

Promoting a Sustainable Energy Culture in Europe

Overcoming Energy Market Restrictions

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Summary

- Energia Overview
- Market Objectives
- Market Restrictions
 - Generation Market*
 - Supply Market*
 - Environment Impact*



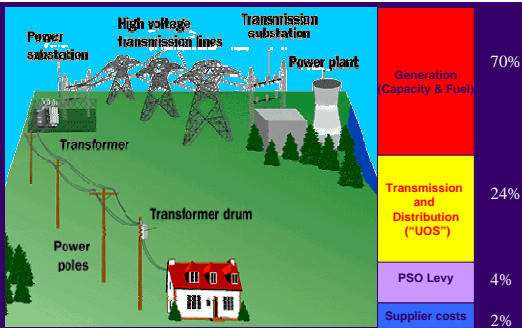
Energia Overview

- Member of the Viridian Group plc
- All Island Energy Supplier (Electricity and Gas)
- 700 MW supply contracts
- 17,000 business customers
- 36% Market share of LEU's
- Energy Portfolio includes:
 - Huntstown Power Plant 1 - 343MW*
 - Huntstown Power Plant 2 – 400MW (Autumn 2007)*
 - Renewable Generation*

Market Objectives

- Security of supply
- Competitive pricing
- Promote competition
- Promote energy efficiency
- Explore alternative energy sources

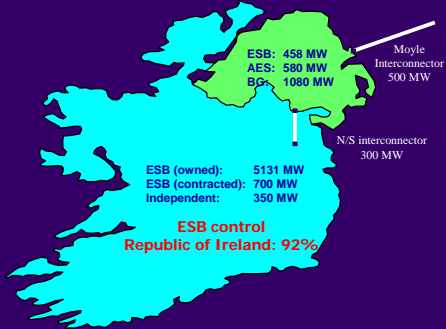
Market Structure – Cost Components



Generation/ Wholesale Market

- Generation Market Overview
- Security of Supply Issues
- Generation Market Issues
- Generation Market Solutions

Generating Capacity 2005 Ownership & Control



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Huntstown Power Plant – North Dublin

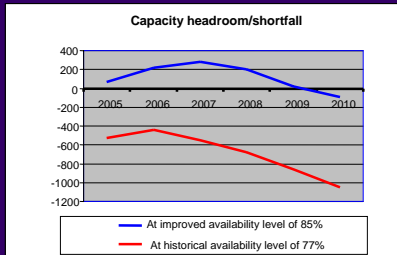


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ROI -Generation adequacy

Significant economy and energy demand growth however lack of generation investment



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Generation/ Wholesale Market

Market Issues

- Security of supply
- Lack of new competitive investment
- Treatment of Dominance
- Transparent Pricing -Market Structures
- Environment Impact
- Regulatory Uncertainty

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Generation/ Wholesale Market

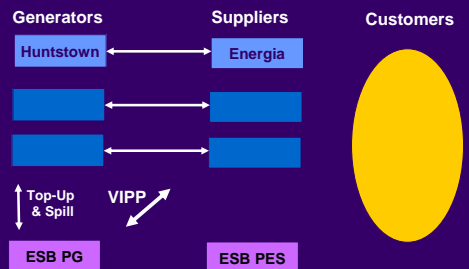
Market Solutions

- Transmission Investment
- Structural rather than Regulatory Solution
 - Structural Solution
 - Ministerial Review – Review structure of ESB
 - ESRI – ESB should sell 500-1000MW of generation
 - Regulatory Solution
 - New all island wholesale market (SEM)

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The Role of electricity market - today

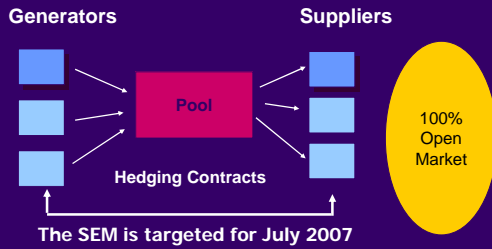


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A bi-lateral market

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All island Single Electricity Market (SEM)



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SEM Issues

- Design Principles- Bidding Control
- Treatment of dominance
- Meeting July timeline
- Legislative requirement
- Interconnection

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Retail Market

- Retail Market Overview
- Supplier Activity
- Retail Market Issues
- Retail Market Solutions

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Retail Market overview: All island

	Sites	GWh	Revenue* £m	Market %
LEU	1,550	10,718	650	32%
SME	223,000	10,787	1,120	33%
Domestic	2,431,000	11,710	1,000	35%
TOTAL	2,655,550	33,215	2,770	

* Estimated for 2005

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Retail Market overview: Rol

	Sites	GWh	Revenue £m	Market opening
LEU	800	8,100	500	32% Feb 00
SME	167,000	8,300	900	66% Feb 02 - Feb 05
Domestic	1,736,000	8,600	700	100% Feb 05
TOTAL	1,903,800	25,000	2,100	

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Retail Market overview: NI

	Sites	GWh	Revenue €m	Market opening
LEU	750	2,618	220	32% Jul 99 - Apr 01
SME	56,000	2,487	330	62% Apr 04 - Mar 05
Domestic	695,000	3,110	450	100% Apr 07
TOTAL	751,750	8,215	1000	

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Retail Market – Supplier Activity

ROI Electricity Market

- Suppliers
 - 6 active suppliers in total market
 - 3 active suppliers in LEU market
 - Discount potential dependent on customer existing tariffs and load profile
 - Independent Sector Supply 75% - LEU. 30% - SME.

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Retail Market - Issues

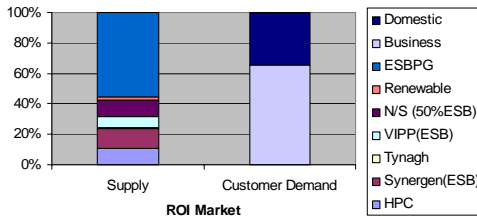
- Cost Reflective Tariffs
- Access to Generation
- Access to Customers

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Retail Market Issues

Limited access to Generation for new Suppliers



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Retail Market - Issues

Access to Customers

- Market Size
- System Investment
- Customer Inertia
- Acquisition & Marketing Cost
- Low Margin Industry v High risk environment

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Retail Market- Solutions

- Access to competitive generation
- Treatment of dominance
- Vertically integrated model
- Multi product strategy

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Environment Impact on Market

- Environmental Issues
 - Emission Trading System*
 - Fuel Diversity*
 - Carbon Tax*
 - Alternative Energy Sources*

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Environmental Impact – Energy Efficiency

Issues

- Access to capital
- Hidden costs
- Imperfect information
- Lack of incentives
- Organisational culture and values
- Status of energy mgt

Solutions

- Policy
- Regulatory
- Information
- Economic tools

ERSI: Energy Policy 2005

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Conclusion -Cost Competitiveness

- Energy Component
 - All island Single Electricity Market (SEM)
 - Competition in Generation Market
 - ESB dominance
 - Interconnection
- Network Costs
 - Regulated component
 - Investment funded through efficiency
 - Benchmark within industry

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Conclusion -Cost Competitiveness

- PSO levy
 - Levies should be minimised
 - Value for money proposition
 - Government Policy
 - Fuel Diversity
 - Renewable Policy

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Thank you for your attention

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