

Mantas Vencius
Electricity and Gas Sector
Commission for Regulation of Utilities,
P.O. Box 11934,
Dublin 24

By email (electricityinterconnectors@cru.ie)

17 August 2018

Re: Consultation on the Greenlink Electricity Interconnector (CRU/18/119)

Dear Mantas

Ibec welcomes this opportunity to present our views and recommendations on the Greenlink Electricity Interconnector application and the economic and technical assessment carried out by Greenlink's project promoters.

Ibec is Ireland's largest business group representing Irish business both domestically and internationally. Its membership is home grown, multinational, big and small, spanning every sector of the economy. Together our members employ over 70% of the private sector workforce in Ireland. This response was prepared by Ibec's Energy and Climate Policy Committee which brings together representatives from a wide range of business sectors to shape Ibec's position on energy and climate matters. Our starting point is that business competitiveness and economic growth is contingent on the secure supply of affordable and sustainable energy. Policy priorities for the group include:

- a cost-effective and coordinated low carbon transition,
- the delivery of vital national energy infrastructure,
- greater relative cost-competitiveness of energy supply
- proportionate, transparent and fair regulatory decisions

For more information about Ibec and the Energy and Climate Policy Committee please visit our [website](#).

Overview

As an island nation with growing levels of intermittent renewable generation, electricity interconnection is of strategic importance. Interconnection can help to make electricity on the island more secure, affordable and sustainable. The strategic importance of electricity interconnection is also likely to increase as we transition to a low carbon economy and bring more intermittent renewable generation on-stream.

However, interconnection projects are typically large scale and very capital-intensive. Therefore, in reaching a decision on whether an interconnection project should be underwritten- or partially underwritten- - by the energy consumer, it is imperative that a holistic approach is taken for its assessment. This will ensure the stated benefits are carefully reviewed, all potential costs are fully captured and that all other regulatory policies for meeting national targets are considered.

In this way Ibec supports the use of the economic, technical and regulatory assessment criteria set out in the consultation paper 'Policy for Electricity Interconnectors Assessment Criteria for Electricity Interconnection Applications (CRU/18/131)'. The interconnector must show clear tangible and quantifiable benefits to the end user if the proposed cap and floor regulatory regime is to be introduced. Please find below our response to the consultation questions.

Q1. Are there any other specific factors that the CRU should consider in assessing the Greenlink CBA?

Ibec fully supports the decision by the CRU to commission a comprehensive and independent cost benefit analysis of the Greenlink proposal. When undertaking this analysis, it is imperative that the assessors consider all potential costs. This includes capital expenditures (construction costs, financial costs, connection costs), grid reinforcement costs, operational and maintenance costs, environmental costs, consenting and planning costs and decommissioning costs.

Ibec also recommends a thorough analysis of any potential indirect costs. The addition of a 500MW interconnector could have a sizeable impact on our energy system. It is necessary to examine whether this would lead to any increase in costs elsewhere in our energy system, that the energy user would be required to cover. For example, it would be sensible to consider the impact on capacity costs, constraint costs, gas transmission tariffs, the delivery of ancillary services and the PSO levy. Therefore, Ibec recommends that the assessors adopt a 'whole system approach' as recommended in the [National Policy Statement on Electricity Interconnection \(2018\)](#).

These costs need to be tested under a variety of scenarios and with a comprehensive risk and sensitivity analysis that considers changes in energy demand, technology costs, fuel costs, carbon prices/taxes, project timing, generation portfolios, flow efficiency and the addition of further interconnection in the future.

Ibec recommends similar diligence when assessing the project's stated benefits. One of the expected benefits of the Greenlink project is increased energy security. However security of supply can be very difficult to measure. Ibec would like to see more information on how the interconnector can be relied upon during times of system stress- particularly if the interconnector leads to a displacement of domestic sources of energy. We would remind the CRU that energy security is also a question of affordability. Therefore, additional weighting should not be given to "security of supply" at the expense of long-term energy price competitiveness. Ibec trusts that the CRU, in accordance with its own statutory remit to ensure security of energy supply and fair and reasonable prices, will be in the best position to balance both considerations as part of the evaluation.

We note that the National Policy Statement on Electricity Interconnection proposes that "potential alternatives to electricity interconnection (e.g. gas interconnection or storage) should be subject to high level consideration in the decision-making process around consumer underwriting of electricity interconnection". In our view this is good policy and necessary before the introduction of any regulatory regime or project where consumer underwriting is involved.

Finally, Ibec would caution against placing overdue emphasis on the "principle" of greater interconnection. While it makes sense to consider the EU interconnection targets, the CRU should also take heed of the findings of the 2017 [report of the Commission Expert Group on electricity interconnection targets](#). This report states that "irrespective of any minimum interconnection target...each planned interconnector should demonstrate that its benefits to society outweigh its cost". It further states that each individual interconnector must be subject to a cost-benefit analysis as part of the Ten-Year Network Development Plan analysis, which should serve as the final assessment of the potential socioeconomic welfare generated by new investments".

This cost-benefit analysis should consider all other interconnector proposals currently seeking to connect to the Irish system and determine whether this interconnector is the optimal solution for both the Irish system and the consumer.

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

Please see comments above specifically around grid-related costs and their consideration.

Are there other specific factors that the CRU should consider in selecting the appropriate regulatory approach?

Ibec would like to see additional information on why the project promoters have sought a symmetrical regulatory approach to the one provisionally granted by Ofgem - with half the project's cost underwritten by GB consumers and the other half underwritten by Irish consumers. We would like to know how this 50:50 share of costs and revenue was determined. We would like the CRU's overall welfare benefit analysis to determine if there indeed will be an even share of the project's benefits between Ireland and GB consumers as projected.

Clarification is also needed on whether the cap-and-floor levels are fixed and will remain so for the duration of the regime or if this can be altered at a future point in time. The CRU should retain the right to move away from a cap and floor support approach if it is deemed better for the Irish consumer.

Is there any additional information the CRU should consider when determining whether the Greenlink interconnector is in the public interest or not?

Ibec would like to point out that it may be difficult to secure full public support for the project if the prospect of increased exports or any bilateral agreement on 'statistical transfers' drives additional onshore wind power generation and grid reinforcement above and beyond national renewable targets or requirements.

Concluding remarks

Interconnection has the potential to make electricity supply more secure, affordable and sustainable. However, the costs, benefits and overall impact of the interconnector on the energy system must be assessed on a holistic level, by considering the need to protect the Irish consumer if they are to underwrite some of the risk as well as taking into account other regulatory initiatives and policy objectives. Ibec supports the CRU in its decision to commission an independent assessment of the project and we look forward to seeing the findings, which we hope will be published before any final decision is made.

Please feel free to contact us should more information or details regarding our position and views be required.

Yours sincerely,

Conor Minogue

Senior Executive, Energy and Climate Policy

