

## Appendix

### Response to the Proposed Conditions of System Operator Licences and Consultation Paper dated 9 January 2007 (the “Consultation Paper”)

#### 1. SO Role (paragraph 3.2 of the Consultation Paper)

With reference to paragraph 3.2 of the Consultation Paper and in particular to the list of “all-island” considerations or aims and objectives which pervade the draft SO Licences, whilst we agree in principle that these are valid and desirable aims for the new “all-island” arrangements as a whole, we have concerns with the way in which they are applied to the SO through the draft SO Licence. For example, we believe that further consideration needs to be given to whether the SO alone or even both SOs working together can necessarily meet such objectives in the way intended and how practically these overarching aims and objectives can best be reflected in the SO Licences.

Furthermore, we have concerns over the reference in paragraph 3.2 and the accompanying footnote which make reference to the SO licensees performing functions “in conjunction” with one other. Whilst again we understand the need for closer cooperation between the two SOs, and indeed are working hard to put in place the necessary systems and processes needed to facilitate this, we believe that it is important to draw a distinction between, on the one hand, EirGrid and SONI as SOs working more closely together in a number of specific areas and, on the other, EirGrid and SONI coming together to carry out the function of Market Operator. The Consultation Paper seems to suggest that the two situations are the same when in fact they are quite different. The business functions of EirGrid and SONI as SOs are to remain separate whereas those of EirGrid and SONI in relation to the Market Operator are not.

#### 2. System Operator Agreement (paragraph 3.3 of the Consultation Paper)

Paragraph 3.3 of the Consultation Paper describes the purpose and design of the System Operator Agreement. We agree that the SO Licences should not seek to prescribe precisely what the System Operator Agreement should cover as we believe that the SOs need to retain a degree of flexibility in relation to the subject matter of the System Operator Agreement. There are, however, a number of instances where both the Consultation Paper and the draft SO Licences are overly prescriptive as to what the System Operator Agreement must contain, such as in relation to connection to and use of the systems.

Moreover, we remain concerned that the way the System Operator Agreement is described, both in the Consultation Paper and the draft SO Licences, could give the impression that it is something which it is not. For example, the purpose of the System Operator Agreement is described as enabling each SO licensee to obtain from or to provide to the other SO licensee such things as are required by it in order to comply with its licence and statutory obligations. Whilst on one level this is true, it is not the case that the System Operator Agreement on its own will enable each SO licensee on an ongoing basis to comply with all its licence or statutory obligations.

The System Operator Agreement will provide an important contractual interface between the two SOs and will, by necessity, cover those areas where under the new arrangements

the SOs will be working more closely with one another. It will not be, however, an all-encompassing tool by which each SO licensee will automatically comply with its statutory or licence obligations. We believe the way in which the System Operator Agreement is described therefore requires some amendment.

**3. Connection and Use of Systems (paragraph 3.4 of the Consultation Paper)**

Paragraph 3.4 of the Consultation Paper states that the SO licensees will be required to set out in the System Operator Agreement the arrangements between them in relation to the connection to and use of the “all-island system in aggregate”. The Consultation Paper and the draft SO Licence are very prescriptive on what the System Operator Agreement must contain here which gives the impression that, despite stating that they do not wish to prescribe what is in the System Operator Agreement, the Regulatory Authorities are particularly concerned with connection and use of system generally. Given that the System Operator Agreement is to contain this detail we feel that the level of detail in the draft SO Licences in relation to this area is in any event unnecessary. Moreover, we do not necessarily believe that the Condition as set out would in any case facilitate each licensee in fulfilling its obligations under the process for connection to and use of the system. Should such prescription in the Regulatory Authorities view be required – a view not shared by the SOs – the SOs would like to work with the Regulatory Authorities to devise a set of workable arrangements.

We also remain concerned that in paragraph 3.4 of the Consultation Paper reference is still being made to “the all-island system” when what we in fact have is two separate transmission systems being operated by two separate SOs under a single market.

**4. Scheduling and Dispatch (paragraph 3.5 of the Consultation Paper)**

We continue to have a number of concerns in relation to the proposed approach to scheduling and dispatch. Our main concern is to ensure that procedure for scheduling and dispatch that is set out in the SO Licences reflects the reality of day-to-day operational practice for the scheduling and dispatch of generation by both SOs in both jurisdictions. We believe that this has to be the case from day 1 and we believe that there is further work to be done in this area.

**5. Confidentiality (paragraph 3.10 of the Consultation Paper)**

We take the issue of confidentiality very seriously and we agree that it is important that the SO Licence continues to contain provisions dealing with the handling of commercially sensitive information. We do have some concerns over the way in which the confidentiality provisions in the draft SO Licence are drafted and would encourage the Regulatory Authorities to ensure that the provisions maintain the same scope that is afforded in the current SO licence.

**6. Consistency of Statements and Plans**

A definition of “consistent basis” is provided in the draft SO Licences. While, once again the SOs concur with the general intent as set out in the Consultation Paper, for example in paragraph 3.6 the examples given are consistent forecasts of demand and cross border flows, some aspects of this definition may be difficult to implement and could potentially have adverse effects on both costs and overall efficiency and timely delivery. In some instances it may not be most appropriate or beneficial to utilise the same methodologies, as

in some cases technical considerations may mean that different methodologies are more appropriate. The wording of the definition of “consistent basis” therefore requires to be revised to ensure that the end result of such consistency delivers real benefits and improvements.

The comments and points raised in this appendix are intended to give the Regulatory Authorities an overview of the principal areas of concern for the SOs in relation to the Consultation Paper and draft SO Licences. We look forward to having the opportunity to discuss these areas further with you.