

Submission to the Commission for Regulation of Utilities regarding
Enduring Connection Policy Stage 2 (EPC-2) CRU/19/143

On behalf of:



An Roinn Gnó,
Fiontar agus Nuálaíochta
Department of Business,
Enterprise and Innovation



The Department of Business, Enterprise and Innovation (DBEI), Enterprise Ireland and IDA Ireland welcome the opportunity to provide comments on the CRU's Enduring Connection Policy Stage 2 (EPC-2), in response to the publication of the Commission's proposed Decision. In recent years, the capability to connect electricity generators to the grid has at times become a 'bottleneck', constraining the significant increase in interest in providing electricity generation services and, in particular, renewable energy generation projects. The connection policy set out in EPC-2 is a welcome indication of the commitment of the System Operators to processing and connecting new generation projects in an efficient, time-bound process, and should provide greater visibility and certainty to project developers in planning for their grid connection. Ultimately, a well-resourced and prompt connection process is of benefit to all electricity users as it enables a competitive and efficient electricity market, facilitating cost-competitiveness for electricity customers, and assisting the achievement of national policy priorities such as the significant increase in renewable electricity in Ireland's energy mix, as set out in the Government's Climate Action Plan.

The DBEI, Enterprise Ireland and IDA Ireland are primarily concerned with ensuring that there is a cost-competitive, business-friendly policy environment which can support the success and growth of enterprises operating in Ireland. This requires:

- A price-competitive electricity market;
- A user-friendly grid connection process;
- The capacity, capability and location of the national transmission and distribution grid being fit-for-purpose to support the enterprise development, job creation, regionalisation and renewable energy development strategies of Enterprise Ireland and IDA Ireland; and
- Opportunities for enterprises to decarbonise their energy use in order to underpin sustainable economic development in Ireland.

The following comments on the CRU's proposed decision on EPC-2 are provided in that context:

Streamlined Connection Process for Efficient Energy Market

The proposal for EPC-2 to include yearly batch processing, with the ambition to process connection offers in time-bound batches, with annual application windows and grid offers issued within the calendar year, is a welcome approach and an improvement on the longer (and less predictable) batch process under EPC1. Developers will value consistency, predictability and transparency in the grid connection process. Further, the proposal for enhanced early engagement between the System Operators and project developers will be a welcome step to provide greater visibility and early outcome indications to developers. This early engagement should make the process more efficient by ensuring that developers have a clear understanding of the process, likely requirements and any key constraints at the beginning of the process – potentially allowing for clarifications, or projects to exit, before further resources are expended. An annual grid connection batch process starting in 2020 can potentially facilitate projects of considerable preparedness and scale to participate in the second Renewable Energy Support Scheme (RESS-2) auction process – which should contribute to the competitiveness of the scheme and deliver more competitively priced renewable energy for electricity customers.

The proposed decision to target a number of connection offers per batch, rather than a particular MW threshold for offers appears a reasonable approach, and should give greater predictability to the duration required to process each batch, as well as avoiding complications regarding strategic variations in project sizing. The target of 50 grid connection offers annually is roughly in-line with the volume processed over the duration of the EPC1 process. While the System Operators will have greater visibility on the potential project pipeline, we would question whether this target represents a sufficient level of ambition in the context of the significant ‘step-up’ in the State’s renewable electricity ambitions. The target of 70% renewable energy by 2030 – as set out in the All of Government Climate Action Plan – is a challenging and ambitious one. Therefore, it is essential that the System Operators are set grid connection targets that enable this national target to be met. While assessing grid connections and issuing offers is a resource-intensive process, it is an imperative enabler of decarbonisation in the wider economy. The CRU should consider whether a more ambitious target (combined with the resources to achieve it) might be appropriate given the scale of our national ambition, and the requirements of electricity customers, in this regard.

The DBEI, Enterprise Ireland and IDA Ireland welcome the proposed decision to prioritise connections under EPC-2 firstly based on renewable energy project size, and secondly, on the basis of planning permission grant date. Prioritising the connection of large (and therefore likely most efficient) renewable energy projects to the grid should assist in maintaining a cost-competitive electricity supply, even as a greater proportion of the energy mix becomes renewable. Planning permission is a reasonable indicator of project readiness and commitment to deliver the project and connect to the grid in a timely manner. These two measures of project prioritisation under EPC-2 should go some way to promoting projects

that are ready to participate actively in the electricity market, and to disincentivise speculative grid connection applications.

Non-Batch Connections

Sustainable economic development increasingly requires Irish enterprises to seek ways to decarbonise their industrial processes. At present there are limited avenues available to firms looking to remove carbon from their energy use. In addition to facilitating the integration of renewable generators into the electricity market, the System Operators have an important role to play in enabling Irish businesses to use 'on-site' renewable generation technologies. While some of these will be facilitated through the 'microgeneration' process (<11KW) a significant cohort of medium and large Irish enterprises, including those covered under the Emissions Trading Scheme (ETS), would likely fall into the current 'Non-Batch' (>11 KW, <500KW) connection offer process.

DBEI, Enterprise Ireland and IDA Ireland would question whether the proposed decision to limit 'non-batch' connection offers to 30 per year – with up to 15 of these offers potentially ring-fenced for community-led projects – is appropriate. While the Proposed Decision paper issued for consultation identifies that there has not been substantial demand for this process in previous iterations, we believe that there are significant developments ongoing which may change this level of demand. These include:

- A rising carbon tax trajectory, a rising carbon price within the ETS mechanism, an increasing focus from consumers on the carbon intensity of the products they purchase and their concerns around climate change and the sustainability of some industrial processes, are increasingly driving enterprises of all sizes to consider ways to decarbonise their operations. Though awareness of opportunities to deploy 'on-site' generation technologies such as Solar PV, wind turbines, biomass CHP, and others is at a nascent stage, consideration of these options is likely to increase exponentially as Government and other stakeholders highlight the urgency of decarbonisation in industry.
- The transposition of the EU Renewable Energy Directive (RED) and implementation of the Clean Energy Package will set out a requirement for electricity customers to have greater flexibility, information and control over how they use electricity. It will become a requirement that all energy users must be facilitated in managing their electricity use, and selling surplus electricity generated on-site back to the grid. The opportunity to sell surplus energy on the market will incentivise the deployment of on-site generation technologies for many enterprises. The System Operators have a key role in enabling informed electricity customers, and 'prosumers' – facilitating non-batch generation connections will be an important component of this. Enabling electricity customers in the ways set out could potential unlock significant latent demand for on-site generation.
- The CRU and the System Operators will be aware of work ongoing to develop a new enabling framework for Microgeneration as required under Action 30 of the

Government's Climate Action Plan. Any support scheme designed as part of this framework will further incentivise enterprises to deploy on-site generation technologies. It is likely that this framework will extend beyond the existing technical definition of micro-generation as connections less than 11KW, which would necessitate non-batch connections for larger deployments of on-site renewables. While the ambition of this enabling framework is yet to be decided, DBEI anticipates that a limit of 15 – 30 non-batch connections per annum as proposed under EPC-2 could quickly become a constraint on the success of that framework, limiting the ability of enterprise to decarbonise their processes. A strict cap on non-batch connections would also appear at odds with the spirit of the Clean Energy Package.

- Under Action 34 of the Climate Action Plan, DBEI and the enterprise agencies have commenced analysis and engagement with stakeholders as to how the decarbonisation objectives set out in the plan for the Food & Drink sector can be achieved. From an initial analysis of energy use in the sector – and opportunities for decarbonisation – it is apparent that a considerable proportion of sites with significant energy use (of which we have identified 125+) will have limited options available to remove carbon from their operations without electrification. On-site generation (with the capability to sell surplus electricity on the market) may be the most cost-effective means of decarbonising a substantial cohort of Ireland's food and drink sector as DBEI progresses this action – further necessitating non-batch grid connection processing. Pathways to decarbonisation in many other sectors are also likely to feature electrification options and on-site generation.
- New building standards requirements for commercial buildings, such as Near Zero Energy Buildings (NZEB) standards, where 20% of energy must be supplied by renewables, are likely to drive further use of on-site Solar PV in new build and retro-fitting of industrial premises. Where these developments are of considerable scale, they will likely require non-batch connection offers.

In the context of the above policy developments, DBEI, Enterprise Ireland and IDA Ireland ask the CRU, in consultation with the System Operators, to re-assess the appropriateness of a 30 connection annual limit on non-batch connection offers. It might also consider whether setting a public non-batch connection target sends a useful policy signal to enterprises considering their opportunities to decarbonise – it could be considered that signalling a 'cap' on such options would itself act as a disincentive to a full assessment of on-site generation opportunities for medium and large enterprises in Ireland. On-site generation will be a new venture for many Irish enterprises – clear and user-friendly communications through the non-batch connection process will be essential to informing and managing the expectations of those looking to export to the grid. While processing non-batch connection applications and issuing offers is somewhat resource intensive, – with limited benefits for the average electricity customer in the short-term – the capability of Irish industry to decarbonise its operations is increasingly critical to sustainable economic development, with implications for

the wider development of employment and our economy in sectors with considerable energy requirements, along with national ability to meet our EU emission reduction obligations. The timeline for connection through the non-batch process should be considerably shorter than currently and the cost of the application process to the on-site generator looking to export should not be prohibitive, reflecting the wider value to the grid, and society, of renewable self-consumption and decarbonised electricity. Connection policy must in no way constrain the ability of enterprises to decarbonise their energy use. It is essential that the CRU consider the wider implications for the State's national policy ambitions in a holistic consideration of an EPC-2 decision and reflect these ambitions in the policy.

Ireland and the System Operators are already internationally recognised for industry leading innovation, expertise in grid management and integrating intermittent renewables. The opportunity exists to further develop the energy sector, and expertise available in a growing 'Smart Energy' cluster in Ireland. Developing a domestic and export-oriented capability with enterprises in this cluster can further develop expertise and innovative products in the 'green economy' to support electricity generators, the grid operators and electricity customers.

While acknowledging that they will be the subject of separate decisions and consultation processes, DBEI, Enterprise Ireland and IDA Ireland would highlight that the System Operators should be adequately resourced to deliver the significant transformation required in our electricity grid to facilitate national ambition regarding renewable energy integration, decarbonisation and future-proofing our economy and business environment. The Electricity Networks Price Review (PR5) will need to carefully balance the demanding requirement to transition our electricity grid and generation market to a low-carbon future, while ensuring efficient and cost-effective outcomes for electricity customers. Further, we would support further detailed analysis of a proposed 'Grid-Following-Funding' mechanism for prioritising connection application processing to inform future grid connection policy design. It will be important to consider how this mechanism could also incentivise increased use of Corporate Power Purchase Agreements (PPAs) as a route to market.

In conclusion, DBEI, Enterprise Ireland and IDA Ireland welcome the CRU's progress in providing a proposed decision on EPC-2 and appreciate the opportunity to contribute the above observations. The transformation of our electricity grid over the coming decade has implications for many of the country's most significant policy objectives; successful delivery and management of this transformation will contribute substantially to our long-term economic sustainability, our environmental impact, and the quality of livelihoods of our population.