

# Meeting Ireland's targets under the 2020 Climate and Energy Package

Presentation to the Joint Committee on Communications,  
Climate Action and Environment

**Commission for Regulation of Utilities –**  
Regulating Water, Energy and Energy Safety in the Public Interest  
Commissioners **Aoife MacEvilly & Garrett Blaney**

**16 January 2018**

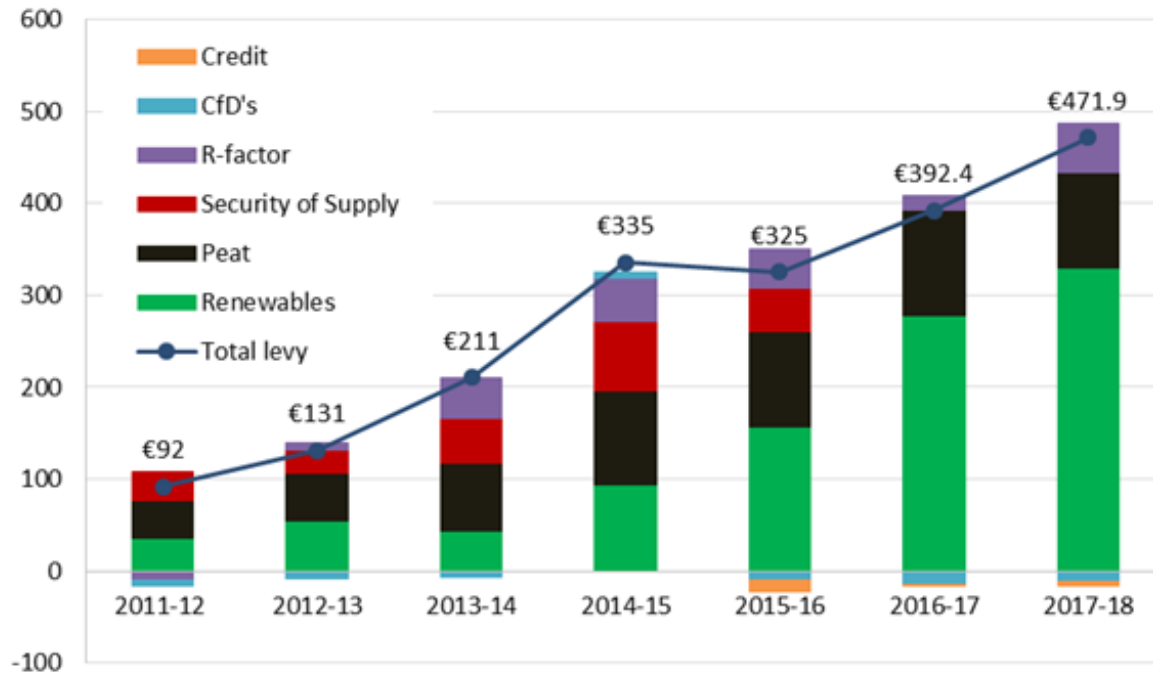
# Progress towards 2020 Targets

16% overall target: 40% RES-E; 12% RES-H; 10% RES-T

- Electricity sector is making good progress towards meeting 40% Target (27.2% in 2016)
- Electricity customers bear the costs (PSO levy, networks, system services) - crucial to deliver decarbonisation at least cost – through **competitive, technology-neutral auctions**
- Focus also on heating and transport (not just electricity) – electrification and gasification can play a role but care is needed to minimise costs for consumers

# Renewable electricity is supported by the PSO Levy

Total PSO levy (€ million)



- Households currently pay €92.25 per year, with higher charges for businesses
- The PSO Levy is likely to increase as we reach our 40% renewable target
- Customers also pay additional network charges and for the cost of system services (DS3) to facilitate increasing penetration of renewable generation
- Important to consider impact of higher RES-E targets or more expensive support schemes on overall electricity costs

# Progress on Electricity System

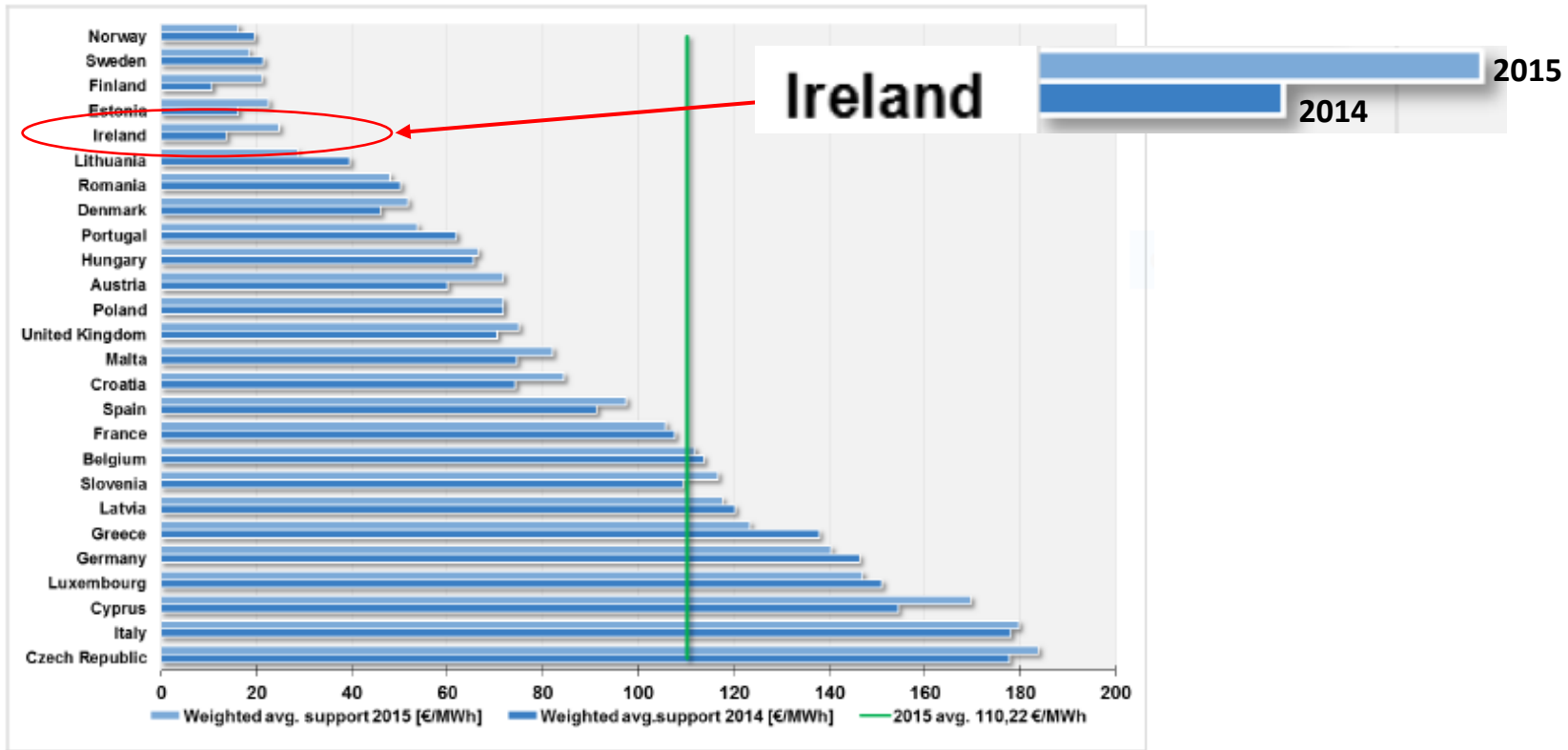
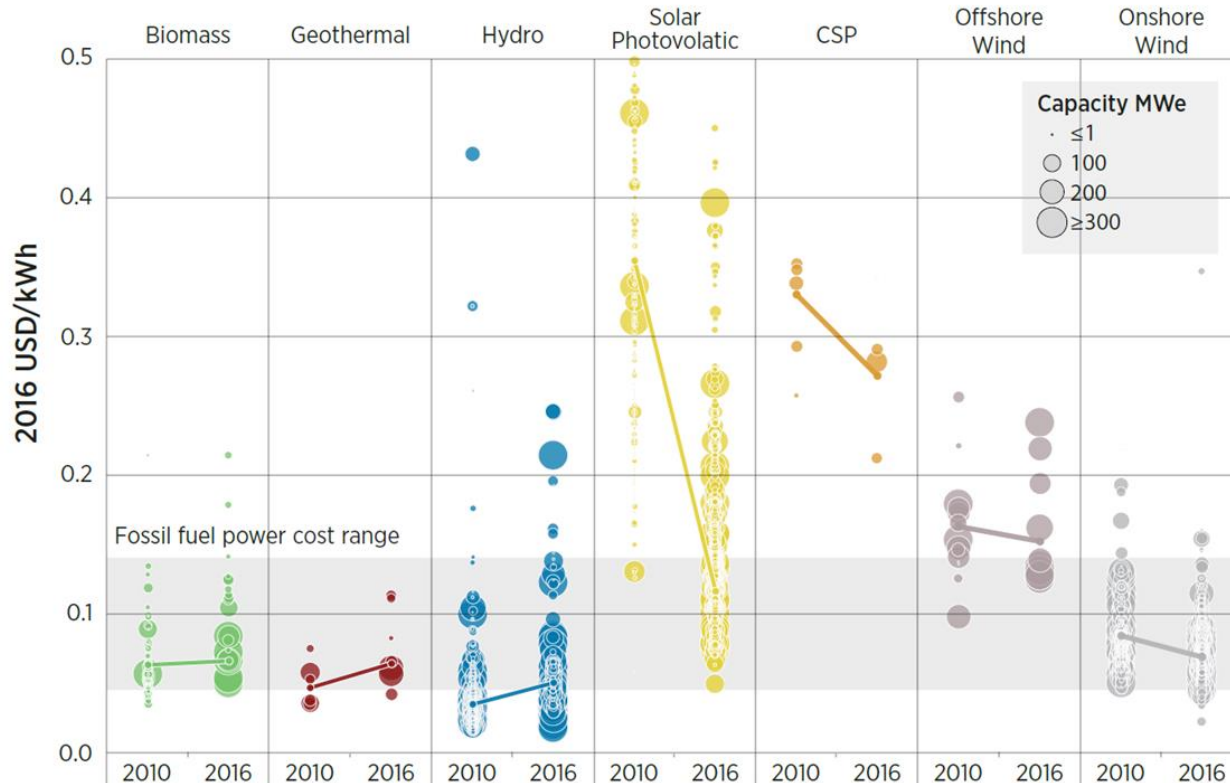


Chart 5: Weighted average support level in 2014 and 2015, by country, in [€/MWh]

Source: CEER status review of renewable support schemes in Europe

# Technology Neutral is Least Cost

**Figure 1:** Levelised cost of electricity by project and renewable generating technology in 2010 and 2016



- Renewable equipment prices collapsed further in 2017
- Costs do not include the system adaption costs which rise for high penetration levels

# Decarbonisation at Least Cost:

## Heat and Transport

- Market based mechanisms should determine least cost approach
- Fuel switching from high carbon fuels to low carbon fuels can be a “low hanging fruit” – more use of efficient gas for heating and transport
  - Lower emissions, improved air quality
  - Establishes route for renewable gas (if this is cost competitive with other renewables)
- Electrification should be one of competing options for heat and transport but requires careful design to avoid major cost challenges

# Electricity markets are transforming to enable increased Renewable Penetration:

- New all-island I-SEM market goes live in May 2018
  - ▶ Integrates Ireland with EU market
  - ▶ Encourages demand side, storage and other forms of new flexibility. (focus should be on flexible demand as well as energy efficiency)
- New Ancillary Services market (DS3) – €230m pa to facilitate renewables
- Smart meter roll-out to empower customers
- Further work needed to support community schemes and small scale renewables without adding to cost pressures for customers (particularly customers who cannot afford such investments).

# Questions?



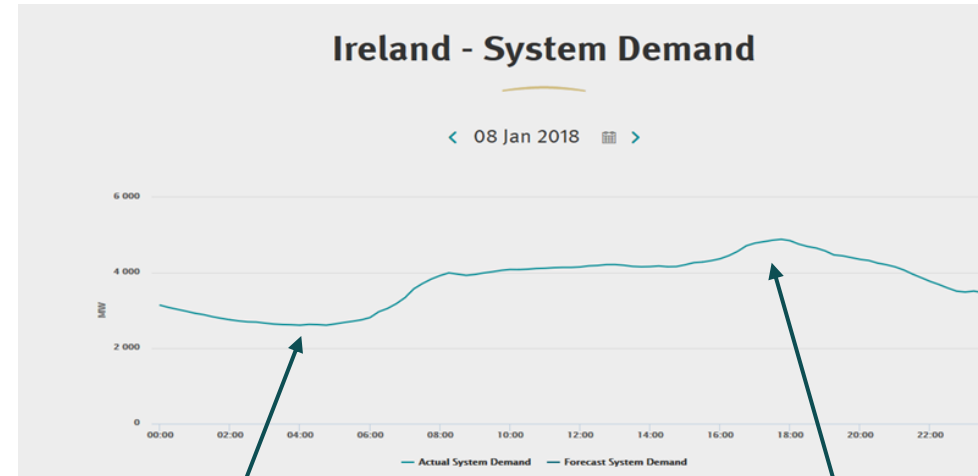
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# Additional Slide - Smart Electrification

- Encouraging investments in good network locations is important
- Smart metering and new network operator approaches can minimise costs
- Customer friendly approach needed – providing more choice and sharing financial benefits with active and engaged consumers
- Network tariffs and allocation of PSO costs need to be reviewed to ensure fairness for all consumers

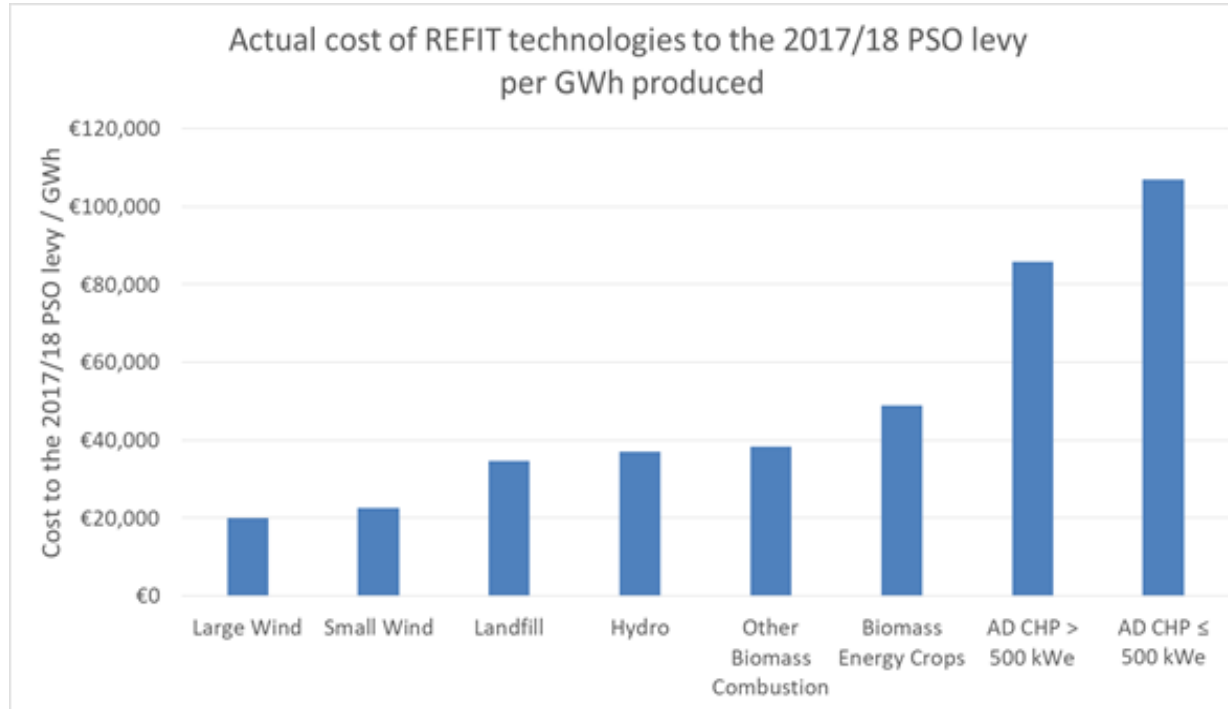
- Smart approaches to encourage flexible demand important to manage costs:



Demand increase at low load minimises network costs

Demand increase at peak load triggers expensive network investments

# Additional Slide – PSO supports for various Renewable Technologies



- Higher levels of support for certain technologies can have a significant impact on costs, particularly if there is high take up.
- Competitive, technology neutral auctions will minimise costs for households and businesses.