

ELECTRICITY (SINGLE WHOLESALE MARKET) (NORTHERN IRELAND)
ORDER 2007

MODIFICATION OF LICENCE UNDER ARTICLE 3(1)

In pursuance of its powers under Article 3(1) of the Electricity (Single Wholesale Market) (Northern Ireland) Order 2007 the Single Electricity Market Committee on behalf of the Northern Ireland Authority for Utility Regulation, (the “Authority”) having requested the consent of the Department for Enterprise Trade and Industry (which consent it requires to obtain before making the proposed modifications) hereby proposes to modify the licence issued to NIE Energy Limited under Article 10(1)(b) of the Electricity (Northern Ireland) Order 1992 as follows:

Condition 68 shall be modified to read:

Condition 68: Directed Contracts

General Duty

- 1 The Licensee shall, from time to time following consultation with the Authority and in accordance with and DC Decision Notice issued pursuant to this Condition 68, offer to enter into Directed Contracts with the Specified Entities. The Licensee shall comply with each Directed Contract that it enters into.
- 2 The Licensee shall ensure that each of the Directed Contracts that it offers to enter into:
 - (a) is with a Counterparty specified in, or determined in accordance with, the DC Decision Notice;
 - (b) provides for the Commercial Terms specified in, or determined in accordance with, the DC Decision Notice; and
 - (c) is subject to the Contractual Terms specified in, or determined in accordance with, the DC Decision Notice .

DC Decision Notice

- 3 The Authority may, (from time to time, and having undertaken such consultation as it considers appropriate) issue decisions in respect of this Condition 68 and in respect

of any proposed Directed Contracts setting out the matters referred to in paragraph 5 (each such decision being, in respect of the Directed Contracts in question, the “DC Decision Notice”).

- 4 Any consultation undertaken in accordance with paragraph 3 will, amongst other things, have regard to any applicable restrictions or requirements in relation to the offering of Directed Contracts arising pursuant, or due, to any relevant law or regulation governing the carrying out of investment activities or the provision of financial services.
- 5 Each DC Decision Notice shall, in respect of the Directed Contracts to which they apply, either specify the following, or set out the methodology and process to be followed by the Licensee in order to determine the following:
 - (a) the Counterparty;
 - (b) the Contractual Terms; and
 - (c) the Commercial Terms.
- 6 The Licensee shall comply with the DC Decision Notices, and in particular shall follow and comply with any methodology or process set out therein for determining the matters referred to in paragraph 5.

Commercial Terms

- 7 The Commercial Terms may include (without limitation):
 - (a) the strike price against which the System Marginal Price is to be compared for the purposes of the contract for differences calculation;
 - (b) the products to be offered (where different products provide for different volumes in different trading periods);
 - (c) the volume of electricity to be offered; and
 - (d) the period of the contract.

Contractual Terms

- 8 The Contractual Terms may include (without limitation) provisions concerning the following:
- (a) the mechanism for establishing, by reference to the strike price and the System Marginal Price, which of the Licensee and the Counterparty is to make a payment to the other;
 - (b) the mechanism for determining the amount of the payment to be made by the Licensee or the Counterparty (as applicable), and the payment terms to apply to such payments;
 - (c) any credit support obligations;
 - (d) the termination rights of each of the Licensee and the Counterparty, and any payments to be made on termination; and
 - (e) the dispute resolution procedures to be followed in the event of disagreement between the Licensee and the Counterparty.

Guidance

- 9 Where directed by the Authority, the Licensee shall prepare guidelines outlining any processes or procedures to be followed by Specified Entities to whom Directed Contracts have been offered in order to enable such Specified Entities to enter into such Directed Contracts.. Where directed by the Authority, the Licensee shall ensure that a copy of any such guideline is published on the Licensee's website, and made available to any person requesting a copy of the same.

Disputes

- 10 The Licensee shall accept and comply with the Authority's determination of any dispute provided to be determined by the Authority pursuant to the DC Decision Notice and/or the Contractual Terms.

Definitions

- 11 In this Condition:

Commercial Terms	means, in respect of each Directed Contract, the matters specified as such in the DC Decision Notice relating to that Directed Contract.
Contractual Terms	means, in respect of each Directed Contract, the matters specified as such in the DC Decision Notice relating to that Directed Contract.
Counterparty	means, in respect of each Directed Contract, the Licensee's counterparty thereto.
Directed Contract	means a contract for differences agreement in respect of the System Marginal Price to be entered into between the Licensee and a Specified Counterparty pursuant to this Condition 68.
DC Decision Notice	has the meaning given to that expression in paragraph 3.
Republic of Ireland Electricity Operator	means, from time to time, each person that holds a licence pursuant to Section 14(1) of the Republic of Ireland legislation known as the Electricity Regulation Act 1999.
Specified Entities	means such persons or classes of persons participating in the Single Electricity Market as are identified from time to time in any DC Decision Notice (which classes of person may include, without limitation, Electricity Suppliers, generators and/or Republic of Ireland electricity operators).
System Marginal Price	means, in respect of a trading period, the price determined as such pursuant to the Single Electricity Market Trading and Settlement Code.

Annex 3

The words “no longer used” in sub-paragraph (vi) of paragraph 5.1 of Annex 3 shall be replaced by the following:

“the reasonable costs incurred by the Licensee in complying with Condition 68 (but excluding the payments and receipts under the contracts for differences entered into pursuant to that Condition, which are accounted for as non PSO revenue).”

