



ORIEL WINDFARM
OFFSHORE RENEWABLE ENERGY

Maritime Area Consent Assessment for Relevant Projects

Consultation Response

16th February 2022

Contents

1. Introduction to the Oriel Wind farm Project	2
2. Summary of key points in our response.....	3
3. Response to consultation questions.....	4
3.1 General comments	4
3.2 MAC Technical Capability Assessment.....	6
3.3 MAC applicants Commitment to the Project.....	7
3.4 MAC Financial Capability Assessment	7
3.5 Levy Framework.....	11
3.6 Application Fees.....	11
3.7 MAC Application Window	12
3.8 Duration of MAC.....	12

1. INTRODUCTION TO THE ORIEL WIND FARM PROJECT

Oriel Windfarm Limited (Oriel) welcomes the opportunity to make a submission to the consultation on the Maritime Area Consent Assessment for Relevant Projects.

The combined experience of Parkwind and ESB in delivering offshore projects and longstanding leadership in Ireland's energy system has enabled the development of the Oriel project to a point where we are confident of our ability to deliver a 375 MW offshore wind farm into operation by 2026, using existing grid infrastructure.

The Oriel project meets the definition of a "Relevant Project" as outlined in the MPDM Proposed Transition Consenting Protocol, published in January 2020. The project is also party to a grid connection agreement with EirGrid. As such, this consultation is particularly important to the further development of the project and our ability to deliver in time to participate in meeting Ireland's climate and renewable energy goals for 2030 and beyond.

Over the past four years we have progressed the project to an advanced stage of development. The work completed to date has enabled us to prepare for a consent application under the new MAP legislation, which has included significant design, environmental assessment, and landowner agreements for onshore infrastructure. We have also completed the necessary engineering design and supply chain engagement in anticipation of an auction opening in Q4 this year.

The Oriel Windfarm is a project that can be realistically delivered within the next 4 to 5 years at a cost-competitive price. The project can produce up to 4% of Ireland's expected energy demand in 2026, based on EirGrid's medium growth scenario, while offsetting over 600,000 tonnes of carbon emissions each year.

The Oriel project has been designed at the appropriate scale to kickstart the commercial offshore wind sector in Ireland. The project's location, design and connection point have been chosen to fit within the constraints of existing grid connection capacity and can connect to the transmission system without the need for any additional grid reinforcements.

With the expectation that the first Offshore MACs will be issued in Q3 this year and that the first Offshore RESS (ORESS) auction will be completed before the end of the year, we can commence construction works onshore in 2024 with offshore construction commencing in 2025 and commercial operation in 2026.

2. SUMMARY OF KEY POINTS IN OUR RESPONSE

We broadly agree with and welcome the assessment criteria outlined in the consultation documents. We have summarised our response to the questions in the consultation in the following key points, we believe the clarifications sought are necessary to ensure the successful assessment of MAC applications, that are needed to enable projects to proceed into the development consent process in a timely manner.

Consultation Response Key Points	
Relevant person	We recommend that where a project special purpose company or consortium structure is the entity deemed to be the "Relevant Person" that a description of the consortium structure and it's supporting entities be required as part of the assessment.
Geographic Area	<p>Clarification is sought on how MAC areas for projects qualifying as a relevant project that have not previously submitted a Foreshore Lease application will be determined. The same rules for allocation of MAC areas should be applied to all the relevant projects.</p> <p>A further clarification is needed on whether a MAC applicant is required to submit coordinates for the area of a cable export corridor or if it is only intended that coordinates of a cable route are provided which can be subject to adjustment.</p>
Surrender of previous leases/licenses	We agree that a foreshore lease should be surrendered as a condition to granting of a MAC but recommend that a foreshore licence for site investigation work can be maintained to facilitate a development consent application.
Technical Assessment Criteria	Technical experience of delivery in offshore wind is necessary for projects of the scale and complexity proposed. The criteria outlined in the guidance documents are an appropriate, clear and transparent mechanism for assessing the capability of 'Relevant Persons' to deliver the first batch of offshore wind projects that are needed to meet 2030 targets, in a cost efficient and professional manner.
Financial Assessment Criteria	<p>The requirement to provide cash cover for a period of 3yrs from the date of application for a MAC is not appropriate. It is possible and likely that a project will have reached the construction phase within three years of receipt of a MAC.</p> <p>We suggest that the following cash cover criteria be applied as an alternative, where financial close is expected within 3 years of MAC award:</p> <ul style="list-style-type: none"> Evidence of cash cover adequate to complete the development phase of the project up to financial close.

	<ul style="list-style-type: none"> Evidence of experience in securing project financing for the construction phase of an offshore wind project.
Levy Framework	A levy framework that is linked to annual revenues is the most suitable method of charging a fee when combined with a tariff auction. A levy of 2% of gross revenue per annum, is an appropriate fee to charge for a MAC during the operational phase.
MAC Duration	We suggest that the MAC duration should be for a period of 55yrs in total. This would allow 10yrs for development and construction, a 40yr operational lifetime and 5 years for decommissioning projects.
Confidentiality	Any commercially sensitive information provided by project companies must be held on a confidential basis.

3. RESPONSE TO CONSULTATION QUESTIONS

3.1 General comments

Pass/Fail vs Weighted approach

We agree with the proposal that the assessment of the relevant projects for MACs should be by way of a pass-fail assessment rather than a competitive or weighted approach. This is consistent with the intention of the transitional protocol published in January 2020, whereby projects that were proceeding through the Foreshore legislation will be transitioned into the new Marine Area Planning Act process.

Relevant Person

A standard project ownership structure for the development, construction and operation of an offshore wind project is to create a special purpose vehicle/project company to which all licenses, consents, contracts, etc. are held. This structure is used to facilitate joint ventures or consortium arrangements whereby the combined expertise, financial strength, and experience of two or more companies are pooled to deliver complex infrastructure projects such as an offshore wind farm. This structure is also key to accessing the most competitive lending rates and is an essential structure used in a "project finance" or non-recourse type funding model. It is therefore likely that the financial and technical capability assessment of these projects will be based on an assessment of the consortium members as supporting entities.

We recommend that where a project special purpose company or consortium structure is the entity deemed to be the "Relevant Person" that a description of the consortium structure be required as part of the assessment.

Surrender of any previous Lease/Licenses

The surrender of any previous Lease is accepted as a necessary step in the transition of the Relevant Projects from the Foreshore Act process into the new Marine Area Planning Act process. Clarification is needed on whether it is expected that current foreshore licenses or licence applications in process would also need to be surrendered. Foreshore licenses will need to be held to undertake site assessment works in advance of a development consent application and auction bid preparation. We therefore suggest that a foreshore lease be surrendered but that a foreshore licence can be maintained to facilitate ongoing site assessment work.

Confidentiality

Any commercially sensitive information provided by project companies must be held on a confidential basis. The sensitivity of the project specific information sought in relation to the sources and uses of funds requires thorough controls to be in place, if this information were to be leaked it would do tremendous damage to the competitive position of projects in an auction and in their ability to negotiate contracts with key suppliers.

Consistency with Offshore Renewable Energy Policy

We agree with the proposed approach that a statement on how a project aligns with Government policy to deliver 2030 targets should be provided. This is necessary to ensure that MACs are only provided to projects that can deliver within the 2030 timeframe and to avoid blockages in the consenting and grid connection system. The information required is suitable, however there must be acknowledgment that the timelines and project details provided in a MAC application will be subject to the processing of development consent applications, judicial review and the completion of the 1st O-RESS auction.

Geographic boundaries of the proposed project

Project Area

The 'Relevant Projects' have been asked to submit an application for a MAC with coordinates that are consistent with their original foreshore lease application area. While this is accepted as part of the transitional protocol measures, we are not clear as to how this will apply where projects have been designated as a Relevant Project based on having had a grid connection offer in December 2019, instead of holding a foreshore lease or having submitted a foreshore lease application.

Allowing a project to choose a location for a MAC in another way would not present a level playing field to projects that are required to remain within the constraints of the foreshore lease area identified at the time of their lease application. It would also provide a significant competitive advantage to projects without this constraint. This could be construed as awarding projects for completing the least amount of

development work under the foreshore act regime. If MAC areas for projects qualifying as a relevant project through the grid connection criteria can be based on another set of principles, this should be applied to all the relevant projects.

Any principle used for the allocation of MAC areas must be consistent and in line with the 1st Offshore Renewable Energy Development Plan and its associated Strategic Environmental Assessment. If that is not managed correctly, consistently and transparently it will undermine the integrity of the transitional measures in the MAP Act and the integrity of the Relevant Projects that are granted a MAC under those measures.

Cable Corridor

A clarification is needed on whether a MAC applicant is required to submit coordinates for the area of a cable export corridor or if it is only intended that coordinates of a cable route are provided which can be subject to adjustment. Also, if a cable envelope is submitted for a wider area, will the development levy fee apply to this area or just to the wind farm project area.

3.2 MAC Technical Capability Assessment

To what extent do you consider that the Guidance sets out a technical capability assessment process that is effective, efficient, and transparent? Are there any specific aspects of the Guidance that you consider require further clarification?

Technical experience of delivery in offshore wind is necessary for projects of the scale and complexity proposed. The criteria outlined are a clear and transparent mechanism for assessing the capability of 'Relevant Persons' to deliver the first batch of offshore wind projects that are needed to meet 2030 targets, in a cost efficient and professional manner. There are some minor clarifications and observations that we have in relation to the guidance material, as follows:

- Reference to reliance on a supporting entity should be clarified, as currently drafted in section 3.3 the term 'directly or indirectly linked' to a supporting entity is not clear and requires clarification. It could be considered as a consultancy services company or other contractual agreement which appears not to be the intention. We recommend that any supporting entity should be in the way of a formal partnership agreement such as a Shareholding Agreement, Joint Venture or Consortium, or other shareholding in common arrangement in a project company.
- It is also unclear whether the required experience in the successful completion of a development stage, includes successful consent permission awarded and construction experience to include successful achievement of first generation. While we assume that is the intention, this should be clarified.

Do you consider the criteria to be appropriate? What alternative criteria, if any, would you suggest?

The technical capability requirements are appropriate and the minimum that should be expected. Offshore wind farms are capital intensive, complex engineering projects that require a wide range of specialist technical skills and experience. Ensuring that MAC holders have the requisite ability to deliver projects is necessary to ensure against speculative applications, project flipping and unnecessary delays in the multitude of regulatory processes related to offshore wind development.

Do you consider the templates sufficiently clear to understand the specific information being requested in each case?

Yes, the templates are clear and a sensible approach for compiling the necessary information.

3.3 MAC applicants Commitment to the Project

Do you consider the criteria to be appropriate? What alternative criteria, if any, would you suggest?

The requirement to provide a summary of project resourcing is appropriate and the level of experience required from the delivery team is necessary to show a suitable level of expertise is available to a project.

Do you consider the templates sufficiently clear to understand the specific information being requested in each case?

The level of detail required in the template of experience per team member while extensive is acceptable.

3.4 MAC Financial Capability Assessment

To what extent do you consider that the Guidance sets out a financial viability assessment process that is effective, efficient, and transparent? Are there any specific aspects of the Guidance that you consider requires further clarification?

The assessment process proposed is an effective and efficient method of assessing MAC applications and the metrics proposed are appropriate in a pass/fail test, that will ensure transparency.

Relevant person assessment

Do you consider that the Guidance is sufficiently clear to understand which parties within a consortium need to submit documentation for assessment?

Yes, if we understand correctly, each member of a consortium requires assessment, in proportion to their obligations to each ORE project.

Are there any specific aspects of the pro-forma Supporting Entity Guarantee that would prevent you from undertaking your ORE Project(s)? To what extent do you consider the Relevant Authority should be able to recover costs under the guarantee?

Further clarification on the purpose of the Supporting Entity Guarantee would be welcomed. We assume that the guarantee would only relate to financial commitments related to the MAC award and be limited to the development levy and operational levy, which would be acceptable.

We don't see a need for any wider guarantee to be applied. Under the terms of the proposed ORESS auction, Grid Connection process and expected Decommissioning requirements, there are numerous bonding arrangements including significant financial penalties to the project developers to ensure delivery of projects and efficient and timely development of MAC projects. Additional guarantees on top of these would be excessive.

Assessment Criteria

The source documentation required from a supporting entity as part of the financial assessment should be by way of consolidated financial accounts, audited by an appropriate accounting professional and prepared under recognized accounting standards. This is necessary to accurately reflect the corporate structures of the supporting entities, particularly where these supporting entities ownership or participation in operating wind energy projects is by way of special purpose vehicles, which is often the case.

We have provided answers below to the following questions, in respect of each of the financial metrics proposed.

Do you consider the criteria to be appropriate? What alternative criteria, if any, would you suggest?

Are there any quantitative metrics within the criteria that you consider should change? For example, the current and gearing ratios have been deliberately set at levels that would identify companies at significant risk of financial distress. Should these metrics be more stringent?

The net assets and cash criteria assess the financial capacity of Relevant Persons to deliver ORE Projects at scale. To what extent do you consider these metrics will limit market competition, including from new entrants?

1. *Going concern status, without material uncertainty (subject to adequate mitigation)*

This is an appropriate metric, no additional comments.

2. *net assets greater than €[50] million**

This is an appropriate metric, no additional comments.

3. *a current ratio greater than [0.65]*

This is an appropriate metric, no additional comments

4. *gearing of [90]% or less*

This is an appropriate metric, although we note that a debt gearing of 90% is high and would generally not be characteristic of a reputable entity (subject to the characteristics of the entities cashflows). We proposed that the maximum level be set at 80% for supporting entities.

5. *a cash cover ratio of greater than [1.0]X (i.e. cash resources greater than the forthcoming three years of the Relevant Person's commitments, across all of its ORE projects in Ireland)*

The requirement to provide cash over for a period of 3yrs from the date of application for a MAC is not appropriate. It is possible and likely that a project will have reached the construction phase within three years of receipt of a MAC. In fact, to meet a project delivery date in 2026, as proposed in the terms of O-RESS1, will require the project to have reached financial close in 2024.

Project Finance will be the principal form of financing for these projects. This financing structure requires well developed projects with key milestones achieved such as planning, grid connection and a route to market prior to commitment by a lending partner. Financial close will occur very close to the drawdown of construction costs resulting in a cash cover shortfall if reviewed on a three year look forward basis at the date of MAC application. Alternative funding through existing lines of credit at the disposal of the Supporting Entity would not be possible given the scale of financial commitment involved

It will therefore not be possible to provide final details of funding commitments as requested in the "Summary of Sources of Funds Sheet", until financial close has been reached. A mechanism to acknowledge the way these projects will be funded is required. An analysis of Cash Cover should see a value attributed to the expected debt based on future project cashflows coupled with a proven ability of Supporting Entities to raise project finance for renewable energy projects in the past. We suggest that the following cash cover criteria be applied as an alternative:

- Evidence of cash cover adequate to complete the development phase of the project up to financial close, where financial close is expected within 3 years of MAC award.
- Evidence of experience in securing project financing from reference projects in offshore wind for post financial close capital costs, where these are expected to occur with 3 years of MAC award.

If necessary, a revised summary of funding sources could be provided when the project progresses from the development phase to the construction phase.

If a forecast summary of funding sources and uses is required, it is essential that any information provided is held with the utmost confidentiality. This information is key to the financial models that will be used to prepare ORESS auction bids. We would question the suitability of requesting this information in advance of an auction.

6. *cash resources greater than €[50] million**

This metric is appropriate when applied to an assessment against a supporting entity/s consolidated accounts, for the reasons outlined above.

Assessment outcome

Do you consider that the outcome of the financial viability assessment is adequately clear?

The financial metrics proposed are a clear and fair way to assess the financial strength of project developers seeking a MAC, subject to the comments above in relation to the accounting information used for the assessment and details of the project structure. The metrics proposed can be used to clearly show whether a MAC applicant meets these criteria or not.

Do you consider that the Relevant Authority has too much / too little flexibility to ensure that Relevant Persons with the financial capability to deliver ORE Projects pass the financial viability assessment?

The Relevant Authority should be able to clearly identify the sources of funding being made available to an applicant and be able to consider the corporate structures involved in both the project company and supporting entities. Flexibility is needed to ensure that the often-complex structures of the large companies that are involved in offshore wind development can be considered.

Other financing arrangements

Do you consider that the financing arrangements listed in the Guidance are appropriate? Should any other financing arrangements be identified in the Guidance?

As above, evidence of experience in securing funding agreements for offshore wind projects in the past would be a suitable alternative to providing full financing arrangements for the project, at such an early stage in the development process.

Do you consider that the other financing arrangements provide adequate flexibility for companies to demonstrate their ability to demonstrate their financial viability in the future? For example, financial close for ORE Projects may occur several years after the grant of any MAC. To what extent is the timing of the financial viability assessment problematic?

As mentioned in our response to the questions on the proposed financial metrics, in particular the cash cover requirements, the timing of financial close is a key consideration for the timing of the financial viability assessment. We have proposed an alternative approach, whereby evidence of cash cover up to financial close combined with evidence of securing project financing for other projects would be more appropriate.

Are there any other public interest considerations which the Department should consider at MAC application stage?

The information requested as part of the assessment statements is adequate. We haven't identified any other public interest considerations which should be considered.

3.5 Levy Framework

The Department invites feedback on the below proposed levy model for Relevant Projects:

A levy framework that is linked to annual revenues is the most suitable method of charging a fee under an auction system. A percentage of annual revenues is a clear and consistent input assumption for a financial model that will be used to calculate bid pricing in O-RESS auctions.

An area-based levy arrangement would expose projects to annual fluctuations in wind yield and revenue which would require a risk premium to be applied. Linking the operational levy to annual revenue removes the need for a risk adjustment, minimising costs to consumers, while also allowing the state to benefit from higher levy payments during high yield years.

The proposed Development Levy of €20,000/km²/annum is high when compared to other jurisdictions. For example, the average fee for an Agreement for Lease in the recent Scot Wind offshore wind program was £100,000/km² for a 10-year period. A comparable fee would be €12,000/km²/annum, we would also note that the security of tenure for an Agreement for Lease is greater in the Scottish model.

A levy of 2% of gross revenue per annum, is an appropriate fee to charge for a MAC during the operational phase. This is commensurate with other jurisdictions which have a similar policy regime for offshore wind to that proposed for Ireland. We would note that any fees applied to offshore wind projects will be reflected in the strike prices secured under the ORESS and will consequently be reflected in the price paid by consumers. A levy any higher than 2% would be disproportionate and have a negative impact on consumer costs.

While we assume that the operational levy would be applied from the Commercial Operations Date, as defined in the O-RESS terms and conditions, this is not clear from the consultation documents and should be confirmed.

3.6 Application Fees

Which of the two options is the most appropriate for the Relevant Projects? Are there any other application fee models which would be more appropriate?

A capped application fee which is calculated on the workload for processing and assessing MAC applications is appropriate. We are supportive of this approach if it means that adequate resourcing levels are provided to assist with the efficient assessment of applications. A suitable level of resourcing is needed to enable the grant of MACs within the 90-day application assessment window.

3.7 MAC Application Window

Is two months a reasonable duration for the MAC application window? If not, how long should the Department keep the MAC submission window open for? Responses should be informed by the readiness of applicants to submit all information required at MAC application stage, as outlined in this consultation.

The application window should be opened as soon as possible to allow projects to move through the MAC assessment process and subsequently engage with An Bord Pleanála in advance of the O-RESS auction scheduled for Q4 this year. We understand that the assessment of applications will commence as soon as the necessary information has been provided by applicants and that MAC awards will be made as soon as the assessment process has been completed, regardless of whether the application window has closed or not. If this is indeed the case it may be prudent to extend the application window to a 3-month period to ensure that all projects have adequate time to prepare an application.

3.8 Duration of MAC

Based on international practice, a period of thirty years is often cited as a common duration for maritime area consent (or equivalent Authorisation). Is thirty years an appropriate duration for a MAC?

We recommend that a MAC be issued for a 55-year period. To include a period of up to 10-years for projects to complete the development and construction phase, a 40-year period for commercial operations and 5 years for decommissioning. A basis for this time requirement is provide in the detail below.

Time required to apply for other consents

It takes 3 years at a minimum to prepare an application for development consent, including 2 years of ecological data collection followed by data analysis assessment, consultation and EIAR report preparation. The time required for a development consent decision is likely to be in the region of 12-18 months but will depend on the time taken to assess applications and must allow for potential delays due to judicial review.

Time required to complete site investigatory works

A minimum of 1 year of onsite wind and oceanographic data collection is required to prepare an accurate bid price in an auction, combined with at least 12 months to prepare and execute offshore and onshore geotechnical site investigations, followed by 6-12 months of engineering design. This can be carried out in parallel with consent preparations.

Procurement

It is necessary to start the procurement process at least 1 year in advance of a RESS bid to enable committed price and contractual information to be provided and negotiated.

Supply chain considerations

As a minimum a further 12 months is required post success in a RESS auction to reach financial close, which includes the finalisation of all supply chain contracts. All licenses and consents must be finalised before financial close can be reached.

Key bottle necks in the supply chain can delay the commencement date for a project. For example, booking a production slot in a fabrication facility for turbines, electrical equipment, cables, etc. will be subject to market availability at the time. A construction harbour can only facilitate 1 project at a time and will also be a potential bottle neck in the supply chain for all projects in Ireland and the East coast UK up to 2030.

Construction time

For the Oriel Wind Farm project we estimate that construction onshore and offshore can be completed in 24 months.

Re-energisation

A standard approach used in a financial model for a wind energy project is to assume a 40-year lifetime of generation, within which a period for major refurbishments of assets is included.

Decommissioning

A 2-year period to decommission should be included.

Are there any specific aspects of the assessment methodology that you consider requires further clarification?

The relevant projects will have invested 10s of millions of euro to bring projects to the stage where they have applied for a MAC and development consent and have submitted bids in the O-RESS 1 auction. The level of development work completed on these projects over the past 15 years means that they are the most likely projects to be delivered by 2030. They should be afforded adequate opportunity to progress through the multiple regulatory steps required for an offshore wind farm.

The new MAP legislation has not been tested and the outcome of development consent applications is not yet clear. A development consent refusal that is due to a reason that can be rectified should not be a reason for a MAC to be withdrawn. A MAC holder should be able to submit an adjusted or new development consent application under these circumstances. Similarly, a Relevant Project that is not successful in ORESS-1 should be permitted to bid into ORESS-2.