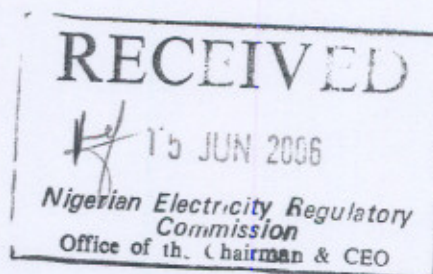


Ref/MGT/025-06

June 14, 2006

The Chairman/Chief Executive
Nigerian Electricity Regulatory Commission (NERC)
NO. 26 Mediterran Street Imani Estate
Off Shehu Shagari way
Maitama, Abuja.



Re: Objection by Thames Energy Limited to the application made by Alliance Energy Limited for the grant of a Generation License.

We have received a copy of a letter dated 22nd May 2006 written by Thames Energy Nigeria Limited objecting to our Application for the grant of an Electricity Generation License by your Commission.

Our response to the objection is as follows:

- (1) Thames Energy failed to attach a copy of the Electricity License No. 17768 said to have been issued to it on 24th Dec. 2004 by the Ministry of Power and Steel Abuja to its objection; we are therefore unable to examine the content of the said license and have assumed for the limited purpose of this response that the said License is still valid and that it covers the area stated in the letter.
- (2) The overall objective of the ongoing Government reforms and the Promulgation of the Electricity and Power Sector Reform Act 2005 as provided for in the short title of the Act *is to develop among others competitive Electricity Market*. Therefore an attempt to lay an exclusive right to power generation in the Onne Free trade Zone for 20 years by a company who has failed to commence power generation close to 2years

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after the purported grant of a license defeats the whole object of the Act and Government Reforms.

We also refer to Section 82(1) is the Act which provides as that:

“The commission shall have a continuing responsibility to monitor the Nigerian Electricity supply Industry in regard to potential for additional competition”

We therefore submit that the power of the commission to grant a fresh license has not in any way been affected, and consequently therefore that the objection of Thames Energy is not in public interest and should therefore be disregarded accordingly.

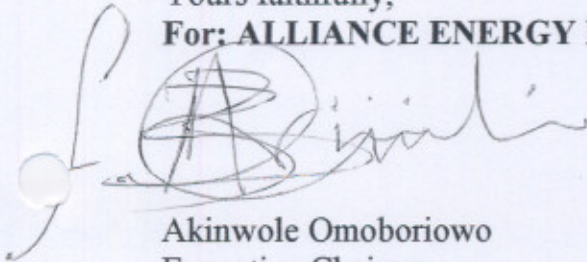
- (3) We have also examined the provisions of S.98 of the Act which was referred to in paragraph 3 of the objection. Our comment on this provision is as follows.
 - a. In other for this provision to apply, Thames Energy is obliged under S. 98(2) to proof that its license is still valid and that it was issued under the repealed Electricity Act or the NEPA Act.
 - b. Secondly, S. 98 of the Act cannot be read in isolation and must be read to give effect to the whole objective of the Act, therefore, where an interpretation of Section 98 or any other provision of the Act will defeat the whole object of the Act, then that interpretation or indeed the provision itself will be regarded as inconsistent. As earlier mentioned, the interpretation read into S. 98 by Thames Energy creates absurdity and potentially will scuttle Economic growth in a sensitive industrial area like the Onne Free Trade Zone
- (4) In paragraph (4) of the objection of Thames Energy referred to issues like financial loss, duplication of license and loss of investor's confidence, as the basis of their objection. These issues have been largely unsubstantiated by any documentation and in the light of our in paragraphs 2 and 3 above we submit that these objection have no factual basis.
- (5) Lastly, we have also received a copy of the letter from the Onne Free Zone Development Authority, complaining that Alliance Energy Ltd is yet to receive approval from the authority in respect of its application to the Commission for the grant of a generation license. We believe that the position of the authority is rather premature at this stage and that at

the appropriate, time we will approach the authority for all requisite and necessary permits after the Commission (who is the sole authority charged with the grant of a license) has completed its assignment in respect of our application.

In conclusion therefore, we request the Commission to disregard these objections as baseless and lacking in merit and proceed to consider the application of Alliance Energy Limited.

Yours faithfully,

For: ALLIANCE ENERGY LIMITED

A handwritten signature in black ink, appearing to read 'Akinwale Omoboriowo', written over a circular stamp or seal that is partially obscured by the signature.

Akinwale Omoboriowo
Executive Chairman