

**ESO RIIO-2 Business Plan Annex 8**  
**Shared Services**

9 December 2019

---

## 1. Introduction and purpose

This annex provides more details on how costs that are shared across the National Grid group are allocated to the ESO, and on the governance arrangements for this allocation.

The shared costs are:

- Shared business support services: property, HR, procurement, finance, corporate functions, health, safety and environment costs, and insurance. These are detailed in chapter 12 – Leveraging value from shared functions, in the main Business Plan.
- IT costs, because IT is a service provided at National Grid group level. IT investment is a significant part of our proposals in chapters 4-8 of the main Business Plan. Our overall approach to IT, is set out in chapter 10 - Technology underpinning our ambition, and in Annex 4 – Technology investment report.

As set out in the Business Plan, we make sure that the ESO pays a fair share of the costs of these functions using the Unified Cost Allocation Methodology (UCAM<sup>1</sup>) approach agreed with Ofgem. Cost allocations are reviewed annually to make sure these are fair, robust and have not been affected by changes to business activities. These allocations are submitted to Ofgem every year as part of the regulatory reporting pack (RRP) process, which includes a description of any allocation methodologies that have changed, and why. When the ESO became legally separate from National Grid Electricity Transmission, it was confirmed that the UCAM would continue to be used to allocate National Grid group costs to the ESO.

The main business plan also sets out the work we have done to benchmark our shared business support costs and our proposed IT costs for efficiency.

The remainder of this annex provides more detail on the:

1. UCAM principles.
2. Cost drivers used to determine the ESO's allocation of costs.
3. Cost tables showing how the drivers have been used.
4. Governance of IT investments and terms of reference for the governance organisations.

---

<sup>1</sup> The UCAM is the process used to govern the allocation of shared costs to different business areas within the National Grid group.

## 1.1. Unified Cost Allocation Methodology (“UCAM”) principles

The content in this section is from an internal document used by National Grid.

### 1.1.1 Introduction

This summarises the methodology used to allocate the costs incurred by support businesses (as listed in the Appendix) across National Grid’s operating businesses.

In general, we use the terms “attribution” in respect of costs that are specifically incurred on behalf of a particular business or form of control and “allocation” in respect of costs that arise through the provision of common or shared services across a number of businesses or forms of control. These are equivalent to the term “apportionment” used in relevant licence conditions.

The UCAM document used in this version was approved by Ofgem on 14 February 2006 and the principles of the original document remain in force.

### 1.1.2 Objectives of the Unified Cost Allocation Methodology

In addition to complying with applicable licence obligations, the overriding objective of UCAM is to make the cost allocation process within all of National Grid’s UK businesses transparent and effective.

### 1.1.3 Attributes of the Unified Cost Allocation Methodology

The design principle is to “keep it simple”, the principal aims being to demonstrate:

- a simple, transparent process;
- maximising the direct attribution of costs;
- adopting a consistent approach between gas and electricity;
- clear governance and ownership of the process and its results; and
- compliance with licence obligations.

#### A Simple, Transparent Process

Allocations will be reviewed as a minimum on an annual basis, with drivers being updated where more appropriate ones are identified.

UCAM is designed to be sufficiently flexible to accommodate changes in both the definitions of forms of control and departmental structures.

The transparency of the process makes UCAM readily auditable.

Operating costs incurred directly by businesses – rather than by a shared service department on their behalf – are charged directly to the relevant form of control and are not fed through the cost allocation process.

#### Maximising the direct attribution of costs

Although this is described as a cost allocation methodology, the guiding principle is: where possible attribute, where necessary allocate.

### Adopting a consistent approach between gas and electricity

The same basis of cost allocation is used for our Transmission and Gas Distribution businesses, as well as the ESO.

### Clear governance and ownership of the process and its results

UCAM is the responsibility of the Business Support team for support functions within the Record to Report finance team. This is consistent with business separation requirements.

Departmental cost allocations are sense checked by relevant directorate or departmental heads.

### Compliance with licence requirements

A fundamental aim of UCAM is that it produces cost allocations consistent with all relevant licence requirements.

#### 1.1.4 Explanation of the Unified Cost Allocation Methodology

The process operates by attributing and allocating costs in two stages:

- Firstly, by identifying amounts that can be directly charged to the relevant business (including non-regulated businesses) because those businesses either have service agreements in place or have used a specific resource for a specific purpose (such as a capital project); and
- Secondly across individual forms of control, either by direct attribution or using driver-based allocation.

#### 1.1.5 Stage 1 of the process

Amounts that can be directly charged to non-regulated businesses, or to capital projects within regulated businesses, are normally, but not always, governed by General Services Agreements (GSAs) – capital projects costs for example are directly allocated using project codes.

GSAs are constructed in one of two ways:

- By identifying a specific category of cost which wholly and completely applies to the business being charged – for example, lease costs incurred by Property on a site used by the business being charged; and / or
- By calculating a charging rate which applies to the business being charged and which will be applied to a usage quantity (time-based activities only) or by capturing specific costs for recharge (non-manual activities such as service contracts).

More detail on the calculation of the charge out rate used for the time-based activities is given below.

GSAs mean that any work carried out for the non-regulated businesses is invoiced on either monthly, quarterly or annual bases as appropriate. The amounts that are invoiced are calculated using a quantity to bill (the quantity is determined either by the charging entity on an annual basis or by the number of hours recorded on timesheets) multiplied by a Charge-Out rate.

Charge-Out rates are calculated to ensure that they cover not only the full employment cost of the individual carrying out the activity, but also an additional element to include indirect overheads which would otherwise not be charged directly.

This shows that any amount charged to non-regulated entities includes a mark up to act as a contribution towards overhead costs.

### 1.1.6 Stage 2 of the process

The second stage allocates any costs that remain after the first stage has been performed.

Such costs are either directly attributed using identifiable business operations or allocated based on specific drivers that have been identified as applying to each cost category. These drivers are explained further below.

Each driver implies a specific percentage split to apply to the cost.

The drivers and associated percentages used are reviewed on an annual basis and will normally apply for the whole of the following year unless a material change makes them inappropriate and results in a review. Note that the drivers used are unlikely to change within the year, but the percentages implied may vary in line with business activities.

### 1.1.7 Ofgem reporting

Each year, by 31 July following the end of the relevant financial year, detailed analyses of costs incurred by National Grid's support areas, and the businesses to which those costs have been allocated, should be prepared and sent to Ofgem (the Regulatory Reporting Pack (RRP)). These analyses should show:

- The total cost incurred by the support function;
- The amount of that cost charged to businesses in accordance with stage 1 of this methodology (identifying those businesses that have been charged); and
- The amount of remaining cost allocated using stage 2 of this methodology and which drivers have been applied to each element of that cost.

Where the driver used for the allocation is different from the driver reported in the previous year's file, this should be highlighted (though changes in percentages implied by a specific driver do not need to be) and explained in the annual submission.

As long as the principles of the UCAM are followed, drivers can be changed and explained in the end of year report. The change does not require specific approval from Ofgem.

## 1.2. Allocation cost drivers

In accordance with the Unified Cost Allocation Methodology (UCAM), this section sets out the drivers that have been used to determine the appropriate share of National Grid group-level costs to the ESO.

It should be noted that level of detail for calculating actual costs (reconciled with forecasts on an annual basis), and forecast costs is different.

- When actual costs are calculated each year, the UCAM is used to allocate, at the level of individual cost centres, the costs that have been incurred. There are many cost centres in the business (for example, HR alone has more than 50 cost centres). Whilst many areas largely use the same driver for many cost centres, there will be a combination of different drivers in each area according to the treatment of individual cost centres.
- For forecasting, individual cost centres are combined to provide a more high-level picture of forecast costs. For example, the 50+ cost centres in HR are combined into 5-6 areas. The percentages given below represent the average for that cost area, with adjustments for any known changes that affect ESO-specific costs.

The RIIO-2 proposed allocations for shared business support services are based on drivers (e.g. headcount) forecast for 2020/21. For IT costs, because of their materiality, we have used forecast headcount for the RIIO-2 period to allocate these costs to the ESO. This process has highlighted that around £7 million of ESO costs are also included in other National Grid group submissions. These account for less than 1 per cent of total IT capex in these submissions and these group costs will be updated after Draft Determinations in 2020

### 1.2.1 Shared business support services

For more details on the shared business support services that are provided to the ESO see chapter 12 – Leveraging value from shared functions, in the main Business Plan. The table below sets out the basis upon which each service cost has been allocated to the ESO.

| Cost item                               | How costs are allocated  | ESO share of Group costs |
|---|--|--------------------------|
| Property (opex plus capitalised labour) | <ul style="list-style-type: none"> <li>• Specific site costs allocated to ESO based on usage (for example Wokingham site is 100% ESO).</li> <li>• Shared properties allocated based on desk occupation.</li> <li>• Overhead allocated based on usage of property portfolio (calculated as above).</li> </ul> | 23%                      |
| Property capex                          | <ul style="list-style-type: none"> <li>• ESO sites allocated 100% to ESO.</li> <li>• Share of capex for ESO portion of Warwick head office site.</li> <li>• The five-year view of costs includes a higher level of ESO capex in 2022/23 reflecting investment in our Wokingham site. This has</li> </ul>     | 53%                      |

| Cost item                      | How costs are allocated   | ESO share of Group costs |
|--------------------------------|---|--------------------------|
|                                | resulted in a 53% ESO share of group costs over the five years.   |                          |
| HR                             | <ul style="list-style-type: none"> <li>• Specific costs allocated to ESO where directly attributable (as per UCAM).</li> <li>• Remaining costs allocated based largely on headcount (there are a couple of exceptions e.g. HR director costs are split equally across the businesses).</li> </ul>   | 20%                      |
| Procurement                    | <ul style="list-style-type: none"> <li>• Costs mostly allocated using a corporate 4-point measure (C4PM – see explanation below).</li> <li>• Small proportion allocated based on manager assessment of workload (annually reviewed as per UCAM).</li> </ul>   | 7%                       |
| Finance                        | <ul style="list-style-type: none"> <li>• Finance teams dedicated to ESO allocated 100% (e.g. ESO finance business partners).</li> <li>• Business services (including transactional accounting teams) allocated using C4PM and FTE (FTE is used for services where costs relate to headcount served).</li> <li>• Audit allocated by C4PM for forecast purposes and reconciled to actual audit costs each year.</li> </ul>                      | 9%                       |
| Corporate functions            | <ul style="list-style-type: none"> <li>• CEO costs allocated using C4PM.</li> <li>• ESO-specific corporate affairs costs allocated 100% to ESO. Shared costs allocated equally to each business.</li> <li>• Specific legal costs for the ESO allocated 100% to ESO. Some costs allocated based on assessment of workload for ESO (annually reviewed as per UCAM). Remaining costs allocated using C4PM (see below for definition).</li> </ul> | 15%                      |
| Health, safety and environment | <ul style="list-style-type: none"> <li>• Costs based on manager assessment of workload for the ESO (annually reviewed as per UCAM).</li> </ul>  | 9%                       |
| Insurance                      | <ul style="list-style-type: none"> <li>• ESO insurance is calculated on a standalone basis – 100% to ESO.</li> </ul>  | n/a                      |

Table 1 basis of shared costs allocation to ESO

### Corporate 4-point measure (C4PM)

The C4PM is used when a single driver or manager assessment is not appropriate. It consists of a blended average of revenue, operating profit, net assets and FTE numbers.

It indicates the size of each business area and therefore a proxy for the appropriate allocation of shared costs.

### 1.2.2 Shared IT costs

For more details on the types of shared IT costs see chapter 10 – Technology underpinning our ambition, in the main Business Plan, and the cost tables in Annex 1 – Supporting Information.

| Cost item                             | How costs are allocated   | ESO share of Group costs |
|---------------------------------------|---|--------------------------|
| <b><u>IT opex</u></b>                 |   |                          |
| ESO-specific transformational IT opex | All transformational investment in the business plan is specific to the ESO   | 100%                     |
| ESO-specific ongoing IT opex          | ESO-specific costs are allocated 100% to the ESO  | 100%                     |
| Shared IT infrastructure opex         | This total is made up of four components: <ul style="list-style-type: none"> <li>The ESO's headcount share which allocates 17% costs to the ESO. 21% infrastructure costs are allocated using this driver.</li> <li>The % CNI (critical national infrastructure) systems used by the ESO allocates 60% costs to the ESO. 2% infrastructure costs are allocated using this driver.</li> <li>Infrastructure: server and data usage share allocates 32% costs to the ESO. 71% costs are allocated using this driver.</li> <li>Data centre usage allocates 65% costs to the ESO based on use of racks and servers. 6% costs are allocated using this driver.</li> </ul> | 31%                      |
| Shared IT cyber security opex         | This total is made up of two components: <ul style="list-style-type: none"> <li>The % CNI (critical national infrastructure) systems used by the ESO allocates 60% costs to the ESO. 3% infrastructure costs are allocated using this driver.</li> <li>Infrastructure: server and data usage share allocate 36% costs to the ESO.</li> </ul>  | 37%                      |



| Cost item                              | How costs are allocated   | ESO share of Group costs |
|--|---|--------------------------|
|  | 97% costs are allocated using this driver.  |                          |
| Shared IT business services opex       | This is based on the ESO's headcount share which allocates 17% costs to the ESO.  | 17%                      |
| Shared IT running costs                | 42% of these costs are allocated to the ESO, based on historic usage  | 42%                      |
| <b><u>IT capex</u></b>                 |   |                          |
| ESO-specific transformational IT capex | All transformational investment in the business plan is specific to the ESO   | 100%                     |
| ESO-specific ongoing IT capex          | ESO-specific costs are allocated 100% to the ESO  | 100%                     |
| Shared IT infrastructure capex         | Infrastructure capex is allocated based on three drivers: <ul style="list-style-type: none"> <li>The ESO's headcount share which allocates 17% costs to the ESO. 47% infrastructure costs are allocated using this driver.</li> <li>The % CNI (critical national infrastructure) systems used by the ESO allocates 60% costs to the ESO. 8% infrastructure costs are allocated using this driver.</li> <li>Infrastructure: server and data usage share allocate 32% costs to the ESO. 45% costs are allocated using this driver.</li> </ul> | 27%                      |
| Shared cyber security capex            | Cyber security capex is allocated using two drivers: <ul style="list-style-type: none"> <li>The % CNI (critical national infrastructure) systems used by the ESO allocates 60% costs to the ESO. 12% cyber security costs are allocated using this driver.</li> <li>The remaining costs are allocated using an infrastructure driver reflecting a 35%</li> </ul>  | 38%                      |

| <b>Cost item</b>               | <b>How costs are allocated</b>   | <b>ESO share of Group costs</b> |
|--------------------------------|--|---------------------------------|
|                                | share of costs to the ESO, based on server and data usage.   |                                 |
| Shared business services capex | The ESO's headcount share which allocates 17% costs to the ESO (the totals do not quite align due to rounding) | 17%                             |

*Table 2 basis of shared IT costs allocation to ESO*

### 1.3. Cost tables

For transparency, these tables restate the ESO shared service costs as a share of National Grid group costs. The allocation drivers are explained in the previous section.

#### Shared business support function costs, £ million, 2018/19 prices

| ESO                            | ESO share (%) | 2021/22      | 2022/23      | 2023/24      | 2024/25      | 2025/26      | 2-year average | 5-year total |
|--------------------------------|---------------|--------------|--------------|--------------|--------------|--------------|----------------|--------------|
| Property opex                  | 23%           | 5.7          | 5.7          | 5.7          | 5.7          | 5.7          | 5.7            | 28.6         |
| Property capex                 | 53%           | 2.3          | 4.3          | 2.3          | 2.7          | 2.7          | 3.3            | 14.2         |
| HR                             | 20%           | 2.4          | 2.4          | 2.4          | 2.4          | 2.4          | 2.4            | 12.1         |
| Procurement                    | 7%            | 0.7          | 0.7          | 0.7          | 0.7          | 0.7          | 0.7            | 3.6          |
| Finance                        | 9%            | 3.2          | 3.2          | 3.2          | 3.4          | 3.4          | 3.2            | 16.4         |
| Corporate functions            | 15%           | 3.2          | 3.2          | 3.2          | 3.2          | 3.2          | 3.2            | 16.0         |
| Health, safety and environment | 9%            | 0.2          | 0.2          | 0.2          | 0.2          | 0.2          | 0.2            | 1.1          |
| Insurance                      | 100%          | 0.8          | 0.8          | 0.9          | 0.9          | 0.9          | 0.8            | 4.3          |
| <b>Total</b>                   |               | <b>18.5</b>  | <b>20.6</b>  | <b>18.6</b>  | <b>19.2</b>  | <b>19.2</b>  | <b>19.6</b>    | <b>96.1</b>  |
| <b>National Grid group</b>     |               |              |              |              |              |              |                |              |
| Property opex                  |               | 25.0         | 25.0         | 25.0         | 25.0         | 25.0         | 25.0           | 125.0        |
| Property capex                 |               | 5.5          | 5.7          | 5.4          | 5.3          | 5.1          | 5.6            | 27.0         |
| HR                             |               | 11.9         | 11.9         | 11.9         | 11.9         | 11.9         | 11.9           | 59.3         |
| Procurement                    |               | 10.2         | 10.2         | 10.2         | 10.2         | 10.2         | 10.2           | 51.0         |
| Finance                        |               | 36.1         | 36.1         | 36.1         | 38.1         | 38.1         | 36.1           | 184.5        |
| Corporate functions            |               | 21.7         | 21.7         | 21.7         | 21.7         | 21.7         | 21.7           | 108.5        |
| Health, safety and environment |               | 2.5          | 2.5          | 2.5          | 2.5          | 2.5          | 2.5            | 12.5         |
| Insurance                      |               | n/a          | n/a          | n/a          | n/a          | n/a          | n/a            | n/a          |
| <b>Total</b>                   |               | <b>112.9</b> | <b>113.1</b> | <b>112.8</b> | <b>114.7</b> | <b>114.5</b> | <b>113.0</b>   | <b>567.8</b> |

## IT costs, £ million, 2018/19 prices

| ESO  | ESO share (%) | 2021/22      | 2022/23      | 2023/24      | 2024/25      | 2025/26      | 2-year average | 5-year total  |
|--|---------------|--------------|--------------|--------------|--------------|--------------|----------------|---------------|
| <b>IT opex</b>   |               | <b>71.5</b>  | <b>71.8</b>  | <b>75.7</b>  | <b>78.6</b>  | <b>83.9</b>  | <b>71.7</b>    | <b>381.5</b>  |
| ESO-specific transformational IT opex  | 100%          | 13.1         | 15.8         | 20.9         | 22.1         | 25.1         | 14.5           | 97.0          |
| ESO-specific ongoing IT opex   | 100%          | 7.9          | 5.9          | 5.9          | 6.1          | 7.7          | 6.9            | 33.5          |
| Shared and ongoing IT opex   | 39%           | 50.5         | 50.1         | 48.9         | 50.4         | 51.1         | 50.3           | 251.0         |
| <i>IT shared infrastructure opex</i>   | 31%           | 3.8          | 2.7          | 2.0          | 2.9          | 1.4          | 3.2            | 12.8          |
| <i>IT shared cyber opex</i>  | 37%           | 6.6          | 7.7          | 8.1          | 8.3          | 9.0          | 7.2            | 39.7          |
| <i>IT shared business services opex</i>  | 17%           | 0.6          | 0.4          | 0.4          | 0.4          | 0.6          | 0.5            | 2.4           |
| <i>IT shared running costs</i>   | 42%           | 39.9         | 39.6         | 38.6         | 39.1         | 40.6         | 39.8           | 197.8         |
| <b>IT capex</b>  |               | <b>92.2</b>  | <b>84.0</b>  | <b>91.3</b>  | <b>83.7</b>  | <b>74.7</b>  | <b>88.1</b>    | <b>425.7</b>  |
| ESO-specific transformational IT capex   | 100%          | 34.9         | 47.0         | 59.5         | 53.4         | 45.0         | 40.9           | 239.8         |
| ESO-specific ongoing IT capex  | 100%          | 23.0         | 17.5         | 15.8         | 14.9         | 16.3         | 20.2           | 87.5          |
| Shared and ongoing capex, of which:  | 27%           | 34.3         | 19.5         | 16.0         | 15.4         | 13.4         | 26.9           | 98.4          |
| <i>IT shared infrastructure capex</i>  | 27%           | 19.9         | 10.9         | 9.4          | 8.1          | 5.2          | 15.4           | 53.5          |
| <i>IT shared cyber capex</i>   | 38%           | 11.8         | 5.5          | 4.6          | 5.4          | 5.4          | 8.6            | 32.7          |
| <i>IT shared business services capex</i>   | 17%           | 2.6          | 3.1          | 2.0          | 1.9          | 2.7          | 2.8            | 12.2          |
| <b>Total (opex and capex)</b>  |               | <b>163.7</b> | <b>155.8</b> | <b>166.9</b> | <b>162.3</b> | <b>158.6</b> | <b>159.7</b>   | <b>807.2</b>  |
| the total above excludes approximately £2 million IT capex delivered directly by the ESO each year |               |              |              |              |              |              |                |               |
| <b>National Grid Group</b>   |               |              |              |              |              |              |                |               |
| <b>IT opex</b>   |               | <b>154.4</b> | <b>152.5</b> | <b>151.9</b> | <b>153.0</b> | <b>159.0</b> | <b>153.5</b>   | <b>770.8</b>  |
| ESO-specific transformational IT opex  |               | 13.1         | 15.8         | 20.9         | 22.1         | 25.1         | 14.5           | 97.0          |
| ESO-specific ongoing IT opex   |               | 7.9          | 5.9          | 5.9          | 6.1          | 7.7          | 6.9            | 33.5          |
| Shared and ongoing IT opex, of which:  |               | 133.4        | 130.8        | 125.1        | 124.8        | 126.2        | 132.1          | 640.3         |
| <i>IT shared infrastructure opex</i>   |               | 11.6         | 9.8          | 6.9          | 8.1          | 4.7          | 10.7           | 41.1          |
| <i>IT shared cyber opex</i>  |               | 18.8         | 21.1         | 22.1         | 22.4         | 24.1         | 20.0           | 108.5         |
| <i>IT shared business services opex</i>  |               | 3.5          | 2.6          | 2.6          | 2.2          | 4.1          | 3.1            | 15.0          |
| <i>IT shared running costs</i>   |               | 99.5         | 97.3         | 93.5         | 92.1         | 93.3         | 98.4           | 475.7         |
| <b>Shared IT capex, of which:</b>  |               | <b>114.5</b> | <b>77.2</b>  | <b>59.7</b>  | <b>56.4</b>  | <b>54.0</b>  | 95.9           | <b>361.8</b>  |
| <i>infrastructure</i>  |               | 73.1         | 42.6         | 34.1         | 29.7         | 20.3         | 57.9           | <b>199.8</b>  |
| <i>digital risk and security</i>   |               | 25.5         | 16.3         | 13.3         | 15.4         | 16.0         | 20.9           | <b>86.5</b>   |
| <i>shared business support services</i>  |               | 15.9         | 18.3         | 12.3         | 11.3         | 17.7         | 17.1           | <b>75.5</b>   |
| <b>Total (opex and capex)</b>  |               | <b>268.9</b> | <b>229.7</b> | <b>211.6</b> | <b>209.4</b> | <b>213.0</b> | <b>249.3</b>   | <b>1132.6</b> |

Note on shared IT costs: The costs in the table above represent the ESO's allocation of shared IT investment costs. To determine these we accounted for the impact of expected future changes to allocation drivers, specifically changes in headcount, aligned with our submission. This process has highlighted that around £7 million of ESO costs are also included in other National Grid group submissions. These account for less than 1 per cent of total IT capex in these submissions and these costs will be updated after Draft Determinations in 2020.

### 1.4. Governance of IT investments and committee terms of reference

Chapter 10 – Technology underpinning our ambition, section 10.6 of the Business Plan provides details of the structure and governance of IT investment in the ESO.



Figure 1: Decision making groups for the ESO

This section provides the terms of reference (ToR) for the main decision-making groups in the diagram above:

- ESO Board
- ESO investment committee – the ToR refers to the SO investment committee
- UK sanction committee.

### 1.4.1 Terms of Reference of the NGESO Board

#### National Grid Electricity System Operator Limited

(“NGESO”, the “Company”)

#### Terms of Reference of the Board

With effect from 1 April 2019

This is a high-level briefing document on the Company, its Articles of Association and other key operating briefing points.

### 1. The company and its Board

- 1.1 NGESO has seven Directors, who are currently:
  - Fintan Slye
  - Duncan Burt
  - Gillian Merron (Non-executive Director)
  - Hannah Nixon (Non-executive Director)
  - Kayte O’Neill
  - Paul Plummer (Non-executive Director)
  - Claire Tuckman.
- 1.2 Fintan Slye is designated as Chairman. In his absence, any one of the other directors may chair meetings, with the agreement of the other directors.
- 1.3 For the purposes of the Company’s system operator licence, the Non-executive Directors are treated as Sufficiently Independent Directors (“SIDs”). The Company is required to have at least three SIDs at all times.
- 1.4 The Memorandum of Association does not impose any restrictions on the activities of the Company in line with the Companies Act 2006.
- 1.5 The immediate parent of the Company is National Grid Holdings One plc (the “Immediate Shareholder”). The Immediate Shareholder may, by special resolution (being a positive vote by 75% of the members voting), direct the directors to take, or refrain from taking, specified action. No such special resolution invalidates anything which the Directors have done before the passing of the resolution.
- 1.6 Any person who is permitted by law to do so may be appointed a director by a majority decision of the Directors. The Articles specifically allow the Immediate Shareholder to appoint or remove directors of its subsidiary by giving a standard form of notice, which is typically used to effect changes. Whilst Directors may appoint alternates, this is not normal practice unless needed for special reasons.
- 1.7 The registered office is 1-3 Strand, London WC2N 5EH.

### 2. Secretary and Advisers

- 2.1 Chantal Ackon is the General Counsel and Company Secretary.
- 2.2 Appropriate managers or advisers will be called upon, and may attend Board meetings, as required.

- 2.3 As NGESO is a National Grid group trading company, Deloitte LLP will be the Company's auditor.

### 3. Meetings

- 3.1 **Quorum and Voting.** Any two Directors are the quorum for Board meetings. Any decision of the Directors must be either a majority decision at a meeting or Resolution in Writing (see 3.4 below). If the numbers of votes for and against a proposal are equal, the Chairman has a casting vote.
- 3.2 **Frequency.** Board meetings are typically held six times per year and as required between these meetings.
- 3.3 **Attendance.** Directors should be prepared to attend Board meetings. Absence from a Board meeting at which acts are approved may not absolve the absent Director from liability. In practice, your Company Secretary will ensure that business is scheduled for all directors to attend if possible. If appropriate a 'quorum' only (two directors) Board meeting might be held, provided all directors are notified accordingly.
- 3.4 **Resolutions in Writing.** If appropriate, for example if a physical meeting cannot be held, business arising between Board meetings may be dealt with by a written resolution. A formal "Resolution in Writing" would be circulated for approval by each Director, being effective when approved by a majority. The resolution takes the place of, and is as effective as, a resolution passed at a Board meeting and will be recorded in the minute book.
- 3.5 **Telephone Board Meetings.** *A Director can participate in a Board meeting (or Committee meeting) by means of a "conference call" (including video if appropriate), provided all persons present at the meeting can hear each other and participate in the proceedings.*

### 4. Committees

The Board may establish Committees if appropriate; whose members need not be Directors. The Board of NGESO has established a Compliance Committee, an Audit Committee and a System Operator Executive Team. Each Committee shall have its own set of Terms of Reference ("ToR"); any changes to the ToR must be approved by the Board.

### 5. Forward Business

The Forward Business Schedule for the Company specifies the reports considered by the Board and the frequency of review by the Board.

### 6. Schedule of matters reserved for the Board

The Board shall maintain a formal schedule of matters reserved for its own decision. The schedule is detailed at Appendix 1 of this document.

### 7. Company procedures

- 7.1 Agendas and Board papers will normally be consistent in style and layout and will usually be issued no later than five days before the Board meeting.
- 7.2 Minutes of Board meetings will be approved by the Board at the subsequent meeting. Draft minutes will normally be available within two weeks of the meeting,



to be reviewed as appropriate by the Board and signed by the Chairman of that meeting or by the Chairman of the next meeting at its start.

7.3 NGESO has adopted Standard Authorities, which allow for the following procedures.

- **Authentication** - Documents may be authenticated by a Director or the Company Secretary. The Company Secretary will normally be responsible for providing certified extracts e.g. Board Minutes, Articles of Association as appropriate.
- **Sealing** – The Company Seal may be authenticated (i.e. documents are countersigned) by a Director or Secretary (as members of the ‘Board Sealing Committee’- including other nominated members; any one of whom can act provided that such documents are first cleared for sealing by the Secretary / Company’s lawyers as appropriate).
- **Signing** - A Director or the Secretary may sign any document on behalf of the Company. Where appropriate, the Secretary may authorise any other person as the signatory for a specified document or documents.

However, the legal and business case must be properly established, and the normal internal Delegations of Authority procedures followed.

## 8. Declaration of Directors’ particulars, interests, and statutory responsibilities

The Secretary will:

- 8.1 Maintain the statutory ‘company books’, updating the general particulars of Directors and notifying the Registrar of Companies as appropriate (note: changes of Directors’ personal information must be notified to Companies House within 14 days of the event).
- 8.2 Liaise with Directors as appropriate about any other general declarations of interest - any potential conflicts of interests to be approved by the Board, and interests recorded in the minutes of the Board meeting.
- 8.3 Ensure that the Board complies with key statutory duties, responsibilities and best practice (including filing accounts and returns with Companies House).

If you are unclear about your duties as director in any situation you should obtain appropriate advice. Initially, please contact your Company Secretary.

## National Grid Electricity System Operator Limited (the “Company”) Matters reserved for the Board

### Introduction

The following matters are principally of corporate or regulatory significance which Directors have determined must be considered and approved by the Board, in addition to any further governance which must be followed as a result of National Grid group requirements such as the Statement of Delegations of Authority.

Every Company should be headed by an effective board, which is collectively responsible for the long-term success of the Company. The Board’s role is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board should set the Company’s strategic aims, ensure that the necessary financial and human resources are in place for the Company to meet its objectives and review management performance. The Board should set the Company’s values and standards and ensure that its obligations to its shareholders and others are understood and met.

All directors must act in what they consider to be the best interests of the Company consistent with their statutory duties.

---

### 1. Strategy, Management and Finance

---

- 1.1 Approval of National Grid group’s finance policy (as considered appropriate and applicable to the Company).
  - 1.2 Approval of any material change in the Company’s accounting policies or practices.
  - 1.3 Consider appointing, reappoint or remove auditors.
  - 1.4 Setting the Company’s strategic risk appetite.
  - 1.5 Approving and monitoring of the Company’s principal risks.
  - 1.6 Approval of the business strategy and long-term strategic objectives of the Company.
  - 1.7 Approval of the five-year Company strategic plan and annual budget.
  - 1.8 Any material extension of the Company’s activities into new business or geographic areas.
  - 1.9 Any decision to cease to operate all or any material part of the Company’s business.
  - 1.10 Authorising changes affecting the capital structure of the Company or its status as a plc or listed company.
  - 1.11 Approval of major capital projects guarantees and indemnities (in accordance with the Group Delegations of Authority).
  - 1.12 Approval of contracts which are considered material by virtue of their strategic importance or which involved material disposals of assets or any acquisitions of shares in another company.
  - 1.13 Approval of major regulatory matters (in accordance with the Group Delegations of Authority)..
-

---

## **2. Director and Employee Issues**

---

- 2.1 Changes to the structure, size and composition of the Board and Board Committees.
  - 2.2 Adequate succession planning for the Board and senior management so as to maintain an appropriate balance of skills and experience within the Company and on the Board.
  - 2.3 Appointment, re-appointment or removal of Directors and Company Secretary.
- 

## **3. Corporate Governance**

---

- 3.1 Responsibility for the overall leadership of the Company and setting the Company's values and standards.
  - 3.2 Establishing committees of the Board, their terms of reference and approving any material changes thereto.
  - 3.3 Undertaking a formal and rigorous annual review of its own performance and of its Committees.
  - 3.4 Ensuring maintenance of a sound system of internal control and risk management arrangements throughout the Company and conducting an annual review of the effectiveness of these arrangements.
  - 3.5 Approval of significant new Policies, Public Position Statements, Procedures and Codes, and major revisions as necessary as relevant to the Company.
  - 3.6 Authorising conflicts of interest where permitted by the Company's Articles of Association.
  - 3.7 Consideration of material allegation or litigation affecting the Company.
- 

## **4. Financial and Regulatory Reporting and Shareholders**

---

- 4.1 Approval of the Company's Annual Report and Accounts.
  - 4.2 Approval of the Company's Regulatory Accounts, including the corporate governance statement.
  - 4.3 Approval and declaration of the interim dividend and recommendation of the final dividend.
  - 4.4 Approval of any Compliance Certificate associated with payment of dividends.
  - 4.5 Approval of the Operational Resources Certificate for the Company.
  - 4.6 Approval of the Financial Resources Certificate for the Company.
  - 4.7 Calling any general meeting of the Company's shareholders and approval of the Resolutions and documentation sent to shareholders.
-

- 
- 4.8 Considering and approving as necessary any reports from the Compliance Officer as required by the Company's licence(s).
- 
- 4.9 Considering and approving, in accordance with the Group Delegations of Authority, major price controls relevant to the Company.
- 
- 4.10 Oversight of the relationship with OFGEM, BEIS and the HSE and approval of any material matters, including investigations, by the same.
- 

## 5. Other

---

- 5.1 Any other matters of strategic, financial, operational or reputational importance likely to have significant impact on the Company.
- 
- 5.2 This schedule of Matters Reserved for the Board.
- 
- 5.3 Approval, on its recommendation, of any item which falls outside the authority delegated to the System Operator Executive Committee or any of the Board Committees.
- 
- 5.4 Any matters detailed within the Company's system operator licence requiring the approval of the Board
- 

*Table 3 matters reserved for the ESO Board*

## 1.4.2 Terms of Reference of the SO Investment Committee

### SO Investment Committee – Terms of Reference

Version 15

2<sup>nd</sup> October 2019

#### 1. Context

The System Operator Executive Team (SOET) directs the affairs of National Transmission System Operator activities on behalf of the National Grid Gas (NGG) and National Grid Electricity System Operator (NGESO) Boards. There are investment requirements that form part of these accountabilities, and the System Operator Investment Committee (SOIC) has been formed in order to approve such expenditure on behalf of the SO Executive Committee and define the strategy for SO investment.

#### 2. Purpose of the Committee

The Role of the Committee is to:

- i. Consider and approve SO capital and revenue investments (including the related run the business costs) with the exception of indirect investments – these include:
  - SO IT Direct investments
  - GSO Xoserve investments (typically capex expenditure on the Gemini system)
  - SO Property investments
  - ESO Control Centre investments
  - GSO Control Centre investments
  - Telemetry investments.
- ii. Please note - Indirect investments will be sanctioned through the UK Sanction Committee (UKSC) subject to the total DOA of £100m with IT Sanction Committee having DOA of up to £3m for indirect investments.
- iii. Where expenditure and other financial commitments are above the authorities delegated to the Committee, make recommendations and agree all papers to be submitted to the System Operator Executive Committee and/or the National Grid Executive Committee seeking the necessary approvals.
- iv. Approve final completion reports for projects which have been sanctioned by the Committee.
- v. Review and recommend actions arising from lessons learnt from projects and, where appropriate, request, review and approve Post Investment Appraisals on projects approved by the Committee.
- vi. Approve SO capex budgets and plans, including the resulting run the business impacts from the investments.
- vii. Monitor within year and RIIO period performance against the SO capex budgets, plans and regulatory allowances.

### 3. Role of individual Committee Members

The role of the individual members of the committee is to:

- Give consideration to the sanction paper in the context of all existing National Grid expenditure under RIIO.
- Give consideration to the implications of the expenditure against the output measures under RIIO.

In practice, this means they will:

- Review all documentation circulated prior to the meeting, and consult with appropriate stakeholders to inform the correct decision;
- Challenge and review progress of the outputs accountable to the committee.

### 4. Membership

The committee shall be comprised of:

| Title  | Voting Rights | Standing Invite<br>(no voting rights) |
|--|---------------|---------------------------------------|
| Director, System Operator Operations           | X             |                                       |
| Head of Business Change, System Operator       | X             |                                       |
| Lead Finance Business Partner, System Operator | X             |                                       |
| IT Business Partner                            | X             |                                       |
| Technical Secretary                            |               | X                                     |

Table 4 membership of the SO Investment Committee

In case of a committee member not being available they may delegate to an appropriate substitute.

### 5. Convenor/Chair

The Chair, Lead Finance Business Partner, System Operator, shall convene the committee meetings.

If the designated Chair is not available, then Director System Operator Operations (referred to as the Acting Chair) will be responsible for convening and conducting that meeting. The Acting Chair is responsible for informing the Chair as to the salient points/decisions raised or agreed to at that meeting.

### 6. Technical Secretary

The Chair shall appoint a Technical Secretary of the committee. The appointment may be changed with notice to the committee. The Technical Secretary shall be a non-voting member of the committee.

The Technical Secretary shall make all materials available to committee members in accordance with paragraph 8 below. The Technical Secretary shall receive notices of absence and shall be responsible for producing the Minutes in accordance with paragraph 11 below and keeping track of any actions.

### 7. Conflicts and Business Separation

Prior to the committee meeting the Chair and Technical Secretary shall consider whether the agenda will create any conflicts of interest or business separation issues. The Chair and/or Technical Secretary may seek advice from the Business Separation Compliance Officer. In the event a conflict of interest or business separation issue is identified then this will be noted on the agenda and the Chair and Technical Secretary will consider the best way of conducting the meeting, so no conflict of interest or business separation issue arises.

In addition to the pre-meeting check, at the beginning of each meeting the Chair shall ascertain with the assistance of committee members the existence of any conflicts of interest or business separation issues. Any identified instances shall be recorded in the Minutes and the relevant agenda item will be removed from the agenda or the relevant individuals asked to leave the meeting for the duration of the relevant agenda item. In such cases the agenda item shall be the subject of a separate Minute and shall not be circulated to the individual(s) who were asked to leave the meeting.

### 8. Agenda Items

All committee agenda items, including papers and presentations, must be forwarded to the Technical Secretary no later than 12:00, 5 working days prior to the next scheduled meeting.

The committee agenda, with attached meeting papers will be distributed at least 4 working days prior to the next scheduled meeting.

The Chair has the right to refuse to list an item on the formal agenda, but members may raise an item under 'Any Other Business' if necessary and as time permits.

A standard committee Agenda will be formulated to reflect the project approvals required at the time.

The committee shall determine procedures for bringing projects for approval. Unless otherwise agreed, all approvals shall be sought by way of a presentation and associated papers.

### 9. Offline approvals

Investment and re-sanction papers may be circulated for fast-track review and approval by email on agreement of committee members.

Closure papers will be approved offline unless otherwise advised by committee members.

### 10. Inputs

The inputs to the meeting will include but not be limited to:

- Summary paper of the UKSC approvals over the past month (if any) that relate to the ESO and GSO businesses
- SO capex financial information covering one year and RIIO period comparisons against budget and regulatory allowances

- Direct IT Investment Proposals, Direct IT Programme or Project Briefing Notes and Resanctions
- Xoserve capex papers
- GNCC capex papers
- ENCC capex paper.
- Programme and project closure reports and post investment appraisals.

### 11. Minutes & Meeting Papers

The format of the committee minutes shall be as Minutes.

The minutes of each committee meeting shall be prepared by the Technical Secretary.

Full copies of the Minutes, including attachments, shall be provided to all committee members no later than 5 working days following each meeting.

The Technical Secretary shall also maintain an action item list annotated with progress milestones and/or completion dates.

The Minutes of each committee meeting will be monitored and maintained by the Technical Secretary as a complete record. Unless otherwise agreed, all agendas, Minutes and action lists shall be electronically filed and accessible only by authorised personnel.

### 12. Frequency of Meetings

The committee shall meet monthly.

### 13. Proxies to Meetings

If a regular member is unable to act due to absence, illness or any other cause, the member may appoint one of his or her direct reports to serve as a temporary alternate member to act on his or her behalf as necessary. Any designate shall be granted appropriate delegated authority. Any appointments of an alternate member for a period longer than 6 months in duration must be approved by the committee.

### 14. Quorum Requirements

A minimum of 3 committee members (or designate with delegated authority) with voting rights is required for the meeting to be recognised as an authorised meeting for any recommendations or resolutions to be valid.

### 15. Authority

A duly convened meeting of the committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the committee. In case of a split vote, the Chair shall have the casting vote.

The committee shall observe the matters reserved for the National Grid plc, National Grid Gas and National Grid Electricity System Operator (NGESO) Boards and the National Grid Executive Committee.



The committee shall also ensure that all decisions made do not exceed the levels delegated to it through the Delegation of Authority (DOA) matrix, or any subset of that authority level which has been delegated to it.

#### 16. Accountabilities and Reporting Responsibilities

The committee is accountable to the System Operator Executive Team (SOET).

The committee has the following approval levels;

- Projects in the ordinary course of business;
  - approval of SO Direct IT investments - up to £10m
  - approval of Xoserve GSO capex projects – up to £10m
  - approval of GNCC capex projects – up to £10m
  - approval of ENCC capex projects – up to £10m
- Non-Discretionary Projects;
  - approval of SO Direct IT investments - up to £20m
  - approval of Xoserve GSO capex projects – up to £20m
  - approval of GNCC capex projects – up to £20m
  - approval of ENCC capex projects – up to £20m

The committee may delegate a portion of its authority to a sub-committee to the extent permitted under the Statement of Delegations of Authority. This delegation, if made, may be revoked at any time. If authority is delegated to a sub-committee, all members of the subcommittee must understand where the authority has come from and how it has been delegated.

Where the committee delegates any authority to a sub-committee or an individual, the subcommittee or individual shall record in writing the scope and terms of such delegated authority.

### 1.4.3 Terms of Reference of the UK Sanction Committee

#### UK Sanction Committee

#### Terms of Reference

October 2019

#### 1. Context

The UK Sanction Committee (hereon referred to as “UK SC” or “the Committee”) has been formed in order to approve expenditure of indirect investments in the UK. This is on the behalf of the National Grid Gas (NGG), National Grid Electricity Transmission (NGET) and National Grid Electricity System Operator (NGESO) Boards (hereon referred to as “the Boards”). This also covers the UK portion of Global investments.

#### 2. Purpose of the Committee

The purpose of the Committee is to:

- Consider and, where appropriate, approve indirect investments in the UK that have previously been prioritised and agreed to as providing the best value to National Grid as a whole as well as each entity:
  - Indirect investments are considered to be those which are for the benefit of more than one legal entity whether the investment is for UK only or Global.
  - The cost allocation of the investments between entities shall be on an arms-length basis and subject to normal commercial terms, free of cross-subsidy, and not giving rise to a cross-default that is not consented. Any cross default that is created must be subject to consent and this consent must be agreed and minuted in such a way that the consent remains valid.
- Consider and endorse for progression to the Boards, where appropriate, indirect investments that exceed the Committee’s Delegation of Authority (DoA) limits.
- Consider and, where appropriate, approve resanctions within the Committee’s DoA.
- Escalate any disputed sanction decisions to the UK Executive committee, on behalf of the Boards, to ratify and confirm the prioritisation of the project. Once confirmed it is a priority, the investment can be sanctioned or endorsed by the Committee.
- Consider and approve Investment Closure Reports for investments which have been sanctioned by UK SC.
- Have awareness of the whole indirect investment portfolio view to help inform decisions.

#### 3. Authority

The Boards have given UK SC the authority to sanction investments which the total UK investment cost is expected to be less than £100m. This excludes any enduring Opex costs aka RTB (the cost of supporting and maintaining the output of the project). The delegation from NGESO has been limited to £20m; any project for which the ESO business will incur more than £20m must be referred to the NGESO Board for approval.

Additionally, any project with a significant reputational impact must also be referred to the Boards for approval.

As this Committee is central to the approval of funds for the regulated business within the UK there will be clear and regular reporting of all decisions made by UKSC and any committee which reports to UKSC. Such committees include the UK Legal Boards and business investment committees.

A duly convened quorate meeting of the Committee shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

The Committee shall observe the Statement of Delegations of Authority and any sub-set of that authority level which has been delegated to it. The Committee may delegate a portion of its authority to a sub-committee to the extent permitted under the Statement of Delegations of Authority. This delegation, if made, may be revoked at any time. If authority is delegated to a sub-committee, all members of the sub-committee must understand where the authority has come from and how it has been delegated.

#### 4. Role of individual Committee members

The role of the individual voting members of the Committee is to:

- ensure any questions on the Business Case have been clarified before the meeting
- review investments to ensure the benefits of the investment will be realised by the businesses before endorsing for progression or sanctioning
- understand what processes the investments have already been through and ensure they have been completed (therefore prioritised within the UK portfolio)
- knowledge of the UK indirect investment portfolio
- ensure the investment helps to deliver the business strategy and business objectives before endorsing for progression or sanctioning investments.

Additionally, all members must:

- be aware of possible implications with ESO separation of commercially sensitive information (System Operator Function Information or SOFI)
- be clear on any actions or conditions on the approval
- represent their business entity or area
- consider and review all documentation referred to the Committee
- prepare for the meeting by reading the relevant materials
- provide advance notice of absence and nominate a deputy.

#### 5. Membership

The Committee shall be comprised of:

| <b>Title</b>               | <b>Holder</b> | <b>Voting rights</b> | <b>Attendance</b> |
|----------------------------|---------------|----------------------|-------------------|
| Head of UK finance (chair) | Julie Taylor  | Y                    | All               |

|  |                  |   |     |
|--|------------------|---|-----|
| Head of strategy and performance (ET)                  | Kerri Matthews   | Y | All |
| Director of gas transmission (GT)                      | Phil Sheppard    | Y | All |
| Lead finance business partner (SO)                     | Claire Tuckman   | Y | All |
| UK CIO   | Keith Monk       | Y | All |
| Lead finance business partner – group and UK functions | Danielle Edwards | N | All |
| Technical secretary                                    | Fergus Norrie    | N | All |

*Table 5 membership of the UK Sanction Committee*

Refer to sections 13 and 14 of this document for proxies to meetings and Quorum Requirements

## 6. Chair

The Chair shall convene the Committee meetings.

If the designated Chair is not available, then the Chair must delegate an Acting Chair. The Acting Chair will be responsible for convening and conducting that meeting. The Acting Chair is responsible for informing the Chair as to the salient points/decisions raised or agreed to at that meeting.

## 7. Technical Secretary

The Chair shall appoint a Technical Secretary of the Committee. The appointment may be changed with notice to the Committee. The Technical Secretary shall be a non-voting member of the Committee.

The Technical Secretary shall make all materials available to committee members in accordance with section 9 below. It is therefore their responsibility to ensure all submitted papers meet the submission requirements. The Technical Secretary shall receive notices of absence, be responsible for producing the minutes in accordance with appendix 3 and keeping track of any actions.

The Technical Secretary will assess the duration of the meeting based on the forward view of the papers provided by the Business Partners, the Programme Delivery Managers and Support Function Finance Business Partners.

The Technical Secretary is responsible for ensuring that the Committee's Financial Delegations (if any) are recorded accurately and shall liaise with Finance accordingly.

## 8. Delegated Authority

UK SC has delegated the authority for IT only investments with an expected total project cost less than £3m, to the IT Sanction Committee.

The Technical Secretary will ensure all Delegated Authority approvals are captured and reported to the Committee for noting at the next meeting via the UKSC Summary Approval Report.

The Committee, or by proxy the Chair, must be made aware and approve any change in the holder of the Delegated Authority. Any further delegation must be approved by the Committee and documented.

## 9. Agenda Items

The format of the Committee agenda shall be as referred to in Appendix 2 of this document. All agenda items, including all sanction papers and presentations, must be forwarded to the Committee Technical Secretary by the deadline in the calendar, otherwise they will be accepted for the next deadline which has not passed. Submissions must be made by the appropriate Business Partner or Programme Delivery Manager, or by a previously identified deputy in the case of absence.

Prior to submission, all **sanction papers** must have:

- been peer reviewed
- been reviewed and approved as required by a representative from, but not limited to, each of: Global Finance, HR, Corporate, Commercial Property & Web, Infrastructure & Operations, Security, Legal, Regulation.
- An approved Business Case attached which has in turn been approved by:
  - Business Sponsor.
  - Relevant Finance Business Partner.
  - In the case of investments over £3m, Lead Entity Finance Business Partners.
  - In the case of IT investments of £3m, IT Entity Business Partners.
  - In the case of IT investments, been approved by the Architectural Review Board.

Prior to submission, all indirect investments which are not part of the Quarterly Rolling Forecast must:

- have been reviewed by representatives from each of the businesses for which an allocation of spend has been apportioned
- the decision to support the investment may be deferred to the Committee.

The agenda, all associated papers and presentations will be circulated by the Technical Secretary to all attendees no less than three full working days ahead of the coming meeting date ("Paper Circulation Date").

The Chair has the right to refuse to list an item on the formal agenda, but members may raise an item under Any Other Business if necessary and as time permits.

A standard Committee agenda is split into the following parts. This is a framework only and does not limit the matters that may be considered by the Committee:

- Minutes of Previous Meeting.
- Actions Update.

- UKSC Summary Approval Report.
- Indirect Investments Portfolio View.
- Presentation of indirect investments Sanction Papers.
- Presentation of indirect investment Briefing Notes and Resanction Papers.
- Presentation of Programme Closure Reports and Post Investment Appraisals.
- Any other business for the Committee.

### 10. Exceptions Process

Where the needs of the business demand it, and the Chair of UKSC approves it, papers can be considered between scheduled meetings via a fast track process administered by the Technical Secretary. Under this process, approval must first be sought from the Chair to submit the paper virtually. Once the approval has been received, and all submission criteria have been met, the submitted paper will be circulated to members for approval. Responses are required in writing, via email, from quorum of meeting with voting rights, one of whom must be the Chair or their delegate for a decision to be made. The decision will then be ratified at the following meeting.

The fast track process must only be used in exceptional circumstances where a delay will impair safety, reputation and/or incur financial losses. The submission to the Chair for offline sanction must explicitly mention the consequences of waiting for the next Committee meeting for sanction.

### 11. Minutes & Meeting Papers

The format of the Committee minutes shall be as referred to in Appendix 3 of this document. The minutes of each Committee meeting shall be prepared by the Technical Secretary. Full copies of the minutes shall be provided to all Committee members no later than two working days following each meeting.

The Technical Secretary shall maintain an action item list annotated with progress milestones and/or completion dates.

Out-of-session decisions reached under the fast track process set out in section 10 of this document shall be recorded in the minutes of the next scheduled committee meeting via the UKSC Summary Approval Report.

The minutes of each Committee meeting will be monitored and maintained by the Technical Secretary as a complete record. Unless otherwise agreed, all agendas, minutes and action lists shall be electronically filed and accessible only by authorised personnel.

### 12. Frequency of Meetings

The Committee will be provisionally booked to meet monthly, on the 3<sup>rd</sup> Tuesday of the month to fit as within reason with the Business Investment Committees and the US Sanction Committee. If quorum cannot be met with the use of delegations, the meetings will be rearranged.

### 13. Proxies to Meetings

If a regular member is unable to act due to absence, illness or any other cause, the member may appoint a proxy of his or her choosing to serve as an alternate member to act on his or her behalf as necessary. Any appointments of an alternate member for a period longer than two months in succession must be approved by the Committee. Any designate shall be granted appropriate delegated authority and have the voting rights of the role for which they are deputising.

### 14. Quorum Requirements

A minimum of the Chair/Acting Chair and three other Committee members with voting rights (or their identified proxies) are required for the meeting to be recognised as an authorised meeting for any decisions, recommendations or resolutions to be valid.

In cases where a committee member with voting rights, does not wish to support the investment, the chair has the authority to rescind the proposed investment until agreement can be reached. An entity shall not be prohibited from taking a unilateral development action where this is deemed necessary to meet their licence. An entity may choose not to participate in a shared development if the costs to them are not justified by the benefits they would receive, subject to this not giving rise to cross-subsidy.

Meetings that are not quorate will be postponed until such time as quorum can be attained. To allow this to happen, Committee members should endeavour to notify the Technical Secretary of any absences as soon as possible to allow for rescheduling within the timeframe required. If this is not possible, consideration for all scheduled proposals to be taken through the offline fast track process should be considered as an option of last resort to enable little delay to the sanctioning of investments.

### 15. Review Timetable for Terms of Reference

The Committee will review these Terms of Reference and the effectiveness of the Committee in March 2020, and annually thereafter.

[nationalgrideso.com](http://nationalgrideso.com)

Faraday House, Warwick Technology Park,  
Gallows Hill, Warwick, CV34 6DA

national**grid**ESO