Terms and Conditions for the Third Onshore Competition under the Renewable Electricity Support Scheme – Consultation

Submission by Chambers Ireland

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About Chambers Ireland

Chambers Ireland is an all-island business organisation with a unique geographical reach. Our members are the Chambers of Commerce in the cities and towns throughout the country – active in every constituency. Each of our member Chambers is central to their local business community and all seek to promote thriving local economies that can support sustainable cities and communities.

Our Network has pledged to advocate for and support the advancement of the United Nations Sustainable Development Goals (SDGs). Accordingly, we use the Goals as a framework to identify policy priorities and communicate our recommendations. We have a particular focus on five of the goals encompassing decent work and economic growth (SDG 8), sustainable cities and communities (SDG 11), Gender Equality (SDG 5), Industry, Innovation and Infrastructure (SDG 9) and climate action (SDG 13).[1] In relation to the current consultation, SDGs 13, 9, and 8 are the most relevant.

In the past, Chambers Ireland contributed to consultations on the terms and conditions for the First Offshore Competition under the Renewable Electricity Support Scheme,[2] in addition to consultations on the Microgeneration Support Scheme (MSS), and the Support Scheme for Small-Scale Generation (SSG).[3] In these, we underlined our steadfast support for renewable energy and a national policy that adequately sets out proposals to help achieve our climate target of a 51% cut in economy-wide emissions and for the share of electricity demand generated from renewable sources to be up to 80% by 2030.[4] Once more, we stress that such as feat is only

[1] https://www.chambers.ie/policy/sustainable-development-goals/chambers-ireland-sdgs/

[2] https://www.chambers.ie/wp-content/uploads/2021/12/Chambers-Ireland-ORESS-1-submission.pdf

[3] https://www.chambers.ie/wp-content/uploads/2021/02/Chambers-Ireland-submission-to-the-Department-of-the-Environment-Climate-and-Communications-on-a-Microgeneration-Support-Scheme-in-Ireland.pdf

4 https://www.gov.ie/en/press-release/dab6d-government-announces-sectoral-emissions-ceilings-setting-ireland-on-a-pathway-to-turn-the-tide-on-climate-change/#:~:text=%E2%80%9CToday%20the%20government%20has%20agreed,under%20Climate%20Action%20Plan%202021.

achievable if we can scale up our capacity to generate renewable electricity. It is for this reason that Chambers Ireland strongly supports the escalation of renewable energy generation in the State. We accordingly welcome the opportunity to contribute to the consultation on the Terms and Conditions for the Third Onshore Competition under the Renewable Electricity Support Scheme.

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Chambers Ireland's perspective on offshore renewable energy

Concerns regarding Ireland's climate targets

If we are to meet our revised 2030 emission targets, we will have to reduce our total emissions by more than 20 million tons of CO_2. The national Climate Action Plan aims to see half of that reduction arise through the migration of our electricity supply generation system to renewables. Half of that decline is to come from the increase in electricity generation using onshore wind. To increase the generation capacity of this sector we will need to double the scale of our onshore wind turbine fleet. Simultaneously we will need to create an offshore fleet which has a greater capacity than the entirety of our current onshore wind generated electricity supply.

The Irish fleet of onshore wind turbines would have had to more than double in capacity from 4GW up to 8GW in the coming years. However, many of the projects which are in development may be unable to progress due to regulatory impediments in the planning process.

The ambition for wind in Ireland over the coming decade is enormous as it requires us to more than treble the size of our wind energy production industry, adopt new technologies to the Irish electricity grid, and upgrade, reinforce, and build huge amounts of transmission equipment to bring renewable energy from where it is generated to where it is needed. This effort requires a regulatory regime that fully supports that ambition. Unfortunately our current regulatory system inhibits this. The chief hindrance to meeting our climate goals is the absence of a planning system that facilitates offshore wind farm development. This needs to be the top priority at all levels of administration.

We see great potential for Ireland in the RePowerEU instrument, which will be used to strengthen Europe's energy security, and aims to increase wind energy across the EU to at least 480 GW in 2030. Specifically, the "overriding public interest" clause should be of huge benefit

to Ireland in securing planning for wind energy infrastructure. This will simplify permitting and ensure concerted action to strengthen our energy supply chains.

During the previous ORESS 1 consultation in 2020, we lamented the absence of an Environment and Planning Court.[5] We welcome the fact that a decision has been made to establish the court, however implementation as soon as possible is pivotal, considering the urgency with which our planning system needs to be overhauled. If the court is not established without delay, and adequate resourcing is not invested in the system, we will not develop the infrastructure we need to transition to a zero-carbon economy.

Finally, Ireland is still too slow to adopt other technologies into our energy mix. We reiterate our concerns regarding a lack of consideration of "Hybrid" energy projects in ORESS 2, given the enormous expansion of ambition for renewable energy projects is not going to abate over the next few years, it is likely that demand for renewables will overwhelm the capacity of our planned electricity grid upgrades. Our submission to the National Hydrogen Strategy goes into our position on this point in detail.[6]

Energy security

Sourcing our fuels from countries that are politically unstable imports political risks into our economy. Our lack of energy security, and the overreliance on Russia by the European Union has put this issue front and centre of political discourse here and in continental Europe. Now more than ever, we need to ensure that Ireland has a resilient energy supply that can sustain economic, social, political, and environmental shocks.

Wind has a potentially enormous role to play in sustaining our economic future. Our national shift to renewables, however, will need to be married to a programme of energy security

[5] https://www.chambers.ie/wp-content/uploads/2021/12/Chambers-Ireland-ORESS-1-submission.pdf

[6] https://www.chambers.ie/wp-content/uploads/2022/09/Chambers-Ireland-submission-on-National-Hydrogen-Strategy-Consultation_September-2022.pdf

contingency planning that provides assurance that should failovers occur, sufficient electricity supply remains available to the network.

Climate Change

Our geographic location, and with it the large area of the Atlantic which lies within our sovereign territory, will allow Ireland to participate in the European Union's decarbonisation mission through the exportation of our excess watts. Ireland has unfortunately delayed the readying of a regulatory regime which could facilitate the generation of offshore wind energy by a decade already, it is vital that we rapidly make progress in reducing our burden on the environment.

Competitiveness

Energy costs for Irish business were significantly higher in 2022, due in no small part to inflationary pressures caused by the war in Ukraine. Inflation in 2022 was estimated at 8.1%, while a rate of 6.8% is forecasted for 2023.[7] Increased energy costs are also reflected in the yearly increase of housing, water, electricity, gas & other fuels, with electricity up 71.2%, gas up 93.3%, liquid fuels (home heating oil) up 65.4% and solid fuels up 47% in the year.[8] Becoming independent in terms of our energy supply will be pivotal to mitigating these pressures, not only on businesses but the communities in which they operate also. It is therefore critical that we

[7] https://www.esri.ie/system/files/publications/QEC2022AUT_0.pdf

[8] https://www.cso.ie/en/releasesandpublications/ep/p-cpi/consumerpriceindexoctober2022/#:~:text=Key%20Findings,12%20months%20to%20September%202022.

build capital-intensive infrastructure, such as offshore windfarms, had we the regulatory regime to nurture them, and to do so while minimising the cost impact for the consumer.

Export opportunity

With secular and technological change inducing significant disruption to global trade, and with this process being accelerated by the Covid-19 crisis, the exportation of offshore wind-derived energy should be a key part of the government long-term economic strategy for the State. With numerous proposed changes to international taxation regime likely to have a marked impact on government revenues, there is a great opportunity for Ireland to benefit from supplying electricity to other European Union member states at zero marginal rates. Further, as the technology matures, Ireland has the opportunity to use excess wind-derived electricity to support hydrogen production which can also have the benefit of replacing the CO_2 emissions that heavy goods vehicles, home heating, and our current generation of gas turbines are producing.

Questions for consideration

Availability Compensation

At a high level, Chambers Ireland supports the proposed Unrealised Available Energy Compensation (UAEC). However, we believe there are numerous points which must be carefully considered before it is implemented.

Firstly, there is a risk that the UAEC may potentially reduce the market signal for the diverse energy mix needed to reach net zero. Secondly, there is also a risk that it could overly subsidise wind to the detriment of solar and balanced renewable generation. If this were to be realised, then it would run contrary to our national solar targets under the Climate Action Plan which have increased from the initial target of up to 2.5GW, to a revised target of up to 5.5GW.

Thirdly, we hold concerns that the proposed UAEC has the potential to remove any economic incentive for companies to innovate and develop ideas to combat oversupply. This also removes the incentive for the TSO to solve issues without constraint where they may arise.

Finally, there is already a robust system in place which is efficient at delivering energy. The risk is that changing the system may further complicate the energy market and affect projects in development. This may in turn create regulatory risk, thereby disincentivising developers. Above all, it is imperative that the TSO integrates the grid at a national level, to such an extent that it enables energy to be sent from areas of high energy capacity to areas of low-energy capacity.

Duration of support

Chambers Ireland supports the proposal for the duration of support to last 15 years.

Indexation

At a high level, we support indexation in the context of the present consultation. This was included in ORESS and we believe that a similar measure should be applied to RESS3. We believe that indexation will aid in mitigating volatility in the supply chain and will also help reduce hedging against supply chain inflation in the auction. However, we want to note that the index reference points in ORESS were oriented towards the supply chain for wind by relying on the steel index, which is not the most appropriate for solar. Indexation should therefore help mitigation in relation to all the renewable technologies stipulated in the auction, and not only apply or be best-oriented to one type of technology.

Locational Signals

Because there is no clear methodology in place which is calculable and open, this introduces an extra degree of uncertainty. For this reason, it is unfortunate the Enduring Connection Policy constraint report methodology is not adequately laid out.

Connection costs, and the availability of firm access may aid locational signalling. Potential network cost impacts such as grid costs, grid delivery programmes, loss adjustment factors and system charges are implicit in a project's bid price because they are considered in the financial models of projects.

In line with our earlier point, is critical that the TSO is incentivised to deliver on grid enhancements. RESS3 should not become another hurdle to enabling the state to deliver on our climate targets, and should accordingly have incentives in its design to ensure that transmission infrastructure is prioritised.

Eligible Technologies / Hybrid Storage Projects

We welcome the proposal to expand the eligible technologies and hybrid pairings that would be supported by RESS 3 to include a wind, solar and storage option. However, ensuring the benefit of this is realised will be dependent on progressing the actions in the Climate Action Plan which are intended to facilitate the connection of hybrid technologies.

In addition, there are multiple technologies that we feel should be included, such as thermal plants. In our submission regarding eligibility criteria in ORESS 1,[9] we highlighted with the Department the usefulness of pairing existing transmission grid infrastructure - such as the transmission lines servicing thermal plants - with offshore energy projects. The hybrid model would be useful to the energy mix as these are likely to be anti-correlated in terms of usage and load i.e., those times when offshore energy projects are delivering generation will be those times when there will be the least demand for energy production from thermal plants.

Furthermore, we believe that hydrogen technologies should be considered, particularly as a storage medium. This is especially relevant considering the 2GW green hydrogen ambition in our revised Climate Action Plan.[10] Hydrogen allows us to take unused electricity and bring it to that place and point in time when it is useful. Fundamentally, we believe that hydrogen storage will be the foundation that Ireland's post-carbon economy will be founded on. Our position on its usefulness in the renewable energy space is also laid out in detail in our submission on the National Hydrogen Strategy.[11]

[9] https://www.chambers.ie/wp-content/uploads/2021/12/Chambers-Ireland-ORESS-1-submission.pdf

[10] https://www.gov.ie/en/publication/6223e-climate-action-plan-2021/

[11] https://www.chambers.ie/wp-content/uploads/2022/09/Chambers-Ireland-submission-on-National-Hydrogen-Strategy-Consultation_September-2022.pdf

Evaluation Correction Factor (ECF)

It is important to the delivery of a resilient and secure net-zero energy system that there is a strong mix of technologies deployed.

One proposal would be to have a mechanism in place which differentiates between technologies and ensures that technologies such as solar and wind are not competing to the same price point. If the evaluation correction factor is the preferred mechanism, then it ought to be transparent in methodology, clearly available, and weighted to encourage a balanced generation mix.

A price cap which is technology-specific or a clear MW split by technology could drive a similar impact. With this in mind, setting a price cap should be considered carefully, as inflationary pressures have intensified since the previous auction rounds. This is clear across both the development and operational lifecycle including supply chain costs, cost of capital, cost of exchange and in operation and maintenance. Accordingly, price caps should be set with deliverability in mind of the purpose, or else the RESS could be undermined by a lack of viability.

From the perspective of the consumer, the evaluation correction factor should either be increased to force wind to bid lower or technology-specific costs should be introduced to stop it bidding up.

Bid Bonds and Performance Securities

We agree with the use of strong financial commitments, as an effective approach to ensuring that bids in RESS 3 are realistic, along with incentivising performance and high realisation rates.

Price Cap Adjustment

Chambers Ireland does not have a view on this topic.

Community category

Given the fact that the Small-Scale Generation Scheme is designed to include Renewable Energy Communities (RECs), it makes sense to have these excluded from RESS 3. Nonetheless, we support the proposal that community-specific supports similar to those which were developed under the SEAI RESS Community Enabling Framework may be available to RECs participating in the SSG support scheme, subject to State Aid rules.

Regarding the RECs, we reiterate our points made in our submission regarding the Small-Scale Generation Scheme.[12] Deadlines have been proven problematic in the past for community projects in relation to RESS 1 and RESS 2. Specifically, the inability of RECs to deliver on the schedule of Milestones and the consequent penalties incurred.

Similarly, we agree that RECs may be best served by the SSG support scheme as RESS 3 is more suited to commercial projects. RECs are a better fit for the support SSG scheme, and this is exemplified by the numerous community benefits they enable. Available examples from the UK - specifically areas in London – indicate that community-owned projects have been proven to work well in similar SSG support schemes, especially in economically-deprived areas and areas where social housing is present. We have highlighted in our consultation on the Small-Scale Generation Scheme how participants receive a reduction in bills; and how additional incentive exists for the communities to reinvest the income generated by the SSG projects into their own community. This shows the wider advantage of the scheme for communities; reinvested money could go into debt management, fuel poverty advice and additional grants for young people living where the projects are located.

We have already given our views as to how the SSG support scheme should facilitate RECs in the relevant submission. Namely, these are ensuring sustainable joint-ownership, ensuring

[12] https://www.chambers.ie/wp-content/uploads/2022/10/Support-Scheme-for-Small-Scale-Generation-SSG-Submission-Oct-2022.pdf

financial resources are not a barrier and that the regulatory regime does not in practice exclude RECs from the benefits of the scheme. Regarding regulatory barriers, we stress the importance that any future regulations affecting the scheme are not unduly narrow in their criteria and restrict the SSG to a select number of applicants. For rural projects, grid capacity and transmission tends to be considerably limited in communities who are likely to have the ability and land needed to deploy REC projects. Similarly, grid distribution is a problem in rural areas which will require further investment. If the SSG scheme takes these points into account, then it will be the best-placed scheme to accommodate community projects.

Director's Declaration

We support the requirement for having each director's Declaration signed by a Solicitor.

Grid co-ordinates

Chambers Ireland does not have a view on this topic.

Consultation with third parties

Chambers Ireland does not have a view on this topic.

Shovel ready requirement

We agree that any awarding of contracts should be dependent on bidders displaying a clear intent to deliver on projects. However, there are other threats to delivery that should also be considered. Factors outside of the developer's control such as delays in planning, judicial review proceedings or grid connection should be deemed as force majeure.

In addition, any hard stop deadline in RESS3 should be removed and flexibility built into account for delays that are fundamentally out of their control. Proving delays are outside the control of the developers should not be problematic, and considering our obvious problems with judicial review holding up projects of national importance, this is a necessary clause to implement into the terms and conditions. As an example, flexibility is integrated in Allocation Round 4 of the GB Contracts for Difference and is a measure to mitigate projects falling by the wayside because of delays.[13]

Adoption of DocuSign for the Implementation Agreement

Chambers Ireland does not have a view on this topic.

Ability to withdraw from RESS

It is practical to include a provision in RESS 3 to require projects to remain under the Public Service Obligation (PSO) for the duration of the term. However, doing so may also increase the regulatory risk for developers.

CPPAs, Merchant Operation and Optionality

It is reasonable that the RESS 3 design should facilitate CPPAs in a way that aligns with the CPPA Roadmap Principles.

[13] FiT Contract for Difference AR4 Standard terms and conditions (publishing.service.gov.uk)

Other

The overarching message of our submission is that it is imperative that our national grid is maximised if Ireland is to achieve its climate targets. This is consistent with the reasons given in the Chambers Ireland 2020 white paper maximising the benefit of developing the national wind energy industry and the national grid.[14] To realise this ambition, it is pivotal that all relevant actors are aligned in terms of policy and pulling in the same direction to make this happen.

[14] https://www.chambers.ie/wp-content/uploads/2021/01/Chambers-Ireland-white-paper-on-maximising-the-benefit-of-developing-the-national-wind-energy-industry-and-the-national-grid.pdf