



an roinn fiontar, trádála agus fostaíochta
department of enterprise, trade and employment

Comments by the Department of Enterprise Trade and Employment

Department of Communications, Marine and Natural Resources

Green Paper on Energy – Towards a Sustainable Energy Future for Ireland

October 2006

The Department of Enterprise Trade and Employment welcomes the publication of the Green paper on Energy “ Toward a Sustainable Energy Future for Ireland”. The Agencies under the remit of the Department have made individual submissions on the Green Paper. This reflects the critical importance of energy for the enterprise sector, consumers and overall competitiveness of the economy today and for the future.

The Green Paper, the Deloitte Report¹, representations from the Enterprise Sector and Forfás Benchmarking studies, combine to provide compelling evidence for the need for urgent change in the way the energy market operates in Ireland. Furthermore, benchmarking studies paint a stark picture of price disparity between Ireland, the EU and other competitor economies.

The Department of Enterprise, Trade and Employment looks forward to the publication of the White Paper in January 2007. This will make a substantial contribution to building confidence in the direction of Irish energy policy, providing a clear roadmap in terms of investment, security of supply, competitiveness and regulatory reform. In the context of this Department’s own remit we recognise that energy research and commercialisation of new energy technology will also contribute to serving national energy policy priorities.

The Department of Enterprise, Trade and Employment wishes to make the following comments on these issues.

¹ Review of the Electricity Sector In Ireland, Deloitte and Touche LLP, December 9 2005.

Investment and Security of Supply

The creation of an all-island energy market through further interconnection is the first step towards the creation of a regional energy market. We welcome and look forward to the completion of the Single Electricity Market (SEM) and the proposals in the Green Paper to underpin this new market with pro-competition and efficiency measures.

The Irish electricity market is relatively small even after integration of the market with Northern Ireland. However, extending interconnection through the proposed East-West inter-connector linking Ireland and Wales should help to further integrate the market. This should bring benefits including greater competition and lower costs. Regulation should ensure that these benefits are both maximised and quickly shared by consumers.

The Department supports the case for funding strategic infrastructure under the forthcoming National Development Plan. Connections to larger markets in the medium term may also incentivise new generators to invest early here thus bringing needed competition into our energy market. Nevertheless there are short term concerns about security and adequacy of supply at times of peak demand. We strongly underline the policy objective of ensuring adequacy of energy supply at all times and emphasise that EirGrid and the CER should be encouraged to ensure improvements in generation plant availability.

Competitiveness and Regulatory Reform

It is well known that electricity prices in Ireland are high in comparison to other European countries and third countries with similar small markets. This is in part due to the cost of production, which in turn is a factor of higher input costs and low availability of plant. This increases unit costs. Electricity prices are also higher because the network is being extensively and quickly strengthened and modernised to meet the needs of a rapidly growing economy and the needs of regional development.

Higher energy costs in Ireland contribute directly to higher costs in vital internationally trading manufacturing and services sectors and to higher costs elsewhere in the economy. This is of critical concern to Ireland's overall competitiveness.

To address this concern we believe that we should set a target to reach a price level that is no higher than the average European price for electricity. Reaching this target will, to some extent, be dependent on inter-connection in the medium term, although there is no certainty that greater interconnection will bring about price convergence if UK rates are lower. While primarily a matter for the Regulator, consideration should be given in the shorter term to incentivising improved generation plant performance, which recognises and places a value on reliability and efficiency against international industry benchmarks.

From a competitiveness perspective all future changes to improve competition in the energy sector should be driven by the objective to bring visible, tangible and early benefits for consumers. Key to this debate is the issue of reform of how our energy markets work. Further competition in the generation market, maximising the scope for competition throughout the energy sector and its supply chain and eliminating obstacles to competition must be quickly addressed. In this context the Department considers that the recommendations put forward by the Deloitte report, following its analysis of the institutional and structural aspects of the electricity market provides a solid basis to address market issues.

Domestic Consumers

While high energy costs are of critical concern to Ireland's enterprise sector, domestic consumers are entitled to a secure supply of affordable electricity. According to the Deloitte report, prices for small domestic customers are the second highest in Europe and 51% above the European average. Whether for heating, lighting or cooking purposes, electricity is essential for everyday life and as such should be an affordable commodity for all users. Policy should not overlook the importance of market change in bringing short term and durable benefits to domestic consumers.

Energy Research, Renewables and Bioenergy

The recent strategic review of energy research development and demonstration activities concluded with the need for better coordination and alignment of energy, economic and innovation policies. Work on the articulation of national energy policy is underway and future strategic research will be geared to underpinning national policy priorities. The focus will be on improving security of supply, increasing the efficiency of energy use and bringing forward renewable energy technologies. An all-island approach to these issues will be adopted to

take advantage of the obvious potential synergies in this area. The Department fully supports this integrated approach and will engage with its enterprise agencies to help advance it.

The Department recognises the increasing importance of the renewable energy technology sector now and into the future. Ambitious targets have been set for 30% of electricity consumed to come from renewable sources and to obtain a 20% increase in energy efficiency also by 2020. This is supported in the national Strategy for Science, Technology and Innovation.

We also recognise that commercialising this emerging technology is crucial to building a vibrant and successful renewable energy technology sector in Ireland. In this regard, this Department, in conjunction with Enterprise Ireland, is working with the Department of Communications, Marine and Natural Resources and Sustainable Energy Ireland, to ensure that appropriate supports are available to companies that have developed renewable energy technologies and are ready to move to the commercialisation stage.

Department of Enterprise, Trade and Employment
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