

Introduction

The need for the Tyrone – Cavan Interconnector has been repeatedly emphasised as reflected in the below local and national quotations and recent communication from the Department for the Economy.

At a European level, the proposed interconnector continues to enjoy status as a Project of Common Interest. More general need for greater European electricity interconnection between markets is also included for information.

PAC Report on the Second Stage of the Public Inquiry dated 20th November 2017

- The PAC Report in relation to the Tyrone – Cavan Interconnector stated as follows:

“4.62 The need for the proposed IC is robust and cannot reasonably be described as “short-sighted expedience”. It is essential for the long-term security, reliability and efficiency of the NI transmission network. This conclusion applies regardless of the final agreement, or lack of one, as regards the UK’s future relationship with the EU. Delaying determination of these applications until the Brexit deal is settled, and its attendant implications assessed, could result in: the shortfall of capacity from 2020 necessitating further costly market intervention; continued inflated cost of electricity due to inefficiencies in the SEM; barriers to the facilitation of renewables; market uncertainty in the I-SEM; loss in investment in power generation; and loss of investment in the wider economy. Regardless of NI’s future relationship with the EU, an affordable, sustainable and secure electricity supply will continue to be of vital importance to domestic, commercial and industrial consumers. In the absence of a viable and feasible alternative (or alternatives) that can be commissioned by the end of 2020 in order to address the predicted shortfall in power in NI, there is a persuasive strategic need for the proposed development at both regional and international level.” (pages 42 – 43)

Correspondence from the Department for the Economy, dated 25th March 2019

- The Department for Infrastructure Senior Planning Officer requested comments from the Department for the Economy on the Environmental Update report submitted by SONI in March 2019. The response received from the Department for the Economy stated as follows:

“The Department for the Economy continues to fully support the need for a second interconnector and would wish to see a planning decision reached as soon as practicably possible. It will make a major contribution to increasing competitive electricity trading, encouraging new investment in generation and supply, and enhancing Northern Ireland’s security of supply. It is also essential to enabling a significantly increased contribution to Northern Ireland’s power generation from renewable sources. We have no comments on the requirements for further environmental information”.

Section A) National and Regional

The United Kingdom’s exit from and new partnership with the European Union White Paper – February 2017

- This paper was discussed at the PAC Inquiry in relation to the Tyrone – Cavan Interconnector in February 2017. The following points are of note:

“Energy, transport and communications networks

8.27 There are three UK-wide network industries and associated services which interact extensively with the EU: transport, energy and communications. All three are important in their own right and are key ‘enablers’ to the functioning and success of the economy as a whole.

8.28 With respect to energy, EU legislation underpins the coordinated trading of gas and electricity through existing interconnectors with Member States, including Ireland, France, Belgium and the Netherlands. There are also plans for further electricity interconnections between the UK and EU Member States and EEA Members. These coordinated energy trading arrangements help to ensure lower prices and improved security of supply for both the UK and EU Member States by improving the efficiency and reliability of interconnector flows, reducing the need for domestic back-up power and helping balance power flows as we increase the level of intermittent renewable electricity generation. We are considering all options for the UK's future relationship with the EU on energy, in particular, to avoid disruption to the all-Ireland single electricity market operating across the island of Ireland, on which both Northern Ireland and Ireland rely for affordable, sustainable and secure electricity supplies." (page 43)

"Annex B – UK/Ireland

... B.13 The Single Electricity Market operating on the island of Ireland provides both Ireland and Northern Ireland with affordable, sustainable and secure access to electricity for both businesses and domestic customers. The former First and deputy First Ministers of Northern Ireland highlighted this as an important priority for Northern Ireland and this Government recognises the importance of ensuring that it is secured following our departure from the EU." (page 75)

Northern Ireland and Ireland: Position Paper by the United Kingdom Government published on 16th August 2017

- The Position Paper outlines the UK Government's position on how to address the unique circumstances of Northern Ireland and Ireland in light of the UK's withdrawal from, and new partnership with, the EU. The following reference is made to the Tyrone – Cavan Interconnector:

"Energy

...67. Under the SEM, all electricity generators compete in a unified wholesale market across the island of Ireland. Before the SEM was established in 2007, Northern Ireland and Ireland had separate electricity markets. Bringing these markets together as a Single Electricity Market has helped to reduce consumer electricity prices, facilitated the integration of renewables, and bolstered security of supply. The SEM is in the process of being reformed to ensure full alignment with EU trading arrangements. The reformed SEM will be launched in May 2018 and will facilitate more efficient trading, further improve security of supply, support greater renewable generation, increase competition and provide a positive climate for further investment. The SEM is connected to the electricity market in Great Britain through two interconnectors. It currently has no interconnectors to other markets. The Irish Government and the previous Northern Ireland Executive have remained committed to the construction of a North-South interconnector to improve transmission across the SEM." [emphasis added] (page 22)

House of Lords Select Committee on the European Union – Energy and Environment Sub-Committee: Corrected oral evidence: Brexit: energy security, published on 25th October 2017, Questions 54 - 64

- In relation to Q59, Baroness Sheenan, referred to the Tyrone – Cavan Interconnector, and Dan Monzani, Head of Energy Security at the Department of Business, Energy and Industrial Strategy ("BEIS"), stated:

"There is not a lot that I can say, other than that it has been identified as a project of common interest. It is currently going through the planning stages. I think that it has received planning permission in the Republic of Ireland. It is awaiting planning permission in the North. Everyone recognises that it is an important piece of infrastructure. Hopefully, it will proceed, as planned, along those lines." [emphasis added] (page 13)

- At Q61, the Earl of Stair asked Richard Harrington MP, Minister for Energy and Industry at BEIS, the following question:

“On the island of Ireland, we have a very interesting situation. We have the North-South connector and the United Kingdom/Ireland connector, all linked up by a Single Energy Market. The Government have stated that, in the future, we ought to facilitate the continuation of a Single Electricity Market. What is your assessment of the difficulties in maintaining the Single Energy Market on the island of Ireland? How do you intend to address them? (page 16)

- Mr Harrington responded as follows:

“... As you said very clearly, the Government had a position paper in August that said exactly that—that we want things to continue. Whether we are in the EU or not in the EU, it is in the interests of both Northern Ireland and the Republic of Ireland to continue a shared electricity system. Politically, over there as well as here, there is cross-party agreement across the island of Ireland that the Single Electricity Market should continue. Even the European Parliament agrees with our Government that it is unique, effective and a workable solution that is needed for Northern Ireland. I look forward to discussions in the weeks and months ahead.” [emphasis added] (page 16)

Government’s Response to the Business, Energy and Industrial Strategy Committee’s report on leaving the EU: negotiation priorities for energy and climate change policy. Fourth Report of the Session 2016-2017 (HC 550) published on 6th November 2017

- The Government’s response in relation to the recommendations relating to Northern Ireland are set out below:

“Recommendations 6–7

We recommend that the Government protect the continued operation of SEM and implementation of the I-SEM project, through the UK’s wider access to the Internal Energy Market or alternatively through special arrangements for the island of Ireland. (Paragraph 52)

15. The position paper on Northern Ireland and Ireland proposes that the UK and the EU should focus in the initial phases of the negotiations on reaching a common understanding of the principles of North-South and East-West cooperation. This includes “specific early, consideration” of North-South energy cooperation.

16. Under the Single Electricity Market (SEM), all electricity generators compete in a unified wholesale market across the island of Ireland. Before the SEM was established in 2007, Northern Ireland and Ireland had separate electricity markets. Bringing these markets together as the SEM has helped to reduce consumer electricity prices, facilitated the integration of renewables, and bolstered security of supply.

17. The SEM is in the process of being reformed to ensure full alignment with EU trading arrangements. The reformed SEM will be launched in May 2018 and will facilitate more efficient trading, further improve security of supply, support greater renewable generation, increase competition and provide a positive climate for further investment.

18. The position paper on Northern Ireland and Ireland sets out the Government’s support for making as much progress as we can in the coming months on key principles for the energy market in Northern Ireland and Ireland which the UK Government would like to have agreed as soon as possible.

19. The paper proposes that the new framework relevant to the energy market in Northern Ireland and Ireland should facilitate the continuation of a SEM covering Northern Ireland and Ireland; seek to provide certainty as soon as possible for citizens, investors, and businesses in Northern Ireland and Ireland on energy arrangements; and include an implementation period of around two years to ensure that any changes to current arrangements can be implemented in a timely way. The paper

explains that the UK intends to agree this new framework without prejudice to the wider discussions on regulatory, budgetary, supervisory, judiciary and enforcement instruments and structures.” (pages 3 – 4)

House of Commons Question – Electricity Interconnectors: Northern Ireland: Written Question 113417

- On 15th November 2017, Lady Hermon MP asked the Secretary of State for Northern Ireland: *“what progress he has made on the construction of the North/South Interconnector; and if he will make a statement on the timetable for its construction.”*
- The Secretary of State replied as follows on 21st November 2017:
“The new North/South electricity interconnector has been given planning approval in Ireland and a recommendation from the Planning and Appeals Commission in Northern Ireland is expected shortly. Construction of the interconnector has been estimated at approximately three years. We remain supportive of the development of a new North/South interconnector and recognise that there is strong support in Northern Ireland and Ireland to see this happen.” [emphasis added]

Northern Ireland Utility Regulator: Forward Work Programme 2019-2020 ‘Our Business Plan for the first year of our Corporate Strategy 2019-2024’, published in April 2019

- On page 11, the context for the Utility Regulator’s business plan is set out. In relation to security of supply, it states as follows:
“The need for a secure and reliable supply remains. In electricity the SEM capacity arrangements provide a basis for managing long-term security of supply risks. The construction of a second north-south electricity interconnector remains a key issue...” [emphasis added]

Section B) European

Commission Delegated Regulation (EU) 2018/540 of 23 November 2017 amending Regulation (EU) No 347/2013 of the European Parliament and of the Council as regards the Union list of projects of common interest (published in the Official Journal of the European Union on 6th April 2018)

- As set out in the preamble, the Union list is established every two years, therefore the Union list established by Commission delegated Regulation (EU) 2016/89 is no longer valid and should be replaced. Annex VII to Regulation (EU) No 347/2013 is amended in accordance with the Annex to Commission Delegated Regulation (EU) 2013/540 of 23 November 2017.
- Annex VII, A., set outs the principles applied in establishing the Union list:

“(1) Clusters of PCIs

Some PCIs form part of a cluster because of their interdependent, potentially competing or competing nature. The following types of cluster of PCIs are established:

(a) a cluster of interdependent PCIs is defined as a ‘Cluster X, including the following PCIs:’. Such cluster has been formed to identify PCIs that are all needed to address the same bottleneck across country borders and provide synergies if implemented together. In this case, all the PCIs have to be implemented to realise the EU-wide benefits;

(b) a cluster of potentially competing PCIs is defined as a ‘Cluster X, including one or more of the following PCIs:’. Such cluster reflects an uncertainty around the extent of the bottleneck across country borders. In this case, not all the PCIs included in the cluster have to be implemented. It is left to the market to determine whether one, several or all PCIs are to be implemented, subject to the necessary planning, permit and regulatory approvals. The need for PCIs shall be reassessed in a subsequent PCI identification process, including with regard to the capacity needs; and
(c) a cluster of competing PCIs is defined as a ‘Cluster X, including one of the following PCIs:’. Such cluster addresses the same bottleneck. However, the extent of the bottleneck is more certain than in the case of a cluster of potentially competing PCIs, and therefore only one PCI has to be implemented. It is left to the market to determine which PCI is to be implemented, subject to the necessary planning, permit and regulatory approvals. Where necessary, the need for PCIs shall be reassessed in a subsequent PCI identification process.”

- The Union list of Projects of Common Interest are set out in part B of the Annex. B(2) sets out the Priority Corridor North-South Electricity Interconnections in Western Europe (‘NSI West Electricity’). No. 2.13 states as follows:

“Cluster Ireland-United Kingdom interconnections, including the following PCIs:

2.13.1 Interconnection between Woodland (IE) and Turleenan (UK)

2.13.2 Interconnection between Srananagh (IE) and Turleenan (UK)”

Report of the Commission Expert Group on electricity interconnection targets: ‘Towards a sustainable and integrated Europe’ – November 2017

- The European Commission established the Expert Group on electricity interconnection targets in March 2016. The Expert Group started its work in October 2016, following a public call for applications. The Expert Group transmitted its report to the Commissioner for Climate Action and Energy in October 2017. The Expert Group's aim is to provide technical advice to the Commission on the extension of the current 10% electricity interconnection target (defined as import capacity over installed generation capacity in an EU country) to 15% by 2030, while taking into account the costs aspects and the potential of commercial exchanges in the relevant regions.
- The report sets out the Group's views on: 1. the rationale and benefits of electricity exchange and interconnectors; 2. the pre-requisites and challenges to develop cross-border electricity exchange and infrastructure; 3. interconnectors in a changing energy system – the impact of energy, climate and technology trends on the role of and the need for cross-border electricity infrastructure; 4. measurement of interconnectivity; 5. critical elements underpinning the interconnection target; and 6. interconnection targets – recommendations.
- Within section 6 of the report the Expert Group recommends, *inter alia*, as follows:

“...3) All EU countries must investigate interconnection development in order to deepen the European market integration and develop security of supply. Member States should aim at achieving yearly average of price differentials as low as possible...” (page 35)

- Within section 6 of the report the Expert Group also recommends:

“4) The interconnection level should be measured based on two new formulas: a) the ratio of the nominal transmission capacity to the peak load (demand) and b) the ratio of the nominal transmission capacity to the installed renewable generation capacity (supply).

The Expert Group recommends that countries below the threshold of 30% on any of the two formulas should urgently investigate options of further interconnectors and report annually the results of such investigation to the High Level Regional Groups and the Infrastructure Forum.

Any project, helping the Member States reach the 30% threshold must apply for inclusion in the TYNDP and future PCI lists.

The countries above the 30% but below 60% thresholds on any of the two formulas are requested to investigate possible projects of further interconnectors regularly. Such projects should consider applying for inclusion in the TYNDP and a future PCI lists.

The Expert Group recommends the electricity interconnection levels to be annually measured by ENTSO-E and reported to the Commission and ACER.” (page 36)

- Within section 5 of the report, it states:

“2. The countries in orange, Cyprus, United Kingdom, Ireland, Greece, Spain and Italy (in vision 4) have interconnection levels equal or below 30%”. (page 31)
- Annex 2 of the report (page 39) sets out interconnection levels by Member State as measured by nominal electricity interconnection capacity to peak load in 2030. In V4, the Nominal cap2020/peak load 2030 [%] is recorded as 10% for Ireland and 7% for Great Britain. These percentages are short of the 15% targets mentioned above.
- For information the above interconnection levels apply to the Great Britain and Ireland systems. The proposed interconnector is additional interconnection between Ireland and Northern Ireland and recognised as a PCI project. However, it is mainly to address a constraint within the Single Electricity Market that operates on the island of Ireland. It does not in itself increase the level of interconnection between Great Britain and Ireland as this is still limited by the capacity of the Moyle interconnector. Therefore the methodology by which these targets are derived does not specifically apply to the proposed interconnector. However, the proposed interconnector would nonetheless allow for further interconnection and further contributions to meeting these targets.
- It is important to note that the report recognised the need to increase the interconnection targets of the Member States as a specific result of the increased renewables. This finding is supportive of this project which benefits the facilitation of renewables.

Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, ‘Communication on strengthening Europe’s energy networks’, published 23rd November 2017 (COM(2017) 718 final)

- The Communication refers to the report prepared by the Expert Group established by the Commission:

“4.2 Interconnection target for 2030

Recalling the conclusions of the 2014 March and June European Councils, which stressed the need to ensure the full participation of all Member States in the internal energy market, the European Council called upon the Commission in October 2014 to report “regularly to the European Council with the objective of arriving at a 15% target by 2030, as proposed by the Commission. Both [2020 and 2030] targets will be attained via the implementation of PCIs”.

The Commission therefore established an Expert Group, composed of 15 leading experts from all over Europe, to advise on the achievement and operationalisation of the 15% interconnection target for 2030. The Expert Group concluded its report on this in September.

The report of the Expert Group acknowledges the challenges posed by a rapidly changing energy context. It recommends assessing the need for developing further interconnection capacity using different metrics and thresholds to reflect in a more nuanced way the different energy realities of the Member States and the different roles interconnectors play in supporting the completion of the internal energy market, enabling integration of renewables and ensuring security of supply.

In light of the Group's recommendations, the Commission proposes to operationalise the 15% interconnection target through a set of additional and more specific thresholds which serve as indicators of the urgency of the action needed and which reflect the three headline goals of

European energy policy: increasing competitiveness through market integration, guaranteeing security of supply and achieving the climate targets through increased use of renewable sources. Action should be taken by Member States, TSOs/promoters, regulators and European institutions if any of the following three thresholds is triggered:

- *A well-functioning internal market should lead to competitive electricity prices for all Europeans. Member States should therefore aim at minimising differences in their wholesale market prices. Additional interconnections should be prioritised if the price differential exceeds an indicative threshold of 2€/MWh between Member States, regions or bidding zones to ensure all consumers benefit from the internal market in a comparable manner. The higher the price differential, the greater the need for urgent action.*
- *Every Member State should ensure that peak demand can be met in all conditions through a combination of domestic capacity and imports. Therefore countries where the nominal transmission capacity of interconnectors is below 30% of their peak load should urgently investigate options of further interconnectors.*
- *The further deployment of renewable energy should not be hampered by a lack of export capacity. Renewable production in any Member State should be optimally used across Europe. Therefore countries where the nominal transmission capacity of interconnectors is below 30% of installed renewable generation capacity should urgently investigate options of further interconnectors.*

Projects that are necessary for a Member State or a region to reach any of the three thresholds should be given appropriate priority, including under the procedures foreseen in the TEN-E Regulation. The realisation of these projects requires full commitment on both sides of the border and the Commission therefore calls upon Member States to prioritise the development of interconnections with those neighbours that are below any of these thresholds in a spirit of solidarity and cooperation.” (page 11 -13)

- The UK and Ireland are both coloured red on the map contained with the report, which means that they “meet one or none of the thresholds”. (page 13)
- As discussed above, the methodology by which these targets are derived does not specifically apply to the proposed interconnector. However, the proposed interconnector would nonetheless allow for further interconnection and further contributions to meeting these targets.
- The finding in the Expert Group report on increased interconnection is supportive of this project which benefits the facilitation of renewables.

Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank, ‘Fourth Report on the State of the Energy Union’ published on 9th April 2019 (COM(2019) 175 final)

- At page 14 of the report, it states:

“The European Commission has been also supporting projects to improve the EU’s electricity grid and to allow for greater uptake of renewable generation. Despite the progress, investments on a much larger scale are needed in electricity grids (both transmission and distribution)...”

Conclusion on Policy Need

It is clear from the above cited quotations that the need for the Tyrone – Cavan Interconnector continues to be emphasised at a regional and national level. At a European level, the proposed interconnector continues to enjoy status as a Project of Common Interest. The proposed increase in interconnection targets by the Commission Expert Group due to increased renewables is also supportive of the need in this case.