



CER

Commission for Energy Regulation
An Coimisiún um Rialáil Fuinnimh

Celtic Interconnector Next Assessment Phase

Reference:

CER/17/007

Date Published:

02/02/2017

Regulating Water, Energy and Energy Safety in the Public Interest

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Executive Summary

The Celtic interconnector is a proposal for an interconnector between the south coast of Ireland and the north-west coast of France. Both the Irish and French transmission system operators (EirGrid and Réseau de Transport d'Électricité or RTE) are assessing the viability of this project. They are sharing the cost of this equally (on a 50/50 basis). EirGrid, the Irish transmission system operator, is pursuing this assessment under its legislative and licence requirements to “*explore and develop opportunities for further interconnection*”.

EirGrid and RTE have recently completed a feasibility assessment of the project. That phase of assessment was concluded in 2016. EirGrid's revenue requirements for the feasibility stage have been approved and there is a mechanism in place for those revenues to be recouped from customers¹. EirGrid considers that the work completed to date provides sufficient grounds (technical and commercial) to proceed to the next assessment phase of the project. Based on this, the CER received a request from EirGrid for revenues associated with their share of the next assessment phase of the Celtic interconnector project. The next phase relates to initial design and pre consultation.

The initial design and pre consultation stage is the first of two further assessment phases to be conducted. EirGrid has requested €4 million for this stage.

On balance, at this point in time, the CER considers that it is appropriate to allow these revenues. This will facilitate EirGrid to further assess the opportunities for interconnection presented by the proposed Celtic Interconnector. EirGrid's assessment will include the further assessment of the consumer welfare outcomes for the Irish customer. In that regard, the CER would note that in 2017 it expects to further progress its thinking on a policy for electricity interconnectors which will allow CER to determine, *inter alia*, what is required for any regulatory decision to be made as to whether or not revenues//financial support will be provided for the construction/operation of an electricity interconnector.

¹ In 2014, CER agreed a recovery framework with EirGrid for their share of the feasibility stage up to a maximum of €5.34m. Following a joint submission by EirGrid and RTE to the Connecting Europe Facility (CEF), a total grant of €3.9m of co-financing was secured with 50% of this allocated to EirGrid. Taking into account the CEF funding the actual cost to EirGrid (and therefore TUoS customers) for the feasibility phase will be approximately €3.8m.

Public Impact Statement

Under Condition 9 of its licence and Regulation 8 of S.I. No. 445 of 2000, EirGrid as Transmission System is required to “*explore and develop opportunities for further interconnection*”. Some of the benefits identified by EirGrid to date for the Celtic interconnector project are its possibility to:

- Increase competition by facilitating increased electricity trading within Europe.
- Assist in meeting future renewable targets by reducing curtailment levels.
- Increase security of supply by providing an additional supply of power to Ireland

Based on its further assessment of the Celtic interconnector, EirGrid will be able to further explore these benefits and better determine the costs and the benefits to the customer in Ireland. This information could then be used in any proposal to construct the interconnector.

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1 Next assessment phase of the Celtic Interconnector Project

Under Condition 9 of its licence and Regulation 8 of S.I. No. 445 of 2000, EirGrid as transmission system operator is required to “*explore and develop opportunities for further interconnection*”. As part of that duty, EirGrid has been assessing the potential for an interconnector with France (referred to as the “Celtic interconnector”). The assessment is being conducted on a 50:50 cost basis with the transmission system operator in France - Réseau de transport d’électricité (RTÉ).

The assessments to date have indicated the following benefits of the Celtic Interconnector:

- **Competition** – facilitation of increased electricity trading in an economically efficient manner within Europe by directly linking the electricity market of mainland Europe with the Single Electricity Market on the island of Ireland;
- **Renewables** –further development of renewable sources, particularly variable sources such as wind, by reducing curtailment volumes.
- **Security of Supply** – providing an additional supply of power to Ireland, and also leading to increased diversification of fuel sources, making Ireland less reliant on its electricity interconnection to Great Britain

The assessments to date have also provided the basis for initial cost benefit assessments (CBAs). These CBAs have shown a range of consumer welfare outcomes for the project. In some scenarios these consumer welfare outcomes are relatively low or poor; in others they are favourable.

RTÉ and EirGrid are now seeking to move to the next assessment phase of the project, which pertains to initial design and pre consultation. This is the first of two further assessment phases to be conducted; the initial design and pre consultation assessment may be followed by one dealing with detailed design and consents. The information from these assessment phases will feed into more detailed CBAs for the project. EirGrid is requesting revenues of €4 million for their share of the initial design and pre consultation assessment.

At this point, the CER considers, on balance, that it is appropriate to allow the revenues sought for the next assessment phase and to further “*explore and develop opportunities for further interconnection*” in terms of the Celtic interconnector. This will include the further development of CBAs. In relation to a CBA for any regulatory decision on whether revenues will be provided for the construction of the interconnector, the CER would note the work commenced for developing a policy for electricity interconnectors, see [CER/16/293](#). That policy will determine what is required for such a regulatory decision to be taken.

In relation to the revenues of €4 million being approved today for the initial design and pre consultation assessment phase of the project, the CER notes EirGrid is seeking co-funding from the connecting Europe facility. The CER will provide support as appropriate in this regard.

2 Conclusion & Next Steps

EirGrid will provide written updates to the CER on the progress of the initial design and pre consultation phase of the Celtic interconnector project; including regular progress reports and details as to outturn costs. The CER notes EirGrid is seeking co-funding from the connecting Europe facility. The CER will provide support as appropriate in this regard.

The CER would note that in 2017 it expects to further progress its thinking on a policy for electricity interconnectors to determine, *inter alia*, what is required for any regulatory decision to be made as to whether or not revenues/financial support will be provided for the construction/operation of an electricity interconnector.