



An Coimisiún
um Rialáil Fóntais

**Commission for
Regulation of Utilities**

OPENING STATEMENT FOR JOINT OIREACHTAS COMMITTEE ON
SOCIAL PROTECTION, COMMUNITY & RURAL DEVELOPMENT
AND THE ISLANDS

6th December 2023

Good morning and thank you for inviting us to join you today. We are here to discuss Utility Connections to Rural Areas and Offshore Islands.

Context

As we have not previously addressed this Committee, I might start with a brief outline of our role. The Commission for Regulation of Utilities (or CRU) is an independent economic and safety regulator. Our mission is to protect the public interest in water, energy and energy safety. Our vision is to provide safe, secure and sustainable supplies of energy and water, for the benefit of customers, now and in the future. In line with our current Strategic Plan 2022 – 2024, we have four key priorities, namely to:

- Ensure Security of Supply,
- Drive a Low Carbon Future,
- Empower and Protect Consumers, and
- Enable our People and Organisational capacity.

We have a wide and expanding range of statutory functions, including to regulate some of the key utility companies in Ireland. Under the Electricity

Regulation Act of 1999 (as amended), we regulate the activities of the electricity distribution network operator, ESBN. Under the Water Services Acts (as amended), we have a similar role in respect of Uisce Éireann.

One of the key elements of the CRU's work is to implement five-year revenue control programmes for the utility network providers under our remit. The purpose of revenue control processes is to set allowed revenues, or in other words, the amount of money allocated to the respective companies to cover their capital and operational expenditure over a five-year period. In this process, the CRU also examines the cost and performance of the companies over the previous five years.

In setting the allowed revenues, the CRU has regard to:

- protecting customers and ensuring fair tariffs and charges,

- ensuring the network companies can finance their undertakings and deliver improved services,
- setting efficiency targets, reporting requirements and incentives to ensure delivery of high quality and efficient outcomes for customers, and
- ensuring the companies have sufficient revenue to enable them to deliver secure supplies and meet national priorities including climate and environmental obligations.

Turning first to ESBN, in Price Review five (or PR5) the CRU decision on revenues for the 2021 to 2025 period provided access to the funds necessary to deliver the Climate Action Plan. It included an electricity networks capital investment programme of €4bn in total. It placed very strong incentives on ESBN to facilitate the transition to a low carbon future and better service for customers. It also provided a new Agile Investment Framework to allow for flexible and innovative approaches to the changing needs of the system.

Specifically for ESNB, the PR5 decision provided a step change in revenue including a 20% increase in Operational Expenditure and an 84% increase in Gross Capital Expenditure (an increase of €1bn) to a total of €2.8bn.

As part of the reporting and incentives framework, ESNB reports annually to the CRU on delivery of its capital expenditure programme, including connections. The latest report is the 2022 ESB Networks Annual Performance Report¹.

Turning now to Uisce Éireann, the CRU's Revenue Control 3 (or RC3) process was the first five-year revenue control for Uisce Éireann, following two shorter revenue control periods from the outset of the CRU's regulatory role.

It should be noted that there is a different process in relation to water, given that the Government provides Exchequer funding to Uisce Éireann. This process includes the Minister for Housing, Planning and Local Government publishing a Water services Policy Statement, following which Uisce Éireann submits a Strategic Funding Plan to

¹ https://www.esbnetworks.ie/docs/default-source/publications/distribution-annual-performance-report-2022-for-consultation.pdf?sfvrsn=2939940d_7#:~:text=There%20was%20a%20significant%20increase,by%20the%20end%20of%202022.

the Minister which sets out the arrangements that Uisce Éireann proposes in order to implement the objectives of the Water Services Policy Statement.

The Exchequer funding allocations set out in the Strategic Funding Plan reflect the upper ceiling that would be provided by the Exchequer to fund Uisce Éireann operations and investments, with final funding allocations being confirmed based on the CRU revenue control process.

The CRU RC3 decision again provided for a step change in capital investment by Uisce Éireann in water and waste water services, totaling over €4.5bn in capital expenditure over the five-year period to deliver significantly improved customer and environmental outcomes.

The CRU publishes an annual Investment Plan monitoring report setting out the progress made against the RC3 Investment Plan across the previous year. To date, two such reports have been published: covering 2020 and 2021 and are available on the CRU website.

It should be noted that CRU monitors and reports on the delivery of major projects and programmes

at a national rather than a granular or local level. As part of this monitoring, the CRU seeks input from a range of stakeholders (including communities) on the work undertaken by ESNB on stakeholder engagement.

In addition to Revenue Controls, the CRU is also actively engaged in a number of major projects and programmes to support active customers and citizen and renewable energy communities.

I thank the Committee and welcome any questions.