

July 19<sup>th</sup> 2010

Simon Scott  
Utility Regulator  
Queens House  
14 Queen Street  
Belfast  
BT1 6ED

**RE: Consultation on Vacant Sites within the NIE Land Bank**

Dear Simon,

As a starting point, the Utility Regulator should be commended for consulting with market participants on the Vacant Land Bank Sites and the most effective way of realising their value for the Northern Irish customer. In the sections below Bord Gáis Energy (BG Energy) outlines its position with respect to the different issues and questions raised as part of the consultation.

**1. Should these sites be offered for lease or sale for power generation or for any other purpose?**

**Arrangement for sites not suitable for power generation:**

BG Energy recommends that those lands which are deemed not to be suitable for power generation are sold. Keeping the Northern Irish customer in mind and to ensure that parties are not acting on speculative interests, a re-sale clause could be included as part of these sales. Such a clause would provide that in the event that the sites are sold for a higher value within 10 years of the initial sale, the increased value would be shared with the Northern Irish consumer.

**Arrangement for sites suitable for power generation:**

Given the strategic importance of the three sites identified for power generation, BG Energy would recommend that the use of these three sites should be restricted to power generation use only. Further suggestions

regarding the individual sites are set out below, with Belfast West addressed separately due to the restrictions imposed by the Fee Farm Grant.

### **Coolkeeragh power station adjoining lands site and Kilroot power station adjoining lands site:**

While it should be expected that developers will have a strong preference for freehold once constructing on a site, BG Energy would in the interim propose that a 'lease with an option to buy' arrangement be applied.

Under this arrangement, the buying party would be obliged to maintain the site and cover all maintenance and operation costs for a period of time (perhaps for up to 7 years) after which time the option to buy the site is exercised at an agreed market value. This market value could be derived based on the value at that time or another time during the interim period, or indeed it could be calculated as the average value of the site over the interim period. Under this arrangement Northern Irish Energy (NIE) and the Northern Irish consumer will not be responsible for the maintenance and operational costs associated with the site and it will also give the successful party an adequate period of time to finalise their business case.

### **Belfast West Site:**

The Belfast West site is restricted by the Fee Farm Grant in that it cannot be sold, and can only be leased for the purpose of electricity generation. For this reason BG Energy would suggest that the 'lease with an option to buy' arrangement would be particularly appropriate in this case.

This will allow the interested party to develop a generation asset should market conditions support an investment in electricity generation that would be suitable on the Belfast West site. It also covers maintenance costs for the interim period.

## **Port Use Element:**

While the Belfast Harbour Commissioners (BHC) have stated that they would be willing to lease additional land subject to there being a substantial port use element, we believe this should be treated as an additional option rather than part of the deal as this could influence fuel type.

## **2. Any further pre-conditions which proposals should meet before proceeding to the next stage of assessment?**

As mentioned above, these sites offer the potential to add value to the SEM and in particular to the Northern Irish consumer. This added value is not only in the once-off sale of the sites, rather as a long term contribution to the existing Northern Ireland generation profile. For this reason, participants bidding for the sites should be rated under a number of criteria which assess their ability to finance, develop and operate suitable power generation and also their potential to add benefit to the Northern Irish economy and consumer in the long- term.

With this in mind BG Energy suggests that the following criteria are used by the Utility Regulator in its assessment of the different bidding parties:

- **Financial capability:** Interested parties should be able to demonstrate a strong financial capability to address whether or not they bring real development potential for the sites. This assessment could be based on a number of factors, such as a balance sheet appraisal, the credit rating that the interested parties hold, and so on.
- **Technical capability:** The technical understanding required to build and operate an electricity generation asset should be demonstrated by the interested parties at the outset. The ideal party will have experience in operating power generation assets.
- **Potential to benefit Northern Ireland electricity customers:** Ideally a party who is likely to actively compete in the Northern Ireland retail electricity market.
- **Track record of delivering large infrastructure projects:** A proven ability to deliver large infrastructure projects.

- **Commitment to NI Energy market:** Successful parties must demonstrate they have a long term interest in the NI energy market.
- **Market dominance:** In supporting competition in the SEM, the chosen party should not have too high a market share in generation in Ireland and should contribute to the further development of competition in the market.

### **3. Any further assessment criteria which should be taken into consideration?**

All of the above pre-conditions should be taken into account for the assessment post initial screening where more detailed information should be made available by interested parties. A development programme with schedule and costs could be submitted at this point.

I hope you find the above comments helpful to your review. Please do not hesitate to contact me if you have any comments or queries.

Yours Sincerely

Marie O'Callaghan

Bord Gáis Energy