



Regulators Publish Proposals for New North South Wholesale Electricity Market

PRESS RELEASE (AIP/SEM/07/05)

The Commission for Energy Regulation ("CER") in Dublin and the Northern Ireland Authority for Energy Regulation ("NIAER") in Belfast have today published a paper setting out their proposals for the creation of the Single Electricity Market ("SEM") for the island of Ireland.

The Regulators consider that their proposals are the most appropriate way of giving effect here to the European Union's objective of creating a single European electricity market. It will over time remove market distortions and thereby minimise the wholesale cost of electricity. It will also create a more attractive location for new generation investment, as the need arises, and as a consequence improve the security and reliability of electricity supplies throughout the island.

These proposals represent a significant step in the move towards the creation of an All Island Energy Market as endorsed by Ministers Noel Dempsey and Barry Gardiner under their Framework Document published in November, 2004.

The SEM will establish, for the first time, a single wholesale market in which buyers and sellers of electricity on the island will trade all their electricity on a daily basis; this type of market is termed a gross mandatory pool. This is itself a significant step to realising a goal whereby all customers in Northern Ireland and in Ireland can choose their energy provider regardless of the location of the generator producing the power or the location of their energy supplier.

The benefits accrue by effectively combining two relatively small markets into one larger market. Under the new arrangements the lowest cost generating plant on the island as a whole will be run first, leading to lower overall fuel

costs. In the longer term the combined market is expected to be a more attractive location for new investors than the two smaller current markets.

The Regulators are confident that their SEM design proposal is the right one for the island bearing in mind the many complex issues identified during the preparatory and design process. With an operational delivery date of 1 July, 2007, the Regulators will continue to work with the Departments, system operators and participants, north and south, to progress the SEM through detailed design to implementation and operation.

Details of the Regulators' proposals are published on www.allislandproject.org.

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Notes to Editors:

The publication of the proposals by the Regulators kicks off a consultation period of six weeks which will include at least one public workshop on the proposals where the Regulators will set out their reasoning for their proposals and allow participants to present their views or alternative proposals. The Regulators expect to finalise their decision in June, 2005 and plan for a go-live date for the new market in July, 2007.

The decision to pursue a Single Electricity Market was taken in August 2004 when the CER and NIAER signed a Memorandum of Understanding committing themselves to the delivery of an all island wholesale market for electricity. The MoU is published on the Regulators' joint web-site; www.allislandproject.org.

The SEM is one major element of the All Island Energy Market which was set out in a joint publication by the Department of Communications, Marine and Natural Resources in Ireland and the Department of Enterprise, Trade and Investment in Northern Ireland in conjunction with the two Regulators. The framework document was launched on 22nd November, 2004, by Ministers Noel Dempsey and Barry Gardiner.