



An Coimisiún  
um Rialáil Fóntas  
Commission for  
Regulation of Utilities

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**Our Ref: D/21/8606**

11th June 2021

## **Re: Price Control 5**

Dear Denis

As you will be aware, our teams have already commenced engagement on the next Price Control ('PC5'). At this early stage of the project, the CRU considers it important and timely to set out its key objectives and vision for PC5 and seek your commitment to deliver on these. The PC5 period will be a critical time for setting the network on a continued path to a secure, sustainable, and efficient future.

In the coming months the EU Commission will publish a package of legislative measures on Hydrogen, Low Carbon Gas, Sectoral Integration and other measures which will aim to provide a pathway for the decarbonisation of gas. Government policy, including in the Climate Action Plan, highlights the important role of decarbonised gas in the energy transition and in ensuring security of energy supply. At the same time, there is more work to be done to understand who the gas users of the future will be and how they will use the decarbonised gas network.

Through PC5 we will therefore seek to continue the innovation, safety and regulatory work to facilitate the decarbonisation of the gas network and promote agility and adaptability, while also taking a prudent approach to capital and operational expenditure in light of the expected transition ahead. PC5 will seek to provide the right incentives and revenues to facilitate GNI delivering safe sustainable, low-carbon solutions that efficiently meet the gas customers' needs and Ireland's energy needs. To this end, the CRU has set out four key objectives for PC5:

- ❖ Providing a safe high-quality service for all gas customers;
- ❖ A continued focus on efficient spend;
- ❖ Efficiently facilitating the energy transition; and



- ❖ Maintaining a safe and resilient gas network.

### **Providing a safe high quality service for all gas customers**

We are committed to placing an emphasis on GNI delivering consistently excellent levels of service for all gas customers during PC5. This includes areas such as complaints resolution and the connection process, as well as ensuring that the network is operated safely and reliably. The CRU seeks GNI's commitment to delivering excellent levels of services and that this be demonstrated within your PC5 proposals.

### **A continued focus on efficient spend**

A core focus will be placed on ensuring that efficiency improvements continue to be made across GNI's existing business functions, to drive value for gas customers and exert downward pressure on network tariffs. In this regard, the CRU is committed to setting challenging but realistic targets and incentives for GNI, supported by appropriate analysis. In turn, the CRU would request that GNI clearly outlines the need and the value being provided by any proposed activities in PC5 and that GNI takes a holistic look at costs, identifying opportunities for increasing efficiencies not just at a project or activity level but also when all of its activities are considered together.

### **Efficiently facilitating the energy transition**

In recent years, the role of natural gas has begun to change. Flexible gas fired generators facilitate high levels of renewable generation while also providing important backup generation at times when wind is low. The initial steps to decarbonise the gas network have been taken; we are now seeing the first commercial flows of biomethane on the distribution network and preparations for green hydrogen commencing. These necessary changes will continue and only gather pace within the PC5 period (01 October 2022 to 30 September 2027) and the ambition to achieve a net zero emissions economy by 2050. The European Commission, as well as the Irish Government, have published important policies and action plans in this regard. For example, as part of the European Commission's Green Deal, hydrogen and system integration strategies have been published and a review of European legislation will begin this year. In addition, the Climate Action Plan, published by the Department of the Environment, Climate and Communications (DECC), sets out nearer term actions to decarbonise the natural gas network. These range from testing the feasibility of technically and safely injecting green hydrogen blends in the gas grid to further developing biomethane grid injection infrastructure.



As the network owner and operator, GNI has a critical role to play in helping to deliver against national and EU policy targets. During PC5, GNI should build on the progress it has made in PC4, furthering these efforts and taking responsibility for:

- ❖ Efficiently enabling renewable gas injection, and;
- ❖ Efficiently preparing for the further decarbonisation of the gas network;

The steps that GNI takes in PC5 should facilitate the delivery of relevant government policies pertaining to the decarbonisation of the gas network, including achieving relevant government targets. Future network investments should also be assessed to ensure that they are future proofed for this energy transition; and that the timing of investment is appropriate and delivers maximum benefit to the customer. In effectively managing this with evolving gas technologies and the evolving domestic and European policies, it will be important for GNI to efficiently incorporate adaptability and flexibility into its business practices during PC5. Being able to respond effectively to changes in conditions will allow GNI to continue providing value to customers and assist in achieving any policy targets set. Innovative approaches will also be needed to deliver new technologies at efficient cost for gas customers.

We are seeking GNI's commitment to the above. In turn, we are committed to providing funding to GNI for its activities in this area that are well justified and delivered at an efficient cost for Irish gas customers. We are also committed to reviewing the regulatory framework to ensure that it continues to remain fit for purpose and helps deliver safe sustainable, low-carbon solutions.

### **Maintaining a safe and resilient gas network underpinning the security of supply of the energy system**

The natural gas network provides a crucial underpinning for the security of Ireland's energy supply. Gas-fired generation already plays an increasingly important role in electricity security of supply. New flexible gas-generation, which will come on stream in the coming years, will both facilitate high renewable electricity penetration and provide back-up generation at times of low solar or wind generation. As Ireland progresses with the electrification of heating and transport, the resilience, flexibility and security of gas supply will provide cross-sectoral benefits across gas, electricity, transport and buildings.

Future decarbonisation options, particularly domestically produced biomethane and hydrogen, will provide benefits by both decarbonising gas supply and diversifying supply sources. At the same time, we must ensure



that issues of gas quality and safety are addressed properly, in the interests of all gas users.

In PC5 we will therefore continue to focus on GNI maintaining a safe, secure and resilient gas network.

### **Commitments being sought**

In addition to the above commitments focusing on key objectives of PC5, the CRU is also seeking commitments in relation to how we engage with one another on this project. I have been informed that initial engagement on this major and complex project, of significant scope and duration, has been good. I have no doubt that this will continue. Nonetheless, I have set out some practices that we are committed to and that we would seek your commitment to also.

### **Project Timelines**

For the project to run smoothly and effectively, efficient project management and administration will be essential. It will be important for both CRU and GNI to abide by the project timelines, particularly in terms of information submission. The project timelines are to be shortly finalised with input from GNI. The CRU seeks GNI's commitment to meeting the finalised timelines.

### **Communication**

Regular and constructive communication between teams in both organisations will also be needed. Action logs and other administrative tools should be put to good effect. Issues should be raised as early as possible and there should be a commitment to quickly resolve any issues that arise. Structured communications channels will be established and followed.

### **Submissions**

The CRU will be as clear as possible in its data requests and commits to walking GNI through its business planning questionnaires before they are issued. This is to ensure a common understanding of what is being requested and reduce the need for later clarifications. Submissions by GNI should be complete and of a high standard. Submissions by GNI will be reviewed collectively and not individually by the CRU.

Delivering on PC5 will continue to place the Irish gas network on a path to a sustainable future and ensure the interests of gas customers are protected. It is important that the CRU and GNI have a shared vision for the PC5 project so it can achieve these objectives. To this end, I request that you bring this letter



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to the attention of the GNI Board and a response committing to the important matters detailed in this letter. We look forward to continued constructive and collaborative engagement on this project.

Yours sincerely,

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Aoife MacEvilly  
Chairperson of CRU

Cc. Paul McGowan, CRU  
Jim Gannon, CRU  
Karen Trant, CRU  
Seán Mac an Bhaird, CRU  
Brian Mullins, GNI