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29<sup>th</sup> July 2020

**RE: Statutory consultation on proposed modifications to the standard conditions of the electricity interconnector licence and to the special conditions of the electricity interconnector licence held by NGIL and the electricity transmission licence held by NGEOS**

Dear Mr Hussain,

Thank you for the opportunity to provide a response to your statutory consultation on the proposed modifications to the conditions of the Electricity Interconnector Licence.

The focus of this response is the Standard Licence Conditions that would directly impact the East-West Interconnector. For that reason, no comments relating to the special conditions of the electricity interconnector licence held by National Grid Interconnectors Limited (NGIL) are included in this submission.

There are five observations that EirGrid Interconnector DAC (EIDAC) wishes to highlight, which are detailed below. The first two relate to the interaction between the interconnector licence and the Clean Energy Package and the others address the approach to cost sharing and cost recovery.

**Alignment of standard conditions with relevant provisions in the European legislative framework of the Clean Energy for all Europeans Package (CEP):**

**Change of Licence - Standard Conditions 1, 9, 12, 23**

- i. With reference to changes to Condition 9, we note that the proposal includes reference to Article 19 of Regulation (EU) 2019/943 (The "Regulation"). Article 19 (4) of the Regulation notes that the use of revenue shall be subject to a methodology proposed by the transmission system operators after consulting regulatory authorities and relevant stakeholders and after approval by ACER. As this methodology is still subject to approval by ACER, EIDAC suggests that appropriate consideration is given to agreeing a fall back reporting format in the event that further amendments to the methodology arise.
- ii. We note that Condition 9 also revises the submission date for the use of revenue statement to 31<sup>st</sup> January with the statement setting out revenue for the previous year in accordance with Article 19(2) of the Regulation. EIDAC noted this requirement in its most recent use of revenue statement submitted on 13<sup>th</sup> July 2020 and will proceed to issue a new statement in accordance with this revised licence requirement



**Implementation of Ofgem’s decision on approach to cost sharing and cost recovery under the Capacity Allocation and Congestion Management (CACM) Regulation:**

**Change of Licence - Standard Conditions 1, 9, 12, 23, 27, 28**

- iii. Amendments to Condition 27 of the Licence sets out the proposed mechanism through which the Interconnector Payments (ICP) as defined in 27 (2) should to be recovered by relevant Licensees via a corresponding changes to Transmission Network Use of System (TNUoS) charges. We note that the value of the ICP Term allows for recovery of costs owned by the Licensee and also on behalf of a relevant Nominated Electricity Market Operator (NEMO). As 2(b) allows cost recovery either by the Licensee or by the Licensee on behalf of a NEMO, it might add more clarity if Paragraph 4(a) were amended to simply refer to the submission of the ICP term (e.g. “the licensee’s proposed value for the ICP term”). This will resolve any ambiguity in the event that, in accordance with Paragraph 4(c), a proposed value of the ICP term for period n is fully owned by the NEMO. A similar amendment might also apply to Condition 27 (6).
- iv. In the event that the Licensee submits costs on behalf of a NEMO, we note that the determination of whether these costs are reasonable, efficient and proportionate is accurately captured under Condition 27(5) and 27(6) and with reference to Article 75 of the CACM.
- v. In the event that the Licensee submits costs on behalf of a NEMO, EIDAC interprets its obligations under the proposed Condition 28, as needing to simply relay the information as provided to it by the NEMO directly on to NGEN. Hence, we consider that the onus is on the NEMO to ensure that EIDAC is furnished with the relevant information in advance of the timelines detailed in the Connection and Use of System Code; we suggest that stating in the licence that such information must be received 10 days in advance of the CUSC submission period is appropriate.

On behalf of EIDAC, I hope this response proves helpful in Ofgem’s implementation of the necessary arrangements. Acknowledging the complexities of cost recovery, and the need to determine an appropriate mechanism through which to provide the associated remuneration, I remain at your disposal should you wish to discuss any of these areas in more detail.

Yours faithfully,

*[sent by email and accordingly bears no signature]*

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**Fergal McParland**  
**Commercial Manager**  
*EirGrid Interconnector DAC*

Cc. Peter Lantry, Head of Interconnection, EirGrid  
Margaret McCarthy, Group Regulation, EirGrid