

Memorandum of Understanding

Dated 1st March 2004

Parties

- 1. Lloyd's Register EMEA of Registered Office, 71 Fenchurch Street, London, EC3M 4BS (LR); and**
- 2. National Electricity Registration Scheme Advisory Panel (NERSAP) member representative of Ofgem.**

Purpose

- 1. The purpose of this Memorandum of Understanding (MOU) is to set out the governance arrangements between the NERSAP and LR, the appointed Accreditation Body.**

Interpretation

- 2. Any reference in this MOU to this MOU or any other agreement, scheme, or document is to be construed as a reference to that document in the form in which it has been or may from time to time be amended revised, varied, restated, or supplemented.**

Background

- 3. The NERSAP has been established to oversee and perform an ongoing review of the performance of the Scheme and the Accreditation Body which owns and operates the Scheme under the terms of this MOU. The Scheme is operated in accordance with the guidance document; 'Scheme for the Assessment of Competence of Service Providers carrying out contestable work', available on the LR website. A glossary of terms applied throughout this MOU is included in the Appendix to this document.**

Duration

- 4. This MOU will come into effect on the date of issue and will continue in force for 5 years unless terminated by either party. Termination may be effected by LR by providing notice in writing of their intent to withdraw from the Scheme and withdrawal would be effected once the NERSAP were satisfied that a replacement organisation was in a position to effectively perform the Accreditation role. Termination may be effected by the NERSAP by advising LR in writing that they propose to introduce a further Accreditation Body into the Scheme, LR will be required to withdraw from the Scheme once the NERSAP are satisfied that the introduced Accreditation Body can effectively perform the Accreditation role and this will be signified by providing one month's notice in writing.**

Lloyd's Register EMEA's Role

5. LR commits to fulfilling the role of the Accreditation Body. LR shall not relinquish the role except under the terms as described above and only then provided that the replacement Accreditation Body could demonstrate to the satisfaction of the NERSAP that it was in a position to effectively take over the responsibilities associated with owning and operating the Scheme.
LR shall be directed and positively respond to the advice of NERSAP. Such advice and direction shall be based upon a majority voting process.

Advisory Panel

6. The role of the NERSAP will be as follows:
 - To establish and maintain an overall view of the performance of LR as the Accreditation Body and its compliance with the Scheme guidance documents and standards
 - To provide guidance to the Accreditation Body as to the resolution of disputes that may arise with Service Providers seeking registration and DNO's seeking the withdrawal of such registrations, should they remain unresolved, having exhausted the disputes and appeals procedures defined in the Scheme guidance document.
 - To establish a process, as necessary, to resolve disputes that may arise between the Advisory Panel and the Accreditation Body
 - To act as a forum for feedback from both DNO's and Service Providers as to the Scheme performance and advice as to how the Scheme may be revised in the light of such feedback.
 - To review and accept Scheme guidance documentation, assessment procedures and practices and provide guidance and advice on subsequent revisions thereto
 - The NERSAP members will be responsible for informing their respective stakeholder interests of Scheme changes etc
7. Each individual member of NERSAP will be responsible for all costs and expenses incurred in the performance of that role.
8. NERSAP members will not be held individually liable for any advice and direction provided to the Accreditation Body and which the Accreditation Body may have acted upon. Advice and direction provided to the Accreditation Body by NERSAP will be based upon majority decisions.

The NERSAP performance overview of the Accreditation Body

9. The NERSAP will be able to maintain an awareness of the performance of the Accreditation Body by the following means:
 - Each member will be able to gain access to the assessment reports which will be posted on the LR intranet for restricted access by members only. These reports will

be sanitised as some members may be considered competitors of Service Providers who are the subject of the reports.

NB - DNO Panel representatives will be provided with details of the Service Providers being reported upon, upon request

- DNO Panel representatives will have access to the assessment processes and checksheets
- The NERSAP will be provided with the job description for the role of Scheme Assessor, which will detail the minimum qualifications and experience of the Accreditation Body's staff who would be assigned to this role, for agreement.
- NERSAP members may perform audits on the Accreditation Body as part of their ongoing performance assessment

Accreditation Body

10. The role of the Accreditation Body is to:

- Own and operate the Scheme and associated guidance and assessment documents
- To modify the processes and procedures associated with the Scheme as advised by the NERSAP
- To ensure that the Service Provider seeking registration under the Scheme is financially sound, competent to perform the scopes of work sought in a safe and consistent manner, prior to registration.
- The provision of detailed reports to support and record the assessment activity and provide transparency of assessment to the NERSAP
- Perform ongoing surveillance assessments of registered Service Providers
- Maintain the web site based register of registered Service Providers
- Report on a 2 monthly basis to the NERSAP as to the Scheme performance
- Respond positively to the advice provided by the NERSAP
- Seek the NERSAP acceptance of proposed increases in assessment costs
- To record the minutes of the NERSAP meetings and to post them on the LR web site
- To present any proposed changes to the Scheme or associated assessment processes, to the NERSAP for their review and recommendations.

Termination of the Accreditation Body

11. The NERSAP will, through the regular 2 monthly NERSAP meetings, keep the Accreditation Body aware of their views on the performance of the Scheme. If however the Accreditation Body fail to demonstrate a commitment to address ongoing concerns relating to the operation of the Scheme and which is considered by the members to adversely impact upon the perceived integrity of the Scheme, then NERSAP may introduce a further Accreditation Body into the Scheme with a view to replacing the incumbent, over a period to be determined by the NERSAP, but which would not exceed 6 months.

The National Electricity Registration Scheme

12. The Scheme is defined in the 'Scheme for the assessment of Competence of Service Providers carrying out contestable work' guidance document which is posted on the LR web site. The guidance document was devised and worded such that any organisation, considered competent by the NERSAP may act as the Scheme Accreditation Body and may access and use the guidance document to assist them in this endeavour.
13. The principles of the guidance document 'Scheme for the Assessment of Service Providers carrying out Contestable Work,' were assessed and accepted in principle by the following bodies:
 - EA Technical Support Group
 - Ofgem Competition in Connections working Group

The guidance document has been accepted for use by the NERSAP

NERSAP Membership

14. The membership of the Panel currently comprises 7 DNO representatives and 3 Service Provider representatives and it is proposed that this ratio be maintained. Additionally Ofgem will be represented on the Panel, as an observer and there will also be representatives from the Accreditation Body. In the event that a DNO representative withdraws then it shall be incumbent upon the DNO concerned to make arrangements for a replacement. In the event that a Service Provider representative withdraws then the replacement panel member will be drawn from other registered Service Providers who have an interest in being represented. The process for election of Service Providers will be determined by the Panel members.

General

15. Whilst acting as the Accreditation Body for the Scheme, LR will enter into a contract with the Service Provider seeking registration whereby LR will agree to provide certain services.

Enforceability

16. This MOU is not legally binding and does not create any legal or equitable rights or any legally binding relationship or agreement between the parties, or between them and third parties. Neither party shall incur any liability whatsoever as a result of entry into the MOU or any action, task, obligation, omission or default under it.

This Memorandum of Understanding is signed for and on behalf of each party as an acknowledgement that the MOU reflects its intentions and understandings in relation to governance arrangements between NERSAP and LR.

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Sean O'Hara
Member of the National
Electricity Registration
Scheme Advisory Panel

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Terry Mundy
Signed for and on behalf of
Lloyd's Register EMEA

Dated.....

Dated

APPENDIX 1

Glossary

Accreditation Body – an organisation which undertakes the assessment of the competence of Service Providers in accordance with the Scheme and has been approved for doing so by the National Electrical Registration Scheme Advisory Panel

Accreditation Certificate – a certificate awarded to a Service Provider by the Accreditation Body for a scope of work assessed under the Scheme.

Accredited Service Provider – an organisation, which has been assessed in accordance with the Scheme, as competent and has been issued with a valid and current Certificate of Accreditation.

A Service Provider – Any person or organisation applying for accreditation

Assessment – objective and detailed evaluation of a Service Provider to determine their competence in accordance with the Scheme criteria.

DNO – Distribution Network Operator which is the electricity company responsible for the electrical distribution network in a particular area.

NERSAP - National Electricity Registration Scheme Advisory Panel– the Panel which comprises representatives of the DNO's, Ofgem, Accredited Service Providers and representatives of the Accreditation Body, are responsible for overseeing the development, implementation and reviews of the Scheme performance. The Panel would also provide advice to the Accreditation Body over the adjudication of appeals.

Ofgem – The Energy Regulator, being the Gas and Electricity Markets Authority established under section 1 of the Utilities Act 2000