IRELAND - POWERING THROUGH 2025:

Legal Hurdles and Opportunities

ADDLESHAW GODDARD

POWER SECTOR Q&A

WHAT ARE 4 KEY LEGAL CHALLENGES AND OPPORTUNITIES FOR THE NEXT 12 MONTHS IN IRELAND

1. FOR DEVELOPERS OF RENEWABLE GENERATION ASSETS?

A substantial number of proposed renewable energy developments in Ireland are currently subject to planning challenges and/or judicial review proceedings. This has become a real obstacle in terms of Ireland achieving its target of 80% renewable electricity by 2030. The hope is that recent new legislation, in the form of the Planning and Development Act 2024, once fully enacted, will help reduce the number of objections being brought. Secondary legislation will be required and there is pressure on Government to progress this at pace.

Like many jurisdictions, getting access to the electricity grid in Ireland can take a significant period for developers of renewable generation assets, with substantial grid upgrades required across the island. The Commission for Regulation of Utilities (CRU) is currently finalizing its revenue allowance for period 2026-30 for grid enhancement initiatives. It is anticipated that c.€20bn will be allocated to EirGrid and ESB Networks and developers will hope this provides a backbone to facilitate an uplift in the speed of renewable generation project deliveries.

At present in Ireland there are restrictions on private wire arrangements, with these only permitted in circumstances, including where the source of generation directly abuts the end consumer. With a view to potentially unlocking a more rapid delivery of renewable electricity projects, the Irish Government has published a set of 'guiding principles' to guide the formation of a private wires policy. Over the coming 12 months, developers will be anxious to see progress be made and a clear path established for grid connections outside of the national electricity grid.

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2. FOR DEVELOPERS OF TRADITIONAL / BASELOAD GENERATION ASSETS?

In common with our European neighbours, the most obvious challenge for developers of traditional / baseload generation assets in Ireland is the gradual shift to less polluting sources of generation, in line with national and European climate change policies. That said, gas-fired electricity generation maintains its position as a cornerstone of the country's electricity supply and is particularly important as a provider of backup and flexible capacity. Developers can therefore continue to expect to benefit from certain market mechanisms and supports to help ensure this key role. A notable example being the recurring capacity market auctions run by the Single Electricity Market Operator (SEMO) where developers bid for contracts ensuring guaranteed payments for being available to generate electricity.

In February this year, the CRU published its proposed decision on the "Large Energy Users Connection Policy". The proposed decision applies to data centres seeking to connect to the Irish electricity grid and provides that data centres with on-site generation capacity will be required to provide dispatchable generation or storage to the electricity grid. A significant element of the proposed decision is that new data centres will not be subject to any minimum requirement to procure renewably-sourced electricity. Should this be reflected in the CRU's final decision, it may open a new route to market for developers of traditional / baseload generation assets.

Ireland has one of the most modern gas networks in Europe. However, up until late 2023, Gas Networks Ireland (GNI) had not connected a new power generation plant to the network in about ten years. Reflecting the continued importance of traditional / baseload generation assets, it is expected that ten new plants will be connected over the coming two to three years. It is also expected that the gas network will transition towards transporting renewable gases, with biomethane at the forefront of this transition. The vision of GNI is that, by changing the molecules it transports to renewable gas, the gas network will play an important role in Ireland's decarbonisation goals. This vision will require significant ongoing investment in the gas grid, which is in itself good news for developers of traditional / baseload generation assets.

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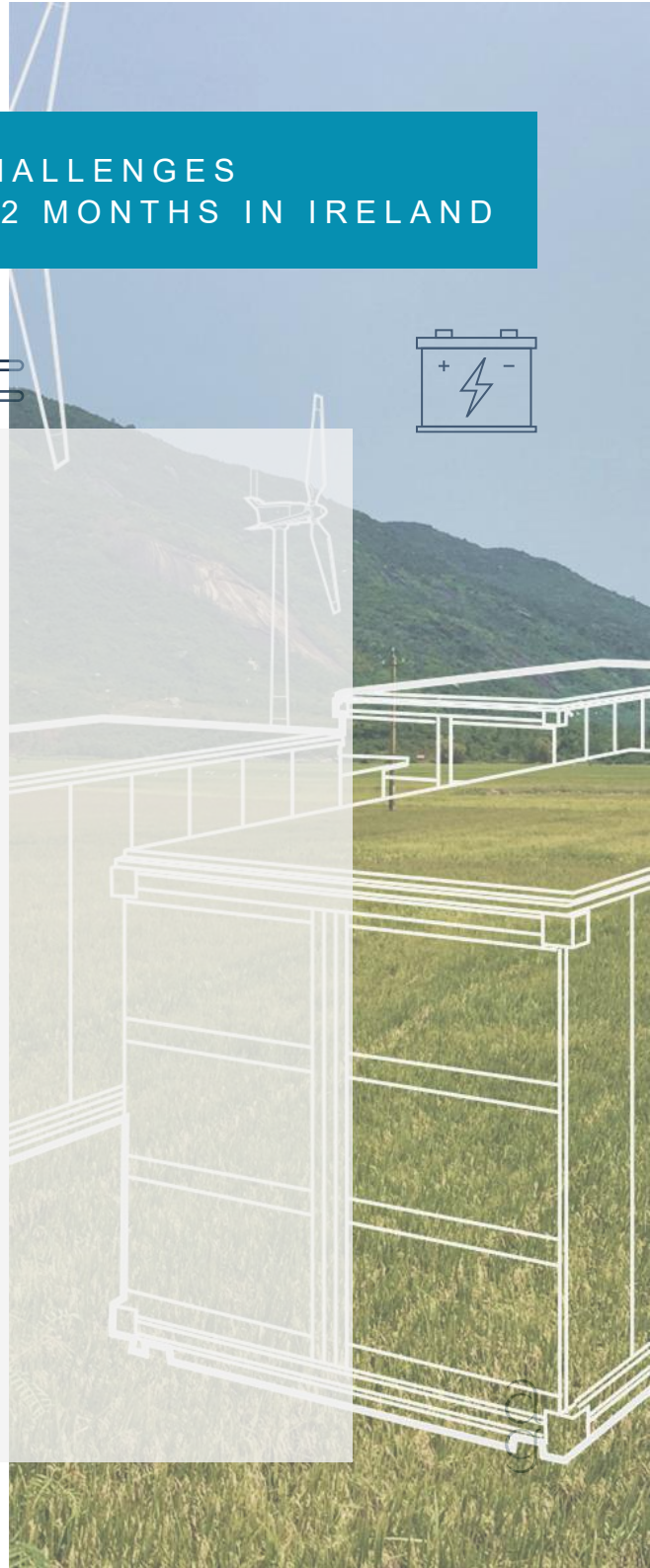
3. ... FOR POWER STORAGE?



Storage assets, such as Battery Energy Storage Systems (BESS), continue to face challenges due to the limited revenue streams currently available. At present, BESS assets cannot fully access key markets such as the wholesale and balancing markets, with revenues primarily generated through the capacity market and ancillary services. This limitation creates difficulties for developers in securing the investment and financing needed for storage projects. However, efforts are underway to expand market access for BESS, including enabling participation in wholesale arbitrage, which could establish a significant new revenue stream and enhance the financial viability of storage projects.

As mentioned previously, planning and environmental compliance remain critical obstacles for the sector. Securing planning permission for storage projects can be a lengthy and complex process, particularly where environmental impact assessments or local community concerns arise. Additionally, the lack of grid capacity presents a major barrier for developers (as mentioned previously) and significant investment in grid infrastructure is also required to accommodate increased levels of flexible storage assets.

Despite these challenges, the outlook for the storage industry is increasingly positive, driven by proposed regulatory and policy reforms. Upcoming planning legislation is expected to streamline approval processes, while reforms to market access for BESS assets could unlock new revenue opportunities. Further, the CRU's consultation on hybrid assets may enable co-location of technologies such as solar and batteries behind a single grid connection point, enhancing the attractiveness of BESS. These developments align with Ireland's Climate Action Plan, which aims to significantly increase storage capacity by 2030, positioning the sector as a key enabler of the country's energy transition.

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4. ... FOR OWNERS AND OPERATORS OF ELECTRICITY TRANSMISSION AND DISTRIBUTION INFRASTRUCTURE?

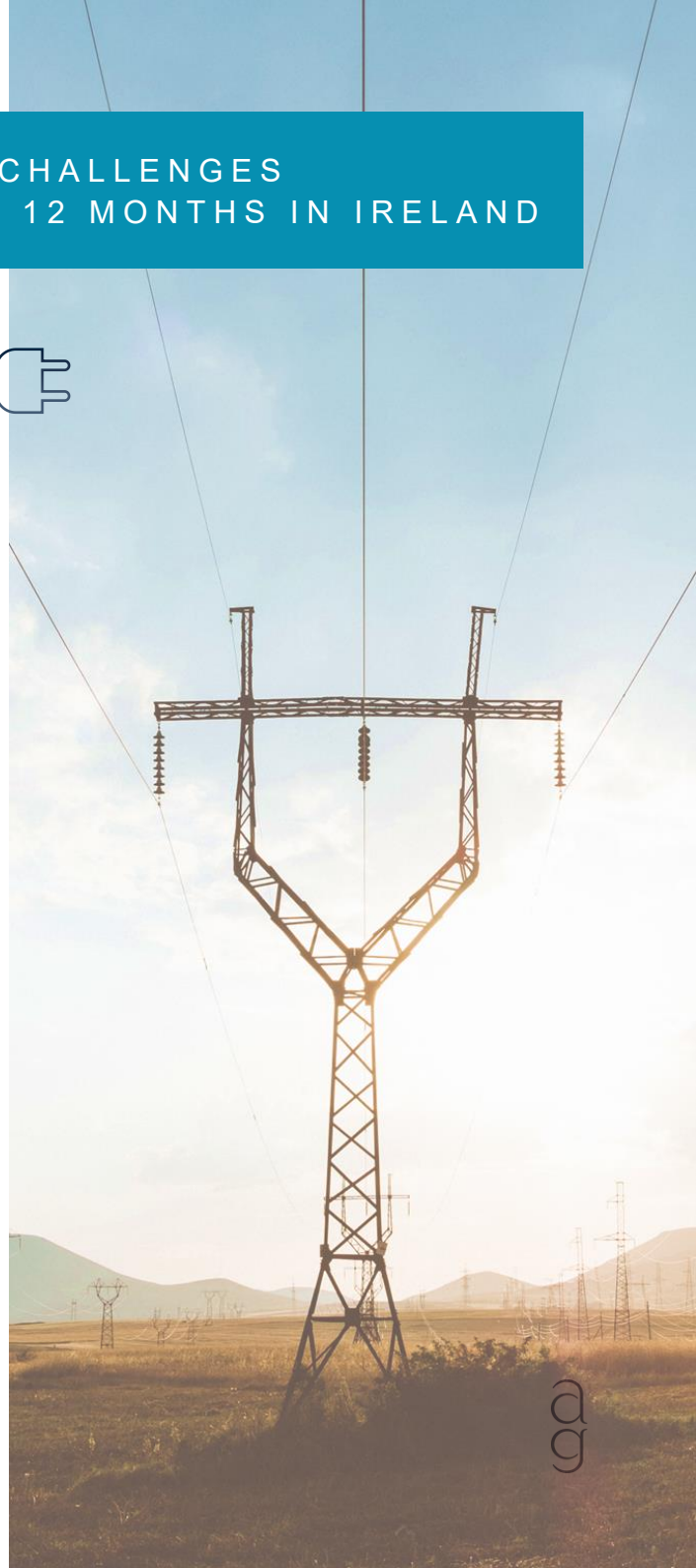
Owners and operators of electricity transmission and distribution infrastructure in Ireland face challenges in meeting growing electricity demand, particularly from data centres. Significant investment in grid upgrades is essential to accommodate more renewable energy, meet demand, and achieve Ireland's decarbonisation targets. Current grid deficiencies are evident in the high levels of renewable energy curtailment in recent years. While the Irish Government supports increased funding for grid upgrades, operators must align with the CRU's forthcoming Price Review 6 (PR6) to secure funding and avoid penalties for non-compliance with resilience standards.

Planning and consenting delays are also a major challenge for operators. Earlier this year, the proposed North-South Interconnector between Ireland and Northern Ireland — critical for future infrastructure — was further delayed due to a legal challenge. These delays hinder renewable energy connections, which in-turn worsen curtailment issues.

Notwithstanding these challenges, opportunities exist. The rise in adverse weather events has highlighted the need for a modern, resilient electricity grid. With increased Government support, operators are well placed to secure the funding they need for essential infrastructure projects.

Operators can also leverage advancements in smart grid solutions, artificial intelligence, and digitalisation to enhance efficiency and innovation. Investments in advanced metering, energy storage, and data management can improve operations, stabilise the grid, and create new revenue streams, which can position operators at the forefront of the energy transition.

The development of new offshore wind transmission infrastructure will be key to achieving Ireland’s 5 GW offshore wind target by 2030. Substantial new transmission infrastructure will enable EirGrid, as Ireland's offshore grid operator, to play a pivotal role in meeting climate goals and expanding its expertise as a transmission operator.



CONTACTS

GAVIN BLAKE
Partner
E: g.blake@aglaw.com
T: +353 (0) 87 2593252

PHELIM MCGEADY
Managing Associate
E: p.mcgeady@aglaw.com
T: +353 (0) 87 456 9559

addleshawgoddard.com