

Minister: you are asked to note
& clear the attached press release
mDuffy 24/8/04

SJB 474/04



Department of
**Enterprise, Trade
and Investment**

www.detini.gov.uk

From: Mike Warnock

24 August 2004

To: Barry Gardiner



cc see below

NIAER/CER MEMORANDUM OF UNDERSTANDING

Objective: Announcement by Regulatory Authorities of a Memorandum of Understanding on handling of all-island energy market electricity issues.

Timescale: Routine – for issue to media on Wednesday, 25 August.

Presentational Issues: Business media interest.

Recommendation: That you agree press release.

Background

1. The Joint Steering Group met on 20 August to consider, amongst other matters, the publication by NIAER and CER of a Memorandum of Understanding. It specifies the areas in which they will work together to develop an all-island electricity market.
2. NIAER and CER are planning to publish the MoU on 25 August to inform and reassure the energy industry that activities are progressing speedily on the preparation of all-island electricity market trading arrangements. This is a very welcome initiative which is consistent with our overall policy direction. As part of this process they plan to issue a joint work programme and participant meeting schedule by mid-September.
3. The MoU will have particular regard to collaboration on the development of electricity market trading arrangements (ie to replace the now virtually abandoned, and much criticised, LMP approach). Other areas covered include joint transmission planning and north south electricity interconnection as well as renewable energy. The draft MoU is attached at Annex 2. NIAER will write to you shortly, enclosing the final MoU.
4. You received a copy of the final NERA Interface Report on CER's electricity market arrangements from NIAER on 10 August for information. The findings in the report relate to CER's original proposals and have now been superseded to a large extent by its current review.

lock 'bitchy'!

5. The MoU can be regarded as part of the collaborative process emerging from the All-island Energy Market Development Framework that is currently out for consultation in draft form. The final version of the Framework should be ready for publication by early October when it is hoped there will be an opportunity to have a further Ministerial bilateral in Belfast at which the Framework can be launched.
6. NIAER and CER are also considering the findings and final report of the ESB NG/NIE North South Interconnector Study prior to writing to Ministers on how future interconnector capacity should be developed.

Recommendation

7. The JSG has recommended that both Ministers should welcome the MoU by the issue of press releases with similar messages. You are asked to agree the draft press release attached at Annex 2, which has been agreed with the Press Office.

Mike Warnock

MIKE WARNOCK

Head of Energy Division
(Ext: 29397)

Distribution List

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[DRAFT]

Memorandum of Understanding

between

CER and Ofreg/NIAER

in relation to an

All Island Electricity Market

1. We are committed to developing an All-Island electricity market where participants and customers will have equal rights respectively north and south of the border.
2. We will provide the necessary resources to achieve our objectives.
3. We will publish on our websites a joint programme structure, joint work programme and participant meeting schedule by 13th August [mid September].
4. We will work to develop an internally consistent set of market arrangements and ~~on the~~ timeframe for their delivery.
5. We will undertake a comprehensive consultation.
6. We will work together to develop and manage the various work streams, steering committees and working/expert groups.
7. We will work together to develop an approach to deal with market power and dominance.
8. We will jointly engage the necessary consultancy support to advise on market structure and to develop the detailed market rules for our approval. We will also jointly engage advisors if necessary to assist on market implementation.
9. We will share the costs as follows – two-thirds by CER and one third by Ofreg.
10. We will work with our respective departments to develop any necessary legislation, and to assist in the formulation of any necessary Treaties or Agreements between the Irish and UK Governments to underpin the market arrangements and provide confidence to all stakeholders.

11. We will work to ensure that licensing frameworks are harmonised.
12. We aim to have the wholesale market in place ~~by~~ no later than 1 July 2007.
- Why?
Push for this* 13. ~~[In parallel, we agree to require the two Transmission network operators/owners as appropriate to prepare a joint plan for the immediate development of a second north-south interconnector at 220/275KV.]~~ [JSG Meeting 20 Aug – agreed para. 13 to be redrafted re' joint transmission planning' without specific reference to action on interconnector]
14. We will cooperate in developing a consistent approach to the development of renewable energy sources and to the treatment of greenhouse gases.
15. We note that the fiscal regimes will remain separate and this may cause some degree of market distortion. We will therefore seek to put in place appropriate rules to minimise any distortion.
16. We will ensure that participants provide all the necessary data for the modelling of all-island scenarios in line with the agreed plan.
17. We will work together to develop within the regulated energy companies a "single market" culture and ethos so that they do not differentiate between different parts of the market on a member state basis.
18. We will represent the development of the market jointly in any discussions or interactions with the institutions of the European Union.

Tom Reeves
Commissioner
Commission for Energy Regulation

Douglas McIlldoon
Chairman
Northern Ireland Authority for Energy
Regulation

July 2004

Should there not
be a quote from
Ahern?

ANNEX 2

Draft Press Release

POSITIVE COLLABORATION BETWEEN ENERGY REGULATORY AUTHORITIES NORTH AND SOUTH

Economy Minister Barry Gardiner and Dermot Ahern TD, Minister for Communications, Marine and Natural Resources welcomed the publication today by the Northern Ireland Authority for Energy Regulation and the Republic's Commission for Energy Regulation of an all-island Memorandum of Understanding.

This will establish how regulatory collaboration on key all-island electricity issues is handled. These include harmonisation of wholesale trading arrangements, joint transmission planning, market dominance and renewable energy development.

Barry Gardiner said: "I am very encouraged by the two regulatory authorities' announcement of their Memorandum of Understanding on development of the all-island electricity market. This is a positive and significant step forward in fostering collaborative working relationships on cross border energy issues."

"It is important that the energy industry and investors receive the right signals on how market relationships are to be developed. The Memorandum clearly demonstrates the spirit of partnership that is now present within the energy sector, which Dermot Ahern and I strongly encourage, + share

"As part of this ongoing process we jointly launched the draft All-island Energy Market Development Framework in June. Responses to the consultation have been very constructive and the final Framework should be published in October."

Notes to Editors

1. Co-operation between the Republic of Ireland and Northern Ireland on energy matters takes place under the auspices of a Joint Steering Group (JSG) established by Ministers to advance North/South energy co-operation. The Group comprises senior officials from the two Government Departments (DETI and DCMNR) and the offices of the two Regulatory Authorities (NI Authority for Energy Regulation and the Republic's Commission for Energy Regulation).

2. NIAER is collaborating with CER on proposals that will facilitate cross border wholesale trading in electricity on an all-island basis prior to further consultation with the industry.
3. The Memorandum of Understanding is available on the NIAER website at: 'www.ofreg.nics.gov.uk'.
4. Consultation on the draft All-island Energy Market Development Framework runs from 21 June to 27 August 2004. It is available on DETI's energy website at: 'www.detni.gov.uk'.
5. For further media information, please contact DETI Press Office on 028 9052 9353.