

Certification of Electricity Transmission Arrangements in Ireland

The arrangements in relation to the electricity transmission networks in Ireland have been under consideration for a number of years in the context of the 2009 EU Third Energy Package (Directive 2009/72/EC), which sets out certain requirements and options in relation to Transmission unbundling.

In July 2011, having undertaken an extensive analysis of the issue, the Irish Government decided that the ownership of the electricity transmission network assets will remain with ESB while the operation and development of the transmission system will continue to be the responsibility of EirGrid (a separate Government-owned Company). The Government requested the relevant Regulatory Authority to initiate a process to seek certification from the European Commission that the Transmission unbundling arrangements in Ireland are compliant with the Directive.

This process has now concluded and the decision of the European Commission has been published (21st May 2013). The European Commission has determined that the effective implementation of the transmission system arrangements in place in Ireland meets the requirements of the Directive and that EirGrid shall be certified as the transmission system operator (TSO) for Ireland. In line with this decision, the Irish Commission for Energy Regulation (CER) yesterday (22nd May 2013) announced its decision to certify EirGrid as the TSO for Ireland. Accordingly, ESB owns the transmission assets in Ireland and is responsible for the funding of, and carrying out construction and maintenance on, the transmission network. This decision is consistent with the Government decision of July 2011 and in line with ESB's expectations.

In its decision, the European Commission has identified a number of specific measures designed to ensure on-going effective implementation of the transmission arrangements in Ireland and has tasked the CER in Ireland with monitoring and assessing these. These measures include the transfer of ESB's transmission activities (licence, assets and staff) to ESB Networks Ltd. (a wholly owned subsidiary of ESB which currently acts as distribution system operator) or to another wholly owned ESB subsidiary, so that they are separated from ESB's generation and supply activities. We expect that consideration will now be given to the timing and practical steps of implementing these measures.

The European Commission has separately considered the transmission arrangements in Northern Ireland, where the transmission assets are owned by NIE (a 100% subsidiary of ESB), and has similarly confirmed that those arrangements are compliant with the Directive.

ESB welcomes the European Commission's confirmation that the existing arrangements for transmission unbundling in Ireland are compliant with the EU Directive (including ownership of the transmission network assets on the island of Ireland remaining with ESB Group).

Copies of the Commission for Energy Regulation and European Commission decisions can be found at:

CER: <http://www.cer.ie/en/electricity-transmission-network-current-consultations.aspx?article=5dfdbfb3-40ba-4de7-86eb-4862e433b8cc&mode=author>

European Commission: http://ec.europa.eu/energy/index_en.htm

ESB
23rd May 2013