



Innogy Renewables Ireland Ltd  
[Redacted]

Submitted by email: OREDP@DCCAIE.gov.ie

### **OREDP Mid-term Review – innogy Response**

Innogy Renewables Ireland Ltd welcomes the opportunity to respond to the DCCAIE's consultation on the OREDP mid-term review consultation. Please find our overarching views and answers to the questions we have found most relevant overleaf. As a recent entrant to the Irish energy market we thought you may value a brief introduction to our company to provide you with the context for this response.

#### **About innogy**

By way of introduction, innogy is Germany's leading energy company, with revenue of around €44 billion (2016), more than 40,000 employees and activities in 16 countries across Europe. With its three business segments Renewables, Grid & Infrastructure and Retail, innogy addresses the requirements of a modern, decarbonised, decentralised and digital energy world.

innogy has considerable experience in developing, constructing and operating renewables assets both independently, and together with project partners and investors. We invest in a broad range of technologies- and have experience with onshore and offshore wind, hydro power, solar, battery storage and R&D phase technologies.

Following the launch of its Initial Public Offering (IPO) in 2016, innogy outlined its intention to increase its renewables footprint by entering new markets and new technologies and took an important strategic decision to develop renewable activities in Ireland by founding its subsidiary Innogy Renewables Ireland Ltd in September 2016.

Starting with the construction of Dromadda Beg onshore wind farm, we have taken our first step in the Irish onshore wind market. We plan to grow our onshore wind business to include greenfield developments, consented sites and operational wind farms. We are also attracted by the outstanding offshore wind resources Ireland boasts and DS3 opportunities. We are excited to play a key role in supporting Ireland transform its energy system.

If you wish to follow up this response please get in touch with innogy's Policy Manager [fruzsina.kemenes@innogy.com](mailto:fruzsina.kemenes@innogy.com) or myself.

Kind Regards,

[Redacted Signature]

Offshore Consents Manager  
Innogy



**OREDP Overarching feedback**

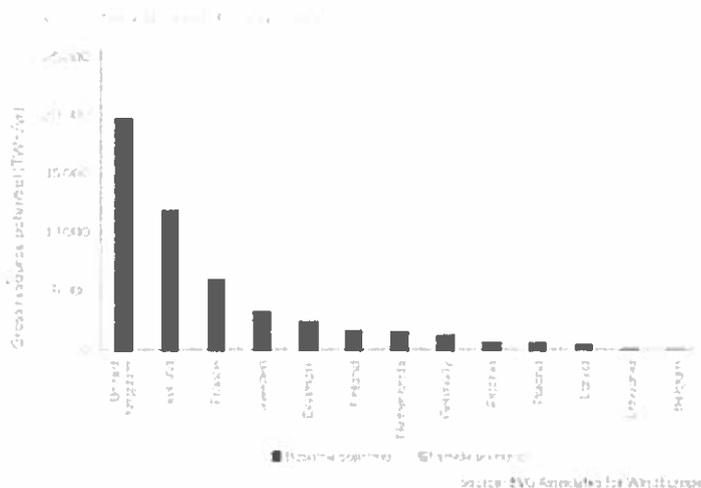
The original OREDP was a powerful document setting out the clear case for Ireland to harness its outstanding offshore wind and marine energy resources. We wish to reinforce the fact that there is tremendous opportunity here that remains untapped in 2017.

In our view OREDP has given the marine energy sectors a good level of focus but has not done so for offshore wind – a technology that could transform Ireland’s energy system at pace if only given the right nudge. In addition to fostering innovation, OREDP could be the vehicle for initiating a coordinated policy push for the technology. The benefits of doing so are even clearer today than they were in 2014.

Summer 2017, saw 12.6 GW of operational offshore wind farms in Europe (WindEurope). The scale of recent deployment, competitive pressures, reduced costs of capital and the push for R&D and innovation in an emerging technology have yielded significant cost reductions. For example UK CfD auctions demonstrate that the cost of Offshore wind has fallen in cost by nearly 50%. Strike prices for auction winners in 2017 are as low as £57.50 per megawatt hour for capacity delivered in 2023, nearly 50% lower than prices at the last auction in 2015.

The offshore wind industry has already shown it can deliver new projects quickly at much reduced cost. Innovation continues and will no doubt secure even lower LCOEs in the decade ahead. For example, developers are expecting to install 15MW turbines in the future, nearly double the capacity of the largest models currently installed at 8MW. This cost reduction benefits end consumers. Recent analysis by BVG Associates suggests that even when including the costs of connecting to more remote grid connection points, the middle of the range of LCOE for new-build EU offshore wind projects will be on par with the costs of electricity from combined cycle gas turbine (CCGT) plant by 2027.

Ireland is uniquely positioned to capitalise on this revolution in the energy sector. It boasts the second largest natural potential for offshore wind in Europe and could be the leading nation in the EU provided the right policies are in place to attract investors to build assets here.



Offshore wind has outstanding potential not only to meet Ireland's climate change commitments for 2020, 2030 and beyond but it also has the potential for export. In combination with the rollout of today's interconnectors and further ambitions to integrate Europe's networks, Irish offshore wind generated electricity could be a major export. The sector has the potential to attract billions of euros of investment which would enable the growth of a domestic supply chain and create jobs and benefits for host communities.

innogy fully supports NOW Ireland's call for OREDP to be updated to include actions to facilitate the near term deployment of commercial offshore wind energy projects. This is important for Ireland to achieve its 2020 renewable energy and emissions reduction goals but is also essential in paving the way for successfully growing the industry by 2030. It will also serve as a "kick start to the development of the wider opportunities that our offshore renewable energy resources offer including technology development, energy export and the early development of supply chain opportunities".

There are significant barriers in the way of the successful take-off of the technology in Ireland. While we embraced the 2014 OREDP publication we are concerned that this 2017 mid-term review is complacent and will fail in unlocking offshore wind for Ireland. The OREDP needs to be reinvigorated – we disagree with your conclusion that *'the OREDP is generally still fit for purpose given the low level of ORE activity to date, anticipated activity out to 2020, and the state of play of technology development'*. While we think this may be the case for wave and tidal – we feel offshore wind has been let down.

**Our primary request is that the opportunity is taken to refocus OREDP and adapt it to the moving of the times and pace of innovations in international offshore wind. The main barrier that OREDP should focus on is policy coordination. It could serve as a perfect platform for joined up development of the RESS, grid connection and consenting policies.**

#### Answers to specific consultation questions

*1. Do you have any suggestions or additional measures to support and enhance the governance structures of the OREDP?*

**Action 1** As a potential investor in Irish Offshore wind we would welcome the opportunity to help ORESG in its work. Innogy owns 1.1GW offshore assets in operation/commissioning in UK, Germany and Belgium and has a pipeline of a further 2.1GW of offshore wind to date. Thereby we have valuable expertise that the ORESG could call on. We have not yet had the chance to be involved. Aiming for annual contact with industry seems limited. We would be particularly keen to be involved with the The Environment and the Infrastructure Working Groups on an ongoing basis.

We echo the call in the review for a dedicated Offshore Wind Working Group to be set up with immediate effect.

*3. Has the distribution of the Exchequer support been appropriate and can you suggest alternative areas that require additional Exchequer support?*

**Action 2** - the points made by stakeholders regarding Action 2 and the focus of the OREDP on exchequer

funding being focused on emerging technologies are on the mark. We would echo the stakeholder comments that for those technologies that are commercially viable now, in particular offshore wind, the focus should not be on exchequer funding for R&D or other funded studies but on policy decisions creating market access, incentives and certainty. The OREDP seems entirely engaged with emerging technologies, and doesn't include within its 10 Actions anything about facilitating commercialisation of those technologies that are competitively deployable in 2020 (or shortly after) timescales.

There is little point in R&D investment if there is no pathway for innovation to actually take a foothold. If an OREDP work stream focused and unlocked commercial scale deployment of offshore wind this would have a double benefit in terms of R&D impact. Firstly, the outputs of R&D could be deployed in Ireland by Irish companies and yield cost reductions for Irish consumers. Secondly, the deployment of projects will bring commercial (non-exchequer funded) R&D with it – thereby effectively boosting the R&D outputs of the OREDP programme too.

*10. Do you have any suggestions on how to enhance or further implement support tariffs for this sector?*

Action 3 – the OREDP fails to tie together with the recent RESS consultation in which offshore RES-e technologies appear to be largely shut-out. Commercially viable offshore wind technology that is currently available is restricted by the unambitious target volumes assumed within the RESS consultation. Emerging technologies (floating/hybrid wind) would be completely ruled out by the single pot approach to bidding . *(Please find our full RESS consultation response in Appendix A).*

The OREDP would benefit from a 2017 update that reflects the change in commercial viability of technologies since the original report was written. It should focus on actions to facilitate the opportunities offshore wind can offer now. As with the RESS consultation, only recently drafted, the scale of change in offshore wind prices and therefore commercial viability/competitiveness means that the economic analysis underpinning the RESS needs to be re-evaluated already. Given the pace of change in offshore wind- an ongoing monitoring of economics and technology should underpin the RESS policy.

*11. Do you think that Ireland should develop offshore renewable energy resources to export electricity?*

*12. Do you have any suggestions on further measures that can be taken to support the implementation of this action?*

Action 4 – we would support development of interconnectors and policies that facilitate export of renewable energies. These are key to developing a fully sustainable renewable grid system. The role offshore wind could play in offshore energy hubs should be explored.

As well as the technical aspects of doing so the OREDP could consider how to manage the appropriate allocation of associated support scheme costs.

*13. Do you think that significant progress has been made, to develop the supply chain for the offshore renewable energy industry in Ireland?*

*14. Do you have any suggestions on how to further implement this action?*

**Action 5** – The key to future development of the offshore renewable supply chain are clear policy signals which will provide the supply chain with sufficient confidence that there will be an offshore renewable industry to support. This should be considered out to 2030, starting with more ambitious renewable energy targets and scope for RESS supported commercial deployment. Grid and consenting policies also need to be revised to fully facilitate it. Only by enabling commercial deployment can the supply chain and employment benefits be realised.

We caution - the longer Ireland delays commercial deployment the more limited the opportunities for supply chain development will be.

*15. Do you think that Ireland has been presented at home and abroad as open for business in offshore renewable energy?*

*16. Do you have any suggestions on how to further implement this action?*

**Action 6** – as noted in the identified challenges this is all about clear policy signals.

*19. Do you think that sufficient progress has been made on the action to introduce a new planning and consent architecture for development in the marine sector?*

*20. Do you have any suggestions on how to best implement this action?*

We support the NOW Ireland position in relation to planning and consenting. Our detailed comments are provided below.

**Action 8** – We echo the importance of existing projects progressing under the existing consenting regime- this will ensure continuity for those projects which have undertaken a significant amount of work and will mean limited or no delays in bringing key projects to market. We would support the need for a dedicated team providing support to developers and stakeholders on how the new planning process will be navigated- if this resource is in place prior to the roll out of the new system this will ensure new projects are able to progress quickly. We would support the principle of public disclosure of survey data but would note that the timing of release of data can be commercially sensitive (i.e. developers competing for landfall sites) and we would expect to see a consultation on guidance on how this process would work prior to it being rolled out.

**Action 9** – A Landscape Character Assessment under the MSP would be a useful step but given the timescales anticipated for the MSP (2020/2021?) it should be made clear that projects can progress with consents in its absence. We agree that the key to improving the level of environmental monitoring data

is support for the progression of projects as the majority of data collection will be developer led. It would be good to get a steer, within the noted guidance document, as to whether regulators will be looking for project specific monitoring or regional issue focused monitoring paid for by developers but coordinated by regulators.

## APPENDIX 1

RESS Consultation  
Electricity Policy Division  
DCCAE

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### **RE: Public Consultation on the Design of a new Renewable Electricity Support Scheme in Ireland**

Innogy Renewables Ireland Ltd welcomes the opportunity to respond to the DCCAE's consultation on the future Renewable Energy Support Scheme (RESS) for Ireland. The design of this framework is essential for the next decade of decarbonisation and ensuring that the transition is efficient, makes the most of the indigenous energy resources of Ireland, gives the country a strong competitive edge. It is also fundamental to setting the scene for innogy's investment plans in new renewable energy projects in Ireland.

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We provide a detailed view on each consultation question in the main body of this response. innogy hopes it can offer some interesting perspectives based on our experience with competitive auction based support schemes in other EU markets. innogy also has a strong track record working with local

communities and has some experience in the renewable investment offer sphere that we draw on in our response.

We strongly welcome the work of DCCAE in researching and developing ideas for a new support scheme that aligns with the direction of the EU's Clean Energy Package. We are supportive of many of the principles DCCAE suggest. However, we do have some concerns and have highlighted our priority messages below for quick reference.

**Innogy's key messages:**

- 1) We are alarmed by the low RES-e target for 2030 that sets the context for the RESS design

We are very hopeful that the RES-e 2030 target figure will be revised significantly upwards by Irish Government in light of reflections on the Paris Agreement and ongoing discussions at the EU level regarding the 2030 ambition. A 40% RES-e target will cost the consumer more, risk security of supply and undermine the wider vision of reducing GHG emissions by 80-95% by 2050.

- 2) The RESS needs to be designed so that it works for Ireland – the relatively small size of the electricity market needs to be a key consideration for DCCAE.
- 3) DCCAE's auction objectives need to be re-focussed- innogy strongly support the original objectives established under the 2015 Energy White Paper – but feel that this consultation has lost sight of these.

In particular – 'fostering a diverse renewables mix' – has been neglected. Non-discriminatory auctions should be a goal to bring optimal whole system value to the consumer. Fostering innovation and technology diversity will increase competition amongst renewable technologies in the long run and will be of benefit to future consumers. There is rapid pace of global cost reduction in technologies that are less established in Ireland such as offshore wind. Having a diverse renewable energy portfolio is also in the interest of Irish consumers from a security of supply and a system balancing cost perspective.

- 4) We are concerned that the Principal Category approach is not actually technology neutral because it's delivery is likely to unintentionally discriminate against technologies that are built as larger scale projects.
- 5) Our preferred solution for ensuring RESS auctions provide a level playing field for all technologies to compete involves running two sets of auctions differentiated by project capacity.
- 6) The proposal for a Community Category introduces discrimination based on ownership structure – there need to be complementary policies to protect consumers and to ensure climate change mitigation is not compromised.

- 7) It is not clear in the Consultation what the DCCAE's overall budget control proposal is. We would ask that the next consultation sets this out clearly to all stakeholders as it is a very important question.
- 8) Regarding Community Investment Offers- flexibility in models of delivery is key and relationship with the RESS auction prequalification needs further thought.
- 9) Policing auction eligibility criteria should sit with the auctioneer or contracting counterparty rather than the Trusted Intermediary.
- 10) Community benefits – should be considered in the context of the suite of community focused measures.
- 11) We call for further consultation opportunity on detailed design of the auction mechanics and the RESS contract terms.

If you wish to follow up this response please get in touch with innogy's Policy Manager [fruzsina.kemenes@innogy.com](mailto:fruzsina.kemenes@innogy.com) or myself.

Kind Regards,

*C. Hennessy*

**Cathal Hennessy**  
Managing Director (Ireland)  
Innogy Renewables Ireland Limited

**Innogy's Detailed Response to the RESS Consultation Questions:**

**SECTION 1: SUPPORT SCHEME DESIGN**

**Q1a. The emerging policy includes a measure whereby all capacity available under the new RESS (with the exception of small scale developments) should be allocated through a competitive bidding process via auctions. Do the respondents agree with the competitive auction based approach? If not, what alternative model would you propose and why?**

**innogy support the proposal to allocate renewable electricity support through a competitive bidding process. This fits with the post 2020 approach drafted in the EU Clean Energy Package. We welcome the intention that the new RESS design should be fit for the 2020-2030 period.**

**Auction objectives should be re-focussed**

In literature there is general consensus that auctions are an appropriate mechanism to reduce costs and increase efficiency – the debate is about the type of costs and the definition of efficiency. It is important that Irish Government is very clear in the objectives of RESS auctions from the onset and selects appropriate auction design to deliver on its goals.

The Energy White Paper (2015)<sup>1</sup> had set the sector's expectations that these goals would be:

Decarbonising Ireland's energy system while:

- Maintaining affordability
- Maintaining security of supply
- Accelerating the development and diversification of renewable energy generation
- Placing citizens at the centre of Ireland's energy transition

Yet, this is not what we see in this consultation and supporting report by Cambridge Economic Policy Associates (Cambridge Associates). In particular we are concerned that:

- 1) Decarbonisation ambitions have been reduced.
- 2) Regarding affordability we are concerned that a narrow focus on PSO levy costs misses the overall impact on consumers, citizens and society. Indeed Cambridge Associates flag this (5.3, p77) advising a more whole system approach to looking at costs.  
The auction should seek to attract low cost of capital and enhance competition – these will be key to ensuring the affordability of electricity from Renewable Energy Sources (RES-e).
- 3) Diversification no longer appears as a key priority which is of concern for system security and overall competition.

**Auction design – size matters. Irish Government needs to be mindful that it is working with a relatively small electricity market compared to many other EU Member States<sup>2</sup>. This must be a key consideration in design and will be a determining factor in the outcomes of an auction based approach for Ireland. It is more challenging to create liquid competition in a relatively small market. We address this fully in Q10, but we are very concerned that on top of the 'natural restriction' that Ireland has a relatively low demand base<sup>2</sup>, Government are further limiting the opportunity by setting an**

unambitious and very low RES-e ambition of 40% for 2030, only equating to an additional 2.5GW. Contrary to your consultant's view, this low RES-e ambition will cost the consumer more, risk security of supply and undermine the wider vision of reducing GHG emissions by 80-95% by 2050<sup>3</sup>. Merely keeping to Ireland's 2020 RES-e target level for 2030 will fail to sustain the existing Irish renewable energy industry let alone lead to industrial growth. Low ambition now back ends the decarbonisation requirements increasing costs of addressing climate change and increases the costs of dealing with its impacts for future generations.

**We are very hopeful that the RES-e 2030 target figure will be revised significantly upwards by Irish Government.** In addition to the points above, 40% RES-e will not meet the European Union's expectations of Member States under the new (draft) Renewable Energy Directive II (REDII) which covers the period 2020-2030. With the momentum for climate change mitigation spurred by the COP21 Paris Agreement we anticipate that the 27% EU level target may indeed be enhanced in the near future for the final version of the REDII.

**Exempt small scale developments should be defined as 'sub-100kW' / as per the EU definition.** The exemption for small scale renewables to be outside of the auction based bidding scheme makes sense- both in terms of capabilities of small scale project owners and administrative costs. innogy have called for the EU Clean Energy Package (500kW) threshold for 'small scale renewables' to be revised to 100kW. We call on the RESS to follow suit and also ensure that all developments that are greater than 100kW are allocated support as part of the competitive bidding scheme. Any RES-e projects above 100kW are likely to be commercial- non- domestic, a 500kW threshold is too high.

**Finally, considering that this may have been intended to be a final consultation on the RESS we are concerned about the lack of detail on the auction design and RESS contract terms. We would welcome the opportunity to review these as soon as possible. We therefore call for a further consultation to be issued swiftly.**

1) DCENR (2015) The Energy White Paper 'Ireland's Transition to a Low Carbon Energy Future'

2) Various – national EU TSO generation adequacy reports demonstrate the relative size of Ireland's Demand is small.

A summary of gross energy by EU MS: [http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Gross\\_inland\\_consumption\\_of\\_energy,\\_1990-2015\\_\(million\\_tonnes\\_of\\_oil\\_equivalent\)\\_YB17.png](http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Gross_inland_consumption_of_energy,_1990-2015_(million_tonnes_of_oil_equivalent)_YB17.png)

3) The 2050 target is referenced in your consultation document as was originally set out in The Energy White Paper.

**Q1b. Do respondents agree with the use of Uniform-Price cost of support for RES-E projects in the main RESS capacity auctions, as a mechanism to keep costs to the consumer to a minimum?**

The choice between 'pay as cleared' and 'pay as bid' clearing of the auction needs to be considered in the context of the overall RESS structure design.

**Pay as cleared auctions are associated with lower risk of irrational bidding and subsequent 'winner's curse' and non-delivery.** Pay as cleared should drive market participants to bid at cost price. In contrast a pay as bid model is thought to drive higher bids and higher clearing prices<sup>3</sup>. **They are a more certain way of ensuring that the Government's carbon reduction/ renewable energy objectives are met.** This is especially important if multiple delivery years are up for stake with each auction (as the further out

bids are for, the greater the uncertainties around costs and revenues and thus the greater the risk of winners curse and non-delivery).

**We recommend consideration of Descending Clock- Pay as cleared auction model for its ability to reveal prices, transparency and ability to accelerate industry learning.**

Please note- while we support a 'pay as cleared' approach to determining the tariff- we disagree that this must equate to a 'uniform price'. Indeed to keep the costs to the consumer to a minimum, Government needs to consider how the risk of excessive rents can be mitigated. A uniform price will either restrict technology diversity which can raise costs, or risk excessive rents (i.e. where one type of technology uplifts the strike price for another with a lower LCOE). If bill payer's interests are to be served then running a single Principal Technology auction model as proposed is risky and indeed is incompatible with a purist uniform price policy. We discuss numerous administrative tools that are available to help with this but warn that their use will increase the administrator's burden (please see Q4a).

**Fostering a diverse renewables mix in non-discriminatory auctions should be a goal to bring optimal whole system value to the consumer.**

**Fostering innovation and technology diversity will increase competition amongst renewable technologies in the long run and will be of benefit to future consumers. Having a diverse renewable energy portfolio is also in the interest of Irish consumers from a security of supply and a system balancing cost perspective.**

We set out our position fully under Q4 but our preferred solution is for two auction pots to run (small scale projects vs large scale projects), both on a pay as cleared basis. In our view LCOE amongst such projects may overlap from one technology to the next (appropriate economic analysis on this may be advisable). Therefore you may expect a single strike price/ uniform price per auction to work.

4)Brattle Group (2017) Uniform Price vs. Differentiated Payment Auctions - A Discussion of Advantages and Disadvantages  
[http://www.google.co.uk/url?sa=t&rct=j&q=&esrc=s&source=web&cd=5&cad=rja&uact=8&ved=0ahUKewjrvJ7ZubTXAhVGPRoKHHTADxsQFghBMAQ&url=http%3A%2F%2Fwww.ieso.ca%2F-%2Fmedia%2Ffiles%2Fieso%2Fdocument-library%2Fengage%2Fica%2Fica-20170615-brattle-uniform-price-auctions.pdf%3Fia%3Den&usq=AOvVaw0hco3HAZ\\_ZAr1Abg7JEBoF](http://www.google.co.uk/url?sa=t&rct=j&q=&esrc=s&source=web&cd=5&cad=rja&uact=8&ved=0ahUKewjrvJ7ZubTXAhVGPRoKHHTADxsQFghBMAQ&url=http%3A%2F%2Fwww.ieso.ca%2F-%2Fmedia%2Ffiles%2Fieso%2Fdocument-library%2Fengage%2Fica%2Fica-20170615-brattle-uniform-price-auctions.pdf%3Fia%3Den&usq=AOvVaw0hco3HAZ_ZAr1Abg7JEBoF)

**Q2. The analysis suggest that a Floating Feed in Premium (FIP) is the primary financial support mechanism for the main RESS, as evidence indicates this is the most cost effective approach. Do you agree with this proposal versus the other mechanisms identified?**

**We support the overall proposal that the RESS is to be a FIP. In our experience of international markets, FIP have been successful for Governments seeking to balance the financial risks of renewable investment faced by both consumers and renewable energy developers.**

**RESS and system integration: In order to ensure that the cost to consumers is minimised, it is important to consider system integration costs when designing the support mechanism. In order to incentivise renewable developers to design projects to support the system needs and take on balancing responsibilities, it is essential that renewable generators can gain a clear upside from providing ancillary services. We ask that the DS3 revenue is additional revenue above the strike price that is earned by those generators that support the system. This policy would be cost efficient from the auctioneer's**

perspective: reducing the costs of the auction; and would also be cost efficient from an overall electricity market cost perspective: by reducing system integration costs.

**There are positive lessons to be learnt from the REFIT for RESS design, in addition to DS3 - CM arrangements and supplier lite PPA arrangements are effective and efficient in their design.**

**Q3. What are respondents views on a proposed price cap (maximum €/MWh) within the uniform price proposal? What alternative approach would you propose and why?**

**There should also be a carefully developed administratively set €/MWh ceiling for the Strike Price for each auction round so as to ensure Government has budgetary control and to minimise costs to the consumer. We caution that setting this needs to be done carefully, as if the administrative ceiling is set too low then this will deter interest and thwart competition. Ultimately it will deter investment in new renewable energy projects and this in turn will lead to failure on Ireland's decarbonisation goals. It is evident from other country case studies that liquid auctions ensure that consumers still benefit from cost reductions below the administered price. For example in the UK, the 2017 administrative strike was set at £105 (for delivery year 2021/22), however the resultant clearing prices from a competitive liquid auction was £57/MW.**

In addition -

**There must be a community project carve out price cap (maximum €/MWh).**

If any carve outs are proposed, such as the community project minima carve out, these must also be complemented by €/MWh ceiling/cap. This is important to limit the costs to consumers.

Please note we do not agree with Principal Category technology neutral auction but if the final decision lands on this, the rules could establish that certain technologies cannot 'uplift' the payments for other technologies (there is precedent for this in other floating FIP design – e.g.UK). Note that different clearing prices may therefore emerge for different technologies.

**Q4a. Do you agree with the Principal Category approach? What alternatives would you propose to this approach and why?**

**No- we are concerned that the Principal Category approach is not actually technology neutral because its delivery is likely to unintentionally discriminate against technologies that are built as larger scale projects.**

**Given the limited volume of RES-e that DCCAIE seeks for 2030 (40%, modelled by Cambridge Associates as 2.5GW equivalent) holding Principal Category auctions from 2018/19, every two years with equal volume procured in each round would for example preclude offshore wind projects which are large in scale by default from entering the competition. With the recently observed significant falls in the LCOE of offshore wind<sup>5</sup> this could end up unintentionally adding to consumer costs, directly by preventing offshore wind being built, and indirectly by limiting competition between technologies.**

To avoid this outcome it is essential that DCCAE:

- **Substantially increase the RES-e ambition, providing a clear signal for projects to make investments to qualify and then enter competition.**

There are several policy tool options DCCAE should also consider to ensure technology diversity:

- Use of technology minima- for example an offshore wind minima could be carved out in any round.  
Administrative price caps would be needed to complement a carve-out.
- Use of technology maxima- leaving volume for other technology projects. Administrative price caps would be needed to complement a carve-out.
- Uplift Rules:  
The rules can establish that certain technologies cannot 'uplift' the payments for other technologies (there is precedent for this in other floating FIP designs). E.g. wave and tidal generation cannot set the strike price for solar PV.
- Bonus payments on top of the strike price – that encourage particular qualities desired by the auctioneer/Government

**Our preferred option though is:**

- **Running two sets of auctions – both technology neutral with the distinguishing feature between 'pots' being project capacity that can enter.**

We explore this last proposal in detail below as it suggests a more innovative approach:

**The viability gaps between different renewable generation technologies are not the only factor that the design of the auction should consider. A key distinguishing factor is the scale of the projects (rather than the technologies used per se).**

**Larger scale projects face higher absolute costs and risks (e.g. for land rights, planning, grid) both before being ready to enter an auction and in the delivery phase.** Larger projects also face potentially longer construction and connection timescales when compared to smaller projects. The stakes are therefore higher for large projects at the point of entering the auction. Furthermore a larger project has a higher risk of not fitting within the auction volumes.

This is detrimental from an macroeconomic perspective since the large scale projects have the potential to lower overall cost to consumers due to economies of scale – either already today (like onshore wind) or at least prospectively in a couple of years' time (like offshore wind). Therefore auction designs which inhibit these cost savings should be avoided.

Therefore, the auction design needs to ensure that:

- i) On one hand large projects do not use up the entirety of budget in an auction to the detriment of smaller projects; and
- ii) On the other hand the larger absolute costs are not subject to higher "allocation risk" which may come with a constrained volume of support available

The fundamental design of the auction framework and mechanism for running auctions can have a significant impact on the risk profile of a project. For example, setting auctions that are high frequency, low volume with uniform set of milestone delivery dates set based on historical data (from smaller scale projects) would inadvertently discriminate against large scale developments. As such it could rule out particular technologies such as offshore wind from competing.

We take on board the wisdom of auction design scholars and agree that : “Discrimination should only be used if it can be objectively defined. “Any discrimination can only be successfully implemented if bidders have qualitative differences which can be objectively distinguished” (Myerson, 1981)<sup>6</sup>.

**DCCAE should review and decide on the best threshold. We suggest that an objective definition of a large scale renewable energy generation project is already set by An Bord Pleanála – distinguishing large Strategic Infrastructure Development projects from small developments.** Thus we would recommend that anything over 50 MW (or 25 turbines for wind projects) is considered a ‘large scale development’ for the auctions. Studying the Irish market suggests to us that there would be competition for RESS support either side of this threshold<sup>7</sup>.

To ensure there is strong, technology neutral competition between projects we recommend:

**Smaller scale projects are procured via a set of competitive auctions.**

**These auctions are run as relatively smaller volumes but more frequently** (minimum once every two years). There should be a relatively short gap between the auction procurement and first applicable delivery year as it typically takes a shorter time to construct and energize smaller scale projects. With each auction round projects should be able to opt between two delivery years. There should be inter-year competition for budget allocation to drive down costs. The first auction should be run as soon as possible to create a route to market post REFIT closure.

**Larger scale projects are to be procured via a different set of competitive auctions.**

**Larger project auctions are run less frequently- allowing for greater volumes to be allocated to each round.** Given the longer delivery time scales the first applicable delivery year is further out than for small scale projects and offered over a wider range of years i.e. three delivery year options. There should be inter-year competition for budget allocation to drive down costs. The first auction should be held 2020 to ensure sufficient numbers of projects are ready to create competition in the category.

This auction model would:

- be technology neutral
- ensure both that there is room for large scale projects – and prevent swamping out of small scale projects
- would create healthy competition between different technologies while limiting the risk of excessive rents
- bring down costs as investor certainty would be improved in light of having more appropriate auction cycles for projects of all sizes. In turn this will reduce risk premia, attract more projects to compete and bring cost reduction to the consumer.
- have a lower burden for the administrator compared to using the other policy tools discussed.

5) IEA RETD TCP (2017) Comparative Analysis of International Offshore Wind Energy Development

6) Myerson, (1981)

7) See historical project size indicators here: <http://www.elrgriidgroup.com/customer-and-industry/general-customer-information/connected-and-contracted-generators/>

**Q4b. Would you support separate technology specific auctions for emerging technologies, at a greater cost to the PSO, and if so what percentage of the overall scheme capacity (MWh) would you allocate to this category?**

As established under Q4a. innogy do not support a Principal Category auction model. We have suggested policy tools (under 4a) to ensure that technology diversity is fostered while limiting administrative discrimination between technologies.

In terms of distinguishing between technologies based on their maturity, this will be challenging in terms of categorising technologies and would have a high administrative burden with re-evaluations being needed in advance of each auction. As explained in Q4a our suggestion is a technology neutral design, creating competition between projects according to project size. This technology neutral approach can deliver competition and better value to consumers in terms of whole system costs of decarbonisation.

Question of clarification- what do DCCAE define as emerging technologies? Your background report establishes three different categories for RES maturity: mature, established and emerging (analysis based on Redpoint (2010)<sup>8</sup>). Yet the consultation paper talks about a potential pot for 'nascent/emerging technologies'- for clarity what technologies would you consider mature vs nascent vs emerging in your first auction? It is difficult to consider these questions where definitions are not crystal clear. If there is any differential treatment it is essential that DCCAE provides objective criteria for grouping projects.

8) Cambridge Associates (2017) analysis based on Redpoint (2010)

**Q5. Separate to the Principal Category RESS, a dedicated Community Category volume of renewable capacity (MWh) allocated for community-led renewable projects is envisaged in the preferred approach. The initial proposal is that between 10-20% of the total capacity (of new MWhs) of each auction is ring-fenced for community-led projects.**

**Do you agree with this proposal? What changes would you propose to this proposal including reference to the viable level of ambition for community-led projects?**

The proposal for a Community Category introduces discrimination based on ownership structure. If this policy is to be retained then we advise that alongside setting the minima, a separate EUR/MWh cap is applied to community-led projects to ensure budget control and to limit the costs to the consumer.

Ring fencing auction volumes for community led projects will increase the overall costs of the RESS and decarbonisation. We ask that Government is open and upfront about this as otherwise rather than fostering public appetite for renewables, the policy could backfire.

Stakeholders would like to see the rationale behind the exact % that is ring-fenced. It is important that Government has a clear insight into community appetite for this type of investment so that the policy can be a success.

**Any residual scheme capacity – resulting from a lack of take up should be reallocated to the 'developer led' projects that were competing in the same round. The proposals suggest that any**

unused budget is then reallocated in a later auction (again to community projects). We oppose this approach – it risks Ireland’s climate objectives being missed through lower than anticipated delivery of ‘community led’ projects.

We want to raise awareness that defining community led projects properly is vital. The experience of the 2017 German auction and community ‘energy cooperative projects’ demonstrates how preferential treatment of projects based on ownership structure can be abused and lead to unintended consequences.

Lower barriers to entry and privileged rules in Germany meant that so called energy cooperatives won the vast majority of support in recent auction rounds. While on the face of it this seemed to meet policy objectives - each of the two rounds was actually dominated by one or two commercial developers organising energy cooperative bids rather than true independent cooperatives. This dominance of energy cooperative projects that have lower chances of fruition than projects with full planning and grid brings high uncertainty to order books of suppliers. The German government has reacted with a revision of citizens’ wind projects privileges.

**Q6. Do you agree with the proposal to further develop opportunities for micro-generation, outside of the main RESS?**

**Respondents are asked for their views on how best to support micro-generation.**

No comment

**Q7. Do you agree with capping the amount of support received by each RES-E project that clears in a RES-E auction? What changes would you make to the proposal to set this cap by the level of support (€/MWh) determined in the auction and the cleared volume of the project (MWh).**

**It is not clear in the Consultation what the DCCAE’s overall budget control proposal is. We would ask that the next consultation sets this out very clearly to all stakeholders as it is a very important question. How does the overall capping mechanism and project based measures come together and interact? How does the operation of a capping mechanism interact with I-SEM?**

For each auction round a MWh budget control is sensible- greater control of deployment rate, less supply chain stress. Alternatively a monetary budget allocation per auction round may be considered by DCCAE.

**If the proposal is that a MWh budget is set for each auction round, then the appropriate complementary policy is to also set a cap on the cleared volume of the project (MWh). This must be a lifetime cap per project. (A useful example of this in practice is the French support scheme). The alternative of setting annual cap per project is extremely complicated and has high administrative costs – this is demonstrated by the experience in the Netherlands where Government has had to establish a very complex set of rules to accompany this policy.**

**If there is any form of individual project budget cap for RESS support it is essential that DCCAE confirms that the project can still participate as a merchant plant once its RESS budget is exhausted.**

**Q8. Do respondents agree with the proposal to hold periodic auctions e.g. every two years, over the course of the lifetime of the scheme, to take advantage to falling costs and reduce the impact on the electricity consumer?**

**What changes if any would you make to this proposal?**

The question of how often auctions should be held is heavily dependent on the total volume of RES-e that Irish Government wants to see deployed by 2030. The current position only seeks 40% RES-e, equating to 2.5GW total capacity in your modelling. We are concerned that the auction volumes that would result from a biannual auction would actually be discriminatory. If Irish Government seeks a truly technology neutral auction design then the volume procured per round must not exclude larger scale projects/ technologies.

Ultimately the key is that Ireland's 2030 RES-e target must be increased. Otherwise interest in investing in new renewable energy projects will disappear. This will be to the detriment of the established Irish supply chain businesses, the wider economy and jobs; as well as preventing the realisation of Ireland's energy policy objectives.

**Larger volume auctions will enable improved technology diversity, inter-technology competition and the larger 'prizes' will also attract a wider diversity of investors to compete in the Irish market. Increased competition will yield cost reduction for the electricity consumer.**

Recommended principles for auction mechanics:

Allocation round sizes must be defined by Government with due consideration of how to ensure:

- certain technologies are not prohibited inadvertently because of the volume procured per round
- that there is sufficient competition between eligible candidates in each round,
- that there is a steady stream of opportunities across the decade for developers to keep investing in early stage development (i.e. to prevent a drop off of future competition once REFIT-era projects run out)

The auction rounds should not be equal sized procurement volumes but designed strategically in order to bring forward competition and technology diversity. We recommend that there are more frequent lower volume auctions for smaller scale projects (capacity <50MW) and less frequent larger volume auctions for (capacity ≥50MW) scale projects.

The time gap between auctions should be set so as to ensure

- Auctions are frequent enough to prevent irrational 'throw of the dice' bidding. This is where projects are confined to only having a single chance at bidding in (i.e. because their consent runs out). In such a scenario, desperate to secure a contract the market participant may make their bid lower than what is needed to recover the project costs.
- Balanced with the need to ensure there is sufficient volume/ chance for competition in each round.

We ask that each auction round creates competition for multiple delivery years.

Note, our expectation is that falling technology costs will primarily be driven by technology developments in global markets rather than learning rates between auction rounds in Ireland. This concurs with the conclusions of the Cambridge Associates Report.<sup>9</sup>

**Longer term visibility of upcoming auction dates and volumes is critical for a sustained investment pipeline for Irish renewables.**

Industry and the supply chain need foresight of the auction pipeline as far in advance as possible. The Clean Energy Package draft proposal is that investors are given a 3 year view of **bidding timetables- ideally industry and supply chains should have transparency 5 years ahead.** Boom and bust cycles for the supply chain and industry could thereby be limited.

**There are numerous open questions around the mechanics of the auctions from an investor's perspective:**

- Who will be the auction administrator?
- Who will the counterparty to the FIP be?
- Will selection of winners be on price only?
- The consultation does not set a contract length. 15 year contracts minimum<sup>10</sup> needed- 20 years would be ideal. The longer the contract duration the more certainty projects have on their returns and the lower the risk premia that they have to include in their bids. Therefore a higher contract duration on offer could result in lower strike price.
- Strike price indexation- to protect investors from inflation rate fluctuation.  
Will the Strike price be indexed against? Irish developers are used to CPI indexation under REFIT and we call for this to be continued under the RESS.  
Indexation helps to insulate the RES generator from future fluctuations in inflation rates.
- RESS contract holders should be benchmarked against a certain Reference Market Price. Cambridge Associates recommend that the averaging period of at least a day be used in the Reference Market Price. In our view the reference price that most accurately reflects the market price achievable by intermittent generators is preferable e.g. as per UK, greater granularity down to the hourly price level at a day ahead stage reduces risk of Wind Market Value Factor or profile costs. Exposure to remaining market risks would therefore relate to intraday trading, imbalance and basis risk. Daily average or monthly averages may penalise intermittent generation unless compensation for profile costs could be included in top-up.

Considering that this is intended to be a final consultation on the RESS we are concerned about the lack of detail **we would welcome the opportunity to review answers to the above as soon as possible. We believe a further consultation on this is required.**

9) Cambridge Associates (2017) p76 "trends in technology cost reductions are primarily driven by global technology development"

10) Cambridge Associates (2017) - We note this is the subsidy-life assumed (p61).

**Q9. Do you agree that planning approval, grid connection, bid bonds/penalties and community participation criteria should be met before projects can apply for support under the new RESS? What other pre-qualification criteria would you like to see introduced?**

**Some participation criteria are essential to bring confidence that successful bidders will deliver. We recommend:**

- Final Grant of Planning Approval
- Additionally need bid bonds to ensure those who secure contracts are intent on delivery (via PCGs, Letter of Credit, Securities).
- Additionally need Commissioning deadlines and windows are needed to ensure timely delivery

**There is special consideration needed around 'grid connection' related requirements in Ireland.**

In general DCCAE needs to have special consideration of the 'gated connection process' when it comes to the design of the RESS. This clustered grid development strategy is a unique feature of Ireland- and therefore will not lend itself to off the shelf solutions learned from other countries. (e.g. what are the implications of different projects in a cluster bidding for different delivery years- or the implications of only 30% of projects in a cluster securing a RESS contract?).

**The current consultation on the enduring grid connection policy should reflect on RESS design and come up with a compatible solution. We will be responding to CRU directly with this consideration in mind.**

**Q10. DCCAE welcome the respondents' views on the PSO levy supporting a baseline 40% RES-E. Do you think the PSO should support higher levels of ambition?**

**Firstly, the level of RES-e ambition must absolutely be raised from coasting on the 2020 target level of 40% of national demand. While this may increase PSO costs- it is the overall costs to the consumer that DCCAE needs to focus on. It is erroneous to focus on the PSO levy if the objective is to ensure the most cost effective transition for bill payers and society overall. For example only reporting on the funding gap and PSO overlooks:**

- What are the benefits of suppressing wholesale prices from zero-fuel cost renewables?
- What are the fuel costs of retaining 60% share of fossil fuelled generation?
- What are the carbon costs of retaining 60% share of fossil fuelled generation?
- What are the climate impacts if all EU member states baselined at the 2020 target minimum- what are the impacts for Ireland? (We understand this is a challenging subject given the global nature of climate change and mitigation efforts).
- What is the rate of fossil fuel plant decommissioning over the 2020-30 period due to age of assets, efficiency or pollution issues? What is then the cost of replacing these with new build fossil fuelled generators rather than renewable capacity? (EIRGRID generation adequacy report- may provide a starting point for estimates alongside BordnaMona's commitment to be peat free by 2030).

Secondly, we have evidence from IWEA that the assumptions and methodology used by Cambridge Associates to calculate the cost impacts of different RES-e target scenarios is flawed. The errors in the method lead to PSO costs of high RES-e scenarios (as well as the base) case being overestimated<sup>12</sup>.

11) Baringa and Mullan Grid reports commissioned by IWEA (2017)

**Q11. Do respondents agree with this approach?**

**What are respondents' views on an alternative approach whereby renewable energy CHP plants receive support from the RESS or the proposed RHI but not both, and that the project promoter should decide which support scheme best suits the proposed development.**

We oppose the core proposal but support the 'alternative approach' whereby renewable energy CHP plants receive support from the RESS or the proposed RHI but not both, and that the project promoter should decide which support scheme best suits the proposed development.

We appreciate the dual role that renewable projects with thermal output can have in terms of decarbonisation. However, we have a concern that if they were eligible for both this would inadvertently bias renewable CHP plant in RESS auctions. Measures need to be proposed and consulted on to ensure that there is a level playing field for all technologies to secure RESS support for electricity generation.

Additionally, of course it must be ensured that overcompensation for renewable CHP plant is prevented.

SECTION II: RESS & COMMUNITIES

**Q12a. What should the minimum size of project be, below which a community investment offer does not need to be made (e.g. 100kW, 500kW, 1MW)?**

**We recommend that those projects that are not participating in the floating Premium should be exempt from having to make a community investment offer.**

We assume that 'community led projects' will meet this requirement by default as they will be >51% community owned.

For 'developer led projects', the threshold for the FIP auction participation and the community investment offer should be matched so that all auction competitors face the same entry requirements and that they therefore compete on a level playing field.

**Q12b. What minimum share should be offered to the community for investment (e.g. 20%) and should there be a maximum amount any one individual can purchase?**

innogy has some experience developing projects which will offer communities the opportunity to invest. We welcome the intent of the policy to involve and engage communities in renewable energy projects and have some insights to share based on our understanding of community investment offerings.

**Firstly, we strongly welcome that developers are left with a high degree of flexibility in terms of how they offer community investment.** This allows developers the freedom to innovate and to tailor their offering to the unique communities that they are working with. We support the inclusion of shared revenue and "loan note" models, which give commercial developers the option to deliver a model where community investors can be involved and engaged and updated with regard to projects details and progress but do not have voting rights on a project board.

**However, we caution the DCCAE to make further consideration regarding the cost implications of offering as much as 20% of projects for investment, this would increase overall cost of the RESS, which could have a negative impact on public opinion. For developers there are upfront costs associated with designing and promoting an investment offer. It must be noted that community finance is more expensive than other forms of project finance. The DCCAE's design of the RESS support also needs to ensure that those projects that gain higher shares of community investment are then not unintentionally disadvantaged. Otherwise the policy could have perverse outcomes (i.e. rewarding projects with a poor offering).**

The intention of the policy is to enhance public perception of and engagement with renewables but the policy could inadvertently have the opposite effect. **An ambitious target should be established more empirically, based on a grass roots study of what the level of appetite for community investment into renewables projects in Ireland might actually be.**

Our experience developing projects which offer opportunities for community investment in other EU countries is that it is very challenging to get this level of buy in from communities. Major barriers have been that number of individuals within the windfarm community is limited, the financial means of individuals, competition in terms of what else individuals may prefer to invest in.

To set the threshold the scale of the financial investment that goes into projects needs to be carefully considered by the Department – in particular we are interested in how the same expectation can work for an offshore wind scale project and a kW scale project. .

For offshore wind, the Department needs to consider community investment threshold with care given the magnitude of difference in the scale of these projects compared to other renewable technologies in terms of land area, capacity, and monetary investment. We would suggest that a single digit figure is proposed or that there is a minimum monetary threshold for the community offering. This is important for managing expectations in terms of how to later measure the success of the policy.

**The generic 20% minimum investment offering is very high and is likely to set unrealistic expectations on what take-up is likely – we would rather that the policy is not set up to fail. For reference, in Denmark the uptake of the community investment offers is around 5-6%<sup>12</sup>. We understand that the DCCAE's proposal is that to qualify for auction participation the project only has to demonstrate that it has made the offering, rather than needing to demonstrate uptake. However, while this is welcome, there is no point in setting the minimum level if it is an unrealistic goal. It would reflect unfairly on projects if uptake is far off the 20% mark.**

**Transparency needed on consumer bill impacts of community investment offers:** Again, while we are supportive of the principles of the policy- the Department needs to be clear on the fact that this again adds to the cost of the RESS scheme. The Department should be aware that there is actually a high cost to developers in even just designing and promoting a community offer. Individuals may only be attracted by higher rates of return than institutional investors/ developers and this would add to the costs of projects.

**To ensure 'fairness' and social equitability: setting a low entry level for investment offers would be more important to ensure that the opportunity is accessible to all members of the community.** Priority offer uptake should be given for lower level individual investors before any further capacity is made available for higher net worth individual investors. We do not ask for a maximum investment cap on individuals per-se.

12) Reporting back from interview with Danish Wind Energy Association.

**Q12c. What is the appropriate distance from the project for the initial offer (e.g. 5km)? Views are welcome on subsequent offers to DED then neighbouring DEDs etc.**

**Our review of a wide range of community investment models across Europe has indicated that 5km is likely to be a very restrictive distance for any initial offering, and may restrict the level of uptake.** This is because of population density in rural areas and because of financial capacity of individuals. Individuals and / or organisation will need to have both surplus and available capital as well as an appropriate attitude towards risk to invest in any project which will mean only a relatively small proportion from any given geographical area are likely to actively participate. **It may be appropriate to consider a sliding scale for distance, linked to project size, for the initial offering.**

In terms of any subsequent offer we would support including a wider area to increase the likelihood of success for this policy. **In our view, given that consumers across Ireland contribute to the costs of renewable energy (via bills) they should ultimately all have a chance to invest in their clean power via the secondary offer round.** If uptake of these opportunities in local communities is not sufficient then they should be made available nationally. This approach has yielded nation-wide support for renewables projects in other countries - e.g. via the Abundance platform in the UK.

There are some details in design that we would like to have insights into from the Department:

Timing of the offer rounds needs to be clearly specified by the Department. Communities should have the initial offer and the subsequent offer available for a set minimum period for all projects.

There are locations in the country where there are clusters of projects- how will the policy adapt to this situation? Where you have multiple projects in the same area- the same community will be approached by multiple, advertising various offers. Is this desirable?

**Q12d. What are respondents' views on whether additional financial supports are necessary in order to enable mandatory investment opportunities for citizens and communities?**

Regulated crowd funding platforms need to be facilitated in Ireland.

**Q12e. Other comments on the mandatory investment offer requirement are welcome.**

**We are very interested in seeing empirical evidence on the level of appetite in Ireland's communities for investing in local renewable energy projects.** Please can the Department share any research that it has conducted?

**We are interested in the Department’s vision on how exactly community offering will work for the first auction? We are concerned that there is insufficient lead time for this to work – unless the prerequisite is a simple requirement for promoting a yet to be defined offer to local communities.**

While it is unclear from the consultation when the first auction is to be held, we understand from informal statements that the intention is to hold an auction at the end of 2018/ early 2019. We are concerned that this leaves very limited time for launching the institutional support, incentives targeted at communities to empower their participation and indeed for developers to design and engage communities properly on community offering. This timescale is unlikely to work for community and individual investors either i.e. investors are far less likely to make a commitment to a project before it has been successful in an auction, overall this could result in less people becoming involved in a scheme and overall reduced success of the policy intentions. Not every project that participates in the auction will be successful, meaning significant resource could be wasted on investment offers that do not progress and risk leaving those who made commitments at an early stage disengaged when the opportunity does not progress. **Therefore, to prequalify a project should not be required to demonstrate that the investment offer process has concluded.**

**The prequalification checklist for the regulator should be about setting minimum effort criteria for promoting upcoming investment opportunity.**

**Demonstrating an investment platform agreement could also be a prequalification criterion– with demonstration of the offer being made set as a delivery milestone.**

We suggest that as a prerequisite to auction entry the community participation criteria focuses on projects being able to demonstrate that they have entered into an agreement with an appropriate platform provider to make a meaningful investment offer available to the community.

**Q13a. Do you agree with the emerging proposal that a Floating FIP is made available for smaller community projects?**

Projects above 100kW should all compete for the FIP- the proposal already includes a carve out for community led projects in general. This appears to be a carve out-within the carve out. This proposal is not justified.

**Q13b. What should the minimum size project be below which the FIP will not be available?**

Projects below 100kW should not have to participate in the FIP – as per question 1.

**Q14a. Do you agree with the emerging proposal to support community-led projects with grants and soft loans through various stages of a projects development?**

No comment.

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**Q14b. What size of loans for development and construction would you consider to be appropriate to support?**

**Any other comments on the proposed use of grants and soft loans?**

No comment.

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**Q15. In respect of Grid Access, DCCAE and SEAI are keen to receive feedback on the policy proposal to facilitate grid access for community-led renewable electricity projects.**

**We oppose the proposal for community-led projects to have easier grid access, this is undue discrimination based on ownership structure.** Grid access policy should be non-discriminatory and applied in the same way across all potential connectees.

We will be responding separately to the Enduring Grid Connection policy is released by CRU. The RESS policy is highly contingent on a workable, fair grid access policy.

Please see Q9 for our detailed feedback regarding grid policy.

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**Q16. DCCAE and SEAI welcome feedback on the role of the proposed Trusted Intermediary.**

The proposed role for this organisation is very broad, both checking community offering and offering support for communities.

**We do not support the Trusted Intermediary to have a dual role in terms of facilitating increased community ownership (as above) and also certifying if community related prequalification criteria have been met. To us it would be more logical that policing auction eligibility criteria should sit with the Auctioneer or contracting counterparty.**

It is unclear from the consultation if there is an intention to contract this role to existing organisation. If a new organisation is to be set up the timescale to set up, build an experienced team and build trust with communities is likely to mean that it may be challenging to meet first auction timelines.

**Commercial confidentiality code needed.** In terms of developer led projects due consideration will need to be given what information will need to be shared by developers with communities, The Trusted Intermediary and Trusted Advisors without conflicting with the commercial confidentiality of information such a company financial models and company hurdle rates.

In respect of the community benefits register we recommend a very simple approach is taken which increases the likelihood of participation from developers and communities. Wide scale participation in this type of initiative is required to successfully demonstrate the aggregated positive impact of community funds.

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**Whilst we would support the Trusted Advisory having a role advising communities in respect of community benefits and potentially offering administration services we would caution against them being mandated as the administrator of these funds on behalf of communities.** In our experience it is really important to allow communities and developers to work together to identify solutions to delivering community benefits that meet the needs of individual communities – in most instances imposing very rigid delivery policies is not received well by communities and can restrict the inherent flexibility of these funds.

There will be a cost associated with both introducing the Trusted Intermediary and the network of expert Trusted Advisors, is the intention for this to be central tax payer funded? We see this as the best way of funding such a body.

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**Q17. DCCAE and SEAI welcome feedback on the proposed Framework for Trusted Advisors.**

We would appreciate clarification on the expected role of the trusted advisors in community led projects vs. developer led projects, given their separate definitions and structures.

It would also be helpful to have clarity about how communities would access and fund this support – e.g. in the Scottish Model – initial support is available from the centrally funded Local Energy Scotland (similar role to Trusted Intermediary), groups can then look to apply for a centrally funded development grant that is used to fund further specialist advice (e.g. legal, financial, project management), communities are supported by Local Energy Scotland to tender for this independent advice from a network of preferred suppliers in the private sector.

**Given the number of projects in Ireland we caution regarding the administrative burden and volume of work that may emerge with this set-up.** Before its decision DCCAE should identify if and where there is capacity of providing this expert advice in Ireland. Will this be ready in time for the first auction?

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**Q18a. Do you agree with the proposal that community benefit payment be based on best practice principles?**

**We suggest mandating a community benefit level for all RESS supported projects.** Developer led and community led projects alike should make a minimum contribution to their communities. The level of this contribution needs to be established in the context of Ireland's wider RESS policy.

**The delivery of community benefits should be flexible on the other hand.** Best practice guidelines on the form of the delivery are welcome but must not be prescriptive. Projects must be empowered to deliver community benefits in the way that they see fit for their local stakeholders. This will foster innovation and ensure that developers can listen to the needs of individual communities hosting their projects and tailor community benefits to meet those needs.

**Q18b. Do you agree with the proposed €2/MWh level of community benefit?  
Do you have any other comments on the proposed community benefit good practice principles?**

innogy has strong track record in setting up and running community benefit funds across our international portfolio. We support this as a mechanism to share the benefits of our projects with neighbouring communities in an open, fair and transparent way.

**Setting a fixed €X/MWh level of community support is important for ensuring that there is a level playing field in an auction.**

**We are concerned that €2/MWh level of community benefit is very high in the context of an additional mandated community offering. An appropriate benchmark – would be community benefit levels in markets where there are competitive bids. (This is not what Ricardo AEA have used).**

For clarity, it is important for Government to be transparent that this is a cost that will be taken from the PSO. Stakeholders need to appreciate that all this will be cost that to the RESS budget and overall bill costs. Being upfront is important to avoid any later surprises.

**Community benefit should be mandated for all RESS supported projects – including community led projects as not everyone in a community will be able to take on direct investment. Without this there would be a double exclusion for non-direct investors from benefiting from a project. On top of being unequitable – this could lead to community divisions.**

To ensure that there is no distortion to the wider electricity market we call for all new generators (including fossil fuelled) to have to commit to a fixed level of community benefit.

Finally the fixed €X/MWh level of community support should be periodically reviewed to ensure that the value set remains appropriate. Any changes to it should apply in a forward looking fashion.

**Q19. What are your views on the definition of ‘community renewable electricity projects’, ‘community-led community projects’ and ‘developer-led community projects’?**

The definition of all these terms is missing from the consultation. The latter two are defined as:

Community-led project: a renewable energy project, where community investors have over 50% equity stake in the project. This includes projects that are 100% community owned.

Developer-led community project: a renewable energy project, where community investors have less than 50% equity stake in the project.

**Two definitions is all that is needed to distinguish:**

**‘community-led community projects’ where community investors have over 50% equity stake in the project; and**

**‘developer-led projects’ where a commercial developer has over 50% equity stake.**

The definition is extremely important if you introduce ring-fencing for community led projects. Otherwise there is high risk of gaming.

**Q20. What are your views on proposing additional financial measures to enable citizens to invest in projects (e.g. tax incentives, green bonds etc.).**

**Any initiatives to enable citizens to invest in renewable projects are very welcome.**

We support the Employment Investment Incentive but would encourage that this is reviewed and made more accessible for it to have any success in significantly increasing the volume of investors in renewable projects. The current minimum investment in practice, of 5,000 euros, is too high to target a very wide market of investors.

We would also encourage consideration of the crowd funding ISA scheme recently introduced in the UK or other mechanisms which are likely to broaden the market of investors into renewable energy projects beyond high net worth individuals.