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30 May 2024

RE: Initial Project Assessment of the third cap and floor window for electricity interconnectors

Dear Mr Pittarello,

We are pleased to respond to Ofgem's consultation on the *Initial Project Assessment of the Third Cap and Floor Window for Electricity Interconnectors*.

As Transmission System Operator (TSO), EirGrid develops, manages, and operates the electricity transmission system in Ireland, including exploring opportunities for interconnection. Through the Single Electricity Market Operator (SEMO), EirGrid operates the wholesale electricity market in Ireland and Northern Ireland with SONI Ltd (System Operation for Northern Ireland). In the 2021 *Policy Statement on the Framework for Ireland's Offshore Electricity Transmission System*, EirGrid's role as TSO was expanded to incorporate the operation and ownership of Ireland's offshore electricity transmission grid. This is codified in legislation in the 2021 *Maritime Area Planning Act*. As such, EirGrid has a significant and central part to play in the facilitation and delivery of Ireland's 2030 renewables targets and its longer-term carbon neutral ambitions.

The focus of this response relates to the underlying data used to reach the 'minded to' results of the third cap and floor window, an exercise which includes a proposed project between GB and Ireland. EirGrid remains project agnostic and this response is submitted solely for the purpose of commenting on the appropriateness of the data used for the economic modelling to support the proposed decision.

There are two material observations which will be detailed below. Both relate to the Arup data workbook supporting the assessment.

Forecast SEM demand and renewables supply throughout considered scenarios is significantly below assumptions included in EirGrid and SONI's *Tomorrow's Energy Scenarios* (TES) 2023.

The Arup data file provides a forecast SEM total demand that is significantly less than the equivalent produced by EirGrid and SONI in our recent TES 2023 analysis, as per the table below.

SEM Forecast Demand Ranges	2035	2040	2045	2050
Arup Demand Forecast (TWh)	52-56	55-59	57-62	59-65
EirGrid Demand Forecast (TWh)	70-92	80-106	88-109	94-112

Similarly, the Arup data file provides a forecast range of total wind and solar generation for SEM which is much lower than the EirGrid an SONI forecasts adopted in the TES 2023 analysis, see table below.

SEM Wind and Solar Generation	2035	2040	2045	2050
Arup Generation Forecast (GW)	15-17	16-18	16-17	15-16
EirGrid Generation Forecast (GW)	21-34	26-44	28-50	30-63

For context, EirGrid and SONI developed the TES 2023 analysis to investigate the range of future energy scenarios. This considered the impact of recent policy developments in Ireland and Northern Ireland, including the *Climate Action Plan 2023*, and involved extensive consultation with Irish and international stakeholders. The TES analysis also took account of the ongoing development of renewable energy generation in Ireland and Northern Ireland including the ongoing connection processes for projects to meet Ireland's target of 5GW of offshore wind by 2030.

More broadly, subsequent policy initiatives like the *Offshore Renewable Electricity Support Scheme Indicative Roadmap*, the *Future Framework for Offshore Renewable Energy* and *Powering Prosperity* as well as the launch of the draft south coast Designated Maritime Area Plan have been designed to support both the establishment of Ireland's offshore wind industry and drive further demand. Such policy objectives to decarbonise the Irish and Northern Irish energy systems are consistent with the higher demand and renewable capacities included in the TES 2023 analysis, a conclusion backed by stakeholders from across the Irish and Northern Irish landscape.

We expect the higher forecasts for both demand and renewables generation for SEM to be of material impact in assessing proposed interconnector projects. As such, we provide these observations and alternative demand and generation projections for your consideration in the assessment of both this cap and floor exercise and future economic analysis.

Transfer capacity between Great Britain (GB) and the Single Electricity Market (SEM) is inconsistent.

With reference to the transfer capacity between GB and the SEM the Arup data file correctly identifies the two operational and one in-construction interconnectors linking the GB and SEM systems. The data file furthermore correctly reflects the 500 MW capacity for each connection, yet it provides a collective connection capacity of only 1,024 MW for the full study period. We request clarification on this difference.

Final remarks

We hope this response proves useful in Ofgem's consideration of the appropriate regimes to support the next array of interconnectors aimed at providing flexibility and enhancing security of supply in a renewables-dominated energy system. Should you require any further information or engagement on the information provided, please feel to contact me or my colleague, Aaron Keyes.

Yours faithfully,

Liam Ryan

Chief Digital & Information Officer