



ELECTRICITY
ASSOCIATION
OF IRELAND

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Date: 07/01/2022

Commission for the Regulation of Utilities

The Grain House

The Exchange

Belgard Square North

Tallaght, D24 PXW0

RE: Electricity Network Tariff Structure Review

By email to retailandsmartmetering@cru.ie

Dear CRU

EAI welcomes the opportunity to respond to CRU's Electricity Network Tariff Structure Review and EAI are supportive of this review and a Network tariff structure that creates the right incentives for how customers use the network, which in turn can impact system stability; system investment needs; the location of new generation and demand; the efficiency of electricity use; and equity across network users. This call for evidence is welcomed by EAI and will support our vision of a decarbonised future powered by electricity. We believe that electricity has a fundamental role to play in providing energy services in a decarbonised, sustainable future, in particular through the progressive electrification of transport and heating.

Objectives

- We would like more clarity on CRU objectives for what role network tariffs should play in a future system from a strategic perspective, and what should be achieved through other means.
- In light of the current climate emergency, it may be reasonable to use network tariffs as a tool for promoting (and at the very least not hindering) urgent electrification of heating & transport.

Scope:

- By and large we are supportive of the scope as proposed. A very wide scope risks creating a hard to manage project through complexity while too narrow a scope risks not properly addressing the issues that need to be looked at. We would, however, ask that

consideration be given to expanding the scope to the system services charge in TUoS. We would see the scope addition covering only how the charge is levied on suppliers/users (which is solely within CRU's remit) rather than looking at the overall make up of how the cost pot is arrived at.

- The systems services charge is a large volumetric charge and it may have an impact on consumption decisions so it would be prudent to address it. We do not believe it would represent a significant additional effort since many of the considerations will be common to the consideration of the capacity commodity split.

Role of suppliers

- The impact of the reforms will depend on the ability of suppliers to pass signals through to customers who are in the best position to respond and to protect customers who value certainty. "Mandatory" pass-through would be a radical departure from this role.
- We are supportive of measures to protect vulnerable customers and other households whose bills may go up as a result of this review and recommend that funding of social support comes from central Government funding (e.g., fuel allowance).
- We recommend that the CRU includes the effects on retail market participants in its impact assessment to ensure that potential reforms do not increase risk of supplier failure.

Approach to engagement

- At present, stakeholders have very little visibility over, or input to, network tariff setting. Discrete, infrequent, regulator-led reviews are not likely to be an efficient or effective mechanism for making changes to network tariffs in a rapidly evolving future.
- We propose that the CRU establishes a mechanism for ongoing stakeholder engagement with tariff setting beyond the timelines of this review.
- An ongoing, industry working group approach would make best use of specialist knowledge to identify, design and review tariff change proposals. A similar approach was used by CRU previously for gas network tariffs. Consideration should be given to setting up such a group after this consultation to aid development of the consultation paper.

Implementation timelines

- Although we are supportive of ambitious change, we recommend that the CRU leaves ample time for suppliers and customers to prepare for major reforms. For reforms requiring significant changes to data systems and business processes an appropriate lead in time will be required.

Cost

- It seems likely that the current tariff structures would not be cost reflective in future and it is important that this is properly assessed and changed if needed so that how the electricity system is funded is fair and equitable.
- Reducing the overall cost of electricity is important in delivering the energy transition, the potential for network tariffs to contribute to this should be explored and we support the CRU in doing so.
- The current charges, tariffs and levies applied to electricity consumption are barriers to achieving government decarbonisation targets. Both capacity charges and energy charges are the same to the consumer if the grid carbon intensity is 600gCO₂/MWh and when it is approaching zero gCO₂/MWh. Tariffs need to be flexible so that they can give signals



to respond as needed i.e., consume more or less depending on system stress, thus, contributing to the solution of integrating renewables.

- Existing consumers of power are blinded to the real-time value of electricity due to legacy tariffs, charges and levies. Without all sectors aligning with the governments decarbonisation ambitions the task ahead will cost consumers more money than is necessary and will take longer to achieve.

Options presented

- CRU's nine principles are suitable, but they may conflict at times and a compromise between them may be required. We ask CRU to consider how trade-offs will be made and how they will be made clear to all market participants.
 - We think an additional principle should be added. 'Low Carbon Delivery'. This would allow scoring of any tariff structures align with the Objectives.
 - Efficiency should consider the holistic costs to citizens of the different options. If the network tariffs continue to hinder flexible demand, then wind generation will continue to be dispatched down more than is necessary. More wind assets will be needed to reach government RESE targets.
- The options CRU presented for potential tariff reforms are interesting and we support all of them going forward for further assessment. From an initial review we have some general comments:
 - There appears to be a desire to influence where and how customers use the network via price signals. We support this but we ask the CRU to ensure that when it provides behavioural signals that customers have the capability to actually respond to them. For example, we see limited scope for residential consumers to meaningfully respond to locational signals. Similarly, properly monitoring and responding to dynamic time of use tariffs and shifting demand to minimise overall costs is not something every customer category would be able or willing to do to a meaningful extent. However, these tariffs could suit certain classes of customers.
 - We think that the final tariff structure could vary significantly across customers categories and may be a combination of the different reform options provided. We ask CRU to investigate how different customer categories will respond to tariff/price incentives and trials of some options might be appropriate. In principle, we believe users that provide flexibility to the grid and reduce system costs they should be rewarded so this must remain in focus throughout the review.
 - Consideration should be given to how these different tariff structures would impact on the presentation and advertisement of tariffs and the overall impacts on competition in the market.
 - How the new tariffs interact with supplier ToU offerings and upcoming flexibility products (ESBN national networks/local connections) needs to be considered. There are non- network tariff price signals already and the reformed tariff structures could enhance or diminish them.
- As part of this call for evidence the CRU might find that current list of Demand Transmission Service (DTS) Schedulers is not complete for future flexible and even dispatchable consumers



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of electricity. Some innovative demand users will need real-time market signals aligned to System Operator needs to encourage consumption in times of ample/excess generation. Fair tariffs may vary significantly depending on time of use and whether a consumer is willing to accept interruptible grid connection.

EAI looks forward to further engagement with CRU to ensure that the regulatory framework provides Network tariff structure that creates the right incentives for how customers use the network. We hope you find the above response useful and should you have any questions in relation to this response, please do not hesitate to contact us.

Regards

Dara Lynott

Chief Executive Officer

Electricity Association of Ireland