



ELECTRICITY SUPPLY BOARD
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REGULATORY AFFAIRS

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29th January 2007

Ms. Donna Hamill,
Ofreg,
Queens House,
14 Queen Street,
Belfast,
BT1 6ED

RE: Proposed Conditions of System Operator Licences

First Consultation Paper

Reference: AIP/SEM/232/07

Dear Ms. Hamill,

I attach as requested comments in relation to the proposed enduring conditions of the System Operation (SO) Licences set out in the above paper. We note that a second public consultation is envisaged in relation to transition arrangements. We believe that any subsequent consultation should also offer the opportunity for participants to comment on any new enduring conditions or significant change to those currently drafted.

Issues from the Consultation Document

ESB has no fundamental objection to the general scheme of the proposed licensing arrangements. They appear consistent with the spirit and intent of the functions to be exercised by the SO's under the SEM.

However, ESB wishes to highlight one main issue arising from the consultation document. The separation of SONI Ltd from the generation and supply activities of

NIE's operations remains a key concern for ESB. Indeed it is stated in the consultation document to be a key part of SEM that SO and MO activities should be undertaken by organisations that do not undertake generation or supply activities. We note the intention of Northern Irish authorities to allow SONI to remain a wholly-owned subsidiary of NIE at and following SEM go-live. This outcome is now inevitable, given the time constraints involved in meeting the target go-live date and the requirement for legislation. Moreover, there is no firm commitment or timetable given for the subsequent required separation. Indeed, the language used in the consultation paper suggest that the case for separation has not yet been accepted (see Para 3.9 last sentence) which would be a totally unacceptable outcome for ESB.

In order for market participants and energy users to have certainty in regard to the independence of SONI Ltd and to ensure that the separation requirement does not drift off the agenda, we feel that a firm undertaking should be given by NIAER that SONI will be separated from NIE and a definitive timetable for the separation should be set down now.

Draft SO Licences

Condition 28 of the "licence to Participate in the Transmission of Electricity granted to SONI Limited" refers. We note that there is no obligation on the NIAER to consult with the CER in circumstances where a dispute arises with the Republic of Ireland SO. We feel that it would be prudent to provide for such consultation.

We would like to thank you for the opportunity to input to the consultation process.

Yours sincerely,

Marie Sinnott
Manager, Group Regulatory Compliance