



BY EMAIL ONLY

SMBX.OffshoreWind@decc.gov.ie

International & Offshore Energy Division

Email 

11th August 2022

Electricity Interconnection Policy Consultation -

Dear Sir /Madam

Thank you for providing RWE Renewables Ireland the opportunity to respond to the above consultation. RWE Renewables has been active in Ireland since 2016 and now has two offices: one in Kilkenny City and one in Dun Laoghaire, County Dublin. RWE Renewables has already earmarked up to €1.5 billion [gross] for Ireland up to 2030 through current projects already being developed. The investment will be across its portfolio of renewable energy businesses in onshore wind, offshore wind, solar, battery storage.

Ireland has set ambitious targets in its carbon budgets and RWE wants to be a key partner for Ireland's plan to decarbonise its energy sector. We see a clear need for the continued and ongoing development of interconnectors as critical to this outcome.

In the GB market, RWE is developing two new offshore projects which, alongside National Grid Transmission, National Grid Ventures are participating Pathfinder project within the wider OTNR project, as part of the pathfinder project, maximising the potential for offshore coordination.¹

Please find attached our response to the consultation questions, if you have any questions regarding these, please do not hesitate to contact me or our Senior Regulatory Affairs Manager, 

Yours faithfully



Head of Offshore Development Ireland
RWE Renewables

¹ <https://www.gov.uk/government/publications/offshore-transmission-network-review-pathfinder-projects/joint-statement-from-north-falls-five-estuaries-and-national-grid-commitment-to-exploring-coordinated-network-designs-in-east-anglia>



Questions:

Section 2 – Ireland’s Increased Energy Ambition

Q1) To what extent would a commitment by Government on delivery of further interconnection capacity, beyond the proposed Celtic and Greenlink interconnectors impact achievement of Ireland’s 2030 and post 2030 energy objectives.

At this point, we do not believe a simple commitment from Government to deliver additional interconnector capacity will make any discernible impact on the achievement of Ireland’s 2030 targets – given the long-development timeframes associated with such large infrastructure projects.

We do however believe that the setting of additional targets for post 2030 will positively impact the delivery of Ireland’s future energy objectives. We note that this consultation is focused on electricity interconnectors, but we would note that additional gas interconnectors (designed for the use of green hydrogen) should also be considered within this context.

The earlier the Irish Government, working together with CRU and EirGrid / Gas Networks Ireland sets additional targets, the earlier (and more positive) the impacts on post 2030 delivery will be.

Q2) In the context of Ireland’s increased climate and energy ambition, should Government establish future minimum interconnection targets, with capacity to be delivered by a specific point in time? If so, what should these targets be?

At an EU level, there had been a target set of achieving 15% interconnection by 2030 via the Regulation 2018/1999 on the Governance of the Energy Union and Climate Action launched in 2018.

Since that target was set, Ireland has committed to the legally binding net zero target by 2050 and has set out in the Climate Action Plan ambitions of up to 30GW offshore wind – enabling Ireland to capitalise on its unparalleled offshore wind resource. Security of supply for an isolated market such as Ireland also provides additional challenges, which are currently exacerbated by the current war in Ukraine.

We would not advocate setting binding targets at this stage, but we would strongly recommend DECC and CRU coordinate on the required regulatory and or legislative steps required to ascertain the optimum levels of interconnection to support the wider integration within Europe, improved security of supply and export opportunities.

Q3) Regarding the location of future interconnection, should priority be given to developing further interconnection with Great Britain, or the EU IEM, or both?

As we believe additional interconnection is urgently required to manage the risks associated with security of supply and increased oversupply (and curtailment, although less of a risk in future) we would welcome additional interconnection with both the UK and EU.

Ensuring full, and functioning market access between Ireland and the UK must remain a priority, given the current lack of trading within the ex-ante markets.



Q4) What are the primary benefits associated with increased interconnector capacity? For instance, would the primary benefit related to enhanced security of supply or de-risking future renewables development

We do not see the primary benefits of interconnection (increased security of supply and de-risking future renewables development) as being in any way incompatible or mutually exclusive. We would strongly argue that the increased opportunity for security of supply (both for Ireland and the connected market) are substantial, enabling increased diversity of located generation (and weather patterns).

Electricity interconnectors can flow in both import and export directions, helping to lower the long-term costs of electricity for the consumer (in both directions). From a security of supply perspective, if Ireland, (with its high proportion of wind generation) and reliance for back-up power from an ageing and increasingly unreliable fossil-fuelled thermal fleet requires imported power, interconnection from France (with a high proportion of nuclear generation) or the UK with its high renewable and modern gas fleet (and links to mainland EU markets) will be able to provide the required power through market signals (with higher prices in Ireland).

From the perspective of de-risking future renewables development, Ireland has recently set increased targets for renewable generation, at a time when there is considerable risk of oversupply in the market and curtailment. Alongside increasing indigenous power demand (to decarbonise heating and transport), increased interconnection will provide a market for green power to support wider European renewables targets and support the delivery of the ambitious EU offshore targets for wind.

Q5) Is the existing legislative framework contained in the 1999 Act appropriate to secure future development of interconnector capacity? And Q6) what amendments, if any, do you consider necessary to the 1999 Act.

We believe the current legislative framework is sufficient to secure the development of additional [traditional, point to point] interconnector capacity. However, we believe that additional legislation / amendments will be required should hybrid (or Multiple Purpose Interconnectors, MPIs) be developed in the future.

We would urgently recommend a review of the ongoing work underway (and completed in the UK by Ofgem²) regarding the proposed pilot for MPIs, and the recent publication of the Energy Bill – which will (if enacted) facilitate the separate licencing of an MPI (hybrid Interconnector) within the Energy Act.³

² https://www.ofgem.gov.uk/sites/default/files/2022-7/Guidance_MPI%20Pilot%20Regulatory%20Framework.pdf

³ <https://bills.parliament.uk/bills/3311/publications>

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In terms of Amendments to the 1999 Act, we would anticipate similar changes will be required to facilitate the definition of MPIs/hybrids and the licencing regime for MPIs/hybrid interconnection.

Section 4 – Brexit and Future EU-UK Interconnection

Q7) To what extent will the development of future interconnection between Ireland and Great Britain be impacted by the removal of Great Britain from European Market Coupling?

The development of future interconnection between markets which can not freely and fully trade across the ex-ante and intraday markets is unlikely to provide the optimum environment to maximise benefits of the interconnector.

Q8) To what extent will clarity over the future energy relationship between the EU and UK be necessary in order to provide for future interconnection between Ireland and Great Britain?

Clarity over the relationship between the UK and EU (and GB - Ireland) will be important to encourage and support the development of future interconnection between Ireland and Great Britain.

We are concerned that the lack of progress in implementing an alternative to the Single Day Ahead Market Coupling (SDAC) as proposed in the Trading and Cooperation Agreement will make future UK- Ireland interconnection less attractive, and will therefore reduce the effectiveness and benefits of increased interconnection

Section 5 – Role of the CRU

Q9) Are the technical criteria employed by the CRU in assessing the interconnector development applications appropriate?

Yes, we believe so.

Q10) What of the above 3 regulatory models (merchant, cap and floor, fully regulated) offers the most viable route for the development of future interconnection between Ireland and neighbouring countries?

We believe all 3 regulatory models have advantages and some disadvantages and we would anticipate the criteria for determining whether additional interconnection can be delivered between Ireland and its neighbouring countries will depend in part as to the key drivers for the additional connection.

Given the significant investment required for new interconnection we can see the appeal for Cap and Floor projects, which provide revenue certainty for the developer. However, we would argue that where revenues are regulated (either fully or via a cap and floor) this would



and should mean participation in Capacity Markets (within Ireland and the connecting country) should be prohibited.

Section 6 – Hybrid Interconnection

Q11) TO what extent can dual purpose hybrid interconnectors contribute to Ireland’s post 2030 climate and energy objectives?

Given the efficiencies in terms of reduced offshore transmission infrastructure that could be delivered by integration (of offshore generation and transmission infrastructure) we believe it is logical to assume that successful delivery of Ireland’s climate and energy objectives.

However, there will be significant regulatory, legislative and technical considerations that will be required. We note that within the GB market, policy development under the Offshore Transmission Network Review project and the Holistic Network Design output has been ongoing for more than two years and the minded to decisions have only just been published.

For dual purpose hybrid interconnectors (MPIs) We recommend DECC in conjunction with EirGrid (as the designated offshore TSO /TAO) for enduring (post 2030 projects) and CRU commence (or continue) initial Assessment on the likely scale of the opportunity for the development of hybrid interconnection and the associated legislative and regulatory (including impacts on network design, Anticipatory Investment, market arrangements etc) requirements as hybrid interconnection, whilst potentially beneficial for Ireland and other EU members is not a “quick fix”.

Q12) What is the appropriate policy and regulatory framework to provide for development and operation of dual-purpose hybrid interconnectors?

At present, it is impossible to state which would be the most appropriate policy and regulatory framework to provide for the development and operation of dual-purpose hybrid interconnectors – and as such we would strongly recommend that DECC and CRU consider the proposed pilot scheme launched in the UK which opens for applications in September. We would however note that this MPI pilot (to be run in conjunction with the third Cap and Floor call) will be targeting projects already under development (which already have allocated seabed rights and development consent). This is not [yet] the situation in Ireland.

Q13) What if any amendments to national legislation may be necessary to provide for the above? Should hybrid interconnectors be considered as new electricity market infrastructure, separate from conventional point to point interconnectors?

Please see our comments in respect to questions 5 and 6 in relation to MPA / hybrid interconnection.

We would agree that hybrid interconnectors will need to be considered as new electricity market infrastructure, separate from conventional point to point interconnectors, because their purpose will be different and different rules will need to be applied (to the management



of the asset as a traditional interconnector, connecting two separate jurisdictions and providing a transmission export route (potentially into different jurisdictions for any future offshore renewable assets).

Q14) What are the principal barriers in existing EU electricity market rules, most notably the Electricity Market Directive and Electricity Market Regulation to development and operation of hybrid interconnectors?

There are multiple barriers associated with the development and operation of hybrid interconnection, we would consider the principal ones to be:

Electricity Regulation 16,8 - which requires that a minimum 70% of the interconnector capacity be available to trade, this rule significantly reduces the benefit to the connecting ORE asset.

The proposed concept for Offshore Bidding Zones may ameliorate the above 70% issue but issues regarding any remuneration (or subsidy) available in the home market would need to be addressed, were the power to flow to the non-home market.