

**Kenny Dane  
Northern Ireland Authority for Utility Regulation,  
Queens House,  
Belfast  
BT1 6ED**

08 April 2011

Dear Kenny,

**Re: Consultation on relevant considerations in relation to the possible cancellation of Generating Unit Agreements in Northern Ireland**

NIE Energy Supply (NIEES) welcomes the opportunity to respond to the Utility Regulator's Consultation Paper on the relevant considerations regarding possible Generating Unit Agreement (GUA) cancellation.

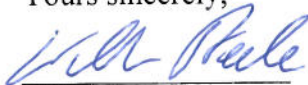
NIEES notes that this is the second time GUA cancellation is being considered and that NIAUR propose to use the same methodology as in 2010. While NIEES concurs with NIAUR's view that economic analysis is the key consideration when reviewing cancellation options it is important to recognise that the economic impact is not solely limited to a positive or negative PSO effect.

NIEES would urge NIAUR to attach greater significance to their analysis of contract liquidity when considering GUA cancellation. Any reduction in available contracts for difference (CfDs) will compound product scarcity and inflate price premiums which will ultimately be borne by the end consumer. The effect on PSO must therefore be assessed in conjunction with the likely effect on the CfD market to present a full economic analysis.

Additionally, as stated in earlier correspondence, NIEES recommends that NIAUR create a framework to manage important contracting considerations in such a way as to provide participants with clarity regarding factors effecting the CfD auction timetable and volumes. Potential GUA cancellation is clearly a significant influencing factor.

Please do not hesitate to contact me should you wish to discuss this response further.

Yours sincerely,



William Steele  
NIE Energy (Supply)