Dear Sir, Madam

Not Confidential

Aughinish Alumina Ltd (Aughinish) welcomes this Consultation on Policy for Interconnectors: Assessment Criteria for Applications and we are pleased to provide our thoughts and response to the consultation as requested.

Background
Aughinish has an alumina plant in West Limerick and own and operate a 160MW Combined Heat and Power (CHP) plant which provides a large proportion of the continuous high temperature, high-pressure steam demand of the plant (375MW) including the 45MW baseload electrical demand at the site. The CHP operates at an efficiency of 80% with the excess electricity generated by the CHP, approximately 115MW, exported to the market. Energy is a significant proportion of Aughinish’s operating costs as an Energy Intensive Industry participant operating in international markets, therefore any development of electricity (and gas) interconnection to Ireland must serve as an enabler of economic growth and competitiveness of Irish business.

Response to the Consultation
In principle, Aughinish supports the Commission for Regulation of Utilities’ s (“CRU”) approach to the assessment of applications on the basis of a set of technical, economic and regulatory criteria and in particular, the assessment on the impact of each project in terms of added value for society and in terms of costs under a range of different scenarios and sensitivities.

However we believe the proposed ‘Criteria for an economic assessment of the project’ should go further. We believe when assessing long term interest of final consumers the CRU should take a holistic view of all the potential knock on affects. As a large consumer of gas Aughinish is acutely aware of the cost burden on consumers of historic over investment in the gas interconnection. The development costs of the existing gas interconnectors are guaranteed to the developer, they are levied on an ever reducing pool of consumers due to multiple factors including new competing electrical interconnection, development of indigenous gas sources and government support for alternative generation technologies. Further interconnection could bring many benefits but existing infrastructure may become stranded and result in increased costs to consumers as they pay for energy interconnection twice.

Aughinish would not wish to see a situation where customers are paying significantly higher prices for any electricity interconnector proposed and urges the CRU to ensure any assessment is underwritten with robust economic analysis and to apply a greater weighting to the criteria for the economic assessment of the project in any decision taken.

Aughinish seek that the Economic Assessment of the project be fully transparent and consistent with other Member States’ approach to the assessment. This is important with regard to cross border cost allocation as part of the PCI process.

Technical criteria
Eirgrid’s DS3 programme is to facilitate increased levels of system non-synchronous penetration (SNSP). The program hopes to get the SNSP limit up to 75%.

DC interconnectors are also non-synchronous, any technical assessment should establish if the technology will safely help increase the allowable wind output during high SNSP periods.

**Economic criteria**

Outlined in Section 4.2.2 Benefits Table – point 9 and Section 4.2.3 Table – points 2-3 highlighting the wider impact on other energy markets and participants especially on such a small system such as the I-SEM. The potential impact of any project should not be understated and a full understanding of any adverse (as well as benefits) impact must be fully identified. Any such assessment to the counterfactual should also consider alternatives e.g. Would investment in alternative infrastructure be more beneficial to Irish customers i.e.

- Remove Dublin constraints
- energy storage facilities
- LNG infrastructure
- power to gas technology
- electrical heating

Under 4.2.3 Other impacts and considerations we would suggest another potential alternatives to electricity interconnection might be electrical heating. Installation of electrical heating in large industry would offset wind curtailment at a vastly lower cost to the consumer than interconnection and would require a much shorter payback. Currently there are vast amounts of heat being generated in Ireland from fossil fuels in times when wind is being curtailed.

Although the tables in Section 4 are “high level assessment criteria” Aughinish would suggest that the following be considered:

- Validation: All material statements made by the developer must be verified and confirmed independently by CRU;
- All project benefits must be included in the CBA i.e. subsidies, capacity payments etc.
- Performance criteria and clawback option for failing to deliver stated benefits i.e. any cap and floor system should be subject to the project achieving and maintaining deliverables. This would ensure that any impact on national tariffs would not represent a disproportionate burden for the Irish consumer as part of the requirement to have “due regard” for the long term interests of final consumers.

As always Aughinish is at your disposal if further clarification is needed.

Best regards,

Aughinish Alumina Ltd.