

Report on Separation of Activities



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1. Introduction

This report describes certain of the actions taken by Avangrid, Inc. (the “Company”) and subsidiary management in connection with Separation of Activities compliance, including Federal Energy Regulatory Commission (“FERC”) Separation of Activities compliance. This report is made annually to the Avangrid Audit and Compliance Committee (“ACC”) and is acknowledged by the Avangrid Board of Directors.

Avangrid’s Board of Directors (the “Board”) oversees the management of Avangrid and its business with a view to enhancing the long-term value of Avangrid for its shareholders. The Company’s Articles of Incorporation, By-Laws, Corporate Governance Guidelines, Code of Business Conduct and Ethics, Regulations of the Compliance Unit, and other policies pertaining to corporate governance and regulatory compliance, risk, sustainable development, and social responsibility form the framework of governance of Avangrid and its subsidiaries (collectively, the “Governance and Sustainability System”). The Governance and Sustainability System is based on a commitment to ethical principles, transparency, and leadership in the application of best practices in good governance and is designed to be a working structure for principled actions, effective decision-making, and appropriate monitoring of both compliance and performance.

Avangrid’s Corporate Compliance and Ethics System (“Compliance System” or “System”) serves as a resource for establishing a culture of high ethical standards and compliance with applicable laws and regulations. The System is administered by the Company’s Compliance Unit and is based on the criteria for an effective compliance program established under Chapter 8 of the U.S. Federal Sentencing Guidelines. The Compliance System provides for the appointment of a senior officer of the company as the chief compliance officer with direct access to the CEO and the Board, as well as the preparation of annual compliance reports.

The governing authorities of Avangrid’s subsidiaries, Avangrid Networks Inc., and Avangrid Renewables LLC, have adopted the Avangrid Governance and Sustainability System, have appointed their own Compliance Units and their own chief compliance officers reporting to the governing authority, and maintain responsibility for and oversight of their respective company’s FERC Compliance and Separation of Activities Programs. This report describes activities supporting the FERC Compliance and Separation of Activities Programs of Avangrid, Avangrid Networks, and Avangrid Renewables.

Based on the overall activities reflected in this Report, the Avangrid, Inc. Compliance Unit, supported by confirmation by the Compliance Units of Avangrid Networks and Avangrid Renewables confirmed to the Avangrid ACC for 2024 that the FERC Compliance and Separation of Activities Programs had implemented controls, policies, and procedures designed to ensure material compliance with the legal and regulatory requirements for such programs.

Avangrid’s subsidiaries have established compliance programs designed to meet FERC and state regulations regarding Separation of Activities compliance. Pursuant to the Company’s Code of Business Conduct and Ethics, Avangrid subsidiaries’ employees are required to maintain the



separation of transmission and distribution utility ("Regulated") and competitive energy generation and retail market affiliate ("Competitive Affiliates") activities in accordance with applicable laws and regulations and internal codes and procedures. The Avangrid Code of Business Conduct and Ethics specifically states the following:

All employees must comply with state and federal rules applicable to transactions among subsidiaries and affiliates. These restrictions include, without limitation, certain affiliate transaction Standards of Conduct, as amended, established by the Federal Energy Regulatory Commission, the Connecticut Public Utilities Regulatory Authority, the Massachusetts Department of Public Utilities, the New York Public Service Commission, and the Maine Public Utilities Commission. Employees are responsible for knowing and applying these rules and related policies and procedures, and for seeking guidance for any questions.

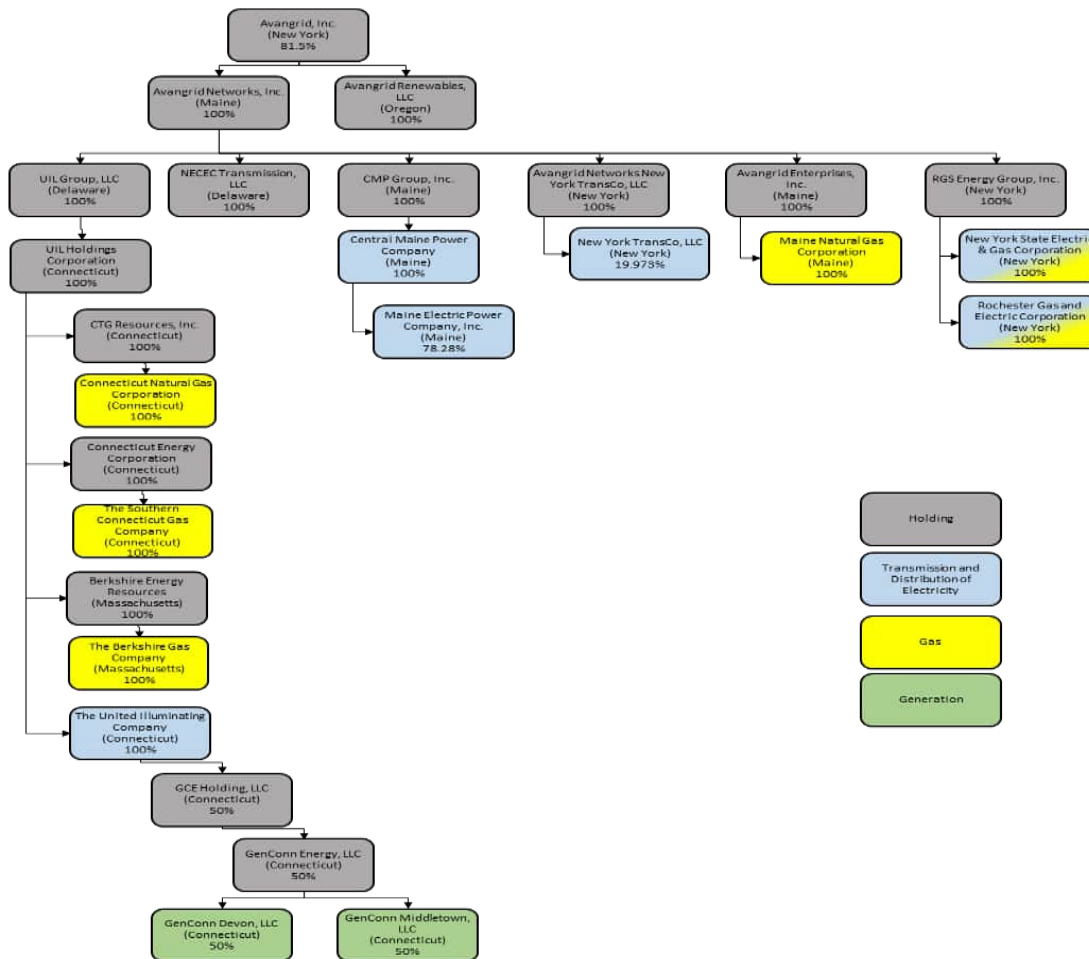
The Company's subsidiaries conduct training throughout the year for compliance regarding regulations, market rules, and standards for Separation of Activities. In addition, the Company's operating subsidiaries have adopted the Avangrid Code of Business Conduct and Ethics and provide periodic trainings on ethics and legal compliance topics in the workplace, including on market rules and standards for Separation of Activities.

In the United States, the Company's electric utility subsidiaries (see Figure 1) are, at the federal level, subject to various rules and regulations of FERC, including, among other things, FERC's rules governing (1) transmission operations and rates, (2) wholesale sales and purchases of power, (3) accounting and financial records, and (4) the relationship between Regulated companies and their affiliates, with a focus on generation and retail affiliates. FERC also has authority to enforce mandatory reliability standards developed by the North American Electric Reliability Corporation ("NERC").

In addition to FERC, the Company's electric utility subsidiaries are regulated by state public service and utility commissions, which regulate the retail portion of the subsidiaries' businesses (distribution and end-use sales) and are subject to rules and regulations governing the relationship between these companies and their affiliates. In New York, the Company, through its subsidiary, Avangrid Networks, holds interests in Regulated companies (New York State Electric & Gas Corporation, Rochester Gas and Electric Corporation, and the New York TransCo, LLC). In Connecticut, the Company's subsidiary, Avangrid Networks, holds interests in Regulated companies (The United Illuminating Company, Southern Connecticut Gas Company, and Connecticut Natural Gas Corporation) and in various Competitive Affiliate companies (UIL Distributed Resources, LLC, GenConn Middletown, and GenConn Devon). Avangrid Networks holds interests in Regulated companies in Maine (Central Maine Power Company, Maine Natural Gas Corporation, NECEC Transmission LLC, and Maine Electric Power Company Inc.), and in Massachusetts (Berkshire Gas Company), but does not currently hold interests in Competitive Affiliate companies with active operations in Maine or Massachusetts. See Figure 1.



Figure 1: Chart of Avangrid's Regulated Companies¹



¹ Certain holding companies and affiliate companies engaged in competitive generation and retail markets (e.g., Avangrid Renewables) are included in Figure 1 to demonstrate affiliate relationships among Avangrid entities.



2. Overview of Separation of Activity Regulations and Codes of Conduct

Of the various federal and state regulations applicable to Regulated companies, rules related to the relationship between Regulated companies and also their Competitive Affiliates are of particular importance to federal and state regulators. These rules are often referred to as affiliate restrictions or codes of conduct. At the federal level, the Company's Regulated subsidiaries are subject to FERC's (1) Standards of Conduct, which govern a transmission provider's relationship to its marketing function (internal and affiliates) in the context of providing non-discriminatory transmission service; and (2) affiliate restrictions regarding transactions for the sale of power and non-power goods and services between a transmission owning entity and its affiliates. Furthermore, the Company's FERC-regulated subsidiaries of Avangrid Networks have established a FERC Compliance Program designed to meet FERC and state regulations regarding Separation of Activities, with an appointed CFCO to oversee this program². Connecticut, Massachusetts, New York, and Maine require the Company's Regulated subsidiaries to abide by codes of conduct that, among other things, require certain separations between the Regulated businesses and their Competitive Affiliates.

The purposes of these federal and state codes of conduct are to protect the Regulated companies' customers from cross-subsidization of Competitive Affiliates and to ensure that the Regulated companies treat affiliates and non-affiliates on equal terms when engaging in certain activities, such as providing transmission service. For example, the requirements of these codes of conduct may include restrictions on information sharing; sharing of officers, directors and certain types of employees; and limitations on how these companies transact with each other.

The Company and its subsidiaries have adopted policies and other controls to ensure compliance with these codes of conduct. The corporate and governance structure of the Company and its subsidiaries conforms to the functional and legal separation required by federal and state legislation. The Company has also adopted the requirements of the law in New York that its officers may be directors, but not officers, of Regulated companies. Additionally, the base compensation that Regulated company officers receive for the duties they perform at such companies do not depend on the profits or losses from other companies of the Iberdrola Group and Avangrid Group carrying out Competitive Affiliate activities.

Consistent with applicable restrictions on sharing certain confidential customer information or confidential system security and planning information of the Regulated companies, the

² The Avangrid Network subsidiaries have appointed FERC Compliance Managers for their operating companies, each of whom has dotted-line reporting to the Company's designated CFCO. More information regarding Avangrid subsidiary transmission providers' Standards of Conduct compliance efforts, including the Compliance Policy and Plan is available at <https://www.avangrid.com/avangridnetworks/compliance-program/ferc-standards-of-conduct>.



information technology systems of Avangrid are also configured to ensure that such confidential information regarding the Regulated companies is not accessible to the Competitive Affiliate companies and vice versa. For example, cyber access is controlled through information system limitations, restrictions, and network separation. Physical access is controlled through system-wide security policies and procedures requiring card access. In the event any persons without appropriate cardkey access seek to enter unauthorized areas, they must be properly authorized, accompanied by an authorized employee, sign-in and sign-out on a log, and state the purpose for entry and the area and employee they are visiting. The logs are retained for required periods and periodically reviewed.

Actions have been taken to avoid discrimination against customers, producers, and suppliers. The Regulated companies have tariffs, on file with FERC and the state commissions, that govern the terms and conditions of service and prohibit the Regulated companies from providing any undue preference to a Competitive Affiliate or discriminating against non-affiliates. To that end, the Company has policies in place that prohibit the employees of regulated and competitive affiliates from sharing transmission and customer information, including planning and operating data.

In addition to ensuring compliance with state and FERC Standards of Conduct and affiliate restrictions, the Company subsidiaries' FERC Compliance Programs address, among other things, compliance with: (1) FERC's anti-market manipulation rule prohibiting the intentional or reckless manipulation of energy markets; (2) Regulated subsidiaries' FERC Standards of Conduct Policies and Plans, publicly available on Avangrid Networks' website, to meet regulatory Separation of Activities requirements and the Regulated companies' tariffs for providing non-discriminatory access to and service over their transmission systems; (3) FERC's Uniform System of Accounts that set forth the accounting principles that Regulated companies and any affiliated service companies must follow; (4) FERC's record keeping requirements for Regulated and competitive affiliate companies and their holding companies; and (5) the various reporting obligations applicable to FERC-regulated entities, including but not limited to Electric Quarterly Reports, to provide FERC with information on specific transactions and the underlying contracts.



3. Report on 2024 Separation of Activities Training

As part of its FERC Compliance and Separation of Activities Program, the Company's subsidiaries, among other efforts, conduct compliance training for executives and employees, and certain outside contractors, who may potentially be involved in activities related to Separation of Activities compliance areas, and require employees to report any violations of rules. Separation of activities compliance matters are reviewed at meetings in the Company's Regulated subsidiaries. These meetings are attended by, *e.g.*, compliance officers and managers, business area leaders, and subject matter experts. In addition, the Company's subsidiaries conduct internal audits to determine the Regulated and competitive affiliate companies' level of compliance with these obligations and to develop ways to support continuous improvement of related processes.

FERC has significant penalty authority, and every public utility is subject to audit and investigation at any time without notice. Four areas of particular concern for FERC are:

- Fraud and market manipulation;
- Anticompetitive conduct;
- Serious violations of the electric reliability standards; and,
- Conduct that threatens the transparency of regulated markets.
- Critical Energy Infrastructure Information

Avangrid's Regulated companies' and Competitive Affiliates operate in deregulated markets and the program focuses on the manipulation of energy markets and compliance with FERC's Standards of Conduct. The compliance programs include regular compliance training targeting these areas.

During 2024, the Company's subsidiaries conducted training and communication programs for employees who were involved in activities potentially related to FERC and Separation of Activities compliance areas including, without limitation, the following:

- The Company updated and conducted a comprehensive training entitled "Our Regulated Industry," to meet both FERC Standards of Conduct and state affiliate transaction requirements applicable to Regulated subsidiaries for use across Avangrid's subsidiaries. The Company assigned the training to approximately 1,700 employees with 100% of the active assigned population completing the annual training within the calendar year.
- Avangrid Networks maintained a FERC Standards of Conduct website to support training and serve as a reference both for employees and the public.



- Employees received training to announce a Standards of Conduct Meeting Disclaimer Statement when meetings are attended by both Marketing and Transmission function employees, to ensure compliance with Standards of Conduct.
- Identified employees completed FERC and Commodity Futures Trading Commission ("CFTC") Anti-Market Manipulation Training.
- Certain executives and senior managers reviewed FERC and Commodities and Futures Trading Commission enforcement cases and guidance relevant to effective compliance programs, Separation of Activities, and preventing market manipulation.
- Approximately 100% of all employees and certain contractors were enrolled in and completed the Company's Code of Business Conduct and Ethics training, which includes sections on Separation of Activities compliance.
- The Company continued to develop and improve internal policies and procedures to support Separation of Activities compliance and further reduce risk.
- Live training sessions focused on Separation of Activities topics with certain departments and employees providing services across subsidiaries.
- *Ad hoc* guidance was provided throughout 2024 to better inform employees with FERC and state Separation of Activities concerns.
- The Compliance Division was integrated into the workflows for, and provided guidance to, certain business areas that may interact with both Regulated companies and Competitive Affiliates, such as Corporate Development and Purchasing.

In cases where gaps in training have been identified, appropriate steps have been taken or are in the process of being taken to remediate them. The Company and its subsidiaries will continue to review and improve practices for identifying and training employees and contractors as part of the FERC Compliance and Separation of Activities program.



4. Report on North American Reliability Corporation (NERC) Compliance

Avangrid's subsidiaries have established NERC Compliance Programs to ensure compliance with NERC Reliability Standards (the "Reliability Standards"). The mission of NERC is to ensure the reliability of the North American bulk power system, which includes Critical Infrastructure Protection ("CIP") and Operations and Planning ("O&P") Reliability Standards. The Programs are designed to ensure the Company's subsidiaries are monitoring compliance with the Reliability Standards and providing training for staff with compliance responsibilities, ensuring they have the information required to interpret and develop evidentiary documentation of compliance with the Reliability Standards.

Recognizing the importance of complying with NERC Reliability Standards and safeguarding the Company's assets, the Regulated companies have designated the Reliability Assurance group under the Vice President of Reliability Assurance and Emergency Preparedness, to provide oversight of the NERC Compliance Program.

In a focused effort to further develop the internal NERC Compliance Program, the Avangrid Networks and Renewable subsidiaries' significant pursuits in 2024 included, for example:

- Trainings required by the NERC Compliance Program were provided on cybersecurity, NERC CIP, and other key areas of compliance.
- Subsidiaries held regular management meetings/conferences to provide updates on compliance and NERC Reliability Standards activities.
- Subsidiaries had regular meetings/conference calls with NERC subject matter experts ("SMEs") and identified business owners to coordinate compliance and NERC Reliability Standards activities.
- A software module for Avangrid's GRC system specific to NERC compliance management was rolled-out to participants in the NERC compliance program. This module allows for greater tracking of compliance activities.
- NERC Reliability Standard Owners, the business area leaders at the executive level with overall responsibility and accountability for compliance with the NERC Reliability Standard, met monthly with senior leadership to discuss and resolve program issues.
- The NERC Reliability Assurance group continued to formalize the NERC internal controls program by evaluating the effectiveness for controls for high risk Reliability Standards, then working with responsible business areas to develop plans to reduce gaps and improve controls.



- The NERC Reliability Assurance group prepared program manuals or program guides for each high risk standard to document the standard specific program governance and procedures used to comply with the standard.
- The NERC Reliability Assurance group prepared training for each high risk standard and began delivery of the training for the responsible business areas. The intent of the training is to prepare responsible individuals new to the NERC compliance program.
- As part of the Program, Avangrid registered entities self-reported newly discovered potential non-compliance issues to the appropriate NERC region after discovery and investigation. Issues are mitigated with actions taken to prevent future occurrence. Self-reported potential non-compliance was down over 50% from the average of the last three years.
- The North East Coordinating Council ("NECC") successfully completed audits of CIP and O&P Standards for Avangrid subsidiaries, Central Maine Power and Maine Electric Power Company (a joint venture with Versant Power). These audits are one means by which NERC monitors compliance with the Reliability Standards.
- Successfully mitigated and closed thirteen Open Enforcement Actions (areas of non-compliance within the Renewables business) with WECC/TRE. Reducing total remaining mitigation efforts to six OEA's.
- Expansion of Reliability Assurance scope of responsibilities to include regional RTO and ISO compliance requirements with additional FTE allocation to form new RTO/ISO compliance analyst team.
- Awarded favorable outcome from Texas PUC Division of Compliance and Enforcement (DICE) following months long investigation into Avangrid Renewables operational performance during winter storm event.
- Implemented the NERC Cold Weather Preparedness standards (EOP-012-2, IRO-010-3, TOP-010-3) at all applicable wind and solar facilities (as well as Klamath) according to defined NERC deadline of October 1st 2024.
- Monitoring of NERC Subject Matter Experts (SMEs) and identified Business Owners to ensure compliance with NERC standards are maintained.
- Interfacing with regulatory entities as representatives of Avangrid Renewables to NERC.
- Provided representation to the Western Power Pool Committees for Operations, Reserve Sharing, and Frequency Response Sharing.
- Participation in regional user groups, conferences, and technical seminars retrieve information on NERC compliance topics for dissemination to SME's and Business Owners within the organization.

This concludes the Avangrid 2024 Report on Separation of Activities.