

Mr. Padraic O'Connell,
Head of Regulation & Commercial,
Bord Gáis Networks,
Gasworks Road,
Co. Cork.

19th July 2013

Ref: D/13/15265

Re: Independent Transmission Operator (ITO) Certification

Dear Padraic,

I refer to previous correspondence on the above and to the CER's preliminary certification decision on the 28th March 2013.

As you know, the CER received an opinion on the 23rd May 2013 from the European Commission regarding the CER's preliminary certification decision of BGÉ's ITO certification application. I attach a copy of the opinion.

Taking utmost account of this opinion, and acting in accordance with Article 10 of Directive 2009/73/EC, Article 3 of Regulation (EC) 715/2009 and Part 5 (Regulation 30:4) of SI 630 (2011), I am writing to advise you that the CER has decided to certify BGÉ as an ITO, subject to the completion of all outstanding ITO work items identified within the specified timetable (as set out in Annex 4 of the CER's preliminary certification decision).

We note BGE's appointment of a Compliance Officer and the receipt of compliance reports regarding ITO implementation. Consequently, the outstanding ITO work items are as follows:

- i. full separation of IT and telephony systems.
- ii. identifying separate auditors for BGÉ and BGÉ ITO.
- iii. defining a rebranding process from July 2013 to December 2013, which is to be implemented in January to March 2014.
- iv. incorporating BGÉ ITO, appointment of a management and supervisory board, and implementation of transfer plans, which are to be achieved in February and March 2014.

Upon completion of this work programme, the CER will issue an ITO licence, which will come into effect at the transfer date (as specified by the Minister for Communications,

Energy and Natural Resources). In the interim period, the Gaslink TSO licence will remain in place.

With reference to the financial relations between BGÉ and BGÉ ITO and the central funding model, which underlies the CER's preliminary certification, we draw your attention to the following particular points made within the European Commission's opinion:

- i. BGÉ shall ensure that BGÉ ITO should have the freedom to decide its own operational cash requirements.
- ii. BGÉ shall ensure that effective arrangements are put in place to ensure that cash flow difficulties in other undertakings in the BGÉ group do not have a negative impact on BGÉ ITO.
- iii. The ability of BGÉ Group to fund a regulated investment for BGÉ ITO shall relate to its ability to fund at a market based price commensurate with the risk profile of BGÉ ITO as an independent entity.
- iv. BGÉ shall enable BGÉ ITO to make the assessment as to the appropriateness of the arrangements offered by BGÉ, and whether a capital increase is the most appropriate means of securing finance, even if this involves taking on additional shareholders.

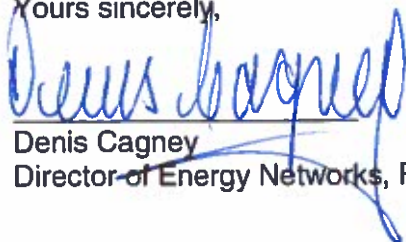
The CER will wish to satisfy itself that BGE ITO complies with these conditions, and will incorporate appropriate conditions in its licence to ensure on-going compliance.

Separately, we are aware that the plans for the sale of BGÉ's Energy Business are now well advanced, and assuming that the sale goes ahead successfully, anticipate that BGÉ will then apply for Full Ownership Unbundling (FOU) under Directive 2009/73/EC. Accordingly, we invite BGÉ to submit a plan for the implementation of a FOU model by Friday, 6th of September 2013.

When submitting the FOU certification application to the CER, BGÉ should satisfy itself that its application demonstrates that it is fully compliant with the Directive 2009/73/EC.

In the interim, if you any further queries, please don't hesitate to contact me or my colleague Keelin O'Brien.

Yours sincerely,



Denis Cagney
Director of Energy Networks, Renewables & Legal

c.c.
Commissioners Nolan, Blaney, McGowan (CER).
Ms. Keelin O'Brien, CER.
Mr. Michael Jenner, Ofgem.
Mr. Brian McHugh, NIAUR.
Ms. Una NicGiollaChoille, DCENR.