
Review of Large Energy Users Connection Policy

**Response from the American Chamber of Commerce Ireland
(AmCham) to the Commission for Regulation of Utilities'
public consultation.**

March 2024

AmCham recognises that efforts must be accelerated if Ireland is to reach its goals of a 51% reduction in greenhouse gas (GHG) emissions by 2030 and carbon neutrality by 2050.¹ Significant progress needs to be made in a relatively short space of time, and AmCham has continuously outlined the importance of action in this area to ensure that Ireland meets its targets.

As the consultation document notes Ireland is a “*world leader in digital technologies, and the R&D and manufacturing of pharmaceuticals, biotechnology and ICT infrastructure and devices inter alia.*”² There are almost 972 US companies in Ireland who directly employ over 210,000 people and indirectly support a further 168,000 jobs in the Irish economy. A policy approach focused on attracting inward investment to Ireland has delivered FDI which supports over 80% of Ireland’s current corporation tax receipts and over one-third of Ireland’s current income tax receipts. The presence of multinationals in Ireland also significantly benefits our indigenous business environment, our local communities, and supports balanced regional development. As reported by the OECD in 2021, one of every four multinational employees who moved job either went to work for an existing Irish company or set up a new one.

Ireland is fortunate to have, right across the country, some of the largest and most advanced manufacturing facilities in the world in sectors including medical technology, biopharmaceuticals, semi-conductors, automotive technology, and food/beverage as well as significant data centre investments. These facilities supply key global supply chains and markets, and have already committed to their production/output targets. Lives around the world depend on those targets being met, for example – four out of every five medical stents, saving lives around the world, are created in Ireland. Many of these facilities operate on a 24/7 basis and very carefully plan their shifts to ensure the people needed have sufficient notice. Most implement best-in-class energy efficiency and are making strong energy demand reduction efforts as energy is one of their biggest costs.

In its Energy Demand Strategy consultation paper the CRU acknowledged “*industry’s own clear ambition to decarbonise*”³ and AmCham members are reflective of this strong commitment to climate action. A recent survey of AmCham members found that 42% have committed to reaching carbon neutrality by 2030, with this rising to 64% aiming to reach this goal by 2040. Despite the numerous challenges businesses have faced in recent years, our members remain committed to achieving a more sustainable future. MNCs in Ireland are focused on how best we can ensure that all sectors of the Irish economy adapt and contribute to meeting Ireland’s climate action goals, including

¹ Climate Action Plan 2024, Government of Ireland.

² Review of Large Energy Users connection policy, CRU.

³ National Energy Demand Strategy Consultation, CRU.

through consideration of our renewable energy policy, the adoption of pro-innovation pilot programmes across potential technologies, focusing on achieving net zero, and identifying opportunities to improve energy efficiencies. AmCham and our members continue to closely engage with Government and State agencies to address the various requirements needed to ensure that Ireland meets its net zero ambitions.

It is key that every sector of the economy plays its part in ensuring that targets laid out in Ireland's carbon budgets are met. In this regard AmCham has outlined the importance of accelerated action in terms of the development of indigenous renewable energy in Ireland through offshore wind development, hydrogen production, and biomethane production. Whilst there is industry wide appreciation that Government has clear intentions to increase the roll out of renewable energy across Ireland, in line with its own obligations under EU law, there is still much to do. Greater action must be taken by government bodies, planning authorities and regulators to ensure that Ireland makes the most of its potential for renewable energy generation.

It is clear that significant steps now need to be taken to reach net-zero, however AmCham would note that the measures as currently laid out do not appear to acknowledge the economic impacts of their introduction. As communicated by several stakeholders in response to the CRU's LEU Connection Policy consultation in the summer, the economic impact of the proposed measures cannot be overstated, indeed *"along with decarbonisation, maintaining economic growth and prosperity is also a critical objective."*⁴ Crucial here is the fact that decarbonisation can be achieved in a way that protects Ireland's reputation as a location for inward growth. AmCham understands that significant action must be taken if Ireland is to meet its climate action goals, but notes that the measures as proposed place a disproportionate amount of responsibility on industry. This is due to the costs associated with these measures, the uncertainty accompanying these measures, and the limited awareness of the practicalities of implementing many of these measures.

Category of LEU to which this policy applies

1. Comments are invited from interested parties on the categories of LEU in electricity and gas to which this policy should apply (e.g. for electricity is DG10, DTS-T is appropriate, should DG6-DG9 be included, should the definition focus on capacity or usage, should a combination of criteria be applied?)

⁴ Review of Large Energy Users connection policy, CRU.

The CRU has repeatedly noted the need for the timely advancement of its proposals, but with the remit of these proposals still unclear, there is a considerable degree of uncertainty amongst industry. There needs to be greater clarity regarding who these proposals will be applicable to, and when these measures might come into place, if industry is to have the certainty it needs for forward planning.

It is key that the business is provided with the stability it requires. In particular, clarity must be provided that this policy will not be enacted retrospectively on existing connections. Comments made by the CRU to stakeholders have not been clear on this point. For example, at the CRU's webinar on this consultation it was noted that these proposals "*may inform existing customers going forward.*"⁵ At present there are concerns in relation to the changing of terms of service. AmCham would seek clarity from the CRU on this, as future plans are currently unclear.

In terms of LEUs that *do* fall into the remit of the CRU's proposals, AmCham suggests that this is based on usage/demand, as opposed to other potential factors.

Transition Period

3. Comments are invited from interested parties on the proposed use of a transition period/glide path in relation to (i) the changing requirements at time of connection on the transition to zero real time emissions, and (ii) once connected, the changing requirements as the project transitions closer to real time zero e.g. from non-firm connection to firm connection linked to milestones.

As noted above, AmCham members are committed to advancing Ireland's climate action goals. 42% of members aim to be carbon neutral by 2030, with this rising to 64% by 20240, highlighting the ambition of industry when it comes to sustainability. AmCham therefore appreciates the efforts that are now being made by Government, and the CRU to ensure that Ireland's climate targets are met.

AmCham further welcomes the CRU's acknowledgement of the importance of a transition period/glide path in relation to the implementation of these measures.

The use of a transition period/glide path will be crucial given the limited resources that LEUs have available to them in terms of renewable energy at present. Any progress made by LEUs toward achieving net zero will in large part be dependent on the

⁵ CRU online Stakeholder Workshop - Review of LEUs connection policy, 29th February 2024.

advancement of Ireland’s renewable energy offering. As the CRU acknowledges there is “*currently a limited stock of indigenous renewable fuel for dispatchable generation.*”⁶ For example, Government’s strategies for green hydrogen and biomethane have not yet been fully realised. In this regard a transition period is necessary, and the timeline of this transition period should be reflective of the pace at which advancements happen within the renewable energy space. Without the necessary technologies in place, it falls to industry to implement flexibility dependent on when renewable energy is available and/or invest in onsite generation/engage in Corporate Purchasing Power Agreements (CPPAs). However, even these proactive steps that could be taken by LEUs are somewhat outside of their control, as the CRU notes “*changes placing mandatory requirements on new LEUs seeking to connect to the system may promote additional investment in the development pipeline. However the timing of new renewable generation projects being developed and delivered may be outside the control of the LEU.*”⁷ Indeed, Ireland’s CPPA market compares unfavourably to that in other EU countries, as it is not as developed. Ireland’s grid connection costs, connection timeline uncertainty, business rates, planning permission lifetime limitations, levels of renewable curtailment, and complex and long development process result in a more expensive and timely process. In particular, the commercial offering in RESS cuts across the ability for companies to compete for new renewable electricity projects by continually offering more attractive terms to developers which are not viable in a CPPA structure. The RESS market design needs to be considered in the context of the CPPA market and Ireland’s target of procure 15% of all renewable electricity through CPPAs, as stated in the Climate Action Plan.

The CRU notes that “*an LEU could initially be offered a nonfirm connection, but once this LEU meets certain milestones like providing real-time demand flexibility products and/or meeting real time net zero requirements it could qualify for a firm connection.*”⁸ The idea of offering nonfirm connections should be reconsidered given then importance of ensuring Ireland remains a destination of choice for business growth. The need for secure reliable energy is central to companies looking to expand in Ireland. Flexibility is a significant cost to business, and quite often uncertain or unquantifiable. There is a need for greater consideration of this by the CRU. The consultation document notes that LEUs will need to “*to invest in flexibility capability from the outset*”⁹ however does not provide concrete details of this, and it should acknowledge that associated costs for industry, particularly given that the electrification of heat will bring significant costs in terms of infrastructure and likely operational costs.

⁶ Review of Large Energy Users Connection Policy Consultation, CRU.

⁷ Ibid.

⁸ Ibid.

⁹ National Energy Demand Strategy Consultation Document, CRU.

AmCham welcomes the establishment of “*Working Group focused on industrial decarbonisation, chaired by the Department of Enterprise, Trade and Employment*”¹⁰ as this is a useful mechanism through which Government can work towards better understanding the practicalities of industrial decarbonisation.

The consultation document further notes that “*any increased demand for indigenous renewable fuel from LEU projects could drive investment and encourage faster development of the sector by providing a route to market for these products.*”¹¹ Whilst comments such as these have merit, they would benefit from greater direction and detailed proposals outlining how such goals will be achieved. There is a need to connect the dots across various Government and CRU strategies and proposals, as much of what is noted in the document seems to be presented in isolation from other relevant initiatives.

4. Please provide views on the proposed timing of different options.

The timeframe for which LEUs can become net-zero will in large part depend on the speed at which renewable energy is made more readily available to them, whether that be via the grid or through the accelerated advancement of technologies such as hydrogen and biomethane. It is crucial that this is taken into consideration by Government and the CRU- to impose penalties or regulations when there is no alternative option is a misguided approach.

5. Should optionality be maintained in allowing a menu of different options to perspective LEUs, with the end net zero emissions target becoming more binding as the glide path advances?

Yes, optionality is an important principle to be adopted, particularly when taking into consideration the different types of businesses and industries that come under the heading of LEU. It will be important that the different ways in which these businesses operate is taken into consideration.

¹⁰ Review of Large Energy Users Connection Policy Consultation, CRU.

¹¹ Ibid.

Measuring performance.

7. Comments are invited on the approaches used to account for net zero emissions. This could include timestamped GOs or renewable certificates. Please provide reasons and rationale for any views provided.

There remain several uncertainties in relation to how net-zero will be measured. Notably there needs to be a firmer, more specific definition of precisely what the CRU means by net-zero. It is also unclear whether the CRU's measurement of net-zero will take into consideration the whole life cycle of a new LEU connection, for example construction, scope 3 emissions ect. Clarity is needed on this to give industry a holistic understanding of what is being suggested.

There are several widely used and accepted standards that businesses currently use to measure their moves towards net zero, which reflects the different ways that companies can reduce their emissions. The CRU should consider this in determining how best to approach this under these proposals.

As noted above, it is essential that the net-zero requirement applies only to new demand and not retroactively to existing LEU demand.

Location of LEUs

15. Should new LEUs be located close to areas of renewable generation and/or storage or within energy parks? Please provide reasons and rationale for any views provided.

LEUs span across a number of sectors and so a one-size-fits-all approach will not work when it comes to introducing restrictions on location. The development of energy parks and the situation of industry within these is a good idea in principle, however as the CRU acknowledges it would require "*cross government intervention, enterprise agencies, planning bodies, spatial planning, to ensure it is considered and facilitated against other utilities required such as transport, fibre, water etc.*"¹² As it stands such plans are not yet in place, and so there is uncertainty again surrounding the timelines that are being suggested by the CRU. Industry would require the necessary infrastructural development to be in place or have planning in place, before it is able to plan to open a

¹² Ibid.

site in any given location. Prior to the implementation of such a measure, relevant action is required and indeed should be approached with urgency.

The CRU further questions “*whether any locational provisions requiring the location of LEU demand close to renewable generation and storage should be mandatory or voluntary.*”¹³ AmCham notes that it is crucial that any locational provisions should be on a strictly voluntary basis, as anything mandatory in nature would mark a significant degree of intervention.

Non-firm demand connections

21. Should non-firm LEU connections be introduced? If so, should these non-firm connections be made on an enduring basis? Please provide reasons and rationale for any views provided.

AmCham is cautious about the idea of bringing in non-firm LEU demand connections, given the uncertainty that these create for business, further consideration is necessary. The uncertainty for business is highlighted by the unclear way in which such connections would operate, as the CRU consultation document notes, “*connections may not be fully firm 24 hours a day, this could be linked to certain times or external conditions.*”¹⁴ Greater clarity must be provided for industry to fully understand how they will work. Greater guidance, and cohesion on an approach to energy demand policy and decarbonisation is needed going forward. Clarity is also required with regard to how far in advance non-firm connections would have warning of when within a 24 hour cycle their access to energy would be limited, if it is to be limited to “*certain times*”, and it is also necessary that adequate warnings are given to LEUs when their connection may be stopped due to “*external conditions*”.

On-site generation and storage

28. Comments are invited on the use of renewable generation and storage on-site. Should this be used to match LEUs demand on-site or to provide flexibility services to the system? Please provide reasons and rationale for any views provided.

¹³ Ibid.

¹⁴ Ibid.

AmCham would again point to the fact that many different types of business come under the heading of LEU, with different operations, budgets, and physical space impacting their ability to generate and store renewable energy onsite. Indeed, it can be challenging for LEUs to develop onsite storage and generation, depending on location, and matters such as a planning permission. There is also a significant cost associated with the production and storage of onsite renewable energy, which acts as a significant deterrent.

AmCham suggests that the CRU allow multisite customers with onsite renewable generation, and demand side flexibility, to trade energy at no cost across the grid between sites. At present, AmCham members who are producing surplus renewable energy are selling this to the grid cheaply, and then buying it again at other sites at full market price with no renewable element included. Steps should be taken to allow for a more direct and cheaper exchange of energy between sites of the same company.

Demand flexibility

32. Should demand flexibility services be mandatory or voluntary for new LEUs? Please

AmCham notes that it is crucial that demand flexibility is not made mandatory. There are several reasons why this should be the case. AmCham notes that market-based mechanisms should be the core method enacted to manage energy demand. The CRU needs to make these market-based mechanisms as attractive as possible to provide LEUs with the appropriate incentives to manage their demand as is needed. Importantly demand flexibility should not be mandatory or a requirement.

The CRU should look into specific ways in which flexibility can be encouraged in LEUs. For example, as noted above, many LEUs require significant foresight if they are to adapt their level of demand. In this regard, the development of products that can assist with this forewarning should be prioritised. It will also be important that LEUs providing demand flexibility are not subject to imbalance charges. Finally, Ireland should look to best practice international case studies. For example, the model used by Danish TSO Energinet includes a voluntary Limited Grid Access Tariff for LEUs.

Greater awareness of the realities of introducing demand side flexibility to operations which depend on forward planning and certainty if they are to successfully operate in

Ireland. Flexibility is a significant cost to business, and quite often uncertain or unquantifiable. There is a need for greater consideration of this by the CRU.

The suggestion that industry could change production schedules does not take into account the practicalities of operating large sites, with 24/7 shift patterns and many needing to maintain batches at strict temperatures. Power interruption may have a lasting impact in terms of potential damage to industrial tools. Several industries need a minimum amount of gas for production continuity. If production is stopped, it cannot be easily restarted without significant delays, regulatory approval, and costs.

Gas

40. Comments are invited from interested parties on the use of biomethane towards decarbonisation of LEU demand. Do respondents have a view on the volume of indigenous biomethane that can be produced annually? Do respondents have a view on the scalability of using biomethane towards the decarbonisation of LEU demand?

AmCham has previously called for accelerated action in the renewable gas space. As such, AmCham welcomed the publication of Government's Hydrogen Strategy last year, and the recently announced consultation on a National Biomethane Strategy. However, Ireland is not as advanced as many of its European counterparts, and as such work should be accelerated to ensure both strategies are delivered in a timely manner.

The Climate Action Plan set a target of 1.6 TWh per annum of indigenous sustainably produced biomethane for injection into the gas grid by 2030 and showcased a willingness to explore opportunities to produce further levels of biomethane above 1.6 TWh. Biomethane is suitable to replace natural gas on the network and is fully compatible with existing appliances, technologies, and vehicles, whilst also reducing emissions. In addition, biomethane is well-recognised in response to the EU's commitment to becoming a highly energy-efficient, low carbon economy. Ireland, with its large agriculture sector, is considered the EU member state with best potential to exploit biogas. Despite this, Ireland is behind its European neighbours in biomethane production. Denmark, with a population similar to Ireland and a large agricultural industry, derived 25% of its 2021 gas needs from biogas, and has set targets of 75% by 2030 and 100% by 2034. Industry experts note the significant sources of suitable biomaterial in Ireland and the competitive advantage that Ireland has in growing grass. In this context, clarity on the strategy with regard to biomethane would be welcome, given that other jurisdictions have such strategies in place.