

ESB International Review



**ESB International's
strategy is to
expand in Europe
through continued
investment**

ESB International Review

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, both in the Republic of Ireland and Northern Ireland. ESBIg is also responsible for operating our renewables portfolio in Ireland and our international generation assets, primarily in the UK and Spain;
- ★ ESB Engineering is an international engineering and consulting organisation providing 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 5,500 MW of plant worldwide; and
- ★ ESBI 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.

ESBI staff numbers grew by over 60 in 2008 to support business activities across the Group both in Ireland and internationally and the business now has in excess of 1,300 staff. Despite the reducing numbers of engineers graduating from Irish colleges, we recruited 35 graduates from various engineering disciplines and from a range of third level institutions. A critical role for

2008 Map of Activities – ESB International



ESBI is to ensure a continuing high level of engineering capability within ESB.

Operational Review

The Single Electricity Market (SEM) opened in November 2007 and ESBI has successfully completed its first full year in the market. To date it has operated its trading systems and processes effectively in the new market.

ESBIe maintained its strong presence in the Republic of Ireland and Northern Ireland markets, retaining 14.3% and 17.4% market shares respectively. ESBIe's primary focus is on the industrial and large commercial sectors. Its customers are predominantly high load factor customers to whom the company provides tailored one-to-one customer service supported by a range of sophisticated energy efficiency services.

ESBIg's portfolio of plant performed ahead of targets during the year. In particular the Coolkeeragh plant made a very significant recovery from its challenges in 2007 and the plant's availability performance for 2008 was in line with best practice. Our operating wind business delivered to plan in 2008 and also saw the successful integration of Mountain Lodge (34 MW) and operating assets acquired from DP Energy (14 MW) into the portfolio towards the end of the year.

ESBI Engineering delivered a very good performance in 2008 with strong growth both at home and in international markets. A key focus at home has been providing support to the ESB Networks High Voltage work programmes. In relation to ESB Power Generation, the key projects were Moneypoint Environmental Retrofit Programme (MERP), Aghada Unit 1 refurbishment and Aghada 430 MW Combined Cycle Gas Turbine (CCGT) projects. ESBI Engineering also continues to support the activities of ESBI Investments. It is acting as owner engineers on the construction of the 840 MW CCGT plant in Marchwood, near Southampton in the UK. It also provided engineering support during the acquisition of the Carrington development site in Manchester. For external clients, business remains strong with new and ongoing projects in South Africa, Vietnam, Bahrain and Tanzania.

ESBIfm also performed very well across all plants in terms of plant performance and related performance bonuses. ESBIfm continues to seek new opportunities for this business and is actively monitoring key markets and clients in this regard.

ESBIi acquired 85% of Bridestones Development Limited from Carlton Power on 25 September 2008. Bridestones have the rights to develop the 860 MW Carrington CCGT project which is fully permitted and has the potential to commence commercial operations in 2013.

ESBIi has made very significant progress in the construction of the Marchwood 840 MW CCGT power plant, a joint venture with Scottish & Southern Energy (SSE). The construction phase of the project is nearing completion and commissioning commenced in the first quarter of 2009.

Separately ESBIi successfully completed the construction of a 34 MW windfarm in Mountain Lodge, Co. Cavan and achieved commercial operation in late 2008.

Safety

In 2008 ESBI incurred 14 Lost Time Injuries (LTI), which comprised 4 staff and 10 contractor LTI. This outcome is disappointing in light of the increased efforts across the business in a wide range of safety programmes and initiatives. Safety improvement programmes were implemented across the business with specific emphasis on the major construction sites in Marchwood and Mountain Lodge. All four ESBIg plants now operate under a formal externally recognised safety management system and during the year ESBI Engineering and ESBIfm were granted OHSAS 18001 certification.

We spent over €100 million acquiring and developing windfarms in 2008

2008 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 at these project locations.

Environment

ESBI operates its business with a focus on minimising environmental impact. Most of our plants have ISO 14001 accreditation and we are working to extend this to all plants. There were no environmental violations in 2008. Currently ESBI has 122 MW of wind power installed in Ireland with a further 70 MW under construction. ESBI are actively reviewing developments in the wave and tidal energy sectors and the emerging related technologies with a view to assisting the best potential technologies to reach commercial application. In that light, ESBI acquired a 13% share in Marine Current Turbines, a tidal energy company with a 1.2 MW tidal device operating in Strangford Lough, Northern Ireland.

Looking Ahead

In the context of the world economic climate we expect 2009 will see significant challenges for the business in the electricity market in Ireland and abroad. The following will be of particular focus:

- ★ ESBI 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;
- ★ 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 competitive engineering services and expertise to ESB Group and international clients and will further develop its role as the centre of engineering capabilities for ESB Group;
- ★ ESBIfm will continue to operate on a profitable basis and to operate and maintain client plants to international best practice. It will also pursue strong growth in selected markets in 2009;
- ★ ESBIi will continue to develop material growth options for ESB Group by developing a significant market position in the UK and through selected investments in Europe. It will achieve commercial operation of the Marchwood 840 MW CCGT in 2009 and will continue to develop the Carrington 860 MW project in the UK with a view to commencing commercial operations in 2013. Safety will be the highest priority on these projects while focusing on delivering them to quality, time and budget.

How many megawatts of wind power will ESB have by 2012?

600 MW

ESB plans to expand its wind portfolio to 600 megawatts by 2012, and is on target to meet this objective

