

**Direct Energy Regulated Services, a Business Unit of Direct
Energy Marketing Limited**

Inter-Affiliate Code of Conduct and Compliance Plan

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DIRECT ENERGY REGULATED SERVICES

INTER-AFFILIATE CODE OF CONDUCT AND COMPLIANCE PLAN

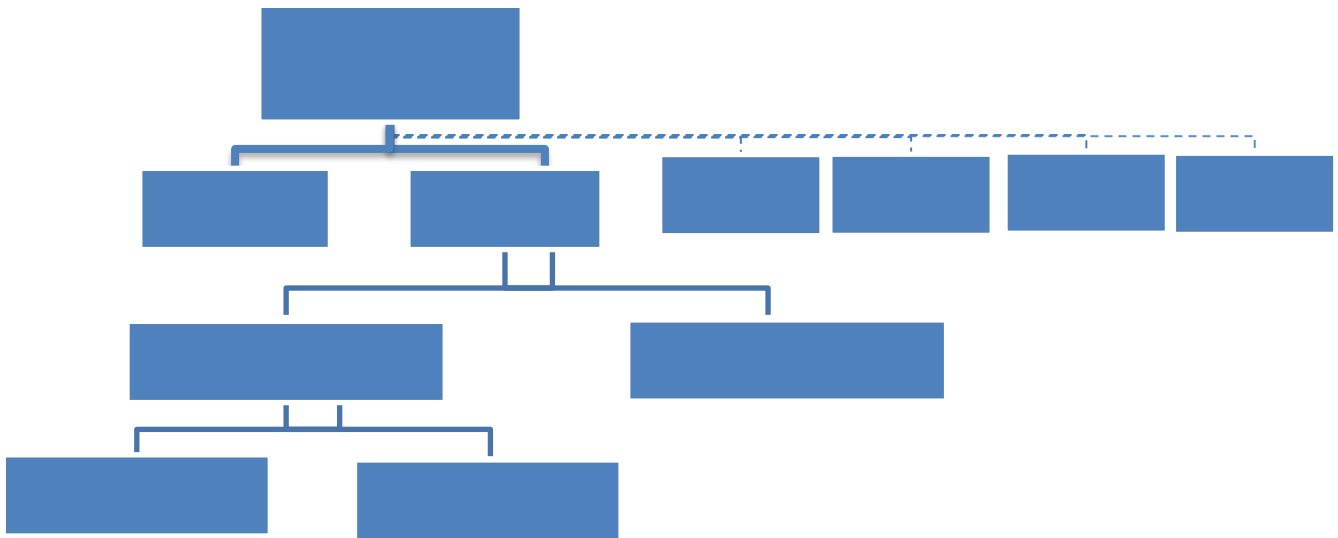
In Decision 2957-D01-2015, the Alberta Utilities Commission (“Commission”) recognized the interrelationships among Direct Energy Limited Partnership (“DELP”), Direct Energy Marketing Limited (“DEML”) and Direct Energy Regulated Services (“DERS”), a business unit of DEML, and the fact that DEML’s business units provide both regulated and unregulated services. The Commission directed DERS to develop and file an inter-affiliate code of conduct (“IACC” or “Code”) to ensure that interactions between regulated and unregulated affiliated companies are conducted in a manner consistent with the principles set out in Commission Decisions 2002-069 and 2003-040 which dealt with the ATCO Group of companies. Based on the Commission’s direction, DERS has used the IACC developed in these decisions as the foundation for its Code.

In Decision 21218-D01-2016, the Commission approved the IACC filed with the Commission and directed DEML to file a DERS IACC Code of Conduct Compliance Plan (“IACC & CP”) before July 1, 2016.

This IACC & CP applies to DERS, which is the utility business unit of DEML, and specifically addresses the relationship between DERS and its affiliate DELP. Accordingly, for the purposes of this IACC & CP, the term “Affiliate” and “DELP” are used interchangeably. For the purposes of this IACC & CP, the term “Utility” and “DERS” are used interchangeably. The purpose of this IACC & CP is to detail the measures, policies, procedures and monitoring mechanisms that DERS will employ to ensure its full compliance with the provisions of the IACC by DERS and its affiliate DELP.

As indicated to the Commission in Proceeding ID 2957, and in preparation for this filing, certain DELP employees that reside in the US are dedicated to providing service to DERS. They are formally DELP employees due only to geographical location. While these employees are paid by TQq0.06wcirfile t76paraa(the)1

Figure 1: Abbreviated Corporate Organizational Chart



This IACC & CP describes certain obligations and responsibilities of specified DERS and DELP management personnel. Notwithstanding this, and without otherwise reducing or eliminating the obligation and responsibility of the specified DERS and DELP management personnel to ensure any specific requirements of this IACC & CP are satisfied, it is understood that all or a portion of the tasks described in this IACC & CP may be delegated by the specified DERS or DELP management personnel to other DERS or DELP personnel, respectively.

Questions or comments concerning the IACC & CP should be directed to DERS' Compliance Officer at canadianapprovals@directenergy.com.

Copies of this IACC & CP are available at www.directenergy.ca.

1. PURPOSE AND OBJECTIVES OF THE CODE

1.1. Purpose of the Code

The purpose of this Code is to establish standards and conditions for interaction between DERS and its Affiliates. This Code attempts to anticipate and adjust for the potential misalignment of interest between shareholders and Utility customers occasioned by Affiliate interactions through the establishment of parameters for transactions, information sharing and the sharing of services and resources, while permitting economies of scale and operating efficiencies.

These parameters are intended to:

- a. prevent Utilities from cross-subsidizing Affiliate activities;
- b. protect confidential customer information collected in the course of providing Utility services;
- c. ensure Affiliates and their customers do not have preferential access to Utility services;
and
- d. avoid uncompetitive practices between Utilities and their Affiliates, which may be detrimental to the interests of Utility customers.

1.2. Objectives of the Code

While the overall purpose of the Code is to establish standards and parameters which prohibit inappropriate Affiliate conduct, preferences or advantages, which may adversely impact the customers of regulated businesses, this purpose reflects several important underlying objectives, including:

- a. creating a clearly defined set of rules designed to enhance inter-affiliate transparency, fairness and senior management accountability with respect to inter-affiliate interactions impacting the regulated businesses;
- b. providing an environment in which inter-affiliate economies and efficiencies can legitimately occur for the mutual advantage of both a Utility's customers and its shareholders;

2. GENERAL PROVISIONS

2.1. Definitions

In this Code, the following words and phrases have the following meanings:

- a. “**Affiliate**” means with respect to any Utility:
 - i. an “affiliate” as defined in the ABCA;
 - ii. a unit or division within the Utility or any Body Corporate referred to in clause (a)(i) above;
 - iii. a partnership, joint venture, or Person in which the Utility or any Body Corporate referred to in clause (a)(i) above has a controlling interest or that is otherwise subject to the control of the Utility or such Body Corporate;
 - iv. any partnership, joint venture, or Person deemed by the AUC to be an affiliate of the Utility for the purposes of this Code; and
 - v. an agent or other Person acting on behalf of any Body Corporate, operating division, partnership, joint venture or Person referred to in clauses (a)(i) through (a)(iv) above.

- i. **“Compliance Report”** shall have the meaning ascribed thereto in section 7.6 hereof.
- j. **“Compliance Training Material”** means the material developed by the Compliance Officer which will be used to ensure that all officers, em12 t92yeceaets ea otrac

- x. **“Person”** includes an individual, partnership, association, body corporate, trustee, executor, administrator or legal representative.
- y. **“Services Agreement”** means an agreement entered into between the Utility and one or

document includes an amendment or supplement to, or a replacement of, that statute, document or that provision of that document.

2.3. To Whom This Code Applies

DERS is obligated to comply with this Code and all Affiliates of DERS are obligated to comply with the Code to the extent they interact with the Utility.

2.4. Coming into Force

This Code comes into force

3.1.4. *Separate Management Exception*

Officers of the Utility may also be officers of any Affiliate of which the Utility is a Subsidiary or of any Affiliate that is a Subsidiary of the Utility, a(a)4np0mayis Af2.344 Tm3 reW*nQ,Uquire9(td-3(it)-o(o)-9-3(it)p-16(

5. The Compliance Officer will maintain a record of the above Acknowledgements and Resolutions for six years. Any failure to provide Acknowledgements or Resolutions, or the provision of an Acknowledgement or Resolution which does not demonstrate adherence to the Code will be treated as an inquiry under the Code (see Section 8 of this Plan).

3.2. Degree of Separation

3.2.1. *Accounting Separation*

Policy: The Utility shall ensure accounting separation from all Affiliates and shall maintain separate financial records and books of accounts.

Compliance Measures:

1. DERS' Finance Team will ensure the accounts and records of DERS are kept separate from the accounts and records of DELP.
2. DERS' Finance Team will provide a signed certificate in the form attached as Schedule "B" to this Plan attesting to the accounting separation from DELP and the maintenance of separate financial records and books of accounts, (the "Financial Records Certificate"), to the Compliance Officer within 90 days of the end of each calendar year.
3. The Compliance Officer will maintain a record of the above certificate for six years.

3.2.2. *Physical Separation*

Compliance Measures:

1.

3.3. **Resource Sharing**

3.3.1. *Sharing of Employees*

Policy: The Utility may share employees on a Cost Recovery Basis with an Affiliate provided that the employees to be shared:

- a) do not have access to Confidential Information;
- b) do not routinely participate in making decisions with respect to the provision of Utility Services or how Utility Services are delivered;
- c) do not routinely deal with or have direct contact with customers of the Utility; and
- d) are not, subject to the provisions of section 3.1.4 hereof, routinely involved in operating, planning or managing the business of the Utility.

Compliance Measures:

1. Any employees that are shared between DERS and DELP are fully vetted in DERS' Non-Energy Applications. These app0051clve

Compliance Measures

1. DERS' Finance Team will ensure that all Occasional Services provided to, or received by DELP are provided on a Cost Recovery Basis, and are documented by way of an approved work order, purchase order, or similar instrument.
2. DERS' Finance Team will provide a signed certificate in the form attached to this Plan as Schedule "B", and an annual report of Occasional Services provided by DERS to DELP and vice versa (the "Occasional Services Report"). The "Occasional Services Report" will

4. Any recommendations by the IACC CPC for changes to the

Compliance Measures:

1. Please see Section 4.1.

4.4. Asset Transfers

Policy: Subject to section 4.6 hereof, assets transferred, mortgaged, leased or otherwise disposed of by the Utility to an Affiliate or by an Affiliate to the Utility shall be at Fair Market Value.

Compliance Measures:

1. DERS' Finance Team will approve any asset transfers, mortgages, leases, or other dispositions by DERS to DELP, or by DELP to DERS, and will ensure that such asset transfers are at Fair Market Value, subject to the following: (i) any such asset transfer shall be at Fair Market Value, as determined by an independent appraisal firm; (ii) the asset transfer shall be approved by the DERS Finance Team and the DERS Board of Directors; (iii) the asset transfer shall be documented in a written agreement; (iv) the asset transfer shall be recorded in the public records; (v) the asset transfer shall be subject to the terms and conditions of the applicable state and federal laws; and (vi) the asset transfer shall be subject to the terms and conditions of the applicable state and federal regulations. (Policy:)]TE1ns

Compliance Measures:

1. Please see Section 4.1.

4.6. Asset Transfers Between Utilities for Operational Efficiencies

This section is not applicable to DERS.

5. EQUAL TREATMENT WITH RESPECT TO UTILITY SERVICES

5.1. Impartial Application of Tariff

Policy: The Utility shall apply and enforce all tariff provisions relating to Utility Services impartially, in the same timeframe, and without preference in relation to its Affiliates and all other customers or prospective customers.

Compliance Measures:

1. DELP does not operate in Alberta and accordingly, compliance measures are inapplicable in this regard. If this arrangement changes, DERS will update the IACC & CP as required.

5.2. Equal Access

Policy: The Utility shall not favor any Affiliate with respect to access to information concerning Utility Services or with respect to the obtaining of, or the scheduling of, Utility Services. Requests by an Affiliate or an Affiliate's customers for access to Utility Services shall be processed and provided in the same manner as would be processed or provided for other customers or prospective customers of the Utility.

Compliance Measures:

1. DELP does not operate in Alberta and accordingly, compliance measures are inapplicable in this regard. If this circumstance changes, DERS will seek an amendment to this IACC & CP.

5.3. No Undue Influence

Policy: The Utility shall not condition or otherwise tie the receipt of Utility Services to a requirement that a customer must also deal with an Affiliate. The Utility shall ensure that its employees do not, explicitly or by implication, suggest that an advantage will accrue to a customer in dealing with the Utility if the customer also deals with an Affiliate of the Utility.

Compliance Measures:

1. DELP does not operate in Alberta and accordingly, compliance measures are inapplicable in this regard. If this circumstance changes, DERS will seek an amendment to this IACC & CP.

5.4. Affiliate Activities

Policy: The Utility shall take reasonable steps to ensure that an Affiliate does not imply in its marketing material or otherwise, favored treatment or preferential access to Utility Services. If the Utility becomes aware of any such inappropriate activity by an Affiliate, it shall:

- a) immediately take reasonable steps to notify affected customers of the violation;
- b) take necessary steps to ensure the Affiliate is aware of the concern; and
- c) inform the AUC in writing of such activity and the remedial measures that were undertaken by the Utility.

Compliance Measures:

1. DELP does not operate in Alberta and accordingly, compliance measures are inapplicable in this regard. If this circumstance changes, DERS will seek an amendment to this IACC & CP.

5.5. Name and Logo

Policy: The Utility shall take reasonable steps to ensure that an Affiliate does not use the Utility's name, logo or other distinguishing characteristics in a manner which would mislead consumers as to the distinction or a lack of distinction between the Utility and the Affiliate.

Compliance Measures:

1. DELP does not operate in Alberta and accordingly, compliance measures are inapplicable in this regard. If this circumstance changes, DERS will seek an amendment to this IACC & CP.

5.6.

- g) receiving and investigating internal and external disputes, complaints and inquiries with respect to the application of, and alleged non-compliance with, this IACC & CP in accordance with Section 8 hereof;
- h) preparing quarterly exception reports;
- i) recommending to the Utility measures required to address events of non-compliance with this IACC & CP; and
- j) maintaining adequate records with respect to all aspects of the Compliance Officer's responsibility.

Compliance Measures:

1. The responsibilities of the Compliance Officer are described in Section 7.4 of the Code as amended from time to time.
2. Within 90 days of the end of each calendar year, the Compliance Officer will prepare a report for review.

7.6. **The Compliance Report**

Policy: The Compliance Report shall include the following information prepared in respect to the period of time covered by the Compliance Report:

- a) a copy of the Compliance Plan and any amendments thereto;
- b) a corporate organization chart for the Utility and its Affiliates indicating relationships and ownership percentages;
- c) a list of all Affiliates with whom the Utility transacted business, including business addresses, a list of the Affiliates' officers and directors, and a description of the Affiliates' business activities;
- d) a list of all Services Agreements in effect at any time during such period;
- e) an overall assessment of compliance with the Code by the Utility, including compliance by the directors, officers, employees, consultants, contractors and agents of the Utility and by Affiliates of the Utility with respect to the interactions of the Affiliates with the Utility;

3. The Compliance Officer will ensure that a description of how the Compliance Officer will investigate disputes, complaints or inquiries (in a manner consistent with the Code) is posted on the DERS website.

8.2. Processing by Utility

8.2.1. *Compliance Officer Acknowledgment*

Policy: The Compliance Officer shall acknowledge all disputes, complaints or inquiries in writing within five working days of receipt.

Compliance Measures:

1. Please see Section 8.1.

8.2.2. *Disposition*

Policy: The Compliance Officer shall respond to the dispute, complaint or inquiry within 21 working days of its receipt. The response shall include a description of the dispute, complaint or inquiry and the initial response of the Utility to the issues identified in the submission. The Utility's final disposition of the dispute, complaint or inquiry shall be completed as expeditiously as possible in the circumstances, and in any event within 60 days of receipt of the dispute, complaint or inquiry, except where the party making the submission otherwise agrees.

Compliance Measures:

1. Please see Section 8.1.

8.3. Referral to the AUC

Policy: In the event:

- a) the Utility fails to abide by the process identified in section 8.2 hereof,
- b) the Utility or a party is unsatisfied with the resolution of a dispute, complaint or inquiry following the conclusion of the section 8.2 process, or
- c) of an urgent and significant matter, where there is a reasonable expectation that a party's position may be prejudiced by allowing the process contemplated by section 8.2 to operate,

the Utility (subject to the confidentiality provisions of section 8.1 hereof) or a party with a dispute, complaint or inquiry may refer the matter to the AUC for consideration. A

Compliance Measures:

1. Instructions for referring disputes to the AUC will be posted on the DERS website.

9. NON-COMPLIANCE WITH THE CODE

9.1. Non-Compliance

Any non-compliance with the Code by any director, officer, employee, consultant, contractor or agent of the Utility or by an Affiliate (or any director, officer, employee, consultant, contractor or agent of an Affiliate) with respect to the interactions of the Affiliate with the Utility will be considered to be non-compliance by the Utility.

9.2. Consequences for Non-Compliance with Code

Non-compliance with this Code could be considered as prima facie evidence in a regulatory proceeding of inappropriate conduct by the Utility or of an inappropriate transaction, expense or activity by the Utility. Non-compliance with the Code by the Utility shall subject the Utility to the full range of powers and authorities of the AUC. Non-compliance with the Code by a director, officer, employee, consultant, contractor or agent of the Utility may subject such individual to disciplinary action by the Utility.

SCHEDULE C

**[DEML]
(the "Corporation")**

WHEREAS