



Offshore Wind Phase Two

Consultation Response

9th March 2022



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1. INTRODUCTION TO THE ORIEL WIND FARM PROJECT

Oriel Windfarm Limited (Oriel) welcomes the opportunity to make a submission to the consultation on Offshore Wind Phase Two development.

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

The Oriel project meets the definition of a "Relevant Project" as outlined in the MPDM Proposed Transition Consenting Protocol, published in January 2020. The project is also party to a grid connection agreement with EirGrid. As such, the focus of our response is on the transition of projects from Phase 1 to Phase 2 should a route of market not be secured, and their ability to deliver in time to participate in meeting Ireland's climate and renewable energy goals for 2030 and beyond.

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

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

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

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

2. SUMMARY OF KEY POINTS IN OUR RESPONSE

This consultation explores how Phase 2 offshore development should be led and sets out the process for how a significant proportion of offshore wind will be delivered to meet the 2030 target. As a “Relevant” project, the focus of our response is on the potential transition of projects from Phase 1 to Phase 2. We therefore have only responded to questions that are most applicable to these projects.

We recommend that a competitive process to determine how projects obtain seabed exclusivity (via Maritime Area Consents) is the most suitable approach as proposed in option B in the consultation.

We have summarised our response to the questions in the consultation in the following key points. We believe the approach summarised below will deliver the most successful Phase 2 development and maximise the likelihood of reaching the 2030 targets.

Consultation Response Key Points	
Grid capacity availability	The grid capacity identified in the EirGrid Shaping our Electricity Future report is based on a singular view on how the 5GW target will be reached by 2030. We believe that there is additional capacity available from electrically close nodes that should be identified in the next iteration to reduce deliverability risk and increase the likelihood of reaching the 2030 targets.
Preferred Option for MAC process	Option B – the competitive process is the most appropriate and will deliver the best results for both the State and the developer. In broad terms we support the criteria set out under Option B in the consultation paper.
Criteria demonstrating 2030 delivery	A strong weighting should be given to criteria such as ‘Site Investigation works, project design or other preparatory works undertaken,’ and ‘Efficient use of grid’ to preference projects which have the strongest deliverability for 2030.
Retention of MACs between phase 1 and phase 2	We support the retention of a MAC between Phase 1 and Phase 2. The phase 1 projects have been under development for 15 plus years and are the most likely to be delivered by 2030.
Remediation mechanism for projects with evidence of progress to retain MACs	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.
Grid allocation	We believe that the most competitive project at any given node in the ORESS auction should obtain a full grid connection offer. If there is over allocation of MACs at certain grid nodes, to ensure competition, consideration of how this will impact consent applications with regards to cumulative impact and stakeholder concerns is necessary.

3. RESPONSE TO CONSULTATION QUESTIONS

3.1 Which is your preferred option and why of:

a. The above options?

Our preferred option is Option B.

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

We are of the view that Option B represents the only viable proposal. This option is more closely aligned with processes that have operated successfully in other jurisdictions, including the recently concluded Scotwind process. This proposed auction system, if supported by appropriately weighted criteria, will give confidence to DECC and to developers. Providing early visibility of the intended assessment criteria is a key measure. This will enable all prospective competing parties to plan effectively in relation to development activities and strategy and it will also help to generate transparency in the process.

The MAC award process should be progressed as soon as possible after MARA is established to give the projects the opportunity to carry out site survey work and other development work as early as possible in advance of the ORESS 2 auction, and to provide clarity to all stakeholders around the coast on how phase 2 projects will be selected.

Under option B, projects must align with the Shaping Our Electricity Future (SOEF) report. We would have concerns impact of this criteria could have on Ireland's ability to meet its 2030 renewable target.

The 5GW capacity could be connected at other locations around Ireland without driving any additional reinforcements than which are proposed in the SOEF. Many 'electrically close' nodes are available across the coast which require little to no further reinforcement which could be identified in the next iteration of SOEF (expected later this year) to improve competition and reduced deliverability risk. We recommend that these "electrically close" nodes be included in the next iteration to increase the likelihood of reaching the 2030 targets.

We have significant concerns in relation to the workability of each of the alternative options. The proposal outlined in Option A is considered unreasonable as some of the main risks to delivering a project by 2030 are outside the control of the developer and it would not be proportionate to draw down a deployment security in these circumstances. In addition, it appears that MACs would potentially be awarded on a first come, first serve basis and this kind of solution will never deliver the best outcome.

Options C and D are not considered to be workable as it not appropriate to use the ORESS auction as a means of choosing winners at such an early stage of the development process. These options are more consistent with a plan-led approach where detailed survey work is available to enable accurate bidding in a tariff auction. These options are likely to result in speculative bidding which will result in under delivery of capacity and/or excessive costs to consumers.

3.2 Option A proposes that a deployment security is required for to apply for a MAC in Phase Two.

We understand the driver for DECC to ensure that applications for MACs are made for projects that have the best pre-2030 deliverability prospects. We do not believe that deployment securities are the best way to achieve this objective. Considering development costs, an assumed development levy and performance bonds, the cost of obtaining consent for a typical offshore wind project is likely to be €60m-€90m. This level of expenditure should be sufficient to demonstrate commitment.

- 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?**

Given this level of risk outstanding on MAC award we project developers should not be exposed to a cost for non-delivery. Such a security structure is more appropriate at the time of ORESS contract award, possibly mirroring the structure of the Performance Bond under the RESS regime whereby the security would be drawn down if Commercial Operation Date is not achieved by a certain date.

- 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?**

Deployment securities in relation to the award of MACs is inappropriate for the reasons set out above.

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

We do not support the use of a deployment security.

- 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?**

This would be difficult to put in place as funders would be asked at the time of MAC award to take a risk on a project delivering capacity by a certain date. Given the risks outstanding at this time it is likely that

the cost of any security that may be put in place would be quite high, which would have to be factored into the bid of that project in a ORESS auction. This is quite a different proposition to the Performance Security currently required under the RESS regime whereby the only substantive risk outstanding on the signing of the Implementation Agreement is construction risk, which is largely well understood in the context of onshore wind and solar energy projects.

e. What other terms should apply to this security?

We do not support the use of a deployment security.

3.3 Option B proposes a competitive MAC process.

a. What assessment criteria should be used in this process? What should the weighting of this criteria be?

Option B is the most favourable proposed. The challenging delivery timeframe to 2030 means that the allocation of Phase Two MACs can only be achieved through the implementation of a robust and efficient process with a focus on prioritising those projects that can realistically be delivered by 2030. In broad terms we support both the criteria set out under Option B in the consultation paper and those established under Schedule 5 of the MAP Act.

The proposed criteria for the competitive MAC process are set out below.

Criteria	Competitive MAC Assessment
Consistency with the National Marine Planning Framework	Pass/Fail
Consistency with EirGrid's latest plans, e.g. Shaping Our Electricity Future	Pass/Fail
Financial Capability	Pass/Fail
Fit and Proper Person	Pass/Fail
Technical capability	Weighted
Site Investigation works, project design or other preparatory undertaken,	Weighted – development progression to be scored in the context of ability to deliver for 2030
Nature of stakeholder engagement	Weighted
An auction for the seabed levies to be paid by MAC holders	capped development levy applied - in line with Phase One MAC development criteria
Efficient use of grid (less need for new infrastructure and making better use of current system)	Weighted
Whether the proposal is in the public interest ¹	Weighted

b. Should a seabed levy auction be included in this assessment? What weighting should the auction result have?

Our preference is for a capped seabed development levy to be included as part of the Phase Two MAC Competitive process.

c. Should a deployment bond be maintained under this option? Why, or why not?

As per our answers to Question 2, we do not believe a Deployment Security is appropriate given the outstanding risks to delivery at the time of MAC award.

3.4 All of the above options assume that Phase One projects retain their MACs for Phase Two.

a. Is this the correct approach? Why?

We support the retention of MACs for Phase One projects to ensure that any project which did not clear within the ORESS1 auction can continue through the planning consent process. The limited number of projects expected to enter ORESS1 and the requirement for competition requires at least 1 project to be unsuccessful. If a project is unsuccessful in ORESS1 this does not necessarily mean that the project will not be competitive in ORESS2. The Phase 1 projects are the most likely to be delivered prior to 2030 and should be given adequate opportunity to compete.

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?

As noted in the response to the question above, we do not agree that requiring Phase One projects that are unsuccessful in securing a route to market to reapply for a MAC would provide a better outcome for any of the main stakeholders involved.

This would unnecessarily increase developer costs, add extra risk and uncertainty which serve only to increase bid prices, without providing any additional benefit. In addition, it would increase the demand for resources within MARA, which is an undesirable outcome given the priority associated with awarding Phase Two MACs.

- 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?**

Option D is unworkable and should not be progressed. As mentioned previously phase 1 projects will have invested 10s of millions of euro to get to a point where a bid price can be submitted in ORESS1. A Phase 1 project may be unsuccessful in ORESS1 due to competition requirements, not because it is uneconomic or unviable. These projects are the most likely to be delivered by 2030 and should be given adequate opportunity to proceed. Transferring a MAC area to a new developer would only lead to significant delays in delivery and lost investment.

3.5 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.

- a. Is this the correct approach? Why?**

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. If there is a risk that the MAC could be lost in an abrupt transition to the Enduring Regime, then it would not be possible to successfully finance the project in the first place. There are risks outside the control of the developer such as legal challenges to planning consent which may result in project delays.

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. We believe that this proposal fairly addresses both the interests and concerns of the State and the developer.

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

We suggest that, in order to demonstrate their commitment to projects, developers should lose their entitlement to MACs if they do not meet mutually agreed development milestones throughout the process, subject to an ongoing review mechanism. Our preference is to allow for sufficient flexibility within the system so that projects can proceed with confidence through the development process.

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

This approach is unlikely to discourage MAC applications in Phase Two from projects with poor pre-2030 deliverability. Developers by their nature will take an optimistic approach to project delivery and the proposal to terminate the MAC prior to the Enduring Regime may not achieve the desired outcome.

The key criteria in the assessment of applications for a MAC for phase 2 projects should be the capacity of a developer to deliver a project by 2030 and that there is a series of milestones which the developer must meet on an ongoing basis in order to retain a MAC.

3.9 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.

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?

This option is not feasible for the phase two development of offshore wind. The level of work required to calculate realistic bids in a tariff auction requires very significant investments over an extended time. Having multiple projects undertaking this work in the same areas would be inefficient and cause significant confusion amongst stakeholders and communities. If projects don't undertake significant upfront site assessment and design, it is likely to lead to speculative bidding which will result in under delivery of projects and/or excessive costs to consumers.