

Commission for Regulation of Utilities (CRU)
P.O. Box 11934
Dublin 24

February 15, 2019

Re: The CRU's Assessment of the Celtic Interconnector Investment Request.

Dear Sir/Madam

IDA Ireland welcomes the opportunity to input into the consultation on the assessment by the CRU of the Celtic Interconnector investment request. In the consultation, stakeholder views are being sought on the Celtic Interconnector investment request, the assessment of the request by the CRU, the project costs and benefits, the initial high-level regulatory framework proposed by EirGrid and any further information of value to the overall assessment.

At the outset, IDA Ireland would like to complement the CRU on the quality of its assessment and the insights the consultation paper provides to interested parties. IDA Ireland does not intend to comment on the initial high-level regulatory framework proposed by EirGrid or on the specific costs of the project. We would however point out that it is important that the Celtic Interconnector project does not undermine the competitiveness of Irish industry. Electricity costs in Ireland approximate the Euro area average and are far higher than other global locations; for example, the US, a key source market for Foreign Direct Investment (FDI). Electricity costs influence FDI decisions and for that reason competitiveness is paramount. From the CRU's assessment, it is evident that the project is not viable on its own, without sizeable EU financial support. In this context, it would be essential that the maximum CEF (Connecting Europe Facility) grant is provided to Ireland in order to avoid higher power costs for consumers.

With regard to potential benefits, there are several potential benefits that the Celtic Interconnector would bring to the FDI sector and its ecosystem. These include:

- Having direct power connectivity with Continental Europe. This would be especially significant for FDI investment decisions, and minimising risk, in light of Brexit and the uncertainty, over the long-term, of the exact nature of the UK's relationship with the EU and Ireland.
- Supporting the EU Commission's objective of having an integrated power network throughout the EU.
- Providing a greater source and diversity of power supply, with increased resilience and robustness. This would be particularly important for large power consumers (e.g. data centres and biopharmaceutical manufacturers).
- Underpinning decarbonisation activities and increasing the use of renewables, thereby assisting Ireland with meeting its climate action targets.
- Supporting the development of the country's renewable energy sector, as energy providers would have access to a very large market for their output, in Continental Europe. Renewable energy investment is a strategic focus for IDA Ireland, where the

agency sees good potential, with opportunity for Ireland to become a large capacity generator and net exporter of renewable electricity, an outcome that would greatly enhance the value of the Interconnector.

- Strengthening security of supply.
- Facilitating direct telecommunications¹ (fibre) connectivity with Continental Europe; this would be of significant value to the Irish economy and the FDI sector. Direct fibre connectivity with Continental Europe is a public policy priority for IDA Ireland.
- Further embedding Ireland within the EU, an important consideration for non-EU companies (e.g. US) when investing in Ireland.

On balance, IDA Ireland's view is that the Interconnector project poses potentially more positives than negatives. IDA Ireland is supportive in principle of the project, but a large CEF grant for Ireland would be essential for project viability and reducing the cost for Irish power consumers. In the absence of the grant, the cost could be prohibitive. In essence, the Interconnector would help increase the attractiveness of Ireland for FDI and would enhance the FDI ecosystem. It would provide FDI investors with greater assurance and confidence about the long-term supply of power.

Please feel free to contact me if you have any queries.

Kind regards

