

The Commission for Regulation of Utilities
The Exchange
Belgard Square North
Tallaght
Dublin 24

By email: (energydemandstrategy@cru.ie , electricityconnectionpolicy@cru.ie)

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Re: Review of Large Energy Users Connection Policy - Consultation

Dear Sir/Madam,

Ibec, the group that represents Irish business, welcomes this opportunity to present its views on the CRU review of Large Energy Users (LEU) connection policy. We speak for businesses across a range of industrial, commercial, and non-profit sectors. The organisation and its sector associations strive for business conditions that enable sustainable economic growth.

Overview: Ireland's net zero opportunity and energy security challenges

Through the Climate Action and Low Carbon Development (Amendment) Act 2021, Ireland has set world-leading targets to reduce GHG emissions and establish a net zero economy by 2050. Ibec is a strong supporter of this ambition. The transition to net zero is not only an environmental objective but an economic imperative. In a world where investment, talent, and consumers increasingly follow environmental sustainability, the transition has become a driver of business value and industrial competitiveness. If Ireland's climate ambition can be delivered in a coordinated, timely, and cost-effective way, Ireland can enhance its competitive offering and establish itself as leader in sustainable enterprise. This means all future growth must be as carbon efficient as practical if not carbon neutral. Decisions about growth and development must consider the long-term lock-in of emissions, and the impact on carbon budget trajectories.

Ibec also recognises that Ireland faces immediate and medium-term energy security challenges. Ireland's electricity system is under pressure because of market and system failures to attract the necessary investment in conventional and emergency generation to meet expected demand. Overcoming these challenges requires major investment in renewable electricity and gas, networks, new gas generation capacity (in time renewable gas generation), greater demand response, and careful management of the system.

Ibec recommendations for a new LEU connection policy

For the reasons set out above, Ibec fully acknowledges the need for a connection policy that safeguards the reliability and resilience of the electricity system and ensures all future industrial growth is as carbon efficient as practical. However, policies that set conditions and prerequisites on new economic development must be equitable, evidence-based, and practical.

It is vital that businesses have access to affordable and viable alternatives to fossil fuels. Similarly, any demand-side measures must reward those who can do more, but not unfairly penalise those who cannot participate because of the nature of their operations. Without mitigation options and alternatives, new obligations on future demand connections could be anticompetitive and manifest as simple suppressors of economic growth. Also, an overly onerous regime with impractical demands on new connections would lead to carbon leakage where new investment and economic activities are redirected elsewhere with no reduction to global emissions.

There are also limits to what individual businesses can do. To ensure that security of supply is maintained on the Irish electricity grid, and that the national carbon budget is respected, the CRU must ensure that Irish power markets, ancillary services and other market products are designed such that they deliver the resources the power sector needs to meet these twin demands. The long-term health of the Irish power system depends on well-functioning markets and products that deliver firm and flexible carbon-free generation in a timely manner, respecting the remaining carbon budget.

To be successful the new connection policy must

➤ Allow multiple pathways to net zero

The pathway to net zero emissions will differ significantly across industries and individual energy users. If a requirement is introduced that new LEU connections must result in net zero emissions, particularly if required from the outset, it is important to ensure such a requirement is applicable and achievable by all classes of LEUs. The CRU should provide optionality that provides for multiple pathways to demonstrate that a facility will be 'net zero' and can deliver resilience to the grid. Optionality recognises that there are many different clean energy resources & technologies. For example, renewable electricity can be sourced through physical and financial power purchase agreements, direct investment in assets including on-site generation, and guarantees of origin. Other firms may require investments in biomethane, Hydrotreated Vegetable Oil, Bio LPG, hydrogen, and carbon capture.

And some sites will be in a better position to offer greater flexibility and resilience to the grid through batteries and demand response.

➤ **Include a transition period to net-zero emissions**

Ibec fully supports the concept of a transition period or glide path to net zero emissions. The imposition of an immediate net zero requirement at the point of connection is not feasible. Renewable energy supply constraints mean such an imposition would simply act as a suppressor of economic growth and a driver of carbon leakage. A transition period would give the technology and energy market the time to develop. Meanwhile the certainty of the timeline and ultimate net zero destination would prevent against emission lock-in and deliver the investment signal to industry to transition away in a practical way. Such an approach would align better with current government policy on renewable electricity and gas where large-scale mobilisation begin after 2030 onwards (80% share of RES-E and 5.7 TWh biomethane by 2030).

➤ **Account for existing barriers to renewable energy delivery**

A transition period is also vital to account for the many barriers industry faces in delivering energy projects on time. Industrial decarbonisation and renewable energy projects are often frustrated or delayed for reasons outside of the control of the business or project developer. Energy projects often take a decade to bring from pre-planning to operation because of enduring problems in Ireland's planning and licensing regimes. The sector is also reporting major skills and supply chain constraints. Any net zero requirement must allow sufficient flexibility to meet the obligation. For example, new connections could be asked to show a commitment to a PPA or other instrument within a practical time reflecting the time it takes to secure an offtake agreement. An obligation to deliver an operational project within a fixed timeframe is not practical.

➤ **Provide certainty for industry**

The new policy must give long term certainty to industry and LEUs regarding the terms of their connection agreements. It is vital that previously agreed terms do not subsequently change from that agreed at the point of connection. In this respect it is also vital that existing connection agreements are not impacted by the new policies. This would create an unexpectable level of risk for LEUs and damage Ireland's reputation internationally as a destination for investment.

➤ **Support electrification and emission reduction**

The twin objectives of this new policy are to reduce GHG emissions and boost the resilience of the electricity system. There is a risk that these objectives could conflict where increased electricity use is needed on site. For example, a site that needs carbon capture technology to fully decarbonise will require a significant increase in their maximum import capacity. Policies and conditions imposed on LEUs that inadvertently prolong fossil fuel use over potential electrification and carbon capture must be avoided.

➤ **Aim for “net-zero” emissions**

The end target set out in the new connection policy should be “net-zero emissions” where all greenhouse gas emissions are eliminated and/or balanced by removals. The “net” in “net-zero” is a critical element – particularly where total emission reduction through mitigation measure at site level is not viable. In some cases industrial sites will only be able to fully decarbonise with carbon capture technology and carbon removals.

➤ **Focus on incentives for demand response**

Greater demand flexibility by energy consumers can contribute to managing the variability of renewable power generation. LEUs can play a valuable role by voluntarily supporting grid reliability with the right enabling framework in place. However, as mentioned in our previous submission on this issue, demand flexibility should never be a “requirement”. Some business, because of the nature of their operations (e.g. 24/7 hour manufacturing) simply cannot turn down demand on request or at least not without major financial impact. Also requiring demand flexibility would be a market signal that the Irish system is incapable of providing customers with firm power and may thereby put Ireland’s attractiveness to inward investment at risk.

Flexibility is delivered around the world through market-based approaches and price signals. The focus of the CRU should be on improving these incentives. As noted in EY’s analysis of the DSU market “The lack of remuneration for DSUs within the wholesale market creates perverse incentives for DSUs to not offer capacity below the strike price. This severely limits the value they are able to provide to the market.”

We strongly support the use of market-based approaches for achieving the flexibility goals set by the Climate Action Plan. Flexibility programmes should be implemented to send price signals that encourage demand flexibility by valuing flexibility as a

system resource and considers adequate cost recovery for customers that choose to provide flexibility to the system. Successful programmes should offer both single-year and multi-year contracts that are cost competitive to further encourage participation.

➤ **Support optional flexible connections where desired**

Ibec agrees that there is an opportunity to support energy security and resilience through the provision of non-firm or interruptible connections where desired by the end user. Indeed, for some businesses, their future energy model revolves around the exclusive use of excess renewable electricity. Such contracts, along with responsive/strategic storage could be a useful tool to mitigate peak day capacity restrictions.

In our previous submission on this subject, dated 30 August 2023, we noted the case in Denmark where the TSO Energinet has created a voluntary 'Limited Grid Access Tariff.' Customers that choose to sign up can have a portion of their supply interrupted with reasonable notice, and are compensated for this flexibility through a lower network tariff rate. The potential to develop a similar regime in Ireland should be explored. However, its value and implications on network cost recovery and distribution would have to be carefully considered.

However, interruptible or non-firm contracts cannot be the only type of contracts/connections offered to an LEU. These flexible arrangements must not be mandatory. The imposition of these contracts on even a small sector of industry would send a signal to the market that the Irish system is incapable of providing firm power and gas for new investment and business growth. Also, businesses should have the option of upgrading to a more secure connection by paying the cost difference.

➤ **Be accompanied by increased supports for decarbonisation**

To deliver large-scale emissions reduction in this sector, SEAI Project Assistant Grants, the Support Scheme for Renewable Heat (SSRH), and the Excellence in Energy Efficiency Design (EXEED) programme need to be expanded and made more accessible. The scale of support offered under the SSRH needs to be increased to support large scale decarbonisation. Meanwhile, the high attrition rates in all support schemes need to be addressed in a comprehensive way.

Future engagement

We remain at the Department's disposal for further engagement on these issues as needed.

Yours sincerely,
Conor Minogue
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