Review of the coordinated decision on the cross-border cost allocation request submitted by the Celtic Interconnector project following the results of the second Connecting Europe Facility energy call 2019

This coordinated decision between the national regulatory authorities (NRAs) of Ireland and France, the Commission for Regulation of Utilities (CRU) and the *Commission de Régulation de l'Energie* (CRE) relates to the cross-border cost allocation (CBCA) decision[1] concerning the Celtic Interconnector project. It aims to review this CBCA decision, in order to take into account the results of the second 2019 energy window of the Connecting Europe Facility (CEF), published by the European Commission on 2 October 2019[2], and awarding financial assistance for actions contributing to projects of common interest in the field of trans-European energy infrastructure.

In April 2019, the NRAs adopted a coordinated decision on the cross-border allocation of the Celtic Interconnector project's investment costs between Ireland and France and their inclusion in each country's tariffs pursuant to Article 12 of Regulation (EU) No 347/2013[3].

Given the positive externalities that will be generated by the project, in particular in terms of solidarity and security of supply, as well as its contribution to the achievement of the European energy objectives, the NRAs considered that the project should receive substantial financial support from the European Union, covering at least 60% of the estimated investment costs of the project. This level of EU grant was set in order to ensure that the project does not have a net negative impact for France or for Ireland given the risks related to the investment and operating costs, as well as the uncertainties due to the evolution of the energy landscape. In turn, it would also ensure that the project, once included in national tariffs, does not represent a disproportionate burden for consumers in Ireland and France. Therefore, the NRAs agreed on the cross-border cost allocation, provided that the EU financial assistance reaches at least 60% of project's estimated investment costs. They decided that, should the EU financial assistance not reach this amount, they would need to mutually agree on a review of the cost allocation decision.

Following the recommendation of the CBCA decision, the project promoters applied for an EU financial assistance under the CEF on 31 May 2019[4]. The Celtic Interconnector was selected to receive a maximum EU financial assistance of 530.7 M€[5], which represents 57% of the estimated investment costs. Even though the amount of the financial support does not reach 60% of the project's estimated costs, it is substantial and reflects the positive externalities brought by the project not only to the hosting countries, but also to the European Union as a whole, identified by the NRAs. The NRAs consider that this level of financial assistance is close enough to the minimum amount set in the CBCA decision not to put an excessive risk on the French and Irish consumers.

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[1] https://www.cre.fr/en/content/download/20806/266547 and CRU19051

[2] https://ec.europa.eu/info/news/completing-energy-union-eu-invests-eu556-million-priority-energy-infrastructure-2019-oct-02_en?pk_campaign=ENER%20Newsletter%20October%202019

[3] Regulation (EU) No 347/2013 of the European Parliament and of the Council of 17 April 2013 on guidelines for trans-European energy infrastructure [2013] OJ L 115/39.

[4] https://www.ecologique-solidaire.gouv.fr/projet-dinterconnecteur-celtique-mene-reseau-transport-delectricite-et-eirgrid

[5] https://ec.europa.eu/energy/sites/ener/files/list_of_all_projects_receiving_eu_support_under_the_2019_cef_call.pdf

As a consequence, both NRAs agree that there is no ground to amend the project's costs allocation and thus confirm that up to the project's estimated investment costs (930 M€), 65% of investment costs will be allocated to Ireland, and 35% to France.

The financial support awarded by the European Commission (530.7 M€) should be shared between Eirgrid and RTE to match the cost-allocation agreement (i.e. 65% for Eirgrid, 35% for RTE).

All the other elements of the coordinated decision are also confirmed, in particular the following:

- The remaining costs above the project's estimated investment costs should be shared 50/50 between EirGrid and RTE.
- This cross-border allocation is based on a 50/50 sharing of the project's operational and maintenance costs, and of the project's revenues from congestion rents between Eirgrid and RTE.
- As part of national regulatory frameworks, the NRAs will develop appropriate incentives for the TSOs to minimise the risk of cost overruns.
- The TSOs shall submit periodic cost estimate reviews to their respective NRAs (not less than every 6 months or as requested by the NRAs) and in addition, report to both NRAs on any material changes in cost estimate without delay. Excluding project development activities, the TSOs shall not commit any significant expenses until procurement of the infrastructure is complete and the overall cost of the main supply contracts (including cables) is known. Moreover, should the cost of these contracts materially exceed the estimated costs (i.e. by 20%) or should the total costs of the project be reviewed significantly upwards (i.e. by 20%), the CRU and the CRE agree to consult with the project parties and to review this decision in order to reconsider the opportunity to invest in the project and/or the cross-border cost allocation decision regarding cost overruns.