

**Second Consultation in Relation to the Possible Cancellation of Generating Unit
Agreements in Northern Ireland**

9th September 2011

SONI Response

7th October 2011

SONI welcomes the Northern Ireland Authority for Utility Regulation's ("the Authority's") second consultation in relation to the possible cancellation of Generating Unit Agreements ("GUAs") in Northern Ireland.

SONI is the licensed Transmission System Operator and Market Operator in Northern Ireland¹ and is also part of the wider EirGrid group.

This brief response has been prepared by SONI on behalf of, and in consultation with, other parts of the EirGrid group.

SONI recognises that the cancellation of the GUAs is a difficult decision and supports the protection of consumer's interests in Northern Ireland whilst also maintaining the integrity of the Single Electricity Market ("SEM").

The economic analysis summary outlined in the paper clearly rejects the case for cancellation of the GUAs for the Ballylumford CCGTs at the earliest cancellation date. On balance, SONI would generally support this decision.

In consideration of the peaking plant cancellation, SONI would also support a delay in the cancellation of these units until economically viable, which seems to be around Q4 2012.

In consideration of future GUA cancellations, SONI would again re-iterate to the Authority the wider benefits:-

- Increased transparency, liquidity and competitiveness of the SEM as a result of generators operating directly in the market.
- Cancellation of the GUAs will in effect transfer a significant degree of local market power from PPB to AES (although in SEM terms, the AES share of the market would be less significant) and it would be appropriate to encourage AES to offer sufficient CfDs to the SEM to ensure that, a) its' market power is reduced; and, b) to provide Suppliers with an opportunity to manage their pool risk.
- Removal of legacy contractual arrangements and the overhead in their administration and interfacing. For example, the NI Grid Code and the complexities around the provision of Ancillary Services to SONI through PPB as an Intermediary.
- Increased flexibility with the introduction and consistent application of any amended arrangements which would support the SEM and ultimately assist the Authority and the SEM Committee (SEMC) in carrying out their primary duties.

¹ Trading as SEMO under a joint venture with EirGrid.

- Facilitating increased transparency and consistency in SONI's dealings with generators and suppliers. The confidential nature of the current arrangements under the GUAs, do not permit the desired level of transparency.

In addition, it would be prudent to continue to closely monitor the actual economic benefit of the GUAs vis-à-vis the ongoing administrative and wider costs of maintaining the PPB to determine the optimum time of termination for each of the GUAs.