

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

07 October 2011

Dear Kenny,

Re: Second consultation in relation to the possible cancellation of Generating Unit Agreements in Northern Ireland

Power NI welcomes the opportunity to respond to the Utility Regulator's second Consultation Paper on the relevant considerations in relation to the possible Generating Unit Agreement (GUA) cancellation.

Power NI notes the Utility Regulator's draft decision not to instruct the cancellation of any GUA from 01 April 2012, but to keep the contracts under review. Reliant on the analytical information provided by the Utility Regulator, Power NI supports this decision.

Any realised benefit from the retention of the GUAs should be returned to consumers in a timely manner. The Utility Regulator should be mindful however, of the disruptive nature of previous mid-year PSO adjustments and look to reflect the benefit in a consistent, predictable manner utilising the annual tariff setting process.

While the Utility Regulator confirms an intention to keep the contracts under review no timetable is included in the consultation paper. As stated in earlier correspondence, Power NI recommends that the Utility Regulator create a framework to manage important contracting considerations in such a way as to provide participants with clarity regarding factors affecting the contracts for difference (CfDs) auction timetable and volumes. Potential GUA cancellation is a significant influencing factor in this regard.

Power NI also notes the Utility Regulator's comments regarding the effect of cancellation on contract liquidity. While it is correct to state that PPB do not offer a large volume of contracts to the market, there is a direct correlation between previous cancellation decisions and reducing contract liquidity. Any further reduction in available CfDs will compound product scarcity and inflate price premiums which will ultimately be borne by the end consumer. Power NI believes therefore that the economic analysis of the GUAs should assess the impact on PSO in conjunction with the likely effect on the CfD market.

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

Yours sincerely,

A handwritten signature in cursive script, appearing to read "Will Steele".

William Steele
Power NI