

Experience on the Island of Ireland of Cost Sharing

C5- Electricity markets and regulation
PS2-7

- *What are the possible cost sharing mechanisms for the proposed cross-border interconnections, which extend to Europe, North Africa and South Asia?*

Mark Needham, Ireland

EirGrid and SONI: the two TSOs on the Island of Ireland have unique experience of cost-sharing

• *Experience relevant: two grids in one island synchronous system*

- Island systems with AC interconnections between them and DC interconnection to GB. Future DC interconnection to France in planning.
- 16 years+ of cooperation for cost-sharing mechanisms but retain a level of independence
- Independently Inter TSO Compensation but broadly similar figures for losses etc.

• *World first's*

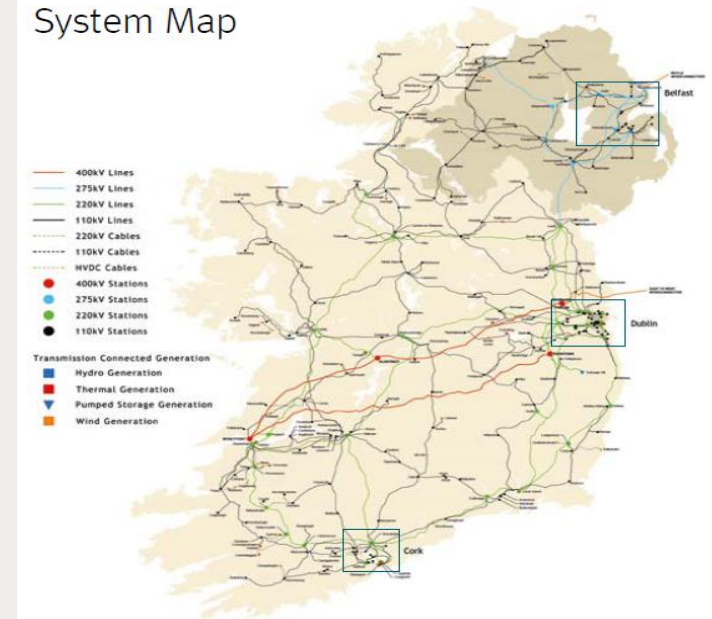
- Dual currency multi-jurisdictional market (2007)
- Dual currency multi-jurisdictional generator Use of System (GTUoS) mechanism (2011)

• *Licence Obligation*

- Licence obligation to cooperate to plan the systems
- Cost share on significant cross border CAPEX projects with WACC plus incentivization

Group Discussion Meeting

Transmission System Map



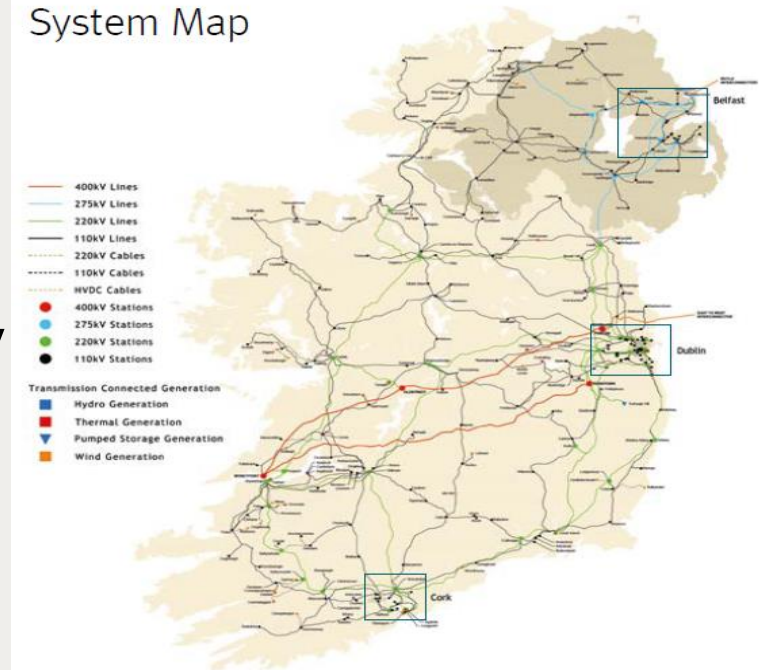
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Challenges

- Difficult to balance immediate and longer term priorities
- 4 different price controls covering at times interacting capital projects
- An increasingly IT based grid means heavy interaction between market and System Operations – this will be more relevant as time goes on
- 2 different jurisdictions part of larger political energy blocks (UK and EU)
- Very challenging and dynamic climate goals

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Experience

- Simple ratio sharing has worked in the past
- RPI-X applied to OPEX with CAPEX having WACC & KPI incentivization
- Some project-specific cost-sharing arrangements
- Slightly different approaches taken by two regulators on the island to capex funding
- Importance of agreed approach for governance for programmes a key driver for successful cost-sharing

Transmission System Map

