

FAO: Eamon Ryan TD

By email: FutureFrameworkpublicconsultation@decc.gov.ie

19 February 2024

Dear Eamon Ryan TD,

Draft Offshore Renewable Energy Future Framework Policy Statement

Transmission Investment, as one of the UK's leading independent transmission companies, welcomes the opportunity to respond to the Department of the Environment, Climate and Communications' (DECC) consultation on the offshore renewable energy (ORE) Future Framework Policy Statement ("the Policy Statement").

Transmission Investment (TI) is a leading developer of, and investor in, electricity transmission infrastructure assets. TI develops, builds, manages, and operates transmission assets with best-in-class sector knowledge and experience. We manage one of the largest offshore electricity transmission portfolios in Great Britain, with approximately 4GW and £3billion in capital employed. TI is also leading the development of electricity interconnector projects in support of the UK's Net Zero ambition, including investing in a proposed 700MW link between Northern Ireland (NI) and Scotland known as "LirIC", and the FAB interconnector between GB and France. We strongly advocate introducing competition into the delivery of transmission infrastructure onshore, as we believe this will enable faster and lower cost delivery of much needed network capacity to support increased renewables on the system.

TI welcomes the Policy Statement and the supporting economic analysis undertaken by Afry and BVGA. It is a key step forward in setting the direction to support Ireland in meeting its long-term offshore wind ambitions, and we support the recognition that interconnection is crucial to the achievement of ORE goals. As renewable generation projects have been brought forward to meet national targets, a trend has started to appear globally¹, i.e. the emergence of transmission as a bottleneck in delivering clean power, not only where but when it's needed. Our response centres on three of the questions from the Policy Statement.

Question 2(a) - What grid infrastructure should be of particular focus in facilitating the build-out of capacity to support ORE generation targets?

As recognised in the Policy Statement, curtailment of renewables, such as wind, should be avoided where possible to ensure support schemes are delivering best value. The avoidance of curtailment can be delivered by providing sufficient flexibility on the system, and electricity interconnection provides a well-proven, commercially mature means of doing so. In particular we recognise the detailed analysis undertaken by Afry in Workstream 2, which considers an assessment of the impact of different electricity interconnection futures. We are supportive of the overall ambition of the policy, recognising the need to essentially double the amount of interconnector capacity to GB (1.8GW to 3.3GW) between 2030 to 2040 under all scenarios². In addition, Afry notes the emergence of new projects, such as offshore hybrid assets (OHAs) or multiple purpose interconnectors (MPIs), may further integrate renewables as well as lowering the capital cost for shared infrastructure and reducing environmental impacts.

¹ [Lack of ambition and attention risks making electricity grids the weak link in clean energy transitions - News - IEA](#)

² [Workstream 2 - Electricity Interconnection \(Afry\)](#), page 10

When considering the needs case assessment framework for future projects, economic analysis such as socio-economic modelling should be only one factor in decision making rather than the sole criteria. It is recognised that any modelling exercise has its limitations, and different underlying assumptions in the connected markets will yield very different outputs (e.g. modelling a high penetration versus a low penetration of renewable generation at either end of the cable). In addition, increasing convergence of prices in the connected markets may reduce the modelled economic benefits, however interconnection is still needed to deliver wider benefits such as security of supply, decarbonisation and flexibility.

Question 1(e) - What frameworks and/or supports are required for alternate routes to market such as CPPAs, Power-to-X projects, interconnector-hybrid projects and export projects?

Interconnection supports security of supply through the diversification of generation being imported and enabling neighbouring countries to support each other when domestic energy supply does not meet demand. In particular, and as acknowledged by Afry, MPIs may be able to offer enhanced security of supply by providing further diversity and flexibility.

Given the length of time it takes to develop and build assets such as interconnection and OHAs, we would encourage DECC to take necessary actions now to support the realisation of near-term projects, ahead of defining a framework to support future investments. Progressing these as pilots will avoid delaying inflight infrastructure projects which clearly will support the delivery of Net Zero targets. It is clear that failing to deliver these near-term projects risks further targets to 2040 being missed. Adopting a phased strategy as seen with DESNZ, e.g. Pathway to 2030, shows how a framework can emerge while projects continue to progress, avoiding a hiatus that reduces the ability to reach the targets.

Question 1(f) - What additional capacities and responsibilities should be held by industry in the context of the plan-led approach?

Electricity Interconnection

The Policy Statement sets out the need for a plan-led, centralised planning approach to future ORE delivery in Ireland. However it does not provide further detail on the delivery aspirations. Further clarity is needed on the role of EirGrid, which will also aid understanding of the expected roles of other parties. In addition, given the implications that EirGrid will be responsible for the transmission connections to offshore wind, will EirGrid also have the capacity to deliver all interconnection, MPIs and OHAs?

The delivery of infrastructure, such as electricity interconnection, by independent developers is a proven and successful route for delivery. However independent developers need a suitable investment environment, which links the following three areas;

- i. The centralised planning process, which includes a process to select preferred projects or developers, with State support (non-financial) for those selected. This should include interactions with processes such as the Ten Year Network Development Plan, Projects of Common Interest and Projects of Mutual Interest. We recognise Ireland's indication of the publication of the Offshore Transmission Strategy will seek to set out the integrated planning for interconnection and ORE.
- ii. Clarity on what regulatory models would be applied (e.g. cap and floor, or exemption), and cooperation with regulatory authorities in the connected market, and
- iii. Planning and grid connection processes which align to developer-led investment, and support the delivery of projects quickly and efficiently.

Onshore Transmission Reinforcement

Given the level of aspirations for the delivery of ORE in Ireland, it is likely that substantial investment to reinforce the onshore transmission network will need to be delivered. The ORE targets of 20GW by 2040 and 37GW by 2050, creates a degree of importance to the required development given the lead times of transmission investment is often 12-14 years. We see a strong case for the introduction of competition into

the delivery of onshore transmission infrastructure to support cost savings, speed and resilience of delivery to support Net Zero, and this a model being pursued in GB through the introduction of early-competition by Ofgem³. TI commissioned CEPA to produce an independent report regarding potential benefits. The report identified maintaining a sustainable pipeline of projects being competed would be beneficial compared to solely relying entirely on incumbent monopolies to deliver grid infrastructure. The full report is attached as an annex to our response, however we summarise some of the key points below.

Set up well, competition is effective in the timely delivery of new infrastructure, encouraging innovation in the design, delivery, and operation, and delivers benefits to consumers more quickly and cheaply. Third party developers are strongly incentivised to identify solutions which provide benefits sooner, and to deliver projects to schedule once appointed. Clarity on the pipeline of projects which would be competed is needed to support the delivery of benefits, as it delivers a clear incentive for investors to participate in competition rounds and learn from previous projects and rounds.

Sole reliance on the incumbent transmission owners to deliver mega capital programmes, needed to support Net Zero targets, carries risk. Large programmes stretch management bandwidth, risking other aspects of performance being compromised, creates a single point of failure, and limited alternatives if the project goes off-course (Page 25, CEPA Report – Network Rail Case Study). Finally, financial capacity of the incumbent can act as a barrier to new investment, the scale of investment required can exceed their balance sheet capacity. Examples of this include the financing constraints on Thames Water and the decision to compete out the financing of the Thames Tideway Tunnel, and in Australia competition has been suggested by the regulator to deal with financeability concerns on whether the incumbent transmission owners can deliver the large increase in transmission investment in a timely manner.

When considering the delivery of a large capital programme of investment, like that required for new transmission infrastructure, delivering through a combination of monopoly incumbent and competition will provide greater resilience to the programme, also enabling the additional advantages of competition, such as cheaply and timely delivery, are realised to the benefit of consumers and the integration of ORE in Ireland.

We hope the contents of the letter are helpful and we would be pleased to discuss any points raised, including, a deeper discussion of the CEPA paper provided as an annex.

Yours faithfully,

A large black rectangular redaction box covering the signature and name of the sender. To the right of the box, there is a small dash and a period.

³ [Decision on early competition in onshore electricity transmission networks | Ofgem](#)