NETWORKS

Dynamic Electricity Price Tariffs

ESB Networks response to CRU consultation CRU 202408

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1. Introduction

ESB Networks welcomes the opportunity to respond to the Commission for Regulation of Utilities' (CRU) consultation paper on Dynamic Electricity Price Tariffs. ESB Networks will continue to work closely with the CRU, Department of Environment, Climate and Communications (DECC), electricity suppliers and all of our stakeholders on the National Smart Metering Programme (NSMP). ESB Networks has and will continue to play a central role in the NSMP which, at the time of writing, has successfully installed approximately 1.7 million smart electricity meters in homes, farms, and small businesses throughout the country. The rollout of smart meters is a key enabler in our transition to a low-carbon network and also facilitates the introduction of new products and services, such as dynamic price tariffs, which can be made available to electricity customers.

1.1 Role of ESB Networks

As Distribution System Operator (DSO), Distribution Asset Owner (DAO) and Transmission Asset Owner (TAO), ESB Networks works to meet the needs of all Irish electricity customers – generation and demand - providing universal access to the electricity system. We deliver and manage the performance of a system of almost 157,000 km of overhead networks, 27,000 km of underground cables and 640 high voltage substations.

ESB Networks also delivers a range of services to the Irish retail electricity market servicing over 2.5 million customers. It manages relationships with market participants and provides data in a timely and accurate fashion on a daily basis. It supports the wider Irish market through the ring-fenced Meter Registration System Operator (MRSO) and Retail Market Design Service (RMDS) and supports the wholesale Single Electricity Market through the provision of aggregated meter data.

To date we have connected approximately 6.2GW of renewable generation to the distribution and transmission systems, from microgeneration, mini-generation and small-scale generation through to large amounts of distribution and transmission connected renewable generation. We have almost 2.5 million demand customers, of which currently more than 85,000 are now becoming active customers – including, but not limited to, domestic and commercial premises with microgeneration/mini-generation (a rapidly increasing number); participants in flexible demand; and premises with battery storage.

In 2023, the National Network Operations, Local Connections Programme, National Smart Metering Programme, and Retail Market Services areas within ESB Networks have been structured into a single new unit, Distribution Markets and System Operation (DMSO). This function is responsible for driving and enabling smart energy services and flexible demand across all markets, enabling climate action and greater customer participation in a secure and sustainable energy system.

2. ESB Networks Response to Consultation Questions

2.1 Response to Question 3.2.1

Do you agree with the CRU's proposal for the introduction of a "Standard Dynamic Price Contract"?

ESB Networks welcomes the publication of the Dynamic Electricity Price Tariffs consultation. The introduction of dynamic prices offers customers the chance to realise cost savings, and to actively reduce their carbon footprint, as well as playing an important role in maximising renewables and enabling the transition to a low carbon energy system.

2.2 Response to Question 3.2.2

Do you agree with CRU's proposed three-component tariff structure to be applied to Standard Dynamic Price Contracts?

ESB Networks agrees with the proposed three-component tariff structure of the Standard Dynamic Price Contract.

ESB Networks acknowledge that if price signals are issued for low price periods, this could have the potential to create localised peaks on the electricity network. ESB Networks will continue to monitor for any adverse network impacts associated with dynamic tariffs and will engage with CRU and our stakeholders to address them if they arise. Currently a number of suppliers offer free electricity at the weekend or particularly low rates at night time hours - it would be informative to understand how this has driven customers to modify their pattern of usage.

ESB Networks understand from this consultation that the dynamic tariffs being proposed are retail tariffs. ESB Networks agrees with this approach.

ESB Networks acknowledges that in future, further consideration may need to be given to the structure of network tariffs and ESB Networks looks forward to engagement with the CRU and relevant stakeholders on this matter. Any proposed changes to the DUoS tariff structure should be routed through the CRU tariff review project as per CRU's Electricity Network Tariff Structure Review, Objectives, Principles and Call for Evidence[1]" (CRU/21/123).

Finally, we note that Section 3.2.1 Proposed Tariff components includes the following wording:

[1] The Electricity Network Tariff Structure Review | CRU.ie

"The CRU proposes that the costs included in the above table may be recovered through the standing charge element and the base unit rate of the dynamic priced tariff. Each supplier will be free to determine what the standing charge and the unit rate should be".

One of the costs listed in the table is the PSO levy. However, the Electricity Regulation Act 1999 (public service obligations) (amendment) order 2023[2] (S.I. No. 119 of 2023) is clear that "Every invoice in respect of the PSO Levy or PSO Payment shall identify the amount of the PSO Levy, or PSO Payment, being invoiced, or credited, separately from every other item being invoiced, and shall refer to the amount as 'Public Service Obligations Levy' or 'Public Service Obligations Payment.'". It would be helpful if CRU confirm in the decision paper for this consultation that the PSO levy will continue to be identified separately.

2.3 Response to Questions 3.3.1, 3.4.1 and 3.4.2

Do you agree with the CRU's proposal that hourly DAM prices, as published daily by SEMOpx, should be used as the reference price for Standard Dynamic Price Contracts?

Do you agree with the CRU's proposal that Price Cap aligned with the Weekly Strike Price, as published by SEMO, should be applied to Standard Dynamic Price Contracts?

Do you agree with the CRU's proposal that a Price Floor should not be applied to Standard Dynamic Price Contracts?

ESB Networks do not have any additional considerations or clarifications required in setting the dynamic unit price at this time.

2.4 Response to Question 3.5.1

Do you agree with the CRU's proposal regarding the determination of reaching the 200,000 threshold?

ESB Networks do not have any additional considerations or clarifications on the determination of reaching the 200,000 threshold at this time. However, it should be noted that footnote 30 should refer to 'MPRNs' not 'sites'.

[2] pdf (irishstatutebook.ie)

2.5 Response to Question 3.5.2

Do you agree with the CRU's proposals regarding the implementation period?

ESB Networks does not have any additional considerations or clarifications on any proposed implementation timeline considering there are no immediate impacts or requirements on ESB Networks in these consultation proposals. ESB Networks would request and appreciate early engagement with CRU in advance of a decision that would introduce any new requirements that would impact ESB Networks activities.

2.6 Response to Question 3.6.1

Do you agree with the CRU's proposal that only customers with high quality data communications capability (i.e., CTF value of four) should be eligible to have a dynamic price contract?

ESB Networks agree with CRU that a smart or interval meter and the provision of interval data is necessary to facilitate Dynamic Tariffs.

Whilst ESB Networks return a high level of actual daily reads from smart meters (95+%), in a small number of instances a smart meter installation will not always guarantee 100% of daily data. This could be related to a number of factors including telecommunication network issues.

However, in locations where there is a poor mobile signal, or where some local geographical or building conditions exist which adversely affect the transmission of a mobile signal, smart meters may connect only intermittently or not at all. Also, due to changes in local conditions or variations in signal strength, which can occur over time on the mobile network, it is possible for communications availability at some meter locations to decline or fail over time. Therefore, ESB Networks cannot guarantee the availability or performance of mobile services for smart meters at any location or for specific customers.

The Communications Technically Feasible (CTF) concept[3] where a value of four denotes the highest level of communications service for availing of smart metering services, is a rolling historic evaluation of the communications service and is not a guarantee of future availability or performance of meter connectivity or smart services.

In relation to estimated reads, we wish to note that estimates are usually replaced with actuals, but on rare occasions this is not possible. The estimation algorithm used by ESB Networks does not take account of a customer's potential change of consumption pattern as a result of market prices. ESB Networks has no visibility of the supplier's tariff that a customer avails of and there may be other factors in the future that could impact a customers' within day usage pattern e.g., flexibility or energy sharing. Developing estimation

[3] Comms Technically Feasible (CTF) Briefing Document (rmdservice.com)

algorithms that take account of these potential influences may be overly complex and difficult to justify unless regular adverse customer impact is demonstrated.

ESB Networks also notes the following within the CRU consultation on page 29:

"*The detailed rules for the validation, estimation and substitution of import data for customers on dynamic price contracts will be worked out via the existing industry working group procedures which apply to the implementation of changes in the retail market arrangements*".

ESB Networks wish to highlight that any proposed changes to the estimation algorithm that consider potential consumption change driven by intraday market prices would be extremely complex and would need to consider at the very least that ESB Networks does not have visibility of supplier tariffs. ESB Networks consider that the focus should be on capturing actual data to enable the introduction of dynamic tariffs. ESB Networks is happy to engage with CRU to further consider any potential requirements on this topic in advance of a decision.

Finally, ESB Networks wish to highlight that DG7 and above customers have Quarter Hourly (QH) interval meters installed, where data is obtained at 15-minute intervals. There is also a cohort of DG5 and DG6 customers that have QH meters installed. Dynamic tariffs are suggested at hourly intervals. Energy Suppliers will need to aggregate the 15-minute or 30-minute interval data provided by ESB Networks.

2.7 Response to Questions 3.8.1, 3.8.2 and 3.11.1

Do you agree with the CRU proposals that, at a minimum, suppliers must provide the price daily on a page on their website?

Should there be a mandatory requirement on suppliers to provide pricing information in some additional format or by other means?

Do you agree with the CRU's position that pricing alerts should be a mandatory requirement for suppliers who offer dynamic price contracts?

ESB Networks do not have any additional considerations or clarifications on any mandatory requirements for suppliers at this time.

ESB Networks would highlight that, in accordance with the NSMP high-level design, no tariff information traverses the Automated Metering Infrastructure (AMI). Therefore, any future requirement regarding provision of pricing alerts for customers in the home via, for example, home energy management systems, would need to be cognisant of this critical element of the NSMP high-level design.

2.8 Response to Question 4.1.1

Do you agree with the CRU's proposed amendments to the Supplier's Handbook?

ESB Networks do not have any additional considerations or clarifications on proposed changes to the supplier handbook at this time.

2.9 Response to Questions 4.1.2 and 4.1.3

Are there any other customer protection measures that the CRU should introduce to ensure that suppliers fully inform customers of the opportunities, costs and risks associated with dynamic price contracts?

Are there any other specific customer protection measures that the CRU should introduce to protect vulnerable customers?

ESB Networks do not have any additional considerations or clarifications at this time.

2.10 Response to Question 4.2.1

Do you agree with the CRU's proposed amendments to the Supplier's Handbook in relation to billing for customers who are on dynamic tariffs?

ESB Networks do not have any additional considerations or clarifications at this time.

2.11 Response to Question 4.2.2

Do you agree that customers should have access to historic data and calculations for a period of 36 months?

ESB Networks do not have any additional considerations pertaining to requirements on electricity suppliers to make access to historic data and calculations available for a period of 36 months.

ESB Networks points out that it will continue to make historic consumption data available to current customers with a smart meter via our Customer Portal, which went live in November 2022, for a period of 24 months.

2.12 Response to Question 4.4.1

Do you agree with the CRU's proposal that an early termination fee should not apply to customers on Standard Dynamic Price Contracts?

ESB Networks do not have any additional considerations or clarifications on the application of an early termination fee at this time.

2.13 Response to Question 5.1

Do you agree with the proposal that monitoring of dynamic price contracts will be incorporated into the CRU's wider market monitoring activities?

ESB Networks do not have any additional considerations or clarifications on the incorporation of monitoring of dynamic price contracts at this time.

3. Conclusion

ESB Networks welcomes the opportunity to respond to CRU's Dynamic Electricity Price Tariffs consultation and we consider that the introduction of dynamic tariffs will offer electricity customers the chance to realise cost savings, and to actively reduce their carbon footprint, playing an important role in the transition to a low carbon energy system.

ESB Networks looks forward to working with CRU, suppliers and all relevant stakeholders on their introduction and we remain available to discuss any aspect of our consultation response.