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Sent via email to phase2@decc.gov.ie

22 February 2022
Our ref.: 20220222_Phase_2
Doc. Id: Deca00010216-
2106684413-1045

Phase 2 Consultation

Dear Sirs/Madam,

Ørsted welcomes the opportunity to respond to the Phase 2 Consultation as published in December 2021. Ørsted entered the Irish market in 2021 and has an operational base of 360MW. The Irish Headquarters is based in Cork and we have regional offices close to our assets across Ireland. We have over 70 people employed and ambitious plans to grow the business further. We are also one of the largest suppliers of electricity in the Industrial & Commercial (I&C) sector and we look to bring innovative solutions to help our customers decarbonise their businesses further.

Ørsted is the largest owner and operator of offshore wind in the world. We built our first offshore wind farm Vindeby in Denmark in 1991 and now have over 1500 offshore wind turbines accounting for over 7 GW of operational offshore assets worldwide, with 2 GW+ in construction and a further 7 GW+ in early-stage development. We have over 3000 employees purely dedicated to offshore wind farms and we operate in over 15 different global markets.

Last year Ørsted increased its global ambition in regard to deploying renewable energy production setting a target of 50 GW of operational assets, including 30GW of offshore wind and 17.5 GW of onshore. We want to bring this experience to bear in the Irish offshore market if the regulatory and market conditions create a commercially attractive environment.

Indeed, our overall vision is to create a world that runs entirely on green energy and we commend the Governments targets in terms of their carbon budgets and subsequently

the 80% renewable electricity targets. Being the largest owner and operator of offshore wind in the world we know first-hand the value of offshore wind generation and the challenges that can occur to deliver the 5 GW targets, but also allow the industry to succeed past this target to the countries potential of 30 GW by the middle of the century.

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To that end we were delighted to contribute to the ORESS consultation at the end of 2021 and would reiterate our position in that process. For offshore wind to succeed in Ireland a clear regulatory environment has to be created, risk should be shared fairly between the Developer and the State and that Developers should not be penalised for items outside of their control when trying to deliver projects successfully.

We therefore see the value of the Phase 2 consultation, and the requirement of the Phase 2 assets as a critical factor in delivering the projects required for 2030. The challenge is large, but not insurmountable if the right environment is created.

1) Which is your preferred option and why?

With the overarching goal of the Phase 2 projects being the delivery of projects by 2030 we believe that Option B is the best option to achieve this target and to ensure the best value delivered for the end consumer as the most viable sites are selected to reach the targets. This view was reached based on assumptions regarding the pre-qualification process and the timing around the Phase 1 projects and how they are aligned to meet the targets. We also believe that in this competitive process the levy on the MACs should be capped as the onus is on delivery, while also ensuring value to the consumer and benefits to the local supply chain.

In the ORESS consultation we voiced our concerns on the risk allocated to the developer, bidding into the auction without necessarily securing development permission in advance of ORESS. The planning/development consent risk for offshore windfarms are significant and should not be discounted when entities are to bid into auctions. In the Phase 2 process this risk remains and we would be concerned in sub-optimal sites being progressed without due consideration. At best this risk will push up the costs for the consumer, at worst it could make the auction completely unviable.

2) Deployment security – application and calculation of same?

While the question is specifically raised against Option A we would have concerns as to the value and application for deployment security for MACs at this stage with uncertainty surrounding the projects. Subject to further details being provided an applicant could have received a MAC, deployed security but still have to complete the planning process so carries uncertainty if the project can be developed or not. This places an unfair financial burden on the developer. This, coupled with the fact that to receive a MAC the developer will have to show that they are “fit and able” and passed the relevant financial and technical criteria should ensure that the developer wants to progress the project in good faith. We therefore believe that the deployment security should not be required for Option A or any of the subsequent options selected.

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3) Option B – competitive MAC process what assessment criteria to be used

Due to sizeable activity in the offshore sector and in a bid to process applications as effectively as possible a pre-qualification process for the Option B Competitive MAC would be a sensible way to progress the Phase 2 sector. The MAC itself will focus on the capability of the developer from a technical and financial perspective so the pre-qualification should have an onus on the site and the capability to deliver a project within a given timeframe. We do have concerns on the 2030 timeframe and the change to the Enduring Regime – further elaborated in point 5 below.

Prequalification should provide weight to preparatory work undertaken, programme deliverability, demonstrable execution experience, access to the developer for supply chain infrastructure (vessels, surveying equipment, ports and harbours etc.), compliance with the National Marine Planning Framework and overall grid strategy. Details of the work required to complete the project and a detailed project plan would be sufficient to allow developers to pass the prequalification process for the final MAC.

The prequalification process could also allow geographically separate allocation of the sites, as per the ScotWind process, to enable clear deliverability of projects as quickly as possible.

For this process to succeed the Maritime Area Regulatory Authority (MARA) should be fully operational in Q1 23. It will not be enough to have it in place in name only, it should be able to process MACs immediately and should be resourced accordingly beforehand. This resourcing issue is also a concern for

the planning (via An Bord Pleanála) and grid (via Eirgrid) and this should be planned out to ensure Phase 2 projects can be delivered on time.

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4) Should Phase 1 projects retain their MACs for Phase 2?

Ireland is a fledging market in terms of offshore development. It is also a market competing on an international stage in terms of talent and supply chain. We therefore believe that to support the development of the market that early-stage (Phase 1) projects should have to the opportunity to compete on a competitive basis for the Phase 2 allocation, if for some reason outside of their control such as delayed development permission timelines or due to issue with the ORESS 1 auction. The Phase 1 project should have the opportunity to compete for Phase 2, given the likely significant progress already made on the project subject to maintaining the aim for project delivery by 2030 or the appropriate deadline.

5) All MACs awarded in Phase 1 and 2 will expire prior to the Enduring Regime – is this approach correct?

We would have severe concerns as to how the Enduring Regime will be implemented and when. We believe a cliff edge type solution whereby a relatively arbitrary date is set in the future carries substantial risk to the industry. If the Enduring Regime is implemented with a hard date by when Phase 1 and 2 projects will expire, projects will be met with difficult financing arrangements, if it is possible to finance projects at all.

What the industry has to avoid is that projects which can be successful, which can decarbonise the Irish power system and which miss a deadline for Phase 2 for instance do not become inadvertently cancelled. Where the developer can demonstrate substantial progress of the project, show that issues outside of their control have caused delays but that the project can be successful, these projects should be allowed to continue as part of transitional arrangements into the Enduring Regime.

6) What are your views on provisional grid offers – should allowance be made for projects not in the auction process?

Grid is a critical factor in the delivery of offshore targets for Ireland. While it is positive to see a route for the Phase 1 projects, and without visibility of the details

of the Phase 2 grid connection process we would be in favour of a Grid Connection Assessment (GCA) being provided to the developers with sufficient time to determine the costs for inclusion in the relevant route to market selected. If the Option B competitive MAC auction is implemented the prequalification criteria should determine which plants can be built by 2030. Once this selection process has been carried out Eirgrid can then (or as part of the prequalification process) determine the Grid Connection Assessment for the successful Phase 2 projects. The fact that the grid process for Phase 2 projects is moving from a decentralised to a hybrid grid connection process increases the risk of grid delaying projects before the 2030 deadline and a solution whereby successful prequalified MAC applicants get a GCA as soon as possible could be a successful means to manage this risk.

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At this stage ORESS 2 would not have occurred so we see no reason why projects with a CPPA route to market should be precluded from this process and should have access to grid comparable to any other developer looking to go to the ORESS 2 route to market. The CPPA market is an opportunity to deliver projects ahead of schedule. CPPA markets must be encouraged and at least should be on the same playing field as other assets as a means for the industry to succeed.

Noting the requirement for Phase 2 being linked to delivery by 2030, and the association with Shaping Our Electricity Future (SOEF) we have concerns that SOEF focus out to 2030 limits the further requirement of offshore development out to 2050. To prepare for 2050 we have to start planning now whereas SOEF has a focus out to 2030. SOEF also does not have a licensing or legislative basis so we would question how it can be used for Phase 2 projects in its current guise. By limiting SOEF in this way it appears that offshore is limited to the east coast of Ireland, while the west and south coast has significant potential in terms of wind resources. If projects can be delivered and go above what SOEF has specified (but also compliments it) this should be allowed for. The objective of Phase 2 is to deliver *at least* 5GW and with the risk of attrition we therefore see no reason why projects in excess of this should not be allowed to proceed if they can meet the criteria required. SOEF should not be a limiting factor in this regard. Why should the market limit its ambition when the potential is so high?



7) What are the views on auctioning capacity at grid nodes or in regions in ORESS 2?

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8) What are your views on the grid orders of merit?

9) Mutually exclusive offers and multiple bidders specifying the same MAC

10) Hybrid grid connections – do you support the facilitation of such connections?

The challenges to deliver offshore renewables, and the decarbonisation of our grid in general are stark. The regulatory challenges are high for this new industry in Ireland. We therefore support the idea of hybrid connections of thermal and offshore assets but believe that this should not be the only case. Hybrid connections make sense for several reasons. Firstly, they maximise use of existing grid infrastructure. Secondly, they accelerate the decarbonisation of our power system by reducing time to access grid. Finally, they support sustainability use of our resources at hand rather than duplicating assets to allay regulatory hurdles.

Hybrid grid connections should be allowed for onshore renewable assets also and should not be limited to thermal assets and offshore as suggested in this consultation. With the grid asset in place already it should be used to its maximum capacity to the benefit of the consumer.

11) Should allowances be made for innovative technologies?

We encourage the support of innovative technologies. Without innovative technologies there is a limit to the integration of renewables. Innovative technologies therefore need support to ensure they are not a barrier to entry for renewables.

We support the allocation for a specific pot for technologies such as floating offshore. From our own experience we have seen the benefits of smaller scale (being in the hundreds of MW of capacity) being developed and supported to allow the supply chain to be created in tandem and then giving the building blocks for the industry to grow accordingly. For this consultation the focus is on delivery- if innovative technologies can deliver within the time specified, they should be supported.

Ørsted has global ambitions in the Hydrogen sector as we can see the requirements to help our world run on green energy while also seeing the benefits of hybrid interconnectors and the use of HVDC solutions¹. Taking hydrogen as a firm example we see the merit in encouraging this form of technology to help support offshore wind. But, Ireland has so many regulatory hurdles in this regard it makes it difficult to see how this could be achieved. For instance, Ireland needs a hydrogen strategy and roadmap as a minimum to help with the deployment of Phase 2 projects. Once this strategy is in place it creates the environment for this type of innovation to occur. We support electrification where possible and other markets thereafter.

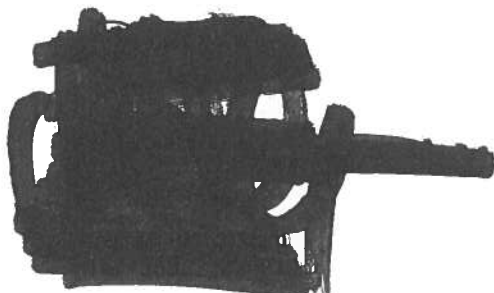
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We welcome the opportunity to respond to this consultation and see the value of the Phase 2 process for Ireland to deliver its 2030 targets. Its importance is in the fact that it forms the launch pad for the success of the industry out to 2050 and we hope our response to this consultation helps in that regard.

Yours sincerely,



¹ <https://orsted.com/en/our-business/renewable-hydrogen>