

Date: 30/01/2020

EAI Response to CRU Discussion Paper on PR5

By email to Dlindsay@cru.ie

Dear Mr Lindsay,

EAI welcomes the opportunity to respond to this discussion paper on the approach to the upcoming price control period, namely PR5. EAI's vision is for a decarbonised future powered by electricity and so the regulatory framework for electricity networks businesses is of significant interest to us.

We welcome the significance emphasis placed on the Climate Action Plan (CAP) in the discussion paper and we believe that the CAP should be the guiding light for all energy policy and regulatory initiatives from now on. Ireland has unambiguously stated that much of our decarbonisation effort to meet our European obligations will be achieved through electrification of heat and transport and through the decarbonisation of the delivered electricity. Therefore, decisions makers are no longer at a stage of asking whether electrification is appropriate or not but are rather focussed on how it can be delivered most effectively.

As the discussion paper alludes to, there is undoubtedly a step change required in activity and outcomes for EirGrid and ESB Networks (the System Operators or SO's). The reality is that this step change must also apply to the regulatory framework which will need to adapt to a more complex and dynamic decision-making environment, often with competing objectives at play. We would therefore expect to see a refocussing of resources within the CRU towards electrification and decarbonisation at the same time as ramping up capabilities of the SOs.

In general, EAI supports the way forward set out in the discussion paper and welcomes the overall direction of travel. We have set out below some high-level principles or positions that we would like to see incorporated in the upcoming price controls.

- The upcoming price control must match the ambition set out by Government in the CAP. The SOs must be empowered to connect and manage new renewable generation on a scale which we have not seen before, and they must deliver the infrastructure and services to drive electrification of large parts of the economy. They must also meet all business-as-usual requirements such as increased demand connections and general management of the system.
- The upcoming price control must be viewed in the longer 2030 context and so for some issues, PR5 must be considered with a longer-term time horizon in mind. The scale of investment to deliver the CAP is significant and must insofar as possible be appropriately spread across the years between now and 2030. Therefore, CRU should not take a short-term view and seek to backload effort to PR6 which should be completed in PR5. This will threaten delivery of the CAP.

- Related to the above, to provide certainty to investment, the SOs should be encouraged to take a longer-term view of the requirements of the electricity system and to propose a market facing framework that supports this. For example, CRU should encourage the SOs to identify the key features of a low carbon, high renewable electricity system and identify solutions that can be brought forward to support this. We should avoid a repeat of the transition to a 40% renewable electricity system for 2020 where new system support services were brought to the market too late to facilitate the most cost-effective integration of renewables. EAI supports the principle in the discussion paper that the SOs are empowered to make investment decisions themselves to encourage progress in implementing PR5.
- The SOs should be incentivised and empowered to drive electrification and should not be viewed by the CRU simply as facilitators of electrification. Bringing flexible demand onto the electricity system is a key part of delivering an efficient high RES electricity system. The SOs must continue to act as independent and neutral facilitators (with appropriate oversight and auditing), to allow industry to bring forward assets and business models. Both SOs should be encouraged to look at any ways that they can encourage electrification by for example;
 - reinforcing the network before there are constraints;
 - actively managing the system, locally and regionally, to make best use of the capacity available and support market participants provide new services to customers;
 - focussing on communications and customer services initiatives that will make electrification simpler and easier for customers;
 - reviewing connection processes and charging structures etc.
- The SOs should be encouraged to work together on TSO-DSO coordination issues given the changing distribution system landscape with increasing generation and flexible demand connecting at DSO level.
- Stakeholder engagement should be at the heart of the regulatory frameworks for the SOs. PR5 should ensure a comprehensive engagement strategy where both SOs have meaningful engagement on key issues impacting their customers. Such stakeholder engagement will involve direct engagement between the SOs and individual customers (e.g. new or existing connections) and wider engagement such as through group fora. The SOs should be encouraged to seek feedback from customers on their performance and to use that feedback to identify any possible improvements. We are encouraged that both SOs have sought comment on their engagement strategies during PR4 and look forward to a continued focus here in PR5.
- The SOs must be appropriately resourced and have the right systems and processes to deliver the upcoming suite of PR5 deliverables recognising that a step change in outputs is required to meet the ambition in the CAP. As set out in the discussion paper, this will be achieved by a mix of increased resource and increased efficiency within the SOs. EAI supports any initiatives from the SOs that improve processes such as timely connection of new generation and supports the use of appropriately designed and focussed targets and incentives for the SOs. At the same time, EAI recognises that increased resources will be required within the SOs given the scale of the challenge ahead.

- The appropriately resourced SOs must be matched by an appropriately resourced CRU to facilitate the transition to a low carbon electrified economy. The timeframe to 2030 is short and the volume of outputs required is significant. In the coming years, CRU will be required to consider enduring connection policy, system services design, market changes such as hybrid connections plus many other actions from the CAP. Any regulatory delay in decision making due to resourcing will have a direct impact on Ireland's ability to meet decarbonisation and renewable energy targets. We therefore encourage a focussed approach in the CRU to delivery of CAP actions with any resourcing shortfalls addressed as soon as possible.

We hope you find the above useful as the CRU finalises its approach for PR5. We are available to meet you to discuss any aspect of this response.

Yours sincerely,



Stephen Douglas
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Electricity Association of Ireland(EAI)