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by email

18th February 2022

Re: Offshore Renewable Energy: Maritime Area Consent (MAC) Assessment for Phase One Projects.

Dear MAC Assessment Consultation Team,

Fuinneamh Sceirde Teoranta ("FST") welcome the opportunity to respond to the consultation on Offshore Renewable Energy: Maritime Area Consent (MAC) Assessment for Phase One Projects.

FST, which is a wholly owned subsidiary of Macquarie Group's Green Investment Group (GIG), is developing the Sceirde Rocks offshore wind farm project off the west coast of Galway. Macquarie has invested in over ~50% of the world's largest offshore wind market, the U.K, and GIG is also pioneering offshore wind in markets across Europe and Asia. GIG with its partner Total Energies and RIDG, have recently secured the development rights for the 2GW West of Orkney windfarm project

in the recently concluded Scotwind process run by the Crown Estate Scotland and the Scottish government.

In May 2020, Sceirde Rocks was designated as one of seven 'Relevant Projects' by the Department of Environment Climate and Communications as part of its plans to support the build out of 5,000MW of offshore wind by 2030. A key factor in GIG's decision to invest in the Sceirde Rocks offshore wind farm was the favourable policy environment and ambition for the renewables sector in Ireland, combined with an impressive level of commitment by Government to make the necessary regulatory changes to facilitate the development of an offshore wind sector in Ireland. In addition to this we recognised that the Sceirde Rocks project was the only commercial scale offshore wind project on Ireland's west coast that was capable of being brought into operation this decade.

In relation to the MAC assessment criteria which are the subject of this consultation, FST in general support the Wind Energy Ireland position however we have several key comments and observations.

1. Levy Framework

FST is generally supportive of the Development Levy as proposed but we have concerns that the proposed Development Levy will not go far enough to prevent Phase 1 projects from hoarding seabed. Furthermore, the Operational Levy should be structured to prevent and avoid seabed hoarding.

FST does not consider that the Operational Levy of 2% of Gross Revenue is appropriate for the following reasons:

- I. Offshore Wind projects have yet to be delivered at scale in Irish water and the main route to market for projects is the ORESS auction process. An Operational Levy of 2% of Gross Revenue will distort bid prices submitted to the ORESS 1 auction in a way that favours low energy yield sites that are all concentrated in the Irish sea.
- II. It disproportionately impacts the cost of energy for higher wind speed sites compared to low wind speed sites as high wind speed sites have higher revenues once projects come into operation towards the end of this decade. The Operational Levy does not consider the CAPEX and OPEX costs it might take to realise these higher wind speed sites. All else being equal, higher wind speed sites could have a lower cost of energy than low wind speed sites. However, if the levy is applied as a percentage of revenue, it could have the effect of reversing this situation as the low wind speed sites will have lower foreshore leasing costs.
- III. It is inappropriate that the Operational Levy impacts the auction results in this manner for the first set of offshore projects. Considering the competitive nature of the ORESS we are of the view that the current proposal would put in place an unfair policy bias in favour of lower wind speed sites in the Irish Sea.
- IV. If the Department believes that it is in the public interest that the Operational Levy should influence auction results, then this policy should be in favour of higher capacity factor sites. This is because higher capacity sites bring better system benefits as they sweat the grid system assets more, provide a better spread of energy generation throughout the day which reduces cost, curtailment, constraint and energy balancing. All of these factors will also contribute to improving the security of supply to the state. Thus results in savings for the consumer and the public service obligation levy. Higher energy yield sites also have the effect of displacing a larger volume of CO₂ emissions as they can displace thermal generation being dispatched to the system. This is similar

to the argument put forward by the solar industry during RESS 2 Terms and Conditions consultation on the application of ECFs in the RESS 2 auction. A fact which DECC accepted and recognised in its decision to give solar energy a more favourable ECF in the RESS 2 auction. The Operational Levy as proposed is counterproductive to these goals and established precedents.

- V. While the UK may have set the precedent for setting seabed levies as a percentage of gross revenue this is not a like for like comparison that should be adopted for the emerging Irish market. The initial step of securing a site in the UK involved companies bidding to secure the available seabed (Round 3, Round 4 and ScotWind projects). The resultant market value of that seabed accounts for the percentage revenue approach as a company bidding on the seabed and the relevant square km area would have had to account for this in their bid. No such system is in place in the Irish market so the approach to operational levies should be considered differently.
 - VI. A more transparent approach for the Phase 1 projects would be to charge the operational seabed levy on the MAC area of the project in a similar manner to the Development Levy. This is a fairer approach as it is up to the developer to decide how much seabed it will apply for in its MAC and is more consistent with the asset that is being procured which is an area of seabed rather than a specified number of MW hours of generation capacity. It will also lead to a more efficient use of the foreshore area. This is FSTs preferred approach to the Operational Levy.
 - VII. As mentioned, FST does not believe that the Development Levy is sufficient to stop unnecessary hoarding of seabed. Once a project enters the Operational phase, projects will be able to hoard seabed for 30 years or longer even if they never use it or hoard it for later phases without having to pay annual Operational Levy fees on it. An Operational Levy based on MAC area would mitigate this and be more appropriate. An example of this situation would be if a developer either chooses not to develop their full MAC area or is refused planning permission for part of their site.
 - VIII. It has been suggested in the most recent Offshore Industry Workshop on February 4th 2022 that an Operational Levy as a percentage of revenue protects projects from shock events during a projects life time which could impact a projects revenue. FST suggest this could be managed by projects through the provision of business interruption insurance arrangements that developers commonly procure in the financial close process
 - IX. An alternative but less favourable approach to address the lack of fairness in the approach to the Operational Levy of 2% of revenue would be to cap the Operational Levy at an equivalent level to an offshore wind farm output of a 45% capacity factor which is the assumed capacity factor for offshore wind in the proposed ORESS terms and conditions. This has the disadvantage of not addressing seabed hoarding but is a closer solution to the current Operational Levy proposal.
2. FST notes that it states in the consultation that *“a statement that the coordinates of the MAC application are within the coordinates of the original Foreshore Lease application, and any explanation for differences”* must be provided in the application. FST strongly recommend that a MAC area should be allowed to be different from the original application for a Foreshore Lease.

Some applications for Foreshore Leases were made more than 13 years ago. These applications were based on older technology and at a time when the applicants had less information about the seabed conditions than available today following the Infomar Survey project. Subsequently, other Phase 1 applicants were given the opportunity to define their application areas based on modern technology when they secured relevant project status as they had made a recent grid connection application and not a foreshore lease application. This allowed those applicants pursue an avenue to secure substantially more seabed area to develop an efficient project which maximised the projects grid connection and the projects layout based on the site conditions.

FST believe this consultation provides scope for the department to afford Phase 1 projects the opportunity to make small amendments to the seabed areas considered in their original applications. FST recommends that such amendments should be allowed to account for site seabed conditions in order to allow the development of a more technically efficient wind farm site layout design that is appropriate for sites geological / geomorphological conditions and to maximise the use of a projects available grid connection capacity thus ensuring developers can design and deliver right sized projects for a modern efficient and rapidly transitioning energy system

This is in the best interests of both the consumer and the state as it will allow for the maximum realisation of a projects wind resource, increase CO₂ reductions, lower the cost of energy for the consumer and ensures the state benefits from a resilient transmission system.

3. The MAC application process for a projects grid connection continues to be unclear. FST recommends that projects are allowed propose an indicative cable route corridor or cable route options which can be amended post the award of a MAC. EirGrid have yet to determine the connection methodology for projects and the final route for projects will require seabed surveys to be conducted once the connection method is confirmed. This flexibility will be essential for the efficient development of a projects grid connection.
4. FST recommends that the foreshore area associated with a projects grid connection corridor is not charged a Development or Operational Levy. The final cable route for projects maybe subject to change post the ORESS 1 auction and a project will not be able to account for this change in their ORESS bid submission. It is also worth considering that the final area of seabed used by a projects grid connection would not be substantial and an appropriate seabed corridor required will be difficult to define at this stage of a project's lifecycle. Considering the widely varying length of transmission cables across all Phase 1 projects applying a levy on a projects grid connection may unfairly influence auction results for similar reasons outlined in point 1 above.
5. FST does not agree the Term of the MAC should be limited to 30 years. Offshore wind technology now allows for projects to operate for up 40 years. To maximise the use of the assets to be constructed and to lower the cost of energy for the consumer MACs should at a minimum be awarded for a period of 48 years (allowing up to 8 years for construction to align with the targeted 2030 construction deadline).

In the recently concluded ScotWind process developers will hold an initial 10 year option agreement that can be converted into an agreement for lease for a period of 60 years thus affording projects the opportunity to repower sites in the future. FST recommend a similar period of time is applied in the MAC offer process.

The FST team would welcome the opportunity to discuss any of the items raised in the consultation with the Department should you wish to discuss them further.

Yours sincerely,



(for and on behalf of Fuinneamh Sceirde Teoranta)

