



DELIBERATION NO. 2019-222

Deliberation by the French Energy Regulatory Commission of 10 October 2019 adopting the decision reviewing the joint decision on cross-border cost allocation for the Celtic Interconnector project

Present: Jean-François CARENCO, president, Christine CHAUVET, Catherine EDWIGE, Ivan FAUCHEUX and Jean-Laurent LASTELLE, commissioners.

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The present deliberation is taken in accordance with the provisions of Regulation (EU) No. 347/2013 of the European Parliament and of the Council of 17 April 2013 on guidelines for trans-European energy infrastructure.

It aims to review the coordinated cross-border cost allocation decision for the Celtic electricity transmission infrastructure project between France and Ireland, following the publication by the European Commission on 2 October 2019 of the list of projects selected to receive financial aid coming from the Connecting Europe Facility, under the second 2019 call.

1. REMINDER OF DELIBERATION NO. 2019-089

On 25 April 2019, the CRE adopted the coordinated decision from the CRE and the Irish regulatory authority, the *Commission for Regulation of Utilities* (CRU), regarding the cross-border cost allocation of the electricity interconnection project between France and Ireland, known as the “Celtic Interconnector project”¹.

The CRE and the CRU agreed in particular that the estimated investment costs of the Celtic project (930 M€) would be borne at 65% by Eirgrid, the Irish transmission system operator, and at 35% by RTE. They supported Eirgrid and RTE’s application for financial assistance under the Connecting Europe Facility (CEF), and considered that it should cover at least 60% of the estimated investment costs, shared in the same way as the CAPEX, i.e. 65% for Eirgrid and 35% for RTE, in order to reflect the positive externalities for the European Union. The CRE and the CRU decided that should the EU financial assistance not reach 60% of the project’s estimated investment costs, including 35% for France (195 M€), they shall mutually agree on a review of the cost allocation decision.

2. CROSS-BORDER COST ALLOCATION OF THE PROJECT

The European Commission announced on 2 October 2019² that the Celtic Interconnector project was selected to receive financial aid from the Connecting Europe Facility, under the second 2019 call. This grant amounts to 530.7 M€³, which represents 57% of the project’s estimated investment costs.

Even though the amount of the financial support does not reach 60% of the project’s estimated costs, it is substantial and reflects the positive externalities brought by the project in terms of solidarity and security of supply, and its contribution to the achievement of the European energy objectives. The CRE and the CRU consider that this level of financial assistance is close enough to the minimum amount set in the previous decision not to put an excessive financial risk on the French and Irish consumers.

As a consequence, the CRE and the CRU decided to confirm the cost allocation agreed on 25 April 2019: up to the project’s estimated investment costs (930 M€), 65% of investment costs will be allocated to Eirgrid, and 35% to RTE. The other elements of the previous decision are also confirmed.

¹ Deliberation No.2019-089 by the French Energy Regulatory Commission of 25 April 2019 adopting the joint decision on cross-border cost allocation for the Celtic Interconnector project

² https://ec.europa.eu/info/news/completing-energy-union-eu-invests-eu556-million-priority-energy-infrastructure-2019-oct-02_en?pk_campaign=ENER%20Newsletter%20October%202019

³ https://ec.europa.eu/energy/sites/ener/files/list_of_all_projects_receiving_eu_support_under_the_2019_cef_call.pdf

CRE'S DECISION

The CRE adopts the decision reviewing the decision regarding the cross-border cost allocation of the Celtic project, appended to CRE's decision No. 2019-089, following the results of the second Connecting Europe Facility call in 2019, agreed with the CRU and attached to the present deliberation.

The CRE and the CRU decide that:

- The amount of financial aid of 530.7 M€, close to the 60% of the estimated investment costs threshold, does not justify to modify the cost allocation agreed by the CRE and the CRU in their decision adopted on 25 April 2019, which is therefore confirmed in its entirety;
- In particular, (i) Celtic's estimated investment costs (i.e. 930 M€) will be borne at 65% by Eirgrid, and 35% by RTE, and (ii) the potential costs overruns (i.e. above 930 M€) will be shared equally between Eirgrid and RTE.

Moreover, and in accordance with the principles set out in the original decision, the grant awarded under the Connecting Europe Facility (530.7 M€) will be shared similarly to the estimated investment costs (i.e. 35% for RTE and 65% for Eirgrid). The project's operational and maintenance costs and revenues from congestion rents will be shared equally between Eirgrid and RTE.

In addition, should the costs of the main supply contracts (including cables) materially exceed the estimated costs (i.e. by 20% compared to the initial assessment) or should the total costs of the project be reviewed significantly upwards (i.e. by 20% compared to the initial assessment), the CRU and the CRE agree to consult with the project parties and to review this decision in order to reconsider the opportunity to invest in the project and/or the cross-border cost allocation decision regarding cost overruns.

The present deliberation will be forwarded to the CRU. It will also be notified to RTE and ACER.

The present deliberation will be published in the *Journal officiel de la République française* and sent to the Minister for the Ecological and Inclusive Transition.

Paris, 10 October 2019.

For the Energy Regulatory Commission,

The president,

Jean-François CARENCO