Note to Minister

To Mr Dermot Ahern, T.D.
Minister for Communications, Marine & Natural Resources

In accordance with paragraph 25(c) of the Schedule of the Electricity Regulation Act, 1999, I am pleased to present to you the fourth annual report of the Commission for Energy Regulation, in respect of the period from 1st January 2002 to 31st December 2002.

Tom Reeves
Commissioner for Energy Regulation
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Commissioner’s Statement

2002 has been a year of change, progress and development for the electricity and gas markets in Ireland as we advance towards the full opening of both markets to competition in 2005.

On 30 April 2002, following the enactment of the Gas (Interim) (Regulation) Act, 2002, the Commission for Electricity Regulation was given statutory responsibility for the regulation and liberalisation of the gas market in Ireland, in addition to carrying out its previous function in relation to the electricity market here. The Commission for Electricity Regulation was renamed the Commission for Energy Regulation to reflect this increased responsibility.

Since then, there has been a progressive reduction of the threshold above which customers may choose their own gas Shipper/Supplier. On 1 January 2003, this threshold was reduced to 500,000 standard cubic metres. Including all customers operating a gas-fired power station for the purposes of electricity generation, there are now over 250 customers whose annual gas consumption categorises them as ‘eligible customers’ for the purposes of market opening. This translates to competition for 85% of the Irish market by volume.

The finalisation of detailed market arrangements for the gas sector in Ireland is a key challenge for the CER in the coming months. The finalised market arrangements will address issues such as capacity definition, gas balancing, trading rules, access arrangements, Code(s) of Operations and metering. Of particular note is the key debate and decision on a move from a point-to-point to an entry-exit definition of capacity rights.

The CER is currently completing a full review of network and supply tariffs, with a view to full implementation for the next gas year. In light of the small size of the Irish market relative to the revenues needed to recover recent significant investments in infrastructure, the CER faces a significant challenge in balancing the needs of current Shippers with the need to secure the continuity, security and quality of natural gas now and in the future.

In relation to electricity, the market was further opened to competition in February 2002, when an additional 1,200 customers became eligible to choose their supplier. We look forward to further market opening in 2004, when 56% of the market, comprising an additional 12,000 industrial and commercial customers, will be opened to competition, followed by full market opening in 2005, well in advance of the European Union deadline of 2007 for all Member States.

During 2002, the CER reviewed the transmission, distribution, generation and supply costs incurred by ESB in supplying their customers. ESB sought a 14.7% average increase in electricity tariffs. In October, the CER approved a 9.85% increase in the average price of electricity. The main drivers behind the increases in ESB tariffs were the need for substantial investment in the electricity networks, increases in the unit costs incurred by ESB in delivering electricity to its customer base and the necessity to recover some costs deferred in the increases allowed to ESB last year. The rebalancing of tariffs to ensure cost reflectivity across all customer sectors is now complete for business customers. However, domestic electricity charges are not, as of yet, fully cost reflective.
In 2003, significant objectives for the CER include securing additional generation capacity for winter 2005 and the development of future trading arrangements in a fully liberalised market, in order to encourage new generators in the market place and offer greater choice for customers. Following extensive consultation and having examined a number of approaches, the CER is of the view that the most appropriate approach to secure additional generation capacity is to award a contract with ESB Public Electricity Supply (ESB PES) to one or a number of successful bidders, through a competitive process, for the purchase of this generation. The CER will publish the framework for this competitive process over the coming months.

In the longer term, it is imperative that existing and potential market participants have certainty in relation to the trading arrangements that will be in place after the electricity market is fully opened up to competition in 2005. In 2002, the CER brought forward its review of wholesale electricity trading arrangements that will replace interim arrangements in time for full market opening in 2005. The principal objective of this review is to design a trading system, which identifies and addresses the specific demands and constraints of the Irish electricity market. Some of the areas under consideration include security of supply, promotion of competition, minimisation of transaction costs for participants and customers, fostering renewables and demand side management.

The CER continues to adopt best practice in the area of corporate governance. In this regard, it is committed to complying in 2003 and future years, with the Code of Practice for the Governance of State Bodies, which was published by the Department of Finance in October 2001.

I hereby confirm that, I am not directly engaged in, concerned in or interested in any electricity generating business or in any electricity or gas transmission, distribution or supply business or in any energy business, whether as participator, investor, consultant or otherwise. And in respect of the period covered by this report, there are no registrable interests, as specified in the Ethics in Public Office Acts 1995 and 2001 and the Gas (Interim) (Regulation) Act 2002, of my own, or, to my actual knowledge, of a spouse or child, which could materially influence me in, or in relation to, the performance of the functions of my position.

In conclusion, I would like to thank all the organisations, companies and individuals who have given their time to participate in our various consultative groups and to offer comments on our consultation process throughout the year. I also wish to thank the staff of CER who have worked hard and long in 2002 in progressing the many facets of the developing electricity and gas markets. We look forward to continuing this work in 2003.

Tom Reeves
Commissioner for Energy Regulation
Across Member States of the European Union, electricity and gas markets are being liberalised through the phased introduction of competition in regulated national markets prior to full market opening. The Commission for Energy Regulation (CER) is the independent statutory body responsible for regulating and overseeing the liberalisation of the electricity and natural gas sectors in Ireland.

The electricity and gas transmission and distribution networks in Ireland are licensed and regulated by the CER, so that third parties may access these systems in an equitable, consistent and fair manner. This enables competition to be introduced in the areas of electricity generation, electricity and gas supply.

Overview of Natural Gas Market in Ireland

Background
The natural gas industry in Ireland has been structured as a monopoly entity, dominated by Bord Gáis. Up until 1995, no entity other than Bord Gáis had the right to supply natural gas. The first phase of the introduction of competition in the natural gas market commenced in 1995, with gas users consuming 25 million standard cubic metres\(^1\) (mscm) per annum or higher becoming eligible to purchase gas independently and ship it to their own premises rather than having to purchase their gas from Bord Gáis.

Opening of Gas Market
The CER is overseeing the liberalisation of the Irish natural gas market, which is proceeding on a phased basis with a view to full market opening in 2005.

On 22 June 1998, the European Council and European Parliament adopted Directive 98/30/EC establishing a legal framework for the commencement of the liberalisation process of the natural gas sector across all member states. This Directive contained rules for the establishment of common principles to apply to all members. The Electricity Regulation Act, 1999, as well as providing the framework for the introduction of competition in the generation and supply of electricity, established the CER as a regulatory body. The Gas (Amendment) Act, 2000 granted the CER the power to allocate scarce gas capacity to electricity generating stations. The Gas (Interim) (Regulation) Act, 2002, established the CER as the Irish natural gas regulator in April 2002. This Act also marked the second phase of the opening of the Irish gas market, so that final customers who consume greater than 2mscm\(^2\) of gas per annum are eligible to obtain gas from a licensed Shipper/Supplier.

The introduction of competition to Ireland’s energy sector has the potential to deliver a number of important benefits to consumers, including greater choice, competitive prices and higher standards of service.

\(^1\)9,050,000 therms or 265 GWh

\(^2\)724,000 therms or 21 GWh
However, final customers who operate a gas-fired generating station, irrespective of their annual consumption, for the purpose of providing energy for the generation of electricity at that station are also deemed to be eligible customers. This further market opening represented approximately 120 such eligible customers in Ireland, which accounted for over 80% of the Irish gas market by volume. As a result of a Ministerial Order on 22 November 2002, the eligibility threshold was further reduced to 500,000 standard cubic metres per annum. The effective date is 1 January 2003. This reduction increases the overall market opening of Ireland’s natural gas sector from 82% to 85% bringing the total number of eligible sites to approximately 250.

**Growth in Natural Gas Demand**

The demand for natural gas in Ireland has shown a steady increase over the past decade, broadly in line with Ireland’s economic growth. This growth in demand is illustrated below:

Electricity generation is a key driver in the demand for gas and accounts for significant increases in consumption as new generation plant comes online. The ‘plant of choice’ is combined cycle gas turbine (CCGT) as it gives higher efficiencies and environmental benefits than other fuels. These three factors of economic growth, increased electricity generation and the environmental benefits are likely to aid the growth in demand for natural gas. The CER aims to develop an efficient market in gas shipping and supply that can deliver a secure supply of natural gas to consumers at competitive and sustainable prices.

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181,000 therms or 5 GWh
Overview of Electricity Market in Ireland


On 14 July 1999, the first part of this Directive was transposed into Irish law through the enactment of the Electricity Regulation Act, 1999 (‘the Act’), which established the Commission for Electricity Regulation (CER) and the regulatory framework for the introduction of competition in the generation and supply of electricity in Ireland. As a result, independent generators, licensed by the CER, could enter the Irish market and have the right to access the transmission and distribution system.

In February 2000, 28% of the electricity market, comprising approximately 400 of the largest consumers of electricity in Ireland with an annual consumption of 4GWh or more, was opened to competition. These customers were termed eligible customers, as they became eligible to have their electricity supplied by independent suppliers, licensed by the CER, or to remain with ESB PES. Concurrently, in February 2000, the ‘green’ market was fully opened to competition in order to give full advantage to the sector and to increase consumer choice. This allowed all customers, regardless of their level of electricity consumption, to choose a licensed supplier sourcing or generating electricity from renewable, sustainable or alternative forms of energy.

Statutory Instrument (SI) No. 445 of 2000, signed on 20 December 2000, transposed the remainder of Directive 96/92/EC into Irish law and established the independent Transmission System Operator (TSO), EirGrid. The TSO, licensed by the CER, was granted responsibility for operating, developing and ensuring the maintenance of the transmission system, which remains under ESB ownership, as well as power station dispatch and the Trading System Settlement Administrator (SSA). ESB National Grid is currently operating as TSO until such time as the Infrastructure Agreement and Transfer Scheme to EirGrid is agreed and in place. The Distribution System Operator (DSO), a licensed ringfenced division of ESB, was also established under this SI. To reflect the business separation of the Transmission and Distribution System operations from overall ESB operations, ESB was required to keep separate accounts for all its integrated undertakings, including generation, transmission, distribution and supply activities. A key function of the CER under the SI is to regulate the prices charged by ESB to non-eligible customers, those who do not currently have a choice of supplier, prior to full market opening in 2005.

In order to offer increased choice to consumers, the Electricity (Supply) (Amendment) Act 2001, fully opened the combined heat and power (CHP) market to competition, enabling all final customers to source electricity from licensed CHP suppliers.

In February 2002, the electricity market in Ireland was further opened to competition when 40% of the market, comprising approximately 1,600 customers, became eligible to choose electricity supplier.

A common position of the Council of the European Union has been adopted on the energy liberalisation package, consisting of two draft Directives concerning common rules for the internal market in electricity and gas and a draft Regulation on conditions for access to the network for cross-border exchanges in electricity. The draft Directives and Regulation are now before the European Parliament and it is hoped that the package will be fully adopted by mid 2003. The currently proposed date for implementation of the Directives into national law is 1 July 2004 and the Regulation is to take effect from that date also.

The draft Directives, which amend and recast the earlier electricity and gas Directives, include provisions for legal unbundling of the transmission and distribution system operators, consumer protection and the establishment of independent national regulatory authorities. The draft Directives provide for market opening for the industrial/commercial sector by July 2004 and full market opening by July 2007.
On 20 January 2003, the Minister for Communications, Marine & Natural Resources announced that from 19 February 2004, 56% of the market would be fully open to competition, comprising an additional 12,000 commercial and industrial customers in the eligible sector.

In November 2002, the CER provided input into the public consultation process on the draft Electricity Bill, held by the Department of Communications, Marine and Natural Resources (Electricity Regulation Division). The objective of the Electricity Bill is to consolidate all existing electricity legislation and eliminate any unnecessary legislation currently in force. The Bill will also deal with remaining regulatory and restructuring issues in relation to the electricity industry, such as:

- The licensing of a Public Electricity Supplier
- Universal Service Obligation
- Consumer protection issues
- Conversion of ESB (currently a statutory authority into a plc under the Companies Act).

The bill is expected to be finalised by the end of 2003.

**Growth in Electricity Demand**

Ireland's continued economic growth has resulted in a marked increase in the consumption of electricity since the CER was established in 1999. In carrying out its statutory functions, the CER gives particular attention to the effects of its decisions and policy on security of electricity supply.

![System Demand 1995-2002](image)

The system demand represents the electricity production required to meet the national electrical consumption including system losses and generators' requirements. It includes power imported via the interconnector and an estimate of the power produced by wind generators, but excludes some non-centrally monitored generation. Source: ESB National Grid
Overview of the Commission for Energy Regulation

Role of CER

The CER facilitates competition in the generation and supply of electricity by authorising the construction of new generating plants and licensing companies to generate and supply electricity. In electricity supply, the CER has responsibility for regulating prices charged to customers by Electricity Supply Board (ESB), in its capacity as Public Electricity Supplier (PES).

In the gas sector, the CER facilitates competition by issuing consents for the construction of gas pipelines and licensing shippers/suppliers who operate in the market. The CER also has powers to regulate prices charged to certain gas customers by Bord Gáis and other market participants.

The CER takes an active regulatory stance in relation to the operation, maintenance and development of the electricity and gas transmission and distribution networks. It licenses transmission and distribution system operators, approves connection policies and sets tariffs for third party access to these systems, thus ensuring fair and regulated access to these networks.

In carrying out its functions, the CER must ensure that it:

- Protects the interests of final customers
- Does not discriminate unfairly between players in the market

The CER must have regard to the need to:

- Promote competition in the generation and supply of electricity and the supply of natural gas
- Secure that all reasonable demands by final customers of electricity are satisfied
- Secure that there is sufficient capacity in the natural gas system to enable reasonable expectations of demand to be met
- Promote the continuity, security and quality of suppliers of natural gas
- Promote safety and efficiency on the part of electricity and natural gas undertakings
- Secure that licence holders are capable of financing the undertaking of the activities which they are licensed to undertake
- Promote the use of renewable, sustainable or alternative forms of energy

In carrying out all its functions, the CER endeavours to operate in a manner which is open, transparent and accountable.
CER Organisational Chart

Tom Reeves
Commissioner

Cathy Mannion
Head of Generation & Supply
- Creating the correct business environment to encourage new generators and suppliers into the electricity market
- Overseeing and reviewing the system for trading electricity
- Approving ESB Generation and Supply costs
- Regulating prices for ESB tariff customers
- Reviewing and supporting the generation adequacy forecasts
- Supporting the development of an independent supply market through Virtual Independent Power Producer (VIPP) auctions
- Development of change of supplier process

Denis Cagney
Head of Networks
- Licensing & regulating the electricity transmission and distribution systems
- Approving the use of system charges for access to the electricity transmission and distribution systems, including tariffs and connection charges
- Determining disputes between users of the transmission or distribution systems and ESB National Grid/ESB
- Guaranteeing equitable treatment of all users of transmission and distribution services including suppliers and customers
- Approving the Grid and Distribution Codes for electricity generators
- Interconnection
- Infrastructure Agreement

Paul McGowan
Head of Gas
- Developing and setting gas market arrangements, including metering and data services
- Creating the correct business environment for existing and potential entrants to the gas market
- Approving use of system charges for the gas transmission and distribution systems, including tariffs and associated network access arrangements
- Regulating prices charged to certain gas customers by Bord Gáis and other licensed suppliers
- Publication of gas capacity statement
- Approving Codes of Operation, connection policy and tariffs for equitable third party access to the natural gas Transmission and Distribution Systems
- Regulating prices charged to gas customers by certain shippers/suppliers
- Publishing a Gas Capacity Statement
- Disputes

Eugene Coughlan
Deputy Commissioner
- Licensing, Consumer & Environmental Affairs
  - Consumer Affairs & policy, so that customers are informed of the changing market and their interests are protected
  - Environmental affairs and policy, to ensure that CER policies have a positive impact on the renewable sector and the environment
  - Facilitates competition in the electricity market by authorising the construction of new generating plant and licensing of generators and suppliers
  - Facilitates competition in the gas market by issuing consents for the construction of gas pipelines and licensing gas shippers/suppliers
  - Liaising with potential and existing market participants in the gas and electricity markets and all other interested parties such as consumers, government departments and statutory bodies
- Corporate Affairs
  - Media and Communications
  - Finance
  - Human Resources
  - Administration
Introduction

The Generation and Supply division manages the competitive part of the deregulated market. This includes regulation of ESB PowerGen and regulation and approval of tariffs charged by ESB Public Electricity Supply, the business unit within ESB responsible for supplying non-eligible customers and eligible customers who have not left or have returned to ESB as their supplier.

Generation and Supply is also responsible for developing a trading regime where independent suppliers and generators can buy and sell electricity.

Generation & Supply strives to make it easier for participants to join or compete in the market and many modifications have been approved by the CER which facilitate participants in this regard. Generation & Supply also deals with any disputes, which might arise in relation to trading.

Market Opening

In preparation for full market opening in 2005, the CER needs to ensure that the systems and processes necessary to provide for a smooth transition and satisfactory operation of the market are in place. This involves the setting up of industry bodies to advise on policy and procedures, monitor progress and make recommendations to the CER. The CER will also approve investment in systems required to support market opening. The CER commenced work in this area in 2002 and this will continue throughout 2003 and 2004.

Review of Market

When the electricity market was first opened in February 2000, transitional trading arrangements were put in place. These arrangements were to be reviewed in 2004 in preparation for full market opening in 2005. The CER has advanced this review and, in October 2002, appointed PA Consulting to advise on a trading system suitable for the Irish market. The CER embarked on a wide-ranging consultation with industry at the end of 2002 and this process will continue throughout 2003. The CER will decide on the high level principles of the market design by April 2003 and will then focus on the development and implementation issues.

Generation Adequacy Review

A key function of the CER is to monitor electricity demand and assess the generation capacity required to meet that demand in the future. The CER commissions a generation adequacy statement from ESB National Grid on an annual basis, which forecasts electricity supply and
demand seven years into the future. ESB National Grid’s Generation Adequacy Report for 2003-2009, which excludes flows over the North-South interconnector, forecasts capacity shortfalls of approximately 150MW in 2003 and 300MW in both 2004 and 2005, growing to 360MW in 2006.

In 2002, two new power stations, namely Synergen and Huntstown, were commissioned providing an additional 740MW of capacity. However, if demand for electricity continues to grow at the current rate, it seems likely that there will be inadequate generation in the coming year. Rather than rely on the market, which is in the early development stage, the CER decided that measures were necessary to encourage investment in new generation.

As construction of new generation plant requires a minimum of two years, the CER has established a project to investigate the short-term solutions to address the projected shortfalls through a combination of demand-side and generation-side initiatives. This project is considered a fallback option in the event of an unsuccessful outcome, in whole or in part, to a second major project, the Capacity 2005 project, which is tasked with delivering new generation by Winter 2005-06.

The long-term solution(s) will be addressed by the Capacity 2005 project, which will see the CER administer a competition resulting in the awarding of a contract(s) to a generator(s) for the purchase of electricity. This project has identified that up to 400MW of generation plant will be required in 2005. The CER has decided to hold a competition in 2003 for this additional capacity. ESB PES has agreed to offer a purchase contract to the successful bidder(s).

**VIPP3 Auction**

In 2001, the CER launched the first VIPP (‘Virtual Independent Power Producer’) auction to provide independent suppliers with a source of power to sell to eligible customers. The aim of the arrangement was to increase competition in supply and to also encourage market entry of new generators.

Following the success of earlier VIPP auctions, the CER launched a third VIPP auction in August 2002. Following public consultation, the CER recommended modifications which resulted in a very flexible product where capacity could be booked at a minimum charge and could be varied to meet suppliers’ needs. The auction provided 600 MW of capacity until the commissioning of Huntstown Power in December 2002, where it was then reduced to 400 MW.
Bulk Power Agreement between ESB PowerGen (ESB PG) and ESB Public Electricity Supply (ESB PES)

In December 2002, the CER published the Bulk Power Agreement between ESB PowerGen and ESB PES. This agreement covers the terms of the sale of electricity to ESB PES until full market opening on February 19, 2005.

As part of this agreement, the CER approved the calculation of ESB PowerGen and ESB PES allowable costs, which will be recovered via the PES tariffs. The level of allowable costs were determined after a comprehensive review by the CER of the operational costs and capital expenditure required by both ESB PowerGen and ESB PES. The CER has only permitted recovery of costs that were deemed reasonable and necessary.

Public Service Obligations

In 2002, the CER was directed by the former Minister for Public Enterprise to make preparations for the introduction of the Public Service Obligation (PSO) levy. This levy provides compensation to ESB for the extra costs of generating electricity from indigenous peat and renewable energy sources. The levy will be imposed on all customers through their supplier from 1 January 2003 and will appear as a separate item on customers’ bills.

ESB PES Tariff Review

In 2002, the CER reviewed the transmission, distribution, generation and supply costs incurred by ESB in supplying their customers and examined the impact on ESB tariffs. Following this review, the CER approved a 9.85% increase in the average price of electricity. The CER is mindful that tariffs should fully reflect the cost of supplying different categories of customers. This latest review of ESB tariffs furthers the process of rebalancing tariffs.

Tariffs will be reviewed by the CER on an annual basis in order to ensure that fully cost reflective tariffs are in place for full market opening in 2005. This will ensure that there is a level playing field for new players in the market and that customers will have a sustainable and secure supply of competitively priced electricity.

Tariffs Structures Review

The CER is commencing a review of the structure of the network tariffs (Distribution Use of System Tariff and Transmission Use of System Tariff) and the structure of the ESB PES tariffs.

This will be a wide-ranging review drawing on experiences in other countries and incorporating network connection charges.
Trading and Settlement Code

Introduction

The current trading system is one of bilateral contracts with ESB PowerGen providing ‘Top up’ and ‘Spill’. ‘Top Up’ refers to electricity bought by generators to provide backup supply in the liberalised market. ‘Spill’ refers to electricity sold to ESB over and above the amount produced by Generators to meet customers’ demand. Generation & Supply regulates ‘Top up’ prices and sets the detailed rules for the ‘Spill’ prices.

The Trading and Settlement Code sets out the rules and procedures for the electricity trading and settlement system in the Irish market. The CER is responsible for approving this Code and any modifications to it. Participants can propose changes to these rules by submitting requests to the Code Modification Panel. Recommendations are then made to the CER through the modifications panel, which sometimes results in Generation and Supply consulting with the industry before approving a modification, depending on the significance of the proposed modification.

Over the course of 2002, the CER published a number of key decisions including:

Market Pricing Decision

The Minister for Public Enterprise issued a Direction in 1999 setting out the framework for the operation of Ireland’s electricity trading system. This direction required the CER to review the effectiveness of the market pricing arrangements of ‘top up’ and ‘spill’ in meeting the main objective of the trading arrangements i.e. the promotion of competition. Following an extensive consultation process, the CER decided in August 2002, that the then current pricing regime did little to reduce the risks faced by potential new generators. The decision on market pricing introduces a capacity related spill payment and a minimum spill price. Both of these measures are designed to encourage market entry, increase competition and to provide for a more secure supply of electricity.

Access to Information Decision

The CER considers that the electricity market should be as open and transparent as possible in order to encourage new market entrants and increase competition. Availability of market information to existing and potential market participants plays a key role in increasing transparency and openness. Following representations to the CER regarding the availability of market information in the public domain and consultation on this issue,
the CER decided, in October 2002, to improve access to market information by requiring the Settlement System Administrator and other bodies to publish certain non-confidential information in a timely fashion.

**Security Cover Decision**

The CER recognises that barriers to entry must be reduced in order to ensure equal access to the market by all parties, irrespective of size. Under the code, each market participant must lodge a sum of money with the Settlement System Administrator as security against all payments due by them as a result of their trading activities in the market. In issuing its decision on security cover, in July 2002, the CER changed the rules to allow smaller players to pay a security cover commensurate with the risk that they pose to the market, subject to a maximum and a minimum level.

Prior to this decision, all players, regardless of size, had to pay €20,000 as security cover. This represented a burdensome amount to smaller players and a possible barrier to entry for some parties wishing to enter the market.

**Accession to the Trading and Settlement Code Decision**

In the interest of fairness, the CER decided in July 2002, that all generators with capacity greater than 1MW have to sign up to the Trading and Settlement Code, as those generators contracting with ESB PES should be subject to the same rules as those selling to independent suppliers. Small Generators may opt not to accede to the Code. This represents further effort on behalf of the CER to reduce the administrative burden facing smaller market participants.
Introduction
Given the natural monopoly nature of the networks business, it is necessary that the CER take an active regulatory stance in relation to the operation, maintenance and development of the networks business. A key objective for the CER last year, which will continue throughout 2003, was to implement policies and mechanisms, which will promote competition, efficiency and fairness in relation to third party access to the distribution and transmission networks.

Review of Network Tariff Structure
In 2003, the CER will carry out a comprehensive review of the distribution and transmission tariff structures and the retail tariffs of ESB’s Public Electricity Supply business. The objective of the tariff review is to develop and implement a tariff structure that will not only encourage efficiency in the use of and investment in the electricity networks but which will also promote competition and fairness in the various customer categories, while setting charges that are cost reflective and do not discriminate unfairly between classes of customers.

Third Party Disputes
Under Section 34(6) of the Electricity Regulation Act 1999, the CER has a role in resolving disputes between eligible customers and ESB Networks, in relation to issues such as cost of connection, the application of the ‘least cost technically acceptable’ principle, delays and allegations of unfairness. In 2002, the CER dealt with four such disputes.

Distribution System
An ongoing focus for the CER has been to facilitate market opening by putting in place procedures and agreements to ensure that all suppliers and customers have equitable access to and use of the Distribution System.

Business Separation
In order to allow a competitive market to develop in this vertically integrated industry, it is a necessary requirement that the monopolistic arm of the industry, the Networks Business, be fully ring-fenced from all other ESB businesses. In August 2002, the CER approved the high-level principles under which business separation would take place. During the course of 2003, the CER will decide on the necessary short and long-term solutions to Business Separation, which will deliver confidentiality of commercially sensitive information in accordance with the agreed principles.

2002 saw further considerable progress in overcoming the network infrastructure deficit under the CER approved investment programmes. In 2003, Networks will focus in particular on policy issues such as access tariffs and interconnections, as well as resolution of individual disputes.
Accelerated Distribution Network Programme

In 2001, the CER completed a comprehensive review of ESB Networks' proposed capital programme for the purposes of the Distribution Price Review for the time period 2001 to 2005. The capital expenditures allowed in this review formed part of a wider network investment programme, which ESB Networks intends to carry out in the period 2001 to 2010.

In 2002, ESB Networks submitted a case seeking the CER's approval for accelerating the investment required to refurbish and upgrade the distribution network. The main reasons highlighted for such acceleration were the poor condition of some of the medium voltage networks and the requirement for additional capacity in the networks, particularly at 38kV level, which has implications for customer safety and quality of supply.

The CER is considering the case made by ESB Networks and the benefits of approving the acceleration programme within the price review period of 2001-2005.

Regulatory Accounts

The CER prepared and issued regulatory accounting guidelines for ESB's integrated electricity undertakings for the year 2001. The regulatory accounts were designed to provide information about the regulated businesses of ESB and are a requirement for Business Separation.

For the 2001 accounts, the power generation and public electricity supply business have been amalgamated, as the vesting arrangements between both businesses were not in place. Similarly, the Transmission System Operator and Transmission System Owner businesses were not required to draw up separate accounts, as the Infrastructure Agreement was not in place. The regulatory accounts for 2002 will present disaggregated accounts for the power generation and public electricity supply businesses.

Bulk Supply Point Metering

As electricity flows along the networks, technical losses will inevitably occur. These result in mismatches occurring between the amount of electricity generated and the amount consumed. In the first Quarter of 2003, the CER approved a meter installation programme at the trading point, the point of connection between the transmission system and the distribution system or between the transmission system and a directly connected customer. These meters will facilitate the calculation of actual system losses at each of the voltage levels, which has important implications for new generation and trading regimes within the market.

System Agreements

Distribution Use of System Agreement

The CER plays an active role in overseeing the operation and use of the distribution system in order to ensure fair and equal third party access to the electricity network for all market participants. Last year, the CER published the Distribution Use of System Agreement, an agreement between ESB Networks as Distribution System Operator (DSO) and Suppliers, which sets out procedures and requirements necessary for connection to and use of the distribution system. The agreement also includes schedules in relation to additional services provided and billing and payment disputes that may occur. In addition, the CER has reduced the level of security cover required by suppliers in the agreement while also addressing the level of risk faced by the distribution business.

Meter Registration Agreement

The roll out of market opening requires the Distribution System Operator to operate and maintain a Meter Point Registration Service, according to a Meter Registration Agreement. The Agreement sets out details of the functions and requirements of the Meter Point
Registration Service, including provision of data and agreed procedures in relation to applications for registration, new connections, disconnections, changes of data and the billing and payment of charges for meter and data services. The CER believes that this agreement reflects a reasonable balance between the rights of the user and the distribution business.

Codes of Practice

Compliance Code of Conduct
Issues regarding commercially sensitive information, held by the networks or natural monopoly arm of ESB, have to be dealt with appropriately in order to achieve effective competition. The Compliance Code of Conduct stipulates the obligations on ESB staff to ensure full compliance with confidentiality and non-discriminatory conditions set out in the Distribution System Operator licence and Transmission Asset Owner licence. The Code applies to all staff in the ESB Networks business, staff in business areas within ESB Group who provide services to or on behalf of Networks and staff who carry out corporate duties in relation to the Networks business, as well as indirectly to staff in other ESB businesses.

Customer Complaints Handling Procedure
With the distribution system retaining its monopoly structure, it is vital that all customers are given equal and fair treatment in the first instance because of their rights as a consumer and secondly, to ensure equal treatment from ESB Networks, regardless of their supplier. The Complaints Handling Procedure sets out standard procedures, which the Distribution System Operator is required to follow when handling complaints.

Distribution Use of System Tariffs
As part of the CER’s ongoing role, the Distribution and Transmission Use of System charges to suppliers for 2003 were approved on 6 September 2002. This was part of an annual review, which is used to recover the allowed revenue of the Transmission and Distribution business.

Transmission
In 2002, the CER concentrated on overseeing the organisational structure of the transmission business. This work will largely continue throughout 2003, with the CER putting in place contractual agreements to ensure equal and fair access to the electricity market.
Infrastructure Agreement

On the 15 October 2002, the CER reached agreement with EirGrid on the implementation of the CER’s Direction of November 2001 on the Infrastructure Agreement. In consideration, the High Court proceedings between the parties were dropped.

The Direction will be implemented by EirGrid and ESB. The allocation of certain responsibilities between the two companies will be based on the principles set out in the Direction and on the arrangements agreed between EirGrid and ESB, and approved by the CER.

EirGrid’s TSO licence will, as a consequence, become fully operational in 2003. In addition to the statutory Infrastructure Agreement, a Transfer Scheme, dealing with matters such as assets, premises and staff, between ESB and EirGrid, will ensure complete separation of the TSO from ESB.

East-West Interconnector

The CER has appointed a team led by DKM Economic Consultants to undertake a study on an Ireland-Wales Interconnector. The overall objective of this study, which is due in April 2003, is to assess the likely costs and benefits to the Irish electricity system of an interconnector. The focus will be on the possible benefits to the domestic economy and, in particular, the long term interests of the Irish consumer. The CER intends to advise the Minister for Communications, Marine and Natural Resources on the findings of the study.

North-South Interconnector

During 2002, the CER oversaw the south-to-north interconnector capacity auction. The auction and subsequent capacity sale resulted in 70MW of capacity rights being granted to independent market players. For 2003, the CER, along with ESB National Grid, is reviewing the auction parameters used, including the capacity available to market participants. In order to increase the opportunities for trading on the interconnector, the CER will be working to secure the implementation of superposition from 1 April 2003.

With the increase in the Moyle interconnector import capabilities to 400MW, the CER, in cooperation with OFREG, SONI and ESB National Grid, agreed an interim modification to the reserve sharing agreement between the two jurisdictions. This agreement will be reviewed during 2003, with the view to agreeing a more permanent solution.
Grid Code
The Grid Code is essentially the ‘rules of the road’ regarding connecting equipment to and use of the National Transmission Grid. The CER approved an updated version 1.1 of the Grid Code in 2002. In consultation with ESB National Grid, the CER will review the Grid Code in 2003 in order to take account of the specific technical characteristics of wind generation.

Contestable Connections
In 2002, the CER began to work with ESB National Grid on consolidating the processes and documentation required to uphold connecting parties’ rights to construct their own shallow connection works. This work will continue into early 2003.

Forecast Statement
The Electricity Regulation Act, 1999, requires that the Transmission System Operator (TSO) produces a forecast statement on an annual basis. The Forecast Statement examines the generation, demand and transmission characteristics of the network in order to identify areas of the network suitable for connecting new generation.


Ancillary Services Agreement
The CER approved ESB National Grid’s Ancillary Services Schedules and Agreements in December 2002. These documents set out the commercial arrangements for procurement by ESB National Grid from generators of the ancillary services vital to system operation and security, such as operating reserve and black start capability.
2002 was significant in terms of gas regulation as the CER took responsibility for the regulation of the natural gas industry in Ireland. Interim processes and arrangements were put in place to get the market ‘up and running’. 2003 will be a very busy year where the Gas Team will be putting in place the full arrangements and mechanisms to facilitate continued market opening.

**Policy Development**

Soon after taking on responsibility for regulation of the natural gas industry, the CER commenced a review of market arrangements and published the ‘Consultation on Natural Gas Policy Framework’ in June 2002. This paper set out the objectives for reform, outlined the current situation and raised questions relating to the direction of the industry.

In addition, the Gas Market Advisory Group (GMAG) was established in October 2002 to assist the CER in its review and development of natural gas market arrangements. The GMAG is made up of representatives from various parts of the industry and has met to discuss such issues as point-to-point versus entry-exit capacity definition, whether a short-term firm transportation service should be offered, imbalance charging and the provision of balancing gas.

**Tariffs & Pricing**

**Transmission Tariff**

The CER oversaw the setting of transmission tariffs for the beginning of the new gas year in October 2002. The tariffs largely followed the form of the Directives issued by the then Minister of Public Enterprise in November 2001. The 2002/3 tariffs update assumptions made in the setting of the 2001/2 tariffs, notably in respect of the timing of the Corrib gas field, the existence of the Seven Heads gas field and the re-profiling of flows from the Kinsale Head field. In addition, the discount applied to the 2001/2 tariffs to smooth the transition to the new tariff regime was removed.

**Interim Distribution Tariff Review**

The further opening of the Irish gas market in April 2002 meant that most eligible customers are now located on the Bord Gáis distribution system. As a result, on 8 July 2002, the CER issued a Direction requiring Bord Gáis to produce a submission setting out the basis upon which charges would be imposed on all Shippers transporting gas on the Bord Gáis natural gas distribution network.

Following responses from interested parties and a review of the issues, the CER issued a Direction to Bord Gáis regarding the basis by which gas distribution tariffs would apply for the interim period from 1 October 2002 to 30 September 2003. A statistical cost based methodology was sanctioned for these interim tariffs, whereby all gas users with an annual consumption of less than 146,535 MWh are required to pay for a distribution tariff based on their statistical use of the system, irrespective of whether they were transmission or distribution connected. The tariffs were allocated on the basis of an 80:20 capacity:commodity ratio.
The CER recognised that under this statistical cost based methodology, certain transmission connected customers would face significant increases in their end-cost of natural gas, as they moved from bundled contracts to more cost reflective ones. In this context and given its duty to protect the interests of gas customers, the CER decided that requiring transmission connected customers to pay a distribution tariff would result in an excessive increase in the end-price of gas to these customers. As a result, to ameliorate the potential increase in the end-cost of gas to these customers, on 26 November 2002, the CER directed Bord Gáis not to charge a distribution tariff to transmission connected customers.

**Supply Tariff**

In October 2002, Bord Gáis submitted a request to the CER for an increase in the gas supply tariff offered to the franchise market. The franchise market consists of those customers who are currently not eligible to have their natural gas supplied by another party other than Bord Gáis Energy Supply.

On 24 February 2003, the CER announced details of its approval to Bord Gáis Energy Supply to increase its natural gas supply tariffs to franchise customers by 9.1% for gas delivered as and from 1 April, 2003. In addition, the CER published a proposal from Bord Gáis for the supply of natural gas to all eligible gas customers consuming more than 181,000 therms (0.5 million standard cubic metres) of natural gas annually on the basis of a Regulated Tariff Formula [RTF]. This RTF, which is regulated by the CER, is designed to ensure that all such customers will be offered a single, transparent market price from Bord Gáis, thereby facilitating the procurement and comparison of competing quotes from new entrant natural gas suppliers. The RTF will result in a range of increases and decreases depending on the particular contract but overall there will be an average increase of about 2.5%. Individual increases will be capped at 15% above current Demand & Commodity tariff levels. The CER intends to issue its formal Direction on 21 March 2003.

**Transmission Tariffs**

During the first quarter of 2003, the CER will commence a complete review of the tariffs to apply for use of the Bord Gáis transmission system, which will include consultation with interested parties. These tariffs will apply from 1 October 2003.

**Distribution Tariffs**

During the first quarter of 2003, the CER will commence a complete review of the tariffs to apply for use of the Bord Gáis distribution system, which will include consultation with interested parties. These tariffs will apply from 1 October 2003.
Changing Natural Gas Supplier

Change of Supplier by Shipper Process

In the gas industry, a Shipper is a party that solely conveys gas through the gas network on behalf of a Supplier, while a Supplier sells natural gas directly to a customer. A Supplier may or may not also be a Shipper.

In October, the CER issued a ‘Change of Supplier by Shipper’ process for all eligible customers who wish to change their natural gas supplier. This process was required on a near-term basis prior to the implementation of a proposed Interim Distribution Code of Operations (DCOP). The Gas Point Registration Operation (GPRO) was established as a ring-fenced entity within the Distribution Business Unit of Bord Gáis to administer the Change of Supplier by Shipper process. This unit is charged with providing a secure and confidential market support service to participants in the Irish Gas Market regarding Third Party Access, metering and access to historical information. A public consultation process, commencing in January 2003, will examine the continuing and future role and functions of the GPRO.

Business Separation

Effective business separation of the incumbent, Bord Gáis, is an essential work stream undertaken by the CER to ensure adherence to the principles for market opening, including, but not limited to, fair access to information, removal of market entry obstacles, transparency and a level playing field for new entrants, which will ultimately benefit consumers. Currently, the CER is in discussions with Bord Gáis regarding the appropriate structure of its business units and IT systems and has also commenced public consultation on the structure.

Following this consultation, draft licences for all natural gas licensable activities will also be published for consultation. These licences will replace the interim natural gas licences. Licences issued to Bord Gáis will enforce implementation of a final decision on the appropriate structure of business separation.

Regulatory Accounts

Regulatory Accounting Guidelines

In 2003, the CER will prepare regulatory accounting guidelines for the gas transmission, distribution and supply businesses of Bord Gáis. Regulatory accounts are designed to provide information about regulated businesses, primarily for use by the regulator. Regulatory accounts are structured to display information about regulated businesses or activities, and are therefore more focused than statutory accounts. Regulatory accounts will not only provide information needed for future tariff reviews rather, in detecting possible cross-subsidies, will also be a key tool in ensuring effective business separation.

Distribution Issues

Interim Distribution Code of Operations

The Distribution Code of Operations (DCOP) sets the technical, operational, and commercial rules by which all Shippers can use the Bord Gáis distribution system. It is intended to provide Shippers with a clear, fair, transparent and equitable framework. An Interim DCOP applying to current eligible customers will be introduced, following consultation with the market, in the first quarter of 2003.

Changing Gas Supplier

Interim Change of Supplier Process

Upon the introduction of the Interim Distribution Code, the procedures for changing supplier will be set out in the Supply Point Administration (SPA) section of the Interim DCOP for the affected supply points. The Change of Supplier procedures as set out in the ‘Interim Change of Supplier by Shipper process for Market 2002’ will continue to operate for transmission exit...
points. Therefore, the new SPA procedures will operate for distribution-connected customers who are eligible to change their natural gas supplier. The CER will consult on the SPA procedures as part of an Interim Distribution Code of Operations in Quarter 1 2003.

Other

Modification Forum
On 15 October 2002, the CER assumed the Chair of the Code Modifications Forum, pursuant to Modification 14 of the Transmission Code of Operations. The CER may now make the final decision on any proposed modification, usually on the basis of a forum recommendation. The CER may also ‘fast-track’ modifications that are deemed urgent, especially in the light of facilitating open market access. On 13 August, the CER was asked to deliver a determination on the Modification 4 dispute, concerning flexible capacity at entry points. This long-standing dispute concerns the ability of Shippers to transfer previously contracted long-term capacity from existing to new entry points, as well as the availability of back-up capacity at alternative entry points at short notice and for short duration. The CER delivered a draft determination on this dispute in January 2003.

Gas Capacity Statement
Under the terms of the Gas (Interim) (Regulation) Act, 2002, the CER is required to prepare and publish an annual gas capacity statement, which will forecast flows and customer demand on each part of Ireland’s natural gas system over the forthcoming 7-year period. The CER has recently begun work on its first such statement and the final report will be published in April 2003.

Following consultation with interested parties, the CER published ‘Guidelines for the Preparation of a Gas Capacity Statement’ in August 2002. This paper set out the terms of reference for the capacity statement project and will provide a framework for the development of the final document.

In carrying out its work on the capacity statement, the CER will seek to gather information from market participants concerning current projections of future levels of supply and demand. The CER will then draw up a number of supply and demand scenarios, which will, in turn, be modelled using transient analysis on the Bord Gáis system. On the basis of this analysis, it is envisaged that the statement will highlight any discrepancies between system demand and supply and will highlight opportunities for system development.
CER and the Renewables Sector

Introduction

In carrying out its primary duties and policy, the CER takes into account the protection of the environment and the promotion of renewable, sustainable and alternative forms of energy. This is reflected in key areas such as:

- Full Market Opening, for licensed ‘green’ and CHP suppliers, so that they may supply to all customers in the country, irrespective of their consumption
- Licensing procedures, whereby the CER takes into account the environmental impacts when authorising and licensing new generation plant
- Electricity trading system, in that ‘green’ and CHP generators and suppliers are afforded trading advantages, such as the ability to purchase unlimited ‘Top-Up’ in any trading period, subject to annual balancing requirements.

CER/Ofreg Wind Study

Given the increasing importance of wind generation in both the Republic of Ireland (RoI) and Northern Ireland (NI), the CER and the Office for the Regulation of Electricity and Gas in Northern Ireland (Ofreg) commissioned a consortium, led by Garrad Hassan and including ESBI and the Sustainable Energy Research Centre, UCC to investigate the feasible level of wind penetration which can be safely and securely accommodated on the combined electricity systems of the RoI and NI, for three target years – 2005, 2007, 2010. The results of this study were presented to the public on 14 February 2003. In 2003, the CER will further examine the implications of the recommendations arising from the study for the CER and other market participants.

Legislation on Emissions

The Emissions Trading Directive (COD 2001/0245), agreed by the European Council on 9 December 2002, established a Community-wide scheme for greenhouse gas emissions trading from 2005-2007 and 2008-2012. This scheme will be compatible with Member States’ commitments under Kyoto to reduce European greenhouse gas emissions by 8% compared to 1990 levels by 2008-2012. The scheme will initially be restricted to CO2 emissions from certain activities namely:
a) Combustion installations with a rated thermal input exceeding 20MW (excepting hazardous or municipal waste installations),

b) Mineral oil refineries,

c) Coke ovens.

In recognition of the importance of the impact of European-wide emissions trading on the energy sector, the CER joined the Emissions Trading Advisory Group. The Emissions Trading Advisory Group, comprising industry representatives, government departments and agencies, is investigating the allocative mechanism for allowances and undertaking a detailed economic analysis of the impact of emissions trading on economic competitiveness.


In early 2003, the Department of the Environment and Local Government will issue a Consultation paper on a National Emissions Strategy. The CER intends to actively engage in this consultation process. In recognition of these European Directives and the proposed introduction of a carbon tax in early 2004, the CER intends examining further the impact of these developments on the energy sector. Integral to this study will be consultation with interested parties.

**Announcement of AER6**

At present, the Government provides support for renewable energy under the Alternative Energy Requirement (AER) scheme, which is administered by the Department of Communications, Marine and Natural Resources. AER awards successful green generators a 15 year Power Purchase Agreement with ESB-PES. The Department has published the formal offer to the market with the detailed terms and conditions of AER6. The role of the CER in relation to AER6 is a licensing one. The CER will be actively engaging with the Department’s public consultation in Spring 2003 on a future renewable support mechanism.
Meetings with Renewable Market Participants & Stakeholders

During 2002, the CER continued to liaise with various participants and representatives within the renewable sector, including the Irish Wind Energy Association, Sustainable Energy Ireland, the Environmental Protection Agency, the Department of the Environment and Local Government and the Department of Communications, Marine and Natural Resources. These meetings, which will continue in 2003, facilitated a broad exchange of views between Renewable Market Participants, Stakeholders and the CER, together with providing an invaluable update on the various initiatives and work programmes of the various bodies with the common objective of the promotion of renewable energy in Ireland.

Consumer Affairs

Market Opening and CER Nationwide Consumer Workshops

In light of developments during the year, such as the construction of two new power stations with a combined capacity of ca. 740MW, the launch of the third auction of ESB power to licensed independent suppliers (VIPP3), the establishment of the CER as the gas industry regulator and the increased number of market participants and customers, CER held three consumer workshops in Galway, Cork and Dublin during 2002. The workshops, which addressed the various issues faced by customers when choosing suppliers including pricing, contracts, customer rights and the change of supplier process, were attended by new and existing ‘eligible’ customers who currently are participating or wish to participate in the open gas and electricity markets.

Contact with Market Players/Participants

Bankability Study

During the year, the CER engaged NCB Corporate Finance to carry out a review of the issues facing those considering investing in the Irish electricity market.

The report, published in June 2002, found that despite the relatively small size of the Irish Electricity Market, ESB dominance and uncertainty over future trading arrangements, a number of parties remain interested in developing electricity generation and supply businesses in Ireland. One of the key difficulties facing potential investors in the market identified was the absence of a party to offer long-term off-take contracts to generators which would enable the generators to obtain non-recourse financing.

Regulation of the Electrical Contracting Sector

In response to a request from the then Minister for Public Enterprise in 2001 to explore a role for the CER in the future regulation of the Irish electrical contracting sector, the CER proposed an approach to the future short-term and long-term regulation of the sector. Criteria for the regulation of the industry were prepared by the CER, in consultation with the industry and will be implemented using a phased approach throughout 2003. Under the proposed approach, which builds on the strengths and well-established roles of each of the main players in the electrical contracting industry, the Distribution System Operator (DSO) will be responsible for the day-to-day regulation of the industry while the CER will have overall responsibility for the regulation of the industry. In the longer term, a role for the CER in the regulation of the electrical contracting sectors will be proposed in the forthcoming Electricity Bill.

The Role of the CER in Gas Safety Regulation

Under the Gas (Interim) Regulation Act 2002, the CER has assumed, as one of its functions, a duty with regard to the promotion of safety in natural gas undertakings. The CER, in conjunction with other appropriate bodies and authorities, is to review its role with regard to gas safety regulation in 2003.

To date, the CER has reviewed and amended, having due regard to safety, the technical guidelines for the construction and operation of gas pipelines.
Complaint Resolution in a Developing Market

In 2002, the CER examined in cooperation with market players issues of customer representation and avenues for complaint resolution and arbitration of unresolved customer supply and network complaints in both the franchise and competitive markets. The CER has also proposed amendments to the forthcoming Electricity Bill to give the Commission legislative powers to arbitrate on customer complaints. In 2003, the CER will consult on the options to be put in place in advance of the next stage of market opening in 2004.

Quarterly Bulletin

In 2002, the CER commenced publication of the CER Quarterly Bulletin which provides consumers, industry players and interested parties with quarterly updates on developments and events that form or affect the developing gas and electricity markets. The CER Quarterly Bulletin can be downloaded from the CER website and is also available in hard or soft copy from the CER mailing list or on request.

Authorisations & Licences

Introduction

Under the Electricity Regulation Act 1999 and the Gas (Interim) Regulation Act 2002, the CER is responsible for the authorisation and licensing of new players who wish to enter the natural gas and electricity markets.

The assessment of licence applications, namely Authorisations to Construct or Reconstruct Generating Stations, Licences to Generate Electricity, Licences to Supply Electricity, Gas Shipper/Storage licences and the issuing of consents for the construction and operation of new gas pipelines is one of the key functions of the CER in the electricity and gas markets. In 2003, the CER will also examine all generic Authorisation and Licence conditions, with a view to ensuring that they continue to be relevant and practical in the evolving gas and electricity markets in Ireland.

Authorisations

During 2002, the CER issued Authorisations to Construct for 19 additional plants, with a combined capacity of 330.8 MW. In view of its commitment to encourage renewable forms of electricity generation, the CER is particularly pleased to have authorised the construction of 15 additional wind farms in 2002, with a total capacity of 79.8 MW.
**Generation Licences**
During 2002, the CER issued Licences to Generate for 22 additional plants, with a combined capacity of 368.9 MW.

**Supply Licences**
There are three separate classes of Licence to Supply Electricity:
- Licence to supply eligible customers
- Licence to supply final customers with electricity produced from ‘green’ sources
- Licence to supply final customers with electricity produced from combined heat and power.

During the year, 3 applicants were issued with Licences to Supply Electricity. The different types of Licence to Supply Electricity issued by the CER, at the end of 2002 are shown below.

**Modification of Existing Electricity Supply/Generation Licences**
The CER licences all generators and suppliers of electricity. In December 2002, the CER published for consultation a paper proposing changes to the present generic electricity supply licence issued under Section 14 of the Electricity Regulation Act 1999. Changes were proposed to licence conditions in order to guard against potential inappropriate transfers of information or cross subsidisation between a competitive supply business and its affiliates in the regulated market, where the licensee is dominant in the electricity supply market or where it is part of a vertically integrated utility. Stricter ringfencing and business separation requirements are proposed. The CER has made a commitment in its Deliverables’ Document (January-June 2003) to modify existing supply licences where appropriate by the end of March 2003.
In 2003, a similar review of the conditions of the generic generation licence will take place with the same objective in mind.

Monitoring of Authorisations and Licences

Authorisations
The CER monitors compliance with Authorisation and Licence conditions. It also monitors the construction of power plants, which received scarce capacity from the Bord Gáis network, as required under the Gas (Amendment) Act, 2000. These plants are namely the Huntstown Power Company Limited plant in Huntstown, Finglas, Dublin 11 and the Synergen plant in Ringsend, Dublin 2. The CER monitored the construction of the plants to establish that they were in accordance with the commissioning date stated in their application for scarce gas capacity rights.

Generation Licences
In relation to generation licences, the CER assesses and approves the operator of licensed generating plants, as required under Condition 9 of the Generation Licence.

Condition 15 of a Generation Licence requires that a licensee report annually to the CER on its environmental performance in an effective and practicable manner. In 2002, the CER published a decision paper on the method in which a licensee would report to it on its annual environmental performance. For generating plants issued with an Integrated Pollution Control (IPC) licence, the CER requires that the licensee submit a copy of its Annual Environmental Report. For generation plants not licensed by the EPA, the CER requires that such plants complete annually a report to CER on the plant’s environmental performance.

Supply Licences
The CER requires that licensed suppliers keep their customers informed of their electricity consumption and provide contact details on an enquiry service should they require urgent attention. The licensee is also required to furnish customers with the CER’s contact details so that the CER can assist in resolution of unresolved complaints between the supplier and customer.
New Procedures for Applications for small-scale Generation Licences
The CER introduced a less onerous process for the assessment of authorisation and licence applications by small-scale generators in order to minimise the regulatory burdens on smaller market participants. It was determined that generators less than or equal to 5MW should be assessed in this less onerous manner. This new procedure was published in March 2003.

Development of Gas Licences
The CER is presently developing full-term generic licences for the activities of gas supply/shipping, distribution and transmission. It is expected that these will be issued for full public consultation in Quarter 2 of 2003, with a view to issuing the finalised full-term licences shortly thereafter.

To date, the CER has issued 6 Interim Gas Supply/Shipping licences. These will be superseded by full-term licences, which will be issued to existing licensees when finalised.

Established CER role in Relation to Issuing of Gas Consents and Ongoing Monitoring of Gas Safety
In order to construct a gas pipeline, an application for a consent to construct under Section 39A of the Gas Act 1976 must be made to the CER (exemptions from this process in the case of certain pipeline developments do apply). The CER assumed responsibility for the issuing of such consents under Section 12 of the Gas (Interim) Regulation Act, 2002.

The CER has received several applications for Section 39A consents. These applications for consents to construct relate to new pipeline construction associated with diversionary work for the Waterford by-pass project, the supply of gas to the Intel facility in Kildare and a pipeline upgrade project in Abbotstown, Co. Dublin. Such consents are subject to technical and environmental assessments, in addition to undergoing consultation with the appropriate external parties, government bodies and, in certain circumstances, the public. Under the 1976 Act, the CER may attach conditions with regard to the construction and operation of the pipeline – such conditions relate to technical and safety standards for the pipeline and normally require that an application be made to the CER for a ‘consent to operate’ before the pipeline may be brought into commercial operation. The granting of a consent to operate a pipeline is subject to the CER being satisfied that certain conditions have been met in the construction and testing of the pipeline and that it will be operated in accordance with the relevant standards.
The CER issued a Section 39A consent to construct for the Ballyveelish to Waterford pipeline diversion in November 2002. The CER issued a consent to operate for the Leinster and Connaught sections of the Pipeline to the West in December 2002 and for the second Subsea Interconnector between Ireland and Scotland in January 2003.

In August 2002, the CER published a consultation paper entitled ‘Guidelines for the Construction of Gas Pipelines in Ireland’. Finalised guidelines on the Section 39A consent application process will be issued in early 2003.

**Issuing of Section 2(1) Orders to Distribute and Supply Gas to Certain Towns**

Under the Gas (Interim) (Regulation) Act 2002, the CER can conduct a competition for the supply and distribution rights for natural gas in a particular area, where it deems this appropriate. In 2002, the CER received an application for a Section 2(1) Order from Bord Gáis to construct the necessary infrastructure to supply and distribute gas to the five towns of Galway, Athlone, Mullingar, Tullamore and Ballinasloe.

After consultation, the CER decided to award Bord Gáis the rights to build and operate the necessary pipelines to bring gas to the specified towns and their hinterlands. These towns will be served through ‘spurs’ from the new gas pipeline to the West.

In 2003, the CER is also to consider holding a competition to decide to whom the right to supply gas to customers within these towns shall be awarded. Furthermore, the CER will explore arrangements to allow parties in addition to Bord Gáis to construct distribution pipelines in towns in the future.

In addition to the above, the CER has decided to consider an amendment of the existing Section 2(1) Order made in favour of Bord Gáis. Presently, this Order awards the rights for supply and distribution to 15 counties. The CER is to consider amending this in order that it would apply only to those areas covered by an existing installed distribution network.

The CER will be engaged in the process of implementing the elements of the above decision throughout 2003.
### Appendix 1 – Documents Published by the CER

**January 2002**
- Metering and Data Services Project - Consultation Documents
- Top Up Prices and Secondary Prices for the Independent Sector
- Review of Pricing Arrangements under the Trading and Settlement Code (Top Up and Spill)
- Electricity Regulation Act, 1999 (Eligible Customer) Order 2002
- Provision of Data by the Settlement System Administrator to ESB Power Generation for the Winter Peak Management Program
- Consultation regarding Liability Provisions for Market Operators
- Data Transfer Baseline
- Generator Top Up Entitlement Allocation - Alteration of the Temporal Constraints
- Trading and Settlement Code

**February 2002**
- Transmission Loss Adjustment Factors
- Interconnector Auction – Results
- Charges for Connection to the Distribution System
- ESB-Distribution Performance Criteria
- Distribution System Security and Planning Standard
- Distribution Use of System Agreement
- Review of Pricing Arrangements (Top Up and Spill)
- Decision on Generator Top Up Entitlement Allocation - Alteration of the Temporal Constraints
- ESB National Grid Contestable Connection Consultation Paper
- Baseline Business Requirements for Metering and Data Services

**March 2002**
- Review of Pricing Arrangements (Top Up and Spill)
- Condition 15 Decision Paper
- Terms of Reference for Commission’s Review of the Overall Trading Arrangements
- Review of Pricing Arrangements under the Trading and Settlement Code
- Distribution Code Review Panel
- Balancing Requirements

**April 2002**
- Public Consultation Document Towards Better Regulation
- DSO Code of Practice for Access to Land and/or Premises
- DSO Customer Complaints Handling Procedures
- DSO Disconnection Code of Practice
- Alteration of Spill Cap
- Report on CER role on Regulating the Irish Electrical Contracting Industry
- Direction on the Treatment of Autoproducers in the Distribution and Transmission Regime. The CER also published an explanatory memorandum and a summary of comments received
- Generator Testing Charges

**May 2002**
- PG Sales Arrangement with PES Consultation
- Timetable for PES Tariff Review
- Letter to the Distribution System Operator
- Distribution System Operator Code of Practice for Access to Land and/or Premises
- Customer Complaints Handling Procedures
- Disconnection Code of Practice
- Conditions obliging ESB to sell half the output of its Synergen Power Station to Competitors

**June 2002**
- NCB Report – Issues facing those investing in the Irish Electricity Market
- Criteria for Determination of Consents and Applications for Natural Gas Licences
- Consultation Paper on the Proposed Accreditation of Renewable energy Imports to the Republic of Ireland
- Allocation of an independent ‘non-green’ and ‘non-chp’ generators top-up entitlement
- Consultation on Natural Gas Policy Framework
- Consultation on Potential Competitive Process for Gas Distribution Areas

**July 2002**
- Decision on accession to the Trading & Settlement Code
- Approval of Market Audit Scope
- Decision on Security Cover under the Trading & Settlement Code
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<td>Consultation on the Guidelines for the Preparation of a Gas Capacity Statement</td>
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<td>Distribution Loss Factors</td>
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<td>Publication of Distribution Use of System Agreement</td>
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<td>Decision on Review of Market Prices</td>
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<td>Proposed Timetable for Implementation of New Approach to the Regulation of the Electrical Contracting Industry</td>
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<td>Amendment to the Non Green VIPP 3 Auction</td>
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<td>Agreement with EirGrid on the implementation of the Commission’s Direction of November 2001 on the Infrastructure Agreement</td>
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<tr>
<td>Letter to Chairman, EirGrid</td>
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<td>Letter to Chairman, ESB</td>
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<td>Link to agreed arrangements</td>
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Launch of VIPP3
- VIPP3 Decision Paper
- Non Green VIPP3 Invitation to Bid Document
- Non Green VIPP 3 Agreement
- Spill Price Market Information Paper
- Agreed Procedure 15 - Dispute Resolution Procedure
- AP15 - Dispute Resolution Procedure
- Attachment 1 - Overview of Procedure
- Attachment 2 - Notice of Dispute Form
- Attachment 3 - Notice of Resolution Form

Best New Entrant (BNE) 2003
- Directive to ESB on 2003 Electricity Tariffs
- Public Service Obligation Levy 2003
- Decision under Regulation 3(4) of SI number 49 of 2000 Electricity Regulation Act, 1999
- Submissions made pursuant to the Transmission Tariff consultation

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- Direction Regarding Interim Gas Distribution Tariffs
- Examples of Other Trading Regimes
- Presentation: Choices for Irish Electricity Trading Arrangements
- Gas Market Arrangement Principles - Summary of comments received
- Choices for Irish Electricity Trading Arrangements
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- Response document
- Public Forum: Review of Electricity Trading Arrangements
- Review of Electricity Trading Arrangements
- Gas Capacity Statement for Ireland
- Guidelines for the Preparation of a Gas Capacity Statement
- Comments Received from Interested Parties.
- Draft Criteria for Proposed New Approach for the Regulation of the Electrical Contracting Industry
- CER Quarterly Bulletin Quarter 4 2002
- Correction to 2003 Tariff Direction
- Press Release: VIPP 3 Auction

December 2002
- Decision Regarding Bulk Purchase Agreement between ESB PG and ESB PES
- Calculation of ESB Power Generation Revenue under the Annual Bulk Power Agreement
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- Public Electricity Supplier Revenue Review
- Appendices

South to North Interconnector Capacity Auction 2003/04
- Auction Proposals
- ESBNG’s Transfer Capacity Report
- CER Consultation on Bord Gáis Proposals to enable additional Eligible Gas Customers to choose Shipper/Supplier, including an Interim Distribution Code of Operations
- Proposed Introduction of the interim Distribution Code of Operations (DCOP)
- The proposal for the interim DCOP
- Interim Metering and Data Services (Interim GPRO)
- DCOP Supply Point Administration (“SPA”) Guide

Commission’s Decision - Investment in New Electricity Generation Capacity 2005
- Commission’s Decision
- Summary of Comments Received
- Press Release

Decision in relation to Proposed Role for ELCOM in the Liberalised Electricity Market
- Section 2(1) Order Decision Paper
- Criteria for Appropriate Party Access to Eligible Customer List - Electricity & Gas

Distribution Capacity Charges and CHP Customers
- Summary of comments received from consultation on draft criteria for the proposed new approach for the regulation of the Electrical Contracting Industry
- Review of Irish Tariff Structures (Tender for Consultancy)
- Notice of Revocation of Direction issued to Airtricity Limited by the Commission for Energy Regulation under Section 24(4) of the Electricity Regulation Act, 1999
- Consultation Paper on the Review of the Generic Electricity Supply Licence
- Accelerated Network Investment
- Copy of the Accelerated Network Investment Programme

Shortening of Generator Connection Process
Appendix 2 – Electricity Legislation

This EU Directive concerning the internal market in electricity came into force on the 19 February 1997 and was implemented in Ireland on 19 February 2000. The Directive required that approximately 28% of the Irish electricity market be opened up to competition at that time, increasing to about 32% by February 2003. This will allow independent electricity generators and/or suppliers to contract directly with designated eligible customers for the supply of electricity.

Electricity Regulation Act, 1999
The Electricity Regulation Act, 1999 provides the regulatory framework for the introduction of competition in the generation and supply of electricity in Ireland. The Act provided for the establishment of the Commission for Electricity Regulation and gives it the necessary powers to license and regulate the generation, distribution, transmission and supply of electricity.

Policy Direction - Trading in Electricity
One of the functions of the Commission for Electricity Regulation under Section 9(1)(a) of the Electricity Regulation Act, 1999, is to publish, pursuant to a policy direction or directions of the Minister, which shall be made publicly available when given to the CER, proposals for a system of contracts and other arrangements, including appropriate rights and obligations, for trading in electricity. This policy direction was received from the Department of Public Enterprise by the CER on 27 July 1999.

S.I. No. 213 of 1999: Electricity Regulation Act, 1999 (Commencement) Order, 1999
This Order brings into operation on 14 July, 1999, the provisions of the Electricity Regulation Act, 1999.

This Order appoints 14 July, 1999, to be the establishment day for the purposes of section 8 of the Electricity Regulation Act, 1999. On that day the Commission for Electricity Regulation was established to perform the functions conferred on it by the Electricity Regulation Act, 1999.

This order sets out the criteria in accordance with which an application for an authorisation to construct or reconstruct a generating station may be determined by the Commission for Electricity Regulation.

This regulation, made with the consent of the Minister for Public Enterprise, establishes a system of trading in electricity, having taken into account the matters raised in the public consultation process carried out under section 9(1)(b) of the Act.

S.I. No. 445 of 2000: European Communities (Internal Market in Electricity) Regulations, 2000

This order imposes a levy on certain specified classes of electricity undertakings in 2002, for the purpose of meeting expenses properly incurred by the Commission for Electricity Regulation in the discharge of its functions under the Act.

S.I. No. 3 of 2002: Electricity Regulation Act, 1999 (Eligible Customer) Order, 2002
This Order reduces the eligible customer threshold from 46Wh per annum to 16Wh per annum with effect from 19 February 2002.

S.I. No. 217 of 2002: Electricity Regulation Act, 1999 (Public Service Obligations) Order, 2002
The Public Sector Obligations (PSO) Order directs the Commission for Energy Regulation to impose public service obligations on ESB which will require ESB to purchase, up until 31 December 2019, the output of certain peat and renewable/alternative electricity generating stations in the interests of security of supply and environmental protection respectively. The PSO Order provides for the introduction of a PSO levy on final electricity customers, from 1 January 2003, to compensate ESB for the additional costs incurred in complying with these public service obligations. The cost of these sources of electricity is already embedded in ESB’s franchise tariff and therefore, on introduction of the PSO levy, an appropriate adjustment will be made to separately identify the PSO levy on electricity bills, on a basis approved by the Commission for Energy Regulation.

Draft Electricity Bill, 2002
A copy of the Draft Electricity Bill, 2002 can be downloaded from the Department of Communications, Marine & Natural Resources website, www.dcmnr.gov.ie. The bill is expected to be finalised by the end of 2003.
Appendix 2 continued

S.I. 522 of 2002: Electricity Regulation Act, 1999 (Gas) Levy Order, 2002
This order imposes a levy on certain specified classes of natural gas undertakings, for the purpose of meeting expenses properly incurred by the Commission for Energy Regulation in the discharge of its functions under the Gas Acts 1976 to 2002.

This order imposes a levy on certain specified classes of electricity undertakings, for the purpose of meeting expenses properly incurred by the Commission for Energy Regulation in the discharge of its functions under the Act.

Appendix 3 – Gas Legislation

On 22 June 1998, European Council and European Parliament adopted Directive 98/30/EC established a legal framework for commencement of the liberalisation process of the natural gas sector across all member states. This Directive establishes common rules for the transmission, distribution, supply and storage of natural gas. It lays down the rules relating to the organisation and functioning of the natural gas sector, access to the market, the operation of systems, and the criteria and procedures applicable to the granting of authorisations for transmission, distribution, supply and storage of natural gas.

Gas (Interim) (Regulation) Act, 2002
The Gas (Interim) (Regulation) Act, 2002, established the Commission for Energy Regulation as the Irish natural gas regulator under the name of the Commission for Energy Regulation. It gave the CER the necessary powers to license and regulate the transmission, distribution, storage and supply of natural gas and issue Orders in relation to the supply, transmission, distribution and sale of gas. The Act also gave the CER powers to licence a distribution or transmission pipeline. This Act also marked the second phase of the opening of the Irish gas market so that customers whose annual consumption exceeds 2 mscm of natural gas are now eligible to obtain a natural gas supply from a licensed Shipper/Supplier other than Bord Gáis.


S.I. No. 146 of 2002
This Order appoints 30 April 2002 as the appointed day for the purposes of the Gas (Interim) (Regulation) Act, 2002. These regulations set out the criteria in accordance with an application for consent to construct or upgrade a pipeline may be determined by the Commission for Energy Regulation.

S.I. No. 264 of 2002
These regulations set out the criteria for the determination of consents in accordance with the application for consent to construct or upgrade a pipeline which may be determined by the Commission for Energy Regulation.

S.I. No. 265 of 2002
This sets out the criteria with which an application for a licence may be determined by the CER.

S.I. No. 545 of 2002
Gas Act 1976 (Section 10A(1)(e) (Annual Rate of Consumption) Regulations 2002.
This SI reduces the consumption threshold at which customers are entitled to access the natural gas network to 500,000 scm per annum. The effective date is 1 January 2003.
Authorisations and Licences
Since the partial opening of the electricity market on 19 February 2000, one of the statutory duties of the Commission for Electricity Regulation is to promote competition in the generation and supply of electricity. Under the Electricity Regulation Act, 1999 (“the Act”), the Commission licences new players to enter the electricity generation and supply market. The following are the different types of licence, which may be granted by the Commission:

1. Authorisation to Construct
Anyone wishing to construct a new generating station or reconstruct an existing generating station must obtain an Authorisation to Construct under Section 16 of the Act.

Authorisations to Construct Issued

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|                | Hibernian Hydro Ltd            | 0.4 |
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|                | Irish Power Systems Ltd        | 3.8 |
| Landfill Gas   | Irish Power Systems Ltd        | 1.2 |

|                | Kerry Co Council               | 1.0 |

**2. Licence to Generate Electricity**

Under Section 14 (1) (a) of the Act the Commission has powers to grant, or refuse to grant, a Licence to Generate Electricity.

**Licences to Generate Issued**

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<th>Name</th>
<th>Size (MW)</th>
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|        | GV Power Ltd                               | 5.8       |
|        | CoGen Ltd                                  | 10.0      |
|        | Ballyragget Power Ltd [“ESB CHP”]          | 10.0      |
|        | Bord Gáis Éireann [“Assets Division - Cogen”] | 1.0     |
|        | CMPower Ltd                                | 5.0       |
|        | Nedalo (UK) Ltd                            | 0.3       |
|        | Bord Gáis Éireann [“Assets Division - Cogen”] | 1.4     |</p>
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<td>Irish Power Systems Ltd *</td>
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</tr>
</tbody>
</table>

* Licence covers two plants
3. Licence to Supply Electricity

There are three classes of Licence to Supply Electricity which the Commission has powers to grant, or refuse to grant:

- Licence to supply eligible customers, under Section 14 (1) (b) of the Act
- Licence to supply all final customers with electricity produced from “green” sources, under Section 14 (1) (c) of the Act
- Licence to supply all final customers with electricity produced from combined heat and power, under Section 14 (1) (d) of the Act

### Supply Licences Issued

<table>
<thead>
<tr>
<th>Type</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligible Market</td>
<td>Viridian Energy Supply Ltd</td>
</tr>
<tr>
<td></td>
<td>ePower Ltd*</td>
</tr>
<tr>
<td></td>
<td>Bord Gáis Éireann [“Assets Division - Cogen”]</td>
</tr>
<tr>
<td></td>
<td>E.Co. The Electricity Company</td>
</tr>
<tr>
<td></td>
<td>GV Power Ltd</td>
</tr>
<tr>
<td></td>
<td>Fingleton White &amp; Co Ltd</td>
</tr>
<tr>
<td></td>
<td>ESB Independent Energy Ltd</td>
</tr>
<tr>
<td></td>
<td>CoGen Ltd</td>
</tr>
<tr>
<td></td>
<td>CMPower Ltd</td>
</tr>
<tr>
<td></td>
<td>Enron Direct Ireland Limited</td>
</tr>
<tr>
<td></td>
<td>Duke Energy Int. Trading and Marketing Ltd*</td>
</tr>
<tr>
<td>Green Market</td>
<td>Airtricity Ltd</td>
</tr>
<tr>
<td></td>
<td>E.Co. The Electricity Company</td>
</tr>
<tr>
<td></td>
<td>ESB Independent Energy Ltd</td>
</tr>
<tr>
<td></td>
<td>Waterpower Energy Ltd.</td>
</tr>
<tr>
<td></td>
<td>Alterenergy Supply Ltd.</td>
</tr>
<tr>
<td></td>
<td>Viridian Energy Supply Ltd</td>
</tr>
<tr>
<td>CHP Market</td>
<td>Bord Gáis Éireann [“Assets Division - Cogen”]</td>
</tr>
<tr>
<td></td>
<td>Finsa Forest Products Ltd</td>
</tr>
<tr>
<td></td>
<td>Glanbia Foods Society Ltd</td>
</tr>
<tr>
<td></td>
<td>Bord Gáis Éireann [“Assets Division - Cogen”]</td>
</tr>
<tr>
<td></td>
<td>Nedalo (UK) Ltd</td>
</tr>
<tr>
<td></td>
<td>Glanbia Ingredients Plc</td>
</tr>
<tr>
<td></td>
<td>Viridian Energy Supply Ltd</td>
</tr>
<tr>
<td></td>
<td>J. McGilligan Ltd.</td>
</tr>
<tr>
<td></td>
<td>CMPower Ltd</td>
</tr>
<tr>
<td></td>
<td>Airtricity Limited</td>
</tr>
<tr>
<td></td>
<td>CHP Supply Limited</td>
</tr>
<tr>
<td></td>
<td>Herbert Park Hotel Limited</td>
</tr>
<tr>
<td></td>
<td>ESB IE</td>
</tr>
</tbody>
</table>

* No longer active in the market

The CER has also issued licences in relation to the Transmission and Distribution of electricity.

<table>
<thead>
<tr>
<th>Type</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribution System Operator</td>
<td>ESB</td>
</tr>
<tr>
<td>Transmission System Operator</td>
<td>EirGrid</td>
</tr>
<tr>
<td>Transmission System Owner</td>
<td>ESB</td>
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</tbody>
</table>
Appendix 5 – Gas Licences
issued to 31/12/02

Interim Gas Shipping Licences
- ESB
- Statoil ASA
- Statoil Gas (Hibernia) Ltd
- Huntstown Power Company Ltd
- Viridian Energy Ltd
- Innogy Ireland Ltd

Consent to Construct under Section 39A of the Act
- Waterford to Ballyveelish pipeline diversion (Co. Waterford)
- Barnakyle (Co. Limerick) to Connagh (Co. Clare)

Consent to Operate (Consent to bring a section of pipeline into commercial operation)
- Sections 1 and 2 (Leinster & Connaught) sections of Pipeline to the West (the Galway Ringmain)
- Second Scotland-Ireland Subsea Interconnector
## Appendix 6 – Summary of Work Programme 2003

### Generation & Supply Division

<table>
<thead>
<tr>
<th>Description</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Generation Adequacy</strong></td>
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</tr>
<tr>
<td>Interim measures –</td>
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</tr>
<tr>
<td>2003 &amp; 2004</td>
<td>February 2003</td>
</tr>
<tr>
<td>Details of Competition for new capacity – 2005</td>
<td>February 2003</td>
</tr>
<tr>
<td><strong>Market Review</strong></td>
<td></td>
</tr>
<tr>
<td>Completion of Phase I</td>
<td>April 2003</td>
</tr>
<tr>
<td><strong>MRSO Audit</strong></td>
<td></td>
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<tr>
<td>Report on the MRSO Audit</td>
<td>June 2003</td>
</tr>
<tr>
<td><strong>Market Information</strong></td>
<td></td>
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<tr>
<td>Market Report</td>
<td>May 2003</td>
</tr>
<tr>
<td>FAQ on Commission’s Website</td>
<td>June 2003</td>
</tr>
<tr>
<td><strong>Capacity Margin</strong></td>
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</tr>
<tr>
<td>Capacity Margin Decision</td>
<td>April 2003</td>
</tr>
<tr>
<td><strong>Trading and Settlement Code</strong></td>
<td></td>
</tr>
<tr>
<td>Version III TSC</td>
<td>March 2003</td>
</tr>
<tr>
<td><strong>Market Opening</strong></td>
<td></td>
</tr>
<tr>
<td>Issues List and Consultation Timetable</td>
<td>June 2003</td>
</tr>
<tr>
<td><strong>PES Tariff Review</strong></td>
<td></td>
</tr>
<tr>
<td>Timetable for Tariff Review</td>
<td>March 2003</td>
</tr>
<tr>
<td><strong>Review of Structure of PES Tariffs</strong></td>
<td></td>
</tr>
<tr>
<td>Timetable for Review of PES Tariff Structures</td>
<td>April 2003</td>
</tr>
<tr>
<td><strong>Revenue Review ESB PES &amp; ESB PowerGen</strong></td>
<td></td>
</tr>
<tr>
<td>Revenue Review ESB PES &amp; ESB PowerGen</td>
<td>End 2003</td>
</tr>
<tr>
<td><strong>Virtual Independent Power Producer Scheme</strong></td>
<td></td>
</tr>
<tr>
<td>Details of VIPP3 re-launch</td>
<td>February 2003</td>
</tr>
<tr>
<td>VIPP4 Details</td>
<td>June 2003</td>
</tr>
<tr>
<td><strong>Networks Division</strong></td>
<td></td>
</tr>
<tr>
<td>Review of the existing Network Tariff Structure</td>
<td></td>
</tr>
<tr>
<td>Tariff Review will Commence</td>
<td>April 2003</td>
</tr>
</tbody>
</table>

### Accelerated Distribution Network Investment

- Final Decision on Investment Programme: March 2003

### Business Separation within ESB

- Implementation of Proposals: Early 2003

### Regulatory Accounts

- Submission of Accounts from ESB to CER: March 2003

### 2004 DUOS Tariff

- Review of Tariffs: June 2003

### Distribution Performance Report

- Submission to CER from Distribution System Operator: March 2003

### Infrastructure Agreement Implementation

- CER Approval of Agreement: March 2003

### East/West Interconnector Study

- Completion of Study Target: 7th March 2003

### Monitoring TSO Customer/Stakeholder Objectives

- N/S Interconnector Trading: April 2003

### 2003/4 Transmission Revenue Review

- Grid Code: Grid Code modification and derogation processes (Ongoing)

### Monitoring of Transmission Licence Conditions

- Monitoring of Transmission Licence Conditions: Ongoing

### Determination of Network Connection Disputes

- Determination of Network Connection Disputes: Ongoing

### Meter Code

- Development/Implementation of Meter Code: June 2003

### Bulk Supply Point Metering

- March 2003
### Gas Division

**Transmission & Distribution Tariffs**
- Consultation on transmission and distribution principles: February 2003
- Consultation on revenue requirement: March 2003
- Final report on methodology utilised to set tariffs: June 2003

**Bord Gáis Natural Gas Supply Tariffs for the Franchise and Eligible Markets**

**Market Arrangements**
- Review of GMAG recommendations: May 2003
- Publish final recommendations for review of Code of Operations: July 2003

**Arrangements For Market Opening in Advance of Full Market Opening**
- Final report on Interim Market Arrangements for Distribution and Supply including Gas Point Administration: March 2003

**Gas Capacity Statement**
- Publication of Gas Capacity Statement: April 2003

**BGÉ Unbundling and Ring-fencing Arrangements/Business Separation**
- Publication of Proposals for Bord Gáis Business Separation: March 2003

**IT Systems Utilised by Bord Gáis**
- Consultation on Bord Gáis proposals: January 2003
- Final report on IT Systems: March 2003

**Regulatory Accounting Guidelines**
- Draft Proposal on Regulatory Accounting Guidelines for Consultation: May 2003

**Code Modification Panel**
- Code Modification Panel: Ongoing

**Market Information**
- Publication of System Information Proposals: April 2003

### Licensing, Consumer & Environmental Affairs Division

**Licensing and Gas Issues**
- Issuing of Authorisation to Construct, Generation & Supply Licences: Ongoing

**Review of Existing Electricity Supply/Generation Licences**
- Review of existing supply licence: March 2003
- Review of existing generation licence: March 2003

**Publish New Procedures for Applications for small-scale Generation Licences**
- New procedures published: February 2003

**Gas Licences**
- Issuing of Gas Licences & Section 2(1) Orders: Ongoing
- Consultation and Finalisation of Gas Licences: April 2003

**Publish CER Procedures for Issuing Gas Consents**
- Publish guidelines for consents/Construction of pipelines: March 2003

**Examine geographical areas of existing Section (2)(1) Orders**
- CER to examine redefinition of existing Section (2)(1) areas: April 2003

**Environmental Affairs**

**Presentation of Results of CER/Ofreg Wind Study**
- CER Publish Results of Wind Study: February 2003

**Auction of AER power to licensed green suppliers**
- Auction of Green Power Expected: Spring 2003

**Condition 20 Balancing Decision**
- Decision on Condition 20: February 2003

**Consultation with Renewable Interests**
- Consultation with Renewable Interests: Ongoing

**Consumer Affairs**

**CER Quarterly Bulletin**
- Published on a quarterly basis: Ongoing

**Regulation of Electrical Contractors**
- Implementation of proposal: Spring 2003

**Issuing of eligible customer list – gas & electricity to appropriate parties**
- Issuing of eligible gas & electricity customer list to appropriate parties: Ongoing