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6 July 2007

Dear

CONSULTATION ON DRAFT ELECTRICITY (CLASS EXEMPTIONS FROM THE REQUIREMENT FOR A LICENCE) (AMENDMENT) ORDER (NORTHERN IRELAND) 2007

Introduction

1. I am writing to invite your comments on the proposed Electricity (Class Exemptions from the Requirement for a Licence) (Amendment) Order (Northern Ireland) 2007. The Department proposes to make the Order under powers conferred on it by Article 9(1) and (3) of the Electricity (Northern Ireland) Order 1992. A copy of the draft Order is attached. The draft is also available on the Department's website at www.energy.detini.gov.uk. The proposed Order will be subject to the negative resolution procedure before the Northern Ireland Assembly.

Background

2. The Electricity (Class Exemptions from the Requirement for a Licence) Order (Northern Ireland) 1999 ("the 1999 Order") exempts generators and suppliers from the requirement to hold a generation licence and a supply licence in certain circumstances. The 1999 Order amended the Electricity (Class Exemptions from the Requirement for a Licence) Order (Northern Ireland) 1992 ("the 1992 Order") which was introduced alongside the electricity privatisation arrangements in 1992. Subject to the exceptions provided in the 1992 Order, these arrangements included the requirement for all electricity generated to be sold to the NIE Power Procurement Manager ("PPM") and for all electricity to be purchased by electricity suppliers from the PPM.
3. The 1999 Order includes (as did the 1992 Order) the Class D (Relevant exempt self suppliers) exemption which enables a consumer whose electricity demand exceeds 1 megawatt and who meets other prescribed criteria, to enter into an agreement with the PPM for the direct provision by the PPM of an electricity supply to the premises he occupies. Otherwise, it would be necessary for the electricity supply to be

provided to the consumer's premises by a licensed supplier who would be required, first of all, to purchase the electricity either from the PPM or, with the progressive opening of the electricity market to competition since 1999, directly from a generator.

4. Under the arrangements for trading wholesale electricity in the proposed Single Electricity Market ("SEM") generators (with limited exceptions) and the PPM will be contractually required to sell their electricity into a mandatory "pool" and suppliers will be required to buy electricity from the pool. As a result, the PPM will no longer be permitted to sell electricity direct to consumers under the Class D Exemption.

The Proposed Order

5. The proposed Order will therefore amend the Electricity (Class Exemptions from the Requirement for a Licence) Order (Northern Ireland) 1999 to revoke the Class D exemption which will become obsolete.

Equality and Regulatory Impact Assessments

6. Section 75 of the Northern Ireland Act 1998 requires the Department, in carrying out its functions, to have regard to the need to promote equality of opportunity between persons of different religious belief, political opinion, racial group, age, marital status or sexual orientation; between men and women generally; between persons with disability and persons without; and between persons with dependants and persons without. However, as the proposed Order will have no differential impact on the Section 75 groups, an Equality Impact Assessment is considered unnecessary.
7. Since the revocation of the Class D exemption will impose negligible (if any) costs or savings on business, the Department also considers that a Regulatory Impact Assessment is unnecessary.

Where to send your response

8. If you intend to offer any comments on the proposed Order, please send them, either by e-mail or in hard copy format, to :-

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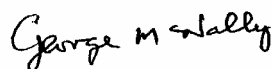
Confidentiality and Data Protection

9. Your response may be made public by the Department. If you do not want all or part of your response or name made public, please state this clearly in the response by marking it '**Confidential**'. Any confidentiality disclaimer that may be generated by your organisation's IT system or included as a general statement in your Fax coversheet will be taken to apply only to information in your response for which confidentiality has been specifically requested.
10. Information provided in response to this consultation, including personal information may be subject to publication or disclosure in accordance with access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA) and the Data Protection Act 1998). If you want other information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence.
11. In view of this, it would be helpful if you could explain to us why you regard the information you have provided as confidential. If the Department receives a request for disclosure of the information, it will take full account of your explanation, but cannot give an assurance that confidentiality can be maintained in all circumstances.

Closing date for receipt of responses

12. As the Department is aiming to bring the proposed Order into operation on the 1 November 2007 'go live' date for the SEM, the closing date for receipt of comments is **28 September 2007**.

Yours sincerely



GEORGE McNALLY
Energy Division