



NETWORKS

Response to Supplier of Last Resort Framework Consultation

Response to CRU Consultation 202562

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1. Introduction

ESB Networks welcomes the opportunity to respond to the Commission for Regulation of Utilities (CRU) consultation regarding the Review of the Supplier of Last Resort Framework¹. The Supplier of Last Resort (SoLR) process plays a pivotal and important part of the Retail Market when it comes to the protection and guarantee of supply to customers in the scenario of an Electricity Supplier exiting the Electricity Market. ESB Networks is committed to ensuring its continued support of the SoLR process.

ESB Networks is supportive of proposals that increase robustness of supply and reduce market volatility. Given that there is an already proven SoLR market process, ESB Networks is conscious that some of the changes proposed in this consultation, could have implications for ESB Networks and the Central Market Systems of which details are provided later in this document. It is important that consideration is given to any proposed changes, and time is afforded for any confirmed changes to pass through the Retail Market Change Control process prior to implementation.

1.1 Role of ESB Networks

ESB Networks DAC (referred to in this submission as 'ESB Networks') is the licensed Distribution System Operator (DSO), and, pursuant to arrangements approved by the CRU, also acts as manager of ESB's licensed Distribution Asset Owner (DAO) and Transmission Asset Owner (TAO) functions. Unless otherwise specified, references to ESB Networks in this response refer collectively to the licensed DSO, TAO and DAO functions.

ESB Networks works to meet the needs of all Irish electricity customers, providing universal access to the electricity system. We deliver and manage the performance of a system of almost 160,000 km of overhead networks, 28,000 km of underground cables and 800 high voltage substations.

Retail Market Services

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

ESB Networks' role in the SoLR process:

ESB Networks, particularly MRSO, facilitate the transfers of customers from the exiting Supplier to the designated SoLR. The responsibilities of both ESB Networks and MRSO are set out in MPD 04 – Supplier of Last Resort (SoLR).

¹ CRU Consultation 202562: [Review of the Supplier of Last Resort Framework | The Commission for Regulation of Utilities \(CRU\)'s Consultation Portal](#)

2. ESB Networks Response to Consultation

ESB Networks seeks to gain a clearer understanding of some proposals in this CRU consultation. ESB Networks considers it essential to discuss these potential impacts directly with the CRU in more detail and looks forward to contributing to further industry engagement on this important topic.

Below we have provided responses in relation to the questions which we believe are most relevant to ESB Networks.

2.1 Response to Question 1

The CRU is not proposing any changes to the current process by which a SoLR is initiated or processed. However, the CRU would be happy to hear from stakeholders in terms of any suggested improvements that could be made to either of the current market procedures for SoLR?

ESB Networks acknowledges the significant level of detail provided in the consultation. Overall, the current SoLR market process operates effectively, and we support its retention as it has proven to be effective when required. ESB Networks would like to highlight the following:

- A SoLR process should only be initiated for a supplier who is fully exiting the market. SoLR market processes are designed on the basis that the exiting Supplier has fully exited the market on the SoLR date. If a SoLR is initiated but the exiting Supplier is still permitted to retain Meter Point Reference Numbers (MPRNs) then it causes some key processes to fail which results in manual interventions being required by the MRSO. It is also ESB Networks' understanding that this has previously led to manual interventions being required by the SoLR and the exiting Supplier and creates confusion for impacted customers.
- In a SoLR event all stakeholders should follow MPD 04 – Supplier of Last Resort (SoLR).
- There is currently no documented agreed solution for Non-Participant Generator export. ESB Networks would like to draw attention to MPD 04 – Supplier of Last Resort (SoLR)¹, which currently has a subsection for “Non-Participant Generator Export” whereby any future discussions regarding the treatment of Export Arrangements on a Non-Participant Generator MPRN in a SoLR event should be updated. ESB Networks regards this consultation as an opportunity to engage in further discussion on this matter.
- There should be consideration of the changes that are expected for the Retail Market including Enduring Microgeneration (CRU consultation 202454 Clean Export Guarantee²), Energy Sharing, Multi Meter Contracts etc and clarity should be provided in relation to Market Design.

ESB Networks would like to note a previous extensive SoLR review which was conducted between 2018 and 2020 which resulted in the removal of a 19 day wait period (this 19 day period was in place to allow customers to sign up with alternative Suppliers). This wait period was removed to simplify the process in order to mitigate concerns for customers who may have found it difficult to complete the vending process of adding credit to their pay as you go (PAYG) meters.

¹ MPD 04 - https://cdn.rmdservice.com/media/docs/default-source/market-design/market-procedures/market-procedures--sitefinity/change-of-supplier/mpd-04---solr-process.pdf?sfvrsn=859096e8_1

² CRU202454 https://cruie-live-96ca64acab2247eca8a850a7e54b-5b34f62.divio-media.com/documents/Clean_Export_Guarantee-Enduring_Arrangements_to_Remunerate_Customers_for_Microgenerati.pdf

2.2 Response to Question 2

Do you think the CRU's SoLR communications strategy ensures that customers are fully aware of why an SoLR event is occurring and are informed of how the process works? If not please provide detail regarding why not, and what improvements you think could be made?

ESB Networks note that the last review of the communications plan that was carried out in 2021 covered the following items: SoLR FAQ, CRU radio script, communication strategy, media release template and a print advert template. ESB Networks considers that there is sufficient methodology and processes in place to ensure that customers are fully aware of why a SoLR event is occurring and are informed of how the process works. It is prudent to periodically review the communications strategy in particular to ensure there is alignment to new developments in the retail market.

2.3 Response to Question 3

Do you agree with the CRU proposal to provide a 90 day transfer period for strategic exits? If not, please provide details of why not and what alternative period could be introduced?

ESB Networks agrees that a longer lead-in period for a managed SoLR event allows customers of the exiting Supplier more time to find alternative Suppliers in the retail market.

Below are some points that ESB Networks seek clarification on:

- ESB Networks would like to understand if the 90 day period allows for a change of mind for the exiting Supplier. If so, what is the 'point of no return' having consideration for published communications and system updates that may have already been made?
- ESB Networks assumes that the exiting Supplier will continue to fulfil all financial and market obligations during the 90 day period.
- ESB Networks' understanding is that the 90 day period is a minimum period, if the transfer period exceeds 90 days, then that should be flagged well in advance to ensure system readiness.
- The introduction of a 90 day minimum transfer period is expected to require an update to MPD04 which will be subject to the Retail Market Change Control process. ESB Networks would prefer if Suppliers who plan to exit the market work with industry stakeholders for a sufficient period of time to allow all of their customers to transition to alternative Suppliers without a requirement to initiate a SoLR event e.g. by using the process as detailed in Working Practice 0027 ¹.

In light of the points outlined above, it would be beneficial for ESB Networks to gain a more detailed understanding of the CRU's plans in this area.

¹ WP0027 - https://cdn.rmdservice.com/media/docs/default-source/market-design/working-practices---sitefinity/wp0027-procedure-for-supplier-initiated-transfer-of-mprns-from-one-supplier-id-to-another.pdf?sfvrsn=7b65e3e8_1

2.4 Response to Question 4

Do you agree with transferring domestic SoLR affected customers over to the best available discount tariff an SoLR can offer? If not, please provide details and what alternative tariff options you would propose?

ESB Networks is neutral regarding this particular proposal, but we view any action that improves the SoLR experience solution for end customers as positive.

2.5 Response to Question 5

Do you agree with changing the lock-in period from 90 days to 60 days in duration? If not, please provide details of what alternative lock-in period you would propose?

ESB Networks is neutral regarding the lock in period duration. However, ESB Networks request that the duration is a standard set duration for all MPRNs subject to a SoLR event. Please note, a change from the current duration of 90 days will require a change to MPD04 which will be subject to the Retail Market Change Control process.

2.6 Response to Question 6

Would you see benefit in potentially appointing the SoLR through a competitive process at the time an event is called? If not, please provide details of alternative appointment processes?

ESB Networks has a number of items to flag with regards to the SoLR Competitive Process.

- ESB Networks preference is for a focus on measures that could prevent or reduce the number of customers impacted by a SoLR event.
- ESB Networks seeks further detail regarding how the SoLR pre-qualification process will work. The pre-qualification process is likely to introduce additional market assurance overheads as it will require a pool of prequalified Suppliers to be ready in the event of a SoLR event.
- Introducing a competitive process into the SoLR process may lead to confusion within the industry and with customers. It could also result in delays to preparatory SoLR steps.
- ESB Networks preference is for an approach similar to that referred to in Q7 i.e. a designated SoLR for a period of time with a competition process at various intervals thereafter.

Consideration should be given to how multiple different SoLRs can have arrangements in place with the Prepay System Provider for customers with ESB Networks PAYG meters. Should the SoLR be appointed through a competitive process at the time the event is called one of the criteria for appointing the SoLR should be that the newly appointed SoLR can support the transfer of the exiting suppliers customers who have ESB Networks PAYG meters as set out in MPD04.

2.7 Response to Question 7

Would you see benefit in having a competitive process to designate suppliers as SoLR for a period, and then repeating a competition process at various intervals thereafter? If not, are there other designation processes that you think would be beneficial to consider?

ESB Networks is supportive of proposals that increase competition, overall customer experience and value. It is worth noting that when there is a change to the designated SoLR, ESB Networks will need to update and test the Central Market System in advance of a SoLR event. ESB Networks may also seek the Market Assurance Bodies input with regards to Market Assurance, particularly if the selected SoLR has never held this role previously.

ESB Networks believe there should be consideration and discussion with regard to the regular reviews on Supplier SoLR processes, which the CRU have indicated as every two to three years. This frequent review may require Market Assurances and additional Inter Participant Testing (IPT) between Supplier(s) and ESB Networks. ESB Networks would seek to understand which body will be responsible for this area.

2.8 Response to Question 8

Do you have any comments and/or do you agree that there should be a new licence condition which requires suppliers to have appropriate financial risk management arrangements in place at all times?

ESB Networks is of the opinion that any proposal that reduces market volatility is positive provided the effort of implementation and ongoing operations are proportional to the benefits it would bring.

2.9 Response to Question 9

Do you have any comments, and do you agree with the potential introduction of new enhanced financial reporting and monitoring to fulfil the need to provide an early warning mechanism of SoLR events?

ESB Networks is of the opinion that any proposal that reduces market volatility is positive provided the effort of implementation and ongoing operations are proportional to the benefits it would bring.

2.10 Response to Question 10

Do you agree with a new licence condition that requires suppliers to give 90 days' notice when they exit the market for strategic business reasons?

- ESB Networks is supportive of measures that minimise market volatility and provide opportunity for customers to choose their electricity Supplier.
- ESB Networks would prefer if Suppliers who plan to exit the market work with industry stakeholders for a sufficient period of time to allow all of their customers to transition to alternative Suppliers without a requirement to initiate a SoLR event e.g. by using the process as detailed in Working Practice 0027 ¹.
- Please also see answers provided to question 3.

2.11 Response to Question 11

Do you have any comments, and/or agree with the proposed measures in any of the below categories:

- 9a Financial Responsibility Licence Condition
- 9b Enhanced Financial Reporting and Monitoring
- 9c 90 Day Notice Period Licence Condition
- 9d Parent Company Guarantees
- 9e Minimum Capital Requirements
- 9f Supplier Performance Bonds
- 9g SoLR Offset Liability
- 9h Step in Rights

The CRU's review of the Supplier of Last Resort (SoLR) Framework suggests measures to prevent SoLR events, which is positive. However, ESB Networks would like to clarify that Security Cover can only be drawn down in a confirmed SoLR event where the exiting Supplier is not fulfilling their obligations in relation to the payment of Use of System Charges under the Distribution Use of System Agreement Framework ². Use of System Charges are invoiced in arrears meaning any drawdown or partial drawdown of Security Cover in a non confirmed SoLR event would expose ESB Networks to bad debt in relation to the Use of System Charges that are continuing to build up for the Supplier. ESB Networks need to reiterate that Suppliers will also be required to maintain their level of DUoS Security cover, which will be drawn down if required as per the DUoS Agreement. This DUoS security cover must be kept separate from the SoLR avoidance measures proposed in this consultation.

ESB Networks is not in a position to draw down on what are essentially failsafe mechanisms, such as Letters of Credit or Security Cover, while a Supplier is still operating in the market and accruing debt due to outstanding unpaid DUoS charges.

ESB Networks suggest that SoLR event recovery costs for the SoLR company are not borne by the DUoS customer. There are existing Security Cover arrangements which are currently in use for DUoS, the design of which could be leveraged by the CRU to create a separate and distinct SoLR cost recovery mechanisms. ESB Networks is available to engage with the CRU separately on this matter.

¹ WP0027 - Procedure for Supplier Initiated Transfer of MPRNs from one Supplier ID to another: https://cdn.rmdservice.com/media/docs/default-source/market-design/working-practices---sitefinity/wp0027-procedure-for-supplier-initiated-transfer-of-mprns-from-one-supplier-id-to-another.pdf?sfvrsn=7b65e3e8_1

² Distribution Use Of System Agreement Framework: <https://cruie-live-96ca64acab2247eca8a850a7e54b-5b34f62.divio-media.com/documents/cero8204.pdf>

2.12 Response to Question 12

Do you have any comments and/or do you agree that using the Network Charges is the most efficient and appropriate mechanism to remunerate SoLRs?

- ESB Networks preference would be for the CRU to put preventative measures in place to help avoid SoLR events.
- ESB Networks recommends that SoLR event recovery costs incurred by the SoLR company should not be allocated to DUoS customers, as it may not be equitable for all DUoS customers to bear a socialised cost resulting from a Suppliers' optional strategic choices or suboptimal business decisions. We suggest instead considering whether the cost could be imposed on the exiting Supplier instead.
- There are existing Security Cover arrangements which are currently in use for DUoS, the design of which could be leveraged by the CRU to create separate and distinct SoLR cost recovery Security Cover arrangements. This existing design allows for multiple types of collateral and is proportional to the Supplier's market share. There is a lot to consider in this including, roles and responsibility, license conditions, implementation process for existing Suppliers and ramifications of non-compliance. ESB Networks is available to engage with the CRU separately on this matter.

2.13 Response to Question 13

Do you have any comments and/or do you agree on the SoLR cost recovery process?

ESB Networks suggest that SoLR event recovery costs for the SoLR company are not borne by the DUoS customer. There are existing Security Cover arrangements which are currently in use for DUoS, the design of which could be leveraged by the CRU to create a separate and distinct SoLR cost recovery mechanism. ESB Networks is available to engage with the CRU separately on this matter.

We do also note that the proposal has the potential to significantly complicate the successful conclusion of a SoLR process.

2.14 Response to Question 14

Do you have any comments and/or do you agree that the cost associated with larger industrial and commercial consumers should not be covered within the claims process?

ESB Networks has no specific comments in relation to this question.

2.15 Response to Question 15

Do you have any comments and/or do you agree with the guidance for all future SoLR cost submissions detailed in Section 6.3.1 to 6.3.9?

ESB Networks has no specific comments in relation to this question.

3. Conclusion

ESB Networks welcome the opportunity to respond to CRU's "Supplier of Last Resort Framework" consultation. ESB Networks also welcome the proposed improvements that are proportional to their provision of benefits and risk mitigations.

For the most part, the existing SoLR process works well but issues arise in particular when there is deviation from the pre agreed processes for example a partial SoLR should not be facilitated. Measures should be put in place to ensure that this process is only initiated as a last resort. The rationale for proposing the introduction of a prequalification and competitive process for a SoLR is positive but this will add additional overhead to market assurance, market systems and processes.

The DUoS customer should not bear the cost of a SoLR's recovery costs. A distinct and separate Security Cover mechanism should be put in place specifically for SoLR recovery costs. The design of this mechanism should leverage the design of the existing DUoS Security Cover which is proportional and allows for multiple collateral mechanisms. Changes proposed to the SoLR process may need to be brought through the Retail Market Change Control Process.

ESB Networks looks forward to working with CRU and the wider stakeholder groups to explore possible solutions and we remain available to discuss any aspect of our consultation response.



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