

Department of the Environment, Climate and Communications
29-31 Adelaide Road
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By email: FutureFrameworkpublicconsultation@decc.gov.ie

Response to Consultation on Offshore Renewable Energy Future Framework Policy Statement

Dear Sir/Madam

Etchea Energy Partners LLP (**Etchea Energy**) welcomes the Department of the Environment, Climate and Communications' (DECC) Consultation on Offshore Renewable Energy Future Framework Policy Statement published on 22 January 2024 (**the Consultation**).

Etchea Energy is a private developer and leading advisory firm providing focused services to investors and operators in the energy sector. We specialise in identifying and structuring investment opportunities in the electricity transmission, power generation, environmental infrastructure, midstream gas, and energy services sectors. The Etchea Energy team have deep knowledge and experience of interconnection, with a particular understanding of the Irish energy market. Our team members have been involved in the East West Interconnector, the Celtic Interconnector and the Greenlink Interconnector. Etchea Energy is currently developing the MaresConnect Interconnector between Ireland and Wales, which is scheduled for operations by 2030. Further information about Etchea Energy can be found on our website.

We set out below our response to selected questions set out in the consultation.

Question 1 (a). Has this section adequately identified the general key priorities for ORE delivery in Ireland? Are there additional priorities that should be integrated into the holistic, plan-led approach?

We agree with the general key priorities that have been identified for ORE delivery in Ireland.

A further priority that could be considered by DECC is stimulation of private capital to finance the delivery of the ambitious targets for ORE and transmission projects. Given the scale of investment required to deliver on the policy objectives, creating a policy and regulatory environment that stimulates and support private investment will be crucial to accelerate the development and delivery of ORE in Ireland. This will require engagement with private developers and investors, of both generation and transmission, to ensure the funds are available to meet the very large capital requirements and avoid delays to meeting the ambitious targets set under the framework. In our experience, investors will be attracted to markets where there are clear policy and regulatory signals where there are clear regulatory and planning pathways for delivery of projects.

In developing the framework, and subsequently the regulatory regimes for the delivery of the individual projects, DECC and CRU can consider ways of ensuring an appropriate risk/reward balance between the project developers and the State or consumers where projects are underwritten by consumers.

For example, the CRU has recently introduced the Cap and Floor regulatory regime for electricity interconnectors to support the Greenlink Interconnector, the first privately financed Irish interconnector. This regulatory regime provides certainty as to the revenues which will be earned by the interconnector by providing a floor which is underwritten by consumers. Correspondingly, all revenues above the cap are returned to the consumer.

Greenlink was the first Cap and Floor interconnector to obtain project financing based on the Cap and Floor regime, with financiers lending on the basis of the guaranteed revenues at the floor. A second interconnector, the NeuConnect Interconnector between GB and Germany, subsequently obtained project financing on the basis of the GB Cap and Floor regime and there are a number of subsequent GB interconnectors to Europe seeking to replicate this success to raise project financing on the basis of Cap and Floor regulation.

Ofgem introduced the Cap and Floor regime in 2014 to attract private investment in interconnection, which has been a key factor in GB meeting its target of 18GW of interconnection. It is expected that, following Ofgem's current Third Cap and Floor window, at least 18GW will have at least obtained initial regulatory status. In the Third Cap and Floor window, 7 point to point interconnectors and 4 hybrid interconnectors applied for Cap & Floor regulation, illustrating the stimulus of a regulatory regime which is attractive to both equity and debt financiers.

Question 1 (b). Has each key priority been adequately described and considered all relevant components?

We agree with DECC's approach to consider offshore transmission, both point to point interconnectors and hybrid interconnection, as key components for ORE delivery in Ireland. Given Ireland's unique geographic location in the context of the EU, and its great wind resource, it will be key to meeting the ORE delivery objectives that interconnection (both point to point and hybrid) and offshore generation are developed in a co-ordinated way to maximise Ireland's export opportunities.

We note that the Afry study accompanying workstream 2 (Interconnection) was based on Ireland meeting its 2014 European Commission 15% interconnection targets. However, given Ireland's unique geographical location and ORE export opportunity, the 2017 European Commission target of 30% interconnection as a percentage of RES capacity should be given greater consideration, which would lead to higher levels of interconnection than even the 20% Stretch Interconnection levels modelled under Scenario 3 (37GW and Stretch Interconnection) and Scenario 4 (50GW and Stretch Interconnection). We have set out further detail in our response to Question 2(a) below. Ultimately, given Ireland's great potential as an ORE exporter, these "targets" might be considered a minimum level to meet EU policy rather than the appropriate target levels for the Irish export scenario.

Question 1 (c). How best should the 2GW of non-grid limited offshore wind capacity be procured?

We have left this question for others that are better placed to respond.

Question 1 (d). What are your views on the design parameters for the successor scheme to ORESS, what else should/should not be considered?

We agree with the design parameters that have been set out in the consultation.

In addition to those set out, it is important to consider how ORE connecting to hybrid interconnectors will be supported under the scheme. To meet the ambitions set out in the draft framework, DECC will need to ensure that the regulatory and financial support for ORE projects connecting to hybrid interconnectors have a level playing field (and are in fact incentivized) when compared with radially connected ORE. This is because of the additional risks to ORE connecting to a hybrid interconnector, such as volume and pricing risk under the ORESS contract (or its successor) when operating in an offshore bidding zone (OBZ) and challenges with aligning the development timelines and technology therefore delay/stranded asset risks.

We have been following the progress Ofgem and DESNZ have made in relation to the regulatory and market arrangements for offshore hybrid assets (hybrid interconnectors) connecting to GB. In parallel, DESNZ have consulted on the Contracts for Difference (CfD) scheme available to offshore wind farms (OWF) in GB, and have included consultation questions to consider how that scheme might apply to GB OWF connecting to a hybrid interconnector. In particular, DESNZ has identified that there are both pricing and volume risks for OWF when connecting via a hybrid interconnector operating in an offshore bidding zone (OBZ) compared with an OWF connecting radially to GB.

We have observed that, while two hybrid interconnector projects (each connecting non-GB offshore wind) are being progressed as pilot projects through Ofgem's current Third Cap and Floor Window, the interests of offshore wind that might connect to GB hybrid interconnectors have not been considered to the same extent as the interconnector interests. While this makes sense as Ofgem and DESNZ are considering the hybrid

interconnector development in the first instance, there is a risk that the regulatory regime and market arrangements are developed to meet the interconnector's particular risk appetite and business case, with the offshore wind interests being considered in somewhat of a silo under the CfD consultations. Ultimately, in order to realise the potential benefits of hybrid interconnectors, the business case for offshore wind farms will need to be at least as attractive as a radial connection, recognizing the additional risks involved in connecting to a hybrid interconnector. This will require consideration of support schemes for ORE connecting to hybrid interconnectors, as well as methods of sharing or redistributing revenues between the hybrid interconnector and connecting ORE.

Collaboration and coordination between ORE developers and interconnector developers will be required for efficient and economic connection of offshore wind via hybrid interconnectors. Given the nascent technology and the fact that the market and regulatory regimes are still in development, with some key aspects such as OBZ arrangements and ways of sharing revenues appropriately between the offshore wind farms and interconnector components, it will take some time to set up the necessary policy, market and regulatory arrangements. From a private developer's perspective, it would be beneficial for there to be as much flexibility as possible to allow ORE and interconnector developers to co-ordinate projects and find solutions to support the business case for each component party. Allowing private investors to collaborate will lead to the most efficient solutions to be found.

We look forward to engaging further in relation to this when DECC consults on its Offshore Transmission Strategy later in the year.

Question 1 (e). What frameworks and/or supports are required for alternate routes to market such as CPPAs, Power-to-X projects, interconnector-hybrid projects and export projects?

Hybrid interconnection

Given the level of investment that will be required to meet the ambitions set out in the draft framework, including the level of interconnection (whether point to point or hybrid), it will be important for Ireland to develop frameworks and supports which are attractive to investors while also meeting the objective of maximizing the economic benefit to the state and local communities. As set out in our response to Question 1(a), the Cap and Floor regime is a good example of a regime which stimulates private investment while balancing the risk and return for both developers and consumers.

As set out our response to Question 1(d) above, we have been following Ofgem and DESNZ's progress on market and regulatory arrangements for hybrid interconnector projects in GB. In 2023, Ofgem consulted on options for the regulatory regimes to apply to the two pilot projects being progressed through Ofgem's current Third Cap and Floor window. Ofgem has determined that the most appropriate regime to apply to those projects is a narrow Cap and Floor regime. Ofgem and DESNZ are progressing other regulatory matters which will apply

to all hybrid interconnector projects in parallel, such as the market arrangements, charging mechanisms, and revenue sharing mechanisms between ORE and the interconnector. The progress in GB may be useful for Ireland to follow, with the potential for collaboration and knowledge sharing under the Energy Transition Memorandum of Understanding signed between Ireland and the UK in 2023.

Given the nascent nature of these projects, and the potential for each project (when taken together with the particular interests of the ORE connecting to it) to have different requirements as to required returns and risk appetite, it would be useful for flexibility to be retained to the extent possible to allow the market to come forward with efficient solutions. Developments in the connecting countries and the EU, which are at various stages, will also play a key role for the individual projects as well as market arrangements such as the establishment of offshore bidding zones.

Please refer to our response to Question 1(d) above in relation to the need for the ORESS successor scheme to consider the interests of the connecting ORE.

We look forward to commenting further in the upcoming consultation on DECCs Offshore Transmission Strategy.

Ireland's approach to EU policy and regulation

In light of Ireland's unique geographical position, distinctly separated from continental Europe and proximate only to Great Britain, which is no longer an EU member, there emerges a distinctive set of challenges for the nation. This isolation necessitates a more subtle approach to regulatory considerations than might be applicable for other continental European states.

Therefore, in addition to the regulatory frameworks previously discussed, the Irish Government and Regulator may contemplate, where suitable, exemptions and derogations from both domestic and European regulations to expedite project development. The complexity of the industry demands a flexible regulatory approach that goes beyond a simple interpretation of European regulations. A rigid, uniform regulatory strategy may prove insufficient and potentially impede the prompt advancement of key projects. By considering derogations, Ireland could activate investments that, within a stricter regulatory environment, might not proceed. This approach advocates for a more adaptable and pragmatic pathway to accelerate essential initiatives, acknowledging Ireland's distinct geographical context and the resultant unique challenges it faces in aligning with broader European regulatory frameworks.

Question 1 (f). What additional capacities and responsibilities should be held by industry in the context of the plan-led approach?

In the context of a plan-led approach, industry holds a key responsibility for attracting and leveraging private capital to finance ORE projects, including those on multipurpose sites. Private investment plays an important role in scaling up offshore renewable energy initiatives,

providing the necessary financial resources to accelerate project development, innovation, and infrastructure build-out. Industry should:

Develop Investment-Ready Projects: Work to make projects more attractive to investors by ensuring they are investment-ready, with clear regulatory pathways, risk mitigation strategies, and potential for high returns.

Public-Private Financial Instruments: Collaborate with government entities to create innovative financial instruments and regulation that can reduce investment risk and attract private capital. This could include loan guarantees, tax incentives, and co-investment funds.

Market Mechanisms for Risk Sharing: Establish regulatory mechanisms that facilitate risk sharing between the public sector, industry, and investors. This approach could help manage the inherent risks associated with the development of new technologies and the construction of large-scale infrastructure projects.

Engage with Financial Institutions: Actively engage with banks, investment funds, and other financial institutions to communicate the value proposition of ORE projects and the strategic importance of multipurpose sites. This engagement can help align financial products and services with the specific needs of the ORE sector.

Collaboration and coordination: Meeting the ambitious targets for Ireland to become an exporter of its abundant ORE resource will require coordination and collaboration between ORE and interconnector developers to build on their deep knowledge base and experience to find innovative and efficient solutions and maximise resources and investments to meet the objectives of the plan-led approach.

By emphasizing these areas, the industry can play a crucial role in mobilizing private capital towards ORE projects within a plan-led approach. This not only supports the growth of the sector but also contributes to the broader transition to a sustainable energy system, leveraging private sector innovation, efficiency, and resources.

Question 1 (g). How can Government facilitate a more comprehensive and streamlined engagement process with developers to ensure national ORE targets are delivered?

Developers have a marked preference for streamlined procedures and clearly sign posted timelines, which are vital for advancing projects with certainty. The growing offshore sector exerts considerable pressure on European nations along the North Seas, necessitating the expedited processing of environmental permits and licenses to meet environmental objectives. Concurrently, governments face significant internal budgetary constraints, making it challenging to align internal resources with the surging demands for regulatory approvals, permits and licenses. Addressing this mismatch in resources is becoming increasingly urgent.

To mitigate these challenges, the government might explore alternative strategies to enhance resource allocation. A viable solution could be the creation of a specialised fund, financed by

contributions from developers during the application process. This fund would not only facilitate the swift review and processing of applications but also bolster the capabilities of government departments engaged in the ORE sector. Specifically, it would support the recruitment of additional, skilled personnel and the engagement of consultants endowed with the necessary expertise to efficiently manage applications.

Through the strategic hiring of appropriately qualified staff and the procurement of expert consultancy services, the government can markedly enhance the efficiency and quality of its interactions with developers, thereby ensuring a robust and capable administrative framework for the ORE sector.

The structure of the fund would need to be designed to avoid any conflicts of interest, with governance firmly held by the State. Moreover, the State would commit to specific performance criteria, ensuring that the objectives of streamlining the application process and enhancing departmental capacities are met with transparency and accountability. This approach not only addresses the immediate resource challenges but also supports the sustainable growth of the ORE sector by ensuring that administrative processes keep pace with industry developments.

With the establishment of frameworks that incentivise private investment in ORE and interconnection, Ireland will attract the private capital required to meet its ambitions. As set out in response to Questions 1(a) and (e) above, it will be important to establish regulatory support/frameworks which balance risk and returns between developers and the State/consumers. By attracting private investment to fund the capex required for these projects, State funds can be invested in the planning, grid and regulatory structures and resources to accelerate the processing of applications and ultimately the delivery of these projects.

Question 2 (a). What grid infrastructure should be of particular focus in facilitating the build-out of capacity to support ORE generation targets?

Ireland's clear ambition to install large volumes of onshore and offshore renewables require grid infrastructure (onshore and offshore) which will facilitate a route to market. The grid already faces constraints and without high volume route to market infrastructure, the constraints will increase, costing the state, and depriving the Irish economy of substantial revenues which would result from energy export scenarios.

The infrastructure that provides a route to market includes point-to-point interconnection, hybrid interconnection and emerging storage technologies.

Interconnection targets

Given the intermittent nature of ORE generation, it is vital that sufficient electricity interconnection and other relevant infrastructure is built to efficiently distribute higher peak loads.

2014 European Commission 15% Target: While DECC policy has generally aligned with interconnection levels equivalent to 15% of generation capacity by 2030, this level of interconnection will not be sufficient for a grid with higher RES generation. Ireland's interconnector policy needs to be as ambitious as its generation capacity targets in order for the latter to be met.

2017 European Commission Expert Group 30% Target: Greater focus should be placed on achieving 30% interconnection as a percentage of RES capacity. Achieving this level of interconnection is required to minimize curtailment, give consumers greater price stability and provide more attractive prices for future ORE developers. Securing future private capital for ORE development hinges on providing competitive prices which is in turn facilitated by interconnection's enhanced export potential.

Question 2 (b). In relation to National Security/Department of Defence interaction with ORE development, are there any issues you would like to highlight?

While it is important that ORE generation sites are well managed to minimise risk from external threats, it is equally critical that Ireland has a diverse range of generation sources and transmission structures to strengthen grid resilience.

The continued and expedited development of future interconnection can mitigate the impact of generation facilities being taken offline by providing alternative sources of supply. Any additional interconnection between Ireland and its politically aligned neighbours boosts the resilience of both countries by increasing the capacity and diversity of generation available to all connected grids. These benefits to security further support interconnection policy that will enable the 30% target set by the European Commission Expert Group to be met as soon as possible.

Question 4 (a). What structures, measures, and interventions can the State and State agencies implement to assist in the development of a long-term, sustainable skills and workforce pipeline? Provide any recommendations on what the State can do to promote careers in ORE across a range of educational backgrounds and movement from other relevant sectors.

Given the strategic importance of this sector in achieving national energy and climate objectives, coupled with the envisaged investment of many tens of billions of euros in infrastructure both onshore and offshore, it is paramount that the framework for facilitating this development is both robust and efficient.

To assist in the development of this essential workforce pipeline, the State and its agencies should implement structured measures and interventions aimed at addressing the current and future skills needs of the ORE sector. This entails a multifaceted approach:

Educational and Training Programmes: Develop and promote targeted educational and training programmes across a range of levels and disciplines relevant to ORE. These

programmes should be designed to cater to various educational backgrounds and provide pathways for individuals from other relevant sectors to transition into ORE roles.

Industry Partnerships: Foster strong partnerships between government, educational institutions, and the ORE industry to ensure that training programmes are aligned with the evolving needs of the sector. This includes apprenticeships, internships, and continuous professional development opportunities.

Career Promotion and Awareness: Implement comprehensive campaigns to raise awareness of the career opportunities within the ORE sector, highlighting the diversity of roles and the potential for innovation and growth. These campaigns should target schools, universities, and the wider public to attract a broad range of talent.

Innovative Project Structures and Private Capital Participation: Encourage and be open to innovative project structures from both quasi-governmental entities and privately financed projects. The State should be particularly proactive in facilitating the entry of private capital and innovative developers into the ORE sector. While the government may consider the ORE framework to be plan-led, the execution of this plan should be open and encourage participation from private entities, leveraging their agility and innovative capabilities to drive the sector forward and limit investment from the public purse.

Staffing and Resourcing of Government Departments: It is crucial that government departments involved in reviewing, analysing, and approving both the economic and permitting aspects of ORE projects are appropriately staffed. This involves not only ensuring sufficient numbers of staff commensurate with the size of the projects but also that they are appropriately qualified and possess or can acquire the specific knowledge required to evaluate ORE projects effectively. Given the scale of investment and the technical complexity of ORE, staff must be equipped to deal with innovative structures and the unique challenges of the sector.

Timely and Efficient Process Management: The State must act rapidly to developers' and Transmission System Operators' (TSOs) requests to construct infrastructure to realise ORE. This may require a comprehensive review of existing permitting procedures with a view to accelerating the permitting process, ensuring that it facilitates rather than impedes the rapid deployment of ORE infrastructure.

Continuous Learning and Adaptation: There should be an emphasis on continuous learning and adaptation within government departments and agencies to keep pace with technological advancements and best practices in ORE project development and management.

By implementing these measures, the State and its agencies can significantly contribute to the development of a skilled and sustainable workforce for the ORE sector, thereby ensuring that the substantial investments in infrastructure are supported by the necessary human capital. This approach will not only facilitate the achievement of ORE development targets

but also promote economic growth and environmental sustainability in the long term, ensuring a swift and inclusive process that welcomes innovation and private investment.

Question 4 (b). Are you aware of initiatives in other jurisdictions or at a European level that would be relevant to Ireland's ambition of building a sustainable skills and workforce pipeline for offshore wind?

The initiatives set out in the Consultation are broadly consistent with the Ministers declaration at the 2023 North Seas Summit in Ostend and the Offshore Renewable Industry Declaration. It is worth reiterating a point of particular importance in that declaration which calls for government support in developing the skills base necessary for the expansion of offshore wind, highlighting a current shortage of qualified personnel. The workforce in the offshore wind sector needs to significantly grow to meet future demands, with a call for policy steps that ensure the financial viability of the industry, making it more attractive to potential entrants. This is discussed further in our answer to Question 4(a).

Question 4 (c). To what extent should an emphasis be placed on multipurpose sites for ORE delivery, including the colocation of devices? What Government structures should be developed to encourage and facilitate progress in this aspect?

We have left this question for others that are better placed to respond.

Question 4 (d). How can Government ensure policy is kept in line with evolving technological innovation and developments in ORE devices? What structures and government procedures should be implemented to future-proof the ORE planning process and account for technological shifts?

To address question 4(d) in the context of aligning policies with technological advancements in the Offshore Renewable Energy (ORE) sector, the government's approach should be comprehensive, involving coordination with key European bodies, the UK, and industry stakeholders, informed by the Energy Memorandum of Understanding (MOU) between Ireland and the UK.

In terms of connecting offshore infrastructure, the emerging technology of choice, currently being deployed and planned for over the coming decade or so, revolves around proven 320kV HVDC XLPE cable (capable of transferring in excess of 1GW), deployed as point-to-point Interconnectors, or as part of a multi-purpose system where an offshore converter station is installed to connect offshore generation at strategic points across the interconnector. Deploying such proven technology, and standardising HVDC cable systems and offshore substations, will also standardise planning approvals, if proven equipment is deployed over time.

Coordination with ENTSO-E and European Commission: Ensuring policies are aligned with EU strategies, regulations, and laws is crucial. This involves regular dialogue with ENTSO-E and other relevant bodies to navigate the regulatory landscape and leverage EU-wide initiatives.

Collaboration with the UK: Implementing the Trade and Cooperation Agreement (TCA) and leveraging the recent Energy MOU between Ireland and the UK are essential. The MOU suggests establishing committees and subcommittees for overseeing policy alignment with technological developments, facilitating a workable arrangement that supports ORE objectives across borders.

Engagement with Industry Stakeholders: Collaboration with industry players, including Supernode, wind developers, interconnector developers, energy associations including Wind Energy Ireland, TSOs to ensure that policies are informed by the latest technological trends. These stakeholders provide valuable insights that can help to foster innovation within the sector and to attract private capital to a sector that will require huge sums to capital to realise the framework objectives.

Structures and Governance Mechanisms: The Irish/UK MOU outlines the establishment of structures to ensure the ongoing cooperation and strategic direction of the MOU's energy objectives. These include a Joint Working Group and industry subgroups, advocating for biannual meetings and ministerial discussions. Such structures and procedure could inform the Government's choice for the implementation of ORE.

This multifaceted approach ensures that the government's policies are not only responsive to technological advancements but also support and stimulate further innovation, align with broader regional and international energy strategies, and maintain a cooperative relationship with Ireland's closest neighbours, enhancing the effectiveness of the ORE sector.

We are available to discuss further any of the points made above.

Yours sincerely,



Etchea Energy Partners

