



Commission for Energy Regulation

An Coimisiún um Rialáil Fuinnimh

## **STUDY INTO THE COSTS AND BENEFITS OF EAST-WEST INTERCONNECTION BETWEEN REPUBLIC OF IRELAND AND UK ELECTRICITY SYSTEMS**

### **1. OBJECTIVE**

The Commission for Energy Regulation requires an economic study to be undertaken on the case for east-west electrical interconnection between the Republic and UK. The overall objective of this study is to assess the likely costs and benefits to the Irish electricity system of an interconnector. The focus will be that of the national economy and, in particular, the long term interests of the Irish consumer. The Commission would intend to advise the Minister for Communications, Marine and Natural Resources on the findings of the study.

### **2. BACKGROUND**

In April 2002 ESB National Grid and National Grid (UK) completed a joint “**Wales-Ireland Feasibility Study**” and issued a final report to the European Commission who had provided financial assistance to the study through the TENS programme. A copy has since been made available to the Commission for Energy Regulation by ESBNG on a confidential basis.

That study was in the nature of an initial desktop feasibility study. Its objective was to examine the technical and economic aspects of a Wales-Ireland interconnector in order to determine its feasibility. The study focussed in particular on potential grid connection points in Ireland and Wales, likely environmental issues, potential value, capital and operational costs and return on investment.

TENS funding is likely to be available for a more detailed follow up feasibility study, providing an application is made to the European Commission by an interested party, or consortium of parties, by April

2003. Any such application would have to be sponsored by the Irish Government.

The Commission for Energy Regulation wishes to develop its policy thinking on the case for an East-West Interconnection and to come to a position in early 2003. This would improve regulatory certainty and make for a more informed decision on any application for TENS funding before end April 2003. The study described in this Request for Tenders would be an important input in this process.

It would be the intention of the Commission to make available to the successful applicant a copy of the earlier ESBNG/National Grid (UK) study, assuming agreement to do so from both parties is forthcoming and the applicant gives a written undertaking to uphold its confidentiality.

It would also be the intention that the successful applicant would take as given the findings in this study on matters such as preferred connection points, timescale for completion and capital costs unless compelling evidence has since emerged to call for any reconsideration of these findings.

### **3. KEY ISSUES**

In line with the overall objective at 1 above, the study shall take into account economic issues under the following headings. (The headings are not exhaustive.)

- Security of electricity supply in both short, medium and long term having regard, inter alia, to existing north-south electricity interconnection
- Overall likely effect on Irish energy market, including effects on electricity prices and the construction of additional generation capacity
- Impact on renewable generation in the Irish energy market
- Impact on the economics of gas interconnectors and the Irish gas market

The successful applicant is required to ensure all material factors are included in the study. The applicant will also be required to consult with major stakeholder interests, including existing industry groups in the energy industry in the Republic and in the UK.

#### **4. TIMEFRAME**

Time will be of the essence in completing this cost benefit study in view of the April 2003 deadline for a possible application for TENS funding. It is therefore required that the study be completed and submitted to the Commission no later than **Friday 7<sup>th</sup> March 2003**. The Commission proposes to publish the study shortly thereafter.

#### **5. CONCLUSIONS**

The conclusions of the study, taking into account the material technical, economic and financial issues, should recommend to the Commission whether or not electrical interconnection between Ireland and UK is likely to be of net benefit to the Irish consumer and to set out clearly the economic assumptions underlying that conclusion.