



Energy for
generations

Customer Solutions

**ESB Customer Solutions Response:
Review of Large Energy Users Connection Policy
*CRU/2024001***

19/03/2024

Introduction

ESB Customer Solutions welcomes the opportunity to respond to the CRU's Consultation Paper on the Review of Large Energy Users Connection Policy.

ESB Customer Solutions develops, markets and sells innovative energy supply and service offerings through ESB's customer-facing brands including Electric Ireland, ESB Smart Energy Services, eCars, and Electric Ireland SuperHomes. Our experience in the Large Energy User (LEU) space primarily relates to the supply of electricity, gas, and services to these customers. ESB Customer Solutions appreciates the intent of the proposals put forward by CRU and acknowledge that measures are required to ensure that continued demand growth in this area is in line with Sectoral Emissions Ceilings and climate targets.

The key points for ESB Customer Solutions are as follows:

- A comprehensive framework/roadmap for LEU Connection Policy is required if significant changes to policy are to be introduced. This should include scenario analysis and impact assessments and allow an appropriate transition period.
- Some of the proposals will introduce risks and challenges for suppliers such as the balancing risk associated with Demand Flexibility.
- The proposals appear to put an emphasis on the location of LEUs. Further detail on energy parks and renewable hubs and how these will function is required to allow industry to assess this as a viable option. It is clear that a holistic approach is required in terms of location.
- The role for energy suppliers as part of this journey should be defined. It is unclear how the supplier-LEU relationship will evolve under the proposals.

We have provided further detail on these points below.

Approach to Development of the Policy

There are a number of challenges and barriers that need to be addressed in order for these proposals to be introduced successfully. We would suggest that these issues should be dealt with through a comprehensive project type approach allowing for industry to assess and input into. A detailed framework/roadmap should be developed including scenario analysis and impact assessments to prevent unintended consequences. Any proposals should allow for an appropriate lead in time / transition period to allow industry and customers to adapt.

Balancing Risk as a result of Demand Flexibility

There is a balancing risk for suppliers when LEUs engage in any demand flexibility initiative (either via a DSU or direct procurement by ESBN/Eirgrid). Under current market arrangements, suppliers do not have visibility of any flexibility actions a customer may take, meaning suppliers could be left with a large balancing risk which may have to be priced into tariffs and potentially passed through to customers as a risk premium. This risk may also manifest if LEU customers have non-firm access as

their demand would not be predictable, depending on the type of product a customer has signed up to.

Market rules should reflect that any imbalance that manifests due to actions taken by ESBN/EirGrid/external parties to dispatch flexibility, should not be left to the supplier to manage. A holistic approach should be taken to ensure that suppliers are made whole in this regard.

Locational Aspects of Demand and Generation

Energy parks and renewable hubs as referenced in the consultation could address locational considerations for LEUs and renewable energy sources, but as a concept far more detail would be required for these to provide comfort for customers and investors. For example, how these renewable hubs would be funded, planned, and located should be detailed.

Current market rules are not designed to match demand and generation on a locational basis and therefore will need consideration.

There is a risk that the proposals will result in 'islands' of behind the meter generation and demand resulting in limited visibility of growth in demand and renewables for these sites.

Role of Suppliers

The proposals in the consultation will likely see increased appetite for 24/7 zero carbon offerings from energy utilities. LEUs will require access to renewable and zero carbon energy, wholesale market balancing, reporting, risk management, along with the comprehensive benefits provided for within a supply contract.

In this regard, the proposals will place standalone electricity suppliers like Electric Ireland at a competitive disadvantage compared to vertically integrated competitor suppliers, which have integration to generation assets and so are better positioned to offer flexible / structured products and most especially access to renewable generation. These integration benefits are in comparison to suppliers (standalone suppliers and ring-fenced supply companies) who source hedges in the highly illiquid I-SEM market. This dynamic will lower overall competition in the market in terms of offerings to LEUs.

The transition to net zero is seeing an evolution of the retail market from purely selling electricity to more integrated offerings of solar, batteries energy efficiency and other services. This highlights the need for the regulatory framework to evolve to the changing circumstances and needs of customers through a review of overall market liquidity and the ringfencing restrictions faced by Electric Ireland.