Chapter 1

Condition A  Application of Other Licence Conditions and Further Modification

1 Notwithstanding any other provision of the Licence, the following Conditions shall have effect as follows:

(a) Conditions B and C shall cease to have effect on the date 3 months after SEM Go-Live (or such later date as the Authority may direct);

(b) Condition D shall cease to have effect on the date 18 months after SEM Go-Live (or such later date as the Authority may direct); and

(c) save for Conditions 14, 17 and 18 of Chapter 3, which shall be effective from the date this Condition becomes effective, the Conditions contained in Chapter 3 shall (subject to paragraph 8) be of no effect.

Further Modification of Conditions

2 At SEM Go-Live, the Conditions contained in Chapter 2 shall automatically be modified insofar as is necessary to ensure that they are identical in form and content to the Conditions contained in Chapter 3.

3 Immediately following SEM Go-Live, the Conditions shall automatically be modified by the deletion of Chapter 3 (and the Conditions contained in it).

4 Where a Condition ceases to have effect in accordance with paragraph 1(a) or 1(b), the Conditions shall automatically be modified by the deletion of that Condition.

5 Once all of the Conditions referred to in paragraphs 1(a) and 1(b) have been deleted in accordance with paragraph 4, the Conditions shall automatically be modified by the deletion of this Chapter 1 (and the Conditions contained in it), and by the deletion of the heading “Chapter 2” (but without prejudice to the continuation of the Conditions then contained in Chapter 2).

Interpretation

6 In Conditions A, B, C and D, references to “Chapter 1”, “Chapter 2” and “Chapter 3” are to the sections of the licence created as such by the licence modifications by which
this Condition A was included in the licence.

7 Except in the Conditions contained in Chapter 3, references to a numbered condition are (unless expressly stated otherwise) to the relevant numbered condition contained in Chapter 2. In the Conditions contained in Chapter 3, references to a numbered condition are (unless expressly stated otherwise) to the relevant numbered condition contained in Chapter 3.

8 Notwithstanding paragraph 1(c), in the period prior to SEM Go-Live, the Conditions contained in Chapter 1 and Chapter 3 shall be interpreted in accordance with Condition 1 of Chapter 3, as if the provisions of Condition 1 of Chapter 3 were set out in (and applicable only to) those Conditions.

9 In Conditions A, B, C and D, unless the context otherwise requires:

“Republic of Ireland electricity operator” means any person engaged in the generation, transmission, distribution or supply of electricity in the Republic of Ireland, including any holder of a licence or authorisation to do so, or a person who has been granted a permit under Section 37 of the Electricity (Supply) Act 1927.
Condition B  Transition Steps (General)

General Requirement

1. The Licensee shall take all reasonable steps, and do all such reasonable things, as are (in each case) within its power and necessary or expedient in order to give full and timely effect to the SEM and Directive Arrangements by which it is bound (or intended to be bound), so that the Licensee is able to comply with the SEM and Directive Arrangements by which it is bound (or intended to be bound) from the time at which they are effective (or intended to be effective).

Requirement to Co-operate

2. Without prejudice to paragraphs 1 and 3, the Licensee shall cooperate with authorised electricity operators and Republic of Ireland electricity operators (and with the Department, the Authority and such other persons as the Authority may direct) and shall take all reasonable steps, and do all such reasonable things, as are (in each case) within its power and necessary or expedient in order to enable:

(a) authorised electricity operators to comply with their statutory or licence obligations to give full and timely effect to the SEM and Directive Arrangements by which they are bound (or intended to be bound), so that such authorised electricity operators are able to comply with the SEM and Directive Arrangements by which they are bound (or intended to be bound) from the time at which such SEM and Directive Arrangements are effective (or intended to be effective);

(b) authorised electricity operators to comply with any directions by the Authority under a provision of their licences equivalent to paragraph 4; and

(c) Republic of Ireland electricity operators to comply with their statutory or licence obligations to prepare for the Single Electricity Market,

and in the event of any dispute between the Licensee and such other person as to whether a particular step, or thing, is reasonable, the Licensee or such other person
may refer the matter to the Authority for determination (which determination shall be final for the purposes of this paragraph).

**Requirements to Comply with Directions**

3 Without prejudice to paragraphs 1 and 2, the Licensee shall take all reasonable steps, and do all such reasonable things, as are (in each case) within its power and necessary or expedient in order to comply with any direction made from time to time by the Authority in accordance with paragraph 4 (and shall by so doing be taken to have complied with such direction).

4 The Authority may issue directions to the Licensee setting out the steps (including without limitation those referred to in paragraph 5) to be taken (or procured) by the Licensee which are, in the Authority’s reasonable opinion, appropriate in order to give full and timely effect to the SEM and Directive Arrangements by which the Licensee is bound (or intended to be bound), so that the Licensee is able to comply with the SEM and Directive Arrangements by which it is bound (or intended to be bound) from the time at which they are effective (or intended to be effective).

5 The directions made by the Authority under paragraph 4 (with which the Licensee is, in accordance with paragraph 3, required to take all reasonable steps, and do all such reasonable things, as are (in each case) within its power and necessary or expedient in order to comply) may include requirements regarding the following steps:

(a) to secure or facilitate the amendment or establishment of any of the core industry documents;

(b) to effect the novation of (or other transfer of rights and obligations under) any of the core industry documents from the Licensee or an authorised electricity operator to the Licensee or an authorised electricity operator; and

(c) for securing the co-ordinated and effective commencement and implementation of, and operations under the Single Electricity Market Trading and Settlement Code (including the testing, trialling and start-up of the systems, processes and procedures employed in such implementation and employed by authorised electricity operators and others in connection with
such operations).

6 The Authority may, at any time, by a further direction in accordance with paragraph 4 (in order to give (or continue to give) full and timely effect to the SEM and Directive Arrangements by which the Licensee is bound (or intended to be bound)) amend or cancel any direction (or part thereof) previously made under paragraph 4.

7 The Authority may not make a direction under paragraph 4 until it has undertaken such period of prior consultation with the Licensee (and such other persons as the Authority deems appropriate) as is reasonable in the circumstances. No direction made under paragraph 4 shall be effective until a copy is served on the Licensee.

Requirement not to Frustrate

8 Without prejudice to any public or administrative law right, or statutory right, that the Licensee may have to bring any claim against any public body or person, the Licensee shall not take any step, or exercise any right, which is intended to hinder or frustrate the giving of full and timely effect to the SEM and Directive Arrangements.

Potential Conflict

9 If the Licensee is aware of any conflict between its compliance with the provisions of this Condition or any direction under paragraph 4 and its compliance with any other Condition of the Licence, the Licensee shall promptly inform the Authority of such conflict.

10 Provided the Licensee complies with paragraph 9, the other Conditions of the Licence shall prevail over this Condition in the event of conflict. If there is any conflict between a direction made under paragraph 4 and another requirement of the Licence, the provisions of the direction shall prevail.

Information

11 The Licensee shall provide to the Authority, in such manner and at such times as the Authority may reasonably require, such information and shall procure and furnish to it such reports as the Authority may reasonably require or deem necessary or appropriate to enable the Authority to monitor the Licensee’s compliance with the
requirements of this Condition, including (without limitation):

(a) information as to the Licensee’s readiness concerning the SEM and Directive Arrangements by which it is bound (or intended to be bound); and

(b) status reports concerning those matters referred to in sub-paragraph (d) of the definition of SEM and Directive Arrangements by which the Licensee is bound (or intended to be bound), and drafts of any legal documents by which such matters are to be achieved.

12 If the Licensee is aware (or should reasonably be aware) of any matter or circumstance which it considers will (or which the Licensee should reasonably consider likely to) hinder or frustrate the giving of full and timely effect to the SEM and Directive Arrangements, the Licensee shall promptly inform the Authority of such matter or circumstance.

Definitions

13 In this Condition, unless the context otherwise requires:

“core industry documents” means those documents which:

(a) are (or are to be) established or required to be entered into pursuant to or in accordance with a licence granted under the Order; or

(b) are in the Authority’s opinion central industry documents associated with the authorised activities of the Licensee or authorised electricity operators and which have been designated as such by the Authority.

“SEM and Directive Arrangements” means:

(a) any modifications made (or which the Licensee knows are to be made) to the
NI TRANSITION GENERATION

Licence, or to the licences of any authorised electricity operator, pursuant (in each case) to the SEM Order or the Electricity (Northern Ireland) Regulations 2007;

(b) the conditions of the Northern Ireland Market Operator Licence and the Transmission System Operator Licence;

(c) the terms imposed in any exemption granted pursuant to Article 9 of the Order that reflect a modification referred to in sub-paragraph (a);

(d) the matters that the Licensee knows (or should reasonably know) are envisaged by the modifications and conditions referred to in sub-paragraphs (a) and (b) (including, without limitation, the establishment, amendment or termination of, or the transfer of rights and obligations under, core industry documents); and

(e) the proposed transfer to NIE Energy Limited (pursuant to the Electricity (Northern Ireland) Regulations 2007) of the public electricity supply licence previously held by Northern Ireland Electricity plc.
**Condition C  Transition Steps (Specific)**

**Transmission Use of System Agreement**

1. Subject to paragraph 3, the Licensee shall, by 1 September 2007 (or such later date as the Authority may direct), submit to the Authority either:

   (a) a draft agreement with SONI for use of the transmission system with which both proposed parties thereto are content; or

   (b) a draft of such an agreement including those provisions with which both proposed parties thereto are content, and which highlights those matters in the draft agreement that remain in dispute between those parties.

2. Subject to paragraph 3, the Licensee shall enter into an agreement with SONI for use of the transmission system in such form as the Authority may designate (having regard to the provisions of any existing agreement between the Licensee and NIE for use of the total system, the draft agreement submitted to the Authority, any responses received in connection with any consultation concerning the same, and such other matters as the Authority considers appropriate), and the Licensee shall enter into the agreement so designated within 7 days of such designation.

3. Paragraphs 1 and 2 shall not apply if the Licensee’s generation sets are not connected (or to be connected) to the total system, or if the Licensee’s only generation sets that are connected to the total system are subject to cancellable generating unit agreements. It is acknowledged that different forms of agreement may be appropriate depending upon whether the generation set in question is connected to the transmission system or to a distribution system.

**Transmission Connection Agreements**

4. In respect of each relevant connection agreement (if any), the Licensee shall, by 1 September 2007 (or such later date as the Authority may direct), submit to the Authority either:

   (a) a draft agreement to amend the relevant connection agreement with which both proposed parties thereto are content; or
(b) a draft agreement to amend the relevant connection agreement including those provisions with which both proposed parties thereto are content, and which highlights those matters in the draft agreement that remain in dispute between those parties.

5 In respect of each relevant connection agreement (if any), the Licensee shall enter into an agreement that amends the relevant connection agreement in such form as the Authority may designate (having regard to the provisions of the existing agreement, the draft agreement submitted to the Authority, any responses received in connection with any consultation concerning the same, and such other matters as the Authority considers appropriate), and the Licensee shall enter into the agreement so designated within 7 days of such designation.

6 In respect of each relevant connection agreement (if any), the Licensee shall, by 1 September 2007 (or such later date as the Authority may direct), submit to the Authority either:

(a) a draft agreement to novate the relevant connection agreement (as amended, or to be amended, pursuant to the agreement referred to in paragraph 5) from NIE to SONI with which all three proposed parties thereto are content; or

(b) a draft agreement to novate the relevant connection agreement from NIE to SONI including those provisions with which all three proposed parties thereto are content, and which highlights those matters in the draft agreement that remain in dispute between those parties.

7 In respect of each relevant connection agreement (if any), the Licensee shall enter into an agreement that novates the relevant connection agreement (as amended, or to be amended, pursuant to the agreement referred to in paragraph 5) from NIE to SONI in such form as the Authority may designate (having regard to the provisions of the draft agreement submitted to the Authority, any responses received in connection with any consultation concerning the same, and such other matters as the Authority considers appropriate), and the Licensee shall enter into the agreement so designated within 7 days of such designation.

8 In paragraphs 4, 5, 6 and 7, “relevant connection agreement” means each of the
existing connection agreements between the Licensee and NIE that relate to the connection of a generation set or generation sets to the transmission system.

**Distribution Connection Agreements (Licensed Generators)**

9. In respect of each relevant connection agreement (if any), the Licensee shall enter into an agreement that amends the relevant connection agreement in such form as the Authority may designate (having regard to the provisions of the relevant connection agreement, the proposals put forward by NIE under its licence, any responses received in connection with any consultation concerning the same, and such other matters as the Authority considers appropriate), and the Licensee shall enter into the agreement so designated within 7 days of such designation.

10. In paragraph 9, “relevant connection agreement” means each of the existing connection agreements between the Licensee and NIE that relate to the connection of a generation set or generation sets to NIE’s distribution system.

**Power Purchase Agreements**

11. In respect of each relevant power purchase agreement (if any), the Licensee shall, by 1 September 2007 (or such later date as the Authority may direct), submit to the Authority either:

   (a) a draft agreement to amend the relevant power purchase agreement with which both proposed parties thereto are content; or

   (b) a draft agreement to amend the relevant power purchase agreement including those provisions with which both proposed parties thereto are content, and which highlights those matters in the draft agreement that remain in dispute between those parties.

12. In respect of each relevant power purchase agreement (if any), the Licensee shall enter into an agreement that amends the relevant power purchase agreement in such form as the Authority may designate (having regard to the provisions of the existing agreement, the draft agreement submitted to the Authority, any responses received in connection with any consultation concerning the same, and such other matters as the Authority considers appropriate), and the Licensee shall enter into the agreement so
designated within 7 days of such designation.

13 In respect of each relevant power purchase agreement (if any), the Licensee shall, by 1 September 2007 (or such later date as the Authority may direct), submit to the Authority either:

(a) a draft agreement to novate the relevant power purchase agreement (as amended, or to be amended, pursuant to the agreement referred to in paragraph 12) from NIE to NIE Energy with which all three proposed parties thereto are content; or

(b) a draft agreement to novate the relevant power purchase agreement from NIE to NIE Energy including those provisions with which all three proposed parties thereto are content, and which highlights those matters in the draft agreement that remain in dispute between those parties.

14 In respect of each relevant power purchase agreement (if any), the Licensee shall enter into an agreement that novates the relevant power purchase agreement (as amended, or to be amended, pursuant to the agreement referred to in paragraph 12) from NIE to NIE Energy in such form as the Authority may designate (having regard to the provisions of the draft agreement submitted to the Authority, any responses received in connection with any consultation concerning the same, and such other matters as the Authority considers appropriate), and the Licensee shall enter into the agreement so designated within 7 days of such designation.

15 In paragraphs 11, 12, 13 and 14, “relevant power purchase agreement” means each of the existing power purchase agreements between the Licensee and NIE, including any cancellable generating unit agreements, but (subject thereto) excluding any agreements for the provision of System Support Services (as defined in Condition 1 of Chapter 2).

System Support Services Agreements (non-PPB)

16 In respect of each system support services agreement (if any), the Licensee shall, by 1 September 2007 (or such later date as the Authority may direct), submit to the Authority either:
(a) a draft agreement to amend the system support services agreement with which both proposed parties thereto are content; or

(b) a draft agreement to amend the system support services agreement including those provisions with which both proposed parties thereto are content, and which highlights those matters in the draft agreement that remain in dispute between those parties.

17 In respect of each system support services agreement (if any), the Licensee shall enter into an agreement that amends the system support services agreement in such form as the Authority may designate (having regard to the provisions of the existing agreement, the draft agreement submitted to the Authority, any responses received in connection with any consultation concerning the same, and such other matters as the Authority considers appropriate), and the Licensee shall enter into the agreement so designated within 7 days of such designation.

18 In respect of each system support services agreement (if any), the Licensee shall, by 1 September 2007 (or such later date as the Authority may direct), submit to the Authority either:

(a) a draft agreement to novate the system support services agreement (as amended, or to be amended, pursuant to the agreement referred to in paragraph 17) from NIE to SONI with which all three proposed parties thereto are content; or

(b) a draft agreement to novate the system support services agreement from NIE to SONI including those provisions with which all three proposed parties thereto are content, and which highlights those matters in the draft agreement that remain in dispute between those parties.

19 In respect of each system support services agreement (if any), the Licensee shall enter into an agreement that novates the system support services agreement (as amended, or to be amended, pursuant to the agreement referred to in paragraph 17) from NIE to SONI in such form as the Authority may designate (having regard to the provisions of the draft agreement submitted to the Authority, any responses received in connection with any consultation concerning the same, and such other matters as the Authority
considers appropriate), and the Licensee shall enter into the agreement so designated within 7 days of such designation.

20 In paragraphs 16, 17, 18 and 19, “system support services agreement” means each of the existing agreements concerning the provision of System Support Services (as defined in Condition 1 of Chapter 2) between the Licensee and NIE, but excluding any cancellable generating unit agreements.

Intermediary Agreements

21 Where Chapter 3 contains a Condition 18, the Licensee shall, by 1 September 2007 (or such later date as the Authority may direct), submit to the Authority (for consideration by the Authority under paragraph 2 of Condition 18 of Chapter 3) either:

(a) a draft Intermediary Agreement (as referred to in Condition 18 of Chapter 3) with which both of the proposed parties thereto are content; or

(b) a draft of such agreement which includes those provisions with which both proposed parties thereto are content, and which highlights those matters in the draft agreement that remain in dispute between those parties.

System Value Agreement [to be included only in Coolkeeragh ESB Limited’s licence]

22 The Licensee shall review the application of the system value agreement between ESBII Technology and Construction Limited and SONI concerning Coolkeeragh Power Station in the context of the Single Electricity Market, and shall, by 1 September 2007 (or such later date as the Authority may direct), submit to the Authority either:

(a) a draft agreement that either amends or terminates that agreement (as appropriate in the context of the Single Electricity Market), and with which both proposed parties thereto are content; or

(b) a draft agreement that either amends or terminates that agreement (as appropriate in the context of the Single Electricity Market), and which includes those provisions with which both proposed parties thereto are content,
and which highlights those matters in the draft agreement that remain in dispute between those parties.

23 The Licensee shall procure that ESBII Technology and Construction Limited enters into an agreement that either amends or terminates the agreement referred to in paragraph 22 (as appropriate in the context of the Single Electricity Market) in such form as the Authority may designate, and the Licensee procure that ESBII Technology and Construction Limited shall enter into the agreement so designated within 7 days of such designation.

Definitions

24 In this Condition:

“NIE” means Northern Ireland Electricity plc (a body corporate registered in Northern Ireland under company number NI026041).

“NIE Energy” means NIE Energy Limited (a body corporate registered in Northern Ireland under company number NI27394).

“SONI” means SONI Limited (a body corporate registered in Northern Ireland under company number NI038715).
Condition D  Run-Off Steps (General)

General Requirement

1 The Licensee shall take all reasonable steps, and do all such reasonable things, as are (in each case) within its power and necessary or expedient in order to fully and effectively run-off, from SEM Go-Live, the Pre-SEM Arrangements for which it is Responsible.

Requirement to Co-operate

2 Without prejudice to paragraphs 1 and 3, the Licensee shall cooperate with authorised electricity operators and Republic of Ireland electricity operators (and with the Department, the Authority and such other persons as the Authority may direct) and shall take all reasonable steps, and do all such reasonable things, as are (in each case) within its power and necessary or expedient in order to enable:

(a) authorised electricity operators to comply with their statutory or licence obligations to fully and effectively run-off, from SEM Go-Live, the Pre-SEM Arrangements for which they are Responsible;

(b) authorised electricity operators to comply with any directions by the Authority under a provision of their licence equivalent to paragraph 4; and

(c) Republic of Ireland electricity operators to comply with their statutory or licence obligations (if any) to fully and effectively run-off, from SEM Go-Live, the Pre-SEM Arrangements for which they are Responsible,

and in the event of any dispute between the Licensee and such other person as to whether a particular step, or thing, is reasonable, the Licensee or such other person may refer the matter to the Authority for determination (which determination shall be final for the purposes of this paragraph).

Requirements to Comply with Directions

3 Without prejudice to paragraphs 1 and 2, the Licensee shall take all reasonable steps, and do all such reasonable things, as are (in each case) within its power and necessary or expedient in order to comply with any direction made from time to time by the
Authority in accordance with paragraph 4 (and shall by so doing be taken to have complied with such direction).

4 The Authority may issue directions to the Licensee setting out the steps to be taken (or procured) by the Licensee which are, in the Authority’s reasonable opinion, appropriate in order to fully and effectively run-off, from SEM Go-Live, the Pre-SEM Arrangements for which it is Responsible.

5 The Authority may, at any time, by a further direction in accordance with paragraph 4 (in order to fully and effectively run-off, from SEM Go-Live, the Pre-SEM Arrangements for which the Licensee is Responsible) amend or cancel any direction (or part thereof) previously made under paragraph 4.

6 The Authority may not make a direction under paragraph 4 until it has undertaken such period of prior consultation with the Licensee (and such other persons as the Authority deems appropriate) as is reasonable in the circumstances. No direction made under paragraph 4 shall be effective until a copy is served on the Licensee.

Requirement not to Frustrate

7 Without prejudice to any public or administrative law right, or statutory right, that the Licensee may have to bring any claim against any public body or person, the Licensee shall not take any step, or exercise any right, which is intended to hinder or frustrate the full and effective run-off, from SEM Go-Live, of the Pre-SEM Arrangements.

Potential Conflict

8 If the Licensee is aware of any conflict between its compliance with the provisions of this Condition or any direction under paragraph 4 and its compliance with any other Condition of the Licence, the Licensee shall promptly inform the Authority of such conflict.

9 Provided the Licensee complies with paragraph 8, the other Conditions of the Licence shall prevail over this Condition in the event of conflict. If there is any conflict between a direction made under paragraph 4 and another requirement of the Licence, the provisions of the direction shall prevail.
The Licensee shall provide to the Authority, in such manner and at such times as the Authority may reasonably require, such information and shall procure and furnish to it such reports as the Authority may reasonably require or deem necessary or appropriate to enable the Authority to monitor the Licensee’s compliance with the requirements of this Condition.

If the Licensee is aware (or should reasonably be aware) of any matter or circumstance which it considers will (or which the Licensee should reasonably consider likely to) hinder or frustrate the full and effective run-off, from SEM Go-Live, of the Pre-SEM Arrangements, the Licensee shall promptly inform the Authority of such matter or circumstance.

In this Condition, unless the context otherwise requires:

“core industry documents” means those documents which

(a) are established or required to be entered into pursuant to or in accordance with a licence granted under the Order; or

(b) are in the Authority’s opinion central industry documents associated with the authorised activities of the Licensee or authorised electricity operators and which have been designated as such by the Authority.

“Pre-SEM Arrangements” means:

(a) the Supply Competition Code;

(b) the Interim Settlement Code and Interim Settlement Agreements;
(c) the renewable output factor arrangements;

(d) the small renewable spill arrangements;

(e) the top-up and standby arrangements (if any);

(f) the arrangements for payment of the bulk supply tariff;

(f) the arrangements for wheeling; and

(g) any other core industry document as the Authority may direct for the purposes of this paragraph.

“Responsible” means, in respect of:

(a) the Supply Competition Code, the Power Procurement Business (or such other person as the Authority may direct following consultation with the Power Procurement Business and such other person);

(b) the Interim Settlement Code and the Interim Settlement Agreements, the Power Procurement Business (or such other person as the Authority may direct following consultation with the Power Procurement Business and such other person);

(c) the renewable output factor arrangements, the Power Procurement Business (or such other person as the Authority may direct following consultation with the Power
NI TRANSITION GENERATION

Procurement Business and such other person);

(d) the small renewable spill arrangements, the Power Procurement Business (or such other person as the Authority may direct following consultation with the Power Procurement Business and such other person);

(e) the top-up and standby arrangements, the Transmission Owner (or such other person as the Authority may direct following consultation with the Transmission Owner and such other person); and

(f) the arrangements for payment of the bulk supply tariff, the Power Procurement Business (or such other person as the Authority may direct following consultation with the Power Procurement Business and such other person);

(f) the arrangements for wheeling, the Transmission Owner (or such other person as the Authority may direct following consultation with the Transmission Owner and such other person); and

(g) any other core industry document specified by the Authority for the purposes of this paragraph, such person or persons as the Authority considers to be
responsible for such document (as specified in the relevant direction).

“run-off” means, in relation to any arrangements, the bringing to an end of those arrangements, which shall include the determination and settlement (including by way of reconciliation) of electricity and payments in connection with periods up to and including the point at which such arrangements are brought to an end.

13 References to documents and arrangements in the definitions of “Pre-SEM Arrangements” and “Responsible” set out in paragraph 12 shall (if such documents or arrangements are not otherwise defined in the Licence) be to such documents and arrangements as defined (or, if not defined, referred to) in the conditions of the Transmission Owner Licence, as they existed immediately prior to SEM Go-Live.