

## **Department of Business Enterprise and Innovation**

Submission on the 'Draft National Policy on Electricity Interconnection in Ireland', as published by the Department of Communications, Climate Action and Environment (DCCA) for Public Consultation on January 30<sup>th</sup> 2018.

**Dated: 27<sup>th</sup> February 2018**

### Context from an enterprise perspective

The Department of Business, Enterprise and Innovation welcomes the important and timely publication of a draft national policy on electricity interconnection in Ireland. Building on the Energy White Paper published in 2015, which provided the principles of our national energy policy, this consultation offers an opportunity to articulate Ireland's policy on electricity interconnection in particular. The policy should lay out clearly the State's priorities in this area and ensure that the right energy policy choices are made today to support long term economic growth and international competitiveness.

Energy competitiveness is of increasing importance for enterprise development and can directly affect the ability of enterprise to retain and grow output and employment, particularly in energy intensive sectors. A reliable and competitively priced supply of energy is vital for business and its ability to compete successfully in international markets. From an enterprise development perspective, the primary challenge facing Ireland is to reduce energy costs – which are comparatively high, when assessed against other European markets – while delivering on our security of supply and environmental sustainability objectives.

Diversifying energy sources and supplies is critical to ensure security of supply. While our import dependency has reduced over the past year, it remains high at 69 percent in 2016 (down from 88 percent the previous year) and valued at €3.4 billion<sup>1</sup>Ireland also has relatively low levels of interconnection and storage capacity. According to SAEI, with greater and more diversified capacity and more typical levels of wind and hydro, interconnection will play an even more important role in years to come.

This public consultation to inform an interconnection policy statement is particularly timely given the advancing status of two existing electricity PCI proposals – Greenlink between Ireland and Great Britain and Celtic between Ireland and France.

Increasing electricity interconnection continental Europe, as well as to Britain, is an essential component of the State's energy policy. Making it a priority to diversify our international electricity connections will significantly improve the State's security of supply as well as the resilience of supply. In light of the UK's decision to leave the EU, it is particularly pertinent that Ireland look to establish an interconnection with at least one EU member state so that Ireland can participate fully in the delivery of a fully-integrated common electricity market, meet our European commitments in that regard and continue to pursue efficient use of the energy infrastructure available.

In addition to enhancing the State's security of energy supply, an increased level of international interconnection can help to reduce our reliance on gas and help improve our ability to meet cost

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<sup>1</sup> Energy in Ireland 1990-2016, SEAI, December 2017

competitiveness and sustainability objectives. It is important that Ireland's energy policy prioritises cost competitiveness alongside security of supply and sustainability concerns. The State's Electricity Interconnection policy should ensure that costs associated with the development of critical infrastructure is financed in such a way that electricity customers in Ireland are not exposed to uncompetitive pricing dynamics, which may hinder enterprise development in the State or reduce Ireland's attractiveness as a destination for Foreign Direct Investment. It is important that we acknowledge the impact of policy decisions made in Ireland on energy prices, and work to ensure that policy supports the development of efficient, sustainable infrastructure, while enhancing competitiveness in the Irish – and European – energy market.

The Department of Business, Enterprise and Innovation welcomes the DCCAE's evidence based approach to evaluating electricity interconnector proposals, and that the cost of infrastructure proposals, and the potential impacts on wholesale energy prices are a core aspect of this evaluation approach.

The publication of an unambiguous and coherent framework through which the regulator will evaluate proposals is useful in that it clearly sets out the State's priorities in this regard, while giving policy certainty to potential developers.

#### **Project 2040, National Planning Framework**

Project 2040, the National Planning Framework sets out a number of priorities for policy in the energy sector, including a commitment to deliver 40 percent of the State's electricity needs from renewable sources by 2020 with a strategic aim to increase renewable deployment in line with EU targets. It is expected that this increase in renewable deployment will be supported by a greater diversity of renewable technologies available in Ireland, as well as the roll-out of the National Smart Grid Plan. Project 2040 also commits to reinforce the distribution and transmission network to facilitate planned growth and distribution energy across the country's major demand centres, to strengthen energy security and resilience and to support an island population of 8 million people through effective north-south electricity grid interconnections.

It is necessary that a national policy on electricity interconnectors is cognisant of this context and consistent with the aims set out in the Framework.