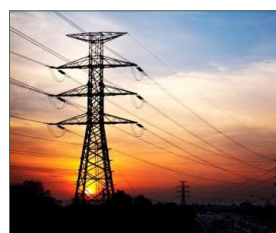


PROPOSED MODIFICATIONS OF NIE LTD TRANSMISSION AND DISTRIBUTION LICENCES

30 July 2013



About the Utility Regulator

The Utility Regulator is the independent non-ministerial government department responsible for regulating Northern Ireland's electricity, gas, water and sewerage industries, to promote the short and long-term interests of consumers.

We are not a policy-making department of government, but we make sure that the energy and water utility industries in Northern Ireland are regulated and developed within ministerial policy as set out in our statutory duties.

We are governed by a Board of Directors and are accountable to the Northern Ireland Assembly through financial and annual reporting obligations.

We are based at Queens House in the centre of Belfast. The Chief Executive leads a management team of directors representing each of the key functional areas in the organisation: Corporate Affairs; Electricity; Gas; Retail and Social; and Water. The staff team includes economists, engineers, accountants, utility specialists, legal advisors and administration professionals.

Our Mission

Value and sustainability in energy and water.

Our Vision

We will make a difference for consumers by listening, innovating and leading.

Our Values

Be a best practice regulator: transparent, consistent, proportional, accountable, and targeted.

Be a united team.

Be collaborative and co-operative.

Be professional.

Listen and explain.

Make a difference.

Act with integrity.

Abstract

Northern Ireland Electricity Ltd, was purchased by the Electricity Supply Board in December 2010. The Single Electricity Market Committee, which is the decision-making body governing the exercise of regulatory functions in the wholesale electricity market on the island of Ireland considered that modifications to NIE Ltd's licence were required as a consequence of this change of ownership. The changes clarify the identity of the new owner of NIE Ltd and also extend the definition of resources NIE is required to have available in order to demonstrate that it can meet its obligations under legislation.

Audience

Electricity industry participants, statutory bodies, consumer groups and other wider stakeholders.

Consumer impact

The modifications will provide more clarity to the Licence under which NIE Ltd provides its services and will allow for the provision of more evidence that it has the resources to discharge its statutory duties.

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NOTICE UNDER ARTICLE 14(2) OF THE ELECTRICITY (NORTHERN IRELAND) ORDER 1992

MODIFICATION OF NIE LTD TRANSMISSION AND DISTRIBUTION LICENCES

In pursuance of its powers under Article 14(1) of the Electricity (Northern Ireland) Order 1992 (as amended) (hereafter referred to as the “**Order**”) and having obtained the consent of the Licensee, the Northern Ireland Authority for Utility Regulation (hereafter referred to as the “**Authority**”) hereby gives notice under Article 14(2) as follows:

- 1 It proposes to modify the electricity transmission licence and the electricity distribution licence (the Licences) held by NIE Ltd (the Licensee) by amending Condition 1 and replacing the existing licence Condition 3 with the text set out in Annex 1 of this notice.
- 2 The reason for the proposed modifications is to reflect the changes considered necessary by the SEM Committee consequent to the purchase of NIE by ESB in December 2010. The SEM Committee published a consultation paper on the required changes in March 2011 – “SEM-11-011” - and a Decision paper in January 2012 – “SEM-12-003” - which can both be found at:
http://www.allislandproject.org/en/transmission_current_consultations.aspx?article=ca8c7079-f65e-4864-adf7-115de061f11b&mode=author
- 3 The effects of this modification are summarised as follows:
 - i) To provide certainty and clarity as to the ownership of NIE Ltd by ESB,
 - ii) To clarify and extend the definition of resources that NIE must have available to it in order to carry on the transmission and distribution business and comply with its obligations under the Order, the Energy Order, the SEM Order and the Licences.

iii) To provide transparency as to the information that has informed the Directors of NIE Ltd's certification that NIE will have available to it sufficient resources in order to carry on the transmission and distribution business and comply with its obligations under the Order, the Energy Order, the SEM Order and the Licences.

4 A copy of the proposed modifications is set out in Annex 1.

5 Representations or objections with respect to the proposed modifications may be made **on or before 5pm 28 August 2013** to:

Joe Craig
The Northern Ireland Authority for Utility Regulation
Queens House
14 Queen Street
Belfast
BT1 6ER

Tel: 028 9031 6321
Fax: 028 9031 1740

Email: joe.craig@uregni.gov.uk

6 The Utility Regulator has, pursuant to Articles 14(3)(b) and 14(4) of the Order respectively, served a copy of this notice on the Licensee and sent a copy to the Department of Enterprise Trade and Investment.

Dated this 30 day of July 2013



Shane Lynch

For and on behalf of the Northern Ireland Authority for Utility Regulation

cc

Fiona Hepper, DETI
Carl Hashim, Compliance Manager, Northern Ireland Electricity Limited.

Annex 1

Modifications to NIE Ltd Transmission and Distribution Licences

Condition 1. Construction and Interpretation

"affiliate" in relation to any person means any holding company of that person, any subsidiary of that person, or any subsidiary of a holding company of that person, in each case within the meaning of section 1159 of the Companies Act 2006 and references in that Act to a "company" shall be deemed to include the Electricity Supply Board.

"Electricity Supply Board" means the body corporate established in accordance with the Republic of Ireland Electricity (Supply) Act 1927.

Condition 3. Availability of Resources and Undertaking of Ultimate Controller

Availability of Resources

- 1 The Licensee shall at all times act in a manner calculated to secure that it has sufficient resources (including, without limitation, management and financial resources, personnel, fixed and moveable assets, rights, licences, consents and facilities), on such terms and with all such rights, as shall ensure that it is at all times able to:
 - (a) carry on the Transmission Owner Business; and
 - (b) comply with its obligations under the Order, the Energy Order, the SEM Order and this Licence.

2 The Licensee shall submit a certificate addressed to the Authority, approved by a resolution of the Board of Directors of the Licensee and signed by a director of the Licensee pursuant to that resolution. Such certificate shall be submitted on 30 September 1999 and thereafter on 30 September of each subsequent year. Each certificate shall be in one of the following forms:

- (a) “After making enquiries, the directors of the Licensee have a reasonable expectation that the Licensee will have available to it, after taking into account in particular (but without limitation) any dividend or other distribution which might reasonably be expected to be declared or paid, sufficient resources including management and financial resources, personnel, fixed and moveable assets, rights, licences, consents and facilities to enable the Licensee to carry on the Transmission Owner Business for a period of 12 months from the date of this certificate.”
- (b) “After making enquiries, the directors of the Licensee have a reasonable expectation, subject to the Terms of this certificate, that the Licensee will have available to it, after taking into account in particular (but without limitation) any dividend or other distribution which might reasonably be expected to be declared or paid, sufficient resources including management and financial resources, personnel, fixed and moveable assets, rights, licences, consents and facilities to enable the Licensee to carry on the Transmission Owner Business for a period of 12 months from the date of this certificate. However, they would like to draw attention to the following factors which may cast doubt on the ability of the Licensee to carry on the Transmission Owner Business.”
- (c) “In the opinion of the directors of the Licensee, the Licensee will not

have available to it sufficient resources including management and financial resources, personnel, fixed and moveable assets, rights, licences, consents, and facilities to enable the Licensee to carry on the Transmission Owner Business for a period of 12 months from the date of this certificate.”

- 3 The Licensee shall submit to the Authority together with the certificate referred to in paragraph 2 of this condition a statement of the main factors which the directors of the Licensee have taken into account in giving that certificate, together with copies of the key documents and information taken into account by the directors of the Licensee in deciding upon the main factors and in giving the certificate.
- 4 The Licensee shall inform the Authority in writing immediately if the directors of the Licensee become aware of any circumstances which cause them no longer to have the reasonable expectation expressed in the then most recent certificate given under paragraph 2.
- 5 The Licensee shall use its best endeavours to obtain and submit to the Authority with each certificate provided for in paragraph 2 a report prepared by the Auditors and addressed to the Authority stating whether or not the Auditors are aware of any inconsistencies between, on the one hand, that certificate and the statement submitted with it and, on the other hand, any information which they obtained during their audit work.

Undertaking of ultimate controller

- 6 The Licensee shall procure from each company or other person which the Licensee knows or reasonably should know is at any time an ultimate controller of the Licensee a legally enforceable undertaking in favour of the Licensee in a form specified by the Authority that the ultimate controller will refrain from any action, and will procure that every subsidiary of the ultimate controller (other than the Licensee and its subsidiaries) will refrain

from any action, which would then be likely to cause the Licensee to breach any of its obligations under the Order, the Energy Order, the SEM Order or the Licence. Such undertaking shall be obtained within 7 days after the date when these modifications first become effective, or after the person in question becomes an ultimate controller (as the case may be) and shall remain in force for as long as the Licensee remains the holder of this Licence and the giver of the undertaking remains an ultimate controller of the Licensee.

7 The Licensee shall:

- (a) deliver to the Authority evidence (including a copy of each such undertaking) that the Licensee has complied with the obligation to procure undertakings pursuant to paragraph 6;
- (b) inform the Authority immediately in writing if the directors of the Licensee become aware that the undertaking has ceased to be legally enforceable or that its terms have been breached; and
- (c) comply with any direction from the Authority to enforce any such undertaking.

8 The Licensee shall not, save with the written consent of the Authority, enter (directly or indirectly) into any agreement or arrangement with an ultimate controller of the Licensee or any of its subsidiaries (other than subsidiaries of the Licensee) at a time when:

- (a) an undertaking complying with paragraph 6 is not in place in relation to that ultimate controller; or
- (b) there is an unremedied breach of such undertaking; or
- (c) the Licensee is in breach of the terms of any direction issued by the Authority under paragraph 7.

9 In this Condition 3, unless the context otherwise required, “ultimate controller” means:

- (a) any holding company of the Licensee, which is not itself a subsidiary of another company; and/or
- (b) any person who (whether alone or with a person or persons connected with him) is in a position to control, or to exercise influence over, the policy of the Licensee, or any holding company of the Licensee, by virtue of:
 - (i) rights under contractual arrangement to which he is a party or of which he is a beneficiary;
 - (ii) rights of ownership (including rights attached to or deriving from securities or rights under a trust) which are held by him or of which he is a beneficiary,

but shall exclude any director or employee of a corporate body in his capacity as such and any minister, ministry, department, agency, authority, official or statutory person,

and a person shall be considered to be connected with another person if he is a party to any arrangement regarding the exercise of any such right as are described in paragraph (b) above.