

Bord na Móna

DECC Consultation on 'Phase 2' Offshore Renewable Energy

Consultation Response

9 March 2022



1. Introduction

Bord na Móna (BnM) welcomes the opportunity to respond to the DECC consultation on the policy framework for ‘Phase 2’ Offshore Renewable Energy (ORE) projects. Establishing the policy framework for ORE will be a key enabler to deliver Ireland’s Climate Action Plan¹ (CAP) target to deploy up to 5GW of offshore wind generation by 2030.

It is clear that ‘Phase 2’ projects will be required to bridge the gap in the capacity of projects procured through the first Offshore Renewable Electricity Support Scheme (ORESS 1) to the 5GW CAP target². If these projects are to continue to progress and prepare for the second offshore auction (ORESS2), the policy framework and value proposition need to be clear.

BnM agrees that the process “must facilitate maximum competition from projects with pre-2030 deliverability only” and welcomes the clarification that “holding of development permission is not envisaged for ORESS 2 eligibility”.

High level points on offshore wind

Establishing an offshore wind industry will enable Ireland to maximise the value of indigenous resources and unlock our potential to be a net energy exporter. To do this we need to:

Indigenous industry

- Recognise the value of experience in the Irish energy industry by incentivising the participation of developers, who can demonstrate a success record of engaging with communities, other key stakeholders, and the planning system in Ireland.
- Prioritise participation in projects from offshore developers who can demonstrate at least 3 years’ recent experience in development and construction of offshore wind projects to ensure deliverability.
- Grow indigenous expertise by prioritising consortiums comprised of Irish and International companies. Doing this will underpin the development, and retention of sectoral knowledge and skills in the industry, while ensuring the best chance of deliverability of Phase 2 projects.

¹ Climate Action Plan 2021. <https://www.gov.ie/en/publication/6223e-climate-action-plan-2021/>

² Ireland’s Climate Action Plan² target to achieve up to 5 GW of installed offshore wind generation by 2030.

Competitive market

- Provide Phase 2 projects, which are likely to be delivered at a lower cost than ORESS 1 projects due to recency in planning and ability to avail of best in class turbine technology, with an equal opportunity to access to grid, state resources e.g. planning authority and a marine area consent.
- Lay the foundations for a competitive offshore sector in Ireland by issuing as many MAC licenses as possible, resulting in greater competition and ultimately a lower cost to consumers.
- Set levies at an appropriate level that take account of the wider financial commitments of project developers and at a level that reflects the nascent nature of the offshore industry in Ireland. Larger levies are not a guarantee in themselves to greater deliverability of the projects.

2. Resources

There is a clear emphasis on efficiency in this consultation paper, and other recent publications related to offshore renewable energy. Options are evaluated in the context of resource availability and maximising value for the Irish consumer. It is apparent that the State is anticipating that the MARA, ABP, and other agencies with a fundamental role in offshore development, will be overwhelmed. Several the options for evaluating MAC applications are couched in terms of resource availability. The perception that the Irish regulatory regime is burdensome could undermine the attractiveness of investing in projects here. To mitigate this risk, and to establish the industry on a solid footing, sufficient resources must be made available to those agencies involved in offshore development.

The remainder of this paper sets out our response to the consultation topics.

3. Options

Bord na Móna considers that Option B 'competitive MAC process' is the most preferable option for Phase 2. To ensure fair and equitable access to the seabed the assessment criteria used for Phase 2 projects should be the same as Phase 1 projects. The DECC recently consulted on a proposal for a development levy of €20,000k/km² for Phase 1 projects. In our response to that consultation, we set out our position that to establish an offshore wind industry in Ireland it needs to be competitive and developers should have a level of clarity

on their cost exposure. Whatever decision is made for Phase 1 projects in terms of development levy should be the same for Phase 2. This will provide a longer-term view on the market in Ireland and encourage participation, particularly given the competitive landscape that exists internationally.

The DECC MAC consultation³ envisaged information on stakeholder engagement would be provided by ‘relevant projects’ but not assessed as part of their MAC application. The proposed approach for Option B⁴ includes the following weighed assessment criteria:

- Consistency with the National Marine Planning Framework;
- Consistency with EirGrid’s latest plans, e.g. Shaping Our Electricity Future;
- Financial and Technical capability;
- Site Investigation works or other preparatory undertaken, including stakeholder engagement;
- An auction for the seabed levies to be paid by MAC holders

To ensure fair and equitable access to MACs, the weighting for stakeholder engagement in assessments should be the same for all applicants. For example, if MARA decides to use this criterion to compare projects it should only be requested for a period of 1-2 years (or another appropriate duration) prior to the application. Otherwise the ‘Phase 1’ or relevant projects that are not successful in ORESS 1 or in securing a CPPA, will have an unfair advantage over Phase 2 projects. The same applies for other criteria MARA may apply in future.

The quality of engagement should also be considered if it is to be assessed. A developer detailing weekly workshops with no attendance could be viewed as poorer engagement than a project that has had quarterly workshops with attendance of 200 people – it is subjective and must be carefully considered when/if it is used in evaluation.

Option A proposes that a deployment security to apply for a MAC. Considering the other development costs being proposed for offshore wind; bid bond, performance bond, grid costs etc. Ultimately additional costs to projects will be reflected in the cost of electricity to

³ DECC, 2021. Consultation on MAC for Relevant Projects. Available online: <https://assets.gov.ie/213518/b3f80309-e41c-4816-a147-1089bfd8d85c.pdf>

⁴ DECC, 2021. Consultation on ‘Phase 2’ Offshore Renewable Energy. Available online: <https://assets.gov.ie/211757/8be81aec-af55-481c-ad7a-69f69ebdb8e2.pdf>

the end consumer and should be considered in that regard. On that basis we do believe this option is balanced, however the additional securities in themselves are no guarantee of deliverability by 2030.

In our view Options C and D lend themselves more to a plan led approach and would be best suited to post 2030 offshore energy development.

Eligibility

To ensure fair and equitable access to the seabed the assessment criteria used for Phase 2 projects should be the same as Phase 1 projects. We note the view from DECC that “holding of development permission is not envisaged for ORESS2 eligibility”. This clarity on the auction eligibility criteria is helpful. To ensure fair and equitable Phase 2 projects are treated equally, the ORESS 2 auction should not consider Phase 1 projects who roll over into Phase 2 differently.

For example, a Phase 1 project may have obtained development consent by the time ORESS 2 takes place. The project may have achieved this milestone as their ‘development phase’ started much earlier than a Phase 2 project. The evaluation criteria should be developed in a way that assesses projects vying for support in ORESS 2 in a holistic way, considering and applying appropriate weighting to elements beyond holding a development consent. This would ensure best value for the consumer as it is likely that a Phase 1 project will have permission to construct ‘older’ turbines which are maybe less efficient. Considering the broader aspects of a project at auction beyond holding a consent or not can address this issue.

Retention of a MAC beyond ‘Phase 2’ should be considered for projects who can demonstrate progress during the period. Providing a genuine transitional period from a developer led approach to a plan led approach under the revised OREDP provides a clear signal to developers. On the contrary if Phase 2 MACs expire in 2030 developers are unlikely to accept the risk of losing their development spend and will take their investment elsewhere. Our view is that Phase 1 MACs should expire in 2030 given these projects will have held exclusive rights to the seabed for at least 7 years at this stage providing sufficient opportunity to progress a commercial option.

4. Grid

Shaping Our Electricity Future has identified 5GW of capacity for offshore projects predominantly located along the east coast (4000MW+) to 2030. Releasing this capacity is dependent on the TSO delivering significant network upgrade and reinforcement, projects that are outside of a developer's control.

In its' Grid Connection Assessment for Phase 1 Projects (CRU/21/112a) published alongside the CRU paper, EirGrid has identified "a number of existing/planned reinforcement projects are critical to integrating offshore wind on the east coast" and "... a number of additional reinforcements" that are critical to integrate the offshore projects on the East coast, whatever the connection method. Five of these reinforcements are 220 kV cable replacement projects in the Dublin region⁵; the additional three are 400kV upgrade projects in North Dublin, Meath, and Kildare⁶. These reinforcements are at various stages of development – some having been defined many years ago, while others are emerging. BnM strongly suggests that these projects are progressed by EirGrid as no-regrets infrastructure projects to facilitate the connection of offshore wind, especially considering the number of years associated with constructing new infrastructure projects. They should be progressed ahead of need, especially given the volume of projects emerging on the east coast.

BnM agrees with the principle that "grid capacity is over-allocated in Phase Two" as this will increase competition in the auction. Given the scarcity of grid capacity this is the only option that gives all Phase 2 projects an opportunity to compete in ORESS 2. Phase 2 developers need clarity on the method for connecting their projects onshore. In that context, our view is that a grid connection assessment, at a minimum, should be made available to these projects.

We note that the CRU has decided that GCAs for Phase 1 projects will expire 3 months post ORESS 1 award meaning that 'their' capacity goes back into the pot for allocation⁷. We welcome this decision as it upholds the principle of providing fair and equitable access for

⁵ EirGrid Offshore Phase 1 Projects – Grid Connection Assessments. <https://www.cru.ie/wp-content/uploads/2021/10/CRU21112a-EirGrid-Offshore-Phase-1-Projects-Grid-Connections-Assessments-March21.pdf>

⁶ IBID.

⁷ CRU, 2022. Offshore Grid Connection Assessment – Phase 1 Projects (CRU/22/14). Available here: <https://www.cru.ie/wp-content/uploads/2022/02/CRU202214-Decision-Offshore-Grid-Connection-Assessment-Phase-1-Projects2.pdf>

Phase 2 projects and enables the re-allocation of capacity from unsuccessful ORESS1 projects. The CRU has also signalled that technical standards and processes for grid access will be developed in 2022. To manage expectations, and provide a forum for collaboration, BnM suggests that a liaison group is established bringing together industry, EirGrid, CRU and DECC to ensure the successful implementation of the new offshore grid model.

5. Hybrid Grid Connections

Bord na Móna is supportive of ‘hybrid’ connections that provide for co-location of renewable technologies i.e. the FlexTech Initiative being progressed by EirGrid and ESB Networks.

To address the current security of supply issues in Ireland, thermal generation is de facto being prioritised for connection via various policy mechanisms. This proposal could provide an accelerated grid connection to offshore projects for developers with existing thermal assets. BnM is concerned that this could result in inequality in access to grid capacity for offshore wind projects and represent a poor signal to the offshore industry.

We note the definition of hybrid connections being considered in this consultation is “a hybrid grid connection is taken to specifically refer to a single grid connection which facilitates the connection to the onshore electricity transmission system of both a thermal generation plant (existing or proposed) and a proposed offshore wind project”. Before progressing this proposal, we suggest that DECC consider the following:

Competition

The proposal effectively provides a connection to an offshore wind farm via an existing connection point. This connection point will be governed by a connection agreement between EirGrid and the owner of the thermal generator i.e. the capacity is ‘spoken for’ – it is not clear how the capacity would be reallocated.

That means that grid capacity currently allocated to thermal plant, some of which are due to retire over the next decade, would be reassigned to the offshore wind farm. In theory if there was an open competition for access, this could mean a developer with no ties to the existing thermal plant having to negotiate access with the current user.

Separately, a developer with this option would have a significantly lower connection cost to recover. While this may be desirable from a cost perspective, the issue of fair and equitable access to grid capacity would remain.

Regulatory framework

The proposal would require the facilitation of dynamic sharing of MEC, multiple entities behind a meter point and a comprehensive review of the wider regulatory framework. This would include a review of the Grid Code, the Trading and Settlement Code and the Connection Offer Policy and Process Paper⁸ (COPP), among others. Section 9 of the COPP details the process for a Change of Generation Type pre and post energisation. If Section 9.3, which specifically deals with a change in generation type post energisation, would apply to this 'hybrid' scenario, the ruleset provides for a change in generation type would be delivered via a "a formal modification request under the connection agreement⁹". This effectively limits the option to the existing party to the connection agreement i.e. limiting access to this capacity to the incumbent generator.

The CRU has already signalled that new regulatory policies and processes will be progressed this year for offshore wind, the ORESS auction design is ongoing and MARA is being established – significant changes to the regulatory and legislative framework are being progressed to enable offshore wind development. Given the level of resource required to deliver these changes to support all developers from a state and industry perspective, we do not see the review of fundamental connection policies to enable a select number of developers connect to the grid via a closed process as a priority for Ireland Inc.

Emissions

The Climate Action Plan is clear – as a nation we need to decarbonise. Many of the existing thermal generation sites in Ireland that may be considered for hybrid connection with offshore wind due to their proximity to the coast use carbon intensive fuels. Closure notices

⁸ EirGrid, 2011, Connection Offer Policy and Process Paper. Available here: <https://www.eirgridgroup.com/site-files/library/EirGrid/connection-offer-policy-and-process-paper.pdf>

⁹ COPP, CRU 2011. Pg. 27

have been provided to the TSO for a number of these plant with others exploring extension of life options including the BnM plant at Edenderry.

If hybrid connections were to progress at these locations, we believe steps to decarbonise the thermal generation at these sites would need to happen in parallel. Put simply, the thermal elements should be repowered to utilise cleaner fuels. Otherwise it could result in significant customer investment in offshore wind deployment to support decarbonisation on one hand, and an extension to the running life of carbon intensive generators on the other.

Points to consideration

In a scenario where the regulatory framework is flexed rather than amended to facilitate these hybrid connections for offshore renewable energy (as distinct from FlexTech as stated in the paper), the following changes at a minimum would be required.

Existing plant

- Competition issue could be mitigated by offering the connection point to all offshore renewable developers not just the operator of the existing thermal plant.

For example, if a thermal plant with a 500MW connection is generally run at 50% capacity this could mean that 250MW is dedicated to an offshore wind farm. This capacity could be notified to the market by the TSO and projects could see connection at this node alongside the thermal operator thus increasing competition.

New plant

- In the case of 'new' thermal being developed it would need to be very clear what would happen if either element were delayed.

Getting planning permission for thermal generation is complex and time consuming. We are hopeful that offshore renewable energy development will be less cumbersome. In that context, a delay to one element of a hybrid project (new offshore wind/thermal) could result in the other being element also stalling particularly if the project is assessed as one from a consent and planning perspective.

- A proxy for the grid connection cost would also be required otherwise these hybrid connections would have a competitive advantage over other developers without a conventional connection.

Our view is that the necessary changes to the regulatory framework, and potential competition issues mean that this approach as a viable connection pathway for ORESS 2. There is potential for the reallocation of deenergised thermal sites to be reallocated to ORE projects via the OREDP process.

6. Innovation

If the DECC decide to include an innovation category in ORESS 2, technologies that seek funding should be able to demonstrate how they could contribute towards our 2030 Climate Action Plan targets.

While floating offshore wind is being deployed across Europe, and many locations globally less than 120MW of floating offshore wind is in operation worldwide. This compares with over 45GW of fixed bottom offshore wind. Our nearest neighbours in the UK, leaders in offshore renewable energy, are only now shifting their focus to floating technology following over a decade of offshore development - the Crown Estate UK is targeting 1GW of floating offshore wind by 2030¹⁰ for the Celtic Sea.

Ireland is likely to be a technology taker when it comes to offshore wind. Given that mature markets like the UK and Europe are now focusing on floating offshore wind, we can benefit from their expertise when we need this technology towards the end of the decade, but likely not in time for 2030. In that context, dedicating a portion of the 5GW 'pot' to floating offshore is an enormous risk to achieving our target.

Considering experience in rolling out offshore wind in other markets, there is clearly a natural progression from fixed to floating base technologies as near shore sites are developed first and the opportunity moves to deeper waters. In that context our view is that a ringfenced innovation pot for floating offshore wind could stimulate its deployment, but these projects are unlikely to contribute to our 2030 target.

The number of offshore developers in Ireland would suggest that there is an ambition to deliver beyond 5GW in the next decade, it appears that the limiting factor on our 2030 offshore ambition is grid. Providing for off grid offshore wind to produce hydrogen in Phase

¹⁰ Crown Estate UK, 2021. Celtic Sea Floating Wind Programme. <https://www.thecrownestate.co.uk/media/3982/celtic-sea-floating-wind-position-paper.pdf>

2 may be an alternate route to market. Utilising offshore wind to produce green hydrogen could stimulate a new market in Ireland. Hydrogen has the potential to address our broader decarbonisation ambition by initially reducing, and ultimately replacing natural gas as an energy vector. Green hydrogen production is a strategic investment opportunity for Ireland. The EU has identified green hydrogen as key enabler for the circular economy. In 2020 the EU published a Hydrogen Strategy¹¹ which included targets to promote timely development of production capacities for green hydrogen. The 2030 ambition is to produce 10 million tons per annum. The EU also established the European Clean Hydrogen Alliance to bring together national Governments, industry, and other stakeholders to work towards achieving the 2030 target.

In Ireland, a policy roadmap for green hydrogen use in the natural gas grid is a 2023 deliverable under Action 169 of the Climate Action Plan 2030. To stimulate investment in this sector, BnM is urging Government to produce a comprehensive National Green Hydrogen Strategy in 2023 that considers the fuels potential as an energy vector beyond “use in the natural gas grid”. The strategy should clarify Irelands green hydrogen ambition including a volume target by 2030.

In the broader context a National Green Hydrogen Strategy would set our ambition for green hydrogen in Ireland, while a roadmap considering green hydrogen use in, and outside the gas network, could set out the key policy changes and actions required to deliver it. Providing this clarity would send clear signals to the market that Ireland is open to becoming a user, and net exporter of green hydrogen.

¹¹ EU Hydrogen Strategy, 2020. <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52020DC0301>