

British Irish Chamber of Commerce Submission to Ofgem on the Mares Connect Electricity Interconnector Cap and Floor request



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Background and Context:

The [British Irish Chamber of Commerce](#) (the Chamber), the only organisation representing business activities with interests across the two islands of Great Britain and Ireland, welcomes the opportunity to respond to the consultation paper by Ofgem on the Mares Connect Electricity Interconnector Cap and Floor request. This submission is derived from the on-going work the Chamber has been engaged with in the Energy sector with members and stakeholders from across the UK and Ireland.

Developing Future Interconnectors:

Over the last few years, the British Irish Chamber of Commerce has held numerous consultations and informative events that have explored the importance of developing Ireland and the UK's interconnection infrastructure. These events have included but are not limited to 'The Future of Interconnection' (July, 2018) and our Policy Seminar on 'The impact of Brexit on the Single Electricity Market (SEM) and the Future of the Internal Energy Market (IEM).' Throughout all our consultations with the Chamber's membership it was agreed that enhanced interconnection helps provide a safe, secure, reliable and affordable energy supply for consumers. The Chamber continues to support the development of the Celtic and Greenlink Interconnectors between Ireland and France and Ireland and Britain respectively. In our submission to the Irish Government, the Chamber stated that

"In terms of improving security of electricity supply and facilitating increased capacity for renewable energy, the Chamber supports the continued integration of energy markets with both the UK and Continental Europe. The Programme for Government should commit to support the development of the North – South, Celtic and Greenlink and Mares Connect Interconnectors".

In addition, interconnection capacity needs to increase if Ireland and the UK are to reach their decarbonisation targets. Mares Connect will be a significant 'momentum' project for the energy industry and national infrastructure generally.

Mares Connect Electricity Interconnector Cap and Floor request

Turning to the current consultation, the British Irish Chamber of Commerce supports and endorses the Mares Connect request for a Cap and Floor pricing regime for the following reasons:

- The Ofgem forecasts for generation are completely at odds with those of Mares Connect or the independent projections made by the Irish Government, and other stakeholders in Europe. We believe the forecast drastically underestimates the full potential of the project.

- The Cap and Floor regime is a fair balance between the limited risk consumers may be asked to bear in return for the comfort of sharing in the reward if revenues are above the cap.
- A Cap and Floor regime gives certainty and clarity to key stakeholders (developers and Consumers) in the market.
- A Cap and Floor regime guards against significant fluctuations in the market.
- In line with the Chamber's longstanding policy in favour of interconnection, Cap and Floor regimes encourage interconnectors to be built, as it limits exposure.
- It aligns with the CRU which have already agreed to the Cap and Floor request.
- In addition, divergence from the CRU for this project would make financing it complicated, potentially jeopardising the entire initiative.
- Mares Connect would also fulfil Ireland's National Policy Statement on Electricity Interconnection with its stated ambition to increase Ireland's electricity interconnection with a specific goal of supporting a further connection to Great Britain by 2030 beyond the completion of the Greenlink interconnector.
- This would be in line with the UK Government's commitment to work with Ofgem, developers and European partners to realise at least 18 GW of interconnector capacity by 2030.

Conclusion:

The Chamber has spent the last four years assessing the various energy projects that set out to achieve Ireland's goals for the delivery of a, secure, increasingly decarbonised and affordable flow of energy to consumers. In our assessment Interconnection is an essential component in delivering these goals. The Mares Connect Project has put forward a compelling case that in our view has met the public interest threshold in the UK and Ireland and has won the support of key stakeholders on both sides of the Irish Sea. As the British Irish Chamber of Commerce, we also welcome the fact that this project will draw the UK market closer to Ireland with the net benefit for consumers in both jurisdictions.

The British Irish Chamber of Commerce is happy to respond to any further queries Ofgem may have on our submission.