



NIE ENERGY SUPPLY

**RESPONSE TO DRAFT IMPLEMENTATION
REPORT FOR DIRECTED CONTRACTS 2008**

We have reviewed the draft implementation report for Directed Contracts for 2008 and while we are broadly in support of the proposals, we have detailed comments on a number of specific areas below.

Alignment of DC Products with EFA Product Blocks

While NIE Energy Supply (NIEES) would encourage a move to better align the DC products to EFA blocks, given the limited range of hedging options currently available in the market, any changes to the products available may have a direct impact on our ability to secure suitable hedge cover.

In relation to the proposals suggested, we would support an extension of the Mid Merit product from a 7.30am to a 7.00am start as this change occurs at a time of relatively low SMP volatility. However, the proposed change in the start time of the Peak product from 4.30pm to 5.00pm removes a key element of hedging cover at a time of both high price volatility and heightened demand.

The proposed change to the DC products highlights the importance of diversity of products through other channels.

Change in the Deadline for Issuing Monthly Invoices

NIEES would be amenable to a change in the deadline for ESB PG and PPB issuing the monthly invoice from the 5th business day to the 7th business day, subject to there being no change to clause 7.2.1 to the Master Agreement, which states that “On the 10th Business Day of the Month in which the Monthly Statement is received by the Buyer or the 5th Business Day after receipt, whichever is the later (the "Due Date"), the Buyer or the Seller, as the case may be, shall pay to the other Party to whom it is due, the net amount payable in accordance with the Monthly Statement.” As a result, there would be no compression to the minimum 5 business day period between receiving an invoice and payment being due.

From an administration perspective, we would suggest that any changes in the settlement terms of the DC Master Agreement should also be applied to the NDC Master Agreement.