

Memorandum of Understanding
between
CER and NIAUR
in relation to
Common Arrangements for Gas (CAG)
under the All-island Energy Market Development Framework

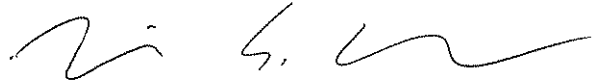
1. We are committed to working together to establish All-Island Common Arrangements for Gas whereby all stakeholders can buy, sell, transport, operate, develop and plan the natural gas market north and south of the border effectively on an all-island basis. This means that variations in the price and conditions on which gas is bought and sold will be determined by market conditions and economics, not by variations in regulatory arrangements.
2. As part of this vision, the gas transmission systems in Ireland and Northern Ireland will be operated on a single all-island network basis. This will be enabled by, among other things,
 - A Single Transmission Tariff Methodology
 - A Single Transmission Operational Regime which will include:
 - A Single Gas Quality Standard
 - Common Emergency Procedures
 - A Single Connection Policy for Transmission
 - A Single Transmission Planning Regime
3. As part of this vision, we will establish and work with Government to establish a single approach to Security of Supply incorporating
 - A Single Security Standard
 - A Joint Capacity Statement
 - A Single Approach to Storage, LNG and System Entry Points
4. As part of this vision, we will establish a common framework for regulation of retail markets, including
 - Single Supplier Codes
 - A Single Change of Supplier Process
 - Single Retail Processes and Systems

5. As part of this vision, and so as to ensure that the All-Island Common Arrangements for Gas will deliver benefits primarily to customers, we will ensure that gas is bought and sold in competitive markets, at the wholesale and retail levels. This includes:
 - Reducing entry barriers, including establishing common Licensing Conditions and Procedures
 - Working to control and in time eliminate dominant market positions other than in natural monopoly markets.
6. We will ensure that benefits accrue to end customers, north and south, from each stage of the All-Island Common Arrangements for Gas and will undertake cost-benefit analysis in this regard.
7. We will provide the necessary resources to achieve our objectives and recognise that there may be multiple stages to the project.
8. We will publish on our websites a joint programme structure, joint work programme and participant meeting schedule.
9. We will undertake comprehensive consultation.
10. We will work together to develop and manage the various work streams, steering committees and working/expert groups.
11. We will jointly engage and manage the necessary consultancy support to assist and advise on design and implementation of tariff and market arrangements.
12. We will share the costs as follows – two-thirds by CER and one third by NIAUR.
13. We will ensure that participants provide all the necessary data.
14. We will work with our respective Government Departments to develop any necessary legislation, and to assist in the formulation of any Instruments between the Irish and UK Governments to underpin the market arrangements and provide confidence to all stakeholders
15. We will work together to ensure that our regulation of gas companies encourages a “single market” approach and does not create incentives to differentiate between different parts of the market on a member state basis.
16. We will represent the development of the gas market arrangements jointly in any discussions or interactions with the institutions of the European Union.

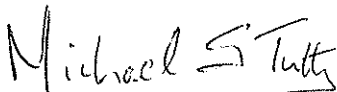
17. We currently estimate that significant elements of the Common Arrangements for Gas (CAG) under the All-island Energy Market Development Framework will be substantially complete by October 2010.



Tom Reeves
Chairman
Commission for Energy Regulation



Iain Osborne
Chief Executive
Northern Ireland Authority for
Utility Regulation



Michael G. Tutty
Commissioner
Commission for Energy Regulation

14th February, 2008