



**CONSULTATION PAPER**

**NI ELECTRICITY GENERATION LICENCE  
MODIFICATIONS**

**FEBRUARY 2007**

**AIP/07/30**

## **1. INTRODUCTION**

### **1.1. General**

In order to facilitate the introduction of the Single Electricity Market on 1 November 2007, it is necessary to amend Generation Licences in Northern Ireland to reflect the new trading arrangements. The conditions relating to bidding principles in the SEM in this Northern Ireland licence will be mirrored in the licences applying in the Republic of Ireland.

This consultation paper accompanies an updated draft of the Electricity Generation Licence in favour of Kilroot Power Limited. Changes made to this document will be reflected in all NI Generation Licences.

The majority of modifications made to these licences will be done so under Article 3 of the Electricity (Single Wholesale Market) (Northern Ireland) Order 2007.<sup>1</sup> In a limited number of cases however the modifications are the result of EU Directive 2003/54/EC which sets out the common rules for the internal market in electricity.

The purpose of this paper is to outline the changes to and the rationale behind proposed changes to each of the conditions within the Generation Licences. As a general note any areas in square brackets have been highlighted for comment, in these cases the Regulatory Authorities are unsure of whether these conditions remain applicable under the SEM.

### **1.2. Request for Comments**

The Regulatory Authorities request comment from interested parties in relation to the proposed conditions of NI Generation Licences.

The Regulatory Authorities intend and prefer to publish all comments received, but are prepared to facilitate those respondents who wish certain sections of their submission to remain confidential. Accordingly, respondents that so wish should submit these sections in an appendix that is clearly marked "Confidential".

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<sup>1</sup> <http://www.detini.gov.uk/cgi-bin/downutildoc?id=1779>

Comments on the licence should be forwarded, preferably in electronic form, to [donna.hamill@ofregni.gov.uk](mailto:donna.hamill@ofregni.gov.uk) or post to;

Donna Hamill  
Ofreg  
Queens House  
14 Queens Street  
BELFAST  
BT1 6ER

The deadline for receipt of comments is 1700h on 28 March 2007.

## **2. DISCUSSION**

### **2.1. Assumptions**

In Northern Ireland the modifications to Generation Licences will be made by the Department for Enterprise, Trade and Investment under Article 3 of the Electricity (Single Electricity Market) Order 2007 or under Electricity Order 1992 (Amendment) Regulations (Northern Ireland) 2005 in order to implement EU Directive 2003/54/EC.

In the case of generating units contracted under the legacy Power Purchase Agreements and selling into the market via the Power Procurement Manager, provisions within these licences can be disapplied by NIAER until such times as these contracts expire or are cancelled by NIAER. These conditions may for example include Condition 23 which sets out the cost-reflective bidding requirements.

Condition 20, which sets out the tests for cancelling these legacy contracts will be consulted upon under a separate timescale and has therefore been set aside for this discussion.

Definitions, where applicable, have been harmonised with the definitions set out in the System Operator Licences. Some definitions appear in square brackets because they will be informed by being progressed in other SEM workstreams, or may be removed entirely if they are no longer relevant. .

References to the Director General have been replaced by reference to the Northern Ireland Authority for Energy Regulation as a matter of general updating.

### 3. GENERATION LICENCE PROVISIONS

#### 3.1. General

The remainder of this paper will discuss the changes made to each of the Generation Licence Conditions.

### 4. CHANGES TO LICENCE CONDITIONS

#### Condition 1

Interpretation and construction

In Condition 1, definitions have been updated to reflect those in the published System Operator Licences. Where appropriate definitions have been added.

Paragraph 4 and 5 have been removed as they are now out of date given NIE restructuring for directive purposes and SEM implementation.

#### Condition 2

Separate accounts for separate businesses

Paragraph 3 (d) has been added to prevent cross-subsidisation or discrimination between separate businesses. This has been added for directive implementation as opposed to SEM implementation.

#### Condition 3

Prohibition of cross-subsidies and of discrimination

General update to reflect the All-Island nature of the market.

Paragraph 10 has been removed as it is now out of date, they refer to the period subsequent to privatisation.

#### Condition 4

Compliance with Grid Code and, where applicable, Distribution Code

General update to reflect the new arrangements surrounding transmission system ownership and operation.

Interested parties are asked for their views on whether paragraph 3 is required as a similar condition is present in the TSO licence.

#### Condition 5

Licensee's system planning

General update to reflect the new arrangements surrounding transmission system ownership and operation.

#### Condition 6

Security arrangements	Unchanged.
<b>Condition 7</b> Central dispatch and merit order	Definitions have been updated to align them with what is contained in the System Operator licence.
<b>Condition 9</b> Appointment of operator	Interested parties are asked for their views on whether this condition is still relevant and applicable under the SEM.
<b>Condition 10</b> Compulsory acquisition of land	General update.
<b>Condition 11</b> Powers to carry out road works	General update.
<b>Condition 12</b> Connection and use of system – requirement to offer terms	General update.
<b>Condition 13</b> Connection and use of system – functions of the Authority	General update.
<b>Condition 14</b> Health and safety of employees	Unchanged.
<b>Condition 15</b> Provision of information to the Authority	Paragraph 5 has been added to give the Authority the powers to retain information for a minimum period of time as specified in the direction. This paragraph has been added to facilitate the operation of the Market Monitoring Unit.
<b>Condition 16</b> Payment of fees	General update.
<b>Condition 17</b> Amendments of generating unit agreements or power station agreements.	This condition has been removed as it is no longer relevant. This condition is now marked as unused.

**Condition 18**  
Cancellable Generating Unit  
Agreements

General update.

**Condition 19**  
Single Electricity Market  
Trading and Settlement Code

This condition replaces that of the Supply Competition Code which is expected to be run-off as a result of full retail market opening. All licences must accede to the Trading and Settlement Code.

**Condition 20**  
Modification of the [Supply  
Competition Code] and  
cancellation of contracts

This condition will be consulted upon as part of a separate consultation process.

**Condition 21**  
Provision of information

General Update.

**Condition 22**  
Trading Arrangements

With SEM implementation this condition will be removed. This condition is now marked as unused.

**Condition 23**  
Cost-Reflective Bidding in the  
Single Electricity Market

This is a new condition which sets out the rules for bidding behaviours in the SEM. This condition reflects the principles set out in the AIP Decision on Bidding Principles<sup>2</sup>. This condition may be disapplied for units contracted under the PPAs.

It is anticipated that this condition will also be included in licences in the Republic of Ireland.

**Condition 24**  
Intermediary Agreement

This is a new condition which states that Generation Licensees must comply with the Intermediary Agreement. The Intermediary Agreement will be a new document which governs the relationship between the licensee and the Power Procurement Business. This condition is to govern the relationship between PPB and relevant generators in respect of

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<sup>2</sup> <http://www.allislandproject.org/2006/AIP-SEM-116-06.pdf>

legacy PPAs.

#### **4. Conclusions**

##### **Next steps**

The Regulatory Authorities request comment from interested parties in relation to the proposed conditions of NI Generation Licences.

Comments on the licence should be forwarded, preferably in electronic form, to [donna.hamill@ofregni.gov.uk](mailto:donna.hamill@ofregni.gov.uk) or post to;

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