



Response to the Commission for the Regulation of Utilities' consultation
on

The Celtic Interconnector Project

Electricity Association of Ireland
Policy Committee

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Electricity Association of Ireland

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About EAI

The Electricity Association of Ireland (EAI) is the representative body for the electricity industry and gas retail sector operating within the Single Electricity Market (SEM) on the Island of Ireland.

Our membership comprises utilities that represent 90% of generation and retail business activities and 100% of distribution within the market. Our members range in size from single plant operators and independent suppliers to international power utilities.

We believe that electricity has a fundamental role in providing energy services in a decarbonised, sustainable future, in particular through the progressive electrification of transport and heating. We believe that this can be achieved, in the overall interest of society, through competitive markets that foster investment and innovation.

We promote this vision through constructive engagement with key policy, regulatory, technology and academic stakeholders both at domestic and EU levels.

We represent the Irish electricity industry in EURELECTRIC, the representative body for the European electricity industry, and help shape the broader European response to developing policy and legislative initiatives.

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RESPONSE

EAI welcomes the opportunity to respond at a high level to the CRU's consultation/minded-to decision on the public interest determination of the Celtic interconnector. Increased interconnection will undoubtedly be part of our future energy system and to this end we envisage further interconnection being developed as we transition to a low carbon society. It is also very important that we get the timing of additional interconnection right and that they are underpinned by robust and comprehensive CBAs. If Interconnection projects come forward too soon, there is an additional cost for the consumer in terms of a less than efficient energy system. If the investment comes too late then the customer misses out on the potential benefits.

In August 2018, EAI responded to CRU's consultation on general interconnector policy. In that response we set out our support for greater interconnection with Great Britain and France but highlighted the following;

- It is crucial that these projects are cost effective, that the risk/benefits are shared proportionately, and that interconnector policy is not viewed in isolation to other regulatory initiatives.
- In order to assess the merits of any new proposal it is essential that an interconnector project should be accompanied by a comprehensive, transparent CBA that shows tangible benefits for customers in their respective markets.

Based on the information in this current consultation paper, we do not believe that convincing quantitative evidence has been put forward in the Cost Benefit Analysis (CBA) of either the TSOs or the CRU, to warrant a decision that the Celtic interconnector is in the public interest at this time. The CRU recently made a decision that the Greenlink interconnector was in the public interest and that consumers will underwrite that interconnector through a cap and floor regime. This is in addition to the full underwriting of the existing EWIC interconnector.

Given this, a clear quantitative case for the Celtic interconnector should be made before it can be deemed in the public interest. In this respect we note, in particular, the CRU's concern about a potential 20% underestimate in CAPEX by the TSOs as well as a significant range of uncertainty in the TSOs own figures, all of which point to negative NPV in modelled scenarios. EAI believes that a convincing quantitative case must be made by the TSOs and CRU based on rational, transparent and aligned analysis and assumptions, before a public interest decision can be made. Qualitative arguments cannot be relied upon to warrant such a decision given the potential exposure for the consumer.

As mentioned at the outset, EAI does foresee additional interconnection being an inherent part of our transition to a low carbon energy system but that we must get the phasing of all investments right. To this end, it may be that a decision cannot be made on the Celtic interconnector at this time given the results of the CBA and the uncertainty underpinning the assumptions.

Before a final decision on the Celtic interconnector project is made, we would welcome further engagement with CRU on the key items in this consultation. For example, further engagement on the input assumptions and methodologies would be beneficial as would discussion on the most

appropriate regulatory treatment for interconnectors which best allocates the costs, benefits and risks between the investors and the customers.

EAI and its members stand ready to engage further with the CRU on this very important matter.

Electricity Association of Ireland, 15th of February 2019

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