

**NORTHERN IRELAND ELECTRICITY plc
NIE ENERGY LIMITED**

**APPLICATION FOR A
PROPERTY ARRANGEMENTS SCHEME
of
NIAUR
under
REGULATION 15 OF THE
ELECTRICITY REGULATIONS (NORTHERN IRELAND) 2007
of
Northern Ireland Electricity plc
in favour of
NIE Energy Limited**

14 August 2007



Application for a Property Arrangements Scheme pursuant to Regulation 13 of the Electricity Regulations (Northern Ireland) 2007

Introduction

Northern Ireland Electricity plc (“NIE”) holds a licence to transmit electricity and a public electricity supply licence under Articles 10(1)(b) and (c) of the Electricity (Northern Ireland) Order 1992. Pursuant to the powers available to NIAUR under the Electricity Regulations (Northern Ireland) 2007 (the “2007 Regulations”) and the Electricity (Single Wholesale Market) Northern Ireland Order 2007, NIAUR has designated certain amendments to NIE’s transmission and public electricity supply licence.

From SEM Go-Live, (currently scheduled for 1 November 2007), NIE’s public electricity supply licence will be converted to a supply licence and transferred to a nominated associate. There is a need to ensure that the property, rights and liabilities are properly apportioned between NIE and its nominated associate as part of this process. The 2007 Regulations therefore provide for a property arrangements scheme to facilitate this and provide for NIE to make an application for such a scheme. This document constitutes NIE’s application for this scheme.

To enable transfer of NIE’s supply licence to NIE’s nominated associate, Regulation 35 of the 2007 Regulations provides that NIAUR must also make a scheme for the NIE’s existing supply licence to have effect as if it were a licence granted to a different person, namely a “nominated associate”, and for the NIE’s existing transmission licence to have effect with such amendments as are covered by Regulation 36. No application is required for this licensing scheme.

In making the licensing scheme NIAUR must have regard to the property arrangements scheme. It is further provided that the licensing scheme shall have no effect if the property arrangements scheme does not take effect. Regulation 36 provides that the licensing scheme may provide that the licences shall have effect with incidental, consequential etc changes, and other changes as may be agreed between NIAUR and the nominating licensee. Regulation 37 provides that the licences shall change on the date that the licensing scheme comes into effect.

This application relates only to the property arrangements scheme under the 2007 Regulations and not to the licensing scheme.

Overview of the Application and Regulations

1. We refer to the 2007 Regulations.
2. Regulation 13 of the 2007 Regulations provides that within 28 days of the coming into operation of the 2007 Regulations, or such later date as NIAUR shall direct, the holder of a transmission and supply licence immediately before the 2007 Regulations came into effect may:
 - (a) make a nomination that an associate should be the person for the purposes of the supply licence having effect as if granted to such person; and
 - (b) apply to NIAUR for a scheme for the division of all its property, rights and liabilities between himself and the associate so nominated,

with the person who applies for any such scheme shall be the “nominating licensee” and the other person the “nominated associate”.

3. On 26 July 2007 NIAUR directed that the date by which any such nomination and direction is to be 14 August 2007 in place of the 28 days provided for in the 2007 Regulations.

Property Arrangements Scheme

4. Regulation 14(1) of the 2007 Regulations provides for NIAUR to make a scheme providing for:

(a) the transfer to the nominated associate of: or

(b) the creation in favour of the nominated associate of,

the rights in relation to, property, rights or liabilities of, the nominating licensee. It also provides for other matters to be included in the scheme, and provides that the property, rights and liabilities which may be transferred include property, rights and liabilities which would not otherwise be capable of being transferred.

5. Regulation 15 of the 2007 Regulations provides that an application for a property arrangements scheme shall specify the property, rights or liabilities it is proposed to be included in the scheme, and whether the rights are to be transferred or created.

6. Regulation 16 provides that on the application, NIAUR shall in relation to any such property, rights or liabilities determine whether such transfer or creation is necessary or expedient for the purposes of achieving compliance with the requirements of Article 15 of Council Directive 2003/54/EC (the IME Directive) (the “Compliance Purposes”). It further provides that:

(a) if that test is not met in relation to any of such property, rights or liabilities, then it must not make a scheme in relation to that property, rights or liabilities,

(b) if the test is met and subject to Regulation 17(2) of the Regulations, it must make a scheme in relation to that property, rights and liabilities, and

(c) if it determines there is property, rights or liabilities not in the application, the transfer or creation of rights in relation to which are necessary for such compliance, then it must also make a property arrangements scheme in relation to that property, rights or liabilities.

7. Regulation 17 of the 2007 Regulations provides that NIAUR shall not include in a scheme provision which would adversely affect a third party unless it determines that it is necessary or expedient for the Compliance Purposes to so include. The 2007 Regulations provide that a provision of a scheme adversely affects a third party if his consent or concurrence would be required if the making of the provision was being made otherwise than by means of the scheme and he does not consent to the making of the provision by means of the scheme.

8. Regulation 17 continues by providing that where NIAUR does so determine that it is necessary or expedient to include provisions that would adversely affect third parties, it must further determine whether the scheme should include provision for compensation

and if so what that provision should be. This further determination is, under Regulation 18, to be made on the basis of what is just in all the circumstances of the case.

9. It is provided that NIAUR shall publish any application and the terms of any property arrangements scheme in such manner as NIAUR considers appropriate for bringing it to the attention of persons likely to be affected by the scheme.

10. Regulation 22 provides that the transfer or creation under the scheme shall be binding on all persons, notwithstanding that it would apart from this provision have required the consent or concurrence of any person.

11. Regulations 23-33 provide for a review process.

Application

12. NIE held a licence to transmit electricity under Article 10(1)(b) of the Electricity (Northern Ireland) Order 1992 ("the Order") immediately prior to the coming into operation of the 2007 Regulations, and a supply licence under Article 10(1)(c) of the Order immediately before such date.

13. Pursuant to Regulation 13 of the 2007 Regulations, NIE hereby:

(a) nominates NIE Energy Limited ("NIE Energy") as its nominated associate for the purposes of holding the supply licence and of the Scheme, and

(b) makes application to NIAUR for a scheme for the division of all its property, rights and liabilities as hereinafter identified or referred to between itself and the nominated associate, NIE Energy.

14. In accordance with Regulation 15, the property, rights and liabilities that are proposed to be included in the Scheme are specified or referred to by reference to an identifiable category in Appendix 1 to this Application.

15. Each of the property, rights and liabilities detailed in Appendix 1 are, in accordance with Regulation 16(3), necessary or expedient for Compliance Purposes, namely compliance with Article 15 of the IME Directive concerning the unbundling of the supply business and the power procurement business from the distribution system operator.

16. In order to ensure the effective operation of the Scheme, NIE is of the view that the following provisions should be covered by the Scheme:

- A section dealing with the definitions and interpretation;
- A provision stating that NIE Energy has been named as the nominated associate for the purposes of the scheme;
- Provisions effecting the transfer of the property, rights and liabilities specified or referred to in Appendix 1 to this Application from NIE to NIE Energy;
- Provisions effecting the transfer of all documents and records required for the operations to be carried on by NIE Energy;

- Provisions enabling NIE Energy to pursue and recover any debts owing to the supply business or power procurement business prior to the Scheme becoming effective;
- The novation of rights and liabilities under contracts and agreements specified in Appendix 1 to this Application to NIE Energy and the release and discharge of NIE from all claims, demands and liabilities in respect of such contracts and agreements;
- A provision effecting the accession of NIE Energy to the Trading and Settlement Code and transferring those rights and liabilities relating to NIE's role as Intermediary and a supplier to NIE Energy.
- A provision setting out the date upon which the Scheme shall take effect; and
- A provision dealing with excluded matters which will not be transferred.

17. Pursuant to Regulation 17(1) of the 2007 Regulations the proposed terms of the property arrangements scheme for which this Application is made are set out in Appendix 2 to this Application.

18. The Scheme should be made to have effect from SEM Go-Live, which date is expected to be 1 November 2007.

Submission of further information

19. In order to assist NIAUR in determining, for the purposes of Regulation 17, those parties which may be adversely affected by the making of the Scheme, NIE has provided a list of counterparties whose consent would be required to the making of a provision otherwise than by means of a scheme. This information and the details contained within it may be confidential and it is not proposed that this information be made available for publication. Parties that may be adversely affected will be contacted separately by NIAUR.

20. Such matters that are not dealt with in the Property Arrangements Scheme may be dealt with by means of an intra-group transfer by NIE.



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Signed for and on behalf of

Date: 14 August 2007

Northern Ireland Electricity plc

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Appendix 1

NIE Supply Contracts

Parties – between the Nominating Licensee and:	Agreement	Date
Northgate-IS	Services agreement for Billing, Call Handling and Debt Management.	10/12/04
RES-GEN Ltd	Eco-Energy power purchase agreement (NFFO) – Lendrum’s Bridge Wind Farm	9/8/99
Alphyra (PayZone)	Agreement for the provision of a payments collection service (receipting of customer payments)	6/7/00 (as amended)
Alphyra (PayZone)	Agreement for the provision of a transaction network service (provision of network capability for Agents to receipt payments)	6/7/00 (as amended)
PayPoint Collections Ltd	Paypoint Collection Agreement (receipting of customer payments) Addendum	17/10/01 24/1/06
PayPoint Networks Ltd	Paypoint Network Agreement (provision of network capability for Agents to receipt payments)	17/10/01
BT / Eckoh	Provision of IVR service for keypad payments and meter readings	19/06/05
Plastic Card Company	Manufacture of plastic customer cards for payment schemes	1/03/04
Post Office Counters Ltd	Receipting of customer payments	25/10/05
Various Micro Generation Tariff Customers	All standard form contracts for the purchase of spill and ROC's, sale and buy back of renewables entered into with Micro Generation Tariff Customers	Various
NI Energy Agency (NIEA)	Support for services provided by the NIEA and Energy Savings Trust Advice Centres	02/08/07
Realex	Verification of debit and credit card payments via call centre and internet	29/05/07
Energy Efficiency Programme (EEP) Contractors	All standard form contracts relating to support for services and energy efficiency installations through NIE's EEP entered into with EEP Contractors	Various
First Utility Ltd	Agreement relating to metering	22/06/06
Electricity Supply Board	Master Contract for Differences Agreement	25/05/07
Electricity Supply Board	Master Contract for Differences Agreement	29/05/07
Electricity Supply Board	Master Agreement relating to purchases of Non-Directed contracts	31/07/07

PPB Contracts

Parties – between the Nominating Licensee and:	Agreement	Date
Mr Anthony O'Neill	Randalstown NFFO1 Contract	31/03/1994
B9 Energy (O&M) Ltd	Bessy Bell NFFO1 Contract	31/03/1994
B9 Energy (O&M) Ltd	Corkey NFFO1 Contract	31/03/1994
B9 Energy (O&M) Ltd	Elliott's Hill NFFO1 Contract	31/03/1994
B9 Energy (O&M) Ltd	Rigged Hill NFFO1 Contract	31/03/1994
Harperstown Power Limited	Harperstown NFFO1 Contract	31/03/1994
Highland Light and Power	Oaklands NFFO1 Contract	29/06/1999
Highland Light and Power	Silent Valley NFFO1 Contract	29/06/1999
Herdmans	Sion Mills NFFO1 Contract	31/03/1994
Hydro Electric	Benburb NFFO1 Contract	31/03/1994
McMullan & O'Donnell	Blackwater NFFO1 Contract	31/03/1994
Park Electrical Services	Park Mills NFFO1 Contract	31/04/1994
Sean Quinn Group	Slieve Rushen NFFO1 Contract	31/04/1994
SWS Group	Owenreagh NFFO1 Contract	31/04/1994
The Forge	Carrickaness NFFO1 Contract	31/04/1994
B9 Energy Biomass Ltd	Blackwater NFFO2 Contract	04/09/1996
B9 Energy Biomass Ltd	Lendrum's Bridge NFFO2 Contract	04/09/1996
Blackwater Valley Museum Ltd	Benburb Small Hydro NFFO2 Contract	04/09/1996
Brook Hall Estate	Brook Hall Estate NFFO2 Contract	27/02/1996
I&H Brown Ltd	Slievenahanaghan NFFO2 Contract	04/09/1996
Airtricity	NFF Capacity & Energy Agreement	01/04/2007
Airtricity	Interim ROF Arrangements	01/07/2002
Airtricity	Supply Agreement (Energy Sales Framework Agreement)	02/08/2004
Energia	NFF Capacity & Energy Agreement	01/04/2007

Energia	Supply Agreement (Energy Sales Framework Agreement)	02/08/2004
Energia	Interim ROF Arrangements	01/07/2002
ESBie	NFF Capacity & Energy Agreement	01/04/2007
ESBie	Supply Agreement (Energy Sales Framework Agreement)	02/08/2004
ESBie	Interim ROF Arrangements	01/07/2002
Bord Gais Eireann	Supply Agreement (Energy Sales Framework Agreement)	02/08/2004
Npower Northern	BST Agreement	28/02/2005
NIE T&D	Use of System Agreement	31/03/2000
Scottish Power Energy Management Ltd	Grid Trade Master Agreement	31/03/2005
NFPAS Ltd	ROC Agency Agreement	07/10/2005
Gentix Ltd	Contract Management System Software Licence Agreement	26/03/2007
Elexon Ltd	BSC Accession Agreement	01/02/2005
National Grid Co. Plc	The Connection and Use of System Code (CUSC) Accession Agreement	25/02/2005
Ulster Bank Ltd	Airtricity Letter of Credit re NFFO	17/04/2007
IIB Bank Plc	Coolkeeragh ESB Letter of Credit	01/03/2007
IIB Bank Plc	ESBie Letter of Credit	01/05/2007
NatWest Bank Plc	Npower Letter of Credit	02/03/2005
Airtricity Limited	Non Directed Master Contract for Differences Agreement	26/07/2007
Northern Ireland Electricity plc (in its capacity as Supply Business)	Non Directed Master Contract for Differences Agreement	30/07/2007
ESB Customer Supply	Non Directed Master Contract for Differences Agreement	30/07/2007
Bord Gais Eireann	Non Directed Master Contract for Differences Agreement	30/07/2007
Viridian Energy Supply Limited	Non Directed Master Contract for Differences Agreement	30/07/2007
Various	All Non Directed Master Contract for Differences Agreements entered into on or after 1 August 2007	Various

Appendix 2
Property Arrangements Scheme