

ENERGY UPDATE | JANUARY 2026

# New Large Energy User / Data Centre Grid Connection Policy

*CRU sets new criteria for data centre connections*

# New Large Energy User / Data Centre Grid Connection Policy

*CRU sets new criteria for data centre connections*



**KEITH NEWMAN**  
Partner, Construction,  
Infrastructure & Utilities  
knewman@mhc.ie



**MICHEÁL GRACE**  
Head of International and Partner,  
Financial Services and Energy  
mgrace@mhc.ie



**EOIN CASSIDY**  
Partner, Energy Sector Lead  
ecassidy@mhc.ie

Globally, investment in data centres continues to surge, strongly tied to rapid AI expansion. At the top-end of the market, new data centre campuses are now flexing to gigawatt scale demand loads, requiring investments of billions of dollars / euros. Hyperscalers, like Amazon Web Services, Microsoft, Google, and Meta, remain at the forefront of this capacity expansion, supporting ever-larger workloads and rising demand for digital services.



## WHAT YOU NEED TO KNOW

- The Irish energy regulator, the Commission for Regulation of Utilities (CRU), has published the final large energy user connection policy, providing clarity to data centre projects and their pathway to a grid connection.
- The CRU published a draft decision earlier in 2025. Their final decision introduces some interesting and welcome changes, including the recognition of different categories of data centre based on their capacity sizing.
- The key assessment criteria relate to: the provision of on-site or proximate generation, 80% renewable electricity procurement, locational grid network assessment, and ongoing reporting.
- The LEU policy acknowledges significant levels of data centre capacity demand over the medium term – to the tune of 5.8GW.
- A state-led approach is being explored and is the likely evolution of the LEU policy. This may focus on locating larger facilities closer to scaled generation assets by delineating certain development zones, much like the approach in the UK.

While the international data centre pipeline remains robust, the industry faces significant challenges including a lack of power supply, sustainability challenges and, in some jurisdictions, regulatory uncertainty. Data centre demand and technology advancements significantly outpace the rollout of traditional energy infrastructure. So those countries that can provide regulatory certainty and clear pathways to electricity supply will be better positioned to attract significant investment in this sector. This has been evidenced by numerous recent announcements in the UK.

Historically Ireland is one of Europe's most active data centre markets – particularly around Dublin, which hosts a high concentration of global hyperscale and co-location capacity. This expansion, however has created acute pressure on the national grid. Data centres already account for a material proportion of Ireland's electricity consumption, with the CRU decision itself noting that data centre growth has significantly contributed to Ireland's 30% electricity demand growth over the last 10 years. Significantly, the proportion of electricity demand attributable to data centres in the Dublin / Meath region is close to 50%. Consequently, there has been a recent effective moratorium on new data centre connections in Ireland.

## Large Energy User policy

Crucially, and as the CRU decision itself notes, there is significant demand for data centre capacity in Ireland, with the “*potential for in the order of 5.8GW of additional demand capacity required in Ireland in the medium term*”. So, a clear connection policy is vital.

Following significant industry engagement, and a draft decision published earlier this year, the CRU has finally provided much needed certainty to the data centre sector on the criteria for securing a demand grid connection. In short, new applicants will need to satisfy criteria relating to:

1. On-site or proximate generation
2. Minimum renewable electricity procurement requirements, and
3. Network locational restrictions

### First – what is the scope of the policy?

The policy applies exclusively to all data centres seeking to connect to the electricity network – so all new or expansion applications. There are three categories of data centres:

1. De-minimis data centres below 1MVA
2. Small data centres between 1MVA and 10MVA, and
3. Large data centres in excess of 10MVA

Applications submitted prior to the publication of the LEU Policy shall continue to be assessed under CRU Direction to the System Operators related to Data Centre grid connection processing<sup>1</sup>.

**Our view:** It is important that regulators acknowledge the different categories of data centres, as each may have dramatically different designs, use cases, investment requirements and locational flexibility. As a result, different categories of data centres will have varying ability to comply with these criteria. So, this differentiation, in principle, is welcome.

### On-site generation requirements

In excess of 10 MVA: Applicants must provide new dispatchable onsite or electrically proximate generation and/or storage, defined as “**On-Site or Proximate Generation**” for the purposes of this article. Save for the additional categories of data centres, this broadly aligns with the Proposed Decision. Here are some interesting points to note, in addition to our views on them, where relevant:

- Separately connected: The On-Site or Proximate Generation must be separately connected and metered, therefore requiring its own grid connection, and participate in the Single Electricity Market (SEM).

- Proximate: “Proximate” generation is not defined but must be electrically close, ideally at the same node, with System Operators (SOs) deciding suitability on a case-by-case basis. This effectively means generation connecting to the same electrical node reflects the minimum requirements. Any proposal for proximate generation which is not connecting at the same electrical node will be subject to the SO’s discretion as to whether it satisfies the “Proximate” requirements.
- Capacity / de-rating: This On-Site or Proximate Generation (de-rated according to the specific technology) must equate to the data centre’s Maximum Import Capacity (MIC) for the lifetime of the data centre. Helpfully, the de-rating information to be applied to on-site or proximate generation is the “*most recent available at the time of the application for planning permission for the dispatchable generation and/or storage assets*”.
- Who builds it? The On-Site or Proximate Generation may be self-constructed or outsourced to a third party.
- Ramp: The ramp-schedule of the data centre’s load is linked to delivery of this On-Site or Proximate Generation. Therefore, any delays in the commissioning of the On-Site or Proximate Generation will restrict the data centre’s ability to fully utilise its MIC. It is currently unclear whether this will be on a proportionate basis.
- Mandatory demand curtailment: As mentioned, data centre projects which comply with their on-site generation / proximate generation / Autoproducer obligations will not be required to comply with mandatory demand curtailment requirements.
- New Capacity: The on-site or proximate generation must be new and not captured within existing adequacy assessments by the SOs.
- Interaction with the separate Renewable Electricity Requirement: The quantum of renewable electricity capacity procured by the applicant shall be “*taken into account when determining the requirement for dispatchable onsite or proximate generation in the SEM*” on a de-rated basis. This means that the required capacity of the On-Site or Proximate Generation may be reduced depending on the quantum of renewable electricity sourced through CPPAs.
- Operational requirements: This On-Site or Proximate Generation will need to be able to run on an operational basis and should not be bound by limited run hours outside of agreed levels of routine necessary maintenance. What constitutes “*routine necessary maintenance*” is unclear, but it is likely to be guided by standard industry practice for the generation technology utilised by the applicant.

1. CRU/21/124

- Multiple data centre applicants: Subject to the SO's assessment on a case-by-case basis, multiple data centres may be able to develop a single proximate generator to cover their collective MIC.
- Capacity market participation: The CRU noted concerns that the On-Site or Proximate Generation entering the capacity market could distort the capacity market auction mechanism in instances where the data centre's load ramp is slower than anticipated, or the data centre pulls out of the market altogether. The cost exposure of this contracted capacity, that was developed as a direct result of the data centre, is then covered by other electricity demand users. To protect against this perceived risk:
  - The On-Site or Proximate Generation is only permitted to bid for one-year contracts, and
  - The maximum permitted bid volume (on a de-rated basis) would be limited to the contracted MIC of the data centre in the delivery year concerned.

#### Other categories:

- De-minimis: Applications from potential data centres of this size are simply assessed on a case-by-case basis by SOs at their discretion. No other requirements apply.

#### 1 MVA to 10 MVA:

- Data centres in this category must provide an Autoproducer unit, i.e. a unit that can both import and export, participating in the SEM that, on a de-rated basis, covers 100% of the site MIC.
- The associated renewable generation contribution of the data centre project, which is up to 80% of annual demand, will be acknowledged and can be reflected on a de-rated basis against the Autoproducer requirement.
- If compliant with the Autoproducer requirements, no Mandatory Demand Curtailment (MDC) applies.
- The Autoproducer must remain operational and meet the project's MIC on a de-rated basis.

#### Renewable electricity requirement

All data centres at or above 1 MVA must meet at least 80% of annual demand with new / additional renewable electricity generated in the Republic of Ireland. This will be reflected as a contractual obligation under the connection agreement with the SO, with an ongoing obligation to provide annual reporting to the SO. Helpfully, there is no separate public reporting requirement under the LEU policy. This addresses any concerns raised in consultation submissions that such

a requirement may duplicate obligations under the Energy Efficiency Directive and Corporate Social Responsibility Directive reporting frameworks.

This is demonstrated through the provision of a "credible plan", which it seems may involve:

- Identifying specific renewable generation assets that will support the data centre.
- The anticipated timeline for development.
- Taking into account the expected output of the renewable generation facility. This means that the location and network infrastructure in the locality of the renewable project will be important factors insofar as its impact on the actual output of the project.

An applicant will have a "six-year glide path" from the date of energisation of the data centre to comply. As a result, the renewable generation will need to be energised and exporting by that date.

If a party to a data centre demand connection agreement fails to meet the minimum renewable electricity requirement following the end of the six-year glide path, the SOs will have the ability to reduce the MIC of the data centre's demand connection to the level of renewable electricity actually procured. But the LEU policy does

acknowledge that some delays may be beyond the control of the applicant, so it would be reasonable to expect limited relief from this obligation.

Only new renewable generation connected to the Irish electricity grid will suffice, for example through corporate power purchase agreements or direct build. Consequently, any subsidy supported or merchant projects are excluded. Repowered assets should satisfy this obligation, but the LEU policy is not clear on this.

As stated above, up to 80% renewable contribution can be, on a de-rated basis, netted against the dispatchable / Autoproducer requirement.

#### Location and network transparency

SOs must take account of whether the demand and associated generation are in constrained or unconstrained locations of the grid. It is within the SOs remit to determine whether a connection can or cannot be accommodated based on their assessment of each application in this context.

SOs must publish regular, granular capacity and constraint information (integrated TSO/ DSO view), with initial proposals due to be provided to the CRU by each SO no later than 31 March 2026.

**Our view:** The requirement on SOs to publish regular, granular capacity and constraint information should help to remove the risk of an entirely discretionary locational assessment by the SOs. It will also introduce some much-needed clarity for prospective applicants and the wider industry as to suitable locations for future data centres. This is also likely to inform, or will be informed by, the proposed state-led approach referenced in the LEU policy.

### Demand flexibility

Demand flexibility is not mandated by the LEU policy but can be required by System Operators on a case-by-case basis depending on local network conditions and constraints.

This provides flexibility for the SOs to address specific locational issues, while avoiding a blanket requirement given that data centres are already required to provide generation capacity.

However, it is slightly surprising that the LEU policy has not been utilised to provide flexibility capacity for certain data centres. This is particularly the case where centres can be readily designed to facilitate flexibility. This is notable given the stated aim for 20

to 30% of electricity demand to be flexible by 2030, as set out in the National Energy Demand Strategy.

Part of the CRU's rationale appears to be that a flexible demand requirement could be seen as a substitute for some or all of the on-site or proximate generation requirement. SOs also retain discretion to impose flexible demand connections on a case-by-case basis. The CRU also seems to favour the "carrot over the stick" approach as there is acknowledgement that data centres may wish to participate in demand flexibility measures that may provide additional revenues.

### Gas connections

The CRU has acknowledged that there is considerable interaction between the gas and electricity networks and a coordinated approach to connections to the electricity and gas networks has merit. The CRU consulted on areas such as the use of biomethane and green hydrogen to reduce the emissions impact of LEU gas-fired demand. The CRU has not introduced any new decisions relating to connections to the gas network as part of this review process. However, it does acknowledge the need to consider what changes may be required in this regard. Accordingly, the CRU is actively engaging with Gas Networks Ireland to

progress the potential introduction of an interruptible gas capacity product and proposes to consult separately on this topic in the near term.

The Large Energy-User Action Plan notes a specific enabling action for large energy users is to develop a shared, spatially explicit electricity and gas system plan incorporating future LEU demand and further detail on this is awaited. The Plan references a 2027 delivery timeline for an energy system plan with centralised spatial demand and generation projections, including new LEUs, across electricity and gas SOs.

### District heating

The Energy Efficiency Directive requires Member States to ensure that data centres with over 1 MW MIC utilize the waste heat or other waste heat recovery applications, unless it is not technically or economically feasible. While the CRU noted certain respondents were in favour of waste heat from data centres being integrated into local district heating networks, the LEU policy does not create a mandate relating to district heating and defers to Government policy as the appropriate forum to address this.

“

*Ireland provides regulatory certainty and clear pathways to electricity supply for data centre investment.*



## Key differences between Proposed Decision (February 2025) and Final Decision (December 2025)

Issue	Proposed Decision (CRU/202504)	Final Decision (CRU/2025236)
<b>Renewable Electricity and Emissions Reporting</b>	Required self-reporting of renewables and emissions with annual publication by SOs.	Replaces this with a binding 80% Irish renewables requirement within a 6-year timeframe from energisation, SO reporting on compliance, and no separate public publication requirement given EED/CSRD frameworks.
<b>On-Site Generation</b>	A single requirement for all data centres to provide SEM-participating onsite or proximate dispatchable generation matching MIC	Introduces a differentiated regime - Autoproducer for 1-<10 MVA and separately connected onsite or proximate dispatchable generation/storage for ≥10 MVA, both de-rated to meet MIC and linked to load ramp.
<b>De-Minimis Threshold</b>	Sought feedback on a threshold (e.g., 500 kW or 1 MW) but did not fix one.	Sets 1 MVA de-minimis with only locational assessment below this level
<b>Locational Information and Transparency</b>	Required SOs to publish capacity and constraint information (format to be agreed).	Fixes a deadline (31 March 2026) and requires integration of TSO/DSO information.
<b>Demand Flexibility and Mandatory Demand Curtailment</b>	Made flexibility non-mandatory but available on a case-by-case basis	Maintains non-mandatory flexibility and confirms no MDC where the site meets its generation or autoproducer requirements.

### Next steps

The LEU Policy includes a CRU direction to System Operators, requiring them to:

- Assess data centre grid connection applications in accordance with the criteria set out in the LEU policy
- Publish regular up-to-date locational information, both existing and outlook, regarding the availability of capacity on the electricity network and network constraint, with a longstop date to provide initial proposals on these requirements by 31 March 2026
- Develop and publish the required engagement and connection application process for data centre applicants reflecting the decisions stated in the paper, by 31 March 2026, and
- Provide a bi-annual report to the CRU on the implementation and effectiveness of this policy.

### Future evolution of the LEU Policy – “LEAP” and State-led approach

The CRU clearly states that a longer-term State-led approach encompassing spatial planning, targets-based and plan-led infrastructure development is required. It is interesting they note that the SOs, namely EirGrid, ESBN & GNI, are in the process of carrying out a data centre market intelligence exercise to help to inform a medium to long-term approach. Initial feedback suggests that there is potential for in the order of 5.8GW additional demand capacity, beyond any existing grid contracted data centres, required for the data centre sector in Ireland in the medium term.

The Proposed Decision described how Ireland has significant renewable energy potential with non-binding targets of up to 37GW of offshore wind, 12GW of onshore wind, and up to 12GW of utility scale solar PV to be developed by 2050. Given the likelihood that some of this generation will not be realised, it is positive to see the CRU acknowledge the significant demand for data centre capacity in the Irish market. This acknowledgement is especially important as data centre growth will be essential to facilitating the delivery of this renewable generation.

The LEU Policy notes that future iterations may facilitate or encourage the co-location of data centres with renewable electricity sources to enhance efficiency and reduce costs.

Helpfully, the recent Large Energy-User Action plan lists 17 enabling actions to promote sustainable large energy user and data centre development and timelines within which those actions will be implemented. It seems we can expect a position paper on the proposed plan-led demand locations in 2027.

KEY CONTACTS



**MICHEÁL GRACE**  
*Head of International and  
Partner, Financial Services  
and Energy*  
+353 86 805 7812  
mgrace@mhc.ie



**EOIN CASSIDY**  
*Partner, Energy  
Sector Lead*  
+353 87 784 9353  
ecassidy@mhc.ie



**KEITH NEWMAN**  
*Partner, Construction,  
Infrastructure & Utilities*  
+353 86 829 7299  
knewman@mhc.ie



**VANESSA BYRNE**  
*Partner & Co Head,  
Real Estate*  
+353 86 238 8436  
vbyrne@mhc.ie



**DEIRDRE NAGLE**  
*Partner, Head of Planning  
and Environment Law*  
+353 87 296 2198  
dnagle@mhc.ie



**RORY KIRRANE SC**  
*Partner & Head of Construction,  
Infrastructure and Utilities*  
+353 86 171 6616  
rkirrane@mhc.ie



**PAUL BASSETT**  
*Partner, Construction,  
Infrastructure & Utilities*  
+353 86 026 0207  
pbassett@mhc.ie



**MARK FRY**  
*Partner, Data &  
Technology*  
+353 86 020 3549  
mfry@mhc.ie



**OISÍN TOBIN**  
*Partner, Data &  
Technology*  
+353 86 021 5362  
otobin@mhc.ie



**CONOR LYNCH**  
*Partner, Financial Services*  
clynch@mhc.ie  
+44 7809 725588



**STEPHEN COWHEY**  
*Partner, Real Estate*  
scowhey@mhc.ie  
+353 86 776 1743



**JAY SATTIN**  
*Partner, Planning and  
Environment Law*  
jsattin@mhc.ie  
+353 86 078 8295



**ROBERT DICKSON**  
*Partner, Corporate M&A*  
rdickson@mhc.ie  
+353 86 460 3460