

**Christopher Osborne**

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**From:** O'Boyle, Jody <Jody.O'Boyle@uregni.gov.uk>  
**Sent:** 12 March 2013 16:14  
**To:** Christopher Osborne  
**Cc:** Caroline Bermingham; Hedley, Tanya  
**Subject:** UFU meeting with the Utility Regulator [Scanned]

Dear Chris,

Thank you for our meeting with you and your colleagues on Tuesday 26<sup>th</sup> February. The meeting was a valuable opportunity to understand better the main energy issues affecting your members. Can you forward on this response to Ian and Gary, as I do not have their email address.

In our meeting a question was raised with regard to supplying power to another person. The IME3 Regulations came into operation on 15th April 2011 and, in this regard, it created provisions to introduce the licensing of distribution activity within our remit. It is an offence to distribute electricity unless authorised by a licence or exemption. An example of such an exemption would be industrial suppliers with a generation plant at one site using public wires to supply excess electricity for consumption at another of their own sites.

1

For further information regarding this and the possible exemption for a supply licence please refer to the Electricity (Class Exemptions from the Requirement for a Licence) Order (Northern Ireland) 1999, a link to these has been provided below. <http://www.legislation.gov.uk/nisr/1999/352/contents/made>

DETI has also been consulting on the exemptions and the imposition of obligations on licence exempt distributors and suppliers. It should be noted that this consultation opened on 9 July 2012 and closed on 12 October 2012. For further information on the consultation please go to the attached link. [http://www.detini.gov.uk/consultation on the introduction of electricity distribution licensing systems a nd the imposition of obligations on licence exempt suppliers and distributors july 2012 .pdf](http://www.detini.gov.uk/consultation%20on%20the%20introduction%20of%20electricity%20distribution%20licensing%20systems%20and%20the%20imposition%20of%20obligations%20on%20licence%20exempt%20suppliers%20and%20distributors%20july%202012.pdf)

The outcome of this consultation has not yet been published but should give you a good understanding of the issues surrounding distribution licensing. The consultation essentially asked for views and comments on the proposed introduction of electricity distribution licensing exemptions which would enable us to grant licence exempt distribution activities by way of further class exemptions. Seven responses responded to the consultation and a summary of these can be found at [http://www.detini.gov.uk/summary of consultee response and government response distribution ex emptions.pdf](http://www.detini.gov.uk/summary%20of%20consultee%20response%20and%20government%20response%20distribution%20ex%20emptions.pdf)

If, having reviewed the above and you feel your members would benefit from one of the exemptions, you will still need to ensure that all necessary environmental, planning legislation, technical requirements etc have been adhered to. I would also suggest you should seek legal advice on your best options going forward.

2

Tanya also mentioned that you could enter into a Contract for Difference (CFD). A CFD is an agreement through which parties can effectively fix the price of a price-volatile commodity, by reference to the difference between the fixed contract price and the market price. That difference is paid after the trading period. In this way the parties can hedge their exposure to price fluctuations. Where in any trading period the pool price exceeds the strike price the generator pays the supplier the difference between the two. Similarly, where the strike price exceeds the pool price in any trading period the supplier will pay any difference to the generator. CFDs are completely outside the pool trading and settlement arrangements, under which the sale of the electricity itself takes place.

In the context of the Single Electricity Market (SEM), generators and suppliers may enter into CFDs in energy only, which will specify a fixed or indexed price for electricity (strike price) at which the parties have agreed to sell and buy electricity, it should be noted that all other network costs and associated costs would still apply. Currently where a supply of electricity is provided over electric lines or electrical plant comprising a part of the System, a charge for use of the System will be levied on the supplier. The current Statement of charges for use of the NIE Electricity Distribution system by authorised persons can be found at <http://www.nie.co.uk/documents/Regulatory-documents/DUoS-Statement-Oct12-Sept13.aspx>

CFDs are considered to be a financial transaction and are not connected with the supply of electricity. Thus, it will be necessary for participants who trade in CFDs to notify the relevant Government departments e.g. HMRC concerning these financial transactions.

3

I hope the above information clarifies your issues. Should you require any further information or clarification please do not hesitate to contact me (02890 316334). Alternatively, we would be happy to convene a meeting at a mutually convenient time.

Regards

**Jody O'Boyle**  
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4