

**NORTHERN IRELAND ELECTRICITY plc**

**Single Electricity Market**

**Proposed Conditions of  
Market Operator Licences**

**NIE's Response to  
AIP/SEM/159/06**

26 October 2006.





## **Introduction**

NIE welcomes this opportunity to comment on AIP's initial draft of SONI's Market Operator (MO) Licence. We note that this initial draft does not address a number of important features relating to the regulation of the MO. Such aspects include: the control over the MO's charges; the independence and ownership restrictions; the means by which the TSOs will jointly run the Single Market Operator and the form of joint regulation by the Regulatory Authorities.

As a consequence, our initial response is limited in scope and more substantial comment from NIE must be deferred until the next consultation exercise which we understand will take place in February 2007. We offer the following brief comments on the current draft.

## **Comments**

### (i) General Comment

The MO Licence is the first of the licences to be consulted upon. Where subsequent licences reflect developments in thought and approach on issues these changes need to be imported into the MO document.

### (ii) Condition 2 : Preparation of Accounts

This condition needs to align with NIAER's modification of 24 May 2006 to NIE's T&PES licence document. The correct wording should be replicated in the MO licence (note: the modification reflects the change in the basis of accounting from CCA to HCA in line with NIE's statutory accounts).

The corresponding condition in EirGrid's draft licence does not set out the basis on which separate accounts should be prepared but, as is more common in RoI drafting, leaves all the detailed specification to CER's discretion. This obviously has the potential for different accounting

requirements being simultaneously imposed on the same entity, which could be wasteful. We suggest that the drafting be changed to reflect the requirements.

(ii) Condition 6 : Health and Safety of Employees

The market operator will be subject to health and safety legislation and a separate health and safety licence condition is unnecessary. Its employees will not be engaged in work on electricity plant and so it will not have common health and safety concerns with other electricity licensees and will not be likely to benefit from discussing health and safety matters with them.

(iii) Condition 21 : Procurement of Assets

This condition differs from conditions applying to other licensees and the wording seems to imply the possibility of a pass through of the costs of procurement to market participants. This condition should be reconsidered in conjunction with the charging and revenue restriction.