

# CODE OF GOOD PRACTICE

## FOR RESEAU DE TRANSPORT D'ELECTRICITE (RTE)



As part of a raft of measures aimed at strengthening the non-discriminatory nature of access to the network, one of the conditions for closer integration of the internal electricity market, Directive 2003-54 of 26th June 2003 requires the transmission system operator to "*establish a compliance programme, which sets out measures taken to ensure that discriminatory conduct is excluded, and ensure that observance of it is adequately monitored*".

Transposing this Directive into French law, Article 6 (III) of Law n° 2004-803 dated 9th August 2004, relative to public service of electricity and gas and electricity and gas companies, states that "*all electricity and gas transmission system operators shall acquire a code of good practice including the internal organisational measures taken to prevent the risk of discriminatory practices concerning third party access to the network. The application of this code shall be detailed in an annual report, to be published by each operator and sent to the Commission de Régulation de l'Energie (French Energy Regulatory Commission)*".

This is the national and European legal framework governing RTE's current "Code of Good Practice", which contains all of the company's commitments to users of the public electricity transmission system with regard to confidentiality and non-discrimination.

There are two points that need to be made regarding this framework.

Firstly, whilst these provisions may appear new, they are in fact a continuation of the special obligations with which RTE has been required to comply under the Law of 10th February 2000, since RTE as an independent department of EDF, was set up on 1<sup>st</sup> July that same year. Guaranteeing that there is no discrimination in the way all electricity market players are granted access to the high and extra-high voltage transmission grid is an essential requirement, which governs our decisions and behaviour, under the new rules on the organisation and operation of electric systems that are open to competition. This always represented an important commitment for RTE, the EDF department responsible for operating the public transmission system, which was managed separately from the group's other activities, and will continue to do so now that RTE has become a fully independent company in its own right, with its own legal personality.

Secondly, this special responsibility, which forms the basis for RTE's independence from other electric system operators and players, implies an extensive definition of the term "non-discrimination". The organisational measures introduced in this respect must guarantee that all parties concerned by the proper running of the French electricity market are treated impartially and equally.

As such, the **non-discrimination** practised by RTE requires it to demonstrate transparency and protect the confidentiality of information.

**Guaranteeing transparency** means giving current or potential users of the transmission system the same level and quality of information with regard to the general rules on the organisation and running of the internal electricity market, so that they are all able to compete on an equal footing. It also means that, when drawing up and modifying these rules and mechanisms, RTE must establish a dialogue and strong relations with the industry regulator, the *Commission de Régulation de l'Energie* (CRE, Energy Regulatory Commission), thereby helping to guarantee that the system operator acts neutrally and impartially towards all players.

**Protecting the confidentiality** of the sensitive information entrusted to us by network users, means giving an assurance that we will strictly abide by the rules on undistorted competition, and will manage our relations with network users so that none of them is able to accuse us of acting in a partisan manner.

These pledges lie at the heart of the missions entrusted to RTE by the Government, and our managerial structure must also be designed in such a way as to ensure that our staff abide by the principles they enshrine.

That is why RTE's internal measures and behaviour have been set out in a code covering the following four areas:

- *Guaranteeing non-discrimination in access to the network,*
- *Ensuring transparency in relations with the regulator and network users,*
- *Protecting the confidentiality of sensitive information,*
- *Guaranteeing sustained staff commitment and compliance with these requirements.*

According to RTE's articles of association, the Chairman of the Management Board is responsible for defining and implementing the Code of Good Practice. Meanwhile, RTE's General Secretary is in charge of overseeing and enforcing the Code and drafting the annual report that the operator is required to publish.

## INTRODUCTORY CHAPTER

### **RTE'S CORPORATE GOVERNANCE**

On 1 September 2005, RTE became a limited company with an Executive Board and a Supervisory Board, responsible for balancing electricity flows, maintaining and developing the French electricity transmission system, and managing international interconnections.

To guarantee all customers fair and non-discriminatory treatment, the Laws of 10 February 2000, 9 August 2004 and the Decree of 30 August 2005 made RTE a subsidiary of EDF, with legal, structural and decision-making independence.

#### **An independent Executive Board**

The Chairman of the Executive Board is appointed by the Supervisory Board, with the agreement of the French Minister for Energy. The other members of the Executive Board are also appointed by the Supervisory Board, on the recommendation of the Chairman of the Executive Board. The Supervisory Board may not remove the Chairman or any other member of the Executive Board, without first consulting CRE (the French Energy Regulatory Commission).

The Executive Board has wide powers to act in any situation. It is the only body with authority to implement procedures relating directly to the operation, maintenance and development of the public electricity transmission system.

Well before 2005, measures were taken to guarantee RTE's independence within EDF, and the companies' information systems and offices were separated. RTE acquired all the resources it needs, such as a legal department, purchasers, human resources managers and research and development.

The Chairman of the Executive Board has sole responsibility for defining and applying the code of practice.

To guarantee their independence, the Decree of 30 August 2005 stipulates that members of the Executive Board may not hold responsibility for the management of any electricity and gas production and supply activities, at any company, for the duration of their mandate. In addition, the professional interests of personnel in management positions at RTE are guaranteed by measures introduced by the Decree of 25 November 2005.

Every year, the Chairman of the Executive Board submits RTE's investment programme to CRE for official approval. CRE also receives a report detailing the application of the RTE code of practice.

The tariffs charges for using the transmission system are determined by CRE and approved by the French Minister for Energy.

#### Role of the Supervisory Board

The Supervisory Board oversees the Executive Board's management of RTE at all times, notably to guarantee economic supervision. It carries out any checks and controls that it deems necessary. It also deliberates key strategic, economic, financial or technological decisions.

However, it may not issue any instructions concerning day-to-day management or decisions relating to the construction or modernisation of transmission installations, provided they do not exceed the scope of the financial plan it has itself approved.

The Executive Board is made up of four members. It convenes every month.

The Supervisory Board is made up of 12 members: two representing the State, six representatives of the shareholder EDF, and four elected employee representatives. It convenes every two months.

## CHAPTER 1

### **GUARANTEEING NON-DISCRIMINATION IN ACCESS TO THE NETWORK**

As the operator of an essential infrastructure, the high and extra-high voltage network, excluding and preventing the risk of discriminatory practices represents a key requirement for RTE.

This requirement involves guaranteeing that all network users in objectively comparable situations are treated strictly equally, or in other words, only treating them differently if they are in situations that can be objectively viewed as different, for example in terms of the nature of demand or the characteristics of the public transmission system.

This obligation applies to all RTE departments and activities which, if this principle of non-discrimination is not observed, would be likely to put certain network users at an unjustified competitive disadvantage in relation to their counterparts.

It mainly concerns the following fields:

- network connection conditions,
- access to electricity market instruments,
- consultations and implementation of loss purchasing,
- network access agreements,
- interconnection management.

Thanks to strong management involvement and the internal organisational measures described in Chapter 4 below, RTE's staff have made a lasting commitment to these objectives and obligations.

The system introduced by RTE to deal with claims is open to all users without discrimination.

Any customer who wishes to make a claim is invited to get in touch with his relevant customer relations contact. Within a maximum of 10 days, the customer relations contact will acknowledge receipt of the claim. A definitive response is then sent to the customer within 30 days of this acknowledgement. If the claim raises a substantive issue requiring an investigation lasting over 30 days, the customer is sent a letter indicating the date when RTE undertakes to supply a definitive response.

The claims handling procedure is governed by a set of internal directives, and indicators are used to ensure that response deadlines are not exceeded.

## CHAPTER 2

### ENSURING TRANSPARENCY IN RELATIONS WITH THE REGULATOR AND NETWORK USERS

Continuing the various initiatives launched since its creation on 1<sup>st</sup> July 2000, RTE undertakes to pass on any information relating to the general rules on the organisation and running of the electricity market, to both the regulator and current and potential users of the high and extra-high voltage transmission system, to help prevent the risk of discrimination.

#### 2.1. Transparency in dealings with CRE

This concerns the following three areas:

- *Drafting and passing on the general rules on the organisation of the electricity market*

RTE proposes the mechanisms needed for the proper running of the French electricity market, and sets them down in the form of contracts with participants in the market. These systems are determined formally following a process of consultation with market players, and are laid down in the form of official rules which explain the mechanisms transparently, and which the players agree to observe by signing participation contracts. These official rules concern daily programming, the balancing mechanism, the Balance Responsible and flow reconstitution systems and access to the public transmission system for imports and exports.

Before these rules can be introduced or amended, the following steps are required:

- prior consultation with users via the Balancing Mechanism Operation Commission, the Balance Responsible System Supervisory Committee, and group C of the Transmission System Users' Committee (CURTE). The consultation process is clearly described in each of the official sets of rules concerned.
- presentations and discussions with CRE's services. The CRE is requested to give its formal agreement before the entry into force of the rules concerning daily programming and the balancing

mechanism, in accordance with article 15-II of the Law of 10th February 2000.

- ***Contractual frameworks***

In the same vein, to provide guarantees of non-discrimination and equal treatment for all parties concerned, RTE submits all contracts intended to govern its relations with users of the public transmission system and market mechanism participants to CRE, before they are implemented.

Standard framework contracts are thus validated for all categories of agreements: network access contracts for taking off and injecting energy, contracts for participation in market mechanisms, connection agreements, etc.

- ***The specific loss purchase procedure***

To compensate losses on the public transmission system, RTE regularly organises open consultations with all market players who have previously requested and obtained qualification. Information and conditions for becoming a supplier are available from the RTE website.

At the beginning of month M+1, RTE undertakes to send CRE information on consultations organised during the previous month M. This information concerns the consultation rules, the list and details of tenders received and the list and details of the tenders accepted.

## **2.2. Transparency in dealings with current or potential network users**

This concerns the following four areas.

- ***The technical reference document***

Under the terms of Decree n° 2003-588 dated 27th June 2003, RTE is required to publish a "technical reference document", setting out the general principles that govern the way the public transmission system is operated and used.

As indicated by CRE in its decision of 7th April 2004, access to this document is a key aspect of our relations with network users. It is

worth emphasising that users helped to finalise the document via the public Transmission System Users Committee.

- ***Information on market rules***

All of the rules on market mechanisms, standard framework contracts and the technical reference document are published on the RTE website, thereby ensuring that all players are able to find out what contractual clauses are currently applied and the associated pricing conditions.

- ***Information provided concerning the operation of the French electric system***

RTE undertakes to publish, on its website, any data useful to electricity market players wishing to engage in international transactions, via the mechanisms for accessing interconnections between France and neighbouring countries. It also undertakes to publish information which will enable them to gain a transparent view of the way these mechanisms work: available capacities, allocated capacities, results of auctions for different timeframes.

The same applies to the balancing mechanism and the balance responsible system. RTE publishes any non-confidential economic data from these mechanisms which will enable players to put together tenders and manage the financial risks associated with imbalances. RTE also publishes, in complete transparency, data enabling players to verify that these mechanisms are applied in a non-discriminatory fashion, whilst respecting the principle of economic precedence. This particularly concerns available margins and the reasons for balancing operations.

These data are completed by consumption forecasts for different timeframes.

In addition, RTE undertakes to publish historical records for all these data.

- ***Ad hoc transparency bodies***

Via the Transmission System Users' Committee, RTE undertakes to work with users of the public transmission system to obtain feedback on the mechanisms already in place and to identify possible ways of improving them.

There are specialist committees responsible for dealing with each mechanism: the Balancing Mechanism Operation Commission for the balancing mechanism, Group C of the CURTE for interconnections, and the Balance Responsible System Supervisory Committee set up when the market was opened up to all professional customers.

Reports on the work carried out by each of these bodies are published on the RTE website.

## CHAPTER 3

### PROTECTING THE CONFIDENTIALITY OF SENSITIVE INFORMATION

#### 3.1. A general policy incorporated into management practices.

The vital need for the transmission system operator to protect the confidentiality of sensitive information in its possession has been covered by a specific policy since 2001. The policy was updated in 2004 in the form of a Directive, so as to put even greater emphasis on the need for confidentiality requirements to be incorporated into RTE's day-to-day management.

It is based on the following three principles:

- The management is responsible for setting out requirements within its organisation, and chooses appropriate internal checks and controls.
- RTE's various departments keep the rules on confidentiality that apply to their particular area of activity up-to-date (see below). They integrate them into training courses and ensure that all supervisors and managers are familiar with them.
- The quality policy helps detect and correct any failings.

Special directions are laid down to raise staff awareness, so that each employee recognises the importance of maintaining confidentiality, both for RTE and for him or herself. This also extends to temporary staff, service providers and trainees. All newcomers joining the company are made aware of the confidentiality requirements. Temporary staff sign confidentiality agreements.

A standardised classification system is also set to be introduced, with all information classed under one of four security levels: Confidential, Restricted, RTE, Free. For each level, there are specific instructions on how various types of documents should be drafted, sent by paper or digital media, stored and destroyed. Information classed as sensitive under Article 16 of the Law of 10th February 2000 is necessarily placed in the "Restricted" or "Confidential" categories. Employees receive complete copies of the rules in the form of a "handbook".

An annual update is produced, detailing how this policy is being implemented. It is drafted on the basis of contributions provided by each RTE department.

### **3.2. Business-specific reference documents**

For each of RTE's areas of activity, there is a confidentiality guide that enables the entire department to adopt the relevant confidentiality requirements collectively, and guarantees that the following points are observed consistently by everyone at RTE:

- Identifying sensitive information in activities in the area concerned
- Organizing procedures for protecting information by classifying it appropriately

These guidelines cover all of the activities concerned by confidentiality requirements.

- "Clients and Markets" confidentiality rules. This reference document identifies sensitive information concerning market mechanisms (balancing mechanism, programming, access to interconnections, balance responsible system), network access, including metering and invoicing data, loss purchasing, system services and connection studies;
- "Network Reference Document" confidentiality rules, concerning the operating perimeter and development of the network and connections;
- "Publication of data and documentary management" confidentiality rules, concerning the publication and transmission of statistical data produced by RTE for other bodies.

RTE's "support" activities are also covered by reference documents.

- "Real Estate and Logistics" confidentiality rules, which set out the rules on physical separation between the offices of RTE and other companies or departments of the EDF Group;
- "Purchasing - Procurement" confidentiality rules, which concentrate on the need for confidentiality in our dealings with suppliers and service providers;
- "Accounting and Finance" confidentiality reference document, containing a reminder of business ethics at RTE.

### **3.3. The RTE Information System: a crucial area**

RTE's Information System (IS) is a key element in the company's non-discrimination approach. RTE requires a high-performance, updatable and secure information system, to enable it to guarantee transparent access to non-sensitive data, keep sensitive data completely confidential and ensure that the operations needed to satisfy customers are fully traceable.

That is why RTE retains full and independent control over its IS. The company has outlined an Information System Security Doctrine, which is based on three fundamental documents:

- The IS Security Policy, structured around three principles:
  - confidentiality: the system's ability to restrict access to information to the relevant people;
  - availability: the system's ability to remain accessible and usable where required by authorised parties;
  - integrity: the system's ability to remain intact, uncorrupted and uncompromised.
- The charter governing the use of information technology resources provided to all users.
- The "Protection of Sensitive Information - IS and Telecoms Reference Document", which forms part of the set of reference documents described above.

RTE's intention is to ensure that managers and employees working with the IS adopt this doctrine, by introducing suitable internal checks. It also wants the doctrine to be adopted by users of the tools and data, who share responsibility for the security of the IS on a daily basis.

### **3.4. Ad hoc controls on the movements of employees leaving RTE to work in the competitive electric sector.**

It is vital that certain information, "the disclosure of which would be likely to infringe the rules on free and fair competition and non-discrimination imposed by the law", and which may come to the attention of employees during the course of their work for the public electricity transmission

system operator, remains confidential. To guarantee this, Article 13 of amended Law n°2000-108 dated 10th February 2000 and its applicatory texts call for the creation of a commission, to be consulted regarding the movements of RTE employees who have had access to such information and who wish to continue working in the electricity sector, outside RTE.

RTE thus ensures that whenever an employee leaves the company to work elsewhere in the electricity industry, after having had access to confidential information during the course of his or her work for the operator, every effort is made to guarantee that this change of job does not grant any competitive advantage to the person's new employer.

## CHAPTER 4

### GUARANTEEING SUSTAINED STAFF COMMITMENT AND COMPLIANCE WITH REQUIREMENTS

#### 4.1. Guaranteeing staff commitment

This commitment is necessary at every stage of RTE employees' professional careers.

The "welcome kit" handed to all new recruits contains a comprehensive description of the obligations with which all RTE employees are required to comply, to ensure that the system operator is able to honour its responsibilities.

Training courses also include a substantial section on non-discrimination.

On-line training resources are periodically used to raise staff awareness of these issues. Incorporated into each unit's initial training programmes for new recruits, they are permanently available to employees, whilst awareness and knowledge testing resources are on hand for the management.

For employees working in departments more closely concerned by non-discrimination requirements (customer relations, contract management, information system), specific training courses have been designed, such as *"Confidentiality at RTE: stakes, risks and behaviour"*.

It is worth underlining that, in addition to this, compliance with non-discrimination requirements is also a separate criterion used to assess the professionalism shown by each employee during annual individual evaluations.

Lastly, when an RTE employee leaves for another company in the electricity industry, measures are taken to avoid any risk of discrimination (see Chapter 3).

The finalisation of this Code of Good Practice is also a perfect opportunity to remind all staff of these requirements. That is why RTE intends to take advantage of the code's publication to conduct a vast management-driven staff information initiative, concerning this document and its content.

4.2. Once this operation has been completed, the next step will be to guarantee sustained compliance with the principles set out in the document. To achieve this, RTE intends to take action in three further areas.

- ***Internal audits***

RTE includes non-discrimination in its internal audit policy, so as to guarantee that all its organisations and procedures in this area are both effective and pertinent.

- ***External audits***

The specific responsibilities placed upon RTE by the Law bring some of its activities or responsibilities under the direct and permanent control of CRE.

Non-discrimination lies at the heart of these procedures.

Rather than seeing them as restrictive, RTE wants to turn external audits into an advantage for its development approach. As such, it is committed to taking all necessary steps to facilitate the work of any officially appointed auditors, in complete transparency.

- *A quality policy intended to measure and correct failings*

RTE obtained ISO 9001 V 2000 certification in 2002, and this was confirmed in 2005.

In an attempt to guarantee its customers an ever-greater level of satisfaction, RTE has striven to ensure that the non-discrimination requirement forms a cornerstone of its quality policy, in all areas.

The strategy, which is intended to allow RTE to identify areas where the objectives fixed have not been met and correct them, has already proved successful, and RTE is committed to pursuing it in the years ahead.

This threefold approach provides a set of conditions that can be used to check whether the Code of Good Practice is properly applied, a task carried out by RTE's General Secretary, who is also responsible for drafting the annual report to be published by RTE, in accordance with Article 6 of the Law of 9th August 2004.

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These are the internal organisational measures taken by RTE to prevent the risk of discriminatory practices in matters of third party access to the public transmission system.

In accordance with the Law of 9th August 2004, an annual report on the application of this Code of Good Practice is submitted to CRE.

RTE review and if necessary update its commitments to ensure that the internal organisational measures taken meet non-discrimination requirements as effectively as possible.