Commission for Regulation of Utilities

OPENING STATEMENT FOR JOINT OIREACHTAS COMMITTEE ON ENVIRONMENT AND CLIMATE ACTION

15th November 2023

Good morning and thank you for inviting us to join you today. We are here to discuss future licences and contracts to connect data centres to our energy networks.

Context

In 2018 the Government published a Statement on 'The Role of Data Centres in Ireland's Enterprise Strategy'. This noted Ireland's ambition to be a digital economy hotspot in Europe. It also noted the challenges that data centres could pose to the future planning and operation of a sustainable power system, with a focus on electricity networks, and noted that 'a plan-led approach will develop a range of measures to promote regional options for data centre development, minimising the need for additional grid infrastructure'.

In July 2022 the Government produced an updated Statement on The Role of Data Centres in Ireland's Enterprise Strategy. This considered twin transitions of decarbonisation and digitialisation and their complementarity. The statement sets out principles with the intention of ensuring that the data centre infrastructure that can be accommodated will contribute to our climate and

policy ambition. It notes that the principles 'will be reflected in energy, enterprise and planning policy, regulatory and other decisions across government departments, local authorities, enterprise development agencies and other public bodies'.

We outline below the key areas of activity where we, as energy regulator, are seeking to reflect and implement the above policy, with due regard to Ireland's Climate Act and associated carbon budgets.

Energy Demand Strategy

The CRU is currently developing an ambitious Energy Demand Strategy, in line with our responsibilities under the Climate Act and to meet the requirements of the Climate Action Plan 2023. The key objectives of the Energy Demand Strategy include increasing energy system flexibility and reducing the carbon intensity of energy demand. The CRU is progressing this at pace to maximise the impact on the carbon budget and is

coordinating with key relevant Government Departments and agencies.

This summer, the CRU published a Call for Evidence on Phase 1 of the Energy Demand Strategy, with three areas of focus:

1. Smart Services – to encourage greater flexibility among domestic customers and smaller business customers.
2. Demand Flexibility & Response – to incentivise provision of demand response at certain times, or system conditions (ESBN consultation).
3. New Demand Connections – targeted initially at very large (electricity and gas) energy users seeking to connect.

As part of this process, in June 2023, the CRU published a Call for Evidence on Large Energy User Connections.

Currently, applications from data centres applying to connect to the electricity network are covered by the CRU Direction to the System Operators related to Data Centre grid connection processing

(CRU/21/124). For data centre connections to the gas network, the letter from CCAC outlines that the Minister for the Environment Climate and Communications has written to GNI and has received a response outlining GNI's obligations under the Gas Acts.

In Q1 of 2023, during the early stages of consideration of the Energy Demand Strategy, CRU consulted bilaterally with GNI, EirGrid and ESB Networks (with letters then issued in the summer period) on the possibility for interim measures to be put in place enabling the alignment of existing connection arrangements for large energy users to take cognisance of the Climate Act and Carbon Budgets. Concerns were raised by SO's relating to how this might be balanced against existing constraints and/or obligations in legislation and existing policy.

The new CRU Review of Large Energy User Connections on both the gas and electricity networks highlights the sectoral emissions ceilings and the "Government Statement on the Role of Data Centres in Ireland's Enterprise Strategy" and is intended to identify any current process,

regulatory and/or policy barrier to full alignment of large energy user connection approaches taken by System Operators, and Ireland's Climate Act and associated carbon budgets. Following the Call for Evidence, the CRU is now developing a more detailed consultation which it intends to publish in Q4 2023. The targeted timeframe for a decision is Q1 2024.

The CRU expects this decision to outline the conditions for connecting large energy users (LEUs) to the gas and electricity networks. There are a number of aspects that are being considered as part of this consultation:

- The aim of the Review is to provide a pathway for new LEU connections to the electricity and gas systems which minimises the impact on national carbon emissions and supports industry and others to decarbonise Ireland's economic growth.

- Due to the considerable interaction between gas and electricity networks, the CRU is cognisant that a coordinated approach is required for connections to the electricity and

gas networks to ensure that policies introduced for electricity do not inadvertently lead to an increase in emissions from new gas connections and vice-versa.

- As part of the Review, the CRU is considering criteria such as the requirement for a Corporate Power Purchase Agreement (CPPA) for renewable energy. We note the CCAC's recommendation that planning permission for all data centres should require a CPPA for renewable electricity and agree that this requirement could be more appropriate as a planning condition for the facility, which would typically be earlier in the development process, rather than as a regulatory condition. We would note the recent grant of planning by Fingal County Council for a data centre in Blanchardstown Mulhuddart that not only requires a CPPA to be in place, and attributable to the Data Centre, but also requires that:

  'The amount of electricity generated by the new renewable energy projects shall be equal

to or greater than the electricity requirements of the data centres in operation <u>at any given time</u>.' [our underline for emphasis]

- The published Call for Evidence also explores the potential of moving to a requirement for real-time zero carbon demand. In order to facilitate this, hourly emissions monitoring and reporting would be a key enabler. ESBN are engaging with SEAI on this, which will form an element of the ESBN National Networks Local Connections programme, and the CRU will continue to support the delivery of this capability, and engage with all system operators as part of the consultation process.

- The Call for Evidence also considers the role of onsite generation and storage. We note that some large demand connections may require onsite back up generation, both for operational reasons and under the current CRU Direction for connection (CRU/21/124). This can assist with security of supply concerns on the grid. Where on-site back-up is a requirement, it may be worth exploring

what conditions could be put in place through planning conditions or environmental licensing, which would typically provide a signal earlier in the development process, in order to ensure that this back-up generation is low or carbon neutral (e.g. batteries, biomethane or Hydro-treated Vegetable Oil (HVO)). The CRU is exploring other means of achieving this, including through our own regulatory measures, as part of the Large Energy Users connection policy review.

In July the CRU consulted on proposals for PC5, which will set the revenues that GNI can collect from its customers up to September 2027. The consultation proposed an incentive to ensure that GNI would consider and adapt its business to have regard more clearly to the Climate Act, carbon budgets and broader decarbonisation policy. Following feedback from stakeholders, the CRU is now minded to strengthen this incentive further, linking it to, for example, acting on the energy demand strategy.

While not directly related to the Review of Large Energy User Connections, in line with the CRU's

new regulatory role in District Heating, the CRU supports the CCAC's proposal that the planning process should ensure that data centres and other LEUs build in heat export capability, where practicable, at the time of construction to facilitate future district heating networks.

The letter, recently forwarded, from the CCAC recommends that "*CRU should direct GNI not to sign any more contracts to connect data centres to the gas network where the data centre would be powered mainly by on-site fossil fuel generation under Section 10A of the Gas Act to reflect the Government Statement. If there is a legislative barrier, the Government should take immediate action to revise the Gas Act in line with national policy and the principles set out in the Government statement".*

The CRU understands that GNI has paused processing islanded data centre applications in line with the Ministerial Direction, and the Government Statement on The Role of Data Centres in Ireland's Enterprise Strategy. In parallel, and as noted above, the CRU is exploring more enduring options to align future LEU connections

with Climate Policy through the Call for Evidence on Large Energy User Connections (outlined above). This exercise, and any subsequent decision, may identify the need for amendments to existing legislation to implement recommendations.

The CRU notes that our strategic objectives are fully aligned with the National Climate Objective, with one of our strategic priorities being to *Drive a Low Carbon Future.* The objectives associated with this priority are to

1. Design and implement regulatory frameworks that deliver transformational change.
2. Enable high levels of renewable integration through market design and development.
3. Ensure markets enable participation in the transition by all customers.

The CRU is carrying out its functions with a view to enabling decarbonisation of the energy system. However, the CRU's early engagement on specific initiatives, including the Call for Evidence on Large Energy User Connections, suggests that there remains a lack of clarity in relation to the extent to

which each public body is expected to, or is empowered to, play a role.

The CRU welcomes the call from the CCAC for Government to "review and revise the legal mandate of relevant state agencies and public bodies to ensure these are consistent with delivering Climate Action Plan measures, as well as the legislated Carbon Budgets."

The CRU also notes the recent publication of the recast Energy Efficiency Directive[1], which more than doubles the annual energy savings obligation (Article 8) by 2028, making it binding for EU countries to collectively ensure an additional 11.7% reduction in energy consumption by 2030, compared to the 2020 reference scenario projections. Alongside Ireland's carbon budgets, this will likely increase the need for Ireland to examine the scenarios for our continued economic growth; to consider how we ensure that economic growth is decoupled from carbon and energy intensity; and to reflect on which sectors will share

[1] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ%3AJOL_2023_231_R_0001&qid=1695186598766

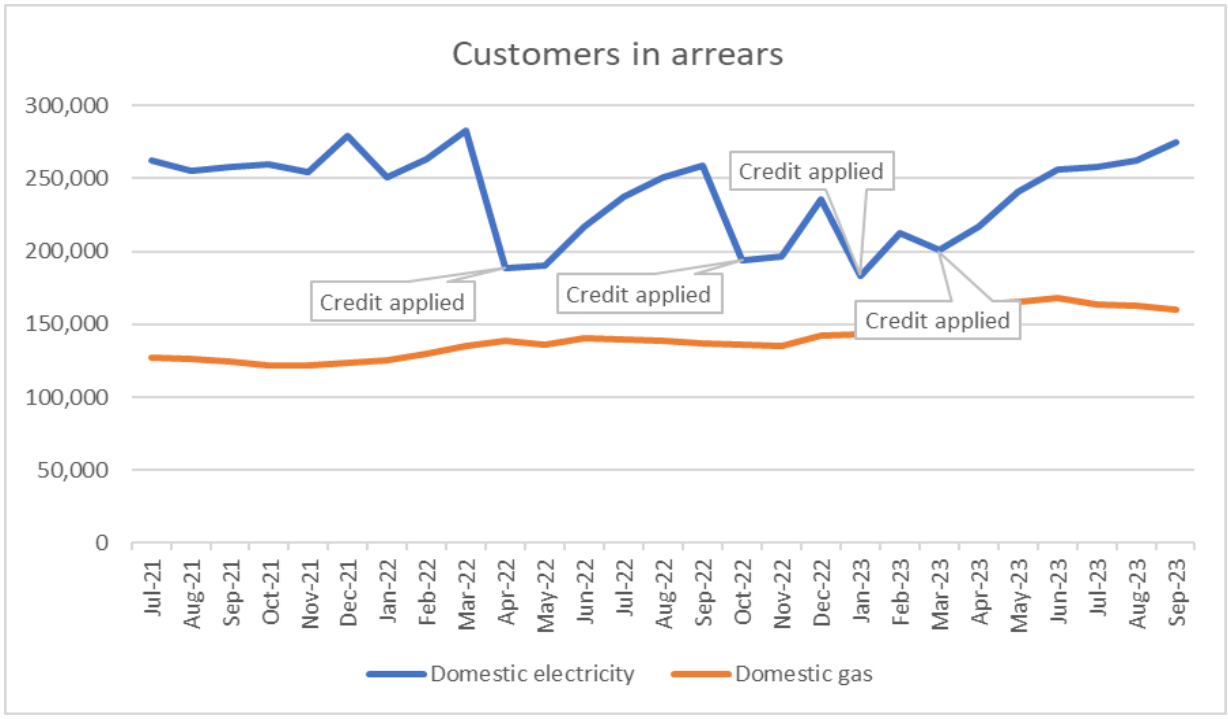
the burden and opportunities arising from these policy and legal obligations.

This concludes our opening statement. We are happy to take your questions. Thank you.

Appendix:

Retail Market Data

Customer Arrears (up to end of September)



	Number of customers in arrears										
	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
Domestic electricity	255,025	256,272	257,943	279,522	283,125	217,459	259,293	227,681	200,819	255,952	275,039
Non-domestic electricity	32,325	32,938	34,050	33,262	33,676	34,937	36,046	38,657	41,505	42,123	46,231
Total electricity	287,350	289,210	291,993	312,784	316,801	252,396	295,339	266,338	242,324	298,075	321,270
Domestic gas	117,962	125,779	124,901	124,061	135,546	140,806	137,237	139,785	160,399	167,937	159,994
Non-domestic gas	6,565	7,054	6,399	7,142	7,527	7,218	7,737	6,741	8,103	7,632	15,501
Total gas	124,527	132,833	131,300	131,203	143,073	148,024	144,974	146,526	168,502	175,569	175,495

	Percentage of customers in arrears										
	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
Domestic electricity	12%	12%	12%	13%	13%	10%	12%	11%	9%	12%	12%
Non-domestic electricity	11%	11%	11%	11%	11%	12%	13%	13%	14%	14%	15%
Total electricity	12%	13%	9%	9%	10%	11%	12%	12%	10%	12%	13%
Domestic gas	17%	18%	18%	18%	20%	20%	20%	20%	23%	24%	23%
Non-domestic gas	24%	26%	23%	26%	28%	26%	28%	25%	30%	28%	56%
Total gas	19%	20%	20%	20%	20%	21%	20%	20%	23%	24%	24%

Disconnections for Non-Payment of Account reasons

	Domestic electricity	Non-domestic electricity	Domestic gas	Non-domestic gas
2018	3,802	1,027	1,537	193
2019	4,113	895	2,263	161
2020	991	383	438	96
2021	648	264	426	77
2022	2,031	465	864	104
Jan-23	0	29	0	9
Feb-23	0	44	0	8
Mar-23	0	30	0	10
Apr-23	15	30	21	12
May-23	132	53	197	5
Jun-23	145	40	202	11
Jul-23	81	40	189	6
Aug-23	190	47	322	26
Sep-23	147	39	182	15

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Appendix (Updated):

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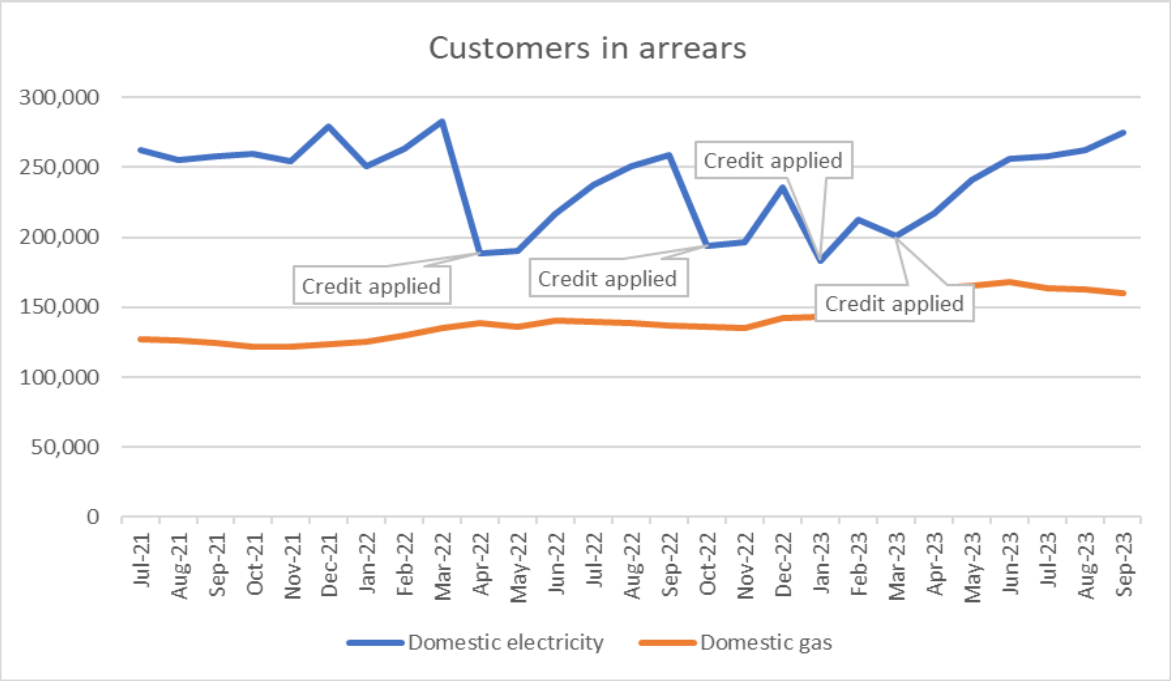

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