

Kevin Hagan
Commission for Energy Regulation
The Exchange
Belgard Square North
Tallaght
Dublin 24

19 December 2011

Dear Kevin,

Re: SEM Market Power & Liquidity. A SEM Committee Draft Decision (SEM-11-089)

Power NI welcomes the opportunity to respond to the SEM Committee Decision regarding market power and liquidity. Power NI as one of the few non-vertically integrated suppliers active in the SEM is acutely aware of the issues surrounding market power and in particular contract liquidity. Real difficulties continue to be experienced in sourcing adequate levels of hedging cover; and the market reality is that the prices secured through hedges set the tariff levels offered to customers.

Power NI continues to believe that the ability to secure effective hedges is a fundamental component of ensuring competition and delivering products that end consumers want.

In relation to the decisions taken by the RAs in this paper; Power NI welcomes the continuation of Directed Contracts, the BCoP and the MMU. Power NI further welcomes the continuation of PSO backed Cfds and supports the RA's position of not allowing vertical integration of the ESB Group.

As previously stated, Power NI consider contract liquidity to be of fundamental importance to ensuring the effective operation of the wholesale market. While industry/market developments in this area are laudable, the impact of wind and further contract cancellation in Northern Ireland puts additional pressure on already scarce volumes. Power NI therefore would urge the RA's to monitor this aspect of the market closely and be prepared to mandate the provision of volume should increased liquidity not materialise.

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

Yours sincerely,

A handwritten signature in black ink, appearing to read 'William Steele'.

William Steele
Power NI