

Launch of first Forfás Electricity Benchmarking Analysis

Forfás today (14 December 2006) published its first Electricity Benchmarking Analysis. This study assesses Ireland's comparative performance in meeting the needs of enterprise in terms of price, security of supply, and market concentration in supply and generation.

"A reliable and competitively priced supply of electricity remains as important as ever for enterprise development and is a vital ingredient in Ireland's international competitiveness and long-term economic development. While there has been significant investment in the upgrading and improvement of electricity infrastructure in recent years, there are concerns about the eroding of Ireland's cost competitiveness and the future availability of adequate generation capacity to meet the needs of the enterprise base", said Martin Cronin, Chief Executive, Forfás at the launch of the report.

The key findings of the benchmarking report include:

- Between 2000 and 2005, ESB invested over €3.3 billion in the transmission and distribution networks infrastructures;
- Ireland recorded the second highest price increase of the EU-15 in the period 2000-2006; prices in Ireland increased by 52.7% during this period, compared to 28.9% in the EU-15, moving Ireland from a position of being below the EU average on costs in 2001 to being one of the more expensive countries;
- Demand for electricity is outstripping the rest of the EU with annual growth in 2005 of 3.1% compared with the EU average of 1.1%; annual average growth in Ireland is forecast at 4% per annum over the medium term;
- Ireland has a low level of spare electricity capacity over peak demand, compared to the other countries. While it is expected that there will be sufficient generation capacity to meet demand until 2010, this will depend on the availability and performance of existing generating plant, which if taken out for maintenance or closed, could result in supply shortages in winter 2007 and winter 2008; and
- Both the electricity generation and retail supply markets are relatively more concentrated in Ireland than in other countries.

Underinvestment in infrastructure in the past, rapid increases in demand due our growing population and economy, and the failure to attract sufficient new entrants to the market to provide additional electricity generation capacity have led to competitiveness concerns over the ability of the Irish energy market to cater for further economic expansion and to provide competitively priced energy.

"A particular concern from an enterprise policy perspective is the capacity of the energy market to meet not only the needs of existing energy sensitive industries for cost

competitive and secure supply but also to meet the needs of multinational companies considering locating operations in Ireland. Energy is a significant cost element for key sectors of the economy in terms of exports and employment and any deterioration in our cost competitiveness impacts on the ability of firms to compete in international market. While the recent Energy Green Paper recognises the need for reform of Ireland's policy and regulatory framework for energy for the future, it is critical that the forthcoming White Paper sets out specific objectives and outcome targets regarding generation adequacy, price competitiveness, security and sustainability over the next decade to restore industry's confidence in Ireland's ability to meet future energy needs", commented Mr Cronin.