

[REDACTED]  
Public Consultation on Draft Interconnection Policy  
Electricity Policy Division  
Department of Communications, Climate Action and Environment  
29-31 Adelaide Road  
Dublin  
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By email ([interconnectionpolicy@dccae.gov.ie](mailto:interconnectionpolicy@dccae.gov.ie))

8 March 2018

**Re: a draft national policy on electricity interconnection in Ireland**

Dear [REDACTED]

Ibec, the voice of Irish business, welcomes this opportunity to present our views and recommendations on the development of a national policy on electricity interconnection in Ireland.

The following points reflect the views of a broad cross-section of our 7000-strong membership. These include energy providers, energy users and organisations involved in the management of natural resources. This response was prepared by Ibec's Energy and Climate Policy Committee.

For more information about Ibec and the Energy and Climate Policy Committee please visit our [website](#).

**The strategic importance of interconnection**

As an island nation with high levels of renewable generation, electricity interconnection is of strategic importance. Interconnection can help to make electricity on the island more secure, affordable and sustainable. The strategic importance of electricity interconnection is also set to increase as we transition to a low carbon economy and bring more intermittent renewable generation on-stream. In this context Ibec welcomes the decision to develop a national policy on electricity interconnection. It is also timely given the uncertainty created by Brexit, the advancing status of interconnector proposals and the recent EU proposal to increase interconnection to 15% of installed capacity by 2030. A robust and well-defined national policy should give certainty to all investors and protect the long-term interests of the end user.

For Ibec, the current draft lacks a clear national policy statement on electricity interconnection. The focus of the consultation is on the evidence-based use for the evaluation of projects. A clear statement is required as a starting point for the wider policy. At the very least, Ibec would like some clarity on the following questions that arise from the current consultation:

1. Why has the Department grouped merchant and publicly funded interconnection under one policy?
2. Is the public underwriting of future interconnector investments central to the policy?
3. Does the Department envisage a greater role for the CRU with respect to merchant interconnection beyond the granting of interconnection licenses?
4. Does the Department envisage a role for private enterprise in publicly underwritten projects?

5. Is it proposed that the evidence base listed in section three of the consultation will be used by the CRU to evaluate both merchant and publicly funded projects?

### **The evidence base for the evaluation of electricity interconnector proposals**

For interconnection projects that are underwritten - or partially underwritten- by the end user, it is imperative that a strong and comprehensive evidence base is used by the CRU when evaluating their viability and long-term value. In this way Ibec fully supports the proposed evidence base and considerations listed in section three of this consultation. It is our view that the list is detailed and comprehensive. For projects that benefit customers in two jurisdictions, the CRU will need to find an appropriate allocation of costs with their counterpart in the relevant member state/country.

### **Additional Aspects the CRU may take into account during evaluations**

Ibec agree with the proposal to include for consideration points one, two, four and five in section four. We think it is only sensible to consider;

- national objectives regarding security of electricity supply
- High level consideration of meaningful and extant (at the time of the decision) alternatives to the electricity interconnection being proposed
- the possible under-utilization of existing stranded assets or additional interconnectors (cannibalisation)
- Brexit and its likely impact on interconnection, EU targets and objectives and security of supply

We would urge caution in placing too much emphasis on certain qualitative benefits and EU policy aspirations which can be hard to measure.

### **Questions for Public Consultation**

#### ***Q1. What, if any, additional weighting should the CRU apply to security of supply considerations in its decision-making process?***

Energy security underpins all economic development and is likely to be the primary benefit of future interconnection. In this regard demand scenario planning and generation capacity projections will play a fundamental role in any project evaluation. Energy security is also a question of affordability. In this way additional weighting should not be given to "security of supply" at the expense of long-term energy price competitiveness. Ibec trust that the CRU, in accordance with their own statutory remit to ensure security of energy supply and fair and reasonable prices will be in the best position to balance both considerations as part of any evaluation.

#### ***2. What, if any, additional weighting should the CRU apply to diversity of supply considerations in its decision-making process?***

It is our view the fuel diversity should not be a goal in its own right but rather a means to greater energy security and system stability.

#### ***3. Should the CRU take EU interconnection targets into account in its evaluation? If so, how?***

Yes. It makes sense to consider the EU interconnection targets and the opportunities that exist for EU funding through the Connecting Europe Facility. The Commission has already set a

10% electricity interconnection target for 2020, but has proposed to extend this to 15% by 2030. A hard Brexit and a full UK withdrawal from the Internal Energy Market could leave Ireland isolated from the rest of Europe.

The CRU should also take heed of the findings of the 2017 [report of the Commission Expert Group on electricity interconnection targets](#). This report states that "irrespective of any minimum interconnection target...each planned interconnector should demonstrate that its benefits to society outweigh its cost". It further states that each individual interconnector must be subject to a cost-benefit analysis as part of the TYNDP analysis, which should serve as the final assessment of the potential socioeconomic welfare generated by new investments". Ibec also note that the 15% target is still at proposal stage.

**4. What impact does EU Policy and the EU's Clean Energy Package for all Europeans have on electricity interconnection to Ireland? Are there any other EU/national legislation or policy objectives that should be considered?**

As mentioned above, the strategic and technical importance of electricity interconnection is set to increase as we transition to a low carbon economy and bring more intermittent renewable generation on stream. EU policy is a key driver in this regard. EU policy sets out climate and energy framework objectives, binding targets and rules for market design and grid operation. EU policy therefore can have a significant impact on long term planning and investment of infrastructure, including interconnection and on the roles and responsibilities of national regulators and system operators. A national policy on interconnection will need to consider these EU policy drivers and the most appropriate solutions for Ireland. Please see comments above regarding EU targets and project evaluations.

**5. Are there any gaps in the policy backdrop outlined in this paper?**

N/A

**7. Is there anything else we need to consider as we set about finalising a national policy statement on electricity interconnection?**

Apart from the questions raised herein and the need for a clear national policy statement on electricity interconnection (absent from the current draft) we see no other material omissions from the consultation paper.

Yours sincerely,

[Redacted signature]

 **Ibec**  
For Irish Business