

SONI Limited

Licence to Participate in the Transmission of Electricity

Response to Second Consultation dated 4 April 2007

AIP/SEM/07/97

1. Grant of Licence

We note the new wording “*for the purpose of giving a supply to any premises or enabling a supply to be so given*”. We understand that the wording derives from the language used in the 1992 Order (as amended) but believe that the wording adds confusion here and is not required for the purposes of the licence. The licence grant refers to Article 10(1)(b) in any event and the reference to supply here is inconsistent with many of the licence conditions, which relate to the transmission of electricity but not necessarily to supply (e.g. interconnector role, obligation to offer terms etc.). We request that the wording is removed.

2. Condition 1: Interpretation and Construction

In the definition of “authorised electricity operator” reference is made to licensed undertakings and “any person transferring electricity across a Northern Ireland Interconnector...”. We are not sure that there would be any unlicensed persons transferring electricity across the interconnector. What is this wording seeking to capture?

In the definition of “distribution system” the words “or the North/South Circuits” should be added after the words “any interconnector” inside the brackets.

Is it right to delete the reference to meters in the definition of “Northern Ireland Interconnector”?

In the definition of “Republic of Ireland electricity operator”, what is meant by the reference to “*any person transferring electricity across a Republic of Ireland Interconnector or who has made an application for use of a Republic of Ireland Interconnector which has not been refused*”? What unlicensed persons is this intended to capture?

The definition of “Republic of Ireland Interconnector” still refers to meters and does not contain the words “(and not for conveying electricity elsewhere)” unlike the other interconnector definitions.

In the definition of “Transmission System Operator Business” the reference to SO trades “as permitted by the Single Electricity Market trading and Settlement Code” needs to be deleted. The TSC does not “permit” the trades, it simply provides the settlement process for such trades. The “permission” is the right to undertake the TSO Business pursuant to the licence.

3. Condition 2: Preparation of Accounts

We note the inclusion of the payment security policy provision. This needs to be developed in conjunction with the revenue restriction conditions.

4. Condition 6: Health and Safety of Employees

We had understood that it had been agreed that this condition would come out of the licence.

5. Condition 7: Provision of Information to the Authority

We note the new obligation on SONI in paragraph 8(c) to comply with any direction from the Authority to enforce any such undertaking and the corresponding restriction in paragraph 9(c). The concern with these two new additions is that SONI may not be able to enforce the undertaking, which would put it in licence breach. SONI cannot have licence conditions such as this compliance with which is not within its control. Moreover, we do not see that this is a SEM or NI 2007 change and would like to understand where this change has come from.

6. Condition 11: Restriction on Use of Certain Information

In paragraph 3 the word “reasonably” has been moved and this significantly alters the meaning of the provision. This is not a SEM/NI 2007 change and is not acceptable.

The definition of “protected information” has been widened to include information relating to an affiliate or related undertaking of the licensee. What is the reason for this change?

7. Condition 12: Independence of the Transmission System Operator Business

Paragraph 2(c) refers to “...decisions relating to the transmission system (or any part of it)” being taken by persons engaged in the operation and management of the TSO Business. The draft TO licence refers to decisions in relation to the transmission system being taken by senior management of the TO Business. These two provisions therefore appear to conflict and we suggest inserting the words “by the Licensee” after the word “decisions” in both licences.

8. Condition 12A: Ownership of the Transmission System Operator Business

We note the deletion of this Condition and the inclusion instead of a revocation event where the licensee or any affiliate or related undertaking undertakes either generation or supply on the island of Ireland in Schedule 2 of the SO Licence. We have not been given any reason for this significant change in approach and do not understand why it has been made. We firmly believe that it is inappropriate to move important licence conditions such as this to the revocation schedule. The licence should contain a series of positive obligations on the licensee in the licence conditions, not simply be a list of revocation events. We need to understand the reasons behind this change.

We have particular concerns over paragraph 4 of Schedule 2 which appears to give the Authority complete discretion over when this becomes a revocation event. This is not consistent with the general consensus that this licence obligation shall not take effect until the divestment of SONI from NIE plc. We also have concerns over whether paragraph 4 of the Schedule is even possible given that this is not a licence condition but part of the licence itself.

9. Condition 13: Prohibited Activities

We have raised with you our concern that the general restriction in paragraph 3 on SONI owning any transmission lines or electrical plant seems to conflict with sub-paragraph (a) of the definition of “relevant asset” in Condition 9 (Disposal of Relevant Assets). It was agreed that the Authority would issue SONI with a letter confirming that the control centre does not constitute “electrical plant” for the purposes of Condition 13.

10. Condition 17: Grid Code

We are not sure what the reference to the NIE Supply Licence in paragraph 5 means or what is being referred to here. Should this be a reference to the TO Licence?

11. Condition 19: Transmission Interface Arrangements

These provisions need to be consistent with the equivalent provisions in the TO Licence and we note that this is not yet the case. The provisions also need to reflect the outcome of ongoing discussion on the TIA generally and may therefore be subject to further change.

The note in square brackets at the end of the licence condition is not correct. There will be interface arrangements between the System Operator and PPB.

12. Condition 20: Operation of the Transmission System and the System Security and Planning Standards

We note the new provisions in relation to the preparation of and reporting on performance standards for the System Operator. We are considering the implications of these new obligations.

13. Condition 24: System Operator Agreement

We continue to have concerns over the use of language. Paragraphs 1(a), (b), (c) and (d) all refer widely to the SOA ensuring that the ROI System Operator, the licensee and the MO can comply on a continuing basis with any licences, laws or regulations applicable to them. This is extremely wide and not what the SOA has been designed to achieve. The SOA will not, for example, ensure that SONI can comply with various finance or environmental laws or regulations. We do not believe that the language “in undertaking its functions” resolves the issue.

The SOA will ensure that where either SO or MO, in carrying out its licensed activity, impacts on the other SO or MO, it does so in a manner such that the other SO or MO can carry out its *licensed activity*. This is very different to ensuring that they can comply with all *licences, laws and regulations* which is not something the SOA was ever designed to achieve. This is a major issue for SONI as it would put it in immediate licence breach.

We also believe that the SOA licence condition must be the same in both System Operator licences. There is currently no equivalent obligation that the SOA provide for the sharing of costs and the making of payments to that in the EirGrid System Operator licence. This needs to be rectified.

14. Condition 25: Requirement to offer terms

In paragraph 1(b) the reference to exit points or points on the “All-Island Transmission Networks” is wrong and should be to the “transmission system”. SONI as SO in Northern Ireland can only deliver electricity to points on the Northern Ireland transmission system.

15. Condition 36: Arrangements in respect of the Moyle Interconnector

Paragraphs 7 and 8 require SONI to remain party to the BSC and at all time act as and perform the functions of Interconnector Administrator and Interconnector Error Administrator under the BSC.

SONI will undertake the role of Interconnector Administrator under the TSC and BSC, Interconnector Error Administrator under the BSC and registrant of the Interconnector Error Unit under the TSC. This is subject to the licence and contractual framework within which SONI undertakes these roles being satisfactory in terms of dealing with the costs and risks associated with the roles and recognising where SONI relies on third parties to undertake the role. We therefore propose the following:

- this licence condition would recognise that SONI undertakes the IA and IEA roles under the TSC as well as the BSC, in similar terms to paragraph 8;
- the licence condition will recognise explicitly that SONI undertakes these roles on both sides of the Moyle Interconnector subject to full cost recovery. The placeholder in paragraph 9 of the licence condition needs to be expanded;
- the licence would recognise that for SONI to undertake these roles, the co-operation of Moyle is needed (for example, to enable registration under the TSC). We propose that that the licence condition provide that SONI will not be in breach of the obligation to undertake the roles where this is due to Moyle not doing all things necessary to enable the appointments under the BSC and TSC to take effect, or Moyle otherwise failing to comply with the OAA in so far as relevant to the performance of those obligations.