

Committee: Oireachtas Joint Committee on Environment and Climate Action

Subject: Large Energy User Rebalancing Subvention

Appearance Date: Tuesday, 23rd January @ 11am

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Opening Speech

- I thank the Chair and committee members for the invitation to speak today about the Large Energy User Rebalancing Subvention. Minister Ryan was unavailable to attend today, so I am deputising, and he has asked me to pass on his apologies.
- The Large Energy User Rebalancing Subvention refers to a 2009 government decision to rebalance electricity network tariffs to support Large Energy Users with effect from 1st October 2010.
- This decision was made at a time when the then global financial crisis and domestic banking crisis were both starting to take effect and the competitiveness of large Irish firms, together with the employment implications, were a serious policy issue. This decision was made to help safeguard jobs in some of Ireland's most-critical and export-orientated industries, at a time when unemployment was rising at a fast rate.
- As part of the discussion today we must bear in mind that when this decision was made in 2009, there were only roughly 1,300 Large Energy Users in the State, that figure today is roughly 2,100 between Large Energy Users and Extra Large Energy Users.
- Of the top 65 LEUs at that time, 21 were indigenous and 44 were multinational firms. Of the 65, 21 were in the pharma sector, 11 in ICT, 8

in Cement, Mining and Refining, with the remaining 20 LEU's spread across the Food and Agriculture, Education, Timber and Steel Manufacturing sectors. These companies represented jobs in our communities at a time when they were few and far between.

- While today when people hear Large Energy User they may automatically jump to Data Centres, this was not the case back in 2009. As you can see the top Large Energy Users at that time mainly represented manufacturing and education sectors.
- In 2009, following engagement with the Regulator on measures which could be taken to protect energy users, the government made a decision to rebalance network charges in favour of Large Energy Users. This was one of a number of measures and interventions which were taken at that time in support of households and businesses. The effect of the government decision was that €50 million would be added to domestic households network charges annually and the network charges of Large Energy Users would reduce accordingly. At the time of the decision there were two million domestic households and as such this decision would have seen €25 added to each households annual network charge.
- At the time of this decision, it had been highlighted to government that Irish electricity prices in respect of large energy users were high and not in line with EU averages, on the other hand domestic costs were below EU averages.
- In July 2009, the government decision was conveyed by the then Minister for Communications, Energy and Natural Resources to the Regulator in a letter, a copy of which has been provided to Deputies here today.

- While the Government decision outlined that €50 million was to be rebalanced in favour of Large Energy Users, it was for the Regulator to determine how this would be implemented.
- As Deputies will recall at this time we were transitioning to an open and competitive electricity market with independent suppliers starting to be active in the market and competing for business. In conveying the Government decision to the Regulator, the Minister acknowledged that some of the cost implications for customers could potentially be offset by switching electricity supplier.
- The Regulator implemented the rebalancing with effect from 1st October 2010 and it remained in place until its removal by the Regulator in 2022.
- While the decision to introduce the rebalancing was made by Government, it was for the CRU to keep Network Charges under review in the period that followed, and this is something which they did. In August 2021 the CRU commenced a review of the appropriateness to retain the LEU rebalancing and this ultimately led to its removal and the discovery of the overcharging error, which are matters that representatives from the CRU and ESB Networks can talk to.
- This government decision was taken in 2009, a very different period for our State, and since then the Irish electricity market has evolved. Today we are on our way towards an electricity system in 2030 where 80% of electricity demand will be met by renewable resources.

- I trust this has been of assistance and I am happy to answer questions committee members may have regarding the decision to introduce the Large Energy Users Rebalancing subvention.