CER Information Paper
Policy for Electricity Interconnectors – Consultation Process and Call for Initial Comments

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The Commission for Energy Regulation

The Commission for Energy Regulation (CER) is Ireland’s independent energy and water regulator. The CER was established in 1999 and now has a wide range of economic, customer protection and safety responsibilities in energy. The CER is also the regulator of Ireland’s public water and wastewater system.

The CER’s primary economic responsibilities in energy cover electricity generation, electricity and gas networks, and electricity and gas supply activities. As part of its role, the CER jointly regulates the all-island wholesale Single Electricity Market (SEM) with the Utility Regulator in Belfast. The SEM is governed by a decision-making body known as the SEM Committee, consisting of the CER, the Utility Regulator and an independent member. The overall aim of the CER’s economic role is to protect the interests of energy customers. The CER has an important related function in customer protection by resolving complaints that customers have with energy companies.

The CER’s core focus in safety is to protect lives and property across a range of areas in the energy sector. This includes safety regulation of electrical contractors, gas installers and gas pipelines. In addition the CER is the safety regulator of upstream petroleum safety extraction and exploration activities, including on-shore and off-shore gas and oil.

In 2014 the CER was appointed as Ireland’s economic regulator of the Irish public water and wastewater sector.

Further information on the CER’s role and relevant legislation can be found on the CER’s website at www.cer.ie.

Purpose of this Paper

In December 2015, the CER published a Consultation Paper (CER/15/284) on the development and implementation of an integrated and enduring connection policy for the electricity system in Ireland (the “Enduring Connection Policy”), which will succeed the existing connection policy. In that paper, the CER posed the question as to whether it was appropriate to consider the connection of interconnectors separately to the wider “Enduring Connection Policy” that pertains to generation and demand.

The purpose of this information paper is to inform the public and all relevant stakeholders of CER’s decision to conduct a separate and distinct consultation process for the determination of interconnector policy. It also calls for submissions detailing what matters should be considered in the development of that policy.

Structure of this Paper
This paper is structured in the following manner:

- **Section 1** Introduction
- **Section 2** Details of CER/15/284 on the development and implementation of an integrated and enduring connection policy for the electricity system in Ireland (the “Enduring Connection Policy”)
- **Section 3** The Energy White Paper
- **Section 4** Conclusions and next steps

**Responding to this Paper**

Queries on this paper should be submitted, preferably in electronic format, David Lindsay ([dlindsay@cer.ie](mailto:dlindsay@cer.ie)).
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1 Introduction

In December 2015, the CER published a Consultation Paper (CER/15/284) on the development and implementation of an integrated and enduring connection policy for the electricity system in Ireland (the ‘Enduring Connection Policy’) which will succeed the existing connection policy.

In that paper, the CER posed the question as to whether it was appropriate to consider the connection of interconnectors separately to the wider enduring connection policy that pertains to generation and demand. This section provides details of that consultation and respondents' preferences as to how to progress with the development of policy for interconnectors.

2 Review of Connection and Grid Access Policy – CER/15/284

Under section 34 of the Electricity Regulation Act 1999 (as amended), the CER may give directions to the Transmission System Operator (TSO) and Distribution System Operator (DSO) for the terms and conditions of access to the distribution and transmission system. Specifically section 34 (2) (c) provides that directions given by the CER to the TSO or DSO may outline “the terms and conditions upon which an offer for connection to the transmission or distribution system is made”.

In December 2015, the CER published a Consultation Paper (CER/15/284) on the development and implementation of an integrated and enduring connection policy for the electricity system in Ireland (the “Enduring Connection Policy”) which will succeed the existing connection policy. The CER’s policy objective for connection and grid access is to provide a fair opportunity for generation to receive offers of connection to the network taking account of system needs, efficiency, national policy and the consumer interest. Accordingly, the policy will be fair, non-discriminatory and promote efficient use of the existing network. This in turn should reduce the end-user cost of the network and facilitating competition in the wholesale energy market, thereby reducing energy prices.

The consultation paper was seen as the initial step in its development and put forth initial thinking pertaining to:

- the policy objective of the “Enduring Connection Policy”;
- the principles which should underpin the “Enduring Connection Policy”;
- the high level approach/process to connection under the “Enduring Connection Policy” which best enables the policy objective to be achieved in accordance with identified principles;
- the key strategic issues which may need to be considered when determining the appropriate connection criteria under the high level approach/process.

Further consultation will be conducted on this matter in the first half of 2017. In the interim the CER is progressing the development and implementation of transitional arrangements. Proposals for these arrangements were also the presented and consulted upon in CER/15/284. The transitional arrangements aim to assist in the
transition from the existing connection policy towards the “Enduring Connection Policy”. The proposed transitional arrangements put forth in CER/15/284 were:

- The refunding of first stage payments to those projects that will not progress and agree to release their capacity;
- Permitting existing units to increase their capacity, under certain circumstances; and
- Providing offers to providers of system services that take part in the DS3 System Services procurement process.

The CER is currently reviewing all comments received on the transitional arrangements and aims to have a decision paper published on that matter this Summer.

As detailed in the next section the consultation paper also asked whether it was appropriate to consider the connection of interconnectors separately to the wider enduring connection policy that pertains to generation and demand. This section provides details of that consultation and respondents’ preferences as to how to progress with the development of policy for interconnectors.

2.1 Policy for Electricity Interconnectors

CER/15/284 proposed that the Enduring Connection Policy should provide for new interconnection, should viable projects emerge. This was within the CER’s overall policy objective to provide a fair opportunity for connection to the network taking account of system needs, efficiency, national policy and the consumer interest. The policy development would also consider the CER’s duties emanating from European law, including Directive 2009/72/EC, which requires the CER to take all reasonable measures in pursuit of *inter alia*;

- developing competitive and properly functioning regional markets within the Community in view of the achieving a competitive, secure and environmentally sustainable internal market in electricity; and,
- to eliminate restrictions on trade in electricity between Member States, including developing appropriate cross-border transmission capacities to meet demand and enhance the integration of national markets.\(^1\)

CER/15/284 noted that since the last round of connection policy (Gate 3), the East West Interconnector (EWIC) had been connected to the Irish system providing for an import capacity of up to 500 MW and that other interconnector projects are also being studied both by EirGrid and by merchant developers. Some such projects have been designated PCI status. Further details of two such projects can be found in the attached notes from the developers.

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\(^1\) [2009/72/EC Directive](#)
On the 25th February 2015, the European Commission published a Communication entitled ‘A Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy’. The Communication states “The goal of a resilient Energy Union with an ambitious climate policy at its core is to give EU consumers - households and businesses - secure, sustainable, competitive and affordable energy”. According to the Communication, the Energy Union strategy has five mutually-reinforcing and closely interrelated dimensions designed to bring greater energy security, sustainability and competitiveness:

1. Energy security, solidarity and trust;
2. A fully integrated European energy market;
3. Energy efficiency contributing to moderation of demand;
4. Decarbonising the economy, and
5. Research, Innovation and Competitiveness.

Specifically, in relation to point 2 above, the Commission acknowledged progress made in recent years. However, it stated that Europe’s energy system was still under performing and a new political boost to complete the internal energy market was required. The Communication reiterated the 10% and 15% interconnection targets by 2020 and 2030, respectively. The Commission is to report in 2016 on the necessary measures to reach the 15% target by 2030.²

CER/15/284 questioned whether it was appropriate to consider the connection of interconnectors separately to the wider enduring connection policy that pertains to generation and demand. In asking that question, CER/15/284 highlighted that:

- European policy explicitly favours further interconnection between Member States, providing for increased market efficiency, enhanced trading, improved security of supply and reduced curtailment.
- the provisions of the Third Package and the EU Network Codes require preferential treatment for interconnectors
- interconnector projects are explicitly facilitated under the Projects of Common Interest (“PCI”) Regulations.
- interconnection is treated differently from generation and demand connections.

Responses to CER/15/284 showed a clear preference for treating electricity interconnectors separately to the wider enduring connection policy that pertains to generation and demand.

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3 Recent Policy Developments – The Energy White Paper

Since the publication of CER/15/284, the White Paper 'Ireland's Transition to a Low Carbon Energy Future 2015-2030' has been published. It highlights the continued role of interconnection in its energy vision.

The White Paper notes that “appropriate energy infrastructure, including energy networks and interconnection with other countries” energy systems are factors necessary to the energy transition and presents the following vision for 2050:

“A radical transformation of Ireland’s energy system is required to meet our climate policy objectives. This transformation will result in a low carbon energy system by 2050. By this we mean that GHG emissions from the energy sector will be reduced by between 80% and 95%, compared to 1990 levels. By 2100 our GHG emissions will have fallen to zero or below.”

It also presents a vision for 2030, which includes reference to an energy system that:

“will be part of a single, physically interconnected EU internal energy market, which will bring greater security of supply and easier access to cross-border flows of electricity and gas from other EU Member States”

It mentions inter alia, research on interconnection requirements, initiatives to promote further interconnection between Ireland and EU Member States, potential energy infrastructure projects that could help address interconnection and enhance security of supply, market integration and sustainability. It also states that “further interconnection will be necessary” to meet the 2020 renewable targets.

The vision laid forth by the White Paper, fits into the wider European policy landscape where interconnectors have been prioritised. The CER will continue to engage with the Department of Communications, Climate Action and Environment on the implementation of evolving National and European policy.

4 Conclusion and Next Steps

Respondents’ to CER’s consultation Paper on the development and implementation of an integrated and enduring connection policy for the electricity system in Ireland (the ‘Enduring Connection Policy’) showed a clear preference for a separate consultation on the development of policy for electricity interconnectors. In recognition of this and the following points, the CER considers that a separate consultation on policy for electricity interconnectors is merited:

- European policy explicitly favours further interconnection between Member States, providing for increased market efficiency, enhanced trading, improved security of supply and reduced curtailment.

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3 (CER/15/284)
the provisions of the Third Package and the EU Network Codes require preferential treatment for interconnectors
interconnector projects are explicitly facilitated under the Projects of Common Interest (“PCI”) Regulations.
interconnection is treated differently from generation and demand connections.

Based on the above the CER will publish a consultation paper on interconnector policy. To aid in the drafting of this consultation paper the CER would request submissions from interested parties by 02 September 2016 on what should be considered in the paper.

**Decision**
The CER will conduct a consultation paper on the policy for interconnectors. A separate consultation paper will be published on the “Enduring Connection Policy” for demand and generator connections.

**Call for comments**
The CER requests that interested parties provide submission as to the matters that should be considered in the development of a policy for interconnectors. These submissions will be considered in CER’s drafting of the consultation paper on the matter. Submissions are requested by 02 September 2016