

NORTHERN IRELAND ELECTRICITY plc

Single Electricity Market

**Proposed Conditions of Market
Operator Licences**

**NIE's Response to Second
Consultation
AIP/SEM/07/17**

30 March 2007



Introduction

NIE welcomes this opportunity to comment on AIP's second consultation in relation to the draft Market Operator (MO) Licences. We note there has been some development from the initial draft MO licences but that the draft licences still do not address the important issue of transition. We note from the recent consultation paper on transition (AIP-SEM-07-53) that it is intended for there to be a Transition Agreement which will be consulted on in April 2007. We therefore look forward to the consultation on transition, which should provide a better understanding of how transition will work generally.

Comments

(i) General Comments

This is the second and last consultation on the MO Licences. There are, however, a number of other licences either out for consultation or soon to be out for consultation. Where there are further developments in relation to these licences these will also need to be reflected in the MO Licences where applicable. Overall there needs to be consistency across all licences.

There also needs to be consistency between the MO Licences and the obligations on the MO contained in the SEM Trading and Settlement Code.

(ii) Condition 10: Independence of the Market Operation Activity

There is a need to ensure that the independence provisions in the SONI MO Licence provide the necessary comfort in relation to ensuring independence for the MO activity but that these are workable in practice and recognise the reality of the situation. As an example, it may be necessary to allow sharing of premises between the MO/SO and an associated business for a limited period, subject to secure access arrangements being in place.

We note the requirement for the MO to submit a Compliance Plan to the Authority. We assume this to be an interim obligation pending SONI's divestment from the Viridian Group.

(iii) Condition 15: SEM Trading and Settlement Code

Paragraph 1 refers to the MO "establishing" the SEM Trading and Settlement Code, whereas it is our understanding that the SEM Trading and Settlement Code is being prepared and will be established by the Regulatory Authorities.

In the list of objectives in paragraph 4, the terms “Single Electricity Market” and “electricity wholesale market” are both used. These terms are synonymous and, to avoid any possible confusion, only one should be used.

(iv) Condition 20: Charging and Revenue Restriction

We note that the Charging and Revenue Restriction Condition has yet to be developed and look forward to reviewing that in conjunction with the relevant MO charging provisions in the Trading and Settlement Code.