

Appendix 3.2:
Single Electricity Market
Committee Letter to EirGrid
(15th May 2015)





Fintan Slye
Chief Executive
Eirgrid
The Oval
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Our Ref: 2015/99

18 May 2015

Dear 

North South 400kV Interconnection Development

The SEM Committee acknowledges Eirgrid and SONI's continued focus and efforts for advancing the North South Interconnector. Given the importance of this critical infrastructure for the optimisation of the Single Electricity Market and the new integrated EU target model that will operate from Q4 2017, the SEMC considers it important to restate clearly its support for the project.

The second North South Interconnector, which will provide an additional 400KV capacity, was part of the architecture for the development of the current SEM established in 2007 and it remains a strategic infrastructure development for removing constraints within the wholesale market on the island of Ireland. The benefits which will emanate from this strategic link between ROI and NI include:-

- Increasing the efficiency of the wholesale electricity market – with forecast 'all-island' economic benefit of over €20 million per annum in 2020 rising to over €40million per annum in 2030;
- Supporting the development of renewable power generation on the island ;
- Removing the constraint of flows between ROI and NI, facilitating the most efficient deployment of all the power on the system; and
- Enabling NI to access the surplus of supply in ROI and thereby address specific security of supply issues in NI;

The benefits above will be further enhanced by the new market design (I-SEM) which will implement a more competitive approach and provide multiple market opportunities for participants in the day ahead and intraday markets. Additionally with the re-design of the Capacity Remuneration Mechanism (CRM), if Northern Ireland is unable to avail of the surplus capacity in ROI via the second interconnector, then consumers will face potentially higher costs to ensure a secure supply of electricity.

We remain concerned by the call by some stakeholders for the undergrounding of all, or sections of, the interconnector, given the sub-optimal and novel technical solution this represents. We are also concerned by the estimated increased construction costs by a factor of at least five, not to mention higher ongoing maintenance costs which will be carried by consumers. It remains important for you, as experts, to continue to emphasise the risks and costs associated with any proposal to underground.

We note your most recent submission to An Bord Pleanála and the fact that the Public Inquiry process in Northern Ireland is expected to re-convene in 2015. It will be important for the SEMC to be informed of the risks to the Q4 2019 energisation date provided in your latest briefing to the Committee. Any failure by you to energise the new interconnector within this timeframe presents a number of risks and cost implications for consumers, including:-

- The need to consider bidding zones for both DS3 and CRM auctions, which may impact on costs for consumers and revenue streams for market participants; and
- The need to secure additional generation provision in NI in advance of 2021 when the SONI Generation Adequacy Statement identifies a capacity shortfall, leading to higher costs for consumers.

The Committee thanks Ergrid and SONI for their commitment to advancing this fundamental infrastructure project and requests that it continues to be informed on a quarterly basis of progress and risks to the current energisation in Q4 2019.

Yours sincerely



Jenny Pyper
Chair