

ESB International Review

Leading renewables

€4 billion will be invested
in renewable energy
projects including
wind, biomass and new
technologies.

Overview

ESB International (ESBI) is structured as a group of companies and consists of a range of businesses operating in the competitive market place. The key business activities are:

- ESB Independent Generation (ESBIG) and ESB Independent Energy (ESBIE) which provide competitive electricity solutions to customers. ESBIG is also responsible for operating our renewables portfolio in Ireland and our international generation assets, primarily in the UK and Spain.
- ESBI Engineering is an international engineering and consulting organisation which provides engineering and utility solutions to ESB Group and a wide range of international customers.
- ESBI Facility Management (ESBIfm) provides power plant operation and maintenance services to ESBIG and to international customers. At present ESBIfm is responsible for operating over 5,000MW of plant worldwide.
- ESBI New Investments (ESBIi) is our business development group and is responsible for identifying and delivering investment opportunities for ESB Group with a primary focus on European markets.

Operational Review

The Single Electricity Market (SEM) opened in November 2007 and ESBI successfully completed its implementation programme on time and to date has operated its trading systems effectively in the new market.

ESBIE maintained its strong presence in the Republic of Ireland and Northern Ireland segments of the SEM, retaining 15% and 20% market shares respectively. In 2007 ESBIE successfully deployed a new customer billing system which has delivered significant benefits in terms of operating efficiency and improved customer service. ESBIE's primary focus is on the industrial and large commercial sectors where it has achieved market shares of 35% in both markets. Its customers are predominantly high load factor customers to whom it provides tailored one-to-one customer service, supported with a range of energy efficiency services.

ESBIG's portfolio of plant performed in line with targets during the year with the exception of Coolkeeragh, which suffered a significant plant outage in January. The plant was repaired under warranty and while it resulted in material trading losses, through the efforts of the business, the financial impact of the outage was recovered by year end. Our Renewables business delivered to plan in 2007 in terms of operations of existing windfarms. In addition during 2007 ESBI sold its CHP business, Ballyragget Power.



ESB Independent Energy supply Croke Park with their electricity.

ESBI Engineering delivered good performance in 2007 with strong growth both at home and in international markets. Key projects at home during 2007 were the Moneypoint Environmental Retrofit Programme (MERP) and Aghada 430MW CCGT project. Abroad business remains strong, with key contracts during the year in South Africa, Vietnam and significant new business in Bahrain.

ESBIfm also performed well. It met or exceeded its contracted performance in each power plant and achieved larger than planned bonuses from a number of contracts. We are also pleased to have signed an extension of our contract for the operation and maintenance of the Manjung 2,100MW Coal power plant in Malaysia.

ESBI New Investments continued to progress a significant pipeline of opportunities both in the UK and Spain. It also finalised a review of the potential for renewable investments and progressed a range of wind projects in Ireland. The construction of the Marchwood 840MW gas-fired power plant near Southampton progressed to plan. In addition construction of a 34MW Windfarm in Mountain Lodge, Co. Cavan continued to plan and will go into commercial operation in 2008.

Safety

ESBI has 1,160 staff operating on three continents. We operate 5,000MW of power plant and were involved in two major construction projects during the year. There were three staff and nine contractor Lost Time Injuries across all operations in 2007. Safety Improvement programmes were implemented across the business with a particular emphasis on our construction sites. In 2007 all four power plants in which ESBI have an ownership position, achieved a certification under a formal externally recognised Safety Management System.

2007 saw the continued safe deployment of staff in various overseas locations in Eastern Europe, the Middle East, the Far East and Africa. There were no staff injuries arising from security, medical or transport incidents external to these project locations.

ESBI is committed to developing a renewables business of scale at home and in the UK and have a pipeline of 400MW of wind power currently under development.



Derrybrien wind farm.

Commitment to the Environment

ESBI operates its business with a focus on minimising environmental impact. All of our plants have ISO14001 accreditation and there were no environmental violations in 2007. Through our subsidiary Hibernian Wind Power we are committed to developing a renewables business of scale at home and in the UK. We have currently 77MW of wind power installed in Ireland, a further 34MW under construction and a pipeline of over 400MW currently under development. In addition ESBI have dedicated resources focused on emerging wave and solar technologies with a view to assisting the best potential technologies reach commercial application. With over 6,000MW of potential wave energy off the Irish Coast, ESBI is committed to playing its part in harnessing renewable energy.

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Looking Ahead

We expect the current year will see ESBI continue to profitably operate its existing assets and bring opportunities to continue to further grow ESBI, in particular:

- ESBIE will continue to provide flexible competitive energy solutions to its customers and retain its position as the primary independent supplier in terms of customer service. ESBIE will expand its energy efficiency service offerings to customers and will look to significantly increase the uptake of green energy purchases by its customers through its 'Resource' product range.
- In Ireland ESBIG will continue to optimise its traded position in fuel and wholesale energy markets and maximise the availability of its plants to provide competitive energy for retail by ESBIE. It will also operate its international assets to the highest standard.
- ESBI Engineering will continue to provide key engineering services for ESB Group and will focus on developing ESBI Engineering as the centre of engineering capability for the Group. It will also continue to seek growth opportunities while meeting the needs of its existing international customers. A key challenge will be securing the additional skilled resources to meet these ambitions.

- ESBIfm will continue to operate on a profitable basis and will seek to strongly grow the business in selected markets in 2008.
- ESBI New Investments will continue to develop material growth options for ESB Group. In particular it will focus on achieving significant thermal power project opportunities in the UK and significantly expanding renewable business activities in Ireland and the UK. It will also seek to progress key investment opportunities in Europe.
- ESBI will complete the Mountain Lodge Windfarm in 2008 and start construction of two further windfarms with an additional capacity of 48MW. Major construction activity will continue on the Marchwood 840MW CCGT site with the project scheduled for commercial operation in 2009. Safety will be the highest priority on these projects while focussing on delivering them to quality, time and budget.