



Re: Northern Ireland Electricity – Transmission and Distribution Price Controls 2012-2017 – Draft Determination

Endesa Ireland welcomes the opportunity to respond to the Utility Regulator's draft determination on Transmission and Distribution Price Controls 2012-2017. As a generator in the SEM, Endesa Ireland is interested in the Transmission Price Control for Northern Ireland Electricity. Pursuant to the SEM Committee's decision to implement Harmonised TUoS Charges, 25% of Transmission revenue is recovered from generators on an all-island basis, with generators paying an all-island G-TUoS into an all-island TUoS pot, with a cross-border financial flow if necessary. Endesa Ireland believes that as a corollary, transmission price controls should be decided upon by the SEM Committee. As this is not currently the case Endesa Ireland considers that, at a minimum, the Transmission Price Control should be kept separate and distinct from the Distribution Price Control so as to enable interested parties to assess the proposals regarding the Transmission system. Therefore Endesa Ireland requests that separate papers are published on Transmission and Distribution Price controls as it is difficult to assess just the Transmission proposals under the current format; the allowed revenues should be clearly and transparently attributed.

Endesa Ireland is concerned at the change in capitalization practice within NI T&D and considers that the Utility Regulator should publish the results of its investigation for comment by market participants before RP5 is completed.

Endesa Ireland agrees that the current arrangements between NIE T&D and NIE Powerteam should be brought to an end and NIE T&D should tender for services by way of competitive procurement.

We note that a number of elements of RP5 transmission capex are still to be determined and propose that these should be consulted upon before a decision is made.

As regards opex, the UR's paper does not distinguish clearly between Transmission and Distribution. Pension deficit costs are of particular interest in this regard.

Endesa Ireland welcomes the UR's statement that NIE is working towards the introduction of contestability in connections.

Endesa Ireland welcomes the introduction of a Reporter to audit, certify and comment on submissions made by NIE T&D to the UR.

As regards the WACC proposed for the price control, Endesa Ireland does not consider that a figure comparable to GB DNOs is legitimate unless it can be shown that NIE T&D can in fact access capital at GB rates. We consider that the Irish networks companies should have been included in First Economics' analysis, not just GB networks companies and rates set by Ofgem. Endesa Ireland recognises that NIE



T&D, like the businesses used by First Economics for comparison, enjoys a regulated return, but as a proportion of allowed transmission revenue is collected on an all-island basis, and given the differential between Ireland and GB, a blended Ireland-Northern Ireland WACC would be appropriate. We note that the WACC allowed to ESB Networks and EirGrid in Ireland in its price control for 2011-2016 is significantly higher than that proposed for NIE T&D.