

20th September 2019

[REDACTED],
Team Leader
European Commission
DG Energy
Unit B.1 Networks & Regional Initiatives

Ref: 4th PCI list - PCI 5.1.3 & PCI 5.1.2

[REDACTED]

This letter follows correspondence from InfraStrata plc to you and your Departmental colleague on 4th July 2019. We received a reply to this email on the 19th July from your colleague [REDACTED], the content of which was lacking in detail compared to the seriousness of our concerns. We are concerned overall on the lack of engagement since our email on 4th July.

In June our GB Member State representative [REDACTED] outlined her disappointment and that of the Member State that we were not being selected onto the 4th PCI list and that you did not seem willing to consider the qualitative benefits of our application.

During the PCI's Regional Groups GAS Meetings on the 27th and 28th June we made you and your colleagues aware of our disappointment and bewilderment that PCI 5.1.3 and 5.1.2 had not been selected to the 4th list of PCI's.

I again set out below reasoning for our concerns and ask that you consider this letter our formal appeal for you and your colleagues to duly consider the overall merits and status of PCI 5.1.3 & PCI 5.1.2 and ensure they are adopted to the 4th PCI list.

Please note we enjoy the full support of GB and IE Member States in submitting our application. We also continue to receive the full support from the Department for the Economy NI (DfE, GB), the Department of Communications, Climate Action and Environment (DCCA, IE), the Utility Regulator for NI (UREGNI) and the Commission for Regulation of Utilities Water and Energy (CRU, IE). I previously sent a letter of support from Gas Networks Ireland (GNI) who are being kept fully informed of this process.

We have always held the view that ***"Physical Isolation - meaning Member States that are physically isolated from its EU neighbours and are at the periphery of Europe."*** means that physical, geographical or peripheral isolation should be included in the definition as qualifying limbs for this qualitative test and again we wish to propose the following points be taken into account for Northern Ireland (NI), and its unique position, and ask that you consider them to be both binding and relevant for our PCI group and ultimately to have a measured impact as evaluated in the Qualitative Assessment:

- **Peripherality**

A peripheral region is defined as a region with low accessibility to energy and transport networks. Accessibility regularly features as a key scoring criterion in economic assessments and plays an important role in defining geographical peripherality.

- **Geographical location**

One cannot ignore NI's geographical location. It is not linked by land to its member state and is not approximate to its member state's economic hub. NI is an island and connected to its member state by a subsea pipeline. We wish to point out that if there was an issue with an offshore pipeline which required a fix, it will take longer and be more difficult to fix than a pipeline that was onshore / buried on a geographical landmass.

- **Member State v Region**

We fully understand the EU's position on reviewing the needs of the Member State, as opposed to that of the regions within the member state. We would, however, argue that 'needs methodology' cannot appropriately assess the member state without assessing all those regional needs within. Failure to do so will result in a sub-standard qualitative assessment of the economic potential of proposed PCI projects within each member state.

- **Sustainability & Renewable Energy**

Both projects support the achievement of national renewable and carbon reduction targets. The ability of gas power stations in Ireland to back-up renewable energy generation is dependent upon the ability of the gas network to support them. The assessment to quantify the full beneficial contribution/impact the PCI 5.1.3 will make to the back-up of renewable energy generation is evolving, but clearly a facility with the ability to export up to 22mcm/day, situated adjacent to one of the largest power station complexes on the island of Ireland (Ballylumford) adds greatly to flexibility in the context of an Island relying upon a flow from Moffat in Scotland, many km away, with a maximum throughput of 35mcm/day. NI is coming very close now to restricting gas fired power station nomination flexibility due to the unpredictable nature of their dispatch which inversely follows the level of wind generation on the island of Ireland.

- **SEM**

Electricity and gas demand are very closely linked. Both the 2020 Renewable Energy Directive and the Climate Change Act 2008 commit the UK to renewable energy sources and reduction in carbon emissions respectively. The electricity industry, in both UK and Ireland, has responded well to these obligations with large development of wind and solar generation.

Gas makes an essential contribution to decarbonisation by replacing coal in energy generation.

Greener generation, such as wind or solar, are intermittent by nature due to their reliance on optimal weather conditions to generate power. As a result, there is more of a requirement for flexibility on the electricity generation system and more of a reliance on gas powered generation (e.g. CCGT plant) to act as a fast responding back up to intermittent greener energy sources.

As EU Emissions legislation increasingly puts pressure on existing coal plant, for example AES' Kilroot 520MW dual coal and oil power station, towards potential closure there will be a requirement to replace such plant with renewable and gas-powered alternatives. Belfast Power Limited, a subsidiary of Evermore Energy Limited, is in the planning phase to develop a state of the art, low carbon-gas fired power station in East Belfast. A gas storage facility, on the island of Ireland, would provide direct flexibility and enhance supplies to support new build plant to match the legislative requirements.

On the island of Ireland, the Single Electricity Market (SEM) relies on gas as the principal fuel for electricity generation. Gas fired generators are the largest customer sector in the Irish gas market, accounting for c.55% of the total ROI demand in 2015/16 (source: GNI Network Development Plan 2016).

- **Security of Supply**

Both projects will improve the security of supply position. PCI 5.1.3 as the primary source as it holds the gas itself. It is known that Physical reverse flow on SNIP is required to deliver the gas back to GB and to ROI and that the storage project will improve 'price security of supply' by dampening the short-term gas price fluctuations.

Northern Ireland and the Republic of Ireland are heavily reliant on imports of fossil fuels for electricity generation. This security of supply issue results in electricity costs well above the EU average with a knock-on risk for inward investment and economic development. NI and IE are addressing this risk by implementing common targets for 40% of electricity demand to be provided by locally sourced RES by 2020. However, the TSOs SONI and EirGrid have identified technical issues in integrating high levels of wind energy on the system and are curtailing wind to a maximum of 50% instantaneous penetration to maintain system integrity. There is limited electricity interconnection between Northern Ireland & Great Britain as well as Northern Ireland and the Republic of Ireland.

Under the Security of Supply Directive interconnectors must provide this service (bi-directional flow). European Member States can apply for an exemption if there is no market demand, with this exemption reviewed every two years. The Northern Ireland regulator has confirmed that the commitment to build the facility requiring physical reverse flow will be regarded as market demand and a trigger to provide the infrastructure.

Low infrastructure scenarios create large challenges, supporting mature PCI projects will overcome these challenges and as PCI 5.1.3 is at a very advanced stage adoption to the 4th list will also bring enhancement of security of supply to IE as it is heavily dependent on NI/GB for energy supply. This fact will no doubt be demonstrated in any qualitative argument pursued by relevant IE PCI's.

We have communicated to you in the past that [REDACTED] and InfaStrata plc noted, at the March Regional workshop concerning projects proposed for inclusion on the 4th PCI list, that NI, being part of the UK member state, was not qualitatively indicated as 'peripherally isolated'. The binary decision not to apply this indicator to NI means its true position is not reflected. This illogical stance means our proposed projects have lost significant weighting in your assessment process.

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[REDACTED]. [REDACTED]
[REDACTED]. We believe an appropriate qualitative assessment metric should be appropriately considered in any decisions on selection for the 4th PCI list that reflects the unequivocal position that Northern Ireland finds itself in. As project promoters we are confused as to why the sustainability argument has fallen away and would ask for clarification on this. Setting Brexit aside, significant weighting to NI's geographical location, peripherality and physical isolation must be applied to our PCI applications and to be scored qualitatively. We also ask that the related data on 'costs versus benefits' be checked and verified please.

Finally, as there is no formal appeal process can you outline to us how you intend to deal with our version of an 'appeal' and what the next steps are ahead of the High-Level Decision meeting arranged for 4th October.