

CMP, MEPCO, NYSEG, RGE, & UI Compliance Policy and Plan: FERC Standards of Conduct and Related Requirements

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I. INTRODUCTION

This Compliance Policy and Plan (the “Policy”) addresses the Standards of Conduct and related obligations as adopted by the Federal Energy Regulatory Commission (“FERC”) in Order No. 717¹, revising Order No. 2004, and set forth in FERC’s regulations at 18 CFR Part 358. The Standards of Conduct apply to New York State Electric & Gas Corporation (“NYSEG”), Rochester Gas and Electric Corporation (“RGE”), Maine Electric Power Company (“MEPCO”), Central Maine Power Company (“CMP”), and The United Illuminating Company (“UI”), collectively referred to as the Transmission Providers of Avangrid Networks, Inc. (“Networks”), and to the relationships of these Transmission Providers with their Marketing Function Employees and those Marketing Function Employees of their affiliates. Marketing Function Employee is defined in Section II herein, and Avangrid Networks’ affiliates engaged in Marketing Functions are listed on the Networks website.

This Policy will be maintained on the Compliance Program section of the Networks public website and will be made available to Transmission Customers and Networks employees.

FERC requires Transmission Providers to adhere to Standards of Conduct governing the relationships between regulated Transmission Providers and all of their Marketing Function Employees and those Marketing Function Employees of their affiliates. FERC’s Standards of Conduct centers on the general principle that Transmission Providers may not provide preferential treatment or access to information about transmission that would unfairly benefit their own or their affiliates’ sales to the detriment of competitive markets.

A key component of FERC’s Standards of Conduct requirements is the designation of a Chief FERC Compliance Officer (“CFCO”). The Networks website states the name, title, and contact information of the Networks CFCO. The CFCO is responsible for verifying compliance with the provisions of Order 717, as well as overseeing a process to investigate and document violations of the Standards of Conduct. In certain instances, this process requires public reporting of violations. This Policy defines the process for documenting, investigating, and reporting violations of the Standards of Conduct.

¹ *Standards of Conduct for Transmission Providers*, Order No. 717, FERC Stats. & Regs. ¶ 31,280 (2008), (“Order No. 717”), reh’g pending (codified at 18 C.F.R. pt. 358).



This FERC Standards of Conduct Policy is under the umbrella of the overall Avangrid Code of Business Conduct and Ethics (“Code of Ethics”). The Code of Ethics sets forth

Avangrid’s commitment to business ethics and transparency. Further, it establishes a set of principles and guidelines for conduct designed to ensure ethical and responsible behavior by all employees. It also defines Avangrid’s Compliance Program and provides employees with contact information for reporting violations or seeking guidance about how the Code of Ethics might apply to a specific situation.

The Networks Transmission Providers have contracted to Regional Transmission Organizations (“RTOs”) operating control of their transmission assets. RGE and NYSEG provide transmission services pursuant to the terms and conditions of the New York Independent System Operator, Inc. (“NYISO”) Open Access Transmission Tariff (“OATT”); in addition, the NYISO schedules all transmission service for RGE and NYSEG. UI, CMP, and MEPCO provide transmission services pursuant to the terms and conditions of the ISO New England, Inc. (“ISO- NE”) OATT; in addition, ISO-NE schedules all transmission service for UI, CMP and MEPCO over their high voltage Pool Transmission Facilities (“PTF”), while service over CMP’s local transmission facilities (i.e., Non-PTF) is scheduled by CMP.

Through implementation of this Policy, the Transmission Providers commit to establishing and maintaining regulatory compliance training and to assure compliance with the

FERC Standards of Conduct. Each Networks Transmission Provider will treat all transmission customers, affiliated and nonaffiliated, on a non-discriminatory basis, and will not operate its transmission system to benefit preferentially their own or their affiliates’ Marketing Functions. Each Transmission Provider will not give its Marketing Function Employees undue preferential treatment for transmission services.



II. KEY TERMS²

- A. “Transmission” means 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.³
- B. “Transmission Customer” means any eligible customer, shipper or designated agent that can or does execute a transmission service agreement or can or does receive electric transmission service, including all persons who have pending re- quests for transmission service or for information regarding transmission.⁴
- C. “Transmission Functions” means the planning, directing, organizing, or carrying out of day-to-day electric transmission operations, including the granting and denying of transmission service requests.⁵
- D. “Transmission Function Employee” means an employee, contractor, consultant or agent of an electric transmission provider who actively and personally engages on a day- to-day basis in transmission functions.⁶
- E. “Transmission Function Information” means information relating to electric transmission functions.⁷
- F. A “Transmission Provider” is (1) Any public utility that owns, operates, or controls facilities used for the transmission of electric energy in interstate commerce; or (2) Any interstate natural gas pipeline that transports gas for others pursuant to subparts B or G of part 284 of FERC’s regulations. However, a “transmission provider” does not include a natural gas storage provider authorized to charge market-based rates.⁸

² 18 C.F.R. § 358.3.

³ 18 C.F.R. § 358.3(f).

⁴ 18 C.F.R. § 358.3(g).

⁵ 18 C.F.R. § 358.3(h).

⁶ 18 C.F.R. § 358.3(i).

⁷ 18 C.F.R. § 358.3(j).

⁸ 18 C.F.R. § 358.3(k).



G. “Marketing Functions” means:

1. In the case of 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; and
2. in the case of interstate pipelines and their affiliates, the sale for resale in interstate commerce, or the submission of offers to sell in interstate commerce, natural gas, subject to the following exclusions:
 - (a) Bundled retail sales,
 - (b) Incidental purchases or sales of natural gas to operate interstate natural gas pipeline transmission facilities,
 - (c) Sales of natural gas solely from a seller’s own production,
 - (d) Sales of natural gas solely from a seller’s own gathering or processing facilities, and
 - (e) 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.⁹

H. “Marketing Function Employee” means 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.¹⁰

I. “Affiliate” of a specified entity means another person that controls, is controlled by or is under common control with, the specified entity. An affiliate includes a division of the specified entity that operates as a functional unit; “Control” as used in this definition means the direct or indirect authority, whether acting alone or in conjunction with others, to

⁹ 18 C.F.R. § 358.3(c).

¹⁰ 18 C.F.R. § 358.3(d).



direct or cause to direct the management policies of an entity. A voting interest of 10 percent or more creates a rebuttable presumption of control.

III. COMPLIANCE PROGRAM ORGANIZATIONAL STRUCTURE

Avangrid as implemented a Compliance Program which serves as a comprehensive plan to prevent and detect violations of laws and regulations. Avangrid's Audit and Compliance Committee of the Board of Directors has oversight responsibility for the Compliance Program. Avangrid's Chief Compliance Officer is responsible for directing the design and implementation of the Compliance Program and ensuring that the Compliance Program is effective under the applicable legal and regulatory mandates. Avangrid has established and maintains a toll-free telephone and website reporting mechanism ("Helpline") for compliance matters.

Avangrid's Chief Compliance Officer has appointed a Networks CFCO to ensure that Networks Transmission Providers have compliance plans to meet all applicable FERC requirements. The CFCO is responsible for administering the process of developing, implementing, and maintaining an effective FERC compliance program, and directing Networks Transmission Providers management efforts to maintain effective compliance functions that support the FERC compliance program. As such, the CFCO provides oversight to ensure consistent implementation and monitoring of the FERC Standards of Conduct across the Transmission Providers.

Within each Networks Transmission Provider, a Coordinating Compliance Manager ("CCM") has been designated and is responsible for ensuring and monitoring compliance with the FERC Standards of Conduct. The CCM reports to the CFCO on a dotted line (functional) basis for Standards of Conduct Compliance. The CCM will also be responsible for providing guidance to employees and addressing employee reports of suspected or actual violations of the FERC Standards of Conduct.

In each Transmission Provider, the CCM, working under the direction of the CFCO, will have primary responsibility for the day-to-day implementation and monitoring of this Policy with FERC Standards of Conduct and related requirements. Responsibilities will include: 1) ensuring compliance with the posting requirements of the FERC Standards of Conduct, 2) maintenance of



written procedures, 3) development of training initiatives and record keeping associated with personnel training, and 4) employee training relating to FERC Standards of Conduct.

IV. STANDARDS OF CONDUCT REQUIREMENTS AND RESTRICTIONS

A. Independent Functioning¹¹

1. Transmission Function Employees of a Transmission Provider must function independently of the Transmission Provider's Marketing Function Employees.
2. Marketing Function Employees are prohibited from: (a) conducting Transmission Functions; or (b) having access to the transmission control center (also known as Energy Control Center) or similar facilities used for transmission operations that differ in any way from the access available to other transmission customers.
3. Transmission Function Employees are prohibited from conducting Marketing Functions.
4. Transmission Function Information shall be secured to prevent unauthorized access by Marketing Function Employees. Access to the transmission control room is controlled through system-wide security policies and procedures requiring card access. In the event any person without cardkey access seeks to enter the transmission control room, he or she will sign-in and sign-out on a log and must briefly state the purpose for entry, and the area and employee they are visiting. The logs will be retained for a period of three years and periodically reviewed by the Security Department. Employees must ensure that, upon entering the transmission control room, the visitor is appropriately escorted.

¹¹ 18 C.F.R. § 358.5.



B. No Conduit Rule and Transparency¹²

1. A Transmission Provider is prohibited from using anyone as a conduit for the disclosure of non-public Transmission Function Information to its Marketing Function Employees.¹³
2. An employee, contractor, consultant, or agent of a Transmission Provider, and an employee, contractor, consultant, or agent of an affiliate of a Transmission Provider that is engaged in Marketing Functions, are prohibited from disclosing non-public Transmission Function Information to any of the Transmission Provider's Marketing Function Employees.¹⁴
3. If a Transmission Provider discloses, in a manner contrary to these requirements, non-public transmission customer information, critical energy infrastructure information (CEII), or any other information that FERC, by law, has determined is to be subject to limited dissemination, the Transmission Provider must immediately post notice on its Networks website that the information was disclosed.¹⁵
4. The CCM of each Transmission Provider will ensure that its Marketing Function Employees will only have access to that information available to the Transmission Provider's other transmission customers (i.e., the information posted on the Open Access Same Time Information System ("OASIS"), or Networks website, as applicable). For example, Marketing Function Employees are restricted from access to transmission function studies or reports unless they have been put on the OASIS or Networks website and are available to all transmission customers at the same time.

¹² 18 C.F.R. § 358.6-7.

¹³ 18 C.F.R. § 358.6 (a).

¹⁴ 18 C.F.R. § 358.6 (b).

¹⁵ 18 C.F.R. § 358.7 (a).



5. Transmission Function Employees and Marketing Function Employees may participate in joint training or joint meetings where the topic(s) of the meeting does not include non-public Transmission Function Information. Such meetings might include:
 - (i) training on information technology systems;
 - (ii) meetings regarding employee benefits issues and compensation issues;
 - (iii) meetings regarding allocation of personnel and staffing issues; and
 - (iv) meetings regarding employee management relations, diversity, and other general corporate matters.

6. If a Marketing Function Employee attends a meeting or conference call with Transmission Function Employees, the Meeting Disclaimer Statement, found on the Networks Standard of Conduct webpage, will be read as a reminder to participants that they will not discuss non-public Transmission Function Information. If non-public Transmission Function Information will be discussed, the Marketing Function Employee **must** be excused from the meeting or conference call. A brief write-up memorializing that the Marketing Function Employee left the room/call during the portions of the discussion relating to non-public Transmission Function Information is recommended.

7. If a Transmission Provider discloses non-public Transmission Function Information in a manner contrary to the above requirements, the Transmission Provider must immediately post the information that was disclosed on its Networks website.¹⁶

Exceptions:

- (a.) A Transmission Provider's Transmission Function Employee may discuss with its Marketing Function Employee a specific request for transmission service submitted by the Marketing Function Employee.¹⁷

¹⁶ 18 C.F.R. § 358.7 (a).

¹⁷ 18 C.F.R. § 358.7 (b).



- (b.) A transmission customer may voluntarily consent, in writing, to allow the transmission provider to disclose the transmission customer's non-public information to the Transmission Provider's Marketing Function Employees. If the transmission customer authorizes the transmission provider to disclose its information to Marketing Function Employees, the transmission provider must post notice on its Networks 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.¹⁸

 - (c.) A Transmission Provider may provide Marketing Function Employees with non-public information pertaining to compliance with reliability standards approved by the Commission, and information necessary to maintain or restore operation of the transmission system or generating units, or that may affect the dispatch of generating units. The Transmission Provider 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 Transmission Provider shall make the record available to the Commission upon request. The record may consist of hand-written or typed notes, electronic records such as e-mails and text messages, recorded telephone exchanges, and the like, and must be retained for a period of five years.
8. The transfer of an employee between the Transmission Function and the Marketing Function may not result in that employee acting as a conduit of Transmission Function Information from the Transmission Provider to the Marketing Function, and the transfer may not otherwise circumvent these Standards of Conduct.
- (a.) The Transmission Function and Marketing Function will ensure the termination of the transferring employee's

¹⁸ 18 C.F.R. § 358.6 (c).



access to previous information systems, databases, or applications that contain information that may not be shared with the transferring employee upon his or her transfer. Additionally, the transferring employee's access to his/her previous work areas will be terminated as necessary.

- (b.) Employees shall not be "cycled" between the Transmission Function and the Marketing Function without the prior review and written approval of the CFCO (e.g., transferred from a Transmission Provider's Transmission Function to a Marketing Function and back again, or vice-versa). Under all circumstances, the cycling of employees that would have the effect of improper sharing of Transmission System Information with Marketing Function Employees is prohibited. Under no circumstances may the transferring employee be a conduit of Transmission Function Information between the Transmission Function and the Marketing Function.

C. Tariff Implementation¹⁹

- 1. Transmission Providers and their employees must strictly enforce non-discretionary tariff provisions related to the sale or purchase of open access transmission service. Any tariff provision that allows for the use of discretion must be fairly and impartially applied to ensure that all customers are treated in a non-discriminatory manner. ISOs and RTOs have limited opportunities for Transmission Providers to exercise such discretion.
 - (a.) Transmission Providers will work with the relevant ISO or RTO to maintain a written log, available for FERC audit, detailing the circumstances and manner in which they exercised discretion under any terms of the applicable Open Access Transmission Tariff. Discretion log entries will be posted on the Transmission Provider's OASIS within 24 hours of the exercise of such discretion.

¹⁹18 C.F.R. § 358.4.



- (b.) Transmission Providers will process all similar requests for transmission in the same manner and within the same time period.
- (c.) If any Transmission Provider offers a discount for transmission service, the Transmission Provider will ensure that the relevant ISO or RTO will report such discount on the OASIS contemporaneously with the time that the offer is contractually binding. The posting must include:
 - (i) the name of the customer involved in the discount and whether an affiliate is involved in the transaction;
 - (ii) the rate offered;
 - (iii) the maximum rate;
 - (iv) the time period for which the discount would apply;
 - (v) the quantity of power scheduled to be moved;
 - (vi) the delivery points under the transaction; and
 - (vii) any conditions or requirements applicable to the discount.

D. Books and Records²⁰

- 1. Transmission Providers will maintain their books of accounts and records (as proscribed under parts 101,125, 201 and 225 of FERC's regulations) separately from those of their affiliates that employ or retain Marketing Function Employees, and these will be available for FERC inspection.

E. Posting

- 1. Transmission Providers will post on its Networks or OASIS website:
 - (a.) the names and addresses of all of its affiliates that employ or retain Marketing Function Employees;

²⁰ 18 C.F.R. § 358.8(d).



- (b.) a complete list of the employee-staffed facilities shared by any of the Transmission Provider's Transmission Function Employees and Marketing Function Employees;
 - (c.) any merger information as soon as possible but in no event later than seven (7) days after a potential merger is announced. Information posted will identify the name and address of the potential merger partner and its affiliates engaged in Marketing Functions. For purposes of the Standards of Conduct, once a potential merger is announced, the Transmission Provider will apply the Standards of Conduct as if the entity were already acquired or merged (i.e., as if the companies were already under common ownership and control during the pendency of the proposed transaction); and
 - (d.) the job titles and job descriptions of its Transmission Function Employees.
2. If an employee of the Transmission Provider improperly discloses non-public Transmission Function Information (see B. 7 above) the Transmission Provider will immediately post such information on its Networks website.
 3. If a Transmission Provider or an affiliate engaged in Marketing Functions transfers an employee from the Transmission Function to the Marketing Function (see B. 8 above), the Transmission Provider will post on its Networks website the name of the transferring employee, the respective titles held while performing each function, and the effective date(s) of such transfer. Information regarding all employee transfers will be posted on the Transmission Provider's Networks website for a minimum of 90 days and will be posted as soon as possible but in no event later than seven (7) business days of the effective date of the transfer.



4. Special Posting Requirement for Generator Interconnection Scoping Meetings. If a transmission Provider intends to conduct a Scoping Meeting²¹ with an affiliate, it shall post advance notice on OASIS of its intent to conduct the Scoping Meeting with the affiliate. In addition, a written transcript shall be made and retained for three years. The Transmission Provider's CCM should be contacted for additional guidance prior to holding the meeting.
 - (a.) The affiliate is required to provide written notice to the interconnections department of the Transmission Provider and the RTO of its affiliate status and its intent to do business through the interconnection tariff. Affiliate status may be confirmed through the Avangrid Legal department.
 - (b.) The affiliate and the Transmission Provider shall comply with all laws, rules, and regulations regarding affiliate transactions, including the FERC Standards of Conduct, during the course of their work.

F. Violations of Standards of Conduct

1. If an employee suspects or has knowledge of a violation of the Standards of Conduct, or believes a violation will occur in the future, that employee must immediately report it. The employee may report the alleged violation to their supervisor, the CCM, the CFCO, the Avangrid Compliance Division at corporatecompliance@avangrid.com, or anonymously to the Avangrid Ethics and Compliance Helpline by phone (1- 877-606-9171) or on-line at www.avangrid.com/speakup. If the report is to a supervisor, that supervisor must promptly communicate the employee report to one of the above choices.

²¹ A Scoping Meeting is the meeting between representatives of a Transmission Provider, the ISO, and an Interconnection customer to discuss possible points of interconnection and exchange technical information, including data expected to affect interconnection options. The meeting is scheduled within 10 days of an interconnection request.



2. Transmission Customers of Networks Transmission Providers are encouraged to report suspected Standards of Conduct violations either to the CFCO, CCM, or Helpline. The contact information of each is listed on the Networks Standards of Conduct website.
3. Every report of a possible violation will be investigated by the CFCO, who may call upon other subject area experts including the CCMs, or Avangrid's Legal and/or Compliance Departments.
4. As soon as reasonably possible the CFCO will prepare a report of the findings of the investigation, which will be sent to the Avangrid General Counsel and Avangrid Chief Compliance Officer. The report will include whether a violation actually occurred, and if so, what remedial actions are to be taken to correct the violation, whether a FERC self-report is warranted, what postings are to be made to the Networks and OASIS websites, what immediate employee notifications are necessary, and what updates to the Standards of Conduct training, website and procedures are vital to reduce the possibility of future violations.
5. The CFCO and CCMs will ensure any related actions or changes are implemented as soon as possible.
6. Avangrid has a "zero tolerance" policy for retaliation against employees who report concerns. Punishment or other retaliatory actions against an individual for reporting an ethical or compliance concern in good faith are strictly prohibited.
7. **Disciplinary Rules:** No individual, regardless of his or her level or position, is authorized to commit or ask another employee to commit an illegal act or violation of the Policy. In addition, no employee of Networks Transmission Providers may justify unlawful conduct or any conduct in violation of the Policy by claiming to have been following the instructions of a senior manager. Any such instructions should be reported to Human



Resources, to the Compliance Department or through the Helpline. When it is found that an employee has violated the terms of the Policy, the matter is referred to Human Resources for disciplinary measures. Such measures will be determined based on applicable company policies, collective bargaining agreements and labor laws.

G. Written Procedures

1. Transmission Providers will make this Policy available to all employees via the Avangrid Networks website to ensure that the Standards of Conduct independent functioning and information sharing restrictions are observed by its employees and by the employees of its affiliates.
2. Transmission Providers will provide annual standards of conduct training to Transmission Function Employees, Marketing Function Employees, officers, directors, and any other employees likely to become privy to Transmission Function Information. The Transmission Provider must provide standards of conduct training to new employees in those categories within the first 30 days of their employment. Transmission Providers must require each employee who has taken the training to certify electronically. or in writing that s/he has completed the training.