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Commission for Regulation of Utilities
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Response to consultation on the Greenlink Cap & Floor Request

A chara,

innogy are pleased to have the opportunity to provide comments to the above consultation. Innogy Renewables Ireland Ltd (IRIL) was established in 2016 and is owned by innogy SE, a leading European energy company.

In Ireland, innogy are active in the development of our Onshore and Offshore wind and battery storage project pipeline. innogy operate a 10MW windfarm at Dromadda Beg in Co. Kerry and we are in the process of growing our onshore wind pipeline to include new greenfield developments, consented sites and operational wind farms. In March 2018, innogy acquired an equal share in the Dublin Array Offshore Wind Farm Project, partnering with another Irish company, Saorgus Energy. In January 2020, innogy confirmed it will proceed with the installation of a 60MW battery storage project in Co Monaghan.

We agree with the CRU's initial determination, that following the Cost Benefit Analysis (CBA) undertaken by the CRU in 2018, that the proposed Greenlink Interconnector between Great Island Substation in County Wexford and the Pembroke substation in Wales had the potential to provide a net benefit to Irish customers and to Ireland as a whole through the expected reduction in RES curtailment, especially as significant decarbonisation of electricity generation is expected in Ireland.

Increasing Ireland's interconnection capacity will support the future development of indigenous Irish renewable generation by reducing the risk of significant curtailment, help Ireland meeting its 2030 targets for renewable energy and support the decarbonisation of heat and transport. We note that EirGrid's final version of Tomorrow's Energy Scenarios assumes that in the Centralised Energy and Coordinated Action scenarios, (the two scenarios that are compliant with meeting Ireland's RES targets), the new North South, Greenlink and Celtic Interconnectors are built. Ensuring the efficient flow and utilisation of the existing and the planned new interconnectors between Ireland and other markets (reducing curtailment and ensuring efficient pricing) will remain a critical factor in ensuring value for Irish consumers.

We note that Ofgem has recently (6th May 2020) published its response to the proposed changes to the Cap and Floor regime, which would impact the Greenlink project. We are interested to understand, whether there is potential for the development of a regulatory decision-making process and detailed cost assessment that takes account of both the separate regulatory decision making processes in Ireland and in Great Britain.



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Please find attached our comments in response to this consultation.

If you wish to follow up this response please get in touch with innogy's Policy Manager kate.garth@innogy.com or myself.

Le meas,

Cathal Hennessy
Innogy Renewables Ireland Limited



innogy

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Q1) Do you agree with the CRU's position that a Cap and Floor regime is the appropriate regulatory revenue model for Greenlink in Ireland?

Yes, we believe this provides the best balance between providing incentives to the interconnector developers and owners to optimise performance and reduce costs whilst protecting consumers from both excess costs and excess returns.

Q2) What are your views on Greenlink's requested regime features?

Notwithstanding the approach taken by Ofgem following its consultation and the responses received, we are concerned at any divergence from the standard Cap and Floor regime, which could rebalance the risk and reward between the developer and consumers, to the detriment of Irish consumers.

We would ask whether the CRU has access to similar data provided to Ofgem by lenders, or the same information provided which would provide greater clarity on the level of risk / willingness to provide finance, which may have influenced the recent decisions made by Ofgem – including the conditions assigned to some of their decisions.

With regards to the Category 3 features, and specifically the three main issues that Greenlink is seeking a regime variation request, we note the recent Ofgem decision and their acceptance of some proposed requests (albeit with additional conditions to reduce the risk of consumer exposure to additional costs).

Q3) Are there other features the CRU should consider?

No comment.

Q4) What are your views on the CRUs initial assessment of the requested features?

We broadly agree with the CRU's initial assessment of the Category 1 and 2 requested features, particularly how and what the cost of capital benchmark parameters that would be used to set the cap could be defined and calculated.

We agree with the concerns raised by the CRU in the assessment of the Category 3 feature assessments, particularly the request to adjust the Incentives when revenues are above the cap, which risks benefitting the developer to the detriment of consumers; (and we note Ofgem has also rejected this proposal). We agree with the CRU that the three features which Greenlink have highlighted as significantly increasing the deliverability of the project using project finance:

- Moving to annual assessment periods
- revising the minimum incentive and
- expanding on the definition of Force Majeure

will require additional work to be undertaken before a decision and any subsequent approval would be possible to ensure the changes are in consumers' interests. We note that these variations which were also requested by Greenlink to Ofgem have now been approved (albeit with some additional conditions); particularly regarding the revision to the minimum incentive). We would ask that CRU liaise closely with both Ofgem and Greenlink to understand the potential impacts and best way forward were there to be significant differences in the regulatory treatment of the interconnector.

Q5) Should the CRU consider any specific factors or elements in its initial assessment of the requested features?

We do not have any insight into the requirement for any additional specific factors or elements to be considered. We would recommend continued engagement with Ofgem, to seek to minimise any future regulatory misalignment which could increase administrative complexity and cost, and ensure that future Irish consumers are protected.