

Coolkeeragh ESB Response to The Proposed Company Structure of Northern Ireland Energy Holdings Limited

Coolkeeragh ESB welcome the reduction in gas transportation tariffs attributable to the mutualisation of the SNIP pipeline earlier in 2005.

We agree that the combining of NIEH and Moyle will bring some economies for the operation of both interconnectors and that these economies should be passed onto consumers. The method by which they are passed on is not explained and as in current arrangements is unknown. Coolkeeragh ESB would like the operational efficiency gains quantified. It is not clear what joint outsourcing may achieve over and above savings in administration.

It is notable that both assets are energy import substitutes for one another worth contrasting their usage and charging regimes. The SNIP is used by all gas users (including all gas/electricity generators) has a regulated tariff to deliver a licensed revenue requirement and is booked long-term. The Moyle is understood to be part of the Use of System asset base, is auctioned annually. The cost of use is heavily influenced by the reserve price and not all consumers use Moyle for energy imports. It is unclear what presently happens with the auction receipts for Moyle and there is no clear transparent basis for setting the reserve price. There is an increased risk that the joint management company may be in a position to distort the energy market and act in an anti-competitive manner in setting the reserve price on the Moyle. The interaction of these assets tied to the lack of transparency and accountability in the new structure aspect needs to be examined to ensure that the energy market is not distorted.

Will the proposed arrangements result in any initial reduction in Use of System charges or levies?

What future energy asset acquisitions are likely by this body? Could we have a situation where the future E-W inter connector is subsumed into NIEH. This might lead to increased conflicts of interests?

Strong oversight of the proposed company would be needed as it would control all interconnection assets into NI. The wide range of proposed board members is welcome to allow for all interested parties to have representation.

Adequate ring fencing via licence conditions is proposed. These arrangements should be made public to give confidence that there is no conflict of interest possible.