

Condition 42. Governance and Management of the Licensee

INTRODUCTION

1. This condition makes provision for the effective corporate governance and management of the Licensee in the interests of consumers, and consists of seven parts:
 - (a) **Part A** makes provision for the composition and functioning of the board of directors of the Licensee;
 - (b) **Part B** requires that the management and resources used by the Licensee for the purposes of the Transmission System Operator Business are those which are dedicated to the Licensee alone;
 - (c) **Part C** makes provision for the Licensee to apply for, and the Authority to be able to issue initial, derogations from the requirements of Part B in respect of one or more designated business functions of the Licensee;
 - (d) **Part D** makes provision for the Licensee to apply for further derogations in the future where it did not do so initially, where its initial applications were rejected, or where any derogations that were granted have been revoked or are due to expire;
 - (e) **Part E** requires the Licensee to adopt a compliance plan and appoint a compliance manager to ensure that it complies with the requirements of this condition;
 - (f) **Part F** makes provision for [the dates and periods of time set out in](#) this condition to be modified in the manner specified in that Part; and
 - (g) **Part G** sets out various defined terms which are relevant to this condition.

PART A. THE BOARD OF THE LICENSEE

The Principal Obligation

2. The Licensee must take all steps within its power to ensure that, with effect from 1 June 2023 and at all times after that date, the board of the Licensee is constituted and operates in accordance with the first to the thirteenth requirements of this Part A.

The Specific Requirements

3. The **first** requirement is that a majority of the directors of the Licensee must be Sufficiently-Independent Directors.
4. The **second** requirement is that, the chair of the board of the Licensee must be a Sufficiently-Independent Director.
5. The **third** requirement is that, of the Sufficiently-Independent Directors on the board of the Licensee at any time:
 - (a) at least one-quarter must be individuals who, at the time of their respective initial appointments to that role, had substantial and recent experience of working:
 - (i) at senior level in, or for, a European Electricity Transmission System Operator;
or
 - (ii) in, or for, a part of the European Energy Industry in a capacity which required them to have routine engagement at senior level with a European Electricity Transmission System Operator; and
 - (b) at least one-half (to include all individuals satisfying the requirement of sub-paragraph (a), who shall be treated as also satisfying the requirement of this sub-paragraph (b)) must be individuals who, at the time of their respective initial appointments to that role, had substantial and recent experience of working at senior level in, or for, a part of the European Energy Industry.

6. The **fourth** requirement is that each Sufficiently-Independent Director must be appointed for an initial term which is neither less than three years nor more than six years, and may be re-appointed on one occasion only so long as the aggregate period of both appointments does not exceed nine years.
7. The **fifth** requirement is that, in order to ensure continuity in the functioning of the board of the Licensee, the terms of appointment of the Sufficiently-Independent Directors must be staggered so that no more than one-third of those appointments are due to expire at the same time.
8. The **sixth** requirement is that:
 - (a) there must be no more than one Non-Executive Director on the board of the Licensee who is not a Sufficiently-Independent Director; and
 - (b) all other directors on the board who are not Sufficiently-Independent Directors must be Executive Directors.
9. The **seventh** requirement is that the membership of the board of the Licensee must reflect as a whole an appropriate mix and balance of skills, knowledge, experience and personal qualities necessary for ensuring the effective management and governance of the Licensee.
10. The **eighth** requirement is that, prior to the appointment of any director to the board of the Licensee:
 - (a) the Licensee must give written notice of the intended appointment to the Authority;
 - (b) the Licensee must provide to the Authority all information relating to the intended appointee that it may reasonably request, and do so by any such date as it may reasonably specify; and
 - (c) where - within 20 working days following the receipt of that notice or (if later) of such information and evidence as it has reasonably requested - the Authority concludes that the appointment would give rise to a breach of any one or more of the first to

the seventh requirements of this part and directs the Licensee to not make the appointment, the Licensee must not make the appointment.

11. The **ninth** requirement is that any meeting of the board of the Licensee must not be treated as quorate unless the majority of directors present and able to vote are Sufficiently-Independent Directors.
12. The **tenth** requirement is that, at a meeting of the board of the Licensee:
 - (a) no director of the Licensee may exercise more than one vote (or a vote weighted so as to be worth more than that of any other director) on any matter, except for the chair who, in any case where there is an equal number of votes, may be permitted to exercise a second and casting vote; and
 - (b) no director or category of directors may be required to have voted in favour of a resolution on any matter in order for it to be treated as passed, or to have voted against a resolution on any matter in order for it to be treated as rejected.
13. The **eleventh** requirement is that, where the chair of the board of the Licensee is unavoidably absent from any meeting of the board, that meeting must be chaired by another Sufficiently-Independent Director.
14. The **twelfth** requirement is that the matters which are reserved for a decision by the board of the Licensee must include at least the following:
 - (a) determining whether to make any application for a Derogation under Part C or D;
 - (b) approving the content of any such Derogation application, including the evidence and information provided in support of it, prior to its submission to the Authority;
 - (c) approving the terms of the System Operator Agreement and of any amendment to that agreement;
 - (d) making, and approving any revision to, any:

- (i) scheme of delegation of the Licensee that is concerned with the allocation of authority (so far as is permitted, consistently with this twelfth requirement) to members of the board, committees or employees of the Licensee to make decisions or exercise functions on behalf of the Licensee;
 - (ii) conflict of interest policy applicable to members of the board, committees or employees of the Licensee; and
 - (iii) whistleblower policy of the Licensee;
- (e) approving the terms of any Services Agreement and of any amendment to any such agreement;
- (f) approving the appointment of the Compliance Manager, any termination of that appointment by the Licensee, and (where the appointment is for a limited term) any decision by the Licensee not to renew or extend that appointment; and
- (g) approving the terms of the Compliance Plan, of any proposal to revise the Compliance Plan, and of any revision of the Compliance Plan made after receiving a notification from the Authority specifying changes that are required to be made to it.
15. The **thirteenth** requirement is that no decisions relating to the business of the Licensee may be reserved to a vote of shareholders except those decisions in respect of which such a vote is required by or under the Companies Act 2006.

The Articles of Association

16. The Licensee must, by no later than 1 June 2023, ensure the modification of the articles of association of the Licensee to such extent as is requisite or necessary to make them consistent, and secure that they facilitate compliance, with the first to the thirteenth requirements set out above.

Key Definition

17. For the purposes of this condition, a **Sufficiently-Independent Director** means a natural person who is a director of the Licensee and who:

- (a) to the reasonable satisfaction of the Authority, has the skills, knowledge, experience and personal qualities necessary to perform that role effectively;
- (b) has no executive responsibilities within the Licensee or any Associated Company;
- (c) is not at any time during his appointment as a director of the Licensee, and was not at any time during the five years prior to that appointment:
 - (i) an employee of the Licensee;
 - (ii) an employee or director of any Associated Company; or
 - (iii) in any Material Business Relationship with the Licensee or any Associated Company;
- (d) is not at any time during his appointment as a director of the Licensee a Close Relation of a person who is at the same time:
 - (i) an employee of the Licensee;
 - (ii) an employee of any Associated Company; or
 - (iii) in any Material Business Relationship with the Licensee or any Associated Company; and
- (e) does not at any time during his appointment as a director of the Licensee:
 - (i) hold a remit to represent the interests of any particular shareholder or group of shareholders of the Licensee or of any Associated Company; or
 - (ii) receive remuneration from the Licensee or from any Associated Company other than a director's fee and reasonable expenses.

PART B. MANAGERIAL AND RESOURCE SEPARATION

The Principal Obligation

18. On and from the Effective Date, and at all times after that date, the Licensee must ensure that all activities carried out by it in the course of the Transmission System Operator Business are carried out by means of Separate Management and Separate Resources.

The Exception

19. However, the principal obligation in this Part B shall not apply in respect of any Business Function to the extent that:
- (a) the Licensee has applied for, and been granted by the Authority, a Derogation under either Part C or Part D in relation to that Business Function; and
 - (b) the Derogation remains extant, having neither reached its Derogation Expiry Date nor been revoked by the Authority for material non-compliance by the Licensee with any of its conditions.

Key Definitions

20. For the purposes of this condition, the **Effective Date** means:
- (a) where the Licensee has applied in accordance with Part C for a Derogation in respect of any one or more Business Functions, the date, in relation to each such Business Function, which falls twelve months after the Derogation Decision Date;
 - (b) in respect of all other Business Functions, 1 December 2024.
21. For the purposes of this condition, **Separate Management** means, in relation to activities carried out by the Licensee in the course of the Transmission System Operator Business, that all decisions relating to those activities are taken by managers who, at all levels (up to and including Executive Director) are:
- (a) employed by the Licensee;
 - (b) engaged solely in the management and operation of the Transmission System Operator Business; and

- (c) not in an employment relationship with, engaged in providing services of any kind to, or otherwise subject to any other contractual or professional duties in respect of any Associated Company.
22. For the purposes of this condition, **Separate Resources** means, in relation to activities carried out by the Licensee in the course of the Transmission System Operator Business, that:
- (a) those activities are carried out using personnel who are:
 - (i) employed, or engaged under a contract of services, by the Licensee; and
 - (ii) not in an employment relationship with, engaged in providing services of any kind to, or otherwise subject to any other contractual or professional duties in respect of any Associated Company;
 - (b) those activities are carried out using managerial and operational resources – including in particular premises, IT and other systems, equipment, facilities, processes and tangible and intellectual property – which are not shared with or accessible to any Associated Company; and
 - (c) no data obtained or created in the course of carrying out the activities are shared with or accessible to any Associated Company other than on terms provided for in the System Operator Agreement which reflect and comply with the requirements of paragraph 4(d) of Condition 11 of the Licence.

PART C. APPLICATIONS FOR INITIAL DEROGATIONS

Applications for a Derogation from Part B

23. The Licensee may apply to the Authority for a direction that it is not required to comply with the principal obligation in Part B in relation to any one or more Business Functions, and for the purposes of this condition such a direction shall be known as a **Derogation**.

Timing and Content of Application

24. The Licensee may submit to the Authority an application for a Derogation under this Part C:

- (a) no earlier than 1 October 2023; and
- (b) no later than 30 November 2023.

25. The Licensee must ensure that any application for a Derogation is made in writing, specifies clearly the Business Functions to which it relates, and separately in respect of each Business Function to which it relates:

- (a) describes in detail the activities which together constitute that Business Function;
- (b) specifies the characteristics of the Shared Management and Shared Resources that the Licensee would propose to use, if the Derogation were granted, for the purposes of carrying out the activities falling within the description of that Business Function;
- (c) sets out the arrangements with one or more Associated Companies by virtue of which that Shared Management and those Shared Resources would be used in common, including the terms of any proposed Services Agreement;
- (d) sets out any conditions to which the Licensee considers that the Derogation, if it were granted, should be subject;
- (e) states why, in the submission of the Licensee, the granting of a Derogation in relation to that Business Function would be best calculated to further the statutory duties of the Authority referred to in the Principles and Guidance on Condition 42 Derogations, having regard to the other matters set out in that document;
- (f) is made in compliance with such procedural requirements as the Authority may specify in the Principles and Guidance on Condition 42 Derogations;
- (g) includes such other information and evidence as may be required in accordance with the Principles and Guidance on Condition 42 Derogations, in such form and detail as may be set out in that document; and
- (h) is accompanied by all other information and evidence that the Licensee wishes the Authority to take into account when considering the application.

26. Any application received by the Authority which does not meet these requirements on timing and content shall be deemed to be invalid and, subject only to the Licensee having received notification from the Authority of that invalidity, the provisions of this Condition 42 shall apply as if no such application had been made by the Licensee.

Consideration by the Authority

Timing

27. The date by which the Authority is to determine any application for a Derogation shall be the later of:
- (a) 1 June 2024; or
 - (b) where, prior to 1 June 2024, the Authority is satisfied that it requires more time to consider the application, such alternative date as it may specify in a direction issued to the Licensee, save that:
 - (i) the Authority may issue no more than one such direction in respect of that application;
 - (ii) the latest date that may be specified in such a direction is 1 December 2024.
28. Where the Authority has not determined an application for a Derogation by the date identified in accordance with the previous paragraph:
- (a) the Derogation shall be deemed to be granted:
 - (i) by the Authority on that date; and
 - (ii) on the basis applied for by the Licensee, including (in particular) in respect of the Business Function described, and subject to any such conditions as may have been set out, in the Licensee's application for a Derogation;
 - (b) the Derogation Expiry Date shall be the date which is five years from the Derogation Decision Date.

Duty of the Licensee

29. The Licensee must:

- (a) in good faith assist and co-operate with the Authority to such extent as the Authority may reasonably request in order to facilitate its consideration of any application for a Derogation; and
- (b) in particular provide to the Authority all further information and evidence that it may reasonably request for that purpose as soon as reasonably practicable after it is requested.

Determination by the Authority

30. The Authority may, having considered any application for a Derogation, in respect of each Business Function to which that application relates:

- (a) reject the application and decline to grant a Derogation;
- (b) grant a Derogation:
 - (i) in respect of that Business Function by reference to the activities described by the Licensee in its application; or
 - (ii) in respect of such an amended description of the activities which constitute that Business Function as the Authority may specify in its determination.

31. A Derogation granted by the Authority shall specify the date on which it expires (the **Derogation Expiry Date**), save that this shall not be less than five years after the Derogation Decision Date.

Conditions

32. Where the Authority grants a Derogation, it may grant it subject to such conditions as it considers requisite or expedient, which may, in respect of any Business Function by reference to which the Derogation is granted, include in particular conditions:

- (a) as to the circumstances in which, and restrictions subject to which, the Licensee may use Shared Management and Shared Resources for the purposes of carrying on the activities constituting that Business Function;
 - (b) specifying in respect of any Services Agreement in relation to Shared Management and Shared Resources used for the purposes of that Business Function, a requirement to enter into that agreement on such terms as may be:
 - (i) specified in the condition; or
 - (ii) determined, or subject to approval, by the Authority in accordance with any process which may be set out in the condition;
 - (c) making such provision as the Authority considers appropriate to secure the effective ring-fencing of any Shared Management and Shared Resources which may be used for the purpose of that Business Function from all Separate Management and Separate Resources required under this condition to be used for that, or any other, Business Function; and
 - (d) containing provision for any of those conditions, or any such parts of them as may be specified, to have effect and/or cease to have effect on and from:
 - (i) such date as may be specified in the condition;
 - (ii) such date as may be determined by the Authority in accordance with any process which may be set out in the condition; or
 - (iii) the occurrence of such event or existence of such circumstances as may be described in the condition.
33. The Licensee must comply with the requirements of any conditions to which a Derogation is subject.
34. Where the Authority determines that the Licensee is in material non-compliance with any conditions of a Derogation, it may:

- (a) at any time amend the Derogation by attaching to it such further or modified conditions as it considers requisite or expedient; or
 - (b) revoke the Derogation on a date prior to its Derogation Expiry Date, so long as the Authority gives to the Licensee no less than six months' notice prior to that revocation becoming effective (the **Derogation Revocation Date**).
35. The Authority may, on the request of the Licensee, at any time amend the conditions to which a Derogation is subject in such manner as the Licensee has requested and to which the Authority has consented.

The Principles and Guidance on Condition 42 Derogations

36. The Authority may following consultation with the Licensee and such other persons as it considers appropriate, issue, and from time to time amend, a document which shall be known as the **Principles and Guidance on Condition 42 Derogations**, which may set out:
- (a) guidance as to the process to be followed by the Authority in considering applications for Derogations under Part C or Part D;
 - (b) guidance as to the statutory duties to be followed by the Authority and the principles to be applied by it when deciding whether or not, and subject to what conditions, to grant a Derogation under Part C or Part D; and
 - (c) requirements as to:
 - (i) the form and content of the information and evidence which must be provided by the Licensee as part of any application for a Derogation under Part C or Part D; and
 - (ii) the procedure to be followed by the Licensee in respect of that application.

PART D. SUBSEQUENT APPLICATIONS FOR DEROGATIONS

Applications which may be Made under this Part D

First-Time Applications

37. Where, in relation to any Business Function, the Licensee did not apply for a Derogation under Part C by 30 November 2023, it may apply for a Derogation in relation to that Business Function under this Part D on a date which is no earlier than 1 December 2028.

Originally Invalid Applications

38. Where, in relation to any Business Function, the Licensee applied for a Derogation under Part C by 30 November 2023, but the application was treated as invalid for non-compliance with the requirements of Part C, the Licensee may apply for a Derogation in relation to the same Business Function under this Part D on a date which is no earlier than 1 December 2028.

Originally Rejected Applications

39. Where, in relation to any Business Function, the Licensee applied for a Derogation under Part C by 30 November 2023, and the application was rejected by the Authority, the Licensee may apply for a Derogation in relation to the same Business Function under this Part D on a date which is no earlier than five years after the Derogation Decision Date.

Originally Granted Applications – Revocation of Derogation

40. Where, in relation to any Business Function, the Licensee applied for and was granted a Derogation under Part C, but that Derogation was later revoked by the Authority for a material non-compliance by the Licensee with its conditions, the Licensee may apply for a Derogation in relation to the same Business Function under this Part D on a date which is no earlier than five years after the Derogation Revocation Date.

Originally Granted Applications – Expiry of Derogation

41. Where, in relation to any Business Function, the Licensee applied for and was granted (or deemed to have been granted) a Derogation under Part C, the Licensee may apply for a Derogation in relation to the same Business Function under this Part D on a date which is no earlier than two years prior to the Derogation Expiry Date.

Variation of Time

42. The Authority may, by a direction issued to the Licensee, modify any date or period of time specified in any of the preceding paragraphs of this Part D, but that direction:
- (a) may only have the effect for the purpose of bringing forward that date or shortening that period of time to such extent as it may specify; and
 - (b) may be limited to applying only in respect of such Business Function as it may identify.
43. In any direction issued under the preceding paragraph, the Authority may specify limitations on the purpose for which the date or period of time is to be brought forward or shortened – including (in particular) limitations designed to restrict any new application for a Derogation to addressing only the consequences of such change of law or of circumstance as the direction may describe – in which case the Licensee may make any new application for a Derogation in accordance with the date or period of time specified in the direction only to the extent that it complies with such limitations.

Applicability of Part C

44. Where the Licensee is entitled to make an application for a Derogation under this Part D, the provisions of Part C shall apply to it in full, in the same way as if it had been an application made under that Part, except that in substitution for the corresponding provisions of Part C:
- (a) the earliest date at which an application may be made shall be the one specified in accordance with, and subject to any limitations imposed by, the preceding provisions of this Part D;
 - (b) there shall be no latest date by which an application may be made; and
 - (c) the date by which the Authority is to determine any application for a Derogation shall be the later of:
 - (i) the date which falls six months after the application was received by it; or
 - (ii) where, prior to the expiry of that six month period, the Authority is satisfied that it requires more time to consider the application, such alternative date as it may specify in a direction issued to the Licensee, save that:

- (A) the Authority may issue no more than one such direction; and
 - (B) the latest date that may be specified by the Authority in any such direction is the date which falls twelve months after the application was received by it.
45. In the same manner as in Part C, where the Authority has not determined an application for a Derogation by the date identified in accordance with the previous paragraph, the Derogation shall be deemed to be granted by the Authority on that date on the basis applied for by the Licensee and the Derogation Expiry Date shall be the date which is five years from the Derogation Decision Date.

PART E. FACILITATING AND MONITORING COMPLIANCE

The Compliance Plan

46. The Licensee must, by no later than 1 December 2023, prepare and submit to the Authority a draft plan, which shall:
- (a) set out the practices, procedures, systems and rules of conduct which the Licensee has adopted, or intends to adopt, together with the timescales for adoption, to ensure its compliance with the requirements of this condition; and
 - (b) require to be approved by the Authority (and following such approval shall be known for the purposes of this condition as the **Compliance Plan**).
47. The Licensee must take all steps within its power to comply with its Compliance Plan and shall publish the up to date Compliance Plan on its website.
48. The Licensee must submit any proposed revisions to the Compliance Plan to the Authority for its approval, and those revisions may not be made until the Authority has approved them.
49. The Authority may:
- (a) within 30 days of the Licensee submitting an initial draft plan or a revised Compliance Plan; or

- (b) following any review of the Compliance Plan that the Authority may conduct from time to time,

notify the Licensee that, in its opinion, the draft plan is not, or the Compliance Plan is no longer, suitable for the purpose of ensuring the Licensee's compliance with the requirements of this condition, and specify such revisions which must be made to it as are in the Authority's opinion necessary or expedient in order for it to be appropriate for that purpose and capable of approval by the Authority.

- 50. Where the Licensee receives such a notification, it shall within 30 days revise the draft plan or the Compliance Plan (as the case may be) in such manner and to such extent as is necessary to reflect the Authority's requirements.
- 51. The Licensee shall review the Compliance Plan on at least an annual basis so as to ensure that the Compliance Plan is accurate and up-to-date and remains suitable for the purpose of ensuring the Licensee's compliance with the requirements of this condition.
- 52. The Licensee must ensure that all persons who from time to time are engaged in the management and operation of the Transmission System Operator Business:
 - (a) are made aware of the practices, procedures, systems and rules of conduct set out in the Compliance Plan;
 - (b) have the necessary information and facilities to comply with their respective obligations under the Compliance Plan; and
 - (c) are aware of the disciplinary procedures that may be activated should they fail to comply with their obligations under the Compliance Plan.

The Compliance Manager

- 53. The Licensee, following consultation with the Authority, must ensure that there is at all times a senior employee engaged in the management of the Transmission System Operator Business who is appointed to a role which has the purpose of facilitating compliance with its obligations

under this condition and with the Compliance Plan, and that person shall be known for the purposes of this condition as the **Compliance Manager**.

54. The Licensee shall ensure that the Compliance Manager has access to such staff, premises, systems, information, documentation, equipment, facilities and other resources as he might reasonably expect to require to fulfil the duties and tasks assigned to him.
55. The duties and tasks which the Licensee assigns to the Compliance Manager must include:
- (a) providing relevant advice and information to the Licensee for the purpose of ensuring its compliance with this Condition and with the Compliance Plan;
 - (b) monitoring the effectiveness of, and the Licensee's compliance with, the Compliance Plan;
 - (c) investigating any complaint or representation received by the Licensee from any person in respect of any matter arising under or by virtue of this condition or in relation to the Compliance Plan;
 - (d) recommending and advising upon the remedial action which any such monitoring or investigation has demonstrated to be necessary or desirable, including where necessary revising the Compliance Plan to reflect such recommendation and advice; and
 - (e) reporting regularly – at least annually, or with such greater frequency as the board of the Licensee may require or as may be specified in a notice issued by the Authority to the Licensee from time to time – to the directors of the Licensee on:
 - (i) his activities during the period covered by the report;
 - (ii) the outcome of any investigations he has conducted during that period; and
 - (iii) on his assessment of the Licensee's compliance with this Condition and with the Compliance Plan, clearly identifying any areas of non-compliance that he has identified and the remedial actions required in order to address them.

56. The Licensee must ensure that the Authority promptly receives a copy of each report that is given by the Compliance Manager to the directors of the Licensee.

PART F – MODIFICATION OF RELEVANT ~~DATE~~ DATES AND RELEVANT PERIODS

57. This Part F provides for the Authority, by a direction issued to the Licensee, to modify:

~~57. This Part F applies where an application has been made for an appeal to be brought under Article 14B of the Order against the decision by the Authority to modify the conditions of the Licence to include this Condition 42 (the **Modification Decision**), and the CMA has:~~

- ~~(a) granted permission for the bringing of the appeal;~~
- ~~(b) given a direction pursuant to paragraph 1 of Schedule 5A of the Order; and~~
- ~~(c) confirmed the Modification Decision.~~

~~58. Where this Part F applies, this condition is modified such that each date specified in it by virtue of the Modification Decision is amended so as to be the date which falls seven months' later than was specified by virtue of that decision.~~

- (a) any date specified on the face of this Condition 42 (a **Relevant Date**); and
- (b) any period of time specified on the face of this Condition 42 (a **Relevant Period**).

58. The Authority may issue a direction under this Part F only where it has first given the Licensee (and any other persons or bodies it considers likely to be interested in the matter) at least 28 days' notice of the proposed direction, has taken into account any representations which have been received by it before the end of the notice period, and has made such amendments (if any) to the proposed direction as it considers appropriate.

59. The Authority may, by a direction issued to the Licensee under this Part F, direct that there shall be substituted:

- (a) for any Relevant Dates identified in the direction, such later dates as the direction may specify; and/or

(b) for any Relevant Periods identified in the direction, such longer periods of time as the direction may specify.

60. The effect of any direction issued under this Part F shall be to modify this Condition 42 by replacing the Relevant Dates and/or Relevant Periods identified in the direction with such new later dates and/or longer periods of time as the direction may specify.

61. There shall be no limit on the number of occasions on which the Authority may issue directions under this Part F or on the number of times that any Relevant Date or Relevant Period may be modified by virtue of such directions.

PART G. DEFINITIONS

62. ~~59.~~ For the purposes of this condition:

Associated Company	means any company which is: <ul style="list-style-type: none">(a) part of the EirGrid Group, but excluding the Licensee itself; and(b) (if not part of the EirGrid Group) an affiliate, related undertaking or ultimate controller of the Licensee.
Business Function	means a set of activities carried on by the Licensee for the purposes of the Transmission System Operator Business which: <ul style="list-style-type: none">(a) in the context of an application made by the Licensee for a Derogation, are as described by the Licensee in that application; and(b) in the context of any Derogation granted by the Authority following such an application, are as described by the Authority in that Derogation.
Close Relation	means, in relation to an individual, another individual who is their spouse (or partner of equivalent nature), parent, child, sibling, grandparent or grandchild.
Compliance Manager	has the meaning given to that expression in paragraph 53.
Compliance Plan	has the meaning given to that expression in paragraph 46.

Derogation	has the meaning given to that expression in paragraph 23.
Derogation Decision Date	means, in relation to any application for a Derogation made by the Licensee under Part C or Part D: (a) the date on which the Authority notifies the Licensee of its decision either to grant or reject that application ; or (b) where either paragraph 28 or 45 applies, the date on which a Derogation is deemed to have been granted.
Derogation Expiry Date	has the meaning given to that expression in paragraph 31.
Derogation Revocation Date	has the meaning given to that expression in paragraph 34.
Effective Date	has the meaning given to that expression in paragraph 20.
EirGrid Group	means EirGrid plc, each of its affiliates and Related Undertakings, and each company for which EirGrid plc or one of its affiliates or Related Undertakings is a holding company.
European Electricity Transmission System Operator	means an entity which acts (or at any time acted) as electricity transmission system operator in any part of the United Kingdom, or any member state of the European Union or the European Free Trade Area.

European Energy Industry comprises those entities engaged in carrying out the activities of:

- (a) the generation, transmission, distribution and supply of electricity; and
- (b) the storage, and the conveyance, shipping and supply through pipes, of natural gas,

in any part of the United Kingdom, or any member state of the European Union or the European Free Trade Area.

Executive Director means a director of the Licensee who is also an employee of the Licensee.

Material Business Relationship means any material business relationship between an individual and an entity, including in particular a relationship in which the individual acts as a provider of professional or consultancy services, or is involved in the supply of any other goods or services, to that entity, but shall not include (taken by itself):

- (a) the holding by an individual of a small number of shares or associated rights in the Licensee or any Associated Company; or
- (b) the receipt by an individual of any pension or other accrued benefit associated with prior employment or service with the Licensee or any Associated Company.

Modification Decision has the meaning given to that expression in paragraph 57.

Non-Executive Director means a director of the Licensee who is not an Executive Director.

Principles and Guidance on Condition 42 Derogations has the meaning given to that expression in paragraph 36.

Relevant Date [has the meaning given to that expression in paragraph 57.](#)

Relevant Period [has the meaning given to that expression in paragraph 57.](#)

Separate Management has the meaning given to that expression in paragraph 21.

Separate Resources has the meaning given to that expression in paragraph 22.

Services Agreement means an agreement (whether or not legally-binding) between the Licensee and any Associated Company which relates to the provision or staff or other resources by the Licensee to that company, or by that company to the Licensee, or any sharing of staff or other resources between the Licensee and that company.

Shared Management means managerial staff taking decisions in relation to activities carried out by the Licensee in the course of the Transmission System Operator Business which do not constitute Separate Management.

Shared Resources means resources used in relation to activities carried out by the Licensee in the course of the Transmission

System Operator Business which do not take the form of Separate Resources.

**Sufficiently-Independent
Director**

has the meaning given to that expression in paragraph 17.