

Ian Davidson
Queens House
14 Queen Street
BELFAST
BT1 6ER

17 April 2009

Dear Ian

Re: NIEH Corporate Governance Review

NIE Energy Supply (NIEES) welcomes the opportunity to comment on the findings of a review of the corporate governance arrangements relating to NI Energy Holdings (NIEH), recently undertaken by Ernst & Young (E&Y), on behalf of the Utility Regulator.

We note the general conclusion that the Combined Code on Corporate Governance is indeed an appropriate benchmark for NIEH, and that current practices are in line with the provisions of the Code. We also note the potential areas for improvement identified by E&Y, and the progress that has already been made by NIEH in addressing many of these.

Whilst the overall governance arrangements (assuming all areas for potential improvement are sufficiently addressed) appear adequate, NIEES remains concerned regarding the transparency of the process that governs the repayment of surpluses to customers in a timely manner. NIEES is also concerned regarding the transparency around the £10m fund which, following consultation by NIAUR in 2007, was subsequently invested in the European Renewable Energy Fund.

NIEES therefore feels that stronger governance arrangements along with greater transparency should be applied to these important business considerations of the overall NIEH operation.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Stephen McCully', written over a horizontal line.

Stephen McCully
NIE Energy