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## National Grid USA Standards of Conduct for Transmission Providers Pursuant to FERC Order No. 717

### Summary

The Federal Energy Regulatory Commission (FERC) regulates natural gas pipelines and electric public utilities that engage in interstate commerce.

In its Order No. 717, FERC altered the essential nature of the Standards of Conduct. Under the old rules, the focus was on the corporate entity in which an employee worked, with the goal of separating Transmission Providers from marketing and energy affiliates. With its new approach, FERC focuses instead on the functions of individual employees, with transmission function employees directed to operate separately from marketing function employees.

FERC requires that gas and electric systems be operated in a manner that does not impede fair competition. This means that employees that engage in the sale of electric energy or natural gas for resale must not have access to information about the transmission systems used to move energy or natural gas which is not available to everyone via the Internet, through a system known as "OASIS." To accomplish that goal, FERC requires the following:

- Employees engaged in the transmission function must work independently from marketing function employees. The transmission function includes: U.S. Transmission Network Operations; Transmission Commercial Services, LIPA Transmission; National Grid LNG; Distributed Resource Management; Distribution Operations; and HVDC Operations.
- Transmission function information is confidential and must not be shared with marketing function employees through non-public communications conducted off of the OASIS.
- No employee may act as a conduit for sharing transmission function information with marketing function employees.
- A transmission provider must provide equal access to non-public transmission function information to all its transmission function customers, affiliated and non-affiliated—except in the case of confidential customer information or Critical Energy Infrastructure Information, which must remain protected. For purposes of these Standards of Conduct, "transmission function information" is defined as any information relating to the day-to-day operations of our transmission system and/or the granting of transmission service requests. FERC has included the following as examples of transmission function information: available transmission capability, price, curtailments, storage, and balancing.

- If you have transmission function information related to our electric transmission grid or natural gas pipelines, you need to be careful that you do not act as a conduit for conveying that information to anyone that works in a marketing function. The marketing functions include: Energy Transactions; Gas Contracting; Gas Supply, Regulated Load and Distributed Generation; Retail Choice; and Distributed Resources.

If you divulge any transmission function information in violation of these rules, you must tell your supervisor, the Business Conduct Office (315-428-6341), the AlertLine (800-465-0121), the toll-free Helpline (888-867-6759), the Chief Compliance Officer, or the Legal Department. The company must post any violations on its Internet website. It would be far worse to have someone outside the company report that we violated the regulations.

The Order requires the company to post on its Internet website the job titles and job descriptions of its transmission function employees. The company must also post transfers of employees from the transmission function to the marketing function, and *vice versa*.

The Order requires the Company to post on its Internet website the names and addresses of all its affiliates that employ or retain marketing function employees. A transmission provider must post on its Internet website a complete list of the employee-staffed facilities shared by any of the transmission provider's transmission function employees and marketing function employees.

The Order also requires that we train employees on these Standards of Conduct and retain records of that training.

If you have any questions regarding these Standards of Conduct, please contact the Business Conduct Office, the AlertLine, the toll-free Helpline, the Chief Compliance Officer, or the Legal Department.

# National Grid USA Standards of Conduct for Transmission Providers Pursuant to FERC Order No. 717

The Federal Energy Regulatory Commission (“FERC”) issued Order No. 717, revising its Standards of Conduct for the electric utilities and natural gas pipelines in the United States.

These Standards of Conduct apply to employees of National Grid USA and its affiliates (“National Grid”) doing business in the United States.

## Principles

FERC requires electric and gas transmission systems to be operated in a manner that does not impede fair competition. FERC Order No. 717 is intended to prevent Transmission Providers from giving preferential treatment to their affiliated marketing function employees.

To ensure fair competition, National Grid must take measures so that 1) transmission employees and marketing employees function independently, 2) access to and disclosure of transmission function information is restricted, and 3) the wholesale transmission tariffs are not administered in an unduly discriminatory manner.

## Revised Document

This revised National Grid Standards of Conduct document replaces the Standards of Conduct document issued pursuant to FERC Order No. 2004. The National Grid Standards of Conduct will be maintained on the Internet websites utilized by National Grid and posted on National Grid USA’s Standards of Conduct Infonet site. A copy of this document has been distributed to all transmission function employees, all marketing function employees, officers, directors, supervisory employees, and any employee likely to become privy to transmission function information.

## Definitions

To understand the Standards fully and how they apply to National Grid, you will need to become familiar with the following terms:

*Transmission function employee:* An employee, contractor, consultant, or agent of a transmission provider who actively and personally engages on a day-to-day basis in transmission functions.

*Transmission functions:* The planning, directing, organizing, or carrying out of day-to-day transmission operations, including the granting and denying of transmission service requests.

*The departments that conduct transmission functions are: Transmission Network Operations; Transmission Commercial Services, LIPA Transmission; National Grid LNG; Distributed Resource Management; Distribution Operations; and HVDC Operations.*

*Transmission function information:* Information relating to transmission functions.

*Transmission:* Electric transmission, network or point-to-point service, ancillary services or other methods of electric transmission, or the interconnection with jurisdictional transmission facilities, under part 35 of FERC’s regulations; and natural gas

transportation, storage, exchange, backhaul, or displacement service provided pursuant to subparts B or G of part 284 of FERC's regulations.

*Transmission Provider:* A Transmission Provider is any public utility that owns, operates, or controls facilities used for the transmission of electric energy in interstate commerce; or any interstate natural gas pipeline that transports gas for others pursuant to subparts B or G of part 284 of FERC's regulations.

*The following National Grid companies are Transmission Providers: Iroquois Pipeline Operating Company; Massachusetts Electric Company; Millennium Pipeline Company LLC; The Narragansett Electric Company; National Grid LNG; New England Electric Transmission Corporation; New England Hydro-Transmission Corporation; New England Hydro-Transmission Electric Company, Inc.; New England Power Company; Niagara Mohawk Power Corporation; Steuben Gas Storage Company. Honeoye Storage Corporation is excluded from the definition of Transmission Provider because it is a natural gas storage provider authorized to charge market-based rates.*

*Transmission customer:* Any eligible customer, shipper, or designated agent that can or does execute a transmission service agreement or can or does receive transmission service, including all persons who have pending requests for transmission service or for information regarding transmission.

*Marketing function employee:* An employee, contractor, consultant, or agent of a transmission provider or of an affiliate of a transmission provider who actively and personally engages on a day-to-day basis in marketing functions.

*Marketing functions:* In the case of electric public utilities and their affiliates, the sale for resale in interstate commerce, or the submission of offers to sell in interstate commerce, of electric energy or capacity, demand response, virtual transactions, or financial or physical transmission rights, all as subject to an exclusion for bundled retail sales, including sales of electric energy made by providers of last resort ("POLRs") acting in their POLR capacity. In the case of interstate pipelines and their affiliates, the sale for resale in interstate commerce, or submission of offers to sell in interstate commerce, natural gas, subject to the following exclusions: i) bundled retail sales; ii) incidental purchases or sales of natural gas to operate interstate natural gas pipeline transmission facilities; iii) sales of natural gas solely from a seller's own production; iv) sales of natural gas solely from a seller's own gathering or processing facilities; and v) sales by an intrastate natural gas pipeline, by a Hinshaw interstate pipeline exempt from the Natural Gas Act, or by a local distribution company making an on-system sale.

*The departments that conduct marketing functions are: Energy Transactions; Gas Contracting; Gas Supply, Regulated Load and Distributed Generation; Retail Choice; and Distributed Resources.*

*Open Access Same Time Information System ("OASIS"):* The Internet location where a public utility posts the information required by part 37 of FERC's regulations, and where

it may also post the information required to be posted on its Internet website by part 358 of FERC's regulations.

### **Independent Functioning**

Except in emergency circumstances affecting system reliability, Transmission Function Employees must function independently of Marketing Function Employees.

Any Marketing Function Employee is prohibited from (a) conducting transmission functions – *i.e.*, day-to-day operations, including granting or denying transmission service; and (b) having access to a system control center or similar facilities used for transmission operations or reliability functions that differs in any way from the access available to other transmission customers.

National Grid is prohibited from permitting its Transmission Function Employees to conduct Marketing Functions.

FERC recognizes that system reliability must be maintained. Therefore, notwithstanding any other provisions in these Standards of Conduct, in emergency circumstances affecting system reliability, whatever steps are necessary to keep the system in operation may be taken. Each emergency that results in any deviation from these Standards of Conduct must be reported to FERC and must be posted within 24 hours of such deviation on the Internet websites utilized by National Grid.

### **Information Access and No-Conduit Rule**

Employees engaged in Marketing Functions may not have access to the system control center or similar facilities used for transmission operations that differs in any way from the access available to other transmission customers, and must not have access to any information about our transmission system that is not available to all users of OASIS. Marketing Function Employees are also prohibited from obtaining transmission function information through access to information not posted on the OASIS, or that is not also available to the general public without restriction. All employees, including Transmission Function employees and other employees privy to transmission function information, are prohibited from serving as a conduit for conveying non-public transmission function information to Marketing Function Employees.

For purposes of these Standards of Conduct, “transmission function information” is defined as any information relating to the day-to-day operations of our transmission system and/or the granting of transmission service requests. FERC has included the following as examples of transmission function information: available transmission capability, price, curtailments, storage, and balancing. Generation information necessary to perform generation dispatch may be shared with a Marketing Function Employee, but cannot include specific information about third-party transmission transactions or potential transmission arrangements. In addition, crucial operating information may be shared with a Marketing Function Employee to maintain the reliability of the transmission system, but this information should be reviewed by the Business Conduct office prior to such sharing.

An employee may not share any information acquired from nonaffiliated transmission customers or potential nonaffiliated transmission customers, or developed in the course of responding to requests for transmission service on the OASIS, with Marketing Function Employees, except to the limited extent information is required to be posted on the OASIS in response to a request for transmission service or ancillary services. A non-affiliated transmission customer may voluntarily consent, in writing, to allow the sharing of the non-affiliated customer's information with a Marketing Function Employee. The Transmission Provider must post notice on its Internet website of that consent along with a statement that it did not provide any preferences, either operational or rate-related, in exchange for that voluntary consent.

If any information is disclosed in a manner contrary to these standards, that information must be posted immediately on the Internet websites utilized by National Grid, unless the information relates solely to a Marketing Function Employee's specific request for transmission service. If a National Grid employee discloses non-public customer information, critical energy infrastructure information, or any information that FERC by law has determined to be subject to limited dissemination, we must immediately post notice on its website that the information was disclosed.

When Transmission Function Employees and Marketing Function Employees are permitted to participate in joint meetings (*e.g.*, when the discussion does not involve the transfer of transmission function information or when the employees must meet to preserve reliability of the transmission system), the participants in such meetings should observe the Procedures for Documenting Permitted Conversations set forth in Appendix 4 of this document.

### **Employee Transfers**

Transmission Function Employees and Marketing Function Employees may transfer between such functions as long as such transfers are not used as a means to circumvent these Standards of Conduct. Notices of employee transfers between functions are to be posted within seven business days and maintained for 90 days on the Internet websites. The information posted includes: i) the name of the transferring employee; ii) the title of the employee before and after the transfer; and iii) the effective date of the transfer.

### **Identifying Transmission Provider Employees and Affiliates on Internet Websites**

National Grid and its subsidiaries and affiliates that are Transmission Providers, as identified and listed above, must post on their Internet websites:

- 1) the job titles and job descriptions of our Transmission Function Employees;
- 2) the names and addresses of all our affiliates that employ or retain Marketing Function Employees;
- 3) a complete list of the employee-staffed facilities shared by any of our Transmission Function Employees and Marketing Function Employees, including the types of facilities shared and the addresses of the facilities;
- 4) information concerning potential merger partners as affiliates that may employ or retain Marketing Function Employees, within seven days after the potential merger is announced.

### **Secured Facilities Access and Shared Facilities**

All transmission control centers are secure and accessible by card-keys issued only to authorized personnel. Marketing Function Employees shall not have access to the system control centers or similar facilities used for transmission operations or reliability functions that differs in any way from the access available to other transmission customers.

A complete list of the facilities (both buildings and electronic facilities) shared by Transmission Function Employees and Marketing Function Employees, including the types of facilities shared and their addresses, are to be posted on the Internet website utilized by National Grid.

### **Tariff Implementation**

Where tariff provisions relating to the sale or purchase of open access transmission service do not permit discretion, they must be strictly enforced. Where tariff provisions relating to the sale or purchase of open access transmission service permit discretion, they must be applied in a fair and impartial manner that treats all transmission customers in a not unduly discriminatory manner.

A written log is maintained, available for FERC audit, detailing the circumstances and manner in which discretion was exercised under any terms of a tariff relating to the sale or purchase of open access transmission service. The information contained in this log is posted on the Internet website within 24 hours of when discretion is exercised under any terms of the tariff.

Employees must not give preference to our own Marketing Functions over any other wholesale customer regarding the sale or purchase of transmission service (including, but not limited to, issues of price, curtailments, scheduling, priority, ancillary services, or balancing). All similar requests for transmission service must be processed in the same manner and within the same period of time.

### **Separate Books and Records**

All Transmission Providers maintain their books of account and records as prescribed by FERC regulations separately from those of its other affiliates, and these will be made available for FERC inspections.

### **Training of Employees**

All U.S. Transmission Function Employees, Marketing Function Employees, officers, directors, supervisors, and any other employees who may become privy to Transmission Function information, must attend training on these Standards of Conduct annually. New or transferring employees fitting any of the aforementioned categories must be trained within 30 days of the time that their employment or new position commences. Employees are required to certify that they have been trained.

### **Chief Compliance Officer**

National Grid's Chief Compliance Officer is Colin Owyang. The Company's Chief Compliance Officer is responsible for compliance with these Standards of Conduct, and his name and contact information are provided on the Company's Internet website.

## **Compliance**

These Standards of Conduct cannot prescribe rules for every case. Specific procedures related to posting requirements are contained in appendices to this document. The following table details the deadlines for posting information on the OASIS.

Job description changes	Within 7 business days
Potential merger partners	Within 7 business days of announcement
Reporting prohibited disclosures	Immediately
Reporting emergency deviations from these Standards	Within 24 hours
Posting acts of discretion under the tariff	Within 24 hours of exercise of discretion
Posting discounts	When contractually binding
Reporting employee transfers	When effective

This document should be used as a guide. If these Standards or the related procedures do not address your concern or question, you should first discuss it with your supervisor. If that does not resolve the issue or you suspect there has been a violation, contact anyone listed below.

## **Contact Information**

### *Business Conduct Office*

Bill Holzhauser	315-428-6341
AlertLine	800-465-0121
Toll-free Helpline	888-867-6759

The Chief Compliance Officer, or the Legal Department.



## Appendix 1 – Detailed Procedures

### **Reporting Suspected Violations**

If you believe there has been a violation of the FERC Standards of Conduct, you should first discuss it with your supervisor. If that is not possible or you feel that person may be involved, you should contact one of the individuals listed under Contact Information in this document. If you are reporting an incident of disclosure of prohibited information, you need to report this as soon as you become aware of it.

### **Changes to Employee Job Descriptions**

If a change is a reassignment of an employee between the Transmission Function and the Marketing Function, an email notification that a transfer between the functions has occurred is to be sent to the appropriate representative within the Business Conduct Office. If a change includes the addition of a new Transmission job title, the job description document will be updated. The new title will receive a short description covering the duties and responsibilities of the position.

Once all updates have been completed, the documents will be forwarded to the Web-e-Business group for publication on OASIS. Past documents will be archived by the Web-e-Business group in compliance with FERC regulations.

### **Archiving Internet Postings**

Each National Grid Internet website contains an Archive section. When documents are posted to the Internet websites, previous versions of the documents will be moved to the Archive section and will be accessible for at least 5 years.

### **Reporting Emergency Deviations**

In emergency situations, when system reliability is jeopardized, whatever steps necessary to maintain system reliability may be taken. Any actions taken which violate these Standards of Conduct must be reported and posted *within 24 hours*. To report any such deviation, please contact one of the individuals listed under Contact Information in this document. The Business Conduct Office will be responsible for getting the information to the Web-e-Business Group to be posted on the Internet website within 24 hours.

### **Potential Mergers**

The Business Conduct Office will provide the Web-e-Business Group contact with information to be posted on the Internet website within 7 days of the announcement of a potential merger.

### **Reporting Prohibited Disclosure of Transmission Function Information**

If information is disclosed by a Transmission Function Employee contrary to the intent of the Standards of Conduct requirements, that disclosure (and, in some cases, the disclosed information) must be posted on the Internet website *immediately*. If you believe there has been an improper disclosure of information, you should contact one of the individuals listed under Contact Information in this document.

## Appendix 2 – Discount Posting Procedures

The procedure for posting discounts for New England Power Transmission Service has been automated through the use of Open Access Technology International Inc.'s WebTrans software to accommodate the level of transaction activity in New England.

## Appendix 3 – Procedure of Reporting the Application of Discretion in Tariff-based Transactions

It is National Grid's practice to minimize the application of discretion when providing service under FERC-filed rates. On occasion, customer needs, market, and other circumstances result in deviations from the filed rate or process outlined in tariffs. When this occurs, it is National Grid's practice to make the event transparent to the public.

One area where National Grid employees apply discretion is in transmission price discounting on OASIS. When discounts are applied to transactions involving the sale of National Grid's portion of the capacity on the HVDC Interconnector, the remaining capacity will be offered at the discounted sales price and made transparent to other users of the OASIS within 24 hours (usually sooner). See Appendix 2.

When discretion (other than price discounting) is applied, a description is written by the employee and submitted to the webmaster for posting to

<http://www.nationalgridus.com/oasis/logs/discretionary.asp>

within 24 hours.

## Appendix 4 – Procedures for Documenting Permitted Conversations

Transmission Function Employees and Marketing Function Employees may exchange certain non-public Transmission Function information required for compliance with reliability standards approved by FERC or for maintaining or restoring operation of the transmission system or generating units, or that may affect the dispatch of generating units. National Grid must make and retain a contemporaneous record of all such exchanges, except in emergency circumstances, in which case a record must be made of the exchange as soon as practicable after the fact. The record may be handwritten or typed notes, electronic records, such as e-mails and text messages, recorded telephone exchanges, and the like. Records of permitted conversations should be submitted to the Business Conduct Office for retention. Such records must be retained for five years, and must be made available to FERC upon request.

The FERC Standards of Conduct reminder message below should be read at the beginning of all formal joint meetings that include both Transmission Function Employees and Marketing Function Employee. We also need to document all such meetings.

The following procedure has been developed to meet this requirement. If you also host joint meetings, we ask that you adhere to this procedure and use the attached form that has been set up on: Outlook/Tools/Forms/Choose Form/FERC Order 717 Meeting Report. **Your diligent attention to this requirement is essential to meeting our ongoing compliance obligations.**

If you host a formal joint meeting, you should:

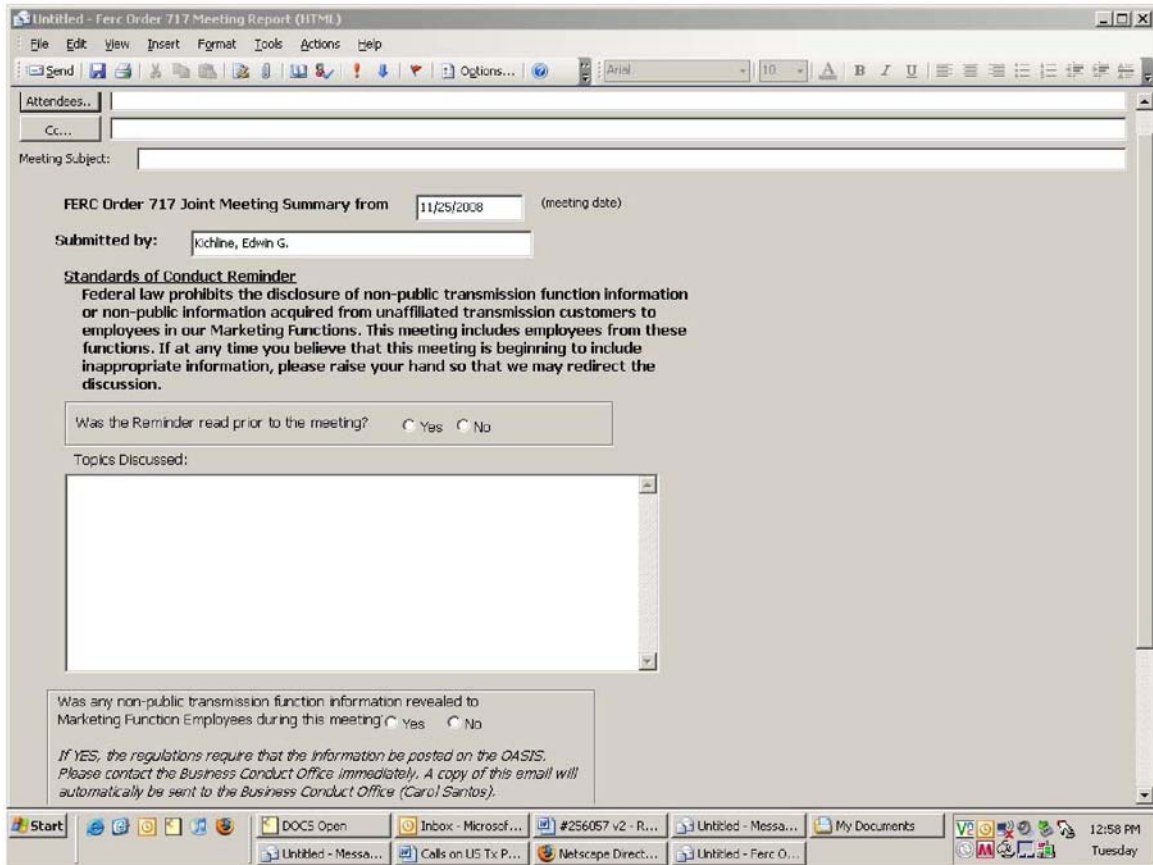
- Appoint an attendee, other than a Marketing Function Employee, to document the meeting using the Outlook form referred to above;
- Read or show the FERC reminder message shown on the Outlook form;
- Enter the attendees in the form;
- Note the subjects discussed;
- Send the form.

If transmission function information must be discussed at a joint meeting:

- Ask the participants from the Marketing Function to excuse themselves from the meeting or determine whether there is an exception to the independent functioning or no-conduit rule that may apply;
- Note in “Topics Discussed” that the participants from the Marketing Function left the room or explain the rationale for why they were permitted to continue the discussion;
- **DO NOT** include any specific transmission function information in the minutes;
- Note when or if the Marketing Function participants rejoined the meeting.

When the form is sent to the attendees listed on the form, a copy will automatically be stored on a shared drive.

# Sample Meeting Report



## Appendix 5 – Procedure for Requesting Access to Shared IT Resources

The purpose of this procedure is to institutionalize the process that will be required of Marketing Function Employees in order for those individuals to obtain access to shared IT resources. This is being done to maintain compliance with FERC Order No. 717 on Standards of Conduct for transmission providers. The intent of this procedure is to avoid unintentionally or otherwise providing access for Marketing Function Employees to shared IT resources that contain Transmission Function information or information provided by non-affiliated transmission customers or potential non-affiliated transmission customers.

A shared IT resource is a software application, a shared directory, or a commonly accessed database or folder on the corporate information network. A shared IT resource is NOT information stored on the hard drive (C: drive) of a personal computer or an individual's home directory (H: drive). A shared IT resource could be on the corporate mainframe; on the midrange environment, such as in the Peoplesoft ERP applications; or in the Windows environment.

Requests for access to shared IT resources by Marketing Function Employees will be submitted to the Manager of Transmission Applications ("IT Manager") within National Grid USA's IT Department. This position is closely associated with all U.S. Transmission business functions and all IT groups, and will ensure the appropriate separation between Transmission Function information and Marketing Function Employees while minimizing business disruption. One or two other individuals from the same IT group shall be trained on the details of this procedure. Those other individuals shall be empowered to act for the IT Manager during his or her absence.

All requests from Marketing Function Employees for access to shared IT resources should be submitted via email to a shared Outlook mailbox titled "*Marketing Function – IT requests.*" The IT Manager will review each request with the business administrators who are responsible for the requested information and/or others, such as the Legal Department, to determine the appropriateness of providing information access. If it appears that a compliance violation would result from providing access to a shared IT resource, the IT Manager will communicate that to the requestor. If the requestor wishes to appeal the request denial, the requestor may contact National Grid's Business Conduct Office directly for a review of the decision.

Adhering to this procedure is the responsibility of the Marketing Function Employees. The requirements of this procedure shall be discussed with individuals newly assigned to a Marketing Function at the time their assignments begin. The managers of these groups shall communicate the magnitude of the severity of this requirement to their associates, and will support the terms of this procedure.

Transmission Function Information is defined as information relating to transmission functions, which are the planning, directing, organizing, or carrying out of day-to-day transmission operations, including the granting and denying of transmission service requests. Transmission Function information can relate to the transmission system of the Transmission Provider or the transmission system of another (including, but not limited

to, information received from non-affiliates or information about available transmission capability, price, curtailments, storage, ancillary services, balancing, maintenance activity, capacity expansion plans, or similar information). The Standards of Conduct prohibit non-public communication of this information, especially to the extent it can be used to the advantage of Marketing Function Employees in the market. Examples of Transmission Function information would include the following:

- Status of transmission assets
- Status of HVDC assets
- Available transmission capacity
- Outage plans and maintenance activity
- Transmission budgets and project plans
- Project designs
- Economic and financial analyses of transmission projects

Any questions, comments, or suggestions should be directed to the IT Manager and/or National Grid's Business Conduct Office.