

# Relevant Consent for Interconnectors to Accept a Transmission Connection Offer

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Response Report



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# 1. Introduction

The System Operator for Northern Ireland (“**SONI**”) is the electricity transmission system operator for Northern Ireland. We bring electricity to every part of Northern Ireland and plan ahead for future growth. From our control centre in Belfast, we match supply and demand for power every second of every day by using the transmission system.

The transmission system brings power from where it is generated to where it is needed and also powers NIE Networks’ distribution system, which in turn, supplies electricity to homes, farms and businesses.

Since 2014, SONI has been responsible for planning for the future of the transmission system, while NIE Networks is responsible for the development, construction and maintenance of the transmission system.

SONI is responsible for connections to the transmission system in Northern Ireland. We are required by the Electricity (Northern Ireland) Order 1992 (the “**1992 Order**”)<sup>1</sup> to develop the transmission system in an economic, efficient and coordinated manner. Our licence<sup>2</sup> prohibits undue discrimination against any party or class of parties.

The Department for the Economy<sup>3</sup> is currently developing an energy strategy for Northern Ireland to 2030 and beyond. While the precise energy mix that this will deliver is currently uncertain, during the publication of the Energy Strategy Consultation the Minister at that time highlighted that she firmly believes that the target for electricity generated from renewable sources should not be below 70% by 2030<sup>4</sup>.

To help achieve a renewable generation portfolio capable of achieving this target, new interconnection to other balancing zones is likely to be beneficial. The electricity network in Northern Ireland has become increasingly congested in recent years; however the Northern Ireland Executive target of 40% electricity consumption from renewable sources was met before the end of 2020. Connecting further renewable capacity or inter-balancing zone<sup>5</sup> interconnection beyond the current levels will require further substantive network investment.

SONI has reviewed the SONI Connection Policy<sup>6</sup> to ensure that this remains appropriate for this class of connectee. This review has shown that the current conditions precedent relating to the relevant consent for accepting a Transmission Connection Offer could potentially be considered to be ambiguous and potentially interpreted as being more onerous for a new merchant interconnector than for other connecting customers.

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<sup>1</sup> <https://www.legislation.gov.uk/nisi/1992/231/contents>

<sup>2</sup> <https://www.uregni.gov.uk/electricity-licences>

<sup>3</sup> <https://www.economy-ni.gov.uk/topics/energy/energy-strategy>

<sup>4</sup> <https://www.economy-ni.gov.uk/news/minister-highlights-plan-ambitious-new-renewable-electricity-target>

<sup>5</sup> For clarity, the second North-South Interconnector that SONI is currently developing is wholly contained within one balancing zone and therefore inter-zone congestion rules and arbitrage benefits are not applicable to that

<sup>6</sup> <https://www.soni.ltd.uk/media/documents/Customers/Connections/SONI-Connections-Policy-Effective-1-February-2018.pdf>

In the consultation paper we set out the principles that underpin the current SONI Connection Policy and sought comments on the milestones in the process of the development of an interconnector project that could potentially be used as the relevant consent for an interconnector to accept a Transmission Connection Offer and applied to ensure a new interconnector would enter the overall onshore transmission network planning processes at a stage where SONI would not be compromising its duty to plan the transmission system in an economic, efficient and coordinated manner. The Energy Strategy is expected to be finalised by November 2021, and SONI will keep this decision under review to ensure that it is consistent with and supports the ongoing implementation of that Energy Strategy.

## 2. Description of SONI's Consultation Process

The Relevant Consent for Interconnectors Consultation was published on the SONI website on 22 December 2020 and the consultation ended on 19 February 2021.

## 3. Purpose of the Consultation

In February 2018, SONI removed the prerequisite of requiring the relevant consent to be in place to be able to submit a Transmission Connection Application to SONI. However, the relevant consent continues to be an important and early milestone within the Transmission connection offer process.

The provision of evidence that the relevant consent has been obtained is now a condition precedent for the acceptance of any Transmission Connection Offer issued by SONI. Therefore it is expected that the majority of projects will have reached an advanced stage in obtaining their relevant consent at the time a Connection Application is submitted, if not already obtained.

In the Connection Offer issued by SONI to the applicant, there will be three terms of the Connection Offer that the applicant will need to meet by the end of the 90-day Connection Offer acceptance period for the Connection Offer Acceptance to be deemed valid by SONI. These are:

1. Any required deposit is paid in full;
2. Any required security cover, such as a relevant capacity bond, is in place and in a form agreed with SONI; and
3. Evidence that the relevant consent has been obtained.

The relevant consents are as follows<sup>7</sup>:

- The relevant consent for onshore generation projects<sup>8</sup> is Full Planning Permission;

<sup>7</sup> Refer to Decision Paper at the following link:

<https://www.soni.ltd.uk/media/documents/Consultations/OffshoreConsentingRequirements/SONI-NIE%20Decision%20Paper%20on%20consenting%20requirements%20for%20offshore%20generation.pdf>

- The relevant consent for a Compressed Air Energy Storage (“CAES”) plant is a Mineral Prospecting Licence; and
- The relevant consent for offshore generation projects (e.g.. an offshore windfarm or tidal project) is either an Exclusivity Agreement or an Agreement for Lease from The Crown Estate;

Evidence which demonstrates (to SONI’s reasonable satisfaction) that the relevant consent is obtained must be submitted to SONI along with the Connection Offer acceptance. If the relevant consent has not been obtained by the end of the 90-day Connection Offer acceptance period, then the Connection Offer will lapse unless the applicant has been granted a formal written extension to the Connection Offer timelines by SONI based on a limited set of circumstances as set out in the SONI Connection Policy. The current SONI Connection Policy provides a balance between the speed of connection for developers and the efficient development of the Transmission System. However, the current SONI Connection Policy does not consider the potential for further interconnection between Northern Ireland and other balancing zones.

We are aware that additional subsea interconnection to other balancing zones is likely to be beneficial if Northern Ireland is going to achieve any increased renewable electricity target and especially if a target for an average consumption of at least 70% of electricity from renewable sources is set by the Northern Ireland Executive, as indicated likely by the Minister for the Economy in 2020. In anticipation of this, we reviewed the current SONI Connection Policy with respect to interconnector connections to ensure that the milestones are appropriate to secure the dual goals of timely connection and efficient development of the deeper Transmission System. SONI’s consultation published our findings of that review and requested feedback from industry and stakeholders.

## 4. Responses to the Consultation

SONI received one submission in response to the consultation. This was from TI LirIC Limited.

We would like to thank TI LirIC Limited for their response. The rest of this report deals with the issues raised in this submission. We have attached the submission to the back of this report.

In the following sections, we summarise the questions raised in the consultation and respond to the submissions.

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<sup>8</sup> Onshore projects include generation projects such as conventional generators, wind farms, solar parks, biomass plants, energy from waste plants amongst others.

## 5. Summary of Feedback

### Comparison between Generation / Demand / Storage Projects and Subsea Interconnectors

Condition 15 of SONI's licence prohibits SONI from discriminating and states that SONI "shall not unduly discriminate as between any persons or class or classes of persons". Therefore, the first step in SONI's review process was to understand which class a Transmission subsea interconnector linking Northern Ireland to a different balancing zone fits in to.

SONI requested feedback from industry on SONI's conclusion that interconnectors form a different class of connectee and therefore non-identical conditions precedent can be included in the Transmission Connection Offer issued to an interconnector, as long as they do not unduly discriminate and are consistent with our duties as per SONI's licence and statutory framework.

#### Respondent

*"We agree with SONI's conclusion that interconnectors are classed as a transmission line and therefore part of the overall transmission system. Interconnector owners do not compete in the wholesale markets and must provide 3rd party access to their assets to allow users of the interconnector to do so. Interconnectors must hold an Interconnector Licence in GB and a Transmission Licence in NI and, prior to operation, must be certified under article 10B of The Electricity Order 1992 in NI and article 10D of the Electricity Act 1989 in GB. As such, once operational, interconnector owners are certified TSO's and must comply with their obligations as a TSO. This places different obligations on interconnector TSO's when compared to any other asset class which is required to make a connection application and aligns more closely with assets developed by national transmission system owners.*

*Given the disparity with other types of asset required to make a connection application and the requirement that an Interconnector Transmission Licensee must secure capacity on another Transmission Licensee's network we support specifying interconnectors in their own asset class. This will enable a condition precedent to be established which avoids hinderance to the development of an interconnector."*

#### Our response

As stated in the consultation, SONI's agrees that an interconnector is a different class of connectee to other connecting parties. Based on this premise, we are not obliged to apply identical conditions precedent to a new Transmission subsea interconnector to enable it to accept a Transmission Connection Offer; however we interpret our licence Condition 15 to mean that we are still obliged to "not unduly discriminate".

### Equivalent & Appropriate Treatment

The consultation advised the status of current interconnection through the example of the current interconnector between Northern Ireland and Scotland (Moyle Interconnector). This

was developed by NIE Networks, in its role as Transmission Owner, and was commissioned before the European legislation that defines the legal status of interconnection came in to force. Because of this fundamental change in the legal framework, SONI is unable to rely on any precedent from the process of connecting the Moyle Interconnector to the Transmission System.

As a result, SONI does not anticipate any future interconnector to mirror the arrangement between Moyle and SONI, however we do expect it to be one that is between two TSO's and underpinned by a regulatory framework.

In order to achieve this equivalent and appropriate treatment, SONI proposed 3 objectives to determine the process that we will adopt for processing a Transmission connection application from a new Transmission subsea interconnector. These are:

1. ensure that we are not unduly discriminating either in favour of or against a Transmission subsea interconnector;
2. be balanced with our duty to continue to ensure that the Transmission System is planned in an economic, efficient and coordinated manner without the economic signals sent by locational charging for ongoing use of the Transmission System; and
3. seek to ensure that Northern Ireland consumers are able to take advantage in a timely manner of the additional competition that additional interconnection can bring while avoiding nugatory investment in wider network reinforcement should the project turn out to be unviable.

SONI requested feedback on whether industry was in agreement with the three objectives as detailed above.

#### **Respondent**

*"I consider that an interconnector's development path is very different from that of any other asset class required to make a grid connection application.*

*A need is identified to establish the benefits of developing the asset. In the case of an interconnector this is the socio-economic benefit identified through independent studies such as ENTSO-e's Ten Year Network Development Plan (TYNDP). The grid connection points are therefore a key driver of the cost of the interconnector and therefore the Socio-economic benefit that it may deliver. This is a very different situation to any other asset class required to make a grid connection application where the asset location is the critical initial aspect and the grid connection comes later in the development process. For an interconnector, the project scale, electrical parameters and all asset locations are dependent on the grid connection points.*

*We agree with the principle of the three policy objectives set out in the consultation but given our comments above we have concerns on how they may be implemented"*

**1. Ensure that we are not unduly discriminating either in favour of or against a subsea interconnector.**

*“TI support this policy objective. TI considers therefore aligns the interconnector asset class more closely with that of other TSO’s and less so towards other asset classes. The prevailing consideration for undue discrimination must therefore be between interconnectors and other transmission projects are treated and less so against other asset types required to make a connection application”*

**2. Be balanced with our duty to continue to ensure that the Transmission System is planned in an economic, efficient and coordinated manner without the economic signals sent by locational charging for ongoing use of the Transmission System**

*“TI support this policy objective. The location for the grid connection is then mainly driven by the cost to connect which is made up of the capital cost of the project (for instance the offshore cable length requirement) and onshore reinforcements required (if any). It is understood that the reinforcement requirements would only be confirmed once the connection offer is made. This therefore requires the interconnector to have the Relevant Consents in place to confirm the reinforcement requirements in Northern Ireland which in turn, and without locational charging, will influence the optimum grid connection point. This does create a ‘chicken and egg’ situation and suggests increased levels of coordination between SONI and the interconnector developer are required at an earlier stage when compared to that of any other asset class.*

*We are therefore of the view that in order to achieve a balance, the reinforcement requirements (and therefore grid point of connection) must be confirmed as part of the interconnector route design and not after.*

*Relevant Consent requirements, in order to allow the process to confirm the point of connection and reinforcement works, must therefore be available prior to confirmation of cable route or converter station location”.*

**3. Seek to ensure that Northern Ireland consumers are able to take advantage in a timely manner of the additional competition that additional interconnection can bring.**

*“TI support this policy objective but we do not agree that it can be achieved for an interconnector connection through a more onerous conditions precedent alone for similar reasons to those set out in our comments above.*

*The development of an interconnector can take around 8 years from active development to realisation. This allows sufficient time to separate the identification of required reinforcements from the commitment to delivering the reinforcements. The identification could take place at the connection offer stage with the commitment coming later and*

*aligned with the delivery of the interconnector. The risk of nugatory costs associated with developing the required network reinforcements would be mitigated through sufficient securities being posted by the interconnector. This will remove any risk to NI consumers incurring cost related to works that may not be required whilst confirming the point of connection and the cost of the wider reinforcement works (if any)”.*

### **Our response**

SONI concludes that these policy objectives will work to reflect our policies and duties within the terms of a Transmission Connection Offer for a Transmission subsea interconnector as per the rationale advised in the consultation paper.

### **Potential Equivalent Conditions Precedent**

SONI engaged consultants to provide advice about the processes that a generic interconnector project connecting Northern Ireland to another UK jurisdiction. We therefore considered a number of key points in the development process to ensure that this review is as comprehensive as possible and asked industry and stakeholders for their feedback on each milestone.

SONI identified 5 milestones for consideration:

1. Contracting for seabed surveys;
2. Completion of seabed surveys;
3. Completion of onshore environmental surveys and the pre-application community consultation;
4. Receipt of all Northern Ireland statutory consents; and
5. Completion of TSO licencing and certification processes.

SONI requested any comments or observations on the potential milestones or SONI's assessment of their appropriateness, and whether there are any other aspects of the development process that SONI should consider as a potential milestone. The response received details each area considered in the consultation in turn and is detailed below.

### **Contracting for Seabed Surveys**

#### **Respondent**

*“Contracting for seabed surveys forms the largest financial commitment of the developer during the development phase. This study identifies technically feasible routes between the potential grid connection points. A developer would not contract for a costly seabed survey before there is significant confidence that the route being surveyed is technically feasible and the wider project is viable. The results of the seabed survey are then used to inform the asset procurement process for cable burial requirements, micro-routing and any anomalies that may need to be taken into account during installation. Completion of the seabed survey does not therefore prove the technical viability of the project, as set out in the consultation document, but is used to provide detailed seabed condition information to potential asset suppliers during the procurement phase.*

*As seabed surveys are a seasonal activity requiring good weather conditions, the potential risk of needing to repeat all or part of the seabed survey puts all subsequent development activities at risk of significant delay.*

*There is no other asset class of grid connectee exposed to this development cost and timing risk or one that is required to prove the technical viability of a cable route prior to being able to accept a connection offer. We therefore disagree with SONI's conclusion that providing a connection offer at this point in the development process, an interconnector would be considerably de-risked compared to other connectees.*

*We therefore see this milestone, whilst still being very onerous on the interconnector, as the only viable option presented in the consultation document."*

#### **Our response**

SONI acknowledges the significant financial risk presented to any developer of a Transmission subsea interconnector and the additional complexities this may create. However, SONI also recognises that this could be a beneficial stage in any such project development process that highlights the viability of such a project and therefore adds some protection to the Northern Ireland Consumer. SONI considers this may be an equivalent relevant consent for a Transmission subsea interconnector applicants.

### **Completion of Seabed Surveys**

#### **Respondent**

*"...the completion of seabed surveys cannot be guaranteed until the connection point has been confirmed. Without confirmation of connection point any route surveyed may not be relevant requiring a further survey, which considering the cost of the marine survey is a risk that developers may not be inclined to take. This could lead to an aborted project with the benefits to consumers not being delivered. As set out above, we do not recognise any distinction between transmission licensees developing transmission projects and therefore this significant cost inefficiency would hinder any offshore interconnector development. Whilst we do not agree with the reason, we do agree with SONI that this milestone is not appropriate to consider a condition precedent for grid connection offer."*

#### **Our response**

As advised in the consultation, SONI maintains the position that this potential milestone could be considered too onerous in comparison to conditions precedent for other classes of connectee, at significant cost to any developer, and notes the respondents agreement and rationale.

### **Completion of onshore environmental surveys and the pre-application community consultation**

#### **Respondent**

*"This milestone has been identified by SONI as striking a reasonable balance between project certainty and the risk of nugatory investment in deeper reinforcement works.*

*We do not agree with this as again this milestone is impossible or inefficient to achieve without certainty on the grid connection points. Onshore environmental surveys and pre-application consultations are used to inform the identification of a preferred onshore cable route with a number of route options being considered. In order for an interconnector to have completed this milestone, surveys and consultations would need to consider all potential onshore cable route permutations or risk needing to repeat this process. If a project was to consider all the potential connection points it would also need to consider the potential onshore cable route options to each of those connection points. Public consultation on multiple route options in multiple council areas based upon multiple potential grid connection points across Northern Ireland would put an unnecessary burden on local stakeholders, be detrimental to the project's reputation at best and unworkable/unfeasible at worst and certainly not proportional to the scale of an interconnector project.*

*We therefore do not agree with SONI that this would be a suitable milestone.*

*It should also be noted that this milestone does not achieve the aim as set out in the consultation document. The onshore environmental surveys and pre-application consultations are used to inform the Statutory Consents application. On completion of the surveys and consultations there will be a number of potential onshore cable routes even if there was a single grid connection point specified. Therefore, this milestone does not provide any certainty that consent will be granted.”*

### **Our response**

SONI acknowledges the respondents comments around the inefficiencies this would create when considering the standard timeframe involved for a project such as a Transmission subsea interconnector. SONI agrees that the offshore element will be required prior to selection of an onshore cable route, and identification of a connection point and there is no outcome that provides certainty from these surveys that is comparable to the current conditions precedent for grid connection applicants such as planning permission. SONI therefore does not consider completion of onshore environmental surveys and the pre-application community consultation as an equivalent relevant consent.

## **Receipt of all Northern Ireland Statutory Consents**

### **Respondent**

*“We agree with SONI’s statement that the requirement for full planning permission would put undue risk on the project. Full planning permission can only be obtained once the location of assets is known and the asset supplier has been selected. The location of the assets is driven by confirmation of the grid connection point and the supplier is known once the asset procurement has completed which also requires the route (through a completed seabed survey) and location to be confirmed. This development sequence requires that confirmation of the grid connection point has been achieved well in advance of an application for planning permission.*

*A Marine Licence is obtained for a typically 500m wide corridor from Mean High Water Springs to 12 nautical miles. A Marine Licence is therefore not applicable to multiple potential connection points as this would require a Marine Licence to cover multiple potential corridors which is not possible. This would require the project to either apply for Marine Licences for all potential Corridors, which is not expected to be entertained by the competent authority, or re-apply for another licence if the connection point offered was different from that assumed.*

*Whilst we do not agree with the reason, we do agree with SONI that this milestone is not appropriate to consider a condition precedent for grid connection offer.”*

#### **Our response**

SONI's position remains as per the consultation paper and re-iterated by the respondent, that full planning permission would place undue risk on this type of project and as such is not considered an equivalent condition precedent for a Transmission subsea interconnector applicant. The respondent has highlighted some valid points regarding the option for a marine licence and the level of complexity this may add to any such project. As such, SONI does not consider a Marine Licence as an equivalent relevant consent for a Transmission subsea interconnector applicant.

### **Obtaining an Interconnector TSO Licence and Associated Certification**

#### **Respondent**

*“The process for an interconnector to apply for a NI Transmission Licence is not yet clear. However, we would expect that the requirement within a transmission licence that the interconnector must have TSO certification prior to operation would result in these two processes being completed separately. The Transmission Licence would therefore be applied for in advance of TSO certification and possibly in advance of any regulatory framework being applied to the project.*

*This process requires clarification from the Utility Regulator and until such a time as this can be confirmed we agree with SONI that this would not be an appropriate choice of milestone.”*

#### **Our response**

SONI acknowledges the respondents comments regarding the process for an interconnector and that this will require further consideration from the Utility Regulator should such a project develop in Northern Ireland. Given there may be clarifications required from the Utility Regulator in this area requested by any potential developer, SONI does not believe this fulfils the requirement of an equivalent relevant consent.

The respondent provided their views on other stages that they they have given consideration to. These are as follows:

***“Potential benefits to NI consumers: For an interconnector between NI and Scotland the ENTSO-E TYNDP2020 study and the National Grid NOA have identified considerable***

*benefits and a need for further interconnection to support the UK's delivery of its Net Zero ambition. The economic impact of any delay to these benefits being delivered due to an overly onerous or inefficient connection policy should be taken into account.*

**Regulatory regime:** *An interconnector regulatory regime does not currently exist in NI and requires development with the Utility Regulator. This presents a risk to the development of interconnection with NI but given the benefits identified it is expected that a regulatory framework will be developed to support the timely delivery of further interconnection.*

**There is no specific Interconnection Licence in NI:** *It can therefore be expected that any future interconnector would be licenced in the same way as the Moyle Interconnector under a Transmission Licence. This closely aligns the responsibilities of an interconnector owner with those of any other Transmission licensable activity.*

**Risk of nugatory costs to NI consumers:** *Costs will be covered and securities will be provided to SONI meaning NI consumers will not be exposed to this risk."*

### **Our response**

SONI thanks the respondent for providing their feedback on other stages that they would like SONI to consider. SONI has considered the points raised above in conjunction with the other milestones and can see benefits to be gained from some of the suggestions.

### **Respondent's suggestion for possible relevant consents**

The respondent provided additional views that they would like SONI to consider as appropriate potential milestones. These are as follows:

#### **1. Inclusion in ENTSO-E's TYNDP project list, completion of cable routing feasibility and grid connection feasibility studies:**

*"This is our preferred option as at this point in the project's development the socio-economic benefits of the project will have been forecast through an independent, Europe wide, socio-economic cost benefit study. The technical feasibility of potential route options will have been established via a cable routing feasibility study completed by an expert consultant and the grid connection feasibility including identification of wider network reinforcements will have been established through a SONI pre-feasibility study. These three elements combine to establish the viability of an interconnector project sufficient to secure a grid connection."*

#### **2. Contracting with a reputable offshore survey company to provide seabed surveys**

*"As previously stated, contracting for offshore seabed surveys is the last milestone in an interconnector's development that the grid connection point can remain unsecured without resulting in a detrimental impact to the timely delivery of the project and inefficient costs being incurred. As this option requires the interconnector to have completed a procurement*

*for a seabed survey provider any coordination with SONI to optimise the point of connection would be less efficient as it may require the interconnector to repeat the procurement process. Due to this inefficiency this option is not our preferred option and we do not see any benefit of choosing this option over the first option proposed. This option is being proposed to set out the absolute backstop to avoid significant detrimental impact to an interconnector's efficient and timely delivery and align with a milestone proposed in the consultation.*

*Given this is aligned to a milestone included in the consultation document we propose that SONI recognise the content of this consultation response letter and reconsider their position on the milestone for contracting for seabed surveys.”*

### **Our response**

SONI thanks the respondent for the additional feedback that they provided as part of their consultation response. SONI has considered both suggestions and can agree that there are some valid points to be taken from each milestone suggested above.

## **6. SONI final comments on the decision for relevant consents for subsea interconnection**

SONI has given consideration to all the key milestones and the feedback from stakeholders and the impact this would have on a new applicant for a Transmission subsea interconnector in balance with the 3 key policy objectives. SONI is therefore introducing the following relevant consents for a Transmission subsea interconnector:

- Inclusion in ENTSO-E's Ten Year Network Development Plan project list<sup>9</sup>;
- Evidence of the completion of a circuit routing feasibility study; and
- Evidence, to SONI's reasonable satisfaction, that a contract is in place with an offshore survey company to provide seabed surveys.

SONI's response report details the rationale behind the benefits of contracting with an offshore survey company but also highlights the issue around connection points. SONI therefore has included evidence of the completion of a circuit routing feasibility study as an additional relevant consent in order to ensure that the onshore element is also taken into consideration. These conditions are considered as sufficiently challenging to ensure that only committed developers progress their projects whilst not being too onerous to the extent that potential applicants are deterred from progressing their projects.

This approach will ensure that NI consumers are able to take advantage in a timely manner of the additional competition that additional interconnection can bring.

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<sup>9</sup> <https://www.tyndp.entsoe.eu/>

SONI will proceed to publish our Decision Paper and an updated version of the SONI Connections Policy to detail the inclusion of these relevant consents for a Transmission subsea interconnector.

## 7. Appendix 1 – Consultation Response

SENT BY EMAIL ONLY TO: [connections@soni.ltd.uk](mailto:connections@soni.ltd.uk)

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19<sup>th</sup> February 2021

To whom it may concern

**TI LirIC Limited response to “Relevant Consent for Interconnectors to Accept a Transmission Connection Offer”**

The LirIC project is a proposed electrical interconnector between Scotland and Northern Ireland. The project has been under development by TI LirIC Limited (“LirIC”) in the UK since 2019. LirIC is wholly owned by Transmission Investment.

As part of the Transmission Capital Partners consortium, Transmission Investment manages one of the largest offshore electricity transmission portfolios in terms of the capacity of offshore wind connected - a portfolio of over 2.5GW with circa. £2bn in capital employed. Transmission Investment is also leading, in partnership with the French national grid company RTE, the development of a proposed 1400MW HVDC interconnector between France and Britain via Alderney (“the FAB interconnector project”). This project was granted cap & floor regulatory treatment in 2015 and whilst it continues to experience Brexit related delays, it will commence construction as soon as the regulatory process allows.

As the owner of an interconnector in development to Northern Ireland we welcome SONI’s aim to provide clarity on the Relevant Consents that are needed to meet the conditions precedent for accepting a Transmission Connection offer. We also welcome SONI’s recognition that the current conditions precedent for accepting a Transmission Connection offer for a new interconnector could potentially be interpreted as more onerous than other connecting customers.

We have been engaged in discussions with SONI regarding LirIC’s grid connection since May 2019. These discussions highlighted concern over the grid consent requirement resulting in our sending a formal letter requesting clarification on the matter in January 2020. Throughout this period, we have held extensive discussions and have commissioned a grid connection pre-feasibility study with SONI. Given this level of interaction we are disappointed that the fundamental requirements to developing an interconnector in an efficient and timely way have not been reflected in this consultation.

An interconnector is a linear project between two grid connection points. The grid connection points therefore drive the assets’ locations between these points and form the basis for all subsequent development work which includes the majority of the milestones proposed as conditions precedent in your consultation. Unconfirmed grid connections prior to significant development activities such as seabed surveys, applications for Statutory Consents (such as a Marine Licence) and asset procurement leads to, at best, unnecessary and costly duplication and, at worst, project abandonment. To demonstrate the level of uncertainty on the location of interconnector assets due to unconfirmed grid connections we have included an output from a recent offshore cable feasibility report in confidential Annex 2 sent with this letter.

The latest development milestone in which the grid connection is required to be confirmed to avoid unnecessary costs or repetition of development tasks is the contracting milestone for the seabed

surveys. It would not be reasonable for surveys to be commissioned based upon multiple offshore routes or for a survey to be commissioned in the knowledge that the route was indicative only and subject to significant change. The seabed survey carries the highest cost of all development activities and is a seasonal activity. The consultation document considers this milestone as too early in the development process. However, a condition precedent beyond this development milestone creates a significant delay risk or a cost inefficiency of multiple millions of pounds. This time and cost inefficiency would not be acceptable to any other Transmission Licenced development activity and if the ultimate SONI interconnector connection policy requires this inefficiency it may lead to a lack of interconnector projects being brought forward.

We have included in-depth responses to your consultation questions in Annex 1 attached to this letter. Here you will see that in most part the proposed milestones are not appropriate for an interconnector. The included proposed milestones appear to have been chosen to align with development timescales of other types of assets required to make a connection application. The timing of the consent in the development process is irrelevant when considered against SONI's policy objectives other than undue discrimination. However, the early-stage development process is very different for an interconnector than other asset classes where the asset location is the critical initial aspect and is confirmed prior to making the grid connection application. For an interconnector the asset location is dependent on the grid connection points. There is no other asset class of grid connectee that is required to undertake major development activities such as seabed surveys with this degree of asset locational uncertainty. Undue discrimination considerations in this context should not raise any concerns to, and in fact should facilitate, applying a consent requirement earlier in the development timeline than that considered in the consultation.

Further to the above, when considering the net socio-economic benefit of an interconnector, the total project benefits must be considered against the whole project cost. The whole project cost will include the costs of the interconnector project and also the attributable onshore networks costs including connection assets and any wider network reinforcements. Therefore, in order to optimise the socio-economic benefits of an interconnector, the grid connection point should be coordinated between SONI and the interconnector developer taking a view of the project costs and the attributable onshore network costs for each potential connection point. There does not appear to be consideration for this in SONI's grid connection application process or in the consultation document and we assume that this would occur at the point of a grid connection application. Requiring an interconnector to reach the later stages of development before making a grid application does not support economic, efficient and coordinated development of the transmission system which would include the interconnector. We would therefore support consideration for coordination in SONI's future process and ensure this can occur prior to significant development activities which rely on locational certainty such as seabed surveys.

Throughout the consultation document there is concern related to the risk of nugatory onshore network development costs being incurred should the project turn out to be unviable subsequent to a connection offer being made. We recognise, as with any other type of project, that there are risks to an interconnector project's realisation at any stage in its development. However, the benefits of a condition precedent in the later stages of an interconnector's development must be balanced with the detriment and consideration for mitigation measures must also be taken into account. The risk to SONI of a cancelled project post securing grid capacity is that secured capacity and planned network reinforcements may no longer be required. The cost of developing the wider reinforcements (if any) would be covered by the interconnector developer through posting financial securities mitigating any cost risk to NI consumers. The risk of investing in unnecessary wider network reinforcements could be mitigated by SONI through aligning their construction to realise at a similar time to the go-live of the interconnector. The remaining risk is that capacity may have been secured that is no longer required that could have been provided to other projects. This risk will be relatively short term given an interconnector's development timescale. This risk could also be mitigated through a requirement to

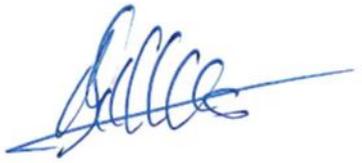
demonstrate that the further development of the project continues in line with pre-agreed key milestones. With these risk mitigations in place later development stage, more onerous conditions precedent are no longer required. The benefits to the timely and efficient realisation of an interconnector as part of the transmission system from confirmed asset location prior to key development activities is significant.

We therefore propose that one of the following two project milestones are adopted by SONI as appropriate conditions precedent for an interconnector applying for a grid connection in Northern Ireland. However, it is our strong preference that the first option be adopted as this fulfils concerns of economic and technical viability and allows sufficient time in the development process to confirm the whole project cost (including onshore network costs). The second option has been included as an absolute backstop to avoid cost inefficiency and significant risk of project abandonment and we do not see any benefit of choosing the second option over the first. Further detailed explanation and justification are provided in our response to Question 3 of the consultation included in Annex 1 attached to this letter:

- Inclusion in ENTSO-E's TYNDP project list, completion of cable routing feasibility and grid connection feasibility studies; or
- Contracting with a reputable offshore survey company to provide seabed surveys

If you would like to discuss any aspect of this response or require further information please don't hesitate to contact me.

Your faithfully,



Richard Sidley  
Regulatory and Commercial Manager

## Annex 1 – Answer to the Specific Questions Posed

### Question 1 – Asset Class

We agree with SONI’s conclusion that interconnectors are classed as a transmission line and therefore part of the overall transmission system. Interconnector owners do not compete in the wholesale markets and must provide 3<sup>rd</sup> party access to their assets to allow users of the interconnector to do so. Interconnectors must hold an Interconnector Licence in GB and a Transmission Licence in NI and, prior to operation, must be certified under article 10B of The Electricity Order 1992 in NI and article 10D of the Electricity Act 1989 in GB. As such, once operational, interconnector owners are certified TSO’s and must comply with their obligations as a TSO. This places different obligations on interconnector TSO’s when compared to any other asset class which is required to make a connection application and aligns more closely with assets developed by national transmission system owners.

Given the disparity with other types of asset required to make a connection application and the requirement that an Interconnector Transmission Licensee must secure capacity on another Transmission Licensee’s network we support specifying interconnectors in their own asset class. This will enable a condition precedent to be established which avoids hinderance to the development of an interconnector.

### Question 2 - Equivalent & Appropriate Treatment

It is important to take into account, when considering equivalent and appropriate treatment, that an interconnector’s development path is very different from that of any other asset class required to make a grid connection application. In the very early stages, as with any other asset development, a need is identified to establish the benefits of developing the asset. In the case of an interconnector this is the socio-economic benefit identified through independent studies such as ENTSO-e’s Ten Year Network Development Plan (TYNDP)<sup>1</sup> and National Grid ESO’s Network Options Assessment for Interconnectors (NOAIC)<sup>2</sup>. The developer will also assess the commercial viability of such a project.

The grid connection points drive the interconnector asset design and asset locations, both onshore and offshore. The grid connection points are therefore a key driver of the cost of the interconnector and therefore the Socio-economic benefit that it may deliver. For instance, if you compare an interconnector connecting between Northern Ireland and the North West of England with one connecting in Scotland its benefits would be very different. Socio-economic welfare vs cost (due to a longer offshore cable being required) would change as well as its benefits (or costs) towards the management of onshore network constraints. A secured connection point is therefore fundamental to the justification, design and development of the project.

This is a very different situation to any other asset class required to make a grid connection application where the asset location is the critical initial aspect and the grid connection comes later in the development process. For an interconnector, the project scale, electrical parameters and all asset locations are dependent on the grid connection points and investing in obtaining land rights, consents and offshore route design without locational certainty requires unnecessary and costly duplication or

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<sup>1</sup> ENTSO-e publish the Identification of System Needs as part of the TYNDP. Page 14 of the following document identifies a need for further interconnection on the GB-iSEM border: [https://eepublicdownloads.azureedge.net/tyndp-documents/loSN2020/200810\\_loSN2020mainreport\\_beforeconsultation.pdf](https://eepublicdownloads.azureedge.net/tyndp-documents/loSN2020/200810_loSN2020mainreport_beforeconsultation.pdf)

<sup>2</sup> National Grid annually publish the NOA. Page 86 of the following document identifies a need for further capacity on the GB-iSEM border: <https://www.nationalgrideso.com/document/185881/download>

doubt in their viability. For other types of asset required to make a connection application the asset location certainty that exists before securing a grid connection point allows the consents and land rights to be confidently established in the earlier stages of development.

We agree with SONI's point that potential reinforcements to the Transmission System, paid for by other Users, should be considered when confirming the connection point of an interconnector. Equally, the point of connection for an interconnector could be optimised to delay or even mitigate the requirement for onshore network reinforcements. It has been shown in the TYNDP that the implementation of further interconnection between Northern Ireland and Scotland could significantly reduce the level of RES curtailment and support security of supply<sup>3</sup>. It is therefore important that the point and timing of connection are coordinated between SONI and an interconnector grid applicant to ensure an overall economically optimum solution can be found. As explained in the previous paragraph, the point of connection is a fundamental driver in the design (and also cost) of the interconnector. Coordinating this process between the TSO and Interconnector owner ensures that potential costs and design requirements on both sides can be optimised. What is important here is that this is confirmed at the early stages in the interconnector's development so that the net socio-economic benefits, which consider both the onshore network costs and the interconnector costs, can be maximised. SONI currently offer a technical pre-feasibility study to identify the potential costs and optimum point of connection. Whilst helpful in supporting the very early-stage development, the outputs of this study are indicative and therefore do not carry certainty to be relied upon, by SONI or the interconnector, to later stages in an interconnector project's development.

We agree with the principle of the three policy objectives set out in the consultation but given our comments above we have concerns on how they may be implemented. We would therefore like to make the following comments, taking each objective in turn:

1. *Ensure that we are not unduly discriminating either in favour of or against a sub-sea interconnector*

We support the policy objective to avoid undue discrimination. However, it is not clear to us what asset classes may be considered when considering undue discrimination. As discussed above and as set out in SONI's consultation document, interconnectors are clearly a different asset class to other assets required to make a grid connection application. Interconnectors will be required to certify as a TSO and will be required to hold a Transmission Licence in a similar way as the System Operator and onshore transmission network owner. As pointed out in the consultation document, TSO responsibilities in Northern Ireland will be allocated between SONI, NIE Networks and Interconnectors. This therefore aligns the interconnector asset class more closely with that of other TSO's and less so towards other asset classes required to make a connection application such as Generators, Demands and Storage Projects. The prevailing consideration for undue discrimination must therefore be between interconnectors and other transmission projects are treated and less so against other asset types required to make a connection application.

2. *be balanced with our duty to continue to ensure that the Transmission System is planned in an economic, efficient and coordinated manner without the economic signals sent by locational charging for ongoing use of the Transmission System;*

We support this policy objective. However, the economic signals for the location of further interconnection are predominantly driven by the forecast system needs of the two connecting markets. In the case of Northern Ireland this is the wholesale price arbitrage benefits with Great Britain as well as increased levels of security of supply and support for significant increases in the levels of intermittent renewable generation. The location for the grid connection is then mainly driven by the cost to connect which is made up of the capital cost of the project (for instance the offshore cable length requirement) and onshore reinforcements required (if any). It is understood that the

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<sup>3</sup> Indicators B3 and B6 of <https://tyndp2020-project-platform.azurewebsites.net/projectsheets/transmission/1040>

reinforcement requirements would only be confirmed once the connection offer is made. This therefore requires the interconnector to have the Relevant Consents in place to confirm the reinforcement requirements in Northern Ireland which in turn, and without locational charging, will influence the optimum grid connection point. This does create a 'chicken and egg' situation and suggests increased levels of coordination between SONI and the interconnector developer are required at an earlier stage when compared to that of any other asset class. We are therefore of the view that in order to achieve a balance, the reinforcement requirements (and therefore grid point of connection) must be confirmed as part of the interconnector route design and not after. Relevant Consent requirements, in order to allow the process to confirm the point of connection and reinforcement works, must therefore be available prior to confirmation of cable route or converter station location.

3. *seek to ensure that Northern Ireland consumers are able to take advantage in a timely manner of the additional competition that additional interconnection can bring while avoiding nugatory investment in wider network reinforcement should the project turn out to be unviable.*

We support this policy objective but we do not agree that it can be achieved for an interconnector connection through a more onerous conditions precedent alone for similar reasons to those set out in our comments above. The timely delivery of an interconnector is dependent on the assets' location being confirmed prior to significant development activities which rely on this. The nugatory investment risk, as with any project requiring a connection, exists at all stages in the development of an interconnector and therefore in order to achieve a balance, can only be mitigated through consideration in the later stages of the interconnector development process.

The development of an interconnector can take around 8 years from active development to realisation. This allows sufficient time to separate the identification of required reinforcements from the commitment to delivering the reinforcements. The identification could take place at the connection offer stage with the commitment coming later and aligned with the delivery of the interconnector. The risk of nugatory costs associated with developing the required network reinforcements would be mitigated through sufficient securities being posted by the interconnector. This will remove any risk to NI consumers incurring cost related to works that may not be required whilst confirming the point of connection and the cost of the wider reinforcement works (if any).

### Question 3 – TI's Comments on SONI's Proposed Milestones

When considering potential equivalent conditions precedent SONI have made a distinction towards an interconnector being 'developed as a commercial project'. We do not recognise this distinction as any interconnector owner is required by law in NI to hold a Transmission Licence and is required to be certified in line with Article 10B of the Electricity Order 1992. In order to maintain a level playing field and avoid undue discrimination, conditions precedent for a grid connection must therefore be applied to any interconnector project regardless of the developer or regulatory framework that may be applied. As discussed above and stated in the consultation document, an interconnector is defined in law as part of the Transmission System and therefore undue discrimination concerns must consider the requirement to secure a connection to the rest of the Transmission System that are placed on other Transmission licensable activities.

We therefore have concerns on the limited milestones that have been considered within the consultation document. These milestones seem to be put forward as they align with the timing within the development process of consents required for grid application offer acceptance from other asset

classes required to make a connection application without consideration for investments in the Transmission System by Transmission Licensed entities.

As discussed previously it is vitally important to have guaranteed connection capacity secured prior to any detailed project design. For an interconnector, like any transmission project, the grid connection points are the foundation of the project design and if unsecured the location of assets is uncertain and therefore development and design work is uncertain. This results in higher costs (as all possible variations must be considered) and longer development times (as more design variations must be considered). This cost inefficiency would not be acceptable to any other Transmission licenced development and if the ultimate SONI interconnector connection policy requires this inefficiency it may lead to a lack of interconnector projects being brought forward.

To avoid these negative impacts and ensure sufficient project viability the consent requirement for grid connection should therefore be timed to ensure costly detailed design work can be focussed to a single connection option but after initial economic and technical feasibility studies have been completed.

We therefore provide the following comments on the proposed milestones:

#### *Contracting for Seabed Surveys*

Contracting for seabed surveys forms the largest financial commitment of the developer during the development phase. Due to the cost, the surveyed seabed corridor is limited to a primary route identified through previously completed desktop studies which prove the technical viability of the route. These desktop studies are completed by external companies who are experts in this field and are based on data from prior surveys and other information that may be available. This study identifies technically feasible routes between the potential grid connection points. A developer would not contract for a costly seabed survey before there is significant confidence that the route being surveyed is technically feasible and the wider project is viable<sup>4</sup>. The results of the seabed survey are then used to inform the asset procurement process for cable burial requirements, micro-routing and any anomalies that may need to be taken into account during installation. Completion of the seabed survey does not therefore prove the technical viability of the project, as set out in the consultation document, but is used to provide detailed seabed condition information to potential asset suppliers during the procurement phase.

If an interconnector developer was required to contract for a seabed survey without confirmation of connection point it would be commissioned based upon significantly more route options based upon indicative assessments only such as a SONI Pre-feasibility Study. This would increase the cost of the costliest element of the development phase and if the eventual connection point was located outside of the routes surveyed would result in a need to repeat the survey. As seabed surveys are a seasonal activity requiring good weather conditions, the potential risk of needing to repeat all or part of the seabed survey puts all subsequent development activities at risk of significant delay. There is no other asset class of grid connectee exposed to this development cost and timing risk or one that is required to prove the technical viability of a cable route prior to being able to accept a connection offer. We therefore disagree with SONI's conclusion that providing a connection offer at this point in the development process, an interconnector would be considerably de-risked compared to other connectees.

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<sup>4</sup> I.e. the commercial and economic viability has been established and there is a clear and viable timeframe to key project milestones such as a final investment decision, construction start and entering into commercial operation.

We also do not agree that contracting at this point would trigger costs to Northern Ireland's consumers. Security cover is required to be posted with SONI at the point an offer can be accepted and so any cost incurred by SONI would be covered by the developer in the event that the project is cancelled.

Whilst SONI identify this point in the development process as too early we see this at the latest point in which the grid connection can be confirmed to ensure the benefits to NI consumers can be realised in a timely manner. Without confirmation of grid connection point there is significant uncertainty on the offshore route and landfalls required to survey. The increased costs of a larger survey area would at best raise costs unnecessarily and at worst require a financial commitment at a level of risk that is too great for the project to progress.

We therefore see this milestone, whilst still being very onerous on the interconnector, as the only viable option presented in the consultation document.

#### *Completion of Seabed Surveys*

As described above the completion of seabed surveys cannot be guaranteed until the connection point has been confirmed. Without confirmation of connection point any route surveyed may not be relevant requiring a further survey, which considering the cost of the marine survey is a risk that developers may not be inclined to take. This could lead to an aborted project with the benefits to consumers not being delivered. As set out above, we do not recognise any distinction between transmission licensees developing transmission projects and therefore this significant cost inefficiency would hinder any offshore interconnector development.

Whilst we do not agree with the reason, we do agree with SONI that this milestone is not appropriate to consider a condition precedent for grid connection offer.

#### *Completion of onshore environmental surveys and pre-application consultation*

This milestone has been identified by SONI as striking a reasonable balance between project certainty and the risk of nugatory investment in deeper reinforcement works. We do not agree with this as again this milestone is impossible or inefficient to achieve without certainty on the grid connection points. Onshore environmental surveys and pre-application consultations are used to inform the identification of a preferred onshore cable route with a number of route options being considered. In order for an interconnector to have completed this milestone, surveys and consultations would need to consider all potential onshore cable route permutations or risk needing to repeat this process. If a project was to consider all the potential connection points it would also need to consider the potential onshore cable route options to each of those connection points. Public consultation on multiple route options in multiple council areas based upon multiple potential grid connection points across Northern Ireland would put an unnecessary burden on local stakeholders, be detrimental to the project's reputation at best and unworkable/unfeasible at worst and certainly not proportional to the scale of an interconnector project.

This milestone therefore creates the risk of the interconnector needing to repeat the process if the connection point was confirmed at a different connection point than the one assumed (which would also mean the condition had not been met). This situation would result in prior input from stakeholders and the general public being wasted, inefficient costs being incurred and significant delay to the project to repeat this development requirement and reapply for a grid connection on the assumption that the grid connection point would not be different again.

We therefore do not agree with SONI that this would be a suitable milestone.

It should also be noted that this milestone does not achieve the aim as set out in the consultation document. The onshore environmental surveys and pre-application consultations are used to inform the Statutory Consents application. On completion of the surveys and consultations there will be a number of potential onshore cable routes even if there was a single grid connection point specified. Therefore, this milestone does not provide any certainty that consent will be granted.

#### *Receipt of NI Statutory Consents*

We agree with SONI's statement that the requirement for full planning permission would put undue risk on the project. Full planning permission can only be obtained once the location of assets is known and the asset supplier has been selected. The location of the assets is driven by confirmation of the grid connection point and the supplier is known once the asset procurement has completed which also requires the route (through a completed seabed survey) and location to be confirmed. This development sequence requires that confirmation of the grid connection point has been achieved well in advance of an application for planning permission.

A Marine Licence is obtained for a typically 500m wide corridor from Mean High Water Springs to 12 nautical miles. A Marine Licence is therefore not applicable to multiple potential connection points as this would require a Marine Licence to cover multiple potential corridors which is not possible. This would require the project to either apply for Marine Licences for all potential Corridors, which is not expected to be entertained by the competent authority, or re-apply for another licence if the connection point offered was different from that assumed.

If this milestone was to become the condition precedent then this poses the risk that the required consenting had been completed for the wrong grid connection point or the consenting had been completed at all potential connection points. If required to re-consent for another location this would pose a potential 2 year delay to the project (and of the benefits to NI consumers) and if consents were required for all potential locations this would create a significant and unacceptable cost inefficiency.

Whilst we do not agree with the reason, we do agree with SONI that this milestone is not appropriate to consider a condition precedent for grid connection offer.

#### *Obtaining an Interconnector Licence and Associated Certification*

The process for an interconnector to apply for a NI Transmission Licence is not yet clear. We understand that any application by an independent interconnector developer for a Transmission Licence would be a first in Northern Ireland. It would therefore present significant uncertainty risk to align a consent requirement to this process at this stage. However, we would expect that the requirement within a transmission licence that the interconnector must have TSO certification prior to operation would result in these two processes being completed separately. The Transmission Licence would therefore be applied for in advance of TSO certification and possibly in advance of any regulatory framework being applied to the project.

This process requires clarification from the Utility Regulator and until such a time as this can be confirmed we agree with SONI that this would not be an appropriate choice of milestone.

### Question 3 – TI’s View on Other Aspects of the Development Process that SONI Should Consider as a Potential Milestone

Through an interconnector’s development process there are a number of NI specific circumstances that should be taken into account:

- *Potential benefits to NI consumers:* For an interconnector between NI and Scotland the ENTSO-E TYNDP2020 study and the National Grid NOA have identified considerable benefits and a need for further interconnection to support the UK’s delivery of its Net Zero ambition. The economic impact of any delay to these benefits being delivered due to an overly onerous or inefficient connection policy should be taken into account.
- *Regulatory regime:* An interconnector regulatory regime does not currently exist in NI and requires development with the Utility Regulator. This presents a risk to the development of interconnection with NI but given the benefits identified it is expected that a regulatory framework will be developed to support the timely delivery of further interconnection.
- *There is no specific Interconnection Licence in NI:* It can therefore be expected that any future interconnector would be licenced in the same way as the Moyle Interconnector under a Transmission Licence. This closely aligns the responsibilities of an interconnector owner with those of any other Transmission licensable activity.
- *Risk of nugatory costs to NI consumers:* Costs will be covered and securities will be provided to SONI meaning NI consumers will not be exposed to this risk.

Given the above and points set out elsewhere in this letter, it is difficult to identify the benefit of an overly stringent condition precedent requirement beyond mitigating the concern of capacity hoarding. The conditions precedent should therefore seek to mitigate this concern but must also support the timely delivery of benefit that further interconnection would provide to Irish and GB consumers.

As previously set out in this letter, for an interconnector the grid connection points form the basis of the project’s design and subsequent development activities. This is a very different situation to other asset classes which are required to apply for a grid connection where the location is the critical initial aspect and therefore the consents and land rights are established in the early stages of development. Securing grid connection points enables the project to identify an optimal cable route and associated necessary land rights, undertake planning and environmental assessments and conduct its high level HVDC converter design. Without secure grid connection points, the uncertainty is too great for the project to undertake these costly development activities which are required prior to proceeding with the asset procurements.

Given this, any consenting requirement to accept an offer for grid connection must be available to the project prior to this work. If not, the uncertainty of the grid connection point puts these development activities at risk of requiring to be repeated and therefore creating unnecessary cost and timing risk to the delivery of the benefit to Northern Ireland and the connecting market’s consumers. This uncertainty creates a significant constraint on an interconnector project being able to proceed putting at risk any identified socio-economic benefits of the project.

### Question 3 – TI’s View of an Appropriate Milestone

We therefore propose that SONI consider adopting one of the following two alternative potential development milestones:

*Inclusion in ENTSO-E’s TYNDP project list, completion of cable routing feasibility and grid connection feasibility studies*

This is our preferred option as at this point in the project’s development the socio-economic benefits of the project will have been forecast through an independent, Europe wide, socio-economic cost benefit study. The technical feasibility of potential route options will have been established via a cable routing feasibility study completed by an expert consultant and the grid connection feasibility including identification of wider network reinforcements will have been established through a SONI pre-feasibility study. These three elements combine to establish the viability of an interconnector project sufficient to secure a grid connection.

We recognise at this stage that there are still risks to an interconnector project’s realisation however these are related to geopolitical uncertainties and government policy which may shift the fundamental economics of a project which connects between power markets. These risks will persist at all stages of an interconnector project’s development and cannot be mitigated through aligning the conditions precedent to a later stage. The risk to SONI of a cancelled project post securing grid capacity is that secured capacity and planned network reinforcements may no longer be required. The cost of developing the wider reinforcements (if any) would be covered by the interconnector developer through posting financial securities mitigating any cost risk to NI consumers. The risk of investing in unnecessary wider network reinforcements should be mitigated by SONI through aligning their construction to realise at a similar time to the go-live of the interconnector. The remaining risk is that capacity may have been secured that is no longer required that could have been provided to other projects. This risk will be relatively short term given an interconnector’s development timescale. This risk could be mitigated through a requirement to demonstrate that the further development of the project continues in line with pre-agreed key milestones.

The following table is an assessment of this proposed conditions precedent milestone against the three objectives proposed within the consultation document:

	Criteria	Comments
1	No undue discrimination	<p>For an interconnector the grid connection is fundamental to the asset location and early stage development. Asset location is established by other types of connectee at an early stage in development and so this locational risk is aligned. There is no other asset class of grid connectee that is required to undertake major development activities (such as seabed surveys) with a significant degree of asset locational uncertainty. Undue discrimination considerations in this context should not raise any concerns and in fact should facilitate, applying a consent requirement at this stage in the development timeline.</p> <p>Permitting the acceptance of an offer based upon these requirements would be treating an interconnector project differently to any other asset class required to apply for a grid connection. However, as the interconnector will form part of</p>

		<p>the transmission system and will hold a Transmission Licence in a similar way to the onshore Transmission System Owner this further supports the view that this milestone can be considered to not be undue discrimination.</p>
2	Economic, Efficient & Coordinated planning of the transmission system	<p>Enabling the interconnector to secure capacity at this stage mitigates risks associated with the project not having clarity on asset location. This will avoid the risk of delays due to having to repeat development activities and inefficient costs associated with multiple assumed locations needing to be considered. Any increased costs of development or the cost and economic benefit lost associated with project delays due to repeating development activities will ultimately be borne by or underwritten by consumers in GB and NI through a regulatory framework and so should be avoided.</p> <p>Allowing a grid offer acceptance at this stage supports efficient coordination between the interconnector developer and the onshore network and allows for the economic considerations of both sides to be taken into account when confirming the optimum grid connection point without the risk of repeating development activities.</p> <p>Development costs associated with the onshore network will be covered by the interconnector through securities being posted with SONI mitigating this risk from NI consumers.</p>
3	Timely access to benefits for NI consumers	<p>Allowing acceptance of a grid offer at this stage promotes the timely development of an interconnector project by confirming the fundamental design consideration of the project. Sustained uncertainty on asset location risks project abandonment or requires wider surveys and consultations or the risk of repeating these significant activities, all of which negatively impact the timely access to benefits.</p> <p>ENTSO-E forecast the socio-economic welfare of a 700MW connection between Northern Ireland and Scotland to be between €35m and €84m per year<sup>5,6</sup>. It is therefore imperative that any future interconnector can be delivered in a timely manner to allow a proportion of these benefits to be accessed by NI consumers.</p>

*Contracting with a reputable offshore survey company to provide seabed surveys*

As previously stated, contracting for offshore seabed surveys is the last milestone in an interconnector's development that the grid connection point can remain unsecured without resulting

<sup>5</sup> Taken from the LirIC TYNDP2020 project sheet: <https://tyndp2020-project-platform.azurewebsites.net/projectsheets/transmission/1040>

<sup>6</sup> Additional benefits not included within these values are associated with decarbonisation and security of supply.

in a detrimental impact to the timely delivery of the project and inefficient costs being incurred. As this option requires the interconnector to have completed a procurement for a seabed survey provider any coordination with SONI to optimise the point of connection would be less efficient as it may require the interconnector to repeat the procurement process. Due to this inefficiency this option is not our preferred option and we do not see any benefit of choosing this option over the first option proposed. This option is being proposed to set out the absolute backstop to avoid significant detrimental impact to an interconnector’s efficient and timely delivery and align with a milestone proposed in the consultation.

Given this is aligned to a milestone included in the consultation document we propose that SONI recognise the content of this consultation response letter and reconsider their position on the milestone for contracting for seabed surveys.

The following table is an assessment of this milestone against the three objectives proposed within the consultation document:

	Criteria	Comments
1	No undue discrimination	The milestones proposed presents the latest point in the development process before the interconnector developer is required to have confirmed connection points. For an interconnector the point of connection is the foundation of the cable routing and converter site location and so all development activities depend on this. As set out in the first proposed milestone, no other asset class of connectee is required to proceed through its key development activities without a confirmed primary asset location and so any milestone considered beyond this point could be considered undue discrimination.
2	Economic, Efficient & Coordinated planning of the transmission system	<p>At the start of the seabed survey the technical viability of the routes to be surveyed will have been established to a high degree of confidence through the cable routing feasibility study which forms part of our first proposed milestone. This study is a pre-requisite to ensure the physical seabed survey can be completed in the most economic manner.</p> <p>Subsequent onshore network development costs will be covered by the interconnector though securities being posted with SONI mitigating this risk from NI consumers.</p> <p>If the grid connection points remain unconfirmed beyond this point all subsequent interconnector development activities will be at risk impacting the economic and efficient development and planning of the interconnector and the onshore network. Development activities beyond this point would certainly be more costly and take longer due to the number of potential connection points that would have to be considered.</p>

3	Timely access to benefits for NI consumers	The surveys take place a number of years before the interconnector is built to allow for an efficient and competitive asset procurement to take place. If the connection points are not confirmed at this milestone the interconnector may be required to repeat the marine surveys once the grid connection points are confirmed. This significantly risks the project's timing to allow for a cable contractor to be re-procured, a surveying ship to become available and a weather window which allows the survey to go-ahead.
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