

PG Renewable and CHP Business Ring-Fencing Arrangements

Organisation Structure

In line with ESB policy, it is anticipated that ESB will establish individual or groups of CHP or renewable generation projects in Ireland which will operate as separate subsidiaries, joint ventures or some other form of separate legal entity as may be appropriate to the commercial requirements from time to time. These subsidiaries or joint ventures will be collectively managed as the PG Renewable and CHP Business

The PG Renewable and CHP Business will be a separate business of ESB and will not form part of the main portfolio of Power Generation's existing plant. This separation from Power Generation's main portfolio will include ringfencing arrangements to prevent cross-subsidisation between Power Generation and the Renewable and CHP business.

For the purpose of internal reporting the manager of the Renewable and CHP business will report to a senior manager in Power Generation who is not involved in the day to day operation of stations within the main portfolio or responsible for the management of the Power Generation's energy trading activities. The senior manager in Power Generation who has line responsibility in relation to the Renewable and CHP Business will be required to enter into confidentiality agreements to prohibit the flow of certain commercially sensitive market information from Power Generation to the PG Renewable and CHP Business where such information is not being made available to independent CHP and renewable generators.

Directors of PG Renewable and CHP Business

The directors of the PG Renewable and CHP Business will be subject to Trust and Confidence agreements or equivalent confidentiality undertakings, approved by CER, and will comply with confidentiality requirements in line with licence requirements and the approved ringfencing arrangements.

Any changes to the directors of the PG Renewable and CHP Business will be notified to Manager Group Regulatory Compliance, who has overall responsibility for ensuring compliance with ringfencing arrangements for ESB Group and to the CER. Manager Group Regulatory Compliance will ensure that trust and confidence arrangements are maintained.

Unless otherwise agreed by the CER the directors of the Renewable and CHP business shall not work for the Distribution Business, Transmission System Owner Business, or the PES or have worked for the Distribution Business, Transmission System Owner Business or the PES in the preceding three months.

ESB Staff assigned to work in the PG Renewable and CHP Business.

Staff working directly for the PG Renewable and CHP Business may remain employees of ESB.

Unless otherwise agreed with the CER, staff (other than the directors and staff providing services under a service level agreement) will be assigned exclusively to the PG Renewable and CHP Business.

These staff will be required to sign confidentiality agreements and comply with confidentiality requirements in line with licence requirements and the approved ringfencing arrangement. A register will be maintained of all staff assigned to this business, which shall be used to ensure the implementation of the ringfencing arrangements, including;

- Proper charge out of payroll costs
- Appropriate IT access in line with ringfencing restrictions
- Confidentiality agreements are in place.

The above mentioned staff will not solicit use or disclose commercially sensitive information which is restricted in accordance with these ringfencing arrangements other than as permitted by law or in accordance with industry arrangements approved by CER.

If they inadvertently obtain such information they should advise the ESB business in question and the compliance officer and should not use or disclose the information to any other party.

Restrictions on Flow of Commercially Sensitive Information

Commercially sensitive is defined in electricity legislation as " any information the disclosure of which would materially prejudice the interest of any person".

For the purpose of these ringfencing arrangements restrictions on the flow of commercially sensitive information shall apply to the following types of information.

- Commercially Sensitive Networks information as defined in the ESB Compliance Code of Conduct. This includes:
 - Metering and use of system information relating to other suppliers and generators
 - Commercial details of connection to the distribution or transmission system
 - Any Networks information that could provide a supplier or generator with an unfair competitive advantage
 - Networks information that has been marked by an authorised manager as commercially sensitive
- Confidential PES or Networks Customer Information
- Information relating to the affairs of third party independent generators and suppliers for which ESB owes a duty of confidentiality
- Any other Commercially Sensitive Information which is available to either the Distribution Business, Transmission System Owner Business, Power Generation or PES in relation to the operation of the electricity trading arrangements or the electricity network infrastructure which is not being made available to independent generators and suppliers and the disclosure of which would provide an unfair competitive advantage to one market participant over another.

Without prejudice to the above restrictions shall not apply to

- Information which is not Commercially Sensitive
- Confidential Information relating to business affairs of ESB Group which is necessary for the day to day operation and communication between ESB business divisions, or for proper management, reporting and governance requirements.
- Commercially sensitive information which may be disclosed for the purpose of entering into an arms length agreement with another business of ESB Group

Notification of Staff Transfers

The CER will be notified of the directors of the licensee and all staff assigned to work in the PG Renewable and CHP Business on the date that the Licence comes into effect.

All assignment of staff to the PG Renewable and CHP Business, regardless of the proposed duration, shall be by formal staff transfer notification.

Manager Group Regulatory Compliance shall be notified as soon as possible following staff selection, and in any event no later than 2 weeks prior to the proposed effective date of the transfer from the previous work area. This notification shall provide details of the persons work location and duties for the preceding year.

In the event that the staff member transferring has worked for the Distribution Business, Transmission System Owner Business, PES or Power Generation Business in the preceding 3 months a quarantine period of up to 3 months may be required by the CER and the following requirements shall also apply.

- The CER shall be notified of the proposed transfer and that the individual in question has worked for the Distribution Business, TSOB, PES or PGB in the preceding 3 months

- The notification to the CER shall include a recommendation for a quarantine period for approval by the CER based on the seniority of that staff member and their previous access to commercially sensitive information.
- The CER may amend the duration of the quarantine period
- The quarantine period recommended and approved shall not exceed 3 month from the date the staff member ceased to work for the Distribution Business, TSOB, PES or PGB.
- The recommended quarantine period shall be deemed to be approved if the CER do not direct an amendment to the period within 2 weeks of the notification being received by the CER.
- The staff member shall be assigned to work in a non commercially sensitive area for the duration of the quarantine period.

In all cases staff member may not commence work in the PG Renewable and CHP Business until the quarantine period (if required) has expired and confirmation has been provided to Manager Group Regulatory Compliance that IT access has been revised in line with these ringfencing arrangements and the appropriate confidentiality agreements have been signed.

In cases where a quarantine period has been imposed confirmation shall be provided to the CER that the above arrangements have been applied prior to the staff member taking up commercial duties with the PG Renewable and CHP Business.

Internal Services

Internal Services may be provided to the PG Renewable and CHP Business subject to adherence to licence requirements and the provisions of these ringfencing arrangements.

These services shall be provided on an arms length basis on normal commercial terms in line with the financial ringfencing arrangements.

ESB Power Generation shall provide accounting and administration services to the PG Renewable and CHP Business under a formal service

level agreement and in accordance with regulatory accounting guidelines on charges for internal service.

Staff providing these services may not disclose to the PG Renewable or CHP Business any commercially sensitive information relating to the affairs of other businesses of ESB. They shall also preserve the confidentiality of Commercially Sensitive Information relating to the affairs of the PG Renewable and CHP Business. Staff working for the PG Renewable and CHP Business may not solicit or use commercially sensitive information from staff providing internal services where the flow of such information is restricted under these ringfencing arrangements.

Information Systems

ESB staff working for PG Renewable and CHP Business shall not have access to commercially sensitive information in ESB systems containing customer information or any confidential information relating to third party independent generators or independent suppliers other than that class of information relating to PG Renewable and CHP Generation Business's own affairs that is being provided on the same basis to all independent suppliers and generators or as may be exchanged under an arms length agreement with a supply business.

As the PG Renewable and CHP Business reports to the Power Generation Business access to certain Power Generation and Corporate systems will be necessitated as part of the PG Renewable and CHP Business reporting requirements. Access will not be granted to systems which contain customer information or any confidential information relating to third party independent generators or independent suppliers or any commercially sensitive information relating to the operation of the electricity market.

Access restrictions shall be put in place for IT systems to meet the confidentiality requirements of the Licence.

A full list of the shared IT systems shall be maintained where the PG Renewable and CHP Business share IT applications with any other businesses of ESB. The access arrangements put in place for these

systems to prevent access to commercially sensitive information shall be documented and submitted to Manager Group Regulatory Compliance for approval within 2 months of the date of issue of the generation licence.

Details of the IT access arrangements shall also be made available to the CER

Office Accommodation

Staff assigned to the PG Renewable and CHP Business shall occupy office accommodation which is located in a premises which is separate from all premises occupied by the Distribution Business, Transmission System Owner Business, Public Electricity Supply or the Power Generation Business.

The PG Renewable and CHP business will relocate to the new premises within 6 months of the approval of these ringfencing arrangements, or such later date as may be approved by the CER.

In the event that the accommodation is owned by ESB it will be provided on an arms length basis on normal commercial terms in line with all internal services.

Sales of Output

The PG Renewable and CHP Business will not form part of the main ESB Power Generation portfolio and its output shall not form part of the electricity sales to PES under the vesting contract.

Unless otherwise agreed with CER output from the PG Renewable and CHP Business may be sold to PES only under purchase arrangements which are open to all other independent renewable and CHP generators. (e.g. through the AER scheme)

Subject to the provisions of the generation licence the PG Renewable and CHP Business will have full commercial freedom to enter into bilateral contracts for the sale of its output to the independent sector on normal commercial terms

Financial Ringfencing

PG Renewable and CHP Generation Business will prepare separate accounts for this business as required by the generation licence.

ESB staff assigned to PG Renewable and CHP generation business will be charged to that business at full payroll cost, including employer's pension and PRSI contributions, etc.)

In line with the Regulatory Accounting Guidelines ESB will invoice PG Renewable and CHP Generation Business for all services provided based on arms length agreements either at commercial rates or at standard rates for the internal service which are applied consistently to all other ESB businesses to ensure that there is no cross subsidisation. Where these rates have been market tested this will be indicated.

PG Renewable and CHP Business will also be allocated corporate overheads on a transparent and non-discriminatory basis in accordance with allocation policies specified in the regulatory accounting guidelines.

Compliance Monitoring

Management of PG Renewable and CHP Business are mandated to ensure compliance with all regulatory requirements for all subsidiaries and joint ventures of PG Renewable and CHP Business within their control.

Manager Group Regulatory Compliance will have overall responsibility for monitoring compliance with these ringfencing arrangements and for the discharge of the functions of the compliance officer in accordance with Paragraph 3(a) of Condition 4 of the Generation Licence. In consultation with Manager Group Regulatory Compliance the PG Renewable and CHP Business may designate a member of staff assigned to work in that business to act as a local compliance officer for the business. He/she shall be responsible to ensure that the requirements of these ringfencing arrangements are being observed and to maintain a register of staff and confidentiality arrangements.

The compliance officer shall report independently to Manager Group Regulatory Compliance on all compliance issues.

Manager Group Regulatory Compliance, or personnel acting on his behalf will have unrestricted access to the systems and records of the Renewable and CHP Generation Business and ESB to monitor that these ringfencing arrangements are being maintained and are effective.

Effective Date

Each of the ringfencing arrangements shall apply from the date of issue of the generation licence unless otherwise agreed with the CER. With the exception of the relocation to a separation premises all arrangements outlined in this document shall be implemented in full within 3 month of the granting of the generation licence.

Signed: _____
Deputy Member of the Commission

Date: _____