

DÁIL ÉIREANN

AN COMHCHOISTE UM CHOMHSHAOL AGUS GHNÍOMHÚ AR SON NA HAERÁIDE

JOINT COMMITTEE ON ENVIRONMENT AND CLIMATE ACTION

Dé Máirt, 9 Bealtaine 2023

Tuesday, 9 May 2023

Tháinig an Comhchoiste le chéile ag 11 a.m.

The Joint Committee met at 11 a.m.

Comhaltaí a bhí i láthair / Members present:

Teachtaí Dála / Deputies	Seanadóirí / Senators
Richard Bruton,	Lynn Boylan,
Cormac Devlin,	Timmy Dooley,
Alan Farrell,	Alice-Mary Higgins,
Darren O'Rourke,	John McGahon,
Christopher O'Sullivan,	Pauline O'Reilly.
Bríd Smith,	
Jennifer Whitmore.	

I láthair / In attendance: Deputy Barry Cowen.

Teachta / Deputy Brian Leddin sa Chathaoir / in the Chair.

Engagement with the Commission for Regulation of Utilities

An Cathaoirleach: The purpose of the meeting is to receive our regular update from the Commission for Regulation of Utilities, CRU. On behalf of the committee, I welcome Mr. Jim Gannon, chairperson; Ms Aoife MacEvilly, commissioner; Mr. Paul McGowan, commissioner; Mr. John Melvin, director of security of supply and wholesale; Ms Karen Kavanagh, director of networks and economic regulation; and Ms Karen Trant, director of customer policy and protection. They have all been here before and are familiar faces.

Before we begin, I will read out the note on privilege. I remind our guests of the long-standing parliamentary practice that they should not criticise or make charges against any person or entity by name or in such a way as to make him, her or it identifiable, or otherwise engage in speech that might be regarded as damaging to the good name of the person or entity. If their statements are potentially defamatory in respect of an identifiable person or entity, I will direct them to discontinue their remarks, and it is imperative they comply with any such direction.

Members of the committee are reminded of the long-standing parliamentary practice to the effect that they should not comment on, criticise or make charges against a person outside the Houses or an official either by name or in such a way as to make him or her identifiable.

I remind those members joining us online that they are allowed to participate in the meeting only if they are physically located in the Leinster House complex, so I ask that they confirm that they are in the complex before making their contributions.

I will go now to Mr. Gannon for his opening statement.

Mr. Jim Gannon: I thank the Cathaoirleach for inviting us to join the committee today. With regard to the electricity market and pricing, at our previous committee hearing, we noted our intent to share with the committee an update on key retail market indicators following quarter 1 of 2023. I will outline some of the key retail trends identified. With regard to prices, falling wholesale prices have resulted in retail prices remaining stable since December 2022, but still at significantly elevated levels compared to pre-2021. Approximately 20% of domestic electricity customers and 22% of domestic gas customers switched supplier in the year November 2021 to October 2022. However, I will provide a clarification on these figures. They include customers who switched suppliers as a result of supplier-of-last-resort events. They automatically moved to a new supplier as a consequence of that supplier exiting the market. What we have done as a clarification is remove those automatic switches to see the normal or self-selecting switches. Those figures are 16% of domestic electricity customers and 18% of domestic gas customers. We felt it was important to reflect the real and supplier-of-last-resort figures. I apologise for not clarifying that in the text, but we felt it was important to provide it. Switching figures have since declined by more than 50% in both electricity and gas, from their peak rates in September 2022. That figure is not affected by the supplier-of-last-resort events. It coincides with the decline or slowing in supplier price increases.

On customer arrears, the number of domestic electricity customers in arrears remains below pre-Ukraine war levels. The Government emergency electricity credits have had a positive impact on electricity arrears, with the level of arrears reducing. However, they have tended to rebound quickly to pre-credit levels after the application. The impact of the credit has also had less of an observable impact more recently, perhaps due to contributing factors, including high prices elevated by winter consumption, and the extended moratorium on disconnections. We

collated the figures as a full quarter 1 update following the issuance of our opening statement, and these are the figures the committee received yesterday. We will continue to provide those on a quarterly basis in a timely fashion.

The moratorium on disconnections ended on 31 March. The CRU does not expect to see any marked rise in disconnections given the thorough process suppliers must follow, and the fact that suppliers will not disconnect engaging customers. The commission is awaiting the data for customer disconnections for April 2023, and we will provide this to the committee in due course.

The CRU remains very concerned at the impact of high energy prices on households and businesses. The recent reductions in wholesale gas and electricity prices are welcome, and we have seen recent announcements by some suppliers of price reductions in certain customer segments. However, it is important to note that the wholesale gas prices remain at more than two times the historic norms. Due to supplier hedging, the majority of customers were protected from the worst impacts of the volatility and extremely high prices of 2022 when wholesale gas prices peaked at ten times the historic norms. However, the same hedging contracts and practices that protected customers can mean that the pass-through of wholesale gas price reductions to the retail market are not seen for a period of time. While the commission notes that hedging practices are likely to be significantly different across suppliers, we continue to encourage all suppliers to reduce prices as soon as possible.

We note recent coverage of Irish retail prices. The Sustainable Energy Authority of Ireland, SEAI and EUROSTAT publish comprehensive EU electricity and gas price comparison data, in line with a methodology established by EU law. These are the price comparisons that the CRU considers to be authoritative. Using these comparisons, over the years leading up to 2021, Irish household electricity prices, in the consumption bands most relevant to Ireland, have been at or close to the euro area average. However, the high wholesale gas prices noted above had a disproportionate impact on the Irish market, with analysis by the EU Agency for the Cooperation of Energy Regulators, ACER highlighting that peripheral energy markets such as Ireland, which have a higher dependency on gas in their power generation mix, as well as relatively lower levels of interconnection, were hit particularly hard by these higher gas prices.

The CRU continues to monitor the market and is also reviewing the effectiveness of the enhanced consumer protection measures we have put in place over the recent winter months. The commission will continue to encourage suppliers to pass through price reductions as soon as possible, while at the same time preparing for the winter ahead so Irish customers are protected. The commission is also engaging in a review of the supplier of last resort, SOLR process, following the first, second and third ever SOLR events arising between June and October 2022. This illustrates the impact of the volatility in the wholesale global gas markets, which made it commercially unviable for some suppliers to remain in the Irish retail market.

The review will include scenario planning should more suppliers exit the market. The CRU is seeking learnings from these market exits regarding the transition of consumers to the suppliers of last resort, and also the costs associated with these events. The commission will conduct its annual review of the retail market to evaluate the trends and behaviours in the marketplace to assist in any potential regulatory response. Following a request at our most recent appearance before the committee, we have also separately provided an information memo on hedging in the single electricity market. We would like to invite the committee to review this document, and would welcome the opportunity to meet with any committee members who may wish to discuss it in more detail.

The committee has also asked for an update on the large energy user, LEU rebalancing process. As noted at our most recent appearance before the committee, the CRU has been engaging with ESB Networks, ESNB, following the identification of an administrative error in their implementation of this Government policy over the duration of its delivery. The CRU is currently engaging in a review of ESNB's initial submission on the quantitative assessment of the error to fully identify the impact on consumer bills across all of the distribution tariff groups affected by the error. As part of the revenue and tariff determination process for 2023 and 2024, the CRU is also exploring the reconciliation options available. The commission intends that the full error amount is returned to domestic customers, and any other affected customers, within the single 2023-24 tariff year. It is important to identify the bill impacts for the range of consumers involved, where there is an applicable revenue recovery. The commission has just received the ESNB 2023-24 revenue submission, and is working through this to determine the allowed revenue for 2023-24.

We are also engaging with ESNB to identify mitigation options to prevent any potential inaccuracies or errors in the future. A stand-alone information paper, setting out quantitative assessment, reconciliation approach, indicative consumer impact and mitigation measures will be drafted for publication in August 2023, in parallel with the revenue and tariff decision for 2023-24. As noted, the CRU will be seeking to redistribute the excess tariff quantum to consumers through the tariff mechanism, in as short a time as possible. This is part of an annual tariff setting process, which is not subject to public consultation. The CRU welcomes any feedback the committee may have on this or any other matter in the discussion.

Regarding active consumers, the commission notes to the committee the progress with regard to smart metering and active consumers. In excess of 1.2 million smart meters have now been installed in Ireland, with the ESB customer portal now providing access for consumers to their data in approximately 85% of cases, with this percentage increasing over time. We currently have more than 160,000 consumers availing of smart data services, and close to 80,000 consumers on smart tariffs. We note that for the majority of suppliers, the estimated annual bills for smart services tariffs are now better value for consumers than the traditional 24-hour tariffs, and that there are continued positive trends on the competitiveness of these tariffs.

Smart meters, and more active consumers, will remain a critical part in a secure, low-carbon transition, where consumers benefit from our deployment of renewables and a more flexible power system. Critical to this transition is the ability of a range of stakeholders to have access to, at an appropriate level, the data collected by smart meters. Further strengthening of legislation in this regard could help to provide greater value for consumers in our low-carbon transition.

On decarbonisation, the CRU has recently announced a further round of connections in 2023 for renewable and other generators to continue the roll-out of renewable energy in Ireland, including a dedicated pathway for community projects. The commission will also engage in a consultation in the coming months regarding the future of generator connections policy, with a view to aligning with upcoming EU requirements in relation to swifter delivery of the consenting, licensing and deployment of renewable energy.

The CRU has also recently published our decision on the regulatory treatment of offshore connection assets, in advance of the recent offshore renewable energy support scheme, ORESS auction, providing clarity to offshore wind developers on the funding and ownership arrangements for connection assets. The commission also finalised the competition ratio for the ORESS auction, aligning the need for competitive forces within the auction to protect consumers,

while facilitating significant levels of deployment in advance of 2030.

The CRU welcomes the recent publication of the Government review relating to the North-South interconnector, which now allows this project to proceed, and Irish consumers to enjoy the security of supply, decarbonisation, and cost reduction benefits of this critical piece of infrastructure. The commission also notes the significant progress being made on the Greenlink electricity interconnector to the Great Britain, GB market, and the progress being made on the Celtic electricity interconnector to France. The commission further notes the evolving policy framework on interconnection, led by the Department of the Environment, Climate and Communications, DECC. This will set the scene for future electrical interconnection and will allow Irish renewable energy to find a market as we move from a position of primarily serving our own demand, to a position where we begin to export ever more renewable electricity.

Demand-side flexibility will play a central role in Ireland's decarbonisation, while supporting both security of supply and providing greater value to consumers. While the policy framework for smaller-scale consumers is relatively well-formed, on the basis of smart meters, smart tariffs and the provision of value to consumers relating to their demand flexibility, the framework for larger-scale consumers is far less well-formed. With a target of 30% electricity demand flexibility by 2030 enshrined within the climate action plan 2023, which notes a need for large energy users to contribute more to this target, a specific action for the CRU is to develop a demand-side strategy, and this will be a key activity for the commission in the coming period. With a focus on the decarbonisation of our economic growth, aligning our national ambitions for both a growing and decarbonising economy, this will involve significant public consultation and an initial focus on those aspects of demand which are within the remit of the CRU, such as connections policy and pricing signals through network tariffs. However, we note that to deliver the level of demand flexibility required to match our decarbonisation ambition, a whole-of-government and multi-agency approach will be needed to ensure those businesses providing growth in our economy are appropriately incentivised to be more flexible in their demand. On the market revenue cap legislation, the CRU welcomes the committee's scrutiny of the legislation relating to the European Commission emergency measure regarding a market cap on revenues in the electricity sector. The commission awaits the outcome of the final detailed legislative proposal but is securing the necessary support to be able to follow through on the requirements and ensure that, in line with the requirements and detail of Government policy, the surplus revenues identified by the policy will be collected in a timely fashion.

With regard to our organisation, the CRU continues to recruit resources in line with our sanction for a total of 196 staff. This represents an increase of 60% from the end of 2021. We note that since we submitted our resource request, Ireland's low-carbon ambitions have increased, energy security and pricing crises have imposed new challenges to the organisation, and the potential for additional functions to be added to the organisation continues. With this in mind, we are engaging in a short organisational review to understand what additional capacity and expertise we may need on top of the already sanctioned positions. Ireland currently has a very tight labour market, with a particular shortage being experienced in the energy sector. The CRU will continue to develop our organisation to protect the consumer interest in energy, water and energy safety over the coming years, and welcomes the support of the committee in this regard.

That concludes our opening statement and we are happy to take questions from the committee.

An Cathaoirleach: I thank Mr. Gannon for his opening statement. We will move to ques-

tions from members and from non-members who have joined us today. Those who wish to ask questions should indicate same if they have not done so. We have a very full attendance, which is great to see but I am going to be very strict on timing to give everyone an opportunity to contribute. I ask everyone to stick to the five-minute limit, which includes time for the witnesses to answer the questions posed. If we get through the first round efficiently and have time remaining, we will go for a second round of questioning and possibly even a third round.

Deputy Christopher O’Sullivan: I thank Mr. Gannon and the other representatives of the CRU for being here today and for their opening presentation. I will get straight to it and ask them to provide short and to the point answers, if possible, because we only have five minutes.

The figure of 1.2 million smart meters installed is impressive. Is there a numbers target and a timeline for rolling out the remaining smart meters?

Ms Aoife MacEvilly: We are aiming for an almost complete roll-out by the end of 2024. We will have the majority of households and businesses metered by then.

Deputy Christopher O’Sullivan: What is the figure for a complete roll-out?

Ms Aoife MacEvilly: All households-----

Deputy Christopher O’Sullivan: Is there a figure?

Ms Aoife MacEvilly: It is 2.4 million. Some more complex houses with three-phase meters may take a little bit longer but the majority will be done by 2024.

Deputy Christopher O’Sullivan: So we are about one quarter of the way there. The point of smart meters is to encourage consumers to move away from peak demand times and to save money or keep money in their pockets. At the moment, the peak rate is between 5 p.m. and 7 p.m. and the night-time rate begins after 11 p.m.. We are trying to encourage consumers to reduce their energy use at peak times. Did the CRU set those times for the peak and night-time rates?

Ms Aoife MacEvilly: For the standard smart tariff, we set those times of day but suppliers can also go beyond the standard and set their own.

Deputy Christopher O’Sullivan: The 5 p.m. to 7 p.m. and the after 11 p.m. times were set by the CRU, which means I am speaking to the right people about this issue. Breaking down the figures that Mr. Gannon went through in his presentation, 80,000 consumers are availing of smart tariffs out of a total of 1.2 million smart meters that have been installed. My rough maths indicates that this represents 6%, which seems extremely low. It seems that the smart meters are failing to move people away from those peak times and are also failing to make sure that people get the best value for their money. Surely the CRU should look at changing the peak times and peak tariffs, particularly at bringing the 11 p.m. night-time rate back to 8 p.m. I say this because there is obviously a very low uptake. Clearly what is happening is that consumers are looking at their options and are staying on the flat rate throughout the day because it makes more sense to do so. They are not willing to put on their washing machines and dishwashers at 11 p.m. and I do not blame them. Their children might be asleep or at least in bed and they do not want that disruption. Indeed, some people are already in bed themselves at that point so they are choosing to go on the flat rate because it makes more financial sense and they do not want the disruption of having to turn on appliances after 11 p.m. Surely it is time to reassess this. If the CRU were to bring the night-time tariff back to 8 p.m., it would encourage more of those 1.2

million smart meter users to avail of the night-time rates. It would encourage more people to move away from peak-time usage between 5 p.m. and 7 p.m. which, especially during winter, is the most risky time in terms of peak usage and potential blackouts, which we happily avoided for the most part this winter. Surely the CRU could look at those rates and bring the night-time tariff forward to 8 p.m. That would get rid of much of the peak usage and most importantly, give the consumer the option to keep money in their pockets, to save money by making use of the smart tariffs offered by whatever provider they use. Will the CRU look at bringing forward the night-time rate to 8 p.m.?

Ms Aoife MacEvilly: The Deputy has raised an important point. We definitely want to encourage more people on to smart tariffs. The barriers we have identified at this point are customers not feeling confident, because they do not understand their own consumption, to make that change. Our first priority has been the provision of better data so customers can see their patterns of usage and understand where they will make savings. The other area we identified was that the suppliers' offerings as presented did not appeal to customers because they did not seem to be good value. There have been changes there and they are now better value, as can be seen on the switching websites. It has not come to our attention that the standard times are an issue but we are reviewing this as part of our demand-side strategy, which Mr. Gannon outlined earlier. One of our core initial targets will be optimising the benefits of smart meters for customers to help them save and to help move them away from peak-time usage. We will look at whether that issue is also a matter of concern.

Deputy Christopher O'Sullivan: Ms MacEvilly said she does not have the data but if only 6% of 1.2 million are choosing the smart tariffs, clearly something is wrong. When I was discussing my own plan, I looked at the options and I knew I would not be using appliances after 11 p.m. What people are choosing to do is stay on the flat tariff because it is still providing better value for money and is less hassle. If the CRU brought the time forward to 8 p.m., we would see a change. We would see people saving money and moving away from peak times. I urge the CRU to consider that seriously.

It was reported recently that Ireland has some of the highest electricity prices in Europe. Consistently, we are up there in the league table. What is the CRU's view on this? Obviously we are an island nation and we do not have the same bulk-buying power as other EU nations but is the fact that players such as ESB and Electric Ireland have such a large share of the electricity market also relevant? Is there a lack of competition in electricity supply, and does that drive up prices? Would more competition in the market help? We have seen suppliers leave the sector but would encouraging more to enter the market result in better prices for consumers?

Ms Aoife MacEvilly: There is a lot in that question. We are among the highest priced in Europe. We have typically been at or around the euro area average but we had increased our ranking by the end of last year and that is to do with some of the features the Deputy mentioned. We are a peripheral island nation with a high dependence on gas and a low level of interconnection. It is not necessarily the case that our market structure, in terms of the number of competitors, has further contributed to that but it is of concern to us that we have lost competitors in the market. That is why we are doing the supplier of last resort review and we will do everything we can to increase competition. We have taken measures to try to address the scale of customers that remain with Electric Ireland and to empower them to make different choices and find better value. A lot of our focus will be on continuing to sustain competition in the market to drive down prices to the greatest extent possible. What we are seeing are structural issues around the Irish market in terms of geographic location and dependence on gas that would be

hard to compete away, so to speak.

Deputy Christopher O’Sullivan: The lack of competition is a big issue.

An Cathaoirleach: We will go now to Senator Higgins who is joining us from her office.

Senator Alice-Mary Higgins: There was mention of the administrative error and the issue of the way household customers were being charged to effectively subsidise large energy users. There are two issues in that. There is the Government policy, which Mr. Gannon mentioned, and then there is the administrative error, which was a particularly excessive application of that policy. He mentioned the measures that have been taken in respect of the overcharging measures or the particularly inappropriate calculations that were done. However, in terms of that general principle, which was Government policy and had households subsidise large commercial users, what are the lessons from that? Again, this is not the errors in how it was unevenly applied but in terms of that general principle, has there been learning from that? Has there been a recommitment to the idea that we should not have households effectively subsidising other users or that we should look to ensure that our priority is the protection of households, citizens and all of those who live in the State rather than, for example, prioritising large energy users that have led so much of the demand increase?

On demand reduction, Mr. Gannon referred to demand flexibility. There is a lot of discussion on the demand flexibility measures by 2030 which are in the climate action plan. The EU has a 40% demand reduction target. This has come up almost every time representatives from the CRU come before the committee. When it comes to large energy users, the discussion is always about flexibility at peak times rather than a discussion about what the strategy is for demand reduction overall, that is, less energy being demanded over an entire year, for example. I am concerned that the opening statement mentions ensuring “that those businesses providing growth in our economy are appropriately incentivised to be more flexible in their demands”. Are there still any measures such as sticks or hard regulatory measures to ensure we can require demand reduction or even demand flexibility from large energy users, rather than a situation where the State ends up paying, subsidising, or incentivising them to do so? I am concerned that for citizens, the price points are moving on but for large energy users, the soft approach seems to be there.

An Cathaoirleach: I am mindful of time, Senator.

Senator Alice-Mary Higgins: I will be very quick with my final point.

An Cathaoirleach: There are some very good questions there but I want to give our guests time to answer.

Senator Alice-Mary Higgins: I will give two final points, which will add to that very quickly. On the smart meters, I am concerned by the call by the CRU for legislative measures. Does that mean the commission is looking to bypass consent measures in the sharing of data? One of the reasons people do not sign up is there is a lot of ambiguity about how the data will be shared and I am concerned the message today maybe adds to that in that regard.

Mr. Jim Gannon: I thank the Senator very much.

Senator Alice-Mary Higgins: I would like to mention one final issue that is related. There has been an 87% increase in complaints. What issues are those complaints largely relating to? Will Mr. Gannon comment on what measures have been taken to address the fact that Meta was

not charged for 18 months?

An Cathaoirleach: There really is not time to cover so much in this first round. Will Mr. Gannon take the first few questions? If there is an opportunity later to come back to some of the others, we will do it that way.

Mr. Jim Gannon: As the Senator outlined, the LEU rebalancing was the implementation of Government policy at a time we were in a different economic crisis between 2010 and 2021. As noted, the error resulted in a charge over and above that mandated by Government policy. This error and overcharge will now be assessed, calculated, and reconciled. When Russia invaded Ukraine, as part of the emergency response group, the energy security emergency group, ESEG, put together by Government, CRU brought to the table that this was one of the measures that could be actioned, or undone in this case, that could be brought in as a policy measure to ease some of the pressures on our residential and smaller consumers. It was on the basis of that group and that dialogue that we unwound the rebalancing.

In terms of demand flexibility measures, we note the energy efficiency directive and the upcoming scrutiny and delivery of that by the European Commission. Enshrined in that will likely be a significant requirement for member states to reduce their overall demand - not increase flexibility but to reduce their overall demand - against the levels that were predicted for 2030 in the respective national energy and climate plans 2020. When that comes through, it will send a very stark and specific signal to member states on demand. In terms of demand reduction overall, that is part of our consideration of how electricity and gas demand growth can be facilitated and how the CRU, but also the network companies and others, should take the carbon ceilings into account when assessing new demand applications. This is not just flexibility but also a consideration of that overall demand. The Senator is correct; this must be looked at now. It must be part of our planning process and it is part of what we will consult on. I believe we have a call for evidence coming out in the next month on that seeking insights from industry and others.

When we mention incentivisation, we mean both bonus incentivisation and malice incentivisation. This could mean constraints or additional charges. It is likely that a broader suite of measures may be required for energy users, particularly business energy users, where some might have a greater ability to pay than others. A combination of bonus positive incentives and malice negatives incentives is likely to arrive at a better and more equitable outcome as we seek, not just to decarbonise and make our demand more flexible, but also reduce that aggregate demand in line with what is likely to be a challenging requirement on the energy efficiency directive.

Regarding smart meters and the legislative measures, I am happy to pass over to my colleague, commissioner MacEvilly.

Ms Aoife MacEvilly: It is a really valid question. Protection of data, because this is personal data, is extremely important. We have been given powers under legislation to set up a new data access code that would govern that and put clear guidance in place around how some of this data can be accessed and used, and by whom. To give some examples, there is a lot of frustration at the moment that during last winter, nobody could use the aggregate data to assess impacts of demand measures and peak demand measures. There is a lot of concern that we are not optimising the use of aggregate data in planning. There are some really valid cases where there should be rights to access, particularly of aggregated data to help us do a better job on climate action measures. It would also be very helpful if suppliers could access data for their

customers to be able to explain to them that they would do better on a particular type of tariff. This relates to the type of question that Deputy O'Sullivan raised. Customers are looking at the tariffs and saying they are not running their washing machines after 11 p.m. but they might be surprised by how much electricity they actually do consume after 11 and overnight without even running major devices. It would be helpful even just for somebody to be able to advise a customer that they would be better off to switch to a particular tariff and to show them the evidence of that but suppliers cannot access that data at the moment. There are clear use cases in which clearer rights to the access of data for certain purposes under controlled and regulated conditions would be very beneficial to customers and also help us do better on climate action. I completely agree that it has to be completely respectful and protective of customers' rights around data protection and data security.

Senator Timmy Dooley: I want to follow on from that point about the usage of smart meters. I get the issue of the protection of data. However, it should be possible - and maybe the CRU can explain to us from a legislative perspective if it is not - for the CRU under some programme or the suppliers, to be able to tell me the best tariff I should be on. I used to be able to do it with telecommunications companies when mobile charges were charged very differently, and I accept that probably predates some of the data protections. I cannot understand this because when and where you use electricity is not really personal data. If someone is operating a greenhouse, the reality is the gardaí will find out about it from whoever the supplier is. If there are very significant and large peaks in the use of electricity, personal data goes out the window. Would it not be better for the Commission for the Regulation of Utilities to develop a programme that assists all of us who have a smart meter to get the maximum use from it? Let us be honest - this is not in the interests of electricity suppliers. They keep me on the wrong tariff for as long as they can because they continue to benefit from it. It happens in the insurance sector. It happens everywhere. We can look at this from a decarbonisation perspective. I suggest we should force them into giving the best possible tariff to me or to whoever wants it. I would be interested in hearing Ms MacEvilly's comments on that. If I have time, I will come back on some of the other issues.

Ms Aoife MacEvilly: We completely agree. We would like suppliers to be in a position to provide customers with advice that is based on their data. At the moment we are going through a major process around the data access code. It is taking time and has to be painstaking. In terms of the additional legislative support we called for, if it is clear in legislation that there should be a right or indeed an obligation-----

Senator Timmy Dooley: It should be an obligation.

Ms Aoife MacEvilly: -----for suppliers to do this, then there is a clearer path for them to access that data. The process we have to go through takes a very long time and is not as clear to the Data Protection Commissioner. This is exactly what we would like customers to get from their supplier or from a third party who might come in and say that they will tell those customers about other suppliers' offers if they provide their data.

Senator Timmy Dooley: The best way is to put the obligation on the suppliers. If third parties are brought in, we will be battling with it and it will become another legal wrangle. Where is that idea at right now? Has the CRU sent a request to the Department to bring forward a legislative response?

Ms Aoife MacEvilly: We engaged with the Department at the time of the legislation and have been talking to it since then. Does Ms Trant want to comment?

Ms Karen Trant: I suppose a meter point reference number, MPRN, is personal data whether we like it or not. That is certainly what the Data Protection Commissioner said. We are putting in place the data access code. We have spoken to the Department about the challenges around that and will continue to speak to it. Ideally, as Ms MacEvilly said, if we could get an obligation on suppliers to access that information, that would be the better option.

Senator Timmy Dooley: Is that something we should advance from a legislative perspective?

Ms Karen Trant: Absolutely. It would be ideal if we could do that.

Senator Timmy Dooley: The committee could write to the Department, based on what we have heard from the CRU, and ask it to come forward with a response to the legislative challenge in this regard. That would be helpful.

My next point relates to the general cost of electricity being based on the wholesale market. The CRU rightly put forward the principle of hedging, which has protected us from extremes on one end and is now being balanced out on the other end. I am conscious that when gas and electricity prices - particularly gas prices - skyrocketed, there was a connection between the prices of gas and electricity. The market quickly started to move prices up, long before the hedging position reached an end point. There was advance sight of where the market was going. Has any work been done on the way in which electricity companies benefited in the short term before they reached the end of their hedging position? Of course it is a competitive issue. The electricity companies are clearly not tapering prices down now in recognition of where international gas prices are at.

The next question is around competition.

An Cathaoirleach: I am sorry, Senator Dooley, but your time is up.

Senator Timmy Dooley: The balancing point is the more competition, the better. I am conscious that when the ESB was unfurled from the all-embracing company that it was, the price of electricity was forced upwards in order to create a competitive environment and bring others in. I do not believe it has gone back down since. Recognising where we are, has the CRU looked at another model in terms of capping prices? When we do not have effective competition, we have a regulator. Does the CRU see an enhanced role for itself in terms of not depending solely on competition to get value for money for the customer? Should it have a greater stick to use in forcing the price to a sustainable and acceptable level that meets the needs of consumers? I apologise to the Chair for taking liberties.

Mr. Jim Gannon: I thank Senator Dooley. I will briefly close out the data access code piece. This insight into legislation has come about from the work on the data access code. We now see challenges as we see that data use cases might be to the benefit of consumers. That is evolving. The clear point was made that clarity in the legislation is important. Not only will that provide better support for certain use cases, but it will also provide better clarity for consumers on the protection of their data as these use cases are used. This point was made by Senator Higgins.

I will speak about the Irish electricity market more generally in the context of the instant price increases when the Russian invasion of Ukraine happened. As soon as gas prices started to rise, notwithstanding the fact that some of the gas had already been purchased, the futures - the longer term gas that was being purchased - would also have instantaneously increased. That

would have led to an immediate increase in the price of gas being purchased and would have led to an immediate increase in prices. To reflect back, gas moved to a price that was ten times what it had been in the preceding period. That was not reflected in the retail prices we saw. Nonetheless, it is important to note that the CRU will undertake a review of consumer protection measures to see how the crisis over the recent winter impacted on consumers and what can be amended, done better or supported for the forthcoming winter period. Separately, the review of SOLR exits last year - three such exits happened in a row - will also look at the market forces that forced these suppliers out of the market, the impact on consumers and the cost of those exercises. We will also conduct our annual review of the retail market. That will reflect back over the last year to look at market practices, data and statistics. The outturn of that will likely lead us to say what occurred, what the underlying market forces were, and if something different or something more is needed to make the Irish market more competitive.

An Cathaoirleach: I will push along. Will Mr. McGowan be very brief?

Dr. Paul McGowan: Yes. It is important to remember that at the core of the original liberalisation of the market was the belief that there should be cost reflectivity in the short-term and long-term cost of electricity. At the time, I would say it probably reflected the short term rather than the long term. Huge investments were required. Rather than prices being forced up to create competition, prices had to rise to generate the investment that was so critical to an ageing and ailing infrastructure.

An Cathaoirleach: That is an important point.

Senator Timmy Dooley: I have a final point. In the absence of competition is there a stick that, from a regulatory point of view-----

An Cathaoirleach: I will move on Senator Dooley. You can come in again if there is time.

Senator Timmy Dooley: I apologise.

Deputy Jennifer Whitmore: I thank the CRU for its presentation. I will go back to the 12 years of overcharging by the ESB of every single electricity customer in this country. The CRU's opening statement said it is currently reviewing the ESB's submission on the issue. Will the CRU tell the committee how much money the ESB estimates it overcharged over that 12-year period?

Dr. Karen Kavanagh: ESB Networks identified that the rebalancing happened over 12 years and the error was over 11 years. In that period, it was €100.73 million. That is their estimate. That is the number the CRU is looking at and interrogating. We are looking at the detail that underpins it to verify and validate that number. That is not the final number the CRU has landed on, but it is the submission ESB Networks made to us.

Deputy Jennifer Whitmore: Was that €100 million?

Dr. Karen Kavanagh: Yes, €100 million.

Deputy Jennifer Whitmore: What would that be on a consumer or household basis?

Dr. Karen Kavanagh: In terms of how that money will be returned, we have set out in the statement that we will return the €100 million in this year's tariffs. At the moment we are setting the allowed revenue for the period 2023-24 and the tariffs that will be recovered over that period, which starts from October. That will be returned. That will be a reduction in domestic

tariffs. It will mean domestic tariffs will be lower than they otherwise have been.

Deputy Jennifer Whitmore: To clarify, Dr. Kavanagh is saying people are going to be paid back money that was taken off them over an 11-year period.

Dr. Karen Kavanagh: Yes.

Deputy Jennifer Whitmore: How much will it be on a per-bill basis? I am asking for a guesstimate.

Dr. Karen Kavanagh: That is the tricky bit. The annual process we go through involves receiving a submission from ESB Networks on 28 April. It has made a revenue ask to us and we have to go through all that material. The ESB submission includes the return of that €100 million to domestic customers, but it is only when we have gone through all that material and made a determination on the allowed revenue for this year that we look to set the tariff, so I do not have a bill impact. Over the coming weeks we will analyse the ESB's submission, make a determination on its final revenue amount for the next year and then look for it to determine a suite of tariffs. In our annual information note we will set out what the revenue allowance is for the year and what the associated tariffs are. In parallel, we will also set out a detailed note on this particular issue, including how it happened, why it happened, the detailed impact across all those customers over the course of the 11 years, how that has been reconciled and what lessons have been learned from the process.

Deputy Jennifer Whitmore: How many electricity customers are there, roughly?

Dr. Karen Kavanagh: There are around 2 million domestic customers.

Deputy Jennifer Whitmore: Thus, it is roughly €100 million divided by 2 million customers.

Dr. Karen Kavanagh: It is important to note we will be returning that through the network tariff. It was overrecovered through the network tariffs. For all domestic customers there is a standing charge and a unit charge element. It will be returned through that same mechanism.

Deputy Jennifer Whitmore: That will start from October.

Dr. Karen Kavanagh: From 1 October, and that runs for a year.

Deputy Jennifer Whitmore: It will not be paid in full on 1 October, but over a year. Is that correct?

Dr. Karen Kavanagh: It will be returned through network tariffs, which is the standard mechanism.

Deputy Jennifer Whitmore: It will be on the bill, okay. On the commission's revenue allowance, as Dr. Kavanagh says the ESB must say each year how much money it is going to be taking in. Has the ESB accounted for the money forgone from the fact it had not been charging the data centre in Clonee for its electricity usage? It was reported in the media at the weekend that because of an error at the substation, the ESB had not been charging Meta for the electricity usage of its data centre in Clonee for an 18-month period. Is that something the commission is aware of?

Ms Karen Trant: Yes. The ESB made us aware of that around three weeks ago. It dis-

covered there was an issue with the transformers on the site and they had been recording an underusage of consumption. The ESB is investigating that and has continued to investigate it. We want to know that it is not systemic and is isolated to that particular site. The ESB is working within the market processes to ensure that money is paid by the supplier and also by the customer. It will be paid back.

Deputy Jennifer Whitmore: When Ms Trant says the ESB recorded an “underusage”, it did not record any usage. Is that correct?

Ms Karen Trant: No, it recorded usage-----

Deputy Jennifer Whitmore: Okay.

Ms Karen Trant: -----but it recorded an underusage of somewhere in the region of 7%. That is what I have been told.

Deputy Jennifer Whitmore: Is Ms Trant able to give me the figure?

Ms Karen Trant: I do not have the figures yet. We are getting an incident report from the ESB in another week or two and we will have a look at that to see what next steps need to be taken. It seems to be an IT error on the transformer itself.

Deputy Jennifer Whitmore: Okay, and at this stage the commission does not know if that is an isolated issue.

Ms Karen Trant: The ESB is saying it is confident it is not a systemic issue. They cannot guarantee it has not happened at another site, but that is part of its investigations at the minute.

Deputy Jennifer Whitmore: I am not sure whether the commission can address this, but Meta would need to keep its accounts on track. I imagine the company would have noticed its bill was particularly low. I imagine it would have gone to the ESB to say there is an issue here, because otherwise it has a liability on its accounting system. Is that something the commission will also be looking into, that is, the notification of this? It seems incredible we have a facility that uses the electricity equivalent of 150,000 homes, the owner of which has been underpaying on its bill and the ESB did not notice this was the case for 18 months. My question is probably for Mr. Gannon. We have had two major instances with the ESB: first, where technical issues resulted in customers being overcharged by €100 million over an 11-year period without it being picked up on, and second, the undercharging of a large energy user to a value, I imagine, of tens of millions of euro. It is domestic users in the period who will be picking up the bill for that.

An Cathaoirleach: I am mindful of time. We must give Mr. Gannon an opportunity to respond.

Deputy Jennifer Whitmore: Does Mr. Gannon have concerns about the ESB and the fact there are major technical issues following it around? It does not seem to be on top of the charging mechanisms it has in place.

Mr. Jim Gannon: It is a fair question to ask. On our response, we are awaiting an incident report from ESB Networks regarding the transformer error. Part of that is to understand whether it is a systemic issue and ascertain whether there are other transformers that may be on the system with this risk profile in order to prevent it happening again.

On the large energy user, LEU, rebalancing process, again the administrative error was picked up, though it was picked up late.

Deputy Jennifer Whitmore: Some 12 years later.

Mr. Jim Gannon: It was picked up late. Part of the analysis of mitigation measures cannot just be how to prevent it happening again - it must also involve how to pick up something like this earlier to ensure if errors happen, they are picked up earlier. If any of those analyses lead us to think about whether this is a result of general underinvestment or general lack of attention around certain aspects, that is also something we will be picking up within ESB Networks and with it. We await the outcomes, but it is certainly something we are going to look at. It is not just about how to prevent the specific incident but also how to identify it earlier and to ask whether there are systemic challenges there.

Senator John McGahon: I have three quick questions that I will throw out and the commission might answer one after the other. In January of this year, we were looking at 28 cent/kWh to 31 cent/kWh for domestic use. In February 2023, that went down to between 24 cent/kWh and 26 cent/kWh. From the height of the energy crisis, that is down roughly 44 cent-plus. Before the energy crisis started, it was on average about 15 cent/kWh to 18 cent/kWh. At what stage does the commission envision the price falling below 20 cent/kWh again? I would like a guesstimate or timeline around that.

Mr. Jim Gannon: I thank the Senator. As an independent regulator, we are always cautious and we do not predict the future of retail prices, because that can set an expectation that retail suppliers follow. We are very cautious about not doing that. I note wholesale gas prices are down, but are still double what they were before the crisis. That is notwithstanding the response of the EU with regard to demand, alternative supplies from countries other than Russia and how that price passes through. We cannot predict when that will come through. We feel there are still savings that will accrue and be passed through to the retail sector, but we do not believe at this point in time, given where the wholesale gas prices are, that electricity prices will go back to what they were in, say, 2021 given gas remains stable, which perhaps reflecting the invasion still being under way and the volatility of that.

Senator John McGahon: Okay. In Mr. Gannon's opening statement he spoke about the need to try to expand the commission's staffing and how there is a particular labour shortage in the Irish energy sector. With that in mind, what is the commission doing, perhaps across the EU, to try to attract people here to meet that shortfall?

Mr. Jim Gannon: This is where we have a sort of make-or-buy decision. If resources are available in the labour market, we need to continue to try to bring in those experienced resources. Our organisation is curious because we need economists, scientists, engineers, legal specialists and people with a range of other expertise in support of our work programme. If we cannot buy those resources, domestically, on the European market or elsewhere - we have quite a multicultural staff - then we make them. We bring in swathes of graduates every year. We particularly focus on our graduate programme to train individuals to support the programme of work and our longer-term strategy, both of which we pursue. We also engage with the Economic Regulators Network, the Irish group of economic regulators. One topic in that area is not just recruitment but also retention. As an engineer, you can see your career profile as a chartered engineer in engineering companies, but there is no degree course to go into the profession of regulator. Perhaps there never will be but it is important for us to reflect and understand that. Along with our European regulatory counterparts in the Commission for Energy Regula-

tion, CER, and ACER in Europe, we also examine that and examine the profile of expertise we require in regulators. It is noted by regulators across Europe that it can be difficult to find and retain staff. Retention is a challenge because staff who have been within a regulator for a period of time are sometimes quite attractive to regulated entities which may seek similar insights and skill sets.

Senator John McGahon: What is being done to target graduates? Is the CRU going out to universities across the world selling Ireland, saying to people that they should come and work here and asking them to fill the gap? How are graduates targeted for that recruitment drive?

Mr. Jim Gannon: Some of it is dialogue with academics with whom we have connections. I think this year we decided that we would start going back out to campuses to target graduate analysts. Our graduate analyst campaigns tend to be well subscribed and we get good graduates through it, but notwithstanding that fact, we need to keep making sure the breadth of graduates we attract to the organisation is strong.

Senator John McGahon: Following on from Deputy Christopher O’Sullivan earlier, it was mentioned that Ireland has a geographical disadvantage when it comes to trying to attract competition into the market. What are we doing to try to attract more companies to the Irish market to create competition?

Ms Aoife MacEvilly: When it comes to generation, we are getting a lot of international competition coming in, for example, in renewable energy and offshore renewable energy auctions and in some of the new competitors coming in to deliver the gas-fired generators we need. Unfortunately, on the supply side, because of the events of the last year, there have been exits. We are hoping for stabilisation of the market at the moment. The market for the 2030s should look entirely different from the market we worked with through the 1990s and up to the 2020s. We should be thinking about what active customers look like, what types of new services are coming in and how to engage community suppliers. We should think more about what 2030 and beyond look like when we go to the next stage.

Senator John McGahon: The market will be a different one by then. The EU Commissioner is appearing in the Seanad so I have to go, unfortunately.

Senator Lynn Boylan: I thank all of the speakers. I was going to pick on the topic of LEU rebalancing but I am heartened to hear there will be a full analysis of how the mistake was not picked up. I will instead speak about the SOLR issue. Did I understand Mr. Gannon correctly when he said, on the moving figures, that it was 16% electricity customers and 18% gas? Did they opt to change supplier or did they have to change?

Mr. Jim Gannon: They are the ones who changed after those who were automatically moved. They were the self-selecting people who decided to switch.

Senator Lynn Boylan: When examining the SOLR review, will the CRU consider bringing in a bond so that when companies leave the market, it is not going to be the SOLR customers who have to pick up the tab? Electric Ireland would not have hedged for those extra customers, which has a knock-on impact on everybody else.

Ms Karen Trant: This will be a framework that will examine SOLR issues. It will involve scenario planning, who bears the cost, where it should lie and where the risk lies. All of that is on the table for the review.

Senator Lynn Boylan: On the CRU website, it states that Gas Networks Ireland, GNI, is not producing a ten-year network development plan, which I think is similar to EirGrid's capacity statement. Is it not concerning that it is not going to produce that? Surely we need to know what the forecasting is for gas usage.

Ms Aoife MacEvilly: I think it was just one year and there was so much activity going on in terms of forecasting for the purpose of both the climate action plan and the security of supply study. It is not that we do not have forecasts, it is that specific plan, which I think was missing a year. I think we will catch up quite quickly on the gas ten-year network development plan. Mr. Melvin may wish to comment.

Mr. John Melvin: Essentially, it was simply a gap in one year because of all the other activity that was under way.

Ms Aoife MacEvilly: If I am correct, as this is largely based on EU legislation, I think the EU may be moving to every two years in any case. I also think some of the focus now is going to move to combined electricity and gas network planning because they are so interlinked. We may be looking at some changes in that framework, going forward. There is continuous activity and engagement around forecasting.

Senator Lynn Boylan: The CRU supplied the committee with the latest figures for islanded data centres. I think there were 11 data centres connected to the gas grid. There seem to be conflicting views between GNI's view of whether this is a problem, Government policy and the climate action plan. The Government said it believed islanded data centres threaten our emissions reductions and it would rather they do not happen but GNI seems to factor them in as a normal part of growth. Which is it? The CRU is the regulator. Are we following the climate action plan and our binding emissions targets or is GNI allowed to go rogue and say not to worry about these islanded data centres because they are just a natural part of growth and at some stage we will have renewable gas of some sort feeding them?

Ms Aoife MacEvilly: This is an important area and we will examine it in the context of our demand-side strategy. We will examine the connection policy for large users connecting to both the electricity and gas networks because it is so critical. These large users can have significant impacts on our climate action targets and the carbon ceiling. We must examine how to bring these large users in so they are zero carbon at source. Many of them have aspirations or commitments to being so in 2030, so why not bring that forward? We are examining this issue. In the particular case of GNI, there appears to be in its legislation, as it tells us, almost no power other than to continue to connect. We will work on that because we think it is important that we connect large users in a manner consistent with sustainable economic growth, decarbonisation of economic growth and our climate action ceiling. We will engage with them on that matter as part of this process.

Senator Lynn Boylan: Moving to electricity demand, demand reduction was brought up earlier by Senator Higgins, I think. We did not meet our targets. I think gas demand was a voluntary reduction of 15%, which we did not meet. I think it was actually 0.3%. In electricity demand reduction, we were the only country apart from Malta that went completely the wrong way. There was an overall 10% reduction figure and then a 5% binding peak demand figure. My concern is that according to Ember data, we did not meet those reductions and our electricity demand went up. When it was before this committee, EirGrid told us that 9% was a normal predicted demand growth in electricity. When challenged on that, it supplied us with figures, which I think stated that about 1% is the EU average. I point that out because it seems, for some

reason, that the metric used to pitch our electricity demand reduction was not what is always used, which is the baseline of what you did 12 months previously. Instead, it was the predicted demand growth, which seems very fortuitous for Ireland given that we had a 9% predicted demand growth, which was completely out of kilter. It could possibly mean we will meet that demand reduction, but we are meeting it because we are using targets that are way off any other European country. Does the CRU have concerns about the 9% figure EirGrid supplied to the committee? Will Ireland reach our electricity demand reduction target?

Mr. Jim Gannon: I will start and will then pass to my colleague, Mr. Melvin, on the predictability or not of demand. Our understanding of the data as it stands is that in terms of the 5% mandatory target for peak, Ireland was able to demonstrate flexibility of 7.5% reduction in fact at that peak. Part of that was price sensitivity but we also understand that part of it was a response to the network tariff review we completed last year. That was a very rapid review and was a difficult consultation with industry, but industry did respond to that price signal as well as residential consumers responding to the challenge and the pricing. The peak was met and in fact exceeded but the 10% non-binding limit was possibly not reached. The numbers are currently being analysed. We need to understand what that level was and what the real causes and drivers were. As we look forward to next winter, we need to understand what actually resulted in change and see if we can drive those more. Was it pricing, communications and messaging, or was it bonus incentives or malice incentives, that is, a positive or negative incentivisation? We need to understand that better in respect of the period just gone and in terms of preparing and going forward. We understand the peak response was delivered but that overall perhaps not.

Senator Lynn Boylan: Does Mr. Gannon have concerns about the changing of metric used? Ember would have used the data from a comparison with 12 months previously. Their report released last week showed Ireland and Malta as complete outliers. Yet, when we look through the European Council document, they for some reason have decided to go with predicted demand. It does seem Ireland benefits significantly from using that metric.

Mr. John Melvin: The metrics were chosen for the particular regime. We would not particularly have influenced those. That measure was brought in over a very short period and may just have been an aspect of the tight period in which targets or the whole idea was put together. When the Senator refers to the 9% growth - I am trying to recall the session here some time last year - I think that was being measured maybe from 2015 to 2020-something, and that there was a 9% growth over a number of years whereas compared to other entities in Europe there was 0% growth in a significant number of jurisdictions. That 9% was not an annualised or annual growth rate. It was over a number of years. Yes, it was different from lots of other entities. As to why they chose the expected demand metric, that may just have been an aspect of how quickly it was put together, and to make it more realistic, perhaps, than historical averages, given the road we are on.

Senator Lynn Boylan: My understanding is the European Commission was to use the 12-month figure as the baseline originally. It was a member state that called for the change.

An Cathaoirleach: I thank the Senator and ask if Mr. Gannon could be very brief.

Mr. Jim Gannon: It is very difficult to predict energy demand growth but it is in all of our interests to get it as accurate as possible. This means that we invest in the right levels of supporting infrastructure and capacity that we will need, and that consumers will bear the right cost for that. In terms of further development on that front, the national resource adequacy

assessment, NRAA, is something that the European Commission and ACER require. It will start looking at demand growth to a new methodology which will be consistent across European countries. That is in process now.

Deputy Richard Bruton: I thank the witnesses for the presentation. I thought I heard a report today about serious arrears levels among consumers. The CRU's statement seems to suggest arrears are lower than they were. Maybe we could have a comment on that. On the take-up of the smart meters, at the moment it is 7% which seems very low for such a large investment. What is the target for that? What percentage would represent success? I am surprised to hear that the majority of suppliers are offering better value if customers take a smart tariff. It seems extraordinary that all are not doing so and that the CRU would not be insisting on all suppliers doing so. Do the time tariffs being offered even by the more ambitious suppliers reflect the genuine savings to the system of spreading load?

It seems that in Ireland we have not had the same pressure on all of us to think about our usage as has prevailed in the rest of Europe. There was a target, and I think Ireland got some exemption from it. Should we be looking more at that area?

I congratulate everyone involved that we have not had energy difficulties during the course of the recent winter. I know our guests are doing more analysis but, at this point, do they reckon it is due to good practices which can be sustained into the future or was it luck that we cannot bank on? When the CRU says we have a 30% demand flexibility target, what does that actually mean? We have to achieve 30% of what?

Mr. Jim Gannon: I thank the Deputy. There is a mixture there so he will hear different voices in our response if that is okay. I hope it is not too inchoate. In terms of electricity versus gas arrears, we did submit figures up to the end of quarter 1 yesterday to append to this document. The figures in the document refer to electricity arrears and they have remained at lower levels. With regard to gas arrears, those have increased. I will invite my colleagues to speak to those figures but the figures are now with the committee. I will allow my colleagues to speak to the smart tariffs and perhaps pressure on gas use, which I think the Deputy mentioned. In terms of security of supply over the past winter period, I will hand over to Mr. Melvin.

Mr. John Melvin: The last amber alert was last August and that was in the middle of the pre-winter maintenance season. A significant amount of work was done throughout last summer to get catch-up maintenance done on some plants and to get normal maintenance done on other plants in order that we might have better availability of the equipment for the winter season. The evidence thus far is that the availability of the equipment was better in the winter that we just had. Part of that is driven by the way the people in the control room in EirGrid operate the machines as well. We had a significant number of interventions, both in the summer time in terms of maintenance and throughout the whole winter in terms of operations and greater communications between France and Ireland. Things were tight in those three jurisdictions so there was really enhanced operational responsiveness at the transmission and storage options, TSO level. There were greater communications to industry. For example, there is a margin figure that gets published and both the generator industries and the demand people can see what things are like over the next four days in particular with wind demands. At any point where there was a particular concern, there were communications again to industry to say the next day or so might be tight. That allows demand-side units and entities that can change their behaviours to change their behaviours.

On the tariffs, as Mr. Gannon mentioned earlier, there was a visible change in demand at

those peak times of 5 p.m. to 7 p.m. We are going to further consider that and understand what the drivers were, as Mr. Gannon said. Some elements of it could well be related to the tariff changes that we made. There was a significant amount of work in a significant number of areas, not luck but lots of work. When there was high demand there was some wind and there was the prospect of further support from Great Britain. Those aspects might not always match in the same way in the future but we did hit a peak demand. Other hands are up so I will stop.

Mr. Jim Gannon: Part of the core of Deputy Bruton's question was whether these responses and what brought us through last winter were just temporary measures or whether some of it was embedded. Our reflection is that some of the measures are now embedded and should and can be retained. On the example of the network tariffs I referred to, if that is giving us a demand response at certain periods which generally correspond to or can also contribute to decarbonisation, perhaps they should be retained and are in the best interests of consumers. Similarly, there were operational responses such as the more optimised use of our batteries instead of just for quick responsiveness, to again address that peak. The target was to try to utilise those to the extent of 50 MW. We and EirGrid overperformed on that in the utilisation and optimisation of those batteries. Why should we not also retain that and use that in the future? Some of these practices should and will be embedded. Others should be temporary measures. As Mr. Melvin said, in the past winter we did not enter amber alert. A number of additional measures did not need to be resorted to, such as mandatory demand control with the data centres-----

Deputy Richard Bruton: Will the witnesses comment on the gas arrears and the target for the smart meters?

Ms Karen Trant: We do not have a defined target at the moment but from the beginning, we would have looked to move the majority of customers to time of use. We would be targeting over 50% while acknowledging that there are always a few who it just does not suit. Regarding the ambition, we are seeing better value being offered by suppliers. The kind of comparisons we do are based on standard profiles. Every household is different. The real power is suppliers getting to know their customers' profiles better and making better offerings that will help the customers to save. It is not just that it would be cheaper, if one does nothing, to switch to this smart tariff, but that people can save even more money if they shift demand, such as if they are electric vehicle users and use suppliers' super overnight charging tariff rates. The opportunity to save more rather than just doing nothing and being on a cheaper tariff is what we are trying to tap into.

Regarding take-up at the moment, 14% of people are on smart services. Some are just getting the data rather than the smart tariff or time of use tariff. When we did the trials, simply having the data was important because customers have so little understanding of their own consumption without smart metering data that they do not really know what is driving high consumption or where they are using too much. I am happy to see customers opting in to getting their data. ESB Networks now provides those data in order that customers can log in to the ESB Networks and access the data themselves. ESB Networks recently uploaded the vast majority of customer data and will advertise how customers can access the data soon. We are at the starting point of the potential. With the focus and pressure on consumption, I would say that every household in Ireland has paid more attention to this in the last winter than ever before in their lives. There is a real opportunity for us to say that there is something that can help people to understand that better and save money, by changing what they are doing and shifting peak demand. That is where the benefit is. As I mentioned, we will address some of this in our demand-side strategy.

Regarding what the 30% demand flexibility target means, one of the first questions we will ask in our consultation is to hone in on a definition. Everyone has a slightly different definition of what they mean. Broadly, the concept is that we are moving from a system with large clunky machines which switched on when consumer demand increased to a high-renewable system where there are times where we will have massive oversupply of renewables and want to incentivise customers to match demand at those times. There will be times when renewables will be low and we want to incentivise customers to reduce their demand at those times. It is not just about the 5 p.m. to 7 p.m. peak but about being more agile and dynamic. That is part of the climate action plan target as well. How do customers benefit from this large supply of renewables as we increase penetration?

Mr. Jim Gannon: The updated arrears figures show a lower number of electricity consumers in arrears than previously, while the number of domestic gas consumers has increased significantly. This is of concern to us and we need to look into it more with regard to our protections for those consumers. It is not uncommon for more people to be in arrears after the winter period because that is when gas consumption tends to be the highest. One tends to see that number coming down during the summer. Notwithstanding that, the levels are significant enough that we need to look into them in more detail.

Deputy Richard Bruton: With disconnection bans gone, can the CRU manage to bring those arrears back down? Do we need to worry about it from a policy perspective or can it be managed by the CRU's interaction with the suppliers?

Mr. Jim Gannon: We need to observe and analyse the data and discuss them with suppliers. We need to consider what mitigation measures should be put in place.

Deputy Richard Bruton: How high are arrears in absolute terms, as a percentage, or however the CRU measures them?

Mr. Jim Gannon: Ms Trant may have the figures.

Ms Karen Trant: I have the figures here. They are probably in the region of 25%. We have seen that the number of customers has reduced on the electricity side but the amount of arrears in monetary terms is about the same as it was in 2021. The electricity credit has buffered that but gas arrears have continued to rise. We are monitoring that and we will see what happens at the end of the summer.

Mr. Jim Gannon: The other important thing that we also need to consider, as well as the numbers of people in arrears, is whether they are in greater debt. As the number of people in arrears has lessened, has the overall level of debt lessened or are we seeing fewer people in arrears but with a higher level of individual debt? This would speak to more focused action regarding that cohort. We need to close eye on that.

Deputy Richard Bruton: Will the CRU report back to us at an early date on that analysis?

An Cathaoirleach: We would appreciate that. I want to be fair to Deputy O'Rourke, who is waiting to come in. He probably wants to pick up on that issue too.

Deputy Darren O'Rourke: I want to focus on a couple of other areas first, if I can. Are the powers of the CRU comparable to international counterparts? Does the CRU have sight of the area of hedging? Does it regularly engage with companies about anti-competitive practices and potential profiteering? I asked the question about a simple thing like standing charges. The

CRU says it is encouraging providers to reduce prices. What does that mean? There is a sense among the public that there is not fairness at play and there is not good competition. Speaking from my own perspective, when prices went up, that was burdened on people and when prices came down, that has not been passed on. As the regulator with responsibility for that, what are the CRU's powers to ensure that fairness is at play?

My second question is about the resourcing of the CRU. The witnesses say they have an ambition to have 196 staff. How many staff does the CRU currently employ? The Minister told me there was Cabinet approval for 74 whole-time equivalents. Are they included in the 196? Where is the CRU with recruitment for that? In the witnesses' opening statement, they say that because of increased and additional responsibilities, there may be additional requirements. Where are their preparations on that plan? My questions are about the 196 staff, the 74 staff, and the CRU's additional plans.

Mr. Jim Gannon: I will start with the second question about clarity on numbers and work back. The 74 sanctioned additional staff are included in the 194. The sanction for that was sought two years ago and the process was worked through. That was our anticipated resource requirement at a point two years ago. At the end of 2021, we had 104 staff. At the end of 2022, we had 119 staff. In May 2023, we have 132 staff. We are building up to the sanctioned numbers. In parallel, as noted in the opening statement, the Climate Action Plan 2023 has come into place. We have had the Russian invasion of Ukraine, and the challenges and additional thoughts and analysis about security of supply relating to that have come into play. We have also had the price crisis, which we are still in, relating to that. This has made us reconsider whether that is sufficient. The issues to consider are all of the additional requirements in the Climate Action Plan 2023, which matches our climate ambition, the insights that we are still gaining on security of supply, and the electricity pricing crisis which we have just undergone. We have started that process now. We sought to appoint consultants a number of weeks ago. It will be a short ten-week review, which may lead to further analysis. We hope to quickly come back with an understanding of what that requirement might be or a changed requirement for that number of 194 because we have learned what the policy ask might be in those areas.

Regarding powers, I will try to pick up on some of the Deputy's specific points before inviting my colleagues to respond. Different suppliers have different hedging strategies because they are of different sizes.

Deputy Darren O'Rourke: Does the CRU have oversight of those strategies?

Mr. Jim Gannon: No, but we know that they have different hedging strategies, which match their size in the market and the consumers they serve. For example, some suppliers have longer-term fixed contracts with large cohorts of residential consumers, while others have matched-to-market contracts.

Deputy Darren O'Rourke: Does the CRU have to take their word on that? In other countries with regulators, hedging strategies are published or made available on a quarterly or annual basis.

Mr. Jim Gannon: It would be good to understand that. We can engage with our colleagues at ACER as to the level of hedging insight and oversight. It is worth noting that the electricity market review that the Commission is undertaking has indicated that there may be an ability provided to energy regulatory authorities or other competent authorities in countries to consider whether appropriate hedging strategies have been put in place.

Ms Aoife MacEvilly: Under EU legislation, common functions, powers and duties are established for all EU energy regulators, including the CRU. A common set of minimum functions include setting annual network charges and connection policies and putting protections in place for consumers in retail markets. In certain jurisdictions and depending on government policy, additional powers or functions may be given to regulators. We see this all the time. For example, there were additional powers and functions when the electricity credit regime came into place and we were recently given functions around district heating. This is a constant process of change. Beyond the common set of dictated functions for regulators, additional functions are set by government policy and legislation in each member state. We are seeing more EU legislation coming down the track, which might impact that again.

Deputy Darren O'Rourke: I thank Mr. Gannon for his comments on hedging. What about anti-competitive practices and profiteering? I suppose they are all profiteering, but what about excessive profiteering?

Ms Aoife MacEvilly: One would have to establish that that was the case. I appreciate the Deputy is voicing concerns that are raised in the media, but we operate on an evidence basis. We would first have to examine what was happening in the market. Here, three suppliers have left because they could not make money, two suppliers are handing money back to their customers to avoid making profits this year-----

Deputy Darren O'Rourke: Sorry. My question was on whether the CRU monitored the situation and had the power to intervene.

Ms Aoife MacEvilly: We monitor the market. We produce in-depth annual retail market reviews. We look at a number of trends and factors around competition, including market share and active customers. We also look at annual customer surveys to see how customers are experiencing the market. There is a large amount of active ongoing monitoring of the market.

If we saw a problem, how would we step in? In 2017, one of the concerns we identified was that customers did not feel confident in making choices. Since then, we have been implementing a series of measures to improve the information and protections for customers and to empower customers more in making choices that are in their best interests. These are the kinds of step we take. We have powers under the licence to direct companies, so if we see an issue, we can direct them to do something or to stop doing it. We can step in. It depends on the circumstances, but if we identify a material issue, we have powers to address it.

Deputy Alan Farrell: I thank the witnesses for appearing before us. At this late stage, most of my questions have been answered but I will probe one or two issues to see if further information is available.

If the CRU had the legislative ability to produce a framework for future hedging, would it utilise that framework, given that the vast majority of the hedging I have seen thus far appears to be for 12 to 18 months and regulatory intervention at that point may be detrimental later on? Is the CRU legislatively empowered to intervene if an energy supplier does not pass on energy savings to its consumers? This is a pertinent question under the circumstances.

Regarding smart meters, I have listened carefully to what the witnesses had to say in response to the various questions posed by members and I accept Ms MacEvilly's point about data usage versus tariff usage, but no one is doing anything with approximately 90% of installed meters. That is a failure, although I will attribute blame at another time. Notwithstanding the

witnesses' earlier responses, is there something we can do to incentivise consumers to use these meters to download and access their data? As has been pointed out by other members, not all of our suppliers are providing tariff-based packages. That is outrageous. That information is there for them to utilise so that they can best support and incentivise more customers to come to them. I do not understand why they are not doing it.

Regarding gas arrears, the witnesses have alluded to the fact that the energy credit might be insulating electricity consumers somewhat, as the credit was predominantly applied to electricity accounts. On the gas side, are there further requirements for intervention on the part of the State or is the arrears situation manageable in the context of rates decreasing because the price of the therm has reduced so significantly and it is just a matter of time until those savings are passed on?

Dr. Paul McGowan: I am happy to take the Deputy's question on hedging. As a regulator, we look at the EU framework in respect of hedging, but to make a general point, a fundamental part of competition in the supply market is how suppliers hedge. How they hedge can vary depending on the tariffs they offer. For example, a supplier may predominantly offer dynamic tariffs, which are in their infancy. As that supplier becomes a much more dynamic pricing-focused supplier, its hedging requirements differ considerably from those of a supplier with a large swathe of customers who want fixed tariffs.

Any intervention should be made with great caution. One concern is that we would stifle innovation and competition in the market, leaving us with a homogenous market, whereas the idea is to try to ensure that suppliers are competing. Part of the way they compete is the products they offer and the way they hedge those products in order that they can beat their competitors on price.

Mr. Jim Gannon: As to whether we are regulated to intervene if someone does not pass on any of the benefits accrued recently, there are two aspects. We have seen two suppliers providing some benefit back to consumers in recent months. Separately, the inframarginal rent, IMR, capping legislation is going through its more detailed phases. Through that, we will get an insight into whether suppliers passed on some of the surplus revenue to their customers. We will require them to prove that they did this and the extent to which it was done such that those who have passed on some of that surplus revenue will not be required to hand it back. Part of that analysis will be understanding who has passed on some of that benefit to consumers and the extent to which they have done so.

Deputy Alan Farrell: I am sorry to interrupt. Do the witnesses have a timeline for that sort of analysis?

Mr. John Melvin: The draft legislation passing through the Houses-----

Deputy Alan Farrell: It is related.

Mr. John Melvin: -----would see the information coming in July, with decisions perhaps in time for October.

Deputy Alan Farrell: I am sorry; I did not realise they were related.

Ms Aoife MacEvilly: The final point on that is that we are actively engaging with all suppliers around when, not if, they will be passing on savings to customers. We are putting as much pressure as we can on them in that dialogue. As the impact of the hedging works through, we

would hope to see some of those savings come through towards the end of this year. If one supplier was an outlier and did not pass on the savings, we would be calling that out and customers would be voting with their feet. This is why competition is important. Customers can see, and we give good information on this, where there may be discrepancies and so on. That is the dynamic that puts greater pressure on suppliers to pass on savings.

On the smart meter programme, I would like to think of it as an opportunity. We have this infrastructure now and we are starting to get better tariffs in place. We have suppliers that are more actively engaged on this. There is a huge opportunity there to make a change for the benefit of customers. That is why it is going to be a part of our demand-side strategy to bring forward proposals on this. This conversation, frankly, has been hugely helpful. Any customer looking at tariffs coming into this winter has probably been worried about making wrong choices. One of the things we noticed in our statistics, in addition to the switching, was that record numbers of customers were renegotiating with their supplier. They wanted to stick with the familiar but also get a better deal. Hopefully as the volatility comes out of the market we might see customers coming back in with a little bit more confidence from better data and willing to make choices. We will be promoting that. Government policy or policy from this committee is also helpful for telling customers there are other options out there and that they should take a look at them and consider them.

On the gas side, the Deputy raised an important issue. We have landed at the end of this winter with record numbers of customers in arrears and record levels of arrears in gas. We would normally have a summer cycle in which customers have lower gas demands so they might be able to catch up a little on their bills but the concern we have is that some of those customers are facing what they might see as an insurmountable wall of debt.

Deputy Alan Farrell: A wall of debt.

Ms Aoife MacEvilly: When we engage with the likes of the Society of St. Vincent de Paul and the Money Advice & Budgeting Service, MABS, on this, we unfortunately find that some customers just stop engaging because it is too much for them to deal with. During the moratorium, the number of customers engaging with their supplier to enter into payment plans dropped. That is a concern. They are not engaging with their supplier to try to get onto these payment plans to help them pay back and they are also not engaging with their suppliers to access some of the funds. All of the suppliers have put in place hardship funds but we are not clear that customers are really aware of or utilising those funds.

Deputy Alan Farrell: Could I just ask one supplemental question?

An Cathaoirleach: I ask the Deputy to be as brief as he can be.

Deputy Alan Farrell: I apologise to Deputies Bríd Smith and Cowen. I do not want the commission to speak about an individual consumer or an individual supplier. Ultimately, does the commission have the legislative purview to look at a supplier that failed to bill a large customer in the scenario in which we find ourselves? Can it ensure that it is billed? We are talking about a public good here because it is such a huge supplier.

An Cathaoirleach: I ask the witnesses to give a quick answer if they can.

Ms Aoife MacEvilly: Yes.

An Cathaoirleach: I thank Ms MacEvilly for that. I call Deputy Smith.

Deputy Bríd Smith: I hope I get quick answers like that too. Coming Paddy last, or second Paddy last, it is hard to have all your questions in your head. I want to go back to the question of hedging. According to all the explanations the witnesses have given about the market and how it works and EU legislation, there is a common set of powers across the EU and individual states implement their own set of powers beyond that. The witnesses are saying that when it comes to hedging, they cannot monitor or take statistics from the companies about how long they hedged or when they hedged. To that extent, is it not just guesswork on the part of the CRU? How can it look at these companies and see what they are doing and how they are doing it if it cannot look behind that screen? If it does not have the powers like the regulators in other countries have, does the CRU not see that as a big disadvantage? We have talked about this a lot today. Ordinary households' backs are to the wall and there has been an increase in the number of people falling into arrears with their gas bills. Therefore, this is particularly related to gas prices and hedging. Does that not make the CRU's role very much lessened and less impactful in terms of what it can do to regulate the market? At the end of the day, the people at the end of the market are the consumers who are in arrears and there are more than 200,000 of them now. It is very worrying for us as elected representatives that the CRU cannot intervene and does not intervene. Does the CRU ever ask the Minister if it can have extra powers like the regulators in other EU states have in order to track this properly?

The profits are eye-watering. That is what ordinary people see. They see, for example, the ESB's profits double to €650 million last year and Energia's rising by €512 million or whatever the exact number is. This is what people see. They see the profits of gas companies going through the roof while their bills are also going through the roof and that profit is not being passed on. I will repeat the question that was asked. The commission says in its submission that it encourages companies to pass it on. What does that mean? Does it sit down and have a cup of coffee with them, like the Minister of State will tomorrow with the grocery sector, and say "please will you do this, that and the other?". It really is not good enough that we do not have a regulator in this country that can really regulate these issues. I ask the witnesses to comment on that.

Looking at the statistics for Ireland, we are the third highest in energy prices. We used to be the lowest. I refute the argument about competition because the ESB, when it was in national control, delivered the lowest domestic prices. I have heard the argument that investment had to be brought in in order to encourage changes and to upgrade the system but we are still way behind what is required to create clean energy. As the witnesses say the market has worked in terms of domestic costs, why are we still the third highest in terms of cost to the consumer in the whole of Europe?

My last question is on the windfall tax proposals. It is a bit similar to the question Deputy O'Rourke asked. The CRU did not have the power to control or protect district heating system customers. Maybe it does now - I ask the witnesses to clarify - but the last time it was before the committee it did not have that power. Customers in those district heating systems are subject to very high charges and they cannot shop around. They are stuck with the one provider. Do the witnesses envisage that they will be equipped to regulate and administer the price cap contained in the windfall tax Bill?

Mr. Jim Gannon: I will take one or two of those questions and will pass to my colleague, Dr. McGowan, on district heating, if that is okay. In terms of the windfall tax or the IMR cap on revenues, we believe the legislative proposal is a strong one. As it is currently drafted, it should allow us to recoup surplus revenues from the energy companies where they arose and allow

the Government to develop policy around how those are redistributed. We have yet to see the detailed outturn of that but we are preparing ourselves internally against what has been passed through this committee and we are confident that we will be able to do that. That may give us further insight into the practices and approaches taken by some of the supply companies within that period, at least in relation to hedging, which will give us some insight into that.

Dr. Paul McGowan: I think the Deputy for the question. The powers relating to district heating are completely separate to any matter of windfall tax. There are not related. We have been given some limited powers around district heating. These are very specific powers under the renewable energy directive and the energy efficiency directive, particularly around identifying the requirements for billing and informational billing. When we last appeared before the committee, we spoke about the fact that we need to develop a broad regulatory framework for district heating in Ireland to match Ireland's ambitions for the district heating sector. That work is being undertaken by the steering group that has been set up across the various agencies and the Department. We are awaiting the publication of the initial report and the work will start in earnest then to define that regulatory framework.

To be specific and to be absolutely clear, the instances referred to by the Deputy with regard to the customers and their prices is not a matter which would come under the current district heating powers we have been given.

Deputy Bríd Smith: Does the commission expect be given further powers on that?

Dr. Paul McGowan: As I said, the powers we have right now in district heating are very targeted and relate to the energy efficiency directive and the renewable energy directive's implementation. We expect that there will be a broad regulatory framework, akin to what we have in electricity and gas, around district heating but that framework has yet to be designed, legislated for and implemented. As the Deputy will fully appreciate, that will take time.

Deputy Bríd Smith: Perhaps another five years.

Dr. Paul McGowan: I am sorry but I cannot genuinely answer that question for the Deputy.

Deputy Bríd Smith: That is a "Yes".

Mr. Jim Gannon: I will ask Commissioner MacEvilly to pick up on one or two of the other questions, please, if there is not anything I have addressed.

In respect to Ireland and the high energy prices, we are an isolated country at the end of a long set of wires and pipes. We have very low levels of indigenous, primary fuels to help us out in respect of what we had, such as oil, gas, and coal, with declining gas, if anything, in the country. Importation of gas will probably continue to get more expensive over time and it is also more carbon intensive than our own national resources.

Separately, I mentioned the report of ACER earlier where higher gas dependency meant that we are subject to those higher prices more than other countries. That remains the case. Again, we are at the end of a pipe from the North Sea and other resources.

Low interconnection also factors into it, notwithstanding the fact that this is now being addressed with the Celtic interconnector and the Greenlink interconnector and there is more interest in further interconnection from the UK and, perhaps, other jurisdictions. This will be very important in respect of our ability to move from the renewable energies we have to satisfy our

own targets and demand, to ensuring that we can satisfy other markets and generate national wealth from our natural resources.

Finally, we have a dispersed population by comparison with other European countries. This means we have more wires, that we need to develop more wires, but also, to maintain those wires. It is critical that we invest in those wires but that is more expensive and will continue to be more expensive.

Deputy Bríd Smith: What is the reason for our energy prices being so much higher than other European countries? I do not accept that. We are a tiny island.

Mr. Jim Gannon: It is a combination of the factors I have outlined there. For the population we have; we are more dispersed. If we were a population in cities, we would need fewer wires than we currently need. Again, to get us to that point will require investment to facilitate our decarbonisation but after that period of investment, that is where we should have indigenous supply, be less exposed to the vagaries of international energy markets and be in a more secure and sustainable place economically, as well as from an environmental perspective.

Ms Aoife MacEvilly: I will return to the Deputy's question around how we are monitoring hedging activity or price development, to put it like that, in the market. We undertake ongoing market analysis. Our team looks at international price drivers, at the indigenous drivers around increasing network charges and we track what is happening with retail prices against the price drivers that we see. We find over time that the retail prices are following the underlying market and network price drivers, but at a lag because of the hedging. We have not seen anything to change that view. That does not require us to go into depth in each individual hedging strategy of each individual supplier but it is more the broader market evolution of prices versus the evolution of the price drivers. If that changes, then we will of course come back and look at what is happening and what action we need to take to ensure that households are protected. This is because we know that there are households which are struggling greatly. We can see this in the numbers but we hear it on the phones when people call in and they are in real trouble. We are very anxious to see this happening also.

The conversations we have with suppliers are challenging conversations based on the data we have in front of us. With the clarity we are giving them, we expect to see this happening. We expect to see what we have always said, which is that the prices follow on from the market trends. We also have been clear to these suppliers that we are not here to be apologists for electricity suppliers in their pricing strategies. Actually, we have been challenging them a little bit about why they are not explaining to their customers a bit better as to where they are with regard to hedging and what customers can expect.

The reason we are trying to explain this is that we are concerned to manage expectation for customers that suddenly prices are going to go back down to where they were because the reality is, as Commissioner Gannon has pointed out, that wholesale prices are still about double where they were. It is coming down slower than we would all like and it will not come down to the level it was before. That is just the clarity we are trying to provide to customers. It is important because the customers who are in debt now really need to be actively seeking support in order that they are not in a worse position when we come into next winter.

That is why we are also reviewing the customer protections for next winter because our concern is that we will still need customer protections for the customers who are in debt now. That is where we are.

Deputy Bríd Smith: Can Ms MacEvilly provide a quick “Yes” or “No” answer to this question, please? Would she like to see the Government giving the CRU additional powers and functions, as other EU states have, to monitor what is happening in the market?

Ms Aoife MacEvilly: At this point in time, we have not identified an additional power related to market monitoring that we need. We are watching what is coming from Europe with regard to broader hedging but there is nothing we have identified as a significant gap right now.

Deputy Bríd Smith: I thank Ms MacEvilly very much.

An Cathaoirleach: I thank Deputy Smith and call Deputy Cowen to speak now, please.

Deputy Barry Cowen: I thank the Cathaoirleach and our visitors for their contributions and their presentation. What jumps out at the beginning of their presentation is that the CRU remains very concerned at the impact of Irish energy prices on households and businesses. That is the understatement of the day, as are not we all so concerned?

I have been concerned for example, about energy prices, about our wholesale energy market, about our costly dated gas plants, which at many times in any given year dominate the market, in the absence, in particular, of wind and of adequate battery storage having been provided to meet the excess wind when it does blow.

This had been the case long before the Ukraine war or its obvious impact. Many of our problems, unfortunately, emanate from inefficient preparations by many State actors over the past number of years. This means poor infrastructure, for example, in the north west, poor capacity and poor competition. I am conscious here of auctions being won, being withdrawn from, penalties being paid, the grid remaining challenged, prices remaining high and poor, if any, sufficient accountability, culminating in excessive prices impacting industry and the potential expansion of industry, and the survival, in some cases, of many businesses, while, obviously, households have gravely suffered.

The Government, and us as representatives within Government and Opposition, then ensured that the Government intervened to subvent costs and prices, while some energy companies and monopolies have creamed it.

Meanwhile, as Kissinger has supposedly and famously asked, who does one call in Europe when there is a problem? Who exactly are we to call in energy circles to address, correct and improve on the issues I have highlighted if we are going to realise, for example, the potential and ambition that can be gained from offshore wind potential? That is to let alone holding parties to account regarding excessive charges to consumers.

From my perspective as a public representative, having sought answers, contributions and responses from bodies such as the CRU itself, from various Departments - because there are too many across this area when there should only be one, that is, a Ministry for energy, from the online Minister, Deputy Eamon Ryan and the Competition Authority as was, now the Competition and Consumer Protection Commission; I have found all of them to be most adept at passing the buck. From my perspective today, the question relates specifically to the McCarthy report. That report was commissioned by Government to investigate the issues that have contributed to questions on infrastructure, competition, capacity and our wholesale energy market. Has the CRU contributed to that? Are its representatives aware that the report is finalised and has been on the Minister’s desk for many months? Have they been given sight of the finalised report? Are they aware when it might be published? What do they hope is contained in it? To add to

similar questions asked by other members, is the CRU's existing role curtailed? Could it be improved? Might we public representatives be in a better position to glean from all those State actors I have mentioned answers to questions which remain unanswered?

We have huge offshore potential on our doorstep but I am nervous and fearful that all who have played a role in not allowing us to have sufficient capacity and reserves at present are charged with the responsibility for what could yield a €300 billion industry by 2050. That is the size of our economy today. That is the massive potential it has. It has potential for areas which have not seen business development previously and that can call on that power first. I am thinking of my area and the north west, which I mentioned earlier. That can only be realised if there is a sea change on the part of all those who are charged with responsibility and who have failed to date. It is a heavy charge to make. I do not make it lightly or enjoy saying it but it is patently obvious. The capacity talked of being generated offshore of 7 GW in the coming years is pitiful and minimal. That is the case because somebody knows the infrastructure to take it onshore is not there. Somebody needs to be held to account for that because that is a terrible failing.

Mr. Jim Gannon: We share the Deputy's ambition around development of our natural resources. Significant investment is required in infrastructure to deliver that and make sure we gain national and regional wealth from those natural resources. It is in all of our interests to make sure all the processes that can deliver that infrastructure are sped up. A number of initiatives are under way, including the Attorney General's review of the planning system. There are other aspects, such as the renewable energy directive. There is an article in there that requires all planning, consulting and licensing processes for large projects to be completed within a two-year period. Currently, it is generally considered offshore wind projects take between seven and ten years to develop, if they are not already under way. That is an experience across Europe and Europe is mandating that those processes must be conducted faster in order for Europe to gain the resources it needs for its transition. That is a focus we have and something we discuss on an ongoing basis with the Department and other actors.

The McCarthy report focuses on the capacity market and capacity deficit we have spoken about here previously. That was subject to a programme of work prior to and separate from the Russian invasion of Ukraine. We have been consulted on that and understand it is with the Department for finalisation and for considering what policy alternatives will come out. Prior to that, we conducted a report with Ernst and Young. We published the draft finding of that and consulted on those in order to gain further industry feedback. We now have a programme of work in place following that consultation to address some of these issues concerning the delivery of the gas-fired plant we need when wind is no longer in place and making sure the market delivers on that plant. That is under way and the Department has that on its desk. It is in its control.

On offshore wind, it is a significant ask for 2030. It is an enormously stretched target. We referred in our opening statement to the recent ORESS auction.

Deputy Barry Cowen: It is talked about as being hugely ambitious but it not half as ambitious as it could or should be. That is owing to failures in the past, unfortunately.

Mr. Jim Gannon: I believe it is a stretched target for the time we have to get there. Our national ambition should be far greater than that given the resources we have, but given the time between now and 2030 it will be a challenge to get that through. That does not mean we should not target that, drive it forward and make sure the measures we put in place now collectively can deliver the eighth, ninth and tenth faster than the first seven. That is how we must learn in

terms of infrastructure delivery generally, the supports needed and the interconnectors required to make sure when we deliver all these gigawatts, it can find a market when the wind is blowing and when the sun is shining. That is critical to making sure the Irish consumer really benefits from the delivery of these resources. I should probably stop now. I have probably gone on too long.

An Cathaoirleach: I gave the commissioner some latitude because it is an important question which he has answered

Deputy Barry Cowen: A premium is being paid to gas plants just to be available. There is a premium paid to gas plants for the generation they carry out because of the costs associated with maintaining dated and old plants. I am conscious of our gas supplies being depleted in relation to our natural resource. There is licensing available presently for exploration. There is some fear. For example, there is a field near the Corrib which could yield more resources but there is fear that because of Government policy it will not get ashore; yet we continue to purchase gas from the UK and elsewhere and the costs associated with that are causing the arrears Mr. Gannon mentioned. On our doorstep we have part of the solution, which we may well ignore.

Mr. Jim Gannon: Gas generators traditionally got much of their revenue through energy payments for using gas producing electricity through the kilowatt hour. Less of their revenue was through capacity payment, which is what we paid them on an ongoing basis to be there when we need them and make sure that, when we switch the light on to consume the kilowatt hour, it switches on. Finally, there is the issue of systems services. We owe the committee a paper that remains in development on that. It is nearly there. We had hoped to submit it with the hedging report. As we move forward it is likely that because we use the gas plant less, the overall volume of gas used in the country will decline. That is projected towards 2030 and beyond but when we need it we will need quite a lot of it. The volatility of how much we need will go up and down.

Deputy Barry Cowen: Could the need not be greatly diminished? People talk about 40% of renewables now contributing to the grid. That is great but the majority of that is delivered by inland wind. When the wind blows excessively, we have not kept pace with the batteries needed to store excess wind. That would have curtailed the demand there now is for gas. We have systems in place which, unfortunately, have not lived up to expectation or delivered as expected. We now ask the same systems and so forth to deliver on the ambitions we have offshore. That worries me slightly.

Mr. Jim Gannon: An important point to recognise is that Ireland is world leading at integrating intermittent renewable energy onto the grid. We cannot look to many other countries and say that is how we should do it.

Deputy Barry Cowen: I respect that. I appreciate it.

Mr. Jim Gannon: This is a very important point.

Deputy Barry Cowen: It does not mean you cannot-----

Mr. Jim Gannon: It does not mean we should not be more ambitious but it certainly does not mean it is easy or everything is predictable. We are at the bleeding edge of this type of innovation. Our European colleagues ask us how to deal with some of the problems the Deputy is outlining. How do we make sure we have the right types of batteries in place and that the right

economic incentive is sent through to others? They are asking us those questions because they have not experienced it yet. We need to be more ambitious and learn as we go. Some of that will result in delays but also opportunities to do better next time around. There are challenges but there is a reason we are at the leading edge and experiencing challenges around that.

An Cathaoirleach: I thank the commissioner and Deputy Cowen. I call Deputy Devlin.

Deputy Cormac Devlin: I welcome Ms MacEvilly and her colleagues. It is good to engage again with them on this very important topic. Obviously, it is an issue that we have all engaged with over the past two years at least. I want to touch on the issue of arrears first, particularly in light of the commissioner's opening remarks. He acknowledged the emergency electricity credit and the benefit it has had, which is starting to wane now. The commissioner highlighted a number of issues experienced over the extended winter period, including the higher prices. He also highlighted the lack of knowledge, awareness or take-up of the hardship fund that each of the energy providers has, and wants to utilise. Does the CRU have data in relation to that? What kind of percentage are we talking about, not necessarily by company but, by and large, in respect of the overall uptake? It is worrying in itself. There were several advertisements and literature was posted out to households about the funds. I am concerned about what the commissioner said about the rebound of arrears.

With the moratorium on disconnections ending at the end of March, it has been highlighted that there is data on coming to the CRU. I think it is the April data. I am wondering about the reporting mechanism for that. Prior to the disconnection moratorium, how frequently would the CRU receive data about disconnections? How does that last data set compare with what the CRU envisages the data to be for April?

A lot of questions have been asked about smart metering. It is great, because the number of smart meters has increased since our last engagement. The CRU had a target and I think it has been exceeded, if I am not mistaken. However, I have been contacted by customers who were on the level pay plan, which meant that their bills were levelled out across the year and an average was taken. When they converted to a smart meter, they received incorrect information from the supplier that their level pay plan would remain in tact, when of course it would not be, and their price plan completely changed. The household to which I have referred would have been on a fixed income. That impacted negatively on it. I must say that the issue was resolved to the customers' satisfaction in the end, but it took a lot of time and phone calls. Anybody who has engaged with any energy supplier knows how long you have to be on the phone for that. You probably have a bigger phone bill than arrears bill at the end of it, because it takes a while. What I would like to know, from the CRU's experience as the regulator, is whether it is aware of people who have converted to the smart meter from the level pay plan and other plans out there, and who have been negatively impacted or have been given misinformation by the energy supplier. I will leave it there for now and I might come back in again with the remaining time I have.

Ms Aoife MacEvilly: I will pick up on some of the Deputy's points and I might refer to my colleague, Ms Trant, on other aspects to it. On the take-up of hardship funds, I think that at the moment what we have is more anecdotal information from the suppliers and, indeed, some of the agencies that support customers, who would always say that there are a lot of customers out there who are reluctant to take them up. We will be looking at that in the context of reviewing what worked this winter and what we should be doing further, so we might have better data there.

On the reporting frequency on disconnections, that is something we get quarterly generally. Ms Trant might comment on whether we have seen an increase in complaints on the level pay-related smart meters and other areas.

Ms Karen Trant: I am not so sure about the level pay. I do not have the exact number, but we would have people who would ring in and tell us that they have moved onto a smart tariff, they do not want the tariff and they have been told that they cannot move back. We have worked very closely with suppliers to ensure that customers are fully aware of what they are entering into, and that if they change their mind in, let us say, a cooling off period, they can go back. I accept, and the suppliers would say - and I am not here to defend them - that resourcing has been an issue and that the call centres were swamped with people ringing in. We have seen that ourselves. We take up some of the slack in terms of those calls. We have been working very closely with the suppliers on it. Most of them now offer a 24-hour smart tariff, if you like, so customers can move back to that without being impacted negatively. Again, it is all about information and communication with the customer, and making sure that they are fully aware, and know where they can access their own data, which is the hub.

The Deputy asked a question around disconnections. That was probably the most impactful piece that we have seen. I should also note that we have seen an increase of around 50% in the number of vulnerable customers that have registered, which is a really good outcome because that means they are not disconnected.

Deputy Cormac Devlin: Correct.

Ms Karen Trant: In terms of a cliff edge, which I think is what the Deputy was possibly alluding to, there is nothing to indicate that at this point. We are in constant daily contact with the suppliers to make sure that is not the case and that we are not seeing some kind of backlog of disconnections that are going to happen. Suppliers do not really want to disconnect; what they want is the customer to engage. Sometimes the disconnection piece is the only bit that will encourage the customer to engage. It is not ideal but, on occasion, it works. We would be very concerned to see an increase or a significant uptake in disconnections. We will be monitoring that very closely. As commissioners MacEvilly and Gannon have said, we will be looking closely at the protections that need to be in place for this winter. What we do not want is for customers to fear the bills that are going to come in through the door and to avoid any contact with the suppliers. We have been told by suppliers that they have their staff well trained to deal with sensitive issues like this. If customers are in financial difficulty in this area, they are probably in difficulty in other areas. As Commissioner MacEvilly has said, some people do not want to avail of a hardship fund. For whatever reason, suppliers find it difficult to give away money. The likes of the Society of Saint Vincent de Paul and some of the charitable organisations administer those funds. We will be asking them to give us a breakdown, or at least some kind of global figure, as to who has accessed them and what level has been utilised. If more communications are needed around that, we will certainly do that.

Deputy Cormac Devlin: Ms Trant spoke about how there was an influx of calls. To me, it would be commonplace, where the smart tariffs and meters were being advertised at such a rate, for people to be calling in and looking to switch themselves, whereas heretofore it would have been the energy companies ringing their customers to switch over. I do not expect the witnesses to have exact data on the volume of issues that the CRU has experienced, but would the CRU, as the regulator, have received a higher-than-normal number of complaints from people who have moved over to either a smart meter or the smarter tariff and have had a complaint about it subsequently? Is there a higher volume of those complaints?

Ms Karen Trant: The highest volume of complaints that we get are around billing. That is a fact. We report that in our customer care report. When we go out and advertise around smart meters, the public want to take up the offer. There is a direct correlation there. Then we will see an increase in queries and potentially complaints. Ultimately, the number of customers with issues is probably in double-digit figures; there are not hundreds of customers, to give the Deputy some context.

Deputy Cormac Devlin: That is interesting. Finally, particularly in advance of this coming winter, I ask that we seek a better way for customers to engage than through the phone process, because it is painful for everybody and it ups the ante. It could be another reason why some people - not all - are not engaging adequately. It is a torturous process, to be frank about it, and some companies are worse than others. The CRU might take that issue up. I thank the witnesses for their attendance.

An Cathaoirleach: I might make a few comments myself. It has been quite a long first round, but we have time for a second one. I want to offer some balance to Deputy Cowen's remarks from a few minutes ago, and this narrative that is emerging - which is quite an unhelpful one - that we can develop this vast infrastructure overnight, or at least very quickly. That is unhelpful, because it belies the reality of the situation, in that it is incredibly complex. It will take considerable planning, resources and so on. This committee sent a delegation to Scotland last September. We travelled to the Moray East windfarm, a fixed-bed wind farm off the coast of Scotland. Scots are the world leaders in this technology. They told us it takes them ten to 11 years to build this kind of infrastructure. Yes, we need the stretch target. We need to do everything we possibly can to achieve it and leave no stone unturned, but understand it is not something we can deliver very quickly. This committee understands that.

The achievement to date in this country, as Mr. Gannon said, is that we are already world leaders in onshore wind development, with up to 40% renewables and most of that is wind. I do not think it is said enough and I am not just saying it because the commissioners are here, but the Commission for Regulation of Utilities, CRU, the likes of EirGrid and ESB and the various players within the wind market have done incredible work to get us to where we are today, that is, world leaders able to show other countries how to do this. The CRU deserves credit. That is not to say we do not all make missteps along the way, but it has to be acknowledged that the trend is absolutely in the right direction.

With regard to this subject and our grand ambition, I will mention a piece published by Eddie O'Connor in the *The Irish Times* last week. I do not know if the witnesses saw it. He argued that one of the blockages to decarbonisation was the contracts for difference and auction system we have, which forces the renewable energy bid prices down. He is saying that the manufacturing sector in particular is under considerable pressure at present and this will become a challenge to decarbonisation. He argued - this is arguably more a question for the European Commission than the CRU, but I would be interested to hear the commissioners' take on it - that we would go back to the system of a fixed price, such as the refit schemes of the past, for renewable energy projects, in order to keep that profitability in the wind energy manufacturing sector, and that would feed into the deliverability of projects. The argument is that this is a European indigenous resource we have off our coast. I think he said we are spending €300 billion on fossil fuels. Most of that money is going out of Europe. We have the resources within Europe and much of them are within the Irish jurisdiction. However, without that price certainty, the sector is struggling and that will impede our decarbonisation ambition. I would be interested to get the commissioners' views on Mr. O'Connor's comments, but I accept the question is probably

more pertinent to the European Commission.

Mr. Jim Gannon: I thank the Cathaoirleach for his earlier statements. One of the most important things he said is that a huge collection of organisations and individuals, including the private sector, has delivered the level of natural resource usage we experienced over the past number of years. It will take as many stakeholders to do that again and it will take a far greater understanding, knowledge and feeling of value being generated for society to do it, because it will require more wires, construction, windfarms and solar. The more society can sense it is benefitting from that through smart meters, their own investments or other mechanisms, the more we will enjoy and be able to generate that national wealth from our natural resources.

With regard to Dr. O'Connor's comments, we share his ambition on renewable energies and electricity. We have seen a worldwide evolution of auction processes to look at the type of contracts for difference that we now see in many jurisdictions. These contracts are put in place to balance risk. The recent offshore wind energy auction had bidders bidding in at a price point at which they believe their product can make returns on investment and which allows them to use their own funds and funds borrowed from banks to make their project whole. There is a balance of risk there, but if the market price gives a little bit more, they compensate. Thus, they receive what they expected to get. If the market price gives a little bit less, they are compensated for that.

Bidders still set a price point at which their business can make the required returns on investment to have their project be made whole, repay debt and make a return on their finances. When they calculate that price point, they consider the amount of money they will spend on the wind turbine, with regard to the manufacturing sector. They consider the amount of money they will spend on the wires and on construction of those ports and harbours locally. They take that consideration on board, decide how much it will cost and put that into their price bid into that auction. The contract for difference still has them bidding at a price that is appropriate to their project and it compensates either side of that to make sure that is the price they receive. Unfortunately, this time around, I did not read Dr. O'Connor's article. I will be sure to do so later. If what he was referring to was the overall investment required, such as investment in ports and harbours to make sure we get different types of value out of the industry, we would be supportive of that.

An Cathaoirleach: The sector lost €5 billion last year and there is uncertainty, because the big funds will not invest in something that is becoming increasingly marginal and uncertain.

Mr. Jim Gannon: Every industry suffered that last year, because it was last year. In many industries, especially in the construction sector, there were very different inflation rates to those generally there. There were problems with supply chains that increased costs very quickly, at exceptional levels that were almost never experienced. There was certainly a short-term degree of uncertainty. However, I am not sure there was systemic uncertainty leading up to that one-year timeframe and I am not certain we will not go back to that type of relative certainty. One can never be certain, but one can be confident.

An Cathaoirleach: I do not have the article in front of me, but Eddie O'Connor said this is a decade-long problem. It is said the problem is Covid-related and supply-chain related, but it predates those by a long time. Perhaps the commissioners would have a look at that and we could correspond on it. It is interesting that a leading developer is saying this. We should listen and assess the question.

Deputy Jennifer Whitmore: I know the issue of higher prices has been raised quite often in the meeting today. On a number of occasions, the witnesses specified the rationale behind the reason those prices were increasing. They spoke about the fact that Ireland is an isolated country and how we have a high gas dependency, low interconnection and a dispersed population. That was repeated a couple of times. The one thing they did not mention impacting on prices was demand. Electricity demand is a key driver of electricity prices. We are seeing a much increased demand on electricity and it is primarily being driven by data centres. I wonder whether the witnesses have done any analysis. Can they quantify the additional prices that are responsible, because of the increased demand? Have they done any modelling on it?

Ms Aoife MacEvilly: One of the more obvious places where it would probably impact on prices is on network charges. This question is often being asked. Can the CRU segment which bit of investment relates to, for example, connecting demand versus connecting supply or investing in renewables? We do not do that kind of segmented analysis of the investment programmes. The investment programmes are generally to meet overall policy objectives, such as meeting demand, ensuring security of supply and so on. I think the answer is “No”, we do not have that analysis.

Deputy Jennifer Whitmore: The CRU has not done an analysis on exactly what proportion of electricity prices are being derived from which energy generation or demand issues. The CRU has not done that modelling itself.

Mr. Jim Gannon: We observe and monitor the level of network tariffs that will be charged to consumers in a given year across the segments. That is the infrastructure required to supply electricity and operate and maintain those wires. We would understand the single electricity market and the cost of capacity in a given year that is being supported through capacity payments. We observe the different costs relating to the wholesale market, which is set by different types of plant at different points in time, which can change over the course of hours in a single day, be they wind, coal or gas. In a given year, we can see other charges, such as those relating to the single electricity market operating charges and those relating to imperfections in the markets, where, for example, the market assumes a wire is ready to be used even though it is not. However, I am not sure the analysis has been done to try to match precisely how those charges in each and every case are attributed to a specific consumer and the influx of that specific consumer back to all of those ranges of charges.

Deputy Jennifer Whitmore: Is that something that would be worthwhile to do? We are going from a point where data centres are using 15% to potentially, in a number of years, where they would be using 30%. Surely, as part of the monitoring and the forecast monitoring, we should have some idea of the impact that will have on prices for consumers.

Mr. John Melvin: That would be a difficult and complex piece to do. I am not able to promise that we could do it but we can take it away and think about it. As Mr. Gannon said, we might be able to see capacity and networks. However, if someone uses an existing wire and does not cause a new wire to be built, that is a benefit. If someone uses a wire that is here but causes a wire there, is that a net benefit or the opposite? It quickly becomes very complex to attribute costs.

Deputy Jennifer Whitmore: I am asking about supply and demand. In every open market, there is supply and demand. The more demand, the higher the price. That is just a fundamental economic principle.

Mr. Jim Gannon: It is, but we have about 40% of the bill represented by the unit price, which might be subject to that more simple supply-demand curve and where they intersect. However, in respect of the other ranges of charges, trying to disaggregate and understand precisely which part of the network will serve a particular customer to give a full picture is difficult. To give an example-----

Deputy Jennifer Whitmore: I will move on because I am conscious that others wish to come in. The CRU representatives will look into it and examine whether that is a potential.

There was a paper out this week by a couple of the economists from the Economic and Social Research Institute, ESRI, about data centres and how the biggest issue is not just the location of the data centres but their magnitude and their demand that they are putting on energy policies. Since this term, I and others have been talking about the impact and potential future impact of data centres, how we are going to manage it and how there needs to be control and regulation of them. The response from the CRU was to focus essentially on the location of the data centres, and that was from a grid perspective but not a pricing perspective. Is that a missed opportunity to bring those large data users and that large demand under control? I note that in the CRU's statement, it states that large-scale consumers and the restrictions and framework for that are far less formed. It is within the CRU's remit to deal with the connections policy. It could have controlled the data centres to a much higher degree than it did. Can the CRU representatives see now that perhaps we should have acted a couple of years ago or even before that because it has been an issue for many years? Do they see that it was a missed opportunity not to control data centres even further when the CRU brought in that direction?

Ms Aoife MacEvilly: First, I would argue that our current policy on data centres is not solely focused on location. We were clearly also calling out data centres bringing additional benefits, such as flexibility of demand and their own generation capacity on site. There were a number of criteria that we used in the previous direction.

On future policy and what we are working on now, one thing we have to take on board is that there is Government policy in this area. Government policy is supportive of data centres so long as they are supporting Ireland's decarbonisation and growth in telecommunications. We acknowledge and work within that. I refer to our next demand-side strategy and review of connections for large users. I think that will have to be all large users and not just data centres because we cannot discriminate necessarily, but that tends to be who it has been up to now. That is where we will bring in that piece around how we ensure that it is sustainable growth, how we decarbonise economic growth and how we bring in large demand that is already net zero. Thinking about what happens in housing policy at the moment, one cannot build a house unless it meets a certain standard. That is what we are thinking about. The new users that are coming on board are an opportunity.

Connection policy is only one aspect of this. This needs to be reflected more broadly as we develop strategy around carbon ceilings across the entire system so that when a new large user is coming to Ireland, it should not think it will develop one model, go for planning for that model and then discover at the very end of the process that there is a new connection policy. Ideally, when new users are potentially coming to Ireland, the kinds of conversations they are having with the development agencies should be, from the start, about net-zero ambitions and how these new users can support our decarbonisation strategy. We are looking at the connection policy but we also want to encourage the broader system to think about how we deliver that collectively.

Deputy Jennifer Whitmore: Would Ms MacEvilly welcome a revisit of the data centre policy and guidelines from the Government to specify that it needs to be economically and carbon sustainable? Would that make the CRU's job easier? The CRU is looking at it just from the connections perspective but there is this broader thing. At the moment, Government policy is very much that we welcome data centres. Would Ms MacEvilly like to see a tightening of that guideline?

Ms Aoife MacEvilly: I think what is reflected in the Government policy statement is the aspiration or the strategy that the data centres should contribute to our decarbonisation goals. It is not just about publishing strategy; it is about strategy implementation. What are the other levers of strategy implementation around this that are being deployed by the broader system? That is where we need to be lined up because that will deliver better results for decarbonisation. It will also make more sense for a new user coming onto the system and wondering what it takes to get connected in Ireland. That should be clear upfront. We are talking about this in terms of something that we will be consulting on shortly, and these are the kinds of concepts that we will be putting out for consultation. This is what is needed to deliver that decarbonisation of economic growth.

Deputy Jennifer Whitmore: I find it interesting that when had Sustainable Energy Authority of Ireland, SEAI, representatives in here at one stage about district heating and the potential of data centres to input into that, they did not know how many data centres there were or the capacity or energy demand of the data centres. They could not find any of that information. They actually pulled from a lobby group's website that there are approximately 70. Does the CRU have that data? Does the commission know how many data centres there are, where they are located, what their energy and water demand is and what conditions attach to their planning permissions? Does the CRU have a register of data centres?

Mr. Jim Gannon: No. We have aspects of that. We certainly would not have the register of licences and licence conditions. That would rest with the Environmental Protection Agency, EPA, where an environmental licence is required.

What we have had from the committee previously were queries on the existing numbers of data centres and also the existing numbers of data centres in a connections processor pathway. In each of those requests, we reverted to the network companies which have that information in order to get that information. The network companies, because they would be specific applications, would know the locations and the scale. They would have that granular level of data.

There is often some commercial sensitivity around those data. However, one would imagine that for those data centres in existence, there should be an understanding and an ability to find out that information and work with it.

Deputy Jennifer Whitmore: I do not believe this information is collected centrally. The Departments of Enterprise, Trade and Employment and the Environment, Climate and Communications do not have it and I do not believe any other entity knows exactly how many data centres there are, where they are, what their energy usage is and what the demand is. I had assumed the CRU would have that information because data centres currently account for 15% of our energy use and will, potentially, account for up to 30% of energy use in the next number of years. It is astonishing that no entity has oversight and visibility of exactly what data centres are using.

An Cathaoirleach: It is inconceivable that EirGrid, as the transmission system operator for

the larger data centres and large energy users, and ESB Networks, which is the operator for the smaller ones, would not have those data. Of course, they would. There is the gas side as well.

Deputy Jennifer Whitmore: Water consumption is also an issue. There needs to be a centralised entity.

An Cathaoirleach: Does the commission want to respond to the point about a centralised entity?

Mr. Jim Gannon: Deputy Whitmore is probably right. I doubt there is a centralised entity that tracks all of those factors relating to data centres. I believe the network companies would have that detail around scale of connection and, certainly, locations.

An Cathaoirleach: Is Deputy Whitmore asking whether the CRU should be the repository of that information?

Deputy Jennifer Whitmore: Somebody should have it, and I think that should be the CRU.

An Cathaoirleach: I think the Deputy's argument is how we can regulate unless we-----

Deputy Jennifer Whitmore: Exactly. It is how can we regulate unless we know. It probably should be the CRU because it covers energy, electricity, gas and water and has that central role. Certainly, someone needs to have oversight because there are lots of pieces of the jigsaw but no one is making the picture.

Mr. Jim Gannon: Without wishing to challenge that, the question must also be, "What are we going to regulate?" At present, we regulate the network companies to ensure connections are put in place and cost efficiencies are brought about. We regulate the supply companies. We also have a legal mandate with respect to security of supply. These are facets of what we regulate.

If the Deputy is asking if the CRU would develop and maintain a register which could only follow data that others already have in their hands, the EPA, where there is a licence in place, would get all of the reporting around environmental emissions, water, etc. I am not sure what is being asked to regulate the development of data centres because that rests more with economic policy and questions around enterprise. These include what the net benefit of data centres is to the Irish economy; what the right level would be for data centres to reach as a segment of our economy; how would we encourage them to reach that level, if we are not already there; and what behaviours should we incentivise. Those discussions should be had very early and effect a Government policy document, such as the one in place. With that Government policy document or policy statement in place, it should be down to the CRU to say how it will execute the part it is to play in this area, that it will interact with the Department of the Environment, Climate and Communications in advance of the Climate Action Plan 2023, that it needs a demand strategy, that it will focus more on larger energy consumers than smaller energy consumers because that is what it needs to do and that it will likely focus on connections in the first instance to get it as early as possible, with the largest incremental steps. We have that Government policy statement and it is, I believe, down to the individual entities to do it. However, we are not doing it in isolation, if I can put it that way. We interact with the enterprise agencies and with other Departments. We tell them what we are doing and that we are operating in the knowledge that we might be among the first out of the traps with the upcoming consultation on demand-side strategy, which means we will possibly be a little exposed and, therefore, we want all of our allies in the delivery of Government policy to also be in a position to discuss what they are doing

and how they will interact with that conversation. We have a certain mandate, if I could put it that way, and it could be hard to operate much without that.

Senator Lynn Boylan: I have a couple of questions. It has been a long meeting and I appreciate the witnesses' time.

I will pick up on what Deputy Whitmore said about pricing in and the impact of demand on the prices. Did the EU regulation not clearly stated that reducing electricity demand at national level can have a positive nationwide effect on electricity prices? The EU has already made the connection that between addressing demand as one way of reducing the cost of electricity for customers.

The witnesses spoke about fears around gas arrears and the direction of travel in that regard. Is there a disconnect between the CRU and the SEAI given that the SEAI continues to install fossil-fuel boilers in households that are eligible for 100% grants on the basis that they are the most vulnerable households? They are people on low incomes who receive the fuel allowance or an old age pension. In the past three years, 1,270 fossil-fuel boilers were installed compared with 40 heat pumps. Are we locking people in to the risk of gas? Post the Ukraine war, if we are still installing these boilers in low-income households, what impact will that have? Is the CRU looking at that in the context of gas arrears in the future and people being able to manage their bills?

I have a question on the large energy user, LEU, rebalancing process, which I did not ask in the first round of questions. I welcome the level of detail that will be in the report. When the CRU brings back that report in August will it consult the committee on the tariff review or the mechanism for the refund? The last time there was a tariff review there was a public consultation. Mr. Gannon, in his opening statement, indicated there would not be a public consultation. I understand that would delay the process. Will the CRU engage with the committee or will present it with a *fait accompli* as regards how the refund will be made?

Dr. Karen Kavanagh: In relation to the LEU, once we process the revenue submission, we will determine what the allowed revenue is for next year and require ESB Networks to submit a suite of tariffs. We will then publish an information paper which sets out all of the detail. That is a standard process that we go through every year. It is fully transparent on all of the different elements that are featured in that and the actual tariffs. In parallel, we will do the detailed report on this. However, there will not be a stand-alone consultation process for that. It will be wrapped into part of the annual review process.

Senator Lynn Boylan: I mean no disrespect to the witnesses because they are gracious every time they appear before the committee. When we try to get answers, however, we are always told by the relevant Minister that it is the CRU is accountable to the committee. For this reason, we cannot get answers from the Minister. The reason members always have a raft of questions when the CRU appears is that we cannot get them answered elsewhere.

A mistake was made and not picked up for 12 years. There are learnings from that for everybody involved. Given that the committee is the entity that is supposed to hold the regulator to account, would it make sense for the CRU to at least present those findings or whatever that report will be to us in August? That would allow us have some engagement on the basis of what the CRU finds and where we could make improvements as opposed to merely producing a report.

Ms Aoife MacEvilly: We would always be happy to come in and discuss what we have found, in particular any steps we might be taking to prevent future recurrence.

I would make a point on the tariffing timetable. If we had a very different view of how the money should be refunded to customers, for example, it would probably be too late at that point. The strong sense we got from discussions up to now is that the committee wants this money returned to domestic customers as quickly as possible. As Dr. Kavanagh said, we have taken on board that the money would be returned over the course of a year through the network charges rather than over a longer time period. Beyond that, if the committee has any other views at this point, we would be very open to hearing them.

Senator Lynn Boylan: It seems the tariff mechanism is not very clear for the average person looking at a bill. I have been stopped by people and asked when is the €50 being returned. In one sense there is an expectation that this refund is going to come up on the bill but this is not going to be the mechanism. It would be valuable, in the interest of transparency and from a consumer sentiment point of view, to have some way of indicating on the bill how the money is being refunded. In that way, people could see very clearly that it is not being absorbed into a network tariff readjustment or whatever. The whole thing is about instilling confidence in people that they are getting their money back and that they are told clearly that this is the case.

Mr. Jim Gannon: We will return to the committee and give an update. We received the submission on 28 April and we are giving an update now and we will return to give another. Communicating this to the public is something we have thought about ourselves. In our typical form we will be publishing a very detailed information note that outlines exactly what are doing but more may be necessary. It is very difficult to have a separate line item on each bill with different amounts of money because there are many different consumer types getting back slightly different amounts of money because slightly different amounts of money were likely collected from them. We might think about how best to communicate to consumers how and where they will get money back. We need to make sure they know that.

The tariff consultation last year was really exceptional. We had a really robust dialogue with industry at the time. We felt we had to consult in order to protect the outcome of the tariff review process whereas what is being undertaken now is the mechanistic recalculation annual. I am very happy to provide more transparency around that at this time.

Senator Lynn Boylan: On the installation of the fossil-fuel boilers, are there any concerns for the future about locking people into high energy bills, particularly low-income households which are the ones eligible for these grants?

Ms Aoife MacEvilly: We might be straying into energy efficiency policy areas. There are a couple of mechanisms we are aware of, but not involved in. My understanding is that much of the new housing stock that is coming online has to meet rigorous standards for energy ratings. As I drive around and see new houses going up, I see a lot of solar panels and heat pumps being fitted.

Senator Lynn Boylan: These are existing houses, so these are pensioners or people on a fuel allowance payment. They are being locked into a fossil-fuel boiler arrangement that will last them for ten to 15 years.

Ms Aoife MacEvilly: This is where Government policy between the retrofitting and the phasing out of certain technologies comes into play. It is not an area where we have a regula-

tory role.

An Cathaoirleach: The decarbonisation piece the CRU deals with is related. Probably in tandem with those installations, people are getting insulation and all kinds of upgrades. As a result, people might not have to use the fossil-fuel boiler as much as they would have done previously.

Mr. Jim Gannon: From the figures, very few houses on the warmer homes scheme are ending up anywhere above a D or a C rating. There is still a lot of inefficiency there and carbon being produced. Does the CRU have a decarbonisation remit?

Mr. Jim Gannon: Our remit is not within the residential housing stock, if I can put it that way. We would not reach that far. It is more to do with building standards and retrofit solutions.

Deputy Darren O'Rourke: In relation to the windfall tax and the cap on market revenues, there was some discussion about contracts for difference versus refit. The particular design of the windfall tax and the cap on market revenues means very significant windfall gains for some renewable energy companies depending on the contract they have. Wholesale gas prices were at their highest point from April to August last year and the cap on market revenues element of the windfall tax runs from December to June of this year and so misses that whole very high period. What is the witnesses' opinion on this? Was the CRU consulted by the Department of Environment, Climate and Communication or anybody else? Does it have an estimate of the potential windfall tax revenues forgone or the types of revenues? I presume they could be quite spectacular because, as Mr. Gannon said previously, companies have a price point that makes commercial sense to them. We are in totally uncharted territories because of the war in Ukraine. What are the potential implications of that for competition in the market and the attractiveness or otherwise within certain sectors or between the sectors themselves?

Mr. John Melvin: The European Union brought the package through last summer. I do not have the full timeline but the date on which this particular legislation was pulled together might have been September or October - it was one of those months. We then engaged with the Department bringing that into Irish legislation. We have been engaged with the Department on it since. We appeared here at the meeting on the pre-legislative scrutiny.

The end of the Deputy's question touched on confidence in the markets. Ireland has implemented the European legislative framework, which had a €118 per megawatt hour figure as standard, with options for the member states to pick lower figures. In the case of Ireland, thus far as it passes through the Houses, there is a figure of €120 for solar and wind. It is predominantly wind that will be affected by this. Those were choices made and those choices will be brought through the Houses for review and analysis.

In terms of reacting in ways that are consistent across Europe, it is important that Ireland Inc. does so because we spoke earlier about attracting investment. Pension funds coming to invest want to know that this is a safe, secure and stable place in which to invest. That equity is needed for these infrastructure projects to be built. A balance has to be struck between reacting in a Europe-wide and considered way, noting also that having done so, the lower figure was chosen. It is a matter for policymakers and legislators to decide the final balance. We did play a role in this and we continue to do so.

An Cathaoirleach: It has certainly been a very interesting three hours. We very much appreciate how the witnesses engaged with the committee and with members' queries. Thank you

all. I am not sure when we will have the CRU in again but semi-regular meetings would be useful for both sides, so we will probably continue with something along those lines. The consensus of the members is that meetings would be held not more than every couple of months.

Mr. Jim Gannon: The types of markets and the activities we do are very complex. It was helpful for us to put together a hedging note. It is probably still complex. In terms of systems and services, it could be helpful. For example, we could spend, say, 20 minutes discussing network tariffs in some of those sessions, even though that might not be the topic of the day. We think that issue is always going to be important to consumers and with regard to policy. Perhaps the committee could give it consideration because that means we could prepare and follow up with some further responses to questions.

An Cathaoirleach: That is a fair suggestion.

Deputy Jennifer Whitmore: We should make that decision while we are here.

An Cathaoirleach: I would be in trouble if I pushed that one through. We will make that suggestion to members when we meet in private session and discuss these matters. Mr. Gannon has made a fair and helpful suggestion for which I thank him. I thank the witnesses for engaging with the committee. We look forward to the next time we meet.

The joint committee suspended at 2.01 p.m., resumed in private session at 3.30 p.m. and adjourned at 5.31 p.m. until 11 a.m. on Tuesday, 16 May 2023.