 During the period no complaints were received from any person in respect of a matter arising under or by virtue of the relevant duties and therefore there was no requirement to investigate any complaint in accordance with paragraph 6 of Amended Standard Condition E12 - C4.
- 9.9 We confirm that nothing has come to our attention during the course of our review to prevent the directors of GG OFTO approving a resolution to sign the required certificate under Amended Standard Licence Condition E12 - C4 9(d) that GG OFTO has at all times during the period to 31 March 2023 been in compliance with the relevant duties of the Licensee and that the report of the Compliance Officer fairly represents the Licensee's compliance with its relevant duties.

We have no significant recommendations relating to Compliance to draw to your attention following our review.



Partner
For and on behalf of Henderson Loggie LLP
Chartered Accountants
Dundee Office

31 May 2023



Appendix – Duties and tasks of the Compliance Officer

These are contained in Amended Standard Condition E12 - C4: Appointment of Compliance Officer - paragraph 7.

The duties and tasks assigned to the Compliance Officer shall include:

- a. providing relevant advice and information to the licensee for the purpose of ensuring its compliance with the relevant duties;
- b. monitoring the effectiveness of the practices, procedures and systems adopted by the licensee in accordance with the statement referred to in amended standard condition E12 - C2 (separation and independence of the transmission business) and reporting thereon, this shall include, but not be limited to:
 - i. ensuring the contracts of employment or engagement of relevant personnel shall include a statement on the importance of not disclosing information to other parties set out on paragraph 2 of amended standard condition E12 - C1 (Conduct of the Transmission Business). For this purpose a relevant member of staff or external person or consultant acting in such a role is anyone who are aware of any information which could enable any unfair commercial advantage being obtained 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;
 - ii. ensuring that each of the processes required under the Standard Conditions is monitored in respect of the effectiveness of its practices, procedures, systems and the supervision and sign off process relating to the release of information which could enable an unfair commercial advantage to be obtained by the parties set out in paragraph 2 of amended standard condition E12 - C1 (Conduct of the Transmission Business);
- c. advising whether, to the extent that the implementation of such practices, procedures and systems require the co-operation of any other person, they are designed so as to reasonably admit the required co-operation;
- d. investigating any complaint or representation made available to him in accordance with paragraph 6;
- e. recommending and advising upon the remedial action which any such investigation has demonstrated to be necessary or desirable;
- f. providing relevant advice and information to the licensee (including individual directors of the licensee) and the compliance committee established under paragraph 4 of this condition, for the purpose of ensuring its implementation of:
 - i. the practices, procedures and systems adopted in accordance with the statement referred to at paragraph 2 of amended standard condition E12 - C2 (Separation and Independence of the Transmission Business); and
 - ii. any remedial action recommended in accordance with sub-paragraph (e);
- g. reporting to the compliance committee any instances which come to his attention, relating to a member of any of the boards established under paragraph 5 of the amended standard condition E12 - C2 (Separation and Independence of the Transmission Business), taking into account the interests of a business other than that in respect of which the board of which he is a member of has been established;



- h. reporting annually to the compliance committee established under paragraph 4 of this condition, in respect of each year after this condition comes into force, as to his activities during the period covered by the report, including the fulfilment of the other duties and tasks assigned to him by the licensee; and
- i. reporting annually to the board of directors of the licensee as to his activities during the period covered by the report, including the fulfilment of the other duties and tasks assigned to him by the licensee.



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