

IDA Ireland Submission to the CRU LEU Connection Policy Consultation

March 19, 2024

Introduction

IDA Ireland welcomes the CRU Consultation on LEU connection policy, and the opportunity to comment on the consultation, which IDA anticipates will bring clarity and certainty to large energy users. IDA Ireland supports over 1,800 clients which employ 300,000 people on a full-time basis in the Irish economy, which represents a doubling of FDI jobs since 2010. IDA Ireland clients spent €15.5 billion on capital and €22 billion on payroll in 2022. Significant additional economic impact is achieved through associated employment and additional exchequer returns through, *inter alia*, substantial spend on Irish materials and services, and corporation tax receipts. Over 56% of employment in the IDA portfolio was in Information and Communication, Business and Financial Services at the end of 2023.

IDA Ireland would like to share observations on the consultation, which it anticipates CRU taking account of as it determines a path forward.

IDA Ireland believes that a core principle of connection policy should be support for and facilitation of Large Enterprise User (LEU) enterprise development, which makes such a substantial contribution to Ireland's exchequer. LEU's include a significant cohort of the organisation's client base including in biopharma, semiconductors, and digital and software services (data centres). Ireland has long enjoyed a reputation as one of the world's leading foreign direct investment (FDI) locations, not least due to the stability of the grid, the existence of available excess capacity, and the responsive and cooperative approach of the system operators to facilitate new enterprise connections. In principle, any new connection policy should seek to encourage rather than restrict or impede enterprise growth, alongside ambitious transmission grid and renewable energy generation targets.

Competitive Environment

At a time of substantially increased competition for foreign direct investment, any new connection policy should be cognisant of different categories of LEU and ensure that Ireland's enterprise value proposition is not eroded, or its competitiveness impacted, in particular for more cost sensitive sectors such as manufacturing. Cost competitiveness is imperative.

Sustainability

The focus on sustainability is now embedded across the enterprise base. LEUs are aligned with and supportive of sustainability goals, and of Ireland's sustainability ambitions, despite the cost competitive challenges that confront many companies today. Many LEUs have aggressive net zero goals; for example, major data centres in Ireland are signatories to the Climate Neutral Data Centre Pact, which commits their facilities to be fully climate neutral by 2030.

IDA Ireland believes however that the connection policy should recognise that sustained LEU demand will also be required to in turn drive large-scale renewable energy investments in Ireland, and to underpin the economic viability of those investments, which ultimately can help to accelerate Ireland's decarbonisation goals and targets. A policy which deters or discourages LEU demand could seriously dent confidence in Ireland's proposition for investment in the supply of renewable energy. For example, data centres, with large scale predictable and stable loads, can ultimately be a catalyst for Ireland realising its renewable ambitions. They have been at the forefront of agreeing corporate power purchase agreements, helping to realise some projects without state subsidies, i.e. outside the RESS auction process.

Transition Period to Net Zero

IDA Ireland supports CRU's ambition to adopt policies which are consistent with Ireland's emissions reduction targets. The agency believes that in the medium to long term a carbon free grid offers the country the best path forward to attract large energy users in a sustainable and cost-effective manner.

Given short term challenges however, IDA Ireland advocates that a transition period for LEU connections is enabled, with a realistic and practical glide path to enable companies achieve zero real-time emissions. The glide path should provide optionality to LEUs, while reflecting practical, technological, and competitive challenges. An overly restrictive or draconian approach, implemented without a reasonable glide path, could seriously impact Ireland's FDI proposition across several business areas, including manufacturing and high-value digital services. In addition, the time taken to implement new and innovative technologies can often be impacted by factors outside an LEUs control (e.g. planning timeframes and uncertainty).

Consideration should also be given to LEUs that deploy, test or pilot new innovative technologies, especially balancing technologies, that would be of value to the country's renewable targets, with recognition given for new advancements, for example in demand side management. IDA Ireland believes that by prioritising and enabling LEU connections, innovations in large scale energy storage and alternative low or no emissions fuels will be accelerated.

Location

IDA Ireland welcomes the investments that EirGrid is making in the national grid through the *Shaping our Electricity Future* strategy, and progress being made in the 'Powering Up Dublin' project, which addresses current constraints. This will enable the continued growth of large-scale capital intensive FDI, including in the digital economy, as new and innovative technologies such as AI and Quantum Computing are adopted. In addition to supporting future large energy connections in the greater Dublin Area, IDA Ireland continues to adopt a clear policy which supports balanced regional investment. This has been called out repeatedly in successive IDA Ireland strategies.

One means by which connection policy can support regional development is through the development of renewable energy parks, where renewables at scale can be co-located/adjacent to/linked with large scale battery and hydrogen storage to address rapid peak demand response, potentially supported by a future private wire framework. Although energy parks won't be suitable for all large users, IDA Ireland believes that they may have the capacity to provide innovative and sustainable solutions for some. These can enable real progress towards balanced regional development, catalysing enterprise and employment growth, while helping Ireland to achieve its climate goals.

Certainty of Connection Processing Timeframes

IDA Ireland clients cite the challenging and uncertain timeframes in which critical decisions such as grid connections are advanced. Certainty of decision-making timeframes (as distinct from outcomes), whether in the planning system or for regulatory or connection decisions, are a real asset in helping companies to plan, and which in turn help remove uncertainty from Ireland's FDI proposition. For example, with respect to data centre connections, the previous practice of sequencing connection decisions after building and associated infrastructure planning permits had been achieved, added uncertainty, length, and cost to project timescales. Because of the scale and associated risk of LEU investments, countries that can demonstrate certainty in decision-making timeframes have a distinct advantage over competing locations for mobile large-scale investment.

Conclusion

IDA Ireland appreciates the opportunity to provide observations on this consultation. The agency recognises the challenge that is presented by meeting the increased electricity demand from large scale enterprise growth while addressing emissions reduction targets. There is an urgency however, to have a clear, workable, and enduring connection policy in place, which will set Ireland up to attract and support the next wave of large-scale enterprise development. This policy should support Ireland's clear enterprise development agenda whilst at the same time provide a catalyst in achieving net zero requirements. A transition/glide pathway to net zero is necessary.



Although short to medium term challenges exist, IDA Ireland notes that any decisions made by enterprise to pursue a large energy connection in Ireland today will take several years to plan, permit, and construct. In the case of one asset class, data centres, the ramp in capacity offtake can take several years to fulfil, providing further time to meet demand with additional renewables supply. A clear connection policy will enable companies to plan for large-scale investments that could take several years to realise.

Ireland's FDI model has been successful because of several factors, but not least the presence of a stable grid and the ability to meet enterprise demand. Our success as a country is threatened when policies that are within our control are misaligned. The demand for clean electricity at scale is increasing across all enterprise asset classes; it is imperative that Ireland charts a clear path forward that enables the next wave of growth while helping to accelerate its climate action strategy and decarbonisation objectives.