

Dear Sir, Madam

Not Confidential

Aughinish Alumina Ltd (Aughinish) welcomes the Commission for Regulation of Utilities (“CRU”) consultation on the Greenlink Electricity Interconnector (CRU/18/119) and we are pleased to provide our thoughts and response to the consultation as requested.

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 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

Aughinish notes that Greenlink’s project supporters are asking the CRU to:

- Make a determination that this project is in the public interest and that it is considered as part of the Irish transmission system; and
- Approve a 25 year Cap and Floor charging mechanism.

Element Power has submitted the Greenlink application under Irish legislation (Electricity Regulation Act 1999) even though the project has been granted PCI status. The Irish Government’s National Policy Statement on Electricity Interconnection^[1] supports appropriate interconnection development to both continental Europe and the UK and in their application, Element Power are seeking a cap and floor regime in respect of 50% of their revenues. This would be a symmetrical regime insofar as the law and regulation permits and they have asked the CRU for a decision by 30th September 2018.

Aughinish agree with the CRU that the project is complex and that it should conduct its own CBA to confirm the expected overall (net) benefits to Irish consumers. Such CBA would need to be carried out based on the outcome of the Consultation on Policy for Electricity Interconnectors: Assessment Criteria for Electricity Applications (CRU/18/131) which closed on 10 August 2018.

Aughinish’s main concern with this project is the potential impact of Brexit which the Greenlink CBA did not model. The CRU highlights this concern in the consultation document and have asked Element power to model Brexit scenarios which Aughinish fully supports.

Question 1: Are there any other specific factors that the CRU should consider in assessing the Greenlink CBA?

^[1] Irish Government, National Policy Statement on Electricity Interconnection, July 2018.

In the recent “notice to stakeholders”^[2] from the European Commission (“EC”) (April 2018), the EC states that when the UK leaves the Internal Energy Market it will no longer benefit from EU electricity market coupling, making trade between the UK, as a third country, and EU Member States potentially less efficient.

Hence, for the CRU in making any determination that the project is in the public interest, Aughinish believes it must consider possible changes to current cross border trading charging mechanisms that may apply to this project especially over a 25 year period, when the UK leaves the Internal Energy Market. The notice describes a number of possible obstacles that may apply and for the CRU to make a decision by 30 September based on a symmetrical cap and floor regime in which Irish consumers underwrite 50% of the risks may not be possible given the complexity of the situation.

Therefore, the CRU should ensure the CBA considers:

- What would be the cost be to gas consumers (industrial and domestic) of the reduced capacity booking of existing gas interconnectors? Could electricity prices be affected by the gas cost increase?
- Market modelling assumptions of the I-SEM should also consider non-market coupling for the duration of the project. Under this extreme scenario would the I-SEM still be a single market;
- Would the project PCI status change if UK left the Internal Market and what impact would this have;
- Lower effective capacity and security of supply – impact should be quantified.
- Any decision to support the application must be “in principle” and must have some conditionality around Brexit and similar cost and development risk assurances as required by Ofgem;
- 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 (industrial/domestic)
- 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 and if not then some form of clawback arrangement should be considered. 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.

^[2] https://ec.europa.eu/info/sites/info/files/notice_to_stakeholders_brexit_energy_market_final.pdf

Question 2: Are there any other specific factors that the CRU should consider in assessing the Greenlink technical overview report?

Aughinish is not qualified to discuss technical factors around interconnection suffice to say that the CRU should ensure that any interconnector complies with all of the Eirgrid system requirements, satisfies Grid Code conditions and can support system security requirements as necessary including ancillary services and DS3 provisions.

Eirgrid should be consulted on the benefit of in dispatching DC interconnection in supporting wind generation in periods of high System Non Synchronous Penetration.

All benefits assumed for system support services must be quantified and ensure no double counting.

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

Best regards,