

From the office of the Chief Executive

Paddy Larkin
Director
Moyle Interconnector Limited
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BELFAST
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5 February 2015

Dear Paddy

Re: Decisions on repair of Moyle Interconnector Cables

I refer to your letter dated 4 February 2015 which provided information on Moyle Interconnector Limited's proposed repair of the Moyle Interconnector.

As you state these repair works were the subject of a previous correspondence between Moyle and the Utility Regulator (letters dated 29 April and 10 May 2013 which are published on our website) and I am aware that there have also been a number of discussions about the matter in the intervening period.

We remain of the view that the restoration of the Moyle Interconnector is important for consumers of electricity in Northern Ireland, as it performs an important role in both security of electricity supply and the competitiveness of our electricity market.

Your letter outlines that you are now in a position to award a contract to replace the low voltage cables in order to facilitate the repair of the interconnector. We note that the estimated delivery of this project in 2016 is now earlier than originally anticipated, and we also note the caveats and risk associated with this delivery as described in your letter.

We note the historic benefit of the Moyle delivered to consumers in NI of £40m/annum (based on 250MW capacity) together with SONI's independent assessment of future incremental annual benefits of the order of £16m/annum. Given this context we are content that electricity consumers' interests are best served by the reinstatement of full capacity of the Moyle Interconnector.

From the office of the Chief Executive

We acknowledge that in line with the Moyle Direction dated 14 April 2003, the costs associated with the repair of the Moyle Interconnector fall within the remit of "eligible pass through costs". Based on your expected costs of repair and use of your business reserves, we note that the forecast impact on consumers for 2015-16 is expected to remain largely unchanged from current levels.

Having considered the information you have provided we are supportive of the proposals set out in your letter.

This is of course predicated on your assessment of the options and your conclusion that proceeding with appointment of Nexans on the proposed terms is the best value for money option for restoring the interconnector. Given the nature and complexity of the work we would expect that you will be putting in place appropriate project management arrangements to facilitate delivery of the required work on time and within budget.

As with the previous exchange of letters in April and May 2013, we will publish both your letter to us and this reply. To provide further transparency we also intend to publish Energy Link's report of historic benefits delivered and SONI's independent assessment of the future economic benefits to consumers of repairing the Moyle interconnector to full capacity.

Please continue to keep us informed of developments at key stages of the project.

Yours sincerely



Jenny Pyper
Chief Executive