

Statement on behalf of ESB ESOP Trustee Limited to the Annual General Meeting of Electricity Supply Board – 20th October 2010

2009 was yet another year of significant change for ESB. We congratulate the Board, management and staff on an excellent financial out-turn for the period in question despite challenging times. We also note the successful reorganisation of the business into its new component parts and more recently the retirement of Georgina Kenny from the board – we wish her well and thank her for her commitment. We also welcome Elvina Graham to the board who brings not only gender but also North/South balance to the governance of ESB.

We are pleased with the progress of ESB's green agenda and hope that this progress resonates with the other shareholders most particularly the Minister for Energy. We were and indeed remain excited by ESB's bold move in acquiring the Northern Ireland grid assets as we believe that step to be of very positive strategic significance for the Company, for the Single Electricity Market and for Ireland as a whole.

All of these initiatives affect us we believe in a positive sense as shareholder on behalf of our 10,000 plus beneficiaries.

Continuing with the pluses, our relationships with management and with our other sponsor – the ESB Group of Unions – are positive. I would like in particular to acknowledge the role of you Mr Chairman and of the Secretary to the Board in facilitating our interaction with the Company.

As you know following a ballot of our participants a year ago we sought to make a minor change to the ESOP trust deeds to enable us to postpone appropriation of shares pending the outcome of the Transmission Assets Review. Without wishing to delay this meeting we did this on the basis of independent professional advice regarding our over-riding legal obligations under trust law to our participants. A number of other parties are required to consent to this change including the two shareholder Ministers who insisted on having this power when the ESOP was established. Despite having sought a meeting to discuss this matter over 12 months ago we have yet to be given the opportunity to meet either Department in order to discuss the matter and I could not allow the opportunity to pass to raise this scandalous delay, with senior representatives of both Departments present.

The Transmission Assets Review is an issue of major concern to us. I wish to compliment the Chairman of the Review, Mr Fergus Cahill for his courtesy at all times. However we have expressed and continue to hold serious reservations regarding the form and conduct of the process and the lack of transparency exhibited by several of the participants in the process, namely EirGrid and its Employee Representatives. Surely if the purpose of the Review is to determine and report to the Minister on the best achievable policy and its consequences then this should be done in the open in accordance with the well established principles for the conduct of public policy review? Secondly, given that the last time assets transferred from ESB (a corporation with a non-State shareholder – namely us) to EirGrid (a 100% State owned entity) it was done without compensation to either ESB or its smallest shareholder, we have sought an assurance from the Minister that as well as requiring the Review to recommend how to protect our interests, he himself would act to do so. The response, despite repeated requests has been a deafening silence.

With all due respect, the Department has a track record as regards the expropriation of assets from ESB to EirGrid and quite frankly we obtain no

comfort whatsoever from this failure to provide the requested assurance. Notwithstanding these reservations with the process itself and with the Minister's intentions it was our conclusion that the best way to protect our beneficiaries position was to play as full a role as possible in contributing to the Review – and all of our submissions are freely available on our website. We note that the consultants completed their work approximately 8 weeks ago and we expect to be given the same opportunity as all other stakeholders to comment on the draft report prior to its finalisation. We do not understand the delay in circulating the draft report but wish to state clearly that if it has anything to do with a change of ownership proposition – we are a strong supporter of the Company in its present form and our capital stock is not for sale.

We note that ESB's market share continues to shrink because of its regulated minimum prices which are designed to ensure transfer of custom to our competitors. We also note that this appears to be accepted by management because it is believed that it will bring de-regulation next year. Because of the small size of the Irish market we see the present regulatory model as fundamentally flawed – especially given that the mantra of competition is usually justified by an aspiration towards efficiency and lower prices. In fact as we all know the Irish market experiment has resulted in higher prices not lower ones with this company being held back from competing. It leads one to question how much joined up thinking is taking place at policy level and is pertinent to us because of the latest manifestation of this mentality – the need to re-brand. At the end of the day the taxpayer will meet the cost, whether as proxy owner of ESB or as consumer of power. In our opinion, and in the national interest, this company should be permitted to set its prices on business grounds only – at least until the economic crisis has abated.

Chairman, thank you for the opportunity to express the views of the ESOP Trust.