

# Review of Large Energy Users' Connection Policy Consultation

CRU/2024001

Commission for Regulation of Utilities

## Enterprise Ireland Response

19 March 2024

### Introduction

1. Enterprise Ireland (EI) welcomes the opportunity to provide a submission to the Commission for Regulation of Utilities' (CRU) Consultation Paper on Large Users' Connection Policy Consultation (reference code: CRU/2024001).
2. EI is the Irish government organisation responsible for the development and growth of Irish enterprises in world markets. EI works in partnership with Irish businesses to help them start, grow, innovate, and win export sales in global markets. EI supports sustainable economic growth, regional development, and secure employment. EI partner companies employ over 225,000 people and export over €32 billion worth of goods and services annually.

### Context

3. This submission is provided within the context of a trading environment where the cost of doing business is a pertinent challenge for Irish enterprise, and the cost of utilities being a significant element of cost for many stakeholders. The impact of the cost of utilities varies for different sectors, but its importance to the Irish business environment, and the overall competitiveness of the Irish economy, cannot be overstated. Associated costs are at least in part due to the essential nature of energy, and exogenous factors impacting costs of system operations.
4. EI is in full agreement with the overarching need for the Irish ecosystem to deliver long-term sustainable practices across the economy.
5. EI recognises the importance of balancing the need to achieve carbon emission targets that comply with or exceed international commitments with ensuring that Ireland's economic engine is sustained in order to deliver jobs and exchequer returns over the long-term, and in particular that Irish-owned businesses continue to grow. EI is also clear that in order to achieve favoured outcomes, a balance needs to be struck between mandating desired behaviours on the one hand, and imposing sanctions that may have the consequence of halting business activities, on the other. The optimal approach is one that allows commercial activity to thrive whilst also achieving full adaptation to the best sustainable practices over reasonable timeframes.
6. Electrification of industrial processes and heat is a key pillar in achieving the goals of the National Climate Action Plan. EI is proactively encouraging and incentivising large energy and heat users to migrate to electricity from fossil heat sources.
7. EI recognises the need to optimise the electricity system to deliver the lowest cost clean energy for Irish enterprise. Cost competitive electricity will accelerate the uptake of electrification and industrial decarbonisation while increasing international competitiveness of Irish-based enterprise and enabling new business models and exports.
8. An energy system where lower marginal cost renewable energy is passed on to industrial consumers as effectively as possible would maximise the commercial potential and climate potential of Ireland's renewable resource.

9. EI is also tracking emerging opportunities by local enterprise for the development of demand response expertise and services in advance of a growing global market need. EI is working with client companies that are developing and deploying commercial solutions to provide enhanced electricity flexibility services and technology, such as the development of integrated energy parks.

### Category of LEU to which this policy applies

10. Extra-large energy users (XLEUs) and large energy users (LEUs) are essential participants in the Irish economy and economic model. EI clients, including XLEUs, LEUs, smaller energy users, and businesses working closely with energy-intensive industries, make sizable contributions to the Irish economy, not least through wages and taxes derived from national and international sales. Most XLEUs' businesses are integral in different ways to the continued success of the Irish economy and the development of future policies should respect their varied needs.
11. Even within the small cohort of XLEUs, strikingly different flexibilities exist – whereas some XLEUs' businesses allow for extremely dynamic demand flexibility, other XLEUs – including heavy industrial manufacturers in particular – have zero demand flexibility.
12. Given the relatively small number of XLEUs, and their outsized impact on the energy market, a case-by-case approach to encouraging optimal behaviours is the best approach. EI's experience is that robust bespoke collaboration with XLEUs is the best means to drive sustainable transformation.
13. Non-XLEUs are particularly vulnerable to additional costs. Any changes to the terms under which non-XLEUs engage with energy suppliers should be based on credible evidence that the desired impacts will accrue. Moreover, any requirements placed on non-XLEUs should be phased in to allow affected businesses to plan and invest accordingly. To this end, application of requirements for real time emissions accounting and enhanced flexibility can grow over time as the policies and their application mature.
14. Increased mandatory requirements to connections policy can cause unnecessary uncertainty for these LEUs and may delay or block increased electrification at some facilities. For long-term sustainable outcomes, changes in behaviour should be achieved through incentives that will reward innovative actions where full buy-in ensures that the companies implementing the changes are motivated to deliver.

### Measuring performance

15. EI does not consider that there is a sufficient rationale for real time emissions tracking to be imposed. Current policy goals require industrial energy users to reduce onsite fossil fuel use via increased electrification. A transition from fossil energy to electrification will generate significant emissions reductions. Additional requirements on electricity emissions reporting for these users may slow industrial process and heat electrification.

### Transition period

16. It is important that a transition period allows time for adaption and provides certainty. Any transitional measures should provide clear and unambiguous dates for employment or ratcheting of requirements. Ambiguity in the length or outcome of a transitional measure will lead to delayed investments, decreased incentive to prepare and potentially stranded assets for first movers if the transitional period is extended.
  - A clear and specific Real Time Emissions Reporting roadmap should be agreed. The roadmaps should provide definitive dates for the application of real time reporting, and for what size of energy user will be affected. A clear and unambiguous timeline will provide

certainty for both existing and new users on the requirements and obligations in reporting and certifying emissions performance.

- New facilities, regardless of the level of energy use, should not have to demonstrate net zero operation immediately on operation. However, safeguards for future low carbon operation should be considered. In combination with real time emissions reporting, the largest electricity users could demonstrate an increasing proportion of renewable energy use or demonstrate that their emissions intensity outperforms the electricity grid average.

### **Demand flexibility**

17. Demand flexibility for XLEUs should be looked at on a case-by-case basis, given the significantly different options available to different users.
18. Demand flexibility for non-XLEUs should be voluntary. EI believes a growing cohort of electrifying industrial installations will be in a position to provide flexibility to the grid. This will require sufficient remuneration to encourage flexibility, and/or lower energy cost due to closer matching of consumption with renewable generation.

### **Location of LEUs**

19. The co-location of new XLEUs and LEUs with variable renewable generation, where practicable, can have both commercial and grid benefits. For instance, real spillover benefits can arise due to the proximity effect of like-minded businesses being co-located.
20. Any commercial and social advantages in locating LEUs within reach of employment centres and other required infrastructure will generally outweigh the benefits of mandating co-location. A sanctions-based approach will force businesses to make sub-optimal choices. In contrast, an incentive-based approach will allow enterprises to locate in desirable geographies whilst being motivated to develop innovative approaches that are most suitable to their business.
21. Co-location of energy users in energy parks has the potential for significant energy, climate, and commercial advantages. EI is aware of initial energy park projects that seek to combine energy generation, energy storage, grid services, heat networks and in some cases anaerobic digestion. In addition to energy security of supply, co-location also provides advantages for the adjacent valorisation of waste products and increasingly circular economic activities. These innovative outcomes are more likely to be achieved by encouraging businesses to base themselves in particular locations, rather than mandating a narrow set of geographical choices.

### **Non-firm demand connections**

22. In some cases, firm connections will be a non-negotiable requirement for the electrification of a facility/process. Policy developments should account for these circumstances.
23. EI is supportive of the proposal to introduce non-firm connections, where such an alteration would allow for a grid connection or an MIC increase that would otherwise not be available. LEUs have repeatedly advised EI that access to sufficient MIC is of prime importance to enable increased electrification.
24. LEUs that choose to electrify via a non-firm connection may incur increased capital costs, underutilisation of equipment and/or operational disruption. It is important that industrial LEUs that provide flexibility to the grid via non-firm grid connections are compensated via a flexibility market arrangement. In addition to flexibility markets, accurate electricity price signals reflecting periods of high renewable generation would be a direct incentive for industrial LEUs to match electricity consumption with production.

### **On-site generation and storage**

25. In many cases, in order for XLEUs to provide sufficient flexibility to the grid, on-site generation is likely to be a requirement. Other options include energy and battery storage; however, these may not have sufficient storage capacity in all cases.
- On-site generation should enable greater grid flexibility, an XLEU should consume renewable electricity from the grid as it is available and may rely on own generation when the grid is tight.
  - Where an XLEU opts for own generation, flexibility allowed should go beyond merely facilitating emergency backup generation.

### **Conclusion**

26. EI is cognisant of the challenge of ensuring that policy development in this area achieves balanced, sustainable outcomes. Having engaged for a long time in delivering transformative results from Irish exporting LEUs, EI believes that an over reliance on mandatory approaches would lead to less sustainable outcomes and that long-term success for all stakeholders is best achieved by collaborating robustly with enterprise and incentivising desirable behaviours.

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