

**The Proposed Acquisition of East Surrey Holdings plc
by Kellen Acquisitions Limited –
Implications for Phoenix Natural Gas Limited**

**A Consultation Paper by the Northern Ireland
Authority for Energy Regulation
May 2005**

1. Introduction

On 8 April 2005, Kellen Acquisitions Limited (**Kellen**), an acquisition vehicle for the private equity house Terra Firma, announced its offer to acquire the shares in East Surrey Holdings plc (**ESH**).

The principal assets of ESH are East Surrey Water plc, a water company in southern England, and Phoenix Natural Gas Limited (**Phoenix**). Phoenix holds licences which authorise (mainly on an exclusive basis) it to convey and supply natural gas within the Greater Belfast area. It currently supplies gas to over 80,000 consumers.

Although Kellen's offer to acquire ESH does not require the consent of the Northern Ireland Authority for Energy Regulation (**the Authority**), it does reveal new information and give rise to a number of questions about issues related to the ongoing regulation of Phoenix. The purpose of this consultation paper is to allow the Authority to seek the views of all interested parties on whether the Authority's present proposals in relation to the regulation of Phoenix are adequate or should be reconsidered in the light of the acquisition.

In this consultation paper –

- Section 2 sets out the regulatory framework within which the Authority operates
- Section 3 sets out general background in relation to the development of the gas industry in Northern Ireland and the role of Phoenix in that development
- Section 4 sets out a history of recent developments in relation to Phoenix, including discussions which have taken place between it and the Authority during the past year
- Section 5 sets out a number of policy issues and concerns of the Authority which have been brought into focus by the proposed acquisition of ESH
- Section 6 requests relevant information and comments from all interested parties on the regulatory decisions facing the Authority.

2. The Regulatory Framework

The Authority's powers to regulate the gas industry in Northern Ireland can be found mostly in the Gas (Northern Ireland) Order 1996 (**Gas Order**) and the Energy (Northern Ireland) Order 2003 (**Energy Order**).

Article 14 of the Energy Order requires that the Authority must exercise its functions in relation to the gas industry in accordance with a set of principles known as its 'general duties'. The general duties require the Authority to act in the manner that is best calculated to further a principal objective, which is "the development and maintenance of an efficient, economic and co-ordinated gas industry in Northern Ireland".

In doing so, the Authority is also required to have regard to a number of factors, including in particular the need to protect the interests of consumers of gas and the need to secure that licence holders can finance the activities which they are obliged to undertake.

These duties require the Authority to use its discretion in balancing a number of different factors. The Authority recognises that, in order to ensure the continuing development of the industry, there must be appropriate rewards for companies which choose to invest in the gas sector in Northern Ireland in order to ensure that the industry develops to its optimum extent. This means that the shareholders of those companies should be able to make a return on their investment which does not discourage them or others from continuing to invest in the maintenance and future development of the industry.

On the other hand, an indispensable pre-condition to the continued development of the industry is public confidence. It is important that prices to consumers are set at a level that makes them competitive with other fuels, or there will be insufficient growth in consumer demand for gas to create a market and drive the need for greater investment. If gas prices are too high or are otherwise

perceived as being (or likely to become) unfair to consumers, consumers are more likely to continue to use other more established fuels, notably fuel oil, to the detriment of the gas market. Moreover it is necessary to protect consumers, including those who may themselves have made some investment in order to switch to gas, from paying more than they should reasonably be expected to for their energy needs.

The Authority's general duties therefore require it to ensure that the price of gas to consumers is maintained at a competitive level consistent with investors in the Northern Ireland market making a reasonable rate of return on their investment bearing in mind the risks they face.

In order to strike the right balance between these factors, and therefore to regulate the gas industry in compliance with its general duties, the Authority must be responsive to changing circumstances and be willing to adjust its policies where it is necessary to do so in order to ensure that it continues to act in furtherance of its principal objective.

There are a number of dynamic factors in the gas market in Northern Ireland, which include changes in wholesale gas prices, government taxation policy, consumer take-up of gas, the competitiveness of other fuels, and market sentiment in respect of the risks and opportunities relating to investment in the gas industry. The Authority keeps these developments under review and where appropriate consults on its policy in relation to the industry.

3. Background

The Natural Gas Industry in Northern Ireland

The natural gas industry in Northern Ireland developed in a very different way to the equivalent industries in Great Britain and the Irish Republic.

In each of the latter cases, development followed discoveries of substantial quantities of offshore natural gas. In both cases the arrival of natural gas coincided with a period of rising expectations in domestic comfort and helped facilitate the growth in, for example, gas-fired central heating. Investment in Great Britain and the Irish Republic was undertaken by state owned entities (British Gas in Great Britain and Bord Gáis Éireann in the Republic) which were able to take a long term view on returns on their investments.

The position in Northern Ireland was very different. It had no viable natural gas fields of its own, which effectively precluded an early transition to natural gas. Because of this, attempts were made in both the 1970's and 1980's to connect Northern Ireland, first to the British gas network and then to the network in the Republic. Both attempts were unsuccessful. Natural gas finally arrived in 1996 when the Scotland to Northern Ireland gas interconnection pipeline came into operation.

But the development of the industry has taken a radically different form to that in Great Britain and the Irish Republic. Investment has been undertaken by the private sector against the backdrop of a market historically dominated by a highly competitive oil industry. Notwithstanding that significant investment in the sector was perceived as risky (as there was no guarantee that the market would develop sufficiently to allow reasonable returns to be made on the

investment), investors were prepared to invest provided they received adequate returns on their investment taking into account the risks inherent in it.

The Development of Phoenix

Under the Gas Order, transmission and distribution (together known as conveyance) and the supply of natural gas are licensable activities in Northern Ireland.

Phoenix was first granted a licence in 1996, at which point it started to build its new gas network. The licence gave it exclusive rights to transmit, distribute and supply gas in an area which included Larne and the Belfast conurbation.

At that time, British Gas had a controlling interest in Phoenix which it continued to hold until 2003. During the period 1996 to 2003, minority interests of 24.5% were acquired by each of Keyspan Energy Development Corporation (an American company) and ESH. ESH acquired Phoenix outright in December 2003.

The Phoenix gas network now covers approximately 230,000 of the 300,000 properties in the area covered by its licence. More than 80,000 of those properties are currently connected to the network.

The price control and financial provisions in the licence granted to Phoenix in 1996 differed from provisions typically seen in gas licences in Great Britain. The differences reflected the low customer numbers in Northern Ireland (compared with the mature market in Great Britain), the increased investment risk and an acknowledgment that, until there was a significant increase in its customer base, Phoenix's annual expenditure would exceed its annual income. That position was anticipated to continue for several years.

Accordingly, key aspects of the 1996 arrangements included –

a rate of return of 8.5% pre-tax real for 20 years (which was significantly outside the range typically seen in gas licences in Great Britain but reflected the greater risk profile faced by investors),

price caps that were set to allow costs to be fully recovered by 2016 (within 20 years)

forecast negative cash flows (operating losses) were to be capitalised into the Regulatory Asset Base (RAB),

additional income could be earned by capital efficiencies (i.e. expenditure on capital investment being less than forecast),

income could be increased by exceeding gas sales forecasts, and

earnings could be enhanced by reductions in operating costs below anticipated levels.

Until the gas market matured and Phoenix became cash positive, the potential gains identified at (c) to (f) were unlikely to be realisable. However, an amount equal to the value of those gains was added to the Regulatory Asset Base on an annual basis and earned a rate of return.

The effect of this approach led to an increase in the cumulative under-recovery under the licence and consequently increased the Regulatory Asset Base.

The Regulatory Asset Base has therefore been enhanced by an amount representing the shortfall between actual expenditure and forecast expenditure. In key respects this differs from that of other utilities where price controls are typically set to allow full revenue entitlement to be recovered within a five year price control period.

By 2003 the Regulatory Asset Base had risen to £351 million (at March 2005 prices) which included £63 million of costs not actually incurred by Phoenix. This £63 million does not therefore represent monies actually invested by Phoenix in the gas network.

4. Recent Developments

Background to the 2004 Negotiations

During the course of 2004, the Authority and Phoenix entered into discussions on a number of possible changes to the licence granted in 1996. There were a number of factors giving rise to a need to revisit the licence conditions.

First, the extension of the gas network in Northern Ireland to the Northwest. Prior to the development by Bord Gáis Éireann (UK) of the Northwest transmission pipeline between Coolkeeragh power station in Derry and the Phoenix network at Carrickfergus, the Phoenix network had been at the end of the pipeline infrastructure. With the development of the Northwest pipeline the transmission pipe forming part of the Phoenix network (**BTP**) became part of a wider network serving Northern Ireland. This led to a change in the method of recovery of transmission related costs and necessitated changes to the licence.

Second there was the need to implement EU Directive 2003/55/EC concerning common rules for the internal market in gas (the **Gas Directive**). The Gas Directive requires the legal and managerial separation of the gas transmission business of Phoenix from its supply and distribution businesses. This will require a number of changes to the licensing structure currently in place for Phoenix.

Finally, discussions had been ongoing since 2002 on the cost recovery arrangements put in place in 1996 (and in particular the rate of return and 20 year period for capital recovery). Concerns had been expressed that the 20 year period might be insufficient to enable Phoenix to recover its initial investment by 2016 in light of the rate of consumer take-up of gas. There was significant uncertainty about the extent to which, if at all, Phoenix would be able to recover the balance of its investment in the period post-2016.

This situation created a dilemma for Phoenix. To earn its allowed rate of return it was under pressure to increase prices to ensure its investment was fully recovered before the expiry of the price control. But this would be detrimental both to consumers (in terms of increased prices) and hence to Phoenix (since the likely effect was to limit the growth in new connections to its network, thereby seriously prejudicing its ability to make the 8.5% target

rate of return allowed by its 1996 licence). In consequence it would also have been detrimental to the development of the industry in Northern Ireland.

In view of this the Authority agreed to revisit the regulatory arrangements with a view to identifying means of assisting Phoenix in achieving a fair rate of return whilst protecting the interests of customers and promoting the development of the industry.

The Proposed Regulatory Agreement

Discussions with Phoenix on possible changes to the 1996 arrangements commenced as early as the second half of 2002.

At the outset of the discussions, Phoenix was seeking an extended cost recovery period well beyond 2016 (which would have significantly reduced the risk to Phoenix's investment). At the same time it was seeking a Regulatory Asset Base in excess of actual expenditure without any reduction in its target 8.5% rate of return prior to 2016. The view of the Authority at that time was that the proposal did not strike the correct balance between the interests of consumers and those of Phoenix, and would not tend to promote the interests of the Northern Ireland gas industry as a whole. Therefore no agreement on this basis was likely to be reached.

ESH acquired Phoenix outright in December 2003. In January 2004, Phoenix advised the Authority that, faced with a retrospective price increase under its gas contract with Centrica which it felt increasingly powerless to resist, it would have to increase its prices by 10% in April 2004. Shortly afterwards, Phoenix announced a proposed 20% increase in prices from 1 April 2004 pending completion of the renegotiation of its gas contract with Centrica.

Although neither price increase was actually implemented, it was against the background of Phoenix's concerns and public pressure for a greater degree of

long term price stability that negotiations between Phoenix and the Authority were re-opened. The discussions had the twin aims of achieving stability in the transmission and distribution elements of the gas price for consumers, (particularly in the context of Phoenix shortly having to pay increased prices for its gas supply as a consequence of its negotiations with Centrica), whilst striking an appropriate balance between the various interests and being consistent with the Authority's general duties.

There was an acceptance in principle on a move to a forty year capital recovery period (save for assets with a shorter economic life) with existing and future investments depreciating over forty years – a significant change from the twenty year period currently in place. Therefore negotiations focused in particular on two key aspects of the arrangements: the size of the Regulatory Asset Base and the allowed rate of return.

Regulatory Asset Base

As part of the negotiations, agreement was reached in principle on (a) a reduction in the value of the total Regulatory Asset Base from £351* million to £306 million, and (b) a continuation of an 8.5% rate of return on the distribution Regulatory Asset Base until 2016. As noted earlier, at this stage the Regulatory Asset Base exceeded actual expenditure. On the basis of actual expenditure the Regulatory Asset Base would have been in the region of £250 million.

Combined with a movement away from the twenty year capital recovery period under the provisions of the 1996 licence this would have provided benefits to Phoenix. But this was perceived as appropriate in light of a number of proposed

* The figure of £351m includes circa £60m of accumulated under-recovery of allowed revenue in the period 1996 to 2003, which, if the same methodology used in the calculation of the figure of £306m was adopted, would give a Regulatory Asset Base of £330-335m.

changes affecting Phoenix's allowed rate of return and a commitment to mutualisation of the BTP discussed below.

Mutualisation and Rate of Return

The negotiations included an agreement whereby Phoenix would mutualise the BTP without any premium, as soon as possible.

Mutualisation would involve the transfer of the BTP to a not-for-profit company and has the potential to reduce the rate of return funded by consumers on over £100 million of the proposed £306 million Regulatory Asset Base to approximately 3 per cent – equivalent to savings to energy consumers in Northern Ireland of in the region of £5 million per annum. This would be in line with the benefits successfully obtained through the mutualisation of the Scotland-Northern Ireland gas pipeline and the Moyle electricity interconnector.

In principle agreement was also reached on two changes which affected Phoenix's rate of return. It was agreed that the first of these, a reduction in the rate of return from the transmission assets from 8.5% to 7.5%, would be implemented immediately. The new rate of return has been in place since January 2004.

The other change related to a movement from returns being based on the cost of capital on Phoenix's Regulatory Asset Base to equity based returns through, what has been described by ESH in discussions with the Authority as a form of agreed return on equity. The principle behind this concept was to reduce prices to consumers by achieving a lower cost of capital in the distribution component of the Phoenix business, whilst also protecting the interests of the Phoenix shareholders.

In combination (and subject to the detailed proposals for mutualisation and an agreed return on equity being satisfactory) the changes to the Regulatory Asset Base and capital recovery period, together with the proposed changes affecting the rate of return and the mutualisation of BTP, appeared to represent a satisfactory basis for agreement. In the Authority's view – having regard to the information known to it, and all the circumstances prevailing, at the time – this would have enabled it to balance the interests of consumers with the need to ensure development of the gas network whilst providing a realistic and appropriate rate of return on shareholders' investment in Phoenix.

The proposed agreement was arrived at, as a set of principles and objectives, in August 2004. But turning those proposals into a series of concrete actions would require further work. The adjustments to the price control had to be framed in terms of draft licence conditions, which would have to be subject to public consultation by the Authority. Achieving mutualisation of the BTP required the involvement of third parties, and was in any event subject to a number of considerations including its interaction with the separation of business requirements of the Gas Directive. And in relation to the details of the proposal for a form of agreed return on equity, further discussions needed to take place, both between ESH and its shareholders and between Phoenix and the Authority.

These processes inevitably took time. Although the Authority largely completed its drafting of amended price control proposals by early 2005, those proposals remained subject both to agreement with Phoenix and to public consultation with interested parties. Moreover, discussions were continuing as to the process by which mutualisation could be achieved – particularly in the light of the business separation required by the EU Gas Directive, which had an impact on the way in which the Phoenix business could be reorganised to

facilitate mutualisation – and little or no real progress had been made in establishing more detailed proposals for an agreed return on equity.

Prior to the proposed acquisition of ESH by Kellen, the Authority had indicated to Phoenix the necessity for modifying its licence conditions at the same time as the price control was modified, so as to incorporate conditions requiring it to mutualise the BTP. The purpose of this was to ensure that Phoenix did not obtain the benefits of the new price control until the Authority could be certain that it was legally obliged to mutualise.

The Authority's judgment as to whether the proposed agreement ultimately represents the right balance of interests so as to be consistent with its general duties is dependent in large part on its assessment of its overall value to consumers and shareholders. This in turn will require consultation and the finalisation in detail of all elements of the proposed agreement.

5. The Kellen Acquisition and Current Regulatory Issues

As noted earlier, ESH includes assets other than Phoenix. It is not therefore possible to identify with certainty the extent of any premium included in the proposed consideration for the Phoenix assets over and above their Regulatory Asset Base. However, it is known that ESH acquired the assets of Phoenix for a consideration of around £240 million (being the cost of acquisition of the company and the value of subsequent investments). And the Authority's understanding of the value Kellen's offer attributes to Phoenix suggests a profit on this initial investment (depending on assumptions made) of between £85 million and £130 million over a short period of time.

Moreover, overall the offer price is estimated by the Authority to represent a premium of at least £60 million over the combined asset values and cash of the businesses being acquired. A pro rata apportionment of the premium to the Regulatory Asset Bases implies that a premium in the region of £43 million (or 13%) is being attributed to the Phoenix assets. If the transmission asset is excluded from the Regulatory Asset Base (on the assumption that it will be mutualised) the premium increases to 18%.

Kellen's offer for Phoenix was announced on 8 April 2005. Whilst draft licence conditions reflecting the amended price control were well advanced at that point, little (if any) progress had (or has since) been made in the discussions on mutualisation and an agreed return on equity. The proposed takeover has revealed new information about the potential value of Phoenix and its possible future ownership. Now seems an appropriate time to consider the status of the discussions with Phoenix and to seek views on the proposed agreement with Phoenix and other regulatory implications of the transaction.

Issues Arising from the Proposed Acquisition of ESH

The Authority accepts that new ownership may be beneficial for consumers especially as it could lead to new opportunities that may not have been fully exploited by the existing owners.

However, Kellen's proposed acquisition of ESH raises three broad issues for the Authority.

First, it constitutes an appropriate juncture at which to take stock of the progress made to date on discussions towards the implementation of the proposed regulatory agreement. Those discussions have been proceeding slowly. In part this is because of the complexity of some of the issues. But the current situation is that the proposed agreement has been neither finalised nor consulted on (prior to this paper) and is still not at the stage of detailed implementation. Its terms are not binding on Phoenix, whether under its current or under its proposed new ownership.

Second, the price offered by Kellen for ESH causes the Authority to re-evaluate the confidence of the market in the relation to the development of the gas industry in Northern Ireland, the rate of return that shareholders are willing to accept, and the effective cost of capital. This may give rise to different assumptions than previously made.

Third, in line with precedents established by other UK utility regulators, the Authority needs to consider whether the provisions included in the Phoenix licence are adequate to ensure the sustained financial and operational stability of its business, having regard to its relations with its ultimate parent company and other companies within its group. There is no evidence that Kellen is likely to behave in any way inappropriately in this respect, or to lack the appropriate

resources to support Phoenix. But the thinking of other comparable regulators in the UK has developed over the last few years in response to the takeover of regulated companies, and now is a suitable juncture to consider whether the relevant licence conditions in Northern Ireland continue to reflect regulatory best practice or should be amended.

The Implementation of the Proposed Agreement

The Authority needs to consider whether it is practicable prior to the completion of Kellen's proposed acquisition of ESH for Phoenix to fully implement the steps that were envisaged under the proposed agreement – in particular the mutualisation of the BTP and arrangements being put in place to achieve the benefits envisaged in discussions on the concept of an agreed return on equity – and, if not, whether those steps can or should be reflected in binding licence obligations on the company.

If it is not possible for these steps to be completed, or if they are not committed to in such a way as to be legally binding on Phoenix, the Authority must take cognisance of the fact that the proposed new owners of Phoenix may have different views as to what actions can be taken to further their own and consumers' interests. In such circumstances it would seem inappropriate for the Authority to proceed to modify the price control of Phoenix until the overall situation becomes clearer, and enter into discussions with the new owners of Phoenix after the completion of the transaction. It may be that different proposals should be made or considered.

Information Revealed by the Proposed Acquisition

The Authority must operate on the reasonable assumption that some premium, of a material and possibly a significant percentage above the value of the Regulatory Asset Base of Phoenix, is being proposed to be paid by Kellen in respect of the Phoenix business. It is of course open to Kellen itself to disprove this assumption if it is in fact incorrect.

The price offered by Kellen for ESH provides the Authority with important information about the value that investors place on the current and future business of Phoenix and their willingness to accept a lower effective rate of return on their investment than had previously been assumed.

The Authority needs to have regard to this information in deciding what rate of return should be allowed to Phoenix on its Regulatory Asset Base, and to adjust its previous assumptions and conclusions in this regard. The new information may, in particular, suggest that an 8.5% rate of return on distribution might be higher than is justified in the light of the Authority's general duties, and might fail to strike the correct balance between the interests of shareholders and consumers and so be inconsistent with what it best calculated to promote the development of the gas industry in Northern Ireland.

The Authority must be responsive to new information and changing circumstances, and it is currently concerned that the rate of return that was previously being considered could now appear to be excessive. The Authority is minded to reconsider the proposed agreement in the light of the recent developments.

Review of the Licence Conditions

Under the existing licence, it is the Department of Enterprise, Trade and Investment (DETI) which has the duty to assess whether Kellen has the adequate technical, financial and managerial strength to become the sole shareholder in Phoenix. In parallel to DETI's role, the Authority has a duty to evaluate the regulatory impact of the change of control and continue to assess whether existing licence conditions adequately safeguards consumers' interests.

The Authority has to ensure it has adequate regulatory safeguards in place. The proposed takeover represents an appropriate point at which to consider whether the conditions in the Phoenix licence currently reflect regulatory best practice and, if not, consider what modifications should be sought.

Terra Firma does not hold any other related energy assets in Northern Ireland, and therefore the Authority sees no competition issues arising from the acquisition. The Authority does, however, need to consider whether Phoenix will be able to continue to comply with its obligations post-takeover and whether those obligations should be amended to reflect regulatory developments generally. Therefore the Authority is seeking views on the need for, or desirability of, modifications in the areas indicated below. These reflect provisions which have become commonplace in utility licences in the UK, and the Authority would be minded to propose licence modifications adopting similar provisions unless it is satisfied that there are good reasons why it should not do so.

Ring- Fencing

Any activities of Kellen or its associates that could prejudice the financial and managerial viability of Phoenix would be of concern to the Authority. In Great Britain, such concerns have been address by licence modifications to ensure that the regulated business is ring fenced from the other activities of the group of which it forms part. Therefore the Authority is minded to propose modifications to the Phoenix licence to include conditions that –

- require the directors of Phoenix to act solely in the interests of the gas business and independently of the parent company,

- prohibit Phoenix, without the Authority’s permission, from entering into arrangements which contain provisions for cross-default, or accepting liabilities in respect of any related undertaking,
- require Phoenix to publish its results as if it were listed on the Stock Exchange.

Similar ring fencing provisions are in the BGE Transmission and Premier Transmission licences.

Dividend Policy

In determining the allowed revenue methodology, the Authority has a responsibility to ensure that the licensee has the ability to finance its activities. To achieve this the Authority is minded to suggest that Kellen’s approach to the use of revenues should take into account Phoenix’s obligations towards customers and the development of the natural gas industry in Greater Belfast. For example, Phoenix’s revenue should not be used to finance other Terra Firma projects to the detriment of the Belfast gas consumer. This could be addressed by a licence condition that required Phoenix’s payment of dividends not to have any adverse effect on its ability to carry out its licensed activities.

Legal Undertakings of the New Owner

The Authority is also minded to add further conditions to the Phoenix licence requiring its parent company to give a legal commitment to –

- provide any information that the Authority requires in performing its statutory duties
- avoid taking any action that may interfere with Phoenix’s ability to meet its licence obligations.

This follows the approach the Authority applied to Northern Holding Energy Holdings when it acquired Premier Transmission following its mutualisation.

Impact on the Financing of Phoenix

As mentioned above, it is the DETI’s duty to assess the impact of how Kellen plans to finance the acquisition. However, if in the future the purchaser decides significantly to change the Phoenix financial structure this could adversely affect consumers and the

development of the gas industry. It is important that any future proposals do not materially affect Phoenix's ability to meet cost shocks and to finance its capital investment requirements.

The Authority is therefore seeking views on the need for a licence modification which would require the parent company of Phoenix to consult and seek the approval of the Authority to any material changes to the Phoenix financial structure.

6. Request for Information and Opinions

The Authority is seeking the views of interested parties on the matters raised in the consultation paper in order to inform its policy in relation to the proposed acquisition and any licence changes necessary or desirable in light of it

In particular the Authority would welcome responses to the following questions

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- If it is not possible for Phoenix to complete the steps envisaged under the proposed regulatory agreement prior to the acquisition of ESH by Kellen, are there any assurances that should be sought by the Authority in relation to them? Are those steps still an appropriate means of protecting the interests of gas consumers in Northern Ireland?
- Should the proposed regulatory agreement with Phoenix, when taken as a whole, be reconsidered in the light of the recent developments? If so, are there any particular considerations to which the Authority should have regard, or any particular changes or provisions that are necessary to strike the right balance of interests in the light of its general duties?
- Are the proposals under the heading 'Review of the Licence Conditions' appropriate to ensure that the Phoenix business is safeguarded and its compliance with licence conditions ensured? Are there any other proposals that the Authority should be considering at this stage?
- Are there any other matters or information to which the Authority should have regard in the context of the proposed acquisition of ESH?

The indicative timetable for the proposed acquisition contained in Kellen's offer document anticipates a completion date of 24 June 2005. The Authority wishes to have the views of respondents on the matters covered in this

consultation paper before that date. Therefore, while this is a shorter period than would be normal for a consultation by the Authority, the Authority would welcome the views of respondents by no later than 5pm on Wednesday 15 June 2005.

These should be sent in writing to:

Kevin Shiels
Brookmount Buildings
42 Fountain Street
BT1 5EE

Responses in electronic form are acceptable and can be sent by e-mail to:

kevin.shiels@ofregni.gov.uk

Unless specifically requested otherwise, responses may be published on our website. Respondents should clearly mark any part of their response (or, if appropriate, the whole response) they wish to remain confidential.