



Cold Snap Ends, Newsletter Returns with a Bumper Issue!



The Sugarloaf mountain in Wicklow covered in snow during the current cold spell of weather. Photograph: Damien Storan/PA Source: Irish Times

EAI encourages members to send our newsletter onto colleagues in their respective organisations, if any of your colleagues wish to be subscribed please have them email info@eaireland.com.

EAI Year in Review

Dear member,

. It seems that every year we get to the Christmas break and reflect upon what a busy and strange year it was and 2022 has proven to be no different. As we emerged out of COVID restrictions we were faced with war in Europe as Russia launched a brutal attack on Ukraine causing untold misery for the Ukrainian people and also exposing how tenuous our European gas supply was. The full impacts of the war on energy security are still to unfold but as we look back on 2022 a number of themes stand out, here are a few of them.

Rising energy prices, their effects on Electricity Customers, Security of Supply, and market design

Early in 2022 CRU sought to implement their Programme of Actions confirming that the procurement of 450MW of temporary generation for the forthcoming winter was underway; this was to be in addition to the procurement of at least 2GW of additional flexible Gas capacity by 2030. EirGrid also revised its emergency load-shedding procedures to prioritise homes and small businesses over larger customers and, with ESNB, introduced several conditions on new Data centre connections to locate in unconstrained parts of the grid and provide flexibility to the SO including from on-site generation.



Security of Supply and the lack of investment signals was the subject of many strong EAI representations to policy makers and regulators North and South; where we emphasised that the current approach was not providing the correct signals for future investment. This included the submission by EAI of a non-paper on required reform of the existing CRM. The reforms address both the value and quantum of the capacity that needs to be delivered to meet policy objectives on the island.

On 18th May the European Commission outlined its plans to rapidly rid the EU of Russian fossil fuel dependence and fast forward the green transition. The measures included additional action on energy savings, diversification of energy supplies, and an accelerated roll-out of renewables to replace fossil fuels in homes, industry, and power generation. Things ramped up even further when on 29th August Commission President Ursula von der Leyen (VDL) announced a two-pronged reform of the EU power market; an immediate intervention to be decided at the extra-ordinary council meeting and a more structural reform of the market arguing that the current design is outdated. EAI, as a response, became a co-funder of a Eurelectric priority study by Compass Lexicon on Market reform that will be a key input into Commission Plans for reform

The Capacity Market has also been the topic of significant consultation by the CRU and the SEMC in 2022. The EAI responded to these consultations including the EY review of the performance of the CRM with supporting analysis provided by Frontier Economics. In summary, the continuation of the RA's conservative approach to both the quantum and value of capacity on the system, both new and existing, is of concern to EAI members. Specifically, there is concern that the RAs have not moved from their traditional approach and have failed to recognise the investment challenge of meeting the twin requirements of decarbonisation and Security of Supply or the value that existing capacity can play.

The Retail Committee of the EAI saw an extremely busy year as suppliers worked very closely with Government Departments to deal with the impacts of rising gas prices on customers. The system changes required to implement VAT reductions and credit rebates for customers in addition to keeping the SMART metering programme on track, introduce Microgeneration offerings and time of Use Tariffs were complex and stretched supplier resources to the limit. While the departure of one of our members, Panda Power, from the Market is a tangible reminder of the challenges facing the retail electricity market.



2022 also saw the development and launch of the new EAI Strategy 2022-2025 which is available [here](#). Our Strategy has been developed during a period of significant change for Ireland's electricity and gas retail industry; however, our strategic goals of decarbonising electricity at a time of unprecedented growth in electrification while maintaining security of supply remain.

The strategic objective for the Electricity Association Ireland (EAI) is to engage comprehensively with all stakeholders on a system wide basis to ensure that the scale of the investment, Government and European policy and the regulatory framework supports the delivery of our four strategic goals. In November the EAI hosted a wonderful event in the Mansion House to launch our new Strategy, which brought together the CEO's of our member companies to discuss their ambitious plans for decarbonisation and also the senior regulatory and policy experts to discuss what needs to happen in the retail and energy markets to achieve our zero e-Mission Future. To capture these great sessions, we have produced a synopsis of the event which is available [here](#)

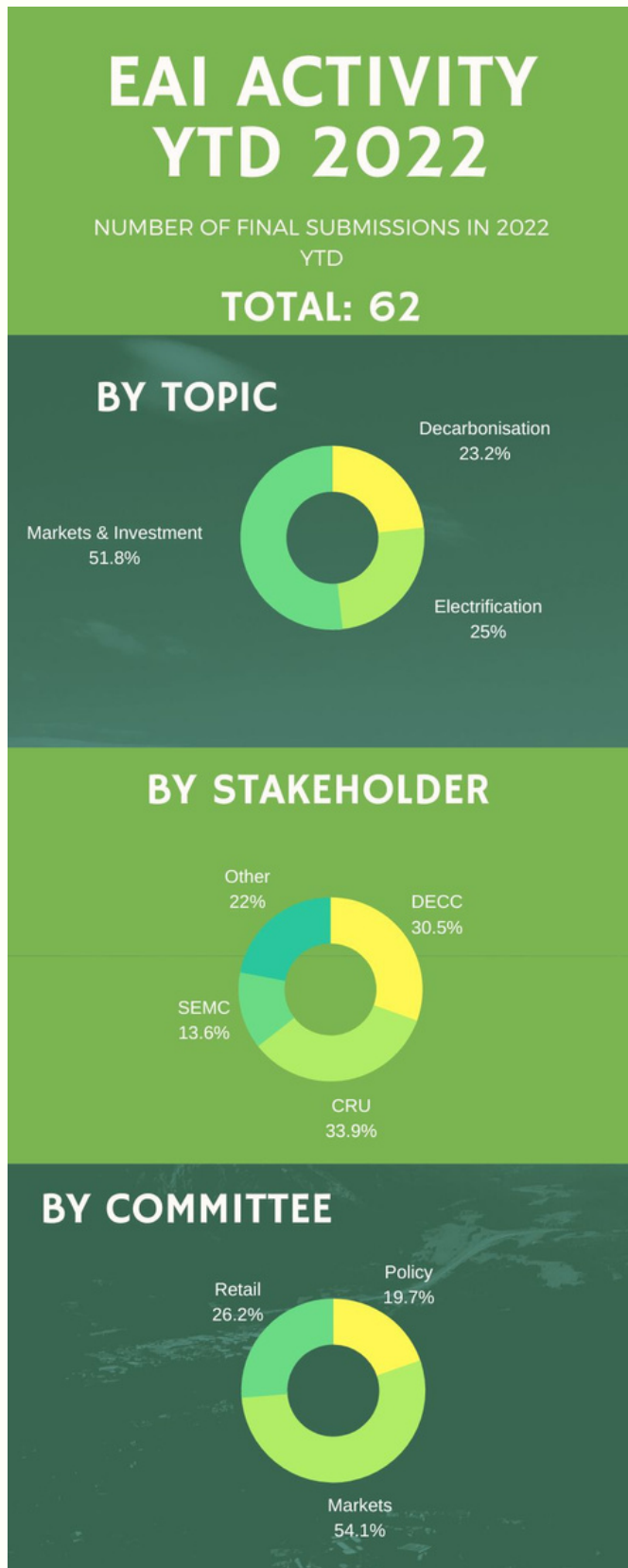
These were some of the many issues that the EAI raised on behalf of its members through over 60 submissions made in 2022. Other major themes were Climate Policy, the National Smart Metering Programme, Microgeneration and Energy Efficiency Obligations.

In September we introduced Aidan Hall and Jason Herbert to the team and they are settling very well after only a few months taking care of the EAI Committees. Amid all the uncertainty, one thing is certain for 2023, the EAI will continue to advocate on a wide range of issues on your behalf. However, we could not do so without you the members that give of your time and expertise on the Board, Committees, Working Groups and Task Forces and represent the EAI at events throughout the year. We would like to thank you for these efforts, and we look forward to working with you and for you in 2023.

While our thoughts are particularly with our members and staff that have lost loved ones in the last year, may I, on behalf of Stephen, Jason and Aidan, wish you a peaceful Christmas and a happy New Year to you and your family.

Dara Lynott, Chief Executive





Meanwhile on a more recent note....

The recent period of freezing temperatures saw Ireland reaching its highest ever peak demand, climbing to just over 7GW. With little renewable generation supplying energy to the grid, conventional forms of generation were relied upon. This highlights the need for a flexible, renewable baseload to be incorporated into the energy mix over the coming years. Signs point towards hydrogen as the UK released its Hydrogen Strategy earlier this month which you can read more about below.

Also featured in this end of year edition is, an insight into the EU Market Design Consultation and updates to the Energy Poverty Action Plan

Energy Poverty Action Plan

Published on the 16th of December, the Energy Poverty Action Plan seeks to target the current winter period with direct financial aid in the form of the Electricity Costs Emergency Benefits Payment, seeing each customer receive €600 in three payments, an increase in the fuel allowance payments as well as enhanced customer protections including a moratorium on disconnections for all customers. Vulnerable customers also received greater protections in the new Action Plan, placing a requirement on suppliers to automatically place financial hardship customers on the most economic tariff, increase their moratorium period and reduce debt collection percentages on PAYG top ups.



DECEMBER 22, 2022

Addressing energy poverty in the long term requires energy efficiency improvements. In aiming to achieve this the Action Plan details increased budget allocations for SEAI schemes, totalling g €337 million for 2023, as well as focusing on energy poor houses through the EEOS.

EAI submitted a response to the consultation on Energy Poverty in September, requesting that data on energy inefficient homes be collected and shared with suppliers. This has appeared in the strategy, where the ESRI and DECC are to create a map of the most fuel poor homes to ensure that this cohort can be reached. Other EAI suggestions such as a reduced PSO levy and delivering a low-cost loan scheme also featured in the strategy.

See the full Action Plan [here](#)

UK Published Hydrogen Strategy

The UK is investing in a hydrogen economy, setting targets of 5GW of low carbon hydrogen production capacity by 2030 and meeting 20%-35% of the UKs total final energy consumption in 2050. The UK strategy seeks to begin with production through electrolysis for use in the transport sector, scaling up to include CCUS means of production for use in industry by 2030. From 2035 the goal is to have multiple means of production, through CCUS, nuclear and biomass for use in industry, the power system, shipping, and aviation.

In achieving early uptake, a £240 million Net Zero Hydrogen Fund has become available to allow co-investment into hydrogen projects. As Ireland develops its hydrogen strategy, encouraging early investment will be essential to building a hydrogen economy as emphasised by the EAI in our response to the consultation available [here](#).

The strategy relies on infrastructure developing through a combination of planning and reacting to investment, it is currently unclear whether improvements will be made to the existing national gas grid, or new infrastructure will be built. There is a plan for heat trials in the 2020's, with a 'Hydrogen Neighbourhood' due for completion in 2023 and a 'Hydrogen Village' by 2025.

To incorporate hydrogen into the Irish power system, there needs to be market and regulatory updates. The UK strategy highlights the role hydrogen could play as a fuel source for peaker plants which meet sustained high demand, like what was experienced in Ireland during the recent cold snap. Hydrogen produced through electrolysis at times when we have an over supply of renewables can also be stored and used when necessary, mitigating security of supply concerns. This is reflected in the Climate Action Plan 2023, where Ireland is aiming to utilise 2GW of offshore wind capacity for green hydrogen production by 2030.

EAI is continuously advocating for positive signals for renewable investment, particularly in the hard to abate sectors such as peaker plant alternatives. Similar to the UK, a system for coupling the current electricity market with a future hydrogen economy needs to be examined targeting areas for investment.



EU Non-paper on Electricity Market Design

Ahead of the full EU consultation on European Electricity Market Design, the European Commission released a non-paper on lasting ways to mitigate the impact of high gas prices on electricity bills. This current market design, while supporting cross-border coordination, has illustrated shortcomings in terms of delivering acceptable economic and social outcomes, particularly protecting consumers from excessive gas price volatility. The non-paper outlines four key elements to the Commission's proposal:

1. Pricing inframarginal technologies based on their true production costs

The consultation will look at different ways to incentivise generators, suppliers, and consumers to enter into PPAs and strengthen liquidity on the forward markets. The consultation will also cover various options to ensure inframarginal rents are not excessive. This suggests that revenue caps already implemented as part of regulation 2022/1854 may be extended beyond their deadline of July.

2. Reducing role of gas in short-term markets

The consultation will examine ways to improve competition between flexibility solutions such as demand response in the short-term markets. These flexible solutions combined with renewable generation will see a reduction in the role that gas-fired generation will play in the short-term market.

3. Better consumer empowerment and protection

While the Clean Energy Package does outline provisions to help consumers, the consultation will focus on a number of legislative changes to protect households and industrial customers. One such proposal is an obligation for large suppliers to offer fixed price fixed term contracts covering a fixed share of the average household's consumption. Another is the idea of a supplier of last resort to be appointed to hedge the risks of supplier failure.

4. Improved market transparency, surveillance, and integrity

The robustness of the REMIT framework will be examined, and potential updates will be explored in the consultation. Proposed improvements to increase transparency include adapting the scope of REMIT to evolving market circumstances, harmonisation of REMIT fines at a national level, aligning ACER powers with relevant powers under the EU financial market legislation.



Council Decision on Position to be Taken within the EU-UK Specialised Committee on Energy Concerning the EU-UK Electricity Trading Arrangements

The decision addresses two specific issues:

1. Confirming preliminary recommendation inviting TSOs to start preparing technical procedures for efficient use of electricity interconnectors

Preliminary recommendation allowed TSOs to immediately start preparing technical procedures for efficient use of electricity interconnectors at the day ahead stage. It also allowed TSOs to look at capacity calculation, congestion management, and enhancing efficiency of trade of interconnectors at timeframes other than the day ahead market.

2. Request for additional information to be provided by TSOs

TSOs are to analyse further an electricity trading arrangement called “common order book” solution which is based on the hypothesis that the current timeframe of procedural steps within the Single Day Ahead Market Coupling could be changed in order to accommodate trading parameters and processes of the UK. Additional complex technical analysis of its feasibility and long implementation time is needed to support the cost-benefit analysis. In light of this, it is necessary for TSOs to analyse an additional number of questions within 5 months of the date of request.

*Please note multi-region loose volume coupling or “preliminary order book” has been concluded as not a desirable solution by EU and UK TSOs as well as ACER. There was found to be serious risks of market manipulation and market disruptions.

