# Response by Energia to the Department of the Environment, Climate and Communications

***Offshore Wind Phase Two Consultation***

**09 March 2021**

# 1 Introduction

Energia welcomes the opportunity to respond to this consultation. This response contains our response to the direct questions posed within the Department's Offshore Wind Phase Two Consultation.

Please note that Energia will be submitting an additional response to this consultation in the coming days that discusses aspects of the future Offshore regime that are not necessarily the direct subject of this consultation.

# 2 Response to Consultation Questions

## *2.1 Question 1 - Which is your preferred option and why of:*

### *2.1.1 a. The above options?*

As Energia will further outline, we think a modification of Option B is the only means by which speculative applications will be limited, mitigating the risk that MARA is inundated with applications to the detriment of all Phase 2 applicants. Energia supports the WEI position, noting that a competitive process, if supported by a robust prequalification stage, will provide confidence to DECC and to developers, and will help to create a level playing field in terms of timing.

As per the response to question 3, it is important that a **pre-qualification process is put in place to ensure that projects entering the competitive MAC process meet the fundamental criteria that DECC has identified as essential for Phase 2***,* i.e., delivery of the remainder of the 5GW target by 2030. This pre-qualification process should be in line with existing established timelines and should not result in delays to timelines around the issuing of MACs to Phase 2 projects.

We do not believe the introduction of a deployment security (Option A) will deter the more speculative applicants, (as many are unlikely to be aware they are speculative). While options C and D, which propose to hold an ORESS auction earlier, create additional complexity and increase the risk of failing to achieve 2030 targets. We discuss these points further in our response to questions 1- 4 below.

### *2.1.2 b. The above options, variations of same, and other possible options within the parameters outlined in this paper, particularly sections 3 and 4?*

Energia's preferred option of those presented is the competitive MAC process (Option B). As the consultation paper recognises however, unless a pre-qualification criteria for MAC applications is in situ, there is a risk that MARA will be inundated with MAC applications, and EirGrid will also be inundated with projects seeking alignment on grid connections. As such Energia would only be supportive of Option B provided a rigorous set of pre-qualification criterion are put in place that all applicants must satisfy prior to submitting a MAC application.

**Pre-Qualification for MAC applications**

Energia share DECC's concerns in relation to the resource constraints MARA is likely to face if it receives a plethora of phase 2 MAC applications. We believe introducing a rigorous pre-qualification stage is the option best placed to remove the potential for

speculative applications and allow MARA to focus its resources on the projects that are capable of delivering for 2030. In the name of freeing up MARA's resources Energia consider it appropriate that DECC appoint an independent third party to administer the pre-qualification assessment. The appointed third party, in addition to being impartial should also be independent of any other of the planning or consenting bodies involved in the development of offshore wind projects.

In order to introduce an impartial set of criteria for an assessment of pre-qualification, Energia believe it would be most appropriate to define set timelines for project milestones. Allowing individual developers to state their own estimated timelines for milestones such as receiving a decision on planning permission following the submission of an application is likely to lead to industry participants submitting wildly different timelines, some of which might not be credible. Standardising the timelines for elements of the process outside developers control also removes any potential for gaming by developers wishing to jump the queue.

An added benefit of specifying standard consent timelines, is that is improves industry understanding of the expected timelines. A key issue that a number of the other options posed in this consultation fail to address is that speculative applicants may not be aware they are speculative, i.e., they may not be aware they do not have all of the necessary information to hand. Capturing the expected duration of the planning and consenting processes improves the transparency associated with the process. Developers will then be aware of the need to achieve specific milestones such as finalising their proposed grid connection scope at least 30 months in advance, allowing 6 months for Environmental Impact Assessment scoping, 12 months for ecology surveys and 12 months for a planning decision

Stating standard timeframes for all projects in respect of third party dependencies (consenting, planning, grid assessments) should also reduce much of the administrative burden associated with overseeing a pre-qualification stage. E.g., the same timelines can be used for each project. The appointed independent third party can therefore focus their assessment on the aspects of the project within the developers control.

In terms of the exact criteria making up the assessment, Energia consider the following to be necessary

1. Evidence that Development Permission has either been granted or at least applied for.
2. Technology

## *2.2 Question 2 - Option A proposes that a deployment security is required for to apply for a MAC in Phase 2.*

Developing an offshore wind project in phase 2 is a complex process, with multiple deadlines in the consenting and planning process some of which are interdependent. As a consequence of both the nature of the process of developing offshore wind and the level of uncertainty all developers are facing given that no large scale has as yet progressed through the planning and consenting process, it will be challenging for developers to truly assess the deliverability of their project with great certainty (in essence an adverse selection problem). As such Energia would have concerns that many developers with little or no chance of achieving commercial operations by 2030,

would be truly aware of this fact and not be deterred from paying a deployment security. Thus, it is not clear that the introduction of deployment security, will

a) reduce the number of developers applying for a MAC,

b) accurately differentiate between the projects that will and will not deliver in time

As such we do not believe this measure is sufficiently targeted in order to deter speculative applicants and would not support its introduction.

### *2.2.1 a. How should the security be calculated and what rate should apply? If the security was to be calculated on the basis of planned capacity, what rate should apply?*

### *2.2.2 b. Should the security be required to be in place prior to application for a MAC or post-issuing of a MAC? If post-issuing, what is a reasonable timeframe?*

### *2.2.3 c. Under what terms should this security be drawn down?*

### *2.2.4 d. The security, as proposed, expires with the securing by a project of a route to market. For projects successful at ORESS 2, this is also the stage when the auction performance security is due be put in place. Would it beneficial for the deployment security to be rolled over towards the RESS performance security? How best this be managed?*

### *2.2.5 e. What other terms should apply to this security?*

## *2.3 Question 3 - Option B proposes a competitive MAC process*

**Phase Two MAC process**

As noted in the response to Question 1, the competitive MAC process, as set out in option B, appears to be most favourable, subject to amendments, and best supports the policy objective of delivering 5GW of offshore wind by 2030.

Delivering offshore wind projects by 2030 is challenging, for both Phase One and Two projects. It is arguably more challenging for Phase Two projects given that the processing of Phase Two MAC applications can only be completed following the establishment of MARA. As such, it is critical that MARA is established as soon as practicable.

For context, the recent seabed allocation UK Round 4 and ScotWind leasing round, which are targeting some delivery by 2030, but are not limited to delivery by that date, allocated seabed exclusivity to a total of 30 months and 18 months respectively earlier than can be expected for Phase 2 MAC allocation (assumed Q3 2023). More specific to the Irish market, Phase 2 projects will receive their MACs approximately 12 months after Phase 1 projects however, delivery by 2030 remains the same for both phases.

The delivery timeframe drives the requirement for the allocation of Phase 2 MACs to be both a robust and efficient process with a focus on allocating those projects which have an existing level of development progression. For this reason, we believe the reference to COD by 2030 should be amended to first generation or first power (2030) in line with the Phase 1 MAC milestones.

We note the consideration given to "An auction for the seabed levies to be paid by MAC holder" however, in light of the proposed process for the Phase 1 projects (a fixed development levy), the likelihood that these projects will compete in the same ORESS 2 auction round and the need for fair competition, Energia propose that a fixed development levy is utilised (i.e., each developer pays a fixed fee per km2). A fee mechanism equivalent to that charged to the Phase 1 projects is preferred.

**Pre-qualification process**

Due to the level of development activity that is currently ongoing in the Irish offshore wind sector, it is expected that the competitive Phase Two MAC process will represent a step change in the number of applications received in relation to MAC Applications when compared with Phase One. This will be further compounded by the uncertainty currently surrounding the Enduring Regime resulting in each project looking to seek a MAC at the earliest possible point. A significant volume of applications has the potential to result in bottlenecks in assessing and allocating MACs arising from the resource requirements from MARA, EirGrid and other critical stakeholders.

To address this risk, Energia support the proposal to undertake a pre-qualification process with pass/fail criteria (see below for suggested criteria), undertaken in Q4, 2022, if MARA can be established earlier than January 2023. This process would qualify Phase 2 MAC Applicants, that meet a number of capability criteria and can demonstrate a credible project programme to deliver by 2030, to enter the competitive Phase Two MAC process.

This ensures that the subsequent competitive process focusses on those MAC Applicants and ORE Projects with the greatest ability to deliver in line with the 2030 target. Furthermore, it manages the resource requirement from DECC, MARA, EirGrid and other critical stakeholders during this process.

Given the timing to undertake this pre-qualification and the benefit of independent assessment, DECC may wish to consider the appointment of a third-party consultant in Q3, 2022, to undertake the deliverability assessment as part of the pre-qualification on their behalf.

Energia propose this process is structured as follows:

1. **Confirm the Pre-qualification process for entry into Phase Two MAC process – Q3 2022**

The supporting work to define the process and criteria would be administered by DECC with a tender undertaken for potential for independent, experienced, third-party support. It is understood that Section 80(2) (a) and (b) of the Maritime Area Planning Act allows for Phase 2 criteria and the process to be set by DECC ahead of MARA enactment. It is recommended that a pre-qualification process and criteria are set in regulations to allow for MARA to be prepared on day one for the Phase 2 project process.

2. **Finalise and publish in regulations, the pre-qualification process and competitive Phase Two MAC criteria – Q4 2022**

To ensure MARA is able to undertake a competitive MAC process directly following establishment, agree criteria by Q3 2022.

3. **Establish MARA and run the pre-qualification and competitive MAC process – early Q1 2023**

An alternative to two separate processes, is to streamline by combining the prequalification round into the main competitive MAC process. The advantage of which is one less opportunity for legal challenge than two separate processes. The submission could be structured in such a way that Part A would be the pre-qualification, and if an applicant does not make it through the pass/fail section, the other sections (see suggested criteria below) are then not read, and those applicants are excluded.

**Competitive MAC process**

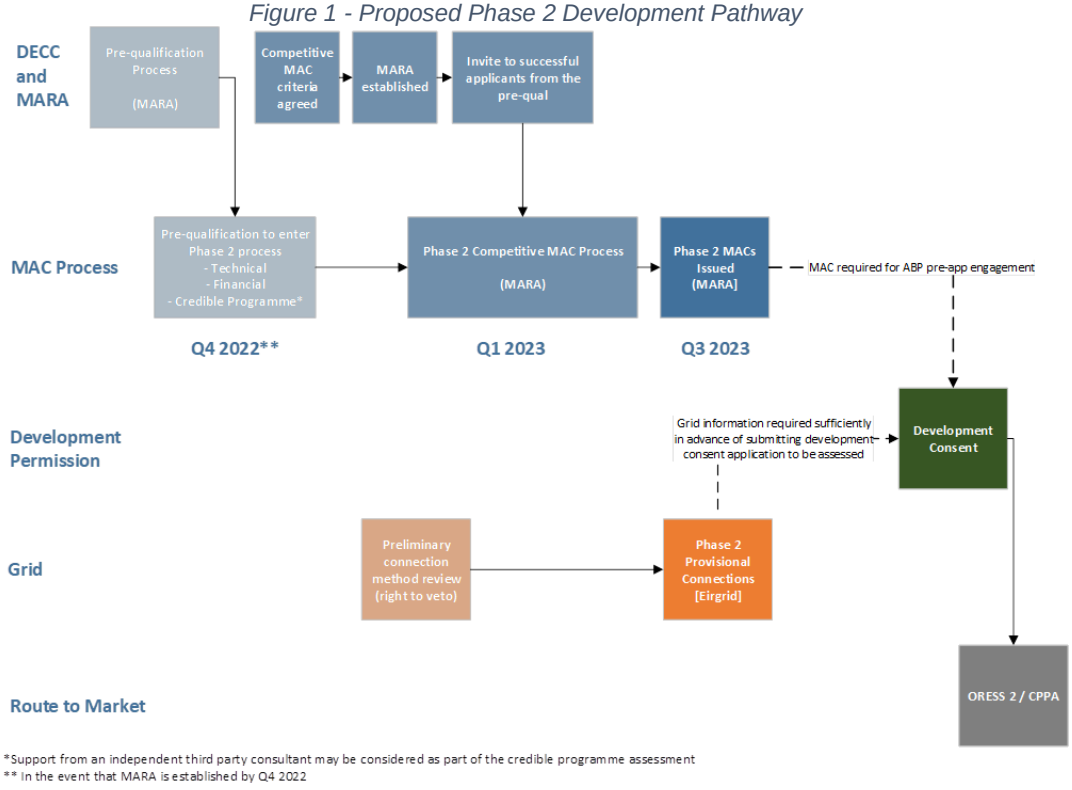
Energia recommends that the MAC process ensures the allocation of sufficient capacity to deliver on the overall 2030 target of 5,000 MW, allowing for expected levels of attrition and competition in ORESS.

In line with international experience, Energia proposes that a total score assessment is used for the Phase Two MAC process. Within this process, each qualified MAC Application competes with every other qualified MAC Application submitted as part of the competitive process. This ensures that the projects which are most progressed and have the greatest chance of delivery by 2030 are awarded. This also deals with the issue of overlapping or competing (from a marine space perspective) MAC Applications.

The criteria for the competitive MAC process are set out in the section below. Given the limited time remaining for projects to deliver in advance of the 2030 target, a key focus is proposed in relation to the level of project readiness and development progression. To maintain a 2030 delivery timeline, developers will have had to progress critical path surveys and studies (environmental and technical) which have a long lead time / are required over a long period (e.g., aerial surveys for birds and marine mammals which are required over 24 months).

To provide further context, the envisaged sequence and subsequent development pathway for Phase Two projects is presented below:

*Figure 1 - Proposed Phase 2 Development Pathway*




*Support from an independent third party consultant may be considered as part of the credible programme assessment
** In the event that MARA is established by Q4 2022

### 2.3.1 What assessment criteria should be used in this process? What should the weighting of this criteria be?

The proposed assessment criteria for the i) pre-qualification process and ii) competitive MAC process are set out below:

| Criteria | Pre-qualification assessment | Competitive MAC assessment |
|---|---|---|
| Consistency with the National Marine Planning Framework | Pass / Fail | Pass / Fail |
| Consistency with EirGrid's latest plans, e.g., Shaping Our Electricity Future | Pass / Fail – subject to notes below | Pass / Fail – subject to notes below |
| Financial and Technical capability | Pass / Fail | Pass / Fail |
| Preparedness / Deliverability: Site investigations, Preparatory works undertaken, including stakeholder engagement | Programme to show credible 2030 delivery | Programme to show credible 2030 delivery + weighted assessment of development progression |

| | | |
|---|---|---|
| An auction for the seabed levies to be paid by MAC holders<br><br>(Note: preference is that no auction is carried out) | Capped option/ Uniform levy<br><br>Application fee for pre-qualification stage fee: €5,000* | Application fee €5,000* (if a combined process is chosen, €10,000* in total)<br><br>Uniform development levy applied - in line with Phase 1 MAC development criteria |

*A previous proposal made by WEI suggested proposed a 10k application fee for the Maritime Area Consent (MAC) Assessment for Phase One Projects consultation. To align with the Phase One projects, we propose a similar fee which could be split across a prequalification phase and a competitive process phase or applied as a single fee to the combined process discussed previously

Energia believes a number of qualifications in relation to the above criteria are important to ensure that projects are assessed in a fair manner within the competitive MAC process:

1. **Consistency with EirGrid's latest plans, e.g., Shaping Our Electricity Future**

   Shaping Our Electricity Future (SOEF) was applicable at a particular point in time and was reflective of a lower overall RES-E target (70%). It also presented one scenario or grid model that could support the 5GW target, although it is important to understand that whilst the regional grid limitations are understood, there are various nodes or connection methods within an interacting region that can utilise this capacity. As such, strict adherence to both the capacity and location of this capacity is not reflective of the overall system within the 2030 horizon.

   At the pre-qualification stage, it is expected that high level compliance (of each project in isolation) with the SOEF from a regional perspective would be sufficient to meet the pass/fail criteria.

   To ensure that projects can demonstrate an ability to connect the ORE Project, it is proposed that engagement with EirGrid in advance of the competitive MAC process is facilitated with potential Phase Two MAC Applicants. This engagement would provide the opportunity for EirGrid to flag incompatibilities or potential opportunities/enhancements within their future plans and help inform developers on the formation of a preferred grid connection method, supporting their development consent activities.

2. **Financial and Technical capability**

   DECC has recently concluded a consultation in relation to the technical and financial assessment of Phase One MAC Applications. Energia support the WEI response in relation to this previous consultation and believe that the criteria, reflect suitable pre- qualification assessment criteria for the Phase Two projects.

3. **Preparatory works undertaken, including stakeholder engagement**

To assess the progression of projects in relation to their development stage, a number of additional criteria would be useful to consider:

- Commencement and completeness of critical path studies such as long lead aerial surveys which are required over a 24-month period
- Progression of other preparatory works including site investigations, site assessment, design works, boundary refinement etc.
- Demonstration of the site selection process the MAC Applicant has undertaken to identify the ORE Project
- Cumulative impact considerations
- Demonstrated understanding of technical and non-technical risks

Energia caution that the use of weighted and scored criteria can be subjective, and recommend that, in crafting the scoring criteria, thought is given to how to exclude the subjective element. Energia also recommend a streamlined, efficient process using pre-determined forms, with limitations to information provided, e.g., 10 A4 pages on preparatory works, 4 A4 pages on technical and non-technical risks, 2 A4 pages on stakeholder engagement.

4. **An auction for the seabed levies to be paid by MAC holders**

   As noted in Section 2.3.2, Energia do not believe an auction for seabed levies is a suitable approach for the progression of the Phase 2 projects. Due to the need for a competitive process in ORESS 1, there will be Phase One projects which are not successful in the ORESS 1 auction. As a result, Phase One projects, if unsuccessful in securing a corporate PPA, will compete in ORESS 2 auction.

   To ensure a level playing field from an ORESS 2 competition perspective, it is proposed that the development levy paid in relation to a Phase Two MAC is aligned with the levies paid by the Phase One MAC holders. Energia propose this fee is set at a standard level for all projects.

### *2.3.2 Should a seabed levy auction be included in this assessment? What weighting should the auction result have?*

A UK Round 4 style auction is not recommended under Option B as the strategic level assessment work, equal playing field and certainty are not easily resolved in the Irish market. The preference for a capped development levy should be included as part of the Phase Two MAC Competitive process however, given Phase One and Phase Two projects will be competing in ORESS 2, it is important that projects are on a level playing field in relation to levies paid as part of a MAC process.

Energia recommends all Phase One and Phase Two projects pay a set development levy fee aligned with the feedback provided as part of the WEI response in relation to the Maritime Area Consent (MAC) Assessment for Phase One Projects consultation.

In this feedback, WEI noted that we consider the Department's proposed Development Levy of €20,000/km$^2$/annum to be high in an emerging market and an evolving system.

To mitigate the increased risks in the Irish offshore wind market, it is recommended that the Department (DECC) include a cap on the period for which the Development

Levy is paid. The pathway for the delivery off offshore projects in Ireland through the consenting and grid system is in its infancy. As such, there may be cases where a project, for reasons outside the control of the developing entity, is significantly delayed i.e., the period to receive planning or a judicial review. Capping the period for which the Development Levy is paid will provide greater financial certainty to the developing entity at the outset of the development phase and to the business case as the project enters a competitive auction process.

### 2.3.3 Should a deployment bond be maintained under this option? Why, or why not?

No, a deployment bond should not be maintained under this option. The purpose of the deployment bond as set out within the consultation document is to discourage speculative bidding for projects which do not ultimately have a credible programme for 2030 delivery.

Energia recommend that the 2030 deliverability assessment undertaken as part of the pre-qualification process, which may be assessed by independent third parties, is the preferable manner to deal with the risk of non-delivery by 2030.

Consideration in using such measures should recognise the many elements outside of a developer's control (i.e., grid and consent timeframes) and there are reasons a project may not be taken forward (site investigation results impacting design and cost). As most of the risk sits with the developer, the rationale to discourage hoarding is not as logical as a similar security for decommissioning and the intended use of the security. It is unclear how the Department would use a deployment security to support meeting 2030 targets.

## 2.4 Question 4 - All of the above options assume that Phase One projects retain their MACs for Phase Two.

### 2.4.1 a. Is this the correct approach? Why?

The risk profile of investing in offshore wind projects in Ireland is already high by comparison to neighbouring markets due to the fledgling status of the industry. Developers and investors have not as yet witnessed a large scale offshore project progress from consenting, through to full commercial operations and thus face many unknowns in terms of the likely outcomes of key stages such as consenting, planning, receiving a grid connection and construction. It's vitally important that additional risk is not placed upon developers in the form of withdrawing their MACs should they prove unsuccessful at obtaining a route to market within their development phase.

Likewise, it is important that competitive pressure in O-RESS auctions be maintained between phases, to reduce the likelihood that O-RESS strike prices markedly increase in subsequent auctions due to a lack of competition (as earlier phase projects by virtue of having to re-apply for a MAC might abandon their developments). Rather than impose additional risk on developers, Energia believe it would be more proportionate to use market signals to determine whether an unsuccessful developer within a specific phase chooses to forgo their MAC. Additionally unsuccessful projects could be given the opportunity to either extend their MAC (subject to being able to demonstrate ongoing development progression) or relinquish it.

### 2.4.2 b. Would requiring Phase One projects that are unsuccessful in securing a route to market, within a specified timeframe, to re-apply for MACs result in a better outcome for the sector, the State and consumers? Why?

Energia do not believe obliging unsuccessful projects to re-apply for a MAC after the conclusion of any phase will result in better outcomes for either the state or consumers. MARA's workload is expected to already to be considerable in light of the tight timeframes phase 2 projects are working within to achieve commercial operation by 2030. If MARA has to approve additional MAC applications for phase 1 projects, this can only serve to increase MARA's workload and further stress these timelines. Such a proposal would therefore serve to increase the risk associated with the state meeting it's 2030 targets.

Likewise, we do not believe it would be in consumers interests if developers face the additional risk that their MAC will be rescinded should they fail to acquire a route to market within their respective phase. Increasing the risk profile of offshore investments, only serve to increase the risk premium developers face when financing their investments, increasing all developers costs, but more importantly increasing the PSO support (strike price) projects will need to secure in order to progress to commercial operations.

### 2.4.3 c. If Option D was selected would this require unsuccessful Phase One projects to relinquish their MAC before ORESS 2? If so, should these projects be given any preference such as a right of first refusal if they match a winning bidder's terms for their MAC area?

Energia do not support Option D on the grounds that it increases the complexity and uncertainty associated with the development process. Both of these models present a significant challenge in terms of implementation and increased risk and as such, would directly impinge on the ability for Ireland to achieve the 2030 target.

## 2.5 Question 5 - To incentivise swift deployment, discourage speculative hoarding of the marine space, discourage MAC applications by projects incapable of delivering by 2030, and facilitate the coherent transition to a plan-led Enduring Regime, it is proposed that all MACs awarded in Phase One and Phase Two will expire prior to the Enduring Regime, should the holders of these consents be unsuccessful in securing a route to market.

### 2.5.1 a. Is this the correct approach? Why?

Energia strongly opposes this approach. While we agree with the Departments stated aim to both:

a) incentivise swift deployment and

b) discourage speculative hoarding of the marine space,

we do not believe introducing such an arbitrary expiration timeframe achieves the correct balance between achieving aims a) and b) in a manner that doesn't significantly increase overall development risk for Offshore developers. Furthermore, a significant challenge is that there is insufficient information on the planned approach for the enduring regime to make an informed decision on it.

As it stands for Phase 2, project timescales are extremely tight. Assuming MACs are awarded 2023, phase 2 projects will be expected to be completed and delivered within 7 years. Some of these projects will be the biggest energy infrastructure projects ever commissioned in the Irish State and are being developed in an untested and evolving policy landscape. In other jurisdictions, the timelines from award of consent to commencement date is minimum 7 years- but more realistically averages are 10-11 years.

Further offshore wind capacity will be needed beyond 2030 and it is important that competition to develop projects continues to drive down final project costs. Imposing such a cliff edge prior to the enduring regime arbitrarily bifurcates the market, increasing the risk of perverse outcomes in future O-RESS auctions, such as projects clearing at higher prices than O-RESS 1 and 2. As per our comments in section 2.3.1, the introduction of a rigorous pre-qualification stage for MAC applicants, in addition to the O-RESS performance security are adequate assurance that developers face the right incentives to deliver on time, fulfilling stated aim a) above. While the requirement for holders of a MAC to pay the seabed levy incentivises developers who's projects no longer seem feasible to relinquish their MAC and thus prevent the hoarding of marine space, stated aim b) above).

It must also be remembered that holders of a Phase 1 or 2 MAC, will need to take stock of their development potential at the commencement of the enduring stage. Considerations such as whether the developer's project continues to be compatible with EirGrid's longer term plans, under a plan-led model are best left to developers to risk assess and evaluate the best way forward. Compulsory forfeiture of a MAC after Phase 2 for all projects, risks being too broad-brush a policy, in that it precludes certain developers from re-assessing their project in the context of a future plan (when known) and determine if there remains a business case for the site they are trying to develop.

### *2.5.2 b. Would this approach incentivise deployment and/or discourage hoarding of the maritime space?*

As per our comments in section 3.5.1 above, we do not believe forfeiture of a MAC following the conclusion of Phase 2 is a proportionate response to ensuring that the policy aims of

a) incentivising swift deployment and/or

b) discouraging hoarding of the maritime space.

are met. In fact, automatic expiry of a MAC if unsuccessful in Phase 2 appears to offer little in terms of overall advantages.

Developers of projects that compete in a competitive ORESS auction will have significantly invested in their projects to help inform their bid price.

Successful projects are already incentivised through the ORESS T's&C's and the longstop dates, to maintain momentum on their projects.

Given that ORESS is a competitive auction, there must be unsuccessful projects. It is worth noting that failure to secure a winning bid within ORESS1 would not necessarily be because the project is immature or financially unviable, but simply because another project bid lower.

Developers of these projects will have built up an extremely detailed understanding of the site and it is unlikely that another developer (or EirGrid) can assume to have the same understanding of this specific area of seabed. As a result, the best persons to develop that site will remain the original developer.

The seabed levy will act as a deterrent to hoarding of maritime space, as the developer needs to assess if their project is remains viable, noting any developments in EirGrid's offshore plans before making any decision to continue. Unsuccessful projects should be given the option of extending their MAC, or to relinquish as part of a future seabed auction.

Energia recognise that the government does not wish projects to hoard space. Therefore, we recommend an alternative option may be to provide a defined period for the development stage of the MAC.

A defined period will provide certainty to the market while incentivising delivery. It will also give the government certainty on the fact that MACs for projects that do not develop within the defined period can be recouped. A similar approach is being taken in ScotWind and Round 4 in the UK- where the bidder is granted an option to develop for 10 years.

While 10 years is an optimum development period, we are conscious that the target timeline is 2030 and therefore suggest that opportunities to incentivise delivery of projects by 2030, should be considered via altering the development levy cost- whereby a base cost will be set up to 2030 and this may increase thereafter. Delays because of the system which may push projects post 2030 would need to be considered and annual levies paused as appropriate.

Most offshore wind farm projects are financed using a non-recourse 'project finance' model, this funding structure is key to accessing the most competitive lending rates, which will have a direct relationship to the PSO levy applied to consumers. Recent experience in the UK shows that funders are not willing to accept a potential 'cliff edge' in any of the fundamental contracts or licenses needed to construct an offshore wind farm. Delivering a project by 2030 will be challenging and subject to numerous risks that cannot be mitigated effectively by developers.

It is not clear from the consultation document what milestone would need to be reached by 2030 to continue to hold a MAC. If there is a risk that a project could lose a MAC for not reaching a Commercial Operations Date milestone within a relatively short time (3-4yrs) post success in an auction and post grant of development consent, this will hinder a projects ability to reach financial close, when capital expenditure must be committed.

While we recognise the need to have an incentive for delivery by 2030 there needs to be a mechanism for the extension of MAC milestone dates where projects have been delayed due to circumstances outside of their control. This type of remedy has been used in the UK contracts for difference scheme to enable project delay risk to be mitigated.

Overall, our preference is to allow for more flexibility within the system so that projects can be delivered at an appropriate rate and in line with the considerable grid infrastructure that will be required to support them. In particular, we want to ensure that projects which have secured development permission and a clear route to market, but which may have experienced delays out of their control, due to for instance access to grid or judicial review, should have options to extend their MAC development period and be permitted to proceed into the early 2030's.

This type of approach will give both developers and the government much more certainty and will present greater opportunity for Ireland to reach 2030 targets.

### *2.5.3 c. Would this approach discourage MAC applications in Phase Two from projects with poor pre-2030 deliverability?*

Energia believe this measure is unlikely to deter more speculative projects from applying for a MAC, as they may naively believe they can deliver pre-2030. There is considerable uncertainty facing all phase 2 developers in relation to development timelines, thus it would be understandable that even the more experienced developers might underestimate the timelines involved in energising their projects. Thus, simply imposing an expiration date on MACs would not prevent projects with poor 2030 deliverability prospects from applying, making it likely MARA will receive a flood of applications as feared. In fact, there is an additional risk that if it becomes apparent that phase 2 is delayed due to the time taken for MARA to process MACs, a greater number of speculative applications will appear emboldened by the prospect of all projects being delayed anyway and essentially trying their luck.

Of the options proposed Energia see the holding of a pre-qualification stage for MAC applicants as the only sure fire way to limit MAC applications to those developers with a realistic development timeline to be producing power by 2030. Imposing an arbitrary cliff-edge by contrast will not limit applications and increase the risk profile of developing in phase 2.

## *2.6 Question 6 - What are your views on providing provisional grid offers to projects in the case where all projects receiving such an offer will not be able to obtain a full grid offer?*

Energia supports the WEI position in response to question 6.

Energia strongly supports the recommendation to include development permission as an eligibility criterion for ORESS2, for the following reasons;

- Provides the best opportunity to achieve 2030 targets
- Considerably reduces developer risk in ORESS 2 auction which will result in lower bid prices and best value for the consumer
- Increases the likelihood of available grid capacity being utilised.
- Reduces the likelihood of project attrition, improving the likelihood that Ireland achieves its' 2030 targets.

Auctions that exclude development permission as part of the entry criteria increase uncertainty, both for developers bidding into the process and also for the broader industry as a whole, due to the increased risk of attrition post auction. Given the limited

time to deliver in advance of 2030, any post auction attrition will likely impact the volume of capacity delivered within the 2030 timeframe.

Requiring that ORESS participants have development permission in place sets an appropriate challenge to developers and key stakeholders to ensure that a sufficient number of projects are progressed through the consenting process in advance of ORESS2.

Energia recognises that there are risks in securing consent in advance of ORESS2, noting that some projects may experience delays in the process. The priority at this point in time should be on developing the optimal process and working to address or mitigate risks associated with consenting so that enough projects are given a fair opportunity to succeed. This challenge mirrors the overarching challenge set for Phase 2 project developers, to secure delivery by 2030 and support or 5 GW offshore wind target. Provisional Grid Offers are essential for projects that are seeking to maintain development permission programmes and reach Commercial operations date (COD) by the end of 2030.

Developers of Phase 2 projects are making decisions on their grid connection in advance of the plan-led, enduring regime. Building on knowledge of Ireland's transmission system, local constraints and stakeholder engagement, developers may propose a preferred grid connection and will be keen to align with EirGrid.

As a Phase 2 developer, Energia are keen to maintain development permission timelines and as such, are progressing based on a preferred grid connection method (similar to the Phase 1 GCA process). This is based on significant analysis, including grid studies, environmental screening, landfall surveys and landowner engagement. It is important that we are given the opportunity of engaging with EirGrid to facilitate knowledge sharing and co-ordination of strategic infrastructure development. The window of opportunity to influence pre-2030 offshore projects (without incurring delays) is closing fast.

At this time, we are progressing long duration environmental surveys, such as bird surveys, at multiple locations, to help keep connection options open. This strategy cannot continue and key project decision need to be taken in support of our projects Environmental Impact Assessments.

As per Figure 1, Energia recommend that developers of projects successful in the MAC prequalification process (refer to response to question 3) are immediately granted meaningful engagement with EirGrid .Given that developers will have spent a lot of time considering the optimal grid connection option for their projects, it is likely that these developers will have a significant justification for their proposed design. At this early engagement, a relatively simple, 'right to veto' by EirGrid would provide an appropriate opportunity to inform these Phase 2 projects. This would then be formalised through a 'Phase Provisional Connection Assessment' in Q3 2023.

As per our response to question 7, Energia recognises the grid capacity limitations, and as per EirGrid's SOEF Roadmap, there is a need to ensure a regional distribution of projects connecting to the grid. With this in mind, Energia recommends that ORESS2 caters for this regional distribution. Identifying winners via the auction stage is considered to be the most optimal solution. A number of projects may then compete for capacity within a region, meaning that their provisional grid connection assessments may be mutually exclusive. This removes the need for EirGrid to try and

identify winners earlier in the process, as 'winners' are identified via the auction and valuable capacity awarded to the successful project(s) via a grid connection offer.

Protecting limited and finite resources within EirGrid is essential and the pre-qualification process proposed in this response is aimed at focusing these resources on credible projects.

The distinction between Phase 1 and 2 projects is that the Phase 1 projects have been facilitated through direct engagement with EirGrid (as per CRU instruction 31st January 2020)[1], in advance of their formal Grid Connection Assessment (GCA). This allowed many of these developers to progress environmental surveys and pre-FEED design.

As per Figure 1, Energia highlights the need for project engagement with EirGrid early in Q1 2023. Noting that the alignment with EirGrid's SOEF Roadmap is a key element of all options presented by DECC in this consultation, this engagement may also be used to facilitate developers seeking to provide evidence that their projects are aligned.

### *2.6.1 a. How can and should the award of full grid offers be tied to the auction results?*

A key theme of our responses has been the need for Policy to support the development of offshore projects by reducing the risk/uncertainty developers face where possible. The benefit of long term policy clarity serves not only to reduce the risk profile of offshore developments in Ireland, which is ultimately in the interest of final customers by virtue of lower levelised costs of electricity but will also provide clear signals to supply chain companies looking to locate in areas where a steady pipeline of Offshore wind projects will continue to be delivered. An additional benefit of a stable and consistent policy framework is that project attrition at each stage of the development process would be expected to reduce as developers become more learned on the key project steps and how to avoid certain pitfalls.

With the objective of policy certainty in mind, Energia would therefore favour a consistent approach across all phases of offshore development. We believe an appropriate gateway to the execution of grid offers for all phases should include evidence that a route to market has been achieved (ORESS auction or CPPA) and development consent. Relatedly, the imposition of an appropriate validity period of the proposed provisional grid offer needs to acknowledge that some projects will fail to secure a route to market in ORESS2. Automatic termination or short validity periods undermines developer certainty at a critical phase of a project's delivery, contrary to what is desirable.

Hard stop milestones present 'cliff edges' which equate to a 'one strike and you're out' policy, increasing costs and project attrition. An alternative mitigant to the problem of capacity hoarding, is to facilitate all projects (assuming they meet eligibility criteria) that are unsuccessful at a first attempt in ORESS, to re-apply in a future auction. This is likely to entail that an expedient process that facilitates the re-application for, or an application to extend, their provisional grid offer (or GCA). Another alternative is that

[1] D/20/2760 – Offshore wind grid connection

competition for grid access may be subject to optimisation procedures at the provisional offer stage.

### 2.6.2 b. Should allowance be made for projects that do not effectively compete in the auction but share a preliminary connection offer with projects that do to remain eligible for a CPPA route to market?

Energia do not support this approach. In support of the 5GW target by 2030, the recommended sequence is as follows:

1. MAC award,
2. Development Permission, and;
3. Success in securing a route to market.

Recognising that as per EirGrid's SOEF Roadmap, there is finite capacity within regions, it is recommended that ORESS2 facilitates competition on a regional basis. This will support the full utilisation of available grid capacity as winners are regionally distributed, aligning with EirGrid's SOEF Roadmap.

If a project(s) has achieved the above milestones it should be facilitated to the execution of a full grid offer. Keeping the door open for projects to secure an alternative CPPA route to market fails to recognise the grid limitations, adding no value as the available grid capacity has been awarded.

The Provisional Grid Offer validity period needs to provide an appropriate period to investigate an alternative route to market (bypassing grid constraints).

## 2.7 Question 7 - What are your views on auctioning capacity at particular grid nodes or regions in ORESS 2?

### 2.7.1 a. How should this operate? Should successful projects be required to submit ORESS 2 offers that clear both the overall auction and the auction for a given grid node or region ?

Energia supports the WEI response to question 7, which strongly advocates that the competition for valuable grid capacity is facilitated via the ORESS2 auction and not via a separate competitive process.

As per our response to question 6, any auction for capacity must recognise the significant grid limitations in Ireland, a limitation that sets the Irish industry apart from other international markets. As per EirGrid's SOEF Roadmap, EirGrid have proposed a strategy that can support 5GW of offshore wind mainly along Ireland's east and south coasts. To ensure that this available capacity is utilised, the auction must facilitate competition for grid within regions where capacity has been identified.

It is not appropriate to run competitions at a nodal level given that there are a number of nodes within an 'interacting grid region' that may utilise available grid capacity. Identifying nodes would inadvertently benefit some projects over others thus skewing the competition and offers little in terms of efficiencies from a grid capacity perspective as each project will already have taken grid limitations into account.

Given the requirement to align with EirGrid's SOEF Roadmap, all offshore projects not in Phase 1 will be competing for any capacity remaining after the facilitation of Phase 1. This presents a broad field of projects seeking to engage via the Phase 2 process. As per the response to question 3 and 6, it is important to develop appropriate pre-qualification criterion, with the focus on project delivery by 2030. Simply including criteria that seeks alignment with EirGrid's roadmap is unlikely to 'narrow the field' of projects assuming a Phase 2 status. Excluding Aside from those projects that are clearly seeking to develop connections to areas of the grid where no capacity has been identified (e.g. area A or area E), most other offshore project developers can demonstrate alignment with the roadmap, when considered on an individual basis.

Facilitating a prequalification process and building development permission into the ORESS eligibility criteria ensures that valuable capacity is allocated with confidence, as those projects competing via the process have demonstrated an ability to deliver. Excluding development permission in the entry criterion exacerbates the risk of capacity not being used, as assigning winners too early (based mainly on economic criteria) does not account for the effect of attrition during the consenting phase.

Any alternative ORESS auction which excludes development permission, results in a complicated process which seeks to either appointment primary and reserve projects in a given region, or results in a race to achieve development permission and subsequently offer execution. These options are sub-optimal and greatly put at risk Ireland's ability to achieve 2030 targets.

Although an unlikely scenario, should no winner be identified via the auction in a particular region, additional time may be given to facilitate developers seeking an alternative route to market (e.g. CPPA) or indeed to consider competing in a future auction.

**In this recommended approach, projects that are then successful in ORESS 2 have then achieved both development consent and a route to market. At this point, the TSO can then, with confidence, allocate grid capacity via the issuance of a Grid Offer.**

### *2.7.2 b. Should any nodes or regions be reserved for non-ORESS routes to market ?*

Energia does not support this approach, we do not think it is in the best interests of competition to reserve valuable grid capacity for specific projects based on certain criteria, such as route to market, technology type, etc. Reserving valuable grid capacity for projects seeking to achieve a specific route to market significantly increases the risk that capacity will not be utilised and the 5 GW target will not be delivered. Such an approach will also lead to market distortion. Any process that sought to include reservation of grid capacity at specific grid nodes will also be complex to design and implement, and as such is not recommended.

## *2.8 Question 8. In order to utilise grid capacity realisable by 2030 in totality, most options require the award of greater capacity in ORESS 2 than is realisable by 2030, and*

***establishing reserve projects on grid orders of merit, possibly grid region.***

As per Energia's response to Question 7a: Any alternative option that undertakes an ORESS auction prior to participants having received development permission, results in a complicated process which seeks to either appoint primary and reserve projects in a given region, or results in a race to achieve development permission and subsequently offer execution.

These options are sub-optimal and greatly put at risk Ireland's ability to achieve 2030 targets.

As a phase 2 project developer, Energia appreciates the urgency required to progress phase 2 projects and maintain pre-2030 project programmes. However, we must ensure that the steps we take over the coming years are robust and effective, building confidence in delivery of our offshore wind target at each step. Designing a process which unnecessarily introduces further uncertainty is not in the best interest of Ireland's 2030 targets, the Government objectives, or the industry.

Identifying priority and reserve projects may allow for the ORESS 2 auction to be progressed in 2025 or earlier, broadening the field of projects that can take part and may be seen as introducing greater competition. In practise however, such a process is highly unlikely to support the overarching policy objective of securing 5GW of offshore wind by 2030. This proposed approach incorrectly assumes that reserve projects can replace higher merit projects in the case of attrition. The fact is, that reserve projects cannot sustain auction assumptions as a lower merit project and are not a credible mitigation to the backfilling of projects in the pre-2030 timeframe.

Energia understand the Department have a concern in relation to the number of projects that may hold valid development consent by 2025 (current latest date for ORESS 2) and as such are considering allocating ORESS contracts in advance of this milestone. As set out above, Energia believes this approach is not in the best interest of achieving the 2030 target and as such propose an additional ORESS process (ORESS 3) which would require an additional state aid approval:

| Auction Process | Timeline | Conditions | Volume |
|---|---|---|---|
| ORESS 2 | 2025 (or earlier) | Development consent required | To be determined |
| ORESS 3 | 2026/2027 | Development consent required | 5GW minus (ORESS 1 volume + ORESS 2 volume) |

Projects that are unsuccessful in ORESS2 may seek to compete in a future auction (ORESS 3 or beyond), and work towards future grid capacity (perhaps in response to SOEF 2035-2040 Roadmap) or may seek to investigate an alternative route to market. This cannot slow down the process for a successful project, which has secured consent, to progress into the construction phase.

Based on the above, Energia has not drafted responses to the sub questions posed within the consultation document.

## 2.9 Question 9 - Option D outlines an auction with mutually exclusive offers and multiple bidders specifying the same MAC area and/or connection point allowing multiple bidders to specify the same MAC area and/or grid node/region and using ORESS 2 results to allocate the MAC area and/or grid node/region capacity.

### 2.9.1 a. What are your views on the feasibility of this option? What are your views on the feasibility of solving the auction using an optimisation approach?

Energia believe that any option which proposes to hold an O-RESS auction earlier in the development/consenting process (namely options C and D), creates both unnecessary risk and complexity in terms of allowing for project attrition and final volume delivery. Hosting an O-RESS auction earlier in the development timeline accentuates the risk that speculative projects with no clear development plan, will jeopardise the delivery of 2030 targets in addition to creating an administrative headache.

As per our earlier comments, there is a strong incentive on all projects to be included within Phase 2. Failing to hold a pre-qualification round, that filters out projects that are not in a position to deliver by 2030 risks allowing speculative applicants to divert time and resources away from key bodies such as MARA, An Bord Pleanála and EirGrid.

An additional concern Energia has with option D is that we expect it will result in multiple bidders competing for access to the same grid region, as many developers perceive phase 2 inclusion as a key determinant of whether their project will be delivered or not. Noting the grid limitations as discussed earlier, this could set unrealistic expectations across the industry (developers and international backers), resulting in reputational damage for Ireland.

Energia would also have concerns about the logistics of allowing MAC areas to overlap as proposed for much of the same reasons mentioned above. Pre-2030, as demonstrated in EirGrid's SOEF Roadmap, only a specific volume of offshore wind can connect to the grid in a specific region, even if they secure separate routes to market (PPA versus RESS).

## 2.10 Question 10 - Hybrid grid connections are defined in this paper as single grid connections which facilitate the connection of both an existing or proposed thermal generation plant and a proposed offshore wind project.

### 2.10.1 a. Do you support the facilitation of such connections, as defined? Why?

The concept of locating renewable generation in areas of the grid currently serving conventional plant deserves further consideration. Opportunities to maximise renewable energy on the grid whilst minimising the need for new grid infrastructure should be explored.

As the power system transitions toward net zero, thermal generation is displaced by renewable sources, and thus (in a high RES scenario) do not utilise existing grid capacity. In this context, the hybrid solution as proposed is unlikely to result in additional (or spare) capacity. This capacity is already being utilised by existing (and future) renewable energy projects. Note that EirGrid SOEF Roadmap assumed a low conventional dispatch, targeting 95% SNSP by 2030 and a reduction to 'minimum sets' operational constraint, targeting just two conventional units in Ireland.

> *To deliver on the Renewable Ambition, it will be necessary to accommodate large penetrations of variable non-synchronous renewables such as offshore wind, onshore wind and solar, whilst keeping curtailment levels to a minimum.* ***This will require us to be able to operate the power system with SNSP levels of up to 95% and with significantly reduced numbers of conventional units online.***
>
> *SOEF Roadmap 2021 – Key Messages*

Energia's understanding of the term "hybrid grid connections" in the context of this consultation is that it refers to a connection philosophy that supports the utilisation of existing grid. This is commendable and appears to align with EirGrid's strategy to minimise the need for new grid infrastructure. However, the specifics of the proposed conventional and renewable hybrid deserve careful consideration, and one that is likely to require its own consultation.

Firstly, is the current hybrid concept the only solution to facilitating higher levels of RES-E and utilisation of existing grid?

Energia's reading of the hybrid approach assumes that the incoming offshore wind project connects via an existing transmission grid connection. This leads to many technical, operational, and regulatory challenges, so it is worth considering alternatives. In Energia's view, connecting the offshore wind project into the same substation delivers the key objective, and avoids the significant complications. I.e. where there is space in an existing substation, or indeed via a new substation connection within a region, the offshore windfarm can connect directly to the transmission system, as a separate market unit.

Secondly, as per other international examples, Ireland has already developed policies in support of hybrid plant. However, this mainly relates to renewable sources co-locating behind a single grid connection point (power park modules2). Traditionally, we have seen co-location of wind, solar and battery energy storage (to store energy produced via renewables) and have implemented policy to support this approach. Co-location of renewables with a conventional plant is different.

A significant concern with the proposal to cater for a conventional / renewable hybrid solution is that the renewable project inherits the capacity from the conventional plant. Energia does not agree that this capacity is readily available to award in this instance, given our ongoing strategy to maximise renewables. Any capacity awarded to

2 Reference EirGrid Grid Code

renewable projects should be open, fair, and transparent, ensuring that existing and planned renewable projects are given fair consideration in the award of capacity.

Excess grid capacity is likely to be at a premium over the next couple of decades however and it is therefore important that rules are in place to prevent the hoarding of existing capacity where a station is no longer operating at its full connection capacity for the majority of the time. It is likewise important to consider that where an existing generator paid to connect to the grid (and thus by extension financed the connection infrastructure), if it should retain certain rights in respect to availing of any spare capacity at the connection point. A balance therefore needs to be struck between opening up spare connection capacity to new developers as a means of facilitating competition, whilst also acknowledging existing generators rights to the grid capacity they financed.

Efficient utilisation of existing connection assets is overall key to achieving climate related targets and innovative approaches should be facilitated. Introducing a competitive process for existing capacity would not only prevent hoarding of existing capacity but also promote more efficient use of the network.

As an example, as part of a competitive application for existing connection capacity, competitors for this capacity may simply could include the cost of an adjacent HV bay at an existing station (if one exists) or include the cost of a new substation in the area should they wish to compete for this capacity. Others may seek to design in efficiencies associated with their existing conventional portfolio, such as connecting an offshore windfarm behind the meter of this existing plant, to avoid the cost of increased shallow connection charges.

It is important therefore that rules regarding the allocation of spare capacity are carefully considered.

### 2.10.2 b. Are you aware of any other jurisdictions where such connections are permitted? Describe how hybrid connections are treated from a technical and regulatory perspective in these jurisdictions.

Energia is unaware of any jurisdictions where useful examples of hybrid connections can be provided that would be relevant in the context of this consultation.

### 2.10.3 c. Are there potentially unintended consequences associated with permitting hybrid grid connections, such as potential impact on grid system services provided by the associated thermal plant or potential impacts on the reliability of the thermal plant?

As stated in section 2.10.1, there are clear benefits to facilitating hybrid connections in certain locations but clear rules need to be established about how capacity is allocated.

Clarity with regard to acceptable design changes and the impact on the existing grid must therefore be a feature of any hybrid grid connection. Consideration must also be given to what level of a change to a connection should trigger a competitive allocation process for any spare capacity. At its simplest, hybrid connections might entail an existing generator changing the technology on the side of the IPP (from thermal to offshore wind for example). However, if changes to the shallow connection method are

required, the framework governing hybrid connections should allow consideration of whether the existing capacity is better served by other generators and thus should be subject to a competitive allocation process.

The idiosyncrasies of individual connections are likely to frustrate a one size fits all approach, however. Existing grid connections will have been designed to accommodate a different kind of generator (thermal) via an associated generator transformer than one tailored specifically for offshore wind. Managed correctly however, this creates opportunities for more innovative approaches, with perhaps numerous generators linking into a single existing asset.

Given the type of hybrid being proposed (conventional / renewable plant) the risk of unintended consequences is significant. There are a number of areas that would require detailed consideration, below to highlight a few (in no particular order):

- Operational dispatch protocols
- Operational flexibility and response times
- Grid code compliance
- Market operation and regulation
- Compliance with Offshore Grid Framework
- Etc.

### 2.10.4 *d. How should proposed projects with hybrid connections be treated so as not to distort competition or afford undue competitive advantage to the incumbent owners and operators of the associated thermal generators?*

See response to a) above.

### 2.10.5 *e. Do you support the facilitation of such connections, if the definition was adjusted to, e.g. an existing or proposed onshore battery, solar or other generator?*

In line with our comments above, Energia supports the philosophy that all opportunities to maximise RES_E on the system are explored, maximising the use of the existing grid as much as possible. As per the response above, this may include hybrid solutions in certain instances, however it is recommended that this is considered further to mitigate the risks of unintended consequences. At a minimum, any transfer of capacity from a conventional unit to a renewable unit should be assessed in the context of a higher RES-E scenario, and awarded based on a competitive process.

Technology modifications that offer a solution to local constraints, such as batteries are especially valuable and as such could be treated favourably. The framework for hybrid connections should therefore support owners of existing plant wishing to develop projects battery behind the meter.

## 2.11 Question 11 - Should any special allowances for innovation technologies be included in the Phase Two process?

As we discuss further in section 2.11.4, it is imperative to the policy objective of phase 2 that all projects within this phase demonstrate credible programmes for delivery by 2030 during a prequalification stage. No exceptions should therefore be made for innovative projects in respect of the deliverability criteria.

Once again, it is essential that policy makers appreciate the significance of the Irish grid limitations and understand how the assignment of a 'pot' for technology specific auctions may interact.

To ensure that the consumer is not over-burdened on the cost of the energy transition, Energia recommends that ORESS 2 seeks to award all remaining and available grid capacity (noting the progress of Phase 1 projects) in a technology agnostic manner. This may very well include capacity for areas where there fixed bottom is not viable. This approach supports all offshore wind projects, regardless of the foundation on which the turbines are installed.

As set out in the WEI response and supported by the offshore industry, any considerations of a separate pot within ORESS must be allocated after an initial open competition for the 5GW capacity realisable by 2030. Given the regional allocation of capacity it is potentially

### 2.11.1 a. What technologies should be provided with special allowances and why?

Subject to the proviso mentioned above that all projects must proceed through phase Phase 2 prequalification stage, there may be opportunities to assign an introductory pot for more innovative technologies with perhaps a different dispatch profile to offshore wind. As we discuss below however, the inclusion of these projects within Phase 2, should not jeopardise the policy goal of delivering sufficient capacity by 2030 to achieve national climate targets.

### 2.11.2 b. What allowances should be made? At what stage(s) of the Phase Two process? Should capacity be reserved in the MAC and ORESS processes for any of these technologies?

**MAC Process**

As stated above, Energia believe that the focus for all Phase Two projects should remain focussed on the ability of the project to deliver for the 2030 target. Considerations in relation to project scale should also be taken into account as the award of multiple smaller scale projects as compared with a single large scale project would necessitate a much larger pool of resources required from the Government agencies.

**Grid Capacity**

It is expected that, within the 2030 timeframe, the majority of innovative technologies/FLOW will look to connect to the national grid. As such and given the nature of the highly constrained electricity grid, any consideration in relation to

reserving capacity must be considered from both a fiscal (ORESS) and grid access perspective.

**Due to the requirement to utilise grid capacity realisable by 2030 in totality (as set out in Question 8), regional competitions within an auction should award grid capacity on a technology agnostic basis to the lowest cost project, ensuring the lowest cost to the consumer.**

This is distinct from the design of RESS1 solar and community pots where bid volume and grid access were allocated on a preferential basis. However, due to the large size of individual offshore wind connections, implementing this in ORESS 2 / 3 will likely result in underutilisation of scarce grid capacity.

**ORESS Process**

Energia do not believe that ORESS is the correct mechanism to enable the establishment and deployment of nascent technologies. As a concept, this has been proposed within the UK CfD structure however, this has solely come about due to the delivery of proven fixed bottom wind at CfD rates significantly below market expectations. As such, the UK Government has a budget surplus relating to their CfD process and can utilise this to support floating offshore wind (at small scale). Ireland is considerably further behind in terms of maturity of the offshore wind market and has not yet delivered projects at scale to benefit from the cost reductions seen in the UK.

Further to the above, Energia has received legal advice which concludes that a floating preference pot would not currently comply with the state aid approval in place (State Aid SA.54683) which supports the basis of ORESS auctions.

### *2.11.3 Legal Opinion re: State Aid letter (SA.54683)*

Referring to the RESS State Aid Letter from the EU Commission (DG Comp) reference SA.54683 the following points are noted:

**Structure and format of RESS**

- The relevant roles and responsibilities for DECC, CRU, EirGrid (para 3-6)
- RESS to be open to various forms of electricity production from renewable sources (para 7)
- Competitive auction for allocating subsidies (para 12) and this should be an auction for all eligible renewable technologies, unless such an auction would be uncompetitive or is justified on specific basis; e.g., diversification (para 15)
- Ireland put forward the following options for assessment by DG COMP (inter alia):
    - Preference categories in the RESS auctions for solar (2.3.1.1) and renewable energy communities (2.6.1.1)
    - Separate auction specifically for offshore wind (2.3.1.2)

**Budget**

- Overall estimated budget for RESS of €7.2bn - €12.5bn over 5 years (para 44)

**State Aid Assessment**

- Section 3 of the letter (pp 14-28) includes an assessment of the measures under the standard State Aid approach that ensures the necessity and proportionality of the aid, consistent with EEAG and TFEU. Importantly, the options on proposed preference categories are assessed individually by DG COMP and as well as an assessment of RESS, conclusions are detailed in relation to the proposed exceptions from RESS; i.e., Solar, Renewable Community (preference category) and Offshore (separate auction)

**Offshore Wind Assessment**

- DG COMP's assessment of the proposed separate offshore wind auction option (3.3.5.3), includes the following:
    - Approval to auction 2GW, unless assessment by the NRA indicates the likelihood of a competitive auction for higher demand (para 138)
    - Ireland's submission explained an expected 25% price premium over the strike price of onshore wind (para 131), with the expectation that this will fall in future (para 132)
    - DG COMP concluded that the aid, as described for a separate auction for offshore wind in the context of RESS, is proportionate (para 140) on the basis that offshore wind increases diversification and has the longer term potential to benefit from significant cost decreases (para 139)

**Significant issues in the context of the current consultation**:

- Options to deviate from a standard "all-in" auction approach were specifically notified to DG COMP; i.e., preference pots for solar and renewable energy communities, and a separate auction for offshore wind. DG COMP were not notified of a preference pot within the offshore category for floating offshore wind and therefore it would not and could not fit within the current scheme without amendment.
- No objections to a separate auction for offshore wind were raised by DG COMP – including the possibility of >2GW – on the basis that there would be competitive auctions, an initial price premium of c.25% over onshore wind strike prices and the likelihood that costs for offshore wind would fall in the longer term. A proposed floating pot for ORESS2 could not fit within the parameters of this conclusion. A specific floating pot would require special consideration against these criteria &/or under relevant criteria the Dept may wish to provide to DG COMP under a new application.
- Under the scheme notified to DG COMP and in respect of which they raised no objections, Ireland's options on the structure and format of ORESS are extremely limited. There can be no preference pot, and particularly in circumstances where the aid provided would be substantially in excess of the value of both a competitive offshore wind auction and with reference to onshore wind strike prices (ref 25% premium).
- DG COMP's letter and assessment should be read literally and is not open to the sort of amendment and/or interpretation required, without subsequent notification/amendment to accommodate the specific ask. It is entirely the purpose of state aid to frustrate the ambition/will of EU Member States, where the State's proposal is to provide aid to companies that is either not notified (contrary to TFEU) or is not assessed to satisfy the principal requirements of necessity and proportionality.

In summary, there are significant issues with certain proposals in relation to designating a special floating pot or an innovation pot under the current scheme in the context of the state aid for RESS and there appears to be no basis for doing so. Such an approach would require a separate notification or a notification of an amendment to the current scheme.

### *2.11.4 c. Should these types of projects also be required to deliver by 2030?*

Energia believe it would undermine the policy of objective to Phase 2, to include projects that would not be capable of delivering in time for 2030 within Phase 2. The focal point of this consultation is to streamline a process that ensures the maximum number of projects capable of delivering in time for 2030.

Key to achieving this policy is goal, is reducing the timeframes for the consenting process by efficiently allocating the scarce resources of the consenting bodies. It strikes Energia that allowing projects with no ability to deliver in time for 2030 to enter the phase two process, would serve only to put further strain on the resources of these bodies, undermining the policy objective.

Given the Enduring regime will be implemented on a plan led basis by the Department, the support of innovative technologies would seem most appropriate for this phase of development.

### *2.11.5 d. What level of offshore wind capacity could be deployed before and after 2030 that does not depend on the Irish grid for offtake? i.e., generation that is instead utilised for non-grid offtakes such as green fuel generation or export by cable to another jurisdiction?*