

As an addendum to the Memorandum of Understanding of 23 August 2004 between CER and OFREG the parties to this Memorandum of Understanding agree the following:

1. CER and OFREG share a strategic objective to achieve effective competition for all customers. To that end we will work to ensure that no party may hold significant market power in the generation market or a large market share in the retail market. We consider that no party (including affiliates) should have more than 40% share in either case.
2. CER will work with ESB to achieve a phased divestment/closure programme by 2010 at the latest of at least 1500 MW of conventional mid merit/peaking generation capacity and the creation of a land bank (including connection rights). Without prejudice to security of supply considerations and subject to law CER will not authorise the construction by ESB of any further conventional generating stations after Aghada with a commercial operation date before 2013.
3. It is our policy that both TSOs be made independent. In NI this requires the immediate restructuring of NIE's PPB so it no longer carries out any TSO functions; and the divestment of SONI, by November 2008 at the latest. Measures will be put in place to ensure that SONI's ability to discharge its licence obligations and its functions as TSO for NI pursuant to Directive 2003/54/EC is not affected by NIE actions.
4. We will work to promote effective retail competition. In segments of the market where we judge that there is sufficient competition we will phase out regulated tariffs.
5. We will work to ensure liquidity in the non-directed contracts market. We will also work to ensure that CFDs (and contracts for sales outside the

pool) are available to independent generators and suppliers on fair and non-discriminatory terms.

6. CER and OFREG will apply a transparent, consistent and harmonised approach to the regulation of the wholesale and retail markets in a manner which supports effective competition and equal treatment of participants and customers regardless of their location. Such approach will encompass application of the same principles of regulation to:

a. ESBPG and PPB, including ring-fencing arrangements:

b. PES in both markets, including:

i. ring-fencing arrangements;

ii. tariff/revenue regulation;

iii. economic purchase obligations;

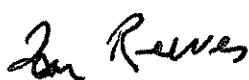
iv. The operation of PSO arrangements.

c. and for all suppliers:

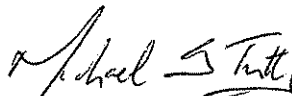
i. supplier switching arrangements/requirements

ii. codes of practice

Signed:



Tom Reeves
Chairman
CER



Michael G. Tutty
Commissioner
CER



Iain Osborne
Chief Executive
OFREG

Date: 22 March 2007