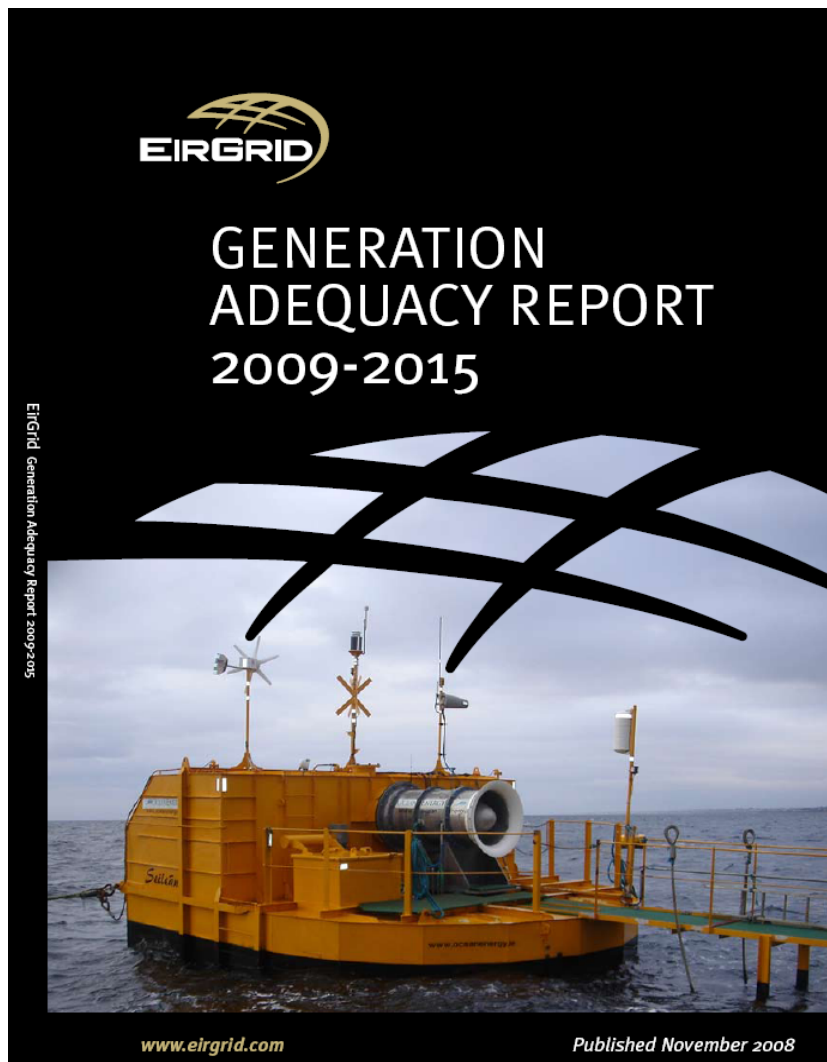


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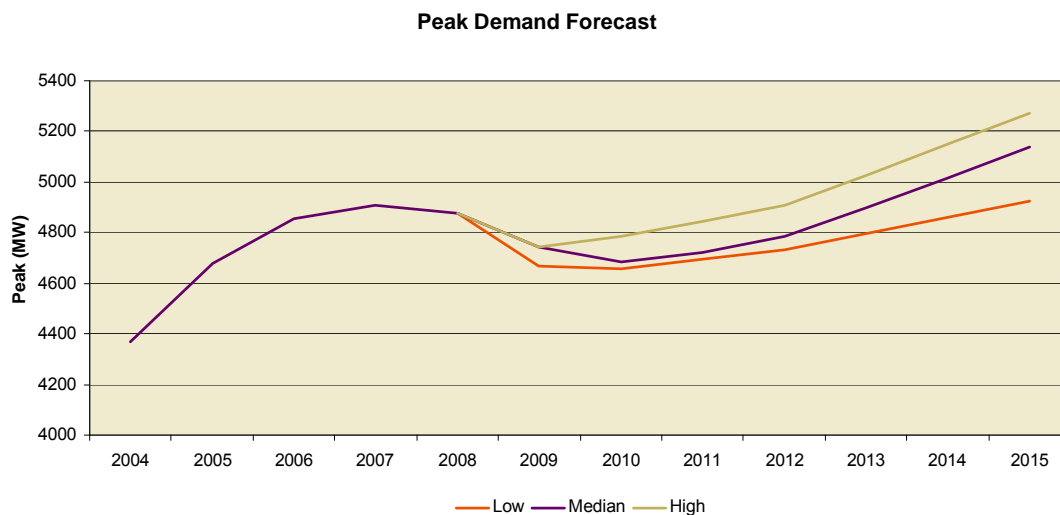
GENERATION ADEQUACY REPORT 2009-2015



EXECUTIVE SUMMARY

Since the publication of GAR 2009-2015 in December 2008, the economic situation has deteriorated and it is now markedly different from economic forecasts made in 2008. This has also coincided with a reduction in electricity demand since January 2009. In the light of this significant change, EirGrid considers it prudent to revise its demand forecast using the latest economic forecasts rather than wait until the next GAR 2010-2016 due in November 2009. EirGrid has re-assessed the original base case adequacy assessment using the revised demand forecast. It is intended that these updated forecasts will serve to inform the industry.

This revised demand forecast uses the latest economic data and forecasts from the CSO, Central Bank and ESRI. Historically there has been a reasonable correlation between economic growth and increases in electricity demand. In recent times though, the correlation between economic growth and electricity demand has changed as growth in the economy has transitioned to less energy intensive sectors. The forecasts in this report attempt to capture this transition as well as account for the impact of the recession.



Annual demand peaks as predicted in this revised forecast, shown for three growth scenarios

Our revised median demand forecast is summarised as follows. Total Electricity Requirement is forecast to reduce by 3.8% in 2009 (this corresponds to a 4% drop in sales). This is based on EirGrid's latest provisional 2009 demand data and the most recent economic forecasts. In 2010 there is a further forecasted contraction in the economy resulting in a further fall of 0.9% in Total Electricity Requirement (1% drop in electricity sales). More details of the revised demand forecasts can be found in Appendices 1 and 2.

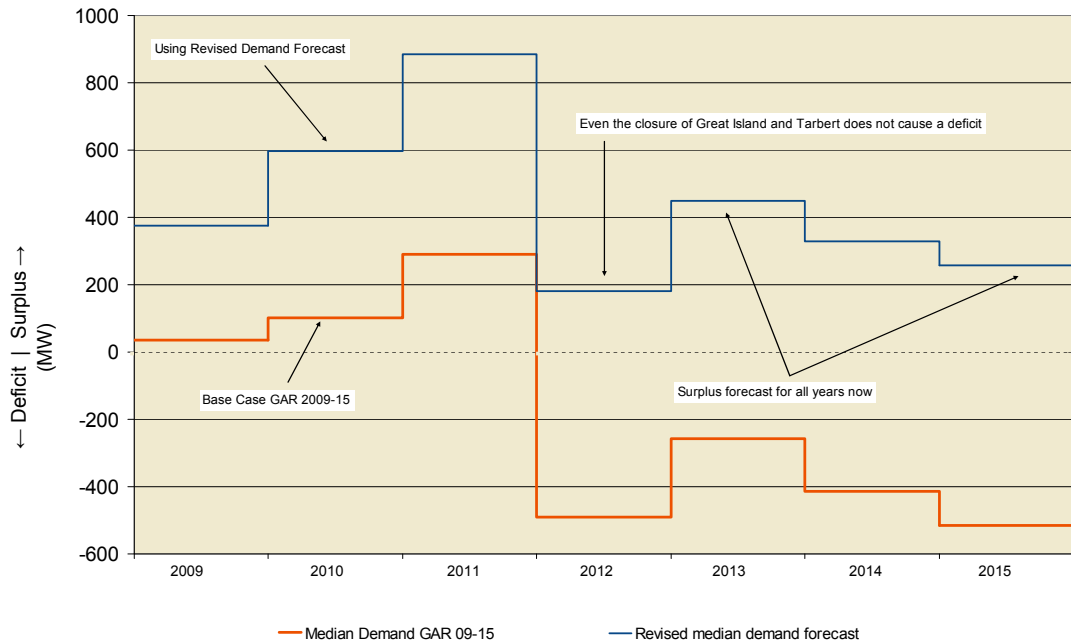
In summary, it is forecasted that there will be a reduction in demand this year of between 4%-5% and a further 0%-1% reduction in 2010. Demand is forecasted to recover slowly to 2008 levels by 2012-2014.

In light of this significant change in demand forecast, EirGrid has carried out a reassessment of the generation adequacy position. This is detailed in the next section. The base case of GAR 2009-2015 is revised using the latest median demand scenario. In summary, for the median case, the system is above the security of supply standard for all years up to 2015. This assumes that the commissionings

of Aghada CCGT¹, BGÉ CCGT and EWIC and the decommissioning of Poolbeg, Great Island and Tarbert go ahead as planned.

Reassessment of Generation Adequacy

The EirGrid availability scenario was combined with the revised median demand scenario to reforecast the generation adequacy situation. The graph below shows the generation adequacy position up to 2015 in comparison to the case using the Median demand forecast from GAR 2009-2015.



Comparison between generation adequacy in future years as predicted in this revised forecast, and as predicted in the original GAR 0915 report

Both cases have the following portfolio assumptions:

- ESB's Aghada CCGT commissions in Nov 2009.
- BGÉ's Whitegate CCGT commissions in July 2010.
- East-West Interconnector commissions before 2013. It is assumed to contribute 250MW for security of supply purposes.
- 200MW reliance on NI. This is consistent with our standard security of supply assumptions.
- Poolbeg decommissions at the end of 2009.
- Tarbert and Great Island decommission at the end of Q1 2012.
- There are other generators in earlier stages of development and planning that are not considered in this analysis.

¹ It is noted that the commercially available date of Aghada CCGT may be delayed past November 2009. This would only have a limited impact on the results presented here.

In comparing the original case (orange line) and revised case (blue line), both are above the security of supply standard for 2009-2011. The plant decommissionings in 2012 brings the generation adequacy position below standard for the original case. However, the use of lower demand forecasts in the revised case results in the generation adequacy position being above the standard even with the decommissioning of Tarbert and Great Island.

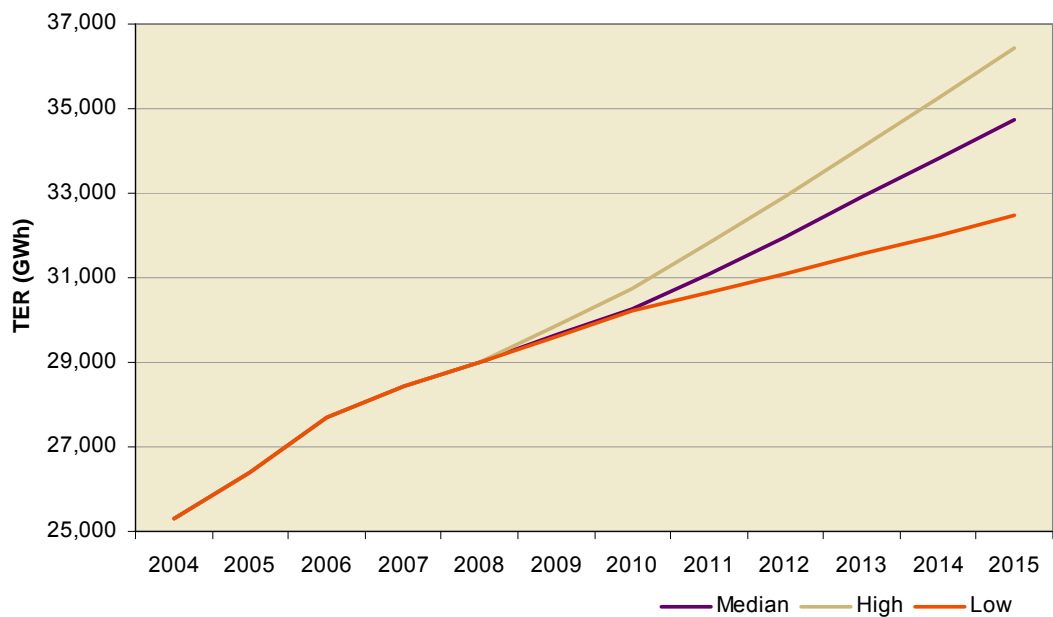
Conclusion

- Energy is not forecasted to return to 2008 levels until 2012-2014. Similarly for peak demand.
- The reduction in demand is temporary but it is unlikely that there will be significant demand growth until the economy begins to recover.
- The relationship between demand and economic growth is transitioning to a less energy intensive model. Assuming this, there will be lower annual growth rates than observed in recent years.
- The reduction in demand forecast results in the generation adequacy standard being satisfied for the period 2009-2015. This assumes the stated commissionings and decommissionings go ahead as planned.
- This is a preliminary document with the objective of providing an update on GAR 2009-2015. A full study will be conducted in GAR 2010-2016, due for publication in November 2009.

APPENDIX 1 DEMAND FORECAST ANALYSIS

GAR 2009-15 Demand Forecasts

The data freeze for GAR 2009-15 occurred at the beginning of September 2008. At that stage, the scale of the economic downturn had not yet become apparent. Economic forecasts were predicting growth in 2009 and 2010. These forecasts were the basis of electricity demand forecasts in the GAR0915.



TER values for future years as forecasted in the original GAR 0915 report

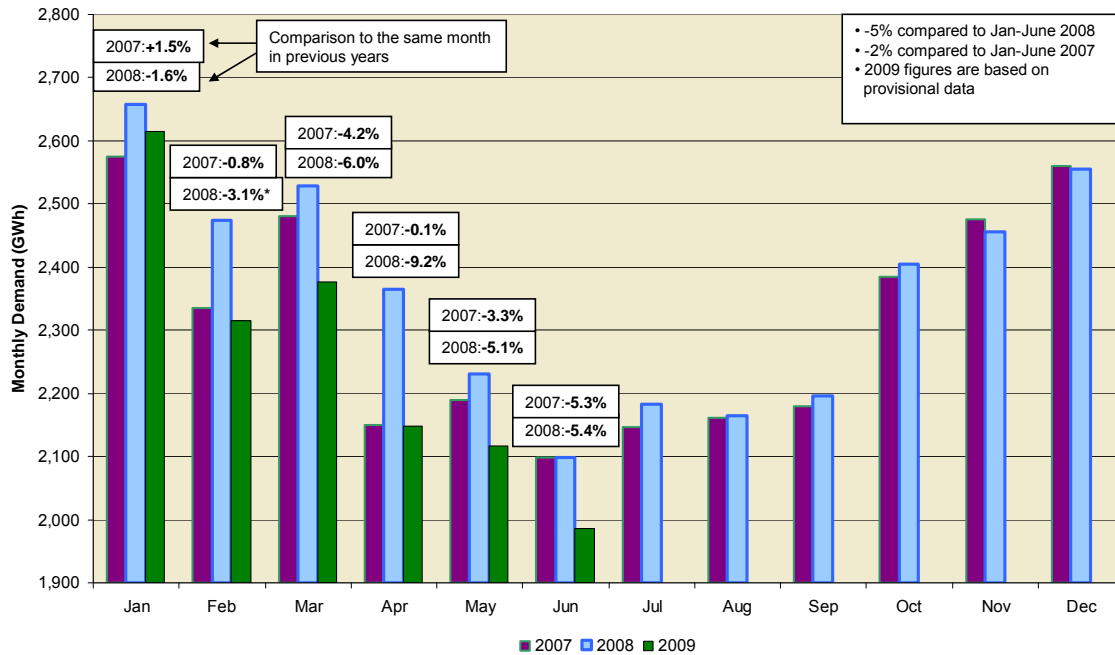
<i>Demand Scenario</i>	<i>Average TER Growth</i>
High	3.3%
Median	2.6%
Low	1.6%

TER growth rates for future years as forecasted in the original GAR 0915 report

This forecast fails to capture the less than expected demand in 2008 and the reduction in demand observed so far in 2009.

Current Demand Trends

A comparison of 2007-2009 trends is shown below. Note that some of the 2009 data is still preliminary. Nevertheless it is useful for comparative purposes. Also note that when comparing month-month values, consideration has to be given to factors such as Easter and abnormally cold months.



*Corrected for 29 day Feb in 2008

Comparison of electricity demand in energy terms, on a month by month basis, since 2007

It can be seen above that already this year, demand levels have dropped below even the same 6 month period of 2007. Demand is down 5% on the same period last year but as mentioned above, consideration has to be given to the timing of Easter etc as well as the flattening of demand seen towards the end of 2008. Demand grew in 2008 by 1.9% from 2007.

Revised Demand Forecast

A number of demand scenarios have been developed to forecast the extent of the downturn in demand and to anticipate future demand recovery. The forecasting considers the latest short-term economic forecasts from the Central Bank’s latest quarterly bulletin², the CSO’s latest estimate of the economic outturn of 2008³ and the latest ESRI commentary on the economy⁴. Medium-Long term forecasting is based on average forecasts from the ESRI’s most recent Medium Term Review⁵.

The following sections will outline the rationale behind the revised demand forecast scenarios.

² <https://www.centralbank.ie/data/QtBullFiles/CB-Q2-09-Econ-Comm.pdf>
³ <http://www.cso.ie/releasespublications/documents/economy/current/qna.pdf>
⁴ http://www.esri.ie/publications/latest_publications/view/index.xml?id=2738
⁵ <http://www.esri.ie/UserFiles/publications/20080515155545/MTR11.pdf>

Median scenario

A TER reduction of 3.8% is forecasted for 2009 (this corresponds to a 4% drop in sales). This is estimated with consideration of the latest provisional demand data for the first months of the year and the most up to date economic forecasts. There is a further reduction of 0.9% in 2010. Here it is assumed that the bulk of demand reduction has occurred in 2009 but that the forecasted further contraction in the economy results in a further 1% drop in electricity sales. This corresponds to a 0.9% drop in TER. It is assumed that the economy begins to recover by 2011. This sees increases of 1.1% and 1.6% in 2011 and 2012. A “bounce back” effect sees demand growth rates temporarily increase to 2.5% until 2015.

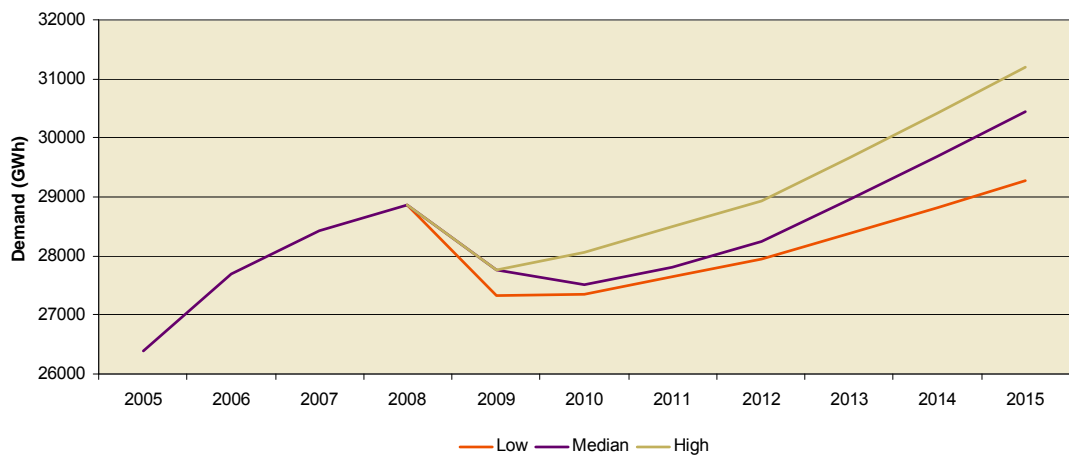
Low scenario

The low demand scenario is more pessimistic than the median demand scenario and forecasts a 5.3% drop in demand for 2009. Even though the economy is forecasted to further contract in 2010, it is assumed that due to the severity of demand reduction in 2009, there is little scope for extra demand reduction in 2010. Demand begins to grow back in 2011 and 2012 at modest levels. It is assumed that there is no “bounce back” effect and that demand transitions to long term averages from 2013 onwards.

High scenario

Demand behaves as in the Median scenario for 2009. It is then assumed that demand begins to grow back in 2010 despite the forecasted contraction of the economy. There is a demand “bounce back” until 2015. Demand growth then moves to 2% for the medium-long term. This is higher than forecasted in the ESRI Medium Term Review.

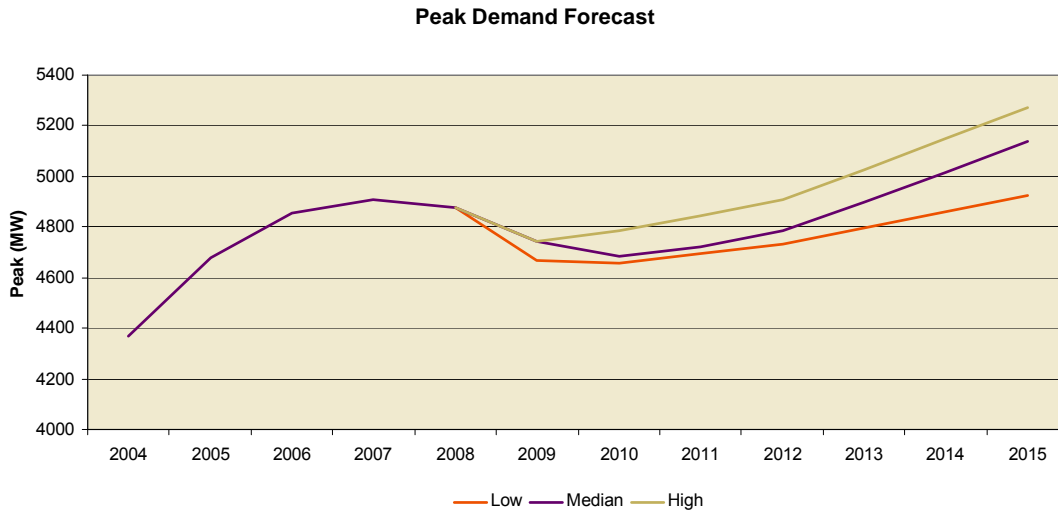
Energy Forecast



TER for future years as predicted in this revised forecast

Peak Demand

Peak demand is difficult to predict as it is dependant on behavioural and climatic factors. There is a correlation between the energy demand and the peak demand of a year. This has been used to forecast the peak.



Annual demand peaks as predicted in this revised forecast, shown for three growth scenarios

Using the Low demand scenario, peak demand does not reach 2007 levels until 2015. The other two demand scenarios forecast peaks returning to 2007 levels by 2012-2013.

APPENDIX 2 DEMAND FORECAST DETAILS

	TER (GWh)						Transmission Peak (MW)					
	Low		Median		High		Low		Median		High	
2008	28,868		28,868		28,868		4,878		4,878		4,878	
2009	27,331	-5.3%	27,757	-3.8%	27,757	-3.8%	4,668	-4.3%	4,745	-2.7%	4,745	-2.7%
2010	27,356	0.1%	27,510	-0.9%	28,055	1.1%	4,657	-0.2%	4,685	-1.3%	4,783	0.8%
2011	27,650	1.1%	27,805	1.1%	28,493	1.6%	4,694	0.8%	4,722	0.8%	4,846	1.3%
2012	27,946	1.1%	28,239	1.6%	28,938	1.6%	4,732	0.8%	4,785	1.3%	4,911	1.3%
2013	28,382	1.6%	28,956	2.5%	29,673	2.5%	4,796	1.3%	4,899	2.4%	5,028	2.4%
2014	28,824	1.6%	29,691	2.5%	30,425	2.5%	4,860	1.3%	5,016	2.4%	5,148	2.4%
2015	29,273	1.6%	30,443	2.5%	31,195	2.5%	4,926	1.4%	5,136	2.4%	5,271	2.4%

Results from this revised forecast, showing TER and annual peak values up to 2015 for three different growth scenarios

The energy values in this table are for a 364-day year. This is for the purposes of use with EirGrid's generation adequacy software which runs 52X7 day years.

DISCLAIMER

EirGrid has followed accepted industry practice in the collection and analysis of data available. However, prior to taking business decisions, interested parties are advised to seek separate and independent opinion in relation to the matters covered by the present Generation Adequacy Report and should not rely solely upon data and information contained therein. Information in this document does not amount to a recommendation in respect of any possible investment. This document does not purport to contain all the information that a prospective investor or participant in Ireland's electricity market may need.

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