

REAFFIRMATION OF THE 2019 COORDINATED DECISION ON THE CROSS-BORDER COST ALLOCATION REQUEST SUBMITTED BY THE CELTIC INTERCONNECTOR PROJECT FOLLOWING THE RESULT OF TENDER PROCESS

This coordinated decision between the national regulatory authorities (NRAs) of Ireland and France, the Commission for Regulation of Utilities (CRU) and the Commission de régulation de l'énergie (CRE), relates to the cross-border cost allocation (CBCA) decision concerning the Celtic Interconnector project. It reflects upon the CBCA decision, to take account of updated total estimated costs for delivery of the project following the result of the tender process.

In April 2019, the NRAs adopted a coordinated decision on the cross-border allocation of the Celtic Interconnector project's investment costs between Ireland and France and their inclusion in each country's tariffs pursuant to Article 12 of Regulation (EU) No 347/2013. At the time of the coordinated decision the estimated investment cost of the project was 930 M€. In October 2019, this coordinated decision was further confirmed by the NRAs following the financial support awarded by the European Commission¹ to the project.

The 2019 CBCA 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 agreed 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.

Following the completion of the tendering process for the award of the main supply contracts, the TSOs have shared with the NRAs updated costs based on the outcome of the tendering process which was completed in September 2022. The updated estimated investment costs exceed the 20% threshold set in the 2019 coordinated decision. The latest cost estimate for the delivery of the Celtic Interconnector including contingency is forecast at 1623 M€². Thus far, the projected final costs are the best estimate following the competitive tender process. Final outturn costs will be known once the project is delivered and operational.

In this context, having consulted with the project parties, and based on the expected increase in the total benefits of the project and the positive externalities that will be generated, specifically in terms of solidarity and security of supply, the NRAs confirm that the Celtic interconnector project remains beneficial for consumers in both countries, and Europe as a whole.

Furthermore, both NRAs agree that there are no grounds to amend the project's cost allocation as decided in the 2019 CBCA and thus confirm that 65% of investment costs will be allocated to Ireland, and 35% to France up to the initial cost estimate³. Nevertheless, to allow comparison between the 2019 cost estimate and the total cost of the project which is considered in the delivery year (2027), this estimate is inflated to 1 178M€⁴. The financial support awarded by the European Commission (530.7⁵ M€) will be shared between EirGrid and RTE to match the cost-allocation agreement (i.e. 65% for EirGrid, 35% for RTE). All project costs above 1 178M€ will be equally shared between EirGrid and RTE.

Finally, given the advanced stage of the project, should the total cost of the project be reviewed significantly upward the CRU and the CRE agree the coordinated decision will not be reviewed.

All the other elements of the coordinated decision are also confirmed, in particular the following:

- 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.

¹ In October 2019, Celtic was awarded a CEF grant of 530.7€M

² The total figure of 1623M€ is estimated until to the delivery year in 2027. This project costs figure includes a provision of 141€M for contingency.

³ This estimate was based on real 2018 values.

⁴ This figure has been calculated using the consumer price index forecasts of both countries.

⁵ Total grant is 537.5€M. This reflects the capital grant as well as grants paid to cover the cost of studies.

- As part of national regulatory frameworks, the NRAs will continue to develop appropriate incentives/penalties for the TSOs to ensure the timely delivery of the project and to seek to minimise the outturn cost of the project.
- The TSOs are required to submit cost and progress updates to their respective NRAs (timing to be agreed with each relevant NRA) and in addition, report to both NRAs on any changes in costs or time without delay.