



Electricity generators,
interconnector owners and
operators, suppliers and other
interested parties

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value for all customers*

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10 February 2009

Dear Colleague,

Amendment to the exemption orders granted to East West Cable One Limited ("EWC") under standard condition 12 of the electricity interconnector licence in respect of the EWC One and EWC Two interconnectors¹

Following consultation, the Authority granted EWC, on 26 September 2008, an exemption under its two previously granted electricity interconnector licences² (the "licences"):

- (a) providing that standard licence conditions 9, 10 and 11 of the licenses are not in effect or are suspended from operation; and
- (b) exempting EWC One and EWC Two from the provisions of Article 6(6) of Regulation (EC) No 1228/2003 ("the Regulation"),

for a period of 25 years for EWC One and 20 years for EWC Two from the date on which the respective interconnectors commence commercial operation.

In its September 2008 decision document, Ofgem noted that the European Commission had up to three months in which it could veto a decision by the relevant authority of a Member State to grant an exemption, or request that the regulatory authority amend its decision.

In accordance with Article 7(5) of the Regulation, the European Commission has now requested that the Authority amend the exemption orders issued to EWC in order to include the following conditions:

- (a) A capacity cap of 40% applied to any dominant party, in either generation or supply (as defined in the directive) in either system or market to which the*

¹ EWC One is a 350MW HVDC Interconnector between Pentir substation in Wales and Arklow, Republic of Ireland. EWC Two is a 350MW HVDC Interconnector between Pembroke 400 kV substation, Wales and Great Island 220 kV substation in Wexford, Republic of Ireland

² Granted under section 6(1)(e) of the Electricity Act 1989

interconnector is connected. For the calculation of the capacity cap, undertakings belonging to the same group shall be considered together.

- (b) Before the first Imera interconnector is made available to system users, effective congestion management can be fully implemented, in accordance with the Congestion Management Guidelines, allowing intra-day trading on interconnectors by individual market participants.*
- (c) CER and Ofgem will assess the effectiveness of the secondary trading and UIOLI provisions in ensuring access for all potentially interested parties within six months of the first twelve months the first Imera interconnector is made available to system users.*

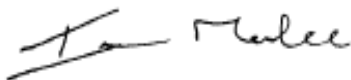
In accordance with paragraph D5 of the exemption orders, Ofgem has amended the exemption orders issued to EWC consistent with the Commission's request and based on further clarification from the Commission of the intent of its request. EWC provided its consent to the amendment of the exemption orders on 9 February 2009.

The amended exemption orders are attached to this letter. In summary, amendments have been made to reflect conditions (a) and (b) of the Commission's request by inserting new paragraphs 7 and 8 in Section D (Conditions) in the amended exemption orders.

Ofgem and CER have indicated their agreement to provide a report to the European Commission as requested by condition (c) noted above in the Commission's decision letter. Accordingly, it is not considered necessary to amend the exemption orders granted to EWC to reflect this requirement.

Should you wish to discuss any of the issues raised in this letter please contact Andrew Wallace (email: andrew.wallace@ofgem.gov.uk, tel: 020 7901 7067).

Yours sincerely



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