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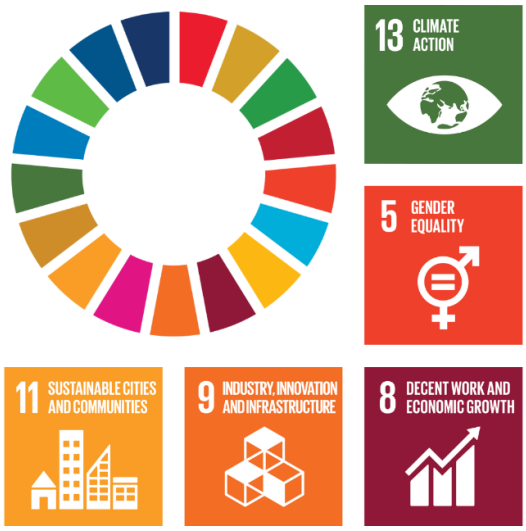

Submission to the Department of the Environment, Climate and Communications regarding the Terms and Conditions for the Fifth Competition under the Renewable Electricity Support Scheme (RESS 5)

February 2025

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Contents

Key Points

- RESS 5 is crucial for increasing renewable electricity generation capacity and will be critical towards achieving our 2030 climate targets. This is all the more important considering that while RESS 4 auction delivered 2,071 GWh of renewable generation, showing improvement from RESS 3, it was still at the lower end of the target range.
- The Department should carefully review the current indexation value of 30% to enhance RESS project deliverability.
- Prioritising deliverability alongside consumer costs will help to avoid project delays and bottlenecks which would lead to higher costs in the long term and undermine our energy security.
- The impact of electricity network constraints on the financing and deliverability of potential RESS 5 projects should be assessed, along with influence on bid prices in the auction.
- The new government must treat grid investment as a national priority rather than a secondary consideration.
- Recognising that a significant volume is needed in RESS 5 to meet 2030 climate targets, there needs to be due consideration that a realistic price cap is set.
- National efforts to accelerate renewable energy projects should not be undermined by altering County Development Plans in such a way that they restrict the development of new wind farms.
- Increased and adequate investment in the planning system — including An Bord Pleanála (ABP) and local authorities — is essential to ensure that projects are not delayed by judicial reviews.
- While we fully recognise the necessity of prioritising the domestic market first, Ireland has the potential to become a net exporter of excess energy to Europe. Capitalising on this opportunity requires a rapid acceleration of plans, tackling fundamental development obstacles in the planning system and grid network, and investing in innovative technologies and skills

- Updating capacity factors to reflect increased technology efficiencies, particularly in the case of onshore wind and solar is essential.
- Pdated capacity factors will provide a more realistic basis energy planning, grid management and market forecasting and ultimately aid planning and forecasting. Combined this will aid in mitigating regulatory risk for developers.

About Chambers Ireland

Chambers Ireland is an all-island business organisation with a unique geographical reach. Our members are the affiliated 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). Regarding the current consultation, SDGs 13, 9, and 8 are the most relevant.

Energy is a core priority for the Chamber Network. In the past, Chambers Ireland contributed to consultations on the terms and conditions for both the First Offshore Competition under the Renewable Electricity Support Scheme,[1] along with Terms and Conditions for the Third Onshore Competition under the Renewable Electricity Support Scheme,[2] in addition to consultations on the Microgeneration Support Scheme (MSS),[3] and the Support Scheme for Small Scale Generation (SSG).[4]

In these, we underlined our steadfast support for renewable energy and a national policy that sets out effective proposals to help achieve our climate target of a 51% cut in economy-wide

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

[2] Chambers-Ireland-submission-on-the-Terms-and-Conditions-for-the-Third-Onshore-Competition-under-the-Renewable-Electricity-Support-Scheme-RESS-3-.pdf

[3] https://chambers.ie/wp-content/uploads/2025/02/CHAMBE_3.pdf

[4] Support-Scheme-for-Small-Scale-Generation-SSG-Submission-Oct-2022.pdf

emissions and for the share of electricity demand generated from renewable sources to be up to 80% by 2030.[5]

The 2,071 GWh of renewable generation arising from RESS 4 was a relatively successful improvement from the RESS 3 auction result,[6] which delivered less than half of the 2,000 GWh target. Nonetheless the successful volumes in RESS 4 were at the lower end of the 2,000 – 5,500 GWh indicative auction volume target range set by the Department. Ultimately this manifests in less energy being awarded when compared to the RESS 1[7] and RESS 2[8] auctions.

Looking ahead, RESS 5 will be crucial to increasing volume and ensuring the State can scale up its capacity to generate renewable electricity. It is for this reason that Chambers Ireland strongly supports effective terms and conditions under RESS 5 that will facilitate development without delay and is conducive to that aim.

[5] gov.ie - Accelerating Renewable Electricity Taskforce

[6] https://cms.eirgrid.ie/sites/default/files/publications/RESS-3-Final-Auction-Results-(R3FAR).pdf

[7] https://cms.eirgrid.ie/sites/default/files/publications/RESS-1-Provisional-Auction-Results-(R1PAR).pdf

[8] https://cms.eirgrid.ie/sites/default/files/publications/RESS-2-Final-Auction-Results-(R2FAR).pdf

Key Observations

General

Ireland's renewable energy sector has made significant strides in recent years and wind energy has been the key enabler to catalysing change in this regard. Per the Sustainable Energy Authority of Ireland,[9] in 2023, approximately 40.7% of our electricity supply was derived from renewable sources, indicating an increase from 38.6% in 2022. Wind energy was the predominant contributor, accounting for 33.7% of the electricity supply in 2023.

In addition, the report notes that Ireland's total installed wind capacity at the end of 2023 was 4.74 GW, after adding 0.20 GW of capacity during 2023. Ireland's target for 2030 is 15 GW of installed wind capacity, with 9 GW of onshore wind and 5GW of offshore wind. Meeting this goal will necessitate an average annual addition of 1.47 GW of installed capacity over the next coming years.

While the aforementioned figures are noteworthy and highlight the importance of wind to our green transition, much more can and should be done to promote both offshore and onshore wind and ultimately achieve our climate targets using renewable energy. Accordingly, the terms and conditions for RESS 5 should be focused on increasing volume and doing everything possible to achieve our 2030 targets.

The importance of RESS 5 to the State'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

[9] https://www.seai.ie/sites/default/files/data-and-insights/seai-statistics/key-publications/renewable-energy-in-ireland/First-Look-Renewable-Energy-in-Ireland-Report.pdf

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.

More broadly, Ireland is on track to only deliver a 29% reduction in greenhouse gas emissions by 2030. This is in stark contrast to our international commitment of a 51% reduction and almost all sectors are set to exceed their 2026- 2030 sectoral emissions ceilings. While some sectors are performing better than others, these statistics indicate that there are fundamental flaws in either the level of ambition of the Climate Action Plan or a lack of capacity in the system for delivering at the pace of change that is required.

Grid investment and upgrading as a priority

The new government must treat grid investment as a national priority rather than a secondary consideration. Without it, the State's renewable energy ambitions will be stalled, and economic competitiveness will suffer. A well-funded, modern grid is the backbone of a secure, affordable, and sustainable energy future.

In the Programme for Government, grid investment was earmarked as a core policy priority for the next five years.[10] While we welcome the commitment to prioritise grid investment, we continue to advocate heavily for investment and reinforcement under the following points:

1. **Urgent, Frontloading of Investment** – Grid modernisation is not merely a long-term goal; it is an immediate necessity to support increased capacity and ensure the State meets its climate targets, as mentioned elsewhere in our submission. Without prompt action, grid constraints will delay projects and increase costs for consumers and businesses. Upgrading the grid infrastructure with front-loaded investment is therefore crucial to harnessing the full potential of our renewable energy sources. It is paramount that grid upgrades are scaled to meet anticipated demand in future years based on expected

[10] www.gov.ie/pdf/?file=https://assets.gov.ie/318303/2cc6ac77-8487-45dd-9ffe-c08df9f54269.pdf#page=null

population growth (alluded to elsewhere in our submission) and increasing demands from industry. Relatedly, investing in battery storage at all generation sites will ensure that the potential impact of interconnector outages or downtime in energy generation is minimised.

2. **Infrastructure as an Enabler** – The success of offshore and onshore wind, solar, and other renewable projects depends heavily on a robust and modernised grid. Without significant upgrades, we risk underutilising our renewable resources and missing out on the associated vast economic opportunities which we highlighted in our submission on Price Review 6.[11]
3. **Energy Security & Affordability** – Investment in the transmission and distribution system will enhance energy security by reducing reliance on fossil fuel imports and stabilising electricity prices for businesses and other consumers. A weak grid leads to inefficiencies, bottlenecks, and higher costs in the long run. This is not a unique Irish problem; rather it is experienced across the globe notably in the United Kingdom[12] where connection delays have hindered plans to supply surplus clean energy to the grid, and in Australia[13] where the Energy Regulator highlighted the need for structural reforms and investments in renewables and storage to stabilise prices. Both scenarios provide real examples of lost economic opportunities and affordability implications which arise from grid underinvestment and constitute examples the State should learn from.
4. **Grid stability** – Ensuring grid stability and security of supply should be a priority. The system will also require other options, including demand flexibility, increased interconnection, storage and back-up generation.[14]
5. **Leveraging Funding Opportunities** – While exploring external funding sources (such as the European Investment Bank) is a positive step, the government must equally ensure

[11] https://chambers.ie/wp-content/uploads/2024/09/PR6-Submission.pdf

[12] https://www.theguardian.com/business/2024/nov/04/renewable-energy-grid-wait-green-renewal-stellantis-warehouse-solar

[13] https://www.news.com.au/finance/economy/australian-economy/energy-regulator-warns-households-bills-could-skyrocket/news-story/d7610d5fe9f6855a16d9303a5e0029cc

[14] https://www.epa.ie/publications/monitoring--assessment/climate-change/ICCA_Volume-2.pdf, page 12.

that investment is not delayed by an over-reliance on external finance. A clear strategy for state-backed and private investment is essential to accelerate progress.

Addressing challenges in planning

Alongside legislative reform, we have long advocated for stronger support and resources for planning authorities nationwide. Adequate investment in our planning system—from An Bord Pleanála (ABP) to local authorities—is essential to prevent projects from being delayed by spurious claims and judicial reviews. To be truly effective, this effort must also extend to the Courts and judicial system, ensuring that applications and appeals are processed within a reasonable timeframe.

Considering the current infrastructural deficits and the expected population increase, we are now at a make-or-break moment. We have consistently raised our members' concerns about the challenges in delivering the interlinking National Planning Framework's (NPF) and National Development Plan's (NDP) objectives[15] across transport, housing, energy, water, and wastewater infrastructure. Reform must serve as the catalyst for providing this urgently needed infrastructure of national importance.

More broadly, while we are optimistic that ongoing legislative reforms will improve coordination, accelerate decision-making and enhance certainty, it is crucial to recognise that these changes are vital for all aspects of the State's infrastructure—including renewable energy projects. Hence to remain a competitive economy, Ireland must be an attractive place to invest in and live. For too long, a sluggish and fragmented planning system has led to repeated delays in key developments that are critical to our economic future. Addressing these inefficiencies is essential to unlocking progress and ensuring sustainable growth.

Equally, national efforts to accelerate renewable energy projects must not be undermined across Ireland by altering County Development Plans in such a way that they restrict the

[15] https://chambers.ie/wp-content/uploads/2024/09/Chambers-Ireland_NPF-Review-2024-Submission_Final.pdf

development of new wind farms. Along with the delays related to planning, this severely impacts regulatory certainty for developers and ultimately discourages investment due to the associated cost implications this has on projects.

Energy Security and competitiveness

In recent years energy security has increasingly become a priority for our Network, which fully acknowledges the direct impact it has on competitiveness. Businesses fully felt the effects of inflationary costs and rising energy costs, which were significantly higher as the war in Ukraine commenced in 2022.

Inflation in 2024 was 1.4%, while a rate of 1.9% is forecasted for 2025.[16] While the figures do not appear substantial, this should not be reason for complacency considering the effects that sudden potential geopolitical pressures may have. This is particularly the case given the inflationary effects experienced across the EU in 2022 which highlighted the EU's inapposite dependency on Russian supply chains. In Ireland, businesses were acutely affected by the steep increase in energy commodity prices in 2022, which grew significantly and peaked in October of that year.[17] Many reported the constraints this had on not just operational costs but their business viability also.

Accordingly, becoming independent in terms of our energy supply will be pivotal to mitigating such potential pressures on both businesses and the communities in which they operate. For this reason it is critical that we 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.

[16] https://economy-finance.ec.europa.eu/economic-surveillance-eu-economies/ireland/economic-forecast-ireland_en

[17] https://www.statista.com/statistics/1329214/ireland-energy-inflation-rate-by-commodity/

In the context of competitiveness, per the Irish results of the Eurochambres Economic Survey 2025,[18] affordable access to energy and raw materials was referenced as a core challenge for businesses. In particular, energy-intensive industries have been significantly affected by supply chain disruptions and rising energy costs in recent years, resulting in continued financial burdens and employment stagnation, negatively impacting future expectations.

At the European level, although the costs associated with energy and raw materials remain significant compared to pre-pandemic levels, their impact is milder. Companies operating in continental Europe appear to have adapted to new energy prices which, while still high, have now been normalised at more elevated levels. Despite existing sectoral differences – with industry being more exposed than services – high energy prices are now generally perceived more as a calculable risk than a business impediment. The renewal of EU emergency measures such as the Market Correction Mechanism (MCM)[19] and gas solidarity initiatives for the 2023 period has also contributed to reducing wholesale gas and electricity prices to more manageable levels. Nonetheless we are united with our European counterparts in highlighting the need to ensure energy security at competitive prices by expanding renewable energy generation and infrastructure as well as by diversifying supply sources.

Export Opportunity

Chambers Ireland continues to emphasise the economic opportunity on our doorstep in the form of renewable energy and, in particular, offshore and onshore wind. While we fully recognise the necessity of prioritising the domestic market first, Ireland has the potential to not only ensure a sustainable and secure energy future for the country, but to become a net exporter of excess energy to Europe. Further, as the technology matures, Ireland has the opportunity to use excess wind-derived electricity to support hydrogen production which can

[18] https://chambers.ie/press-releases/chambers-ireland-publishes-irish-results-from-europes-largest-business-sentiment-survey/#:~:text=Chambers%20Ireland%20today%20(12%20November,bracing%20for%20another%20challenging%20year.

[19] https://acer.europa.eu/gas/market-correction-mechanism

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.[20]

Capitalising on this opportunity requires a rapid acceleration of plans, tackling fundamental development obstacles in the planning system - as we have outlined in our submission - and grid network, and investing in the innovative technologies and skills needed to drive forward this progress.

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

Questions

RESS 5 Support Duration

a) **Would an increase/decrease of five years to the RESS 5 support period (to a baseline of 20 or 10 years respectively) have a positive impact in terms of suppressing RESS 5 bid prices and overall costs to the consumer? What impact on project financing and deliverability could a change to the RESS 5 support period as outlined above have?**

Given the risk factors involved, we are of the opinion that it is preferable to have a longer support period. At a high level, any decrease in the support period will likely have a negative impact in terms of suppressing bid prices and overall prices to the consumer. While important, the Department should not only focus on the effect on consumer costs and ensuring that renewable energy projects can be successfully delivered within the required timeframe is essential for meeting the State's 2030 climate targets.

Prioritising deliverability alongside consumer costs will help to avoid project delays and bottlenecks which would lead to higher costs in the long term and undermine our energy security. Priority should also be given to deliverability and any decrease may have the effect of negatively impacting project financing and deliverability.

Consumers receive a benefit through price stability in a longer contract by virtue of the two-way CfD, which provides a crucial hedge against wholesale power prices. This was particularly evident in the aftermath of the Russian invasion in Ukraine when energy markets experienced extreme price spikes. Countries with a high proportion of contracted renewable energy in the market were able to shield consumers from the worst of these shocks, as PPAs locked in the strike price significantly below the prevailing market rates. This price stability ensured that consumers weren't fully exposed to volatile fossil fuel markets

A benefit to consumers from **a** longer support period comes from being able to spread the costs of the energy transition over an extended duration. Renewables have high upfront capital costs and minimal operational costs, the cost is spread throughout the duration of the contract. If the contract is too short, investors must recover their costs over a compressed timeframe, driving

up prices for consumers. Conversely, a longer contract allows for a more gradual cost recovery, reducing the annual financial burden on consumers while accelerating the shift to a cleaner energy system.

Lessons can be learned from the challenges faced by the Offshore Renewable Energy Development Plan (OREDP). While the targets for offshore wind capacity were initially set at 5 GW by 2030, delays in project development due to grid connection issues, regulatory bottlenecks, and resource constraints raised concerns about the timeline for projects severely impacted achieving these targets.

Capacity Factors

a) **What capacity factor percentages (particularly for onshore wind and solar) do respondents feel are an accurate reflection of current capacity factors in Ireland?**

Regarding capacity factors percentages, the metrics provided in RESS 4 should be updated for RESS 5 to reflect increased technology efficiencies, particularly in the case of onshore wind and solar. Updated capacity factors will provide a more realistic basis for energy planning, grid management and market forecasting and ultimately aid planning and forecasting. While we do not have access to the technical information required to determine specific metrics, this should be relatively straightforward to determine.

b) **In the view of respondents, are there any potential impacts, either positive or negative, that such a change could have on the objectives of the scheme?**

We anticipate a positive impact, particularly in terms of investment confidence, negating regulatory risk, which is a perennial concern for developers. In our submission we have articulated regulatory risk concerns under planning constraints, however in this context by updating capacity factor assumptions, developers can better assess the potential return for renewable energy projects. Essentially this will can foster greater confidence in the Irish market

and attract more investment into renewables as more accurate projections allow stakeholders to make informed decisions about project financing and scaling.

Indexation

a) **Is the current indexation of 30% of the value of RESS Strike Prices an appropriate mitigation of the risks associated with inflationary pressures on Operation and Maintenance costs over the support duration? Does this result in real term cost savings to the consumer and/or contribute to maximising the deliverability of RESS projects?**

Indexation will aid in mitigating volatility and should be tied to all renewable technologies. A careful review and increase of the 30% indexation metric would be an efficient way to lower bid prices and overall costs to the consumer. In the scenario where uncertainty is put on bidders, given the scale of investment and time horizon, this assumed risk will likely be factored into bids, unnecessarily driving costs up for the duration of the contract.

Constraints Compensation

a) **What impact are electricity network constraints likely to have on the financing and deliverability of potential RESS 5 projects? How is this likely to influence bid prices in the auction?**

Constraint compensation should be considered in RESS 5, in relation to the new auction design and as part of any state aid extension or application. Addressing constraint compensation in some way should place a downward pressure on RESS 5 bid costs as developers will not need to factor in such a wide range future constraints, which is difficult to forecast.

b) **Do respondents have any evidence-based suggestions for measures that could be implemented in the long term, post RESS 5, to address the risks associated with electricity network constraints?**

Unfortunately, the grid constraints risk due to a lack of available grid network is not currently addressed. The result is that eligible wind farm projects did not enter previous auctions due to a lack of available grid capacity meaning they could not be confident their projects could connect before the end of 2029. In addition, the constraint risks associated with their projects meant they could not bid below the set price cap.

Taking this into account and recognising that a significant volume is needed in RESS 5 to meet 2030 targets, there needs to be due consideration that a realistic price cap is set. This is important considering there is still a reasonable amount of risk present without the introduction of full indexation or any mitigation of constraint risk.

Auction Qualification Process

a) **What are respondents' views as to the reasons behind the poor quality of RESS 4 applications, despite the simplifications introduced?**

A major problem with RESS 4 was the price cap was set at a level that excluded many projects. The price cap was €93.50 for wind energy and €110 for solar energy. Some projects immediately withdrew from the project when the price cap was announced, which reduced the number of applicants. A realistic price cap creates competition and if the price cap is too low, many providers will not bid. Getting sufficient volume creates competition and a higher quality of supply.

Other

a) **Are there any further issues participants wish for the Department to take into consideration which have not been included in this consultation document?**

Risk sharing – via inflation risk measures, constraint risk measures and longer support contracts will be important. If the Department is not inclined to make changes to the above, then a realistic price cap is critical. We have already outlined that because a significant volume is needed in RESS 5 to meet our 2030 targets, a realistic price cap should be set. This is especially important considering there is still risk present without careful review of indexation or any mitigation of constraint risk.