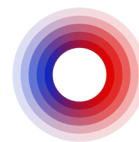


Pinery

Pre-Budget Submission 2023

August 2022

Energy with insight.



Minister Paschal Donohoe TD

Minister Michael McGrath TD

Department of Finance

Department of Public Expenditure and Reform

Government Buildings

Merrion Street

Dublin 2

19 August 2022

Pre Budget Submission 2023

Dear Ministers Donohoe & McGrath,

On behalf of independent energy supplier Pinergy, I would like to share the following submission to both you, and your Departments, for consideration ahead of the Budget in September.

We are facing into a very challenging autumn & winter for energy users and we urge you to take positive actions that will support households, SMEs, Farms and the economy as a whole.

We have been working with our customers to help them understand their energy costs, through the use of innovative smart metering tools, and delivering insights into how they can be more energy efficient to ultimately reduce their consumption & costs.

There is only so much we can do to help our household and businesses customers, which is why Government supports and action are now required in the upcoming Budget.

This document outlines five key measures for consideration which we believe could make an immediate impact and alleviate financial pressures on households and businesses, regardless of their energy supplier, while also contributing to reform the energy sector.

We would be happy to discuss this with you in further detail.

Regards

Enda Gunnell

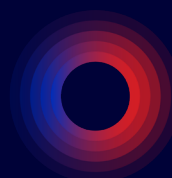
CEO, Pinergy

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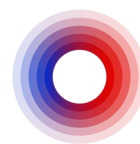


“We believe that Homes and Business are paying too much for their energy.”

Energy with insight.



Pinergy



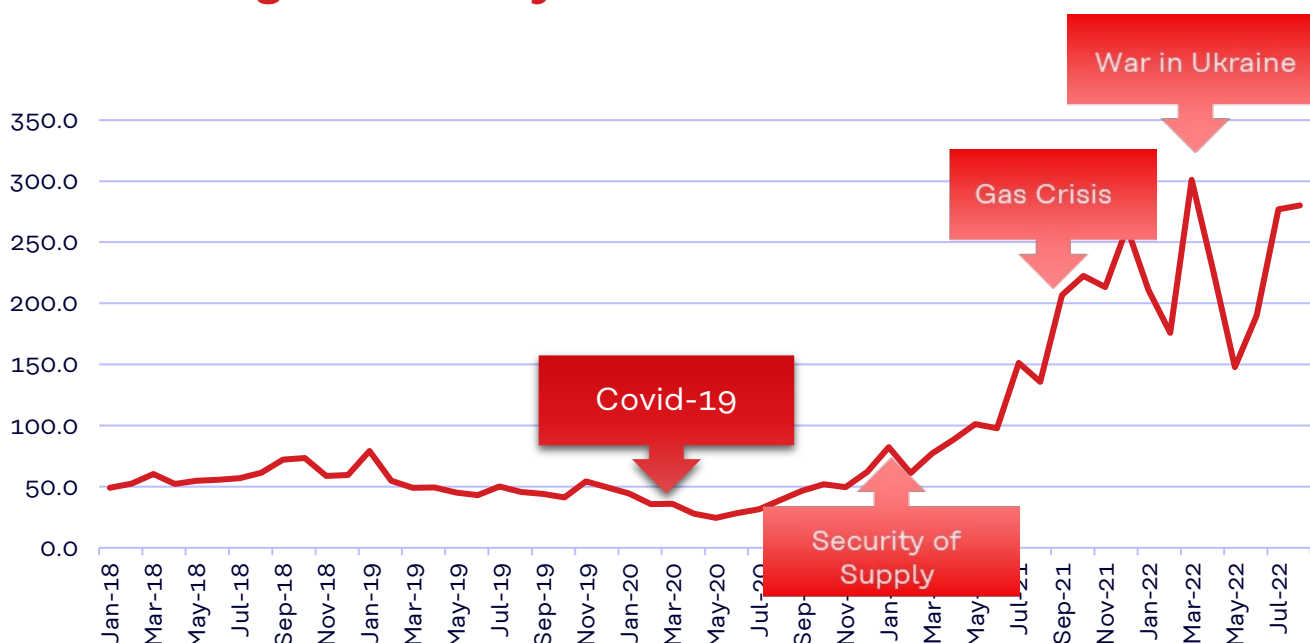
Background to the Energy Crisis

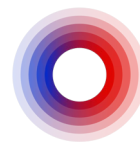
Energy has risen to the top of consumer awareness over the past two years as the sector has grappled with the impacts of covid lockdowns, security of supply, the impact of the war in Ukraine, and other shocks not seen in many decades.

Over the past two years, the Irish energy system has been exposed to:

- **The Covid 19 lockdowns which caused an effective collapse in demand** for energy, changed pricing norms, and endured a fitful return towards normality as business / society reopened.
- **Reduced supply of electricity caused by delays in maintenance** of key generation plants during Covid-19 lockdowns.
- This caused **concerns & alerts over security of supply** and potential loss of power during the autumn & winter of 2021/22 which contributed to higher costs.
- Gas markets reacted to Geo-Political factors in 2021 pushing prices upwards in the lead-up to the invasion of Ukraine. The reality is that the **weaponisation of energy has been with us for the past 12 months**.
- Over the last few months, whilst markets have been volatile and unpredictable, the wholesale **price of electricity has constantly risen** as evidenced in Chart 1.

Chart 1: Single Electricity Market





Background to the Energy Crisis

As we head towards autumn & winter, we continue to have energy markets that are exposed to the following risks:

- **War in Ukraine**, depending on how sanctions (between the European Union and Russia) are implemented we are seeing reduced Gas supplies to Europe which will likely cause wholesale electricity prices to spike again.
- **European wholesale energy markets** have their own issues and we have started to see demand side reduction measures in many European countries as there are concerns about other forms of generation (e.g. Nuclear) being able to take up the slack. We are very reliant on UK energy markets and it is positive to see their storage levels grow, but post Brexit relations between Ireland and UK are a concern.
- With inflated energy prices we are likely to see a **multiplier effect on household incomes as consumers pay for higher energy prices both at home and via goods & services** from businesses, which causes inflationary pressures on the domestic economy.
- Finally, rising costs of energy and fuel poverty will mean **difficult decisions for both households and SMEs this winter**. For some businesses it may mean reducing opening hours or reducing outputs. From speaking to our customers, many SME owners are concerned about the ability to deliver their goods and services in the coming months, particularly those sectors where energy is a significant contributor to the cost of doing business.

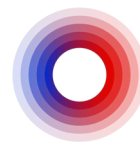
At the outset of the Covid-19 emergency, **'We're all in this together'** was a phrase used by Government, businesses, and communities.

This mantra is needed again, as the pricing of energy impacts every citizen in the State. We need approaches that mix universality and targeted supports to help lessen the impact of this Energy crisis.

In the background of these challenges, we are all looking to deal with the **Climate Emergency** that must be addressed for future generations. The targets for 2030 are challenging and every year that passes reduces the likelihood of reaching these targets based on our current trajectory.

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Proposals



Proposals

As part of our pre-budget submission, we would like to propose the following ideas for inclusion in the package of measures for Budget 2023.

A. Cap on Wholesale Energy Pricing

We have campaigned with policy makers and regulators for the last 18 months to reform the energy supply sector.

At present, there is a two-tier market emerging; based on a Supplier's ability to generate their own electricity. As has been well-reported, those who have generation assets are creating significant revenues for electricity generated, which is supporting their supply or retail businesses notwithstanding regulatory separation of interests.

Independent suppliers, like Pinergy, bring choice and innovation to the retail market but can only purchase electricity from the wholesale markets which are currently suffering from price inflation and extremely volatility. Over recent months, we have seen a number of retail suppliers exit the market, through withdrawal or being merged with existing suppliers, with all players citing the challenges of driving value from the Irish market.

Ultimately it is households and SMEs who are paying more than they need to in many cases. We need to see a fair and well-regulated marketplace offering consumers choice in terms of value, insights and opportunities to be more sustainable in the longer term.

We recommend that electricity on the wholesale markets is subject to a price cap. This could be an upper limit on the price of a MWh or controls on the level of price inflation every year. The Cap would be temporary and would be in place until end of 2023.

In practical terms this would mean:

- **More stable pricing for Energy users** and Suppliers (Households, SMEs, Farms etc).
- A **more dynamic marketplace** for the Energy Supply market promoting fair competition.
- The Government funding the gap between the Price Cap and the Wholesale cost of Electricity, **would reduce the need for State intervention in the retail marketplace.**

The Cap could be partially funded by a windfall tax on generators, particularly renewable generations and with a small levy on energy bills post 2023.

We believe that this Cap would promote fair competition and the delivery of fair pricing choices to millions of households and thousands of SMEs across the country.

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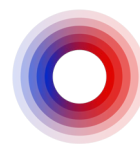
The European experience of wholesale price caps

Wholesale Energy Price Cap in France

- In January, the French government forced the state-owned energy provider, Électricité de France (EDF), to cap wholesale price rises to 4% for a year, at a cost of €8.4bn (£7bn) promoting a competitive retail supplier market.
- According to Bruegel, a Brussels-based think tank, France is expected to spend €38bn (£32bn) to support people through the cost of living crisis.

Wholesale Energy Price Cap in Spain & Portugal

- The €8.4bn Iberian gas to power price cap measure was implemented in June 2022 after approval from European Commission
- The cap was set at €40 per / MWh for the first six months, increasing by €5 / MWh per month thereafter, and ending at €70 / MWh.
- The Iberian Exception has resulted in lower spot energy pricing across the two countries ultimately benefiting energy users.



Proposals

B. Temporary VAT rate of Zero on Electricity

The reduction of VAT on Electricity from 13.5% to 9% during 2022 was a welcome measure for many households and SMEs.

As we understand, this will be a temporary measure to be reviewed in October with the EU.

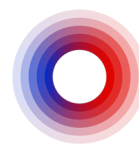
Rather than increasing the VAT rate, we would like to see solidarity from the Government with energy users by reducing the VAT rate to Zero, over the autumn and winter period 2022/23, with a gradual increase in the Spring back to 9%.

This proposal would mean

- **Reduction in energy costs for energy users** over the critical autumn winter period
- **Bring Ireland in line with other EU states** who have reduced or extended taxation measures relating to energy to offer respite for energy users.

We would also like to see a **temporary zero VAT measure being extended to renewable microgeneration solutions** like Solar PV and Wind Turbines for households and SMEs to encourage the mass adoption of these technologies



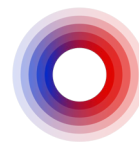


Proposals

C. Energy Supports

We recommend a mix of universal and targeted supports are put in place over the coming months to support both households and SMEs.

- i) **Broadly targeted Energy funds for SMEs.** The Green transition fund launched in May and other proposed schemes such as the Energy Subsidy Scheme for SMEs are very welcome but should be opened to a wider range of Sectors across **both** the domestic and export economies. Funding should also be made available to support these businesses to make longer term sustainable choices to reduce their reliance on fossil fuels as well as supporting them with short term cashflow challenges on a case by case basis. Many businesses in the domestic economy (including hospitality, retail, farming & agri-businesses, manufacturing & logistics) are significant energy users and will be impacted disproportionately when compared to other sectors.
- ii) **Energy funds for households.** The Government credit of €200 was a welcome universal measure. Similar or new reliefs should be considered on a universal or ideally on a targeted basis for homes this winter.
 - i) *Targeted measures:* Winter fuel allowances and other targeted measures should be announced on budget day which help those in our society who need help at this time.
 - ii) *Universal measures:* If credit is going to be applied universally from Government funds, it should reflect the levels of inflation in energy supply to homes. Costs have doubled for many homes in the last 2 years. For context, in the UK, this winter's government credits will start at £400 universally and other targeted measures of an additional £1,000 per household will be available in a market where retail prices to the end user are already capped. These increased supports are also in a market where a retail price cap is in place which is now causing real concerns to energy users. Retail Price caps do not work and can stifle real competition.



Proposals

D. Capital Funding for Energy Infrastructure

The delivery of the Climate Action plan requires significant investment and a real focus on delivery.

For many decades the Irish State has underinvested in the Electricity Grid, meaning today we have some way to go to encourage micro-generation as well as migration to electricity for heating and transport.

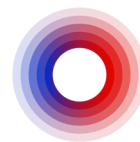
The infrastructure has not kept pace with best in class economies and we are currently seeing implementation of Climate Action policies being slow at best.

We would like to see **further investment in infrastructural and regulatory services across the Sector**, building upon recently announced investments via ESB Networks and CRU. These investments will contribute to:

- **More resilient and stable** electricity grid.
- More capability in the grid to deliver the opportunities to support **heating and transport migration** to electricity.
- **More renewable generation** capability available on the grid.
- **Smart metering** for Business Electricity users to build energy efficiency in SMEs and quickly complete the rollout of Smart Meters to Homes and Farms.
- **Further investment in EV charging public network** to encourage mass adoption of Electric Vehicles.
- Building towards a **circular grid** where energy users can buy / sell electricity.

A significant capital investment programme will create energy capacity, improved infrastructural resilience, employment, and ultimately energy independence. Investment required may take millions, maybe even billions of euro, but we have to start somewhere.

Electricity underpins economic & social progress and we can't continue with under investment for the next generation.



Proposals

E. Funding for Review of Market Structures

We believe that current market structures are not fit for purpose. In this energy crisis agility will be key in facing the challenges ahead. The current structures are slow and do not meet the pace of policy.

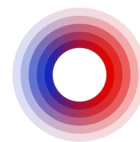
We would like to see a 'root and branch' review of the electricity market to ensure that it is a properly functioning market ready for future decades of growth and innovation.

Amongst the areas we would like to see as part of the review are:

- Creation of a dedicated **Department of Energy** which would be a focused centre of excellence for the delivery of the energy transition and navigating the challenges of the current energy crisis. Simplified processes for the **procurement of energy generation** (e.g. emergency generation, overseas generation etc.) has to be a national priority.
- In a truly **de-regulated market** is it correct that a semi-state business, continues to exercise significant influence on and participate in the market at all levels from policy development, wholesale markets, generation, implementation to the retail delivery of electricity? Our view is that State agencies could play a different role that facilitates competition, innovation and brings us close to the energy transition.
- **Renewable taxation measures:** Ensuring the renewable generators who are earning "super-normal" returns during this period are taxed appropriately, but does not discourage future investment locally or internationally.
- We need a focused national effort, with campaigns to implement measures like **Time of Use (ToU) tariffs** across the market. All Suppliers should be mandated to implement ToU tariffs, without exception, to help with Security of Supply this winter. These tariffs are common in other mature markets and ensure energy is seen as a resource not a commodity.

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Conclusions



Conclusions

As an independent energy supplier, Pinergy is reliant on delivering energy to our customers from wholesale electricity markets.

As a result of this, we have had no option but to announce a number of price increases over the past 18 months.



We work with our household and business customers to help them understand their costs through the use of innovative smart metering tools and delivering insights into how they can be more energy efficient and ultimately reduce their consumption & costs.

However, there is only so much we can do as a Supplier. Government supports and action are required in the upcoming Budget.

We would be happy to discuss this with you in further detail, and I would welcome the opportunity to share our views. Please contact me at: Enda.Gunnell@pinergy.ie



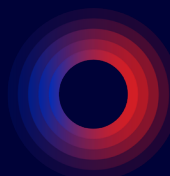
Pinergy created for Change

At Pinergy we believe in change. We believe in treating energy with respect. We believe that each of us has a part to play in creating a sustainable energy future.

Pinergy was founded with a simple goal — to make a difference in the energy sector. Over time, we have grown to become Ireland's leading authority on smart energy technology. Today we supply 100% renewable energy and sector-specific insights to thousands of businesses and homes across Ireland.

Our goal is to translate our deep understanding of the global energy sector into practical, tailored advice for our customers — helping them to optimise their energy use, reduce waste and treat energy as a resource, not a commodity.

Energy with insight.



Pinergy

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