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Our Ref: ~~GM/jes.~~  
 L55.01.09  
 The SEM Committee  
 c/o Martina Maguire  
 The Northern Ireland Authority for Utility Regulation  
 Queens House  
 14 Queen Street  
 BELFAST  
 BT1 6ER.

21 January 2009.

Dear Martina

**The Proposed Acquisition of SONI Limited by EirGrid plc**

This is Northern Ireland Electricity's (NIE) response to the SEM Committee's consultation paper entitled "The Proposed Acquisition of SONI Limited by EirGrid plc" dated 18 December 2008.

NIE agreed with both DETI and the Utility Regulator to pursue the voluntary divestment of SONI Limited (SONI) by 1 November 2008. NIE announced on 22 August 2008 that it had reached conditional agreement with EirGrid plc (EirGrid) to sell SONI to EirGrid. NIE welcomes the proposed modifications to SONI's licences which are intended to facilitate completion of the sale.

Given the time which has elapsed since NIE announced it had reached conditional agreement with EirGrid, we would urge the SEM Committee to make its decision on the licence modifications as soon as possible once the consultation period has ended so that the sale can be completed expeditiously.

Yours sincerely

*Gerard Magee*

**Gerard Magee**  
**Network Strategy Manager.**



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Robert O'Rourke  
Commission for Energy Regulation Queens House  
The Exchange  
Belgard Square North  
Tallaght  
Dublin 24

30 January 2009

Dear Richard and Robert,

**RE: ACQUISITION OF SONI LIMITED BY EIRGRID PLC – A CONSULTATION**

Thank you for the opportunity to respond to this consultation.

Viridian Power and Energy (VPE) support the proposed acquisition of SONI Limited by Eirgrid PLC. This support is based on a number of factors:

1. Promotes harmonisation of TSO processes  
VPE presume the acquisition will facilitate a rapid deployment of common dispatch and operation principles to ensure that all generators in the SEM are treated on an equal and transparent basis.  
VPE also note that the acquisition should facilitate a common approach to efficient and flexible use of interconnectors (current and future) on the island.
2. Reduce risk associated with contractual joint venture of SEMO  
VPE has previously expressed serious concern about the contractual joint venture arrangement that exists between SONI and Eirgrid and how this increases the risk

for market participants. The creation of the same ultimate parent for both organisations should reduce this risk.

3. Lower Cost

The new organisation will be able to capitalise on increased operational efficiencies, such as the removal of duplicate processes. We would expect this to feed back into the market in terms of reduced costs to the end consumer. It is important for the Commission to ensure the right incentives are in place to drive this behaviour, albeit we understand it may take some time to realise all the potential cost savings.

While we support the acquisition, we suggest there is an ongoing need to develop increased transparency on the corporate governance arrangements for the new organisation and would welcome clear incentives on the new organisation to ensure that SONI and Eirgrid deliver efficient services to the best international standards.

We note the statement in paragraph 23 of the consultation that "state-backed energy companies have been particularly successful to date" but can find no supporting evidence to justify this statement. VPE contend it is inaccurate to imply that European energy precedent and policy favours state-backed energy companies. We suggest this line of debate is unhelpful when considering this and other future acquisitions, especially given its potential to adversely influence private investor confidence. We maintain this decision should not be influenced by whether the proposed purchaser of SONI is state-backed or not.

Finally, we see significant merit in the proposed acquisition but note it has taken an inordinate amount of time to finalise. We urge both NIAUR and CER to expedite the regulatory process so that the benefits to the market can be realised earlier rather than later.

Yours sincerely

  
Garrett Blaney  
Head of Regulation



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30 January 2009

Our ref: PD20080 226

The SEM Committee care of: Martina Maguire  
NIAUR  
Queens House  
14 Queen Street  
Belfast  
BT1 6ER

Dear Martina,

### **The proposed acquisition of SONI Limited by Eirgrid plc**

The Consumer Council for Northern Ireland (Consumer Council) is a Non-Departmental Public Body, set up by statute in 1985 to promote and safeguard the interests of all consumers in Northern Ireland.

The Consumer Council welcomes the opportunity to respond to the consultation on the proposed acquisition of SONI Limited by Eirgrid plc, given our role as the statutory representative for energy consumers in Northern Ireland.

We would like to thank Eirgrid and SONI for taking the time to meet with the Consumer Council to discuss the proposed acquisition.

Eirgrid is a company owned and controlled by the Government of the Republic of Ireland. In its role as 'System Operator', SONI are a part of the chain that supplies electricity to Northern Ireland. The proposed acquisition means that the Government of the Republic of Ireland will in practice control an organisation that is key in providing one of the most essential services that supports the Northern Ireland economy and society in general. Decisions made by Eirgrid could in the long term impact on the effectiveness and cost of the electricity supply to both domestic and business consumers in Northern Ireland. For the Consumer Council the overriding issue arising from the

proposal is to ensure that consumers in Northern Ireland are treated on a fair and equitable basis with their counterparts in the Republic of Ireland.

We note that the consultation is only about the licence charges. However, we feel it is important to include in our comments the related issue of 'Corporate and Constitutional Measures'.

The Consumer Council has the following comments to make:

We welcome the proposal to oblige Eirgrid to extend its corporate responsibility to include Northern Ireland consumers, and to require two independent directors of appropriate standing with extensive Northern Ireland backgrounds, to sit on the Eirgrid board. However, we are unclear what the term 'independent' means in this context and seek clarification on this point?

Rather than being a licence condition, the proposal in the current consultation is for Eirgrid to commit to 'Corporate and Constitutional measures' and there is no provision for enforcement to ensure the measures are realised. Therefore, we seek clarification on what steps the Regulatory Authorities will take if the obligations are not fulfilled within a specified timescale. We believe that one year would be a reasonable timeframe.

We fully support the issue raised at point 9 that the SEM Committee will continue to monitor the arrangements for SONI and Eirgrid and the licence conditions pertaining to them. We believe that this is an essential requirement to provide confidence to Northern Ireland consumers that the arrangements are working in their interests. Furthermore, we would expect to see that the results of the monitoring are made public and are accessible.

Notwithstanding the explanations provided at point 26, the Consumer Council is concerned that a licence condition that precluded vertical integration is being amended to facilitate the progress of the proposed acquisition. The paper lists reasons why the licence condition should be amended. However, we believe that the consultation should address directly the reasons why the original licence condition which prevented vertical integration, was deemed necessary in the first place. This would provide reassurance that the change being proposed is in the interests of all consumers.

We agree with the comment at point 26d that there would seem to be opportunities for economies of scale, and synergies and efficiencies between SONI and Eirgrid.

On point 19 we seek clarification on what 'encouraged through other means' is suggesting.

On point 32 we support the proposal to amend the licence to include a condition protecting the interests of consumers of electricity in both Northern Ireland and Ireland, and the addition in the Eirgrid licence to have regard for the interests of Northern Ireland consumers.

We look forward to receiving clarification on the issues raised in this response.

Yours Sincerely,

**Richard Williams**  
**Senior Consumer Affairs Officer**