

## **DELIBERATION NO.2022-277**

### Deliberation by the French Energy Regulatory Commission of 3 November 2022 adopting the decision reviewing the joint decision on cross-border allocation for the Celtic Interconnector project

Attendees: Emmanuelle WARGON, president, Catherine EDWIGE, Valérie PLAGNOL and Anthony CELLIER, commissioners.

**Translated from the French: only the original in French is authentic**

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 <sup>1</sup>, the French Energy Regulatory Commission *Commission de régulation de l'énergie* (CRE) and the *Commission for Regulation of Utilities* (CRU) have adopted the coordinated decision regarding the cross-border cost allocation of the electricity interconnexion projet between France and Ireland, known as the « Celtic Interconnector project »<sup>2</sup>.

This decision provides that if the cost of the main supply contracts (including cables) materially exceeded the estimated costs (i.e. by 20%) or should the total costs of the project be reviewed significantly upwards (i.e. by 20%) 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.

EirGrid and RTE, the transmission system operator (TSOs) behind the Celtic Interconnector project, have shared with the National Regulatory Authorities (NRAs) updated costs that were significantly higher than the 2019 estimated investment cost (930 M€ without contingencies). TSOs explain this significant increase in costs mainly by tensions on the supply market (cables and stations), which bring the total forecast cost of the project to 1,623 M€ including a provision of 141M€ for contingency.

The present deliberation aims to adopt the reaffirmation of the 2019 coordinated decision on the cross-border cost allocation request submitted by the Celtic interconnector project.

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<sup>1</sup> This regulation has since been replaced by Regulation (EU) No. 2022/869 of the European Parliament and of the Council of 30 May 2022 on guidelines for trans-European energy infrastructure, amending Regulations (EC) No 715/2009, (EU) 2019/942 and (EU) 2019/943 and Directives 2009/73/EC and (EU) 2019/944, and repealing Regulation (EU) No 347

<sup>2</sup> 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

## **1. REMINDER OF DÉLIBÉRATIONS NO.2019-089 AND NO.2019-222**

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”<sup>3</sup>.

In this decision, the CRE and the CRU agreed that the project’s estimated investment costs (i.e. 930M€<sub>2018</sub>) would be borne at 65% by EirGrid and at 35% by RTE.

The CRE and the CRU also decided that if the cost of the main supply contracts (including cables) materially exceeded the estimated costs (i.e. by 20%) or should the total costs of the project be reviewed significantly upwards (i.e. by 20%) 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.

NRAs 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.

On 10 October 2019, following the obtention of financial aid, the CRE adopted the decision reviewing the joint decision on cross-border cost allocation for the Celtic Interconnector project. By this decision, the CRE and the CRU agreed the amount of financial aid of 530.7 M€, close to the 60% of the estimated investment costs threshold, did not justify to modify the cost allocation agreed by the CRE and the CRU in their decision adopted on 25 April 2019, which has therefore been confirmed in its entirety

## **2. INVESTMENT OPPORTUNITY REAFFIRMATION AND CROSS-BORDER COST ALLOCATION CONFIRMATION**

By a letter dated from 30 September 2022, RTE and the Irish Transmission System Operator EirGrid jointly informed the CRE and the CRU of the latest budget forecasts for the Celtic interconnection project following completion of the tender process for the supply of cables and stations. These forecasts show a projected budget of 1482 M€ (and a provision for contingency of 141 M€), which is a significant increase compared to the initial budget retained by the regulators in their joint decision on the request for cross-border cost sharing of the project (930 M€).

Particularly, this decision provided that if the cost of the main supply contracts (including cables) materially exceeded the estimated costs (i.e. by 20%) or should the total costs of the project be reviewed significantly upwards (i.e. by 20%) 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.

Under these conditions, RTE and EirGrid have requested the CRE and the CRU to continue the project and launch the main orders.

Pursuant to the above-mentioned joint decision, CRE and CRU have re-examined the appropriateness of investing in the project, as well as the allocation of cost sharing, in particular by updating the cost-benefit analyses on the basis of the TYNDP 2020 (Ten-Year Network Development Plan).

### **2.1 Economic interest of the project**

These analyses confirm that the project has benefits related to production cost savings related to, on the one hand, lowering the amount of curtailed renewable production, and on the other hand to substitute Irish gas generation. The project will also contribute to the Renewable Energy Sources (RES) integration and to reducing greenhouse gas emissions.

The comparison of capital expenditure, operation and maintenance costs, cost of electricity losses, fuel cost savings for electricity generation and the expected gains in terms of improved security of supply indicate that the Celtic project has significant benefits at EU level. In view of these significant benefits, the project has received substantial financial support from the European Union.

<sup>3</sup> 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

The project therefore has strong economic and environmental benefits, despite the significant increase in costs. Moreover, these benefits, including the non-monetised positive externalities, extend well beyond France and Ireland. The project also has an important strategic interest, namely the establishment of a direct physical link between the Irish electricity network and that of the rest of the EU, in a context of the UK's exit from the EU and of solidarity between EU Member States.

Following this review, the CRU and CRE reaffirm the appropriateness of investing in the project in view of the expected benefits and externalities with regard to European objectives, particularly in terms of solidarity and security of supply.

## **2.2 Cross-border cost allocation**

Regarding the cross-border cost allocation, CRE and CRU confirm the initial distribution provided for in the joint decision of 2019, i.e. 65% for EirGrid and 35% for RTE, up to an initial estimated cost, then a 50/50 split. In order to allow comparison with the latest budget communicated by the TSOs at the commissioning deadline (2027), CRE and CRU agreed to modify the initially estimated investment costs of the project by applying cost inflation assumptions (the figure of €930m was expressed in 2018 values). The new initial estimated cost of the project, taking into account cost inflation forecasts between 2018 and the estimated date of commissioning of the interconnector, is thus set at €1,178m.

The European financial aid obtained under the European Interconnection Facility is shared between the TSOs in the same way as the investment costs, i.e. 65% for EirGrid and 35% for RTE.

In view of the state of progress of the project, the CRE and the CRU have decided not to renew the provision of their joint decision stipulating that in the event of the project costs exceeding 20% of the initial assessment, the CRU and the CRE shall re-examine the appropriateness of investing in the project and/or the decision on cross-border sharing with regard to the additional costs. A revision of the joint decision once the work has started would not be relevant.

All other elements of the cross-border sharing decision are confirmed.

**DECISION**

The CRE adopts the decision reaffirming the decision regarding the cross-border cost allocation of the Celtic project, appended to CRE's decision No. 2019-089, agreed with the CRU and attached to the present deliberation. The CRE and the CRU reaffirm in particular the opportunity to invest in the Celtic project and decide that :

- The updated project's estimated investment costs (i.e. 1 178€) will be borne at 65% by EirGrid and at 35% by RTE;
- The potential costs overruns (i.e. above 1 178M€) will be shared equally between EirGrid and RTE.

This cross-border allocation is based on a 50/50 sharing of the project's operational and maintenance costs, and of the project's revenues from congestion rents between EirGrid and RTE.

Given the advanced stage of the project, the CRE and the CRU decide not to renew the disposition of their joint decision stipulating that in the event of project costs exceeding 20% of the initial assessment, the CRU and the CRE agree to reconsider the opportunity to invest in the project and/or the cross-border cost allocation decision regarding cost overruns.

All other elements of the cross-border sharing decision are confirmed.

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 Energy Transition.

**Deliberated in Paris, on 3 November 2022.**  
**For the Commission de régulation de l'énergie (French Energy Regulatory Commission)**  
**The president,**

**Emmanuelle WARGON**