



Rialtas na hÉireann
Government of Ireland

Terms and Conditions for the Third Onshore Competition under the Renewable Electricity Support Scheme (RESS 3)

Public Consultation Response Notice

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Prepared by the Department of
the Environment, Climate and Communications
gov.ie

The Department of the Environment, Climate and Communications (the “Department”) published the RESS 3 consultation document based on the proposed high-level design for the scheme in October 2022 and invited comments from interested parties.

A stakeholder briefing was held on 09th December 2022, and 33 submissions were received by the closing date for the Consultation.

The Department has carefully considered all comments and suggestions, and in response the final Terms and Conditions (T&Cs) now incorporates appropriate modifications and clarifications. Given the volume and variety of comments, the Department does not intend to respond to individual submissions. However, we would like to provide the following overview of key amendments and considerations.

Summary overview of key decisions

- The T&Cs of the RESS 3 competition will follow a broadly similar approach to that of RESS 1 and RESS 2 competitions which were successfully completed in 2020 and 2022. The RESS 3 auction is planned based on a strong delivery pipeline of sufficiently mature projects which are in receipt of a grid connection offer and planning permission. The final RESS 3 volume will be based on a Competition Ratio (CR) set by the Commission for Regulation of Utilities (CRU). The Final Competition Ratio will be published by the Regulatory Authority no later than the provisional auction results date (as described in the RESS 3 Auction Timetable) but not during the period in which the auction is open.
- The volume of renewable electricity generation to be procured in RESS 3 is expected to be in the range of between 2,000GWh and 3,500GWh.
- The increased delivery period between the Final Auction Results Date and the Milestone for reaching Commercial Operation Date (COD) that was established in RESS 2 has been retained. This is to ensure that there is sufficient delivery time to cater for the majority of projects. As the timing of the auction is later in the year than it was for RESS 2, the Milestone for reaching Commercial Operation will move accordingly from year end, to end of April 2026. The 12-month longstop provision established in previous auctions will be retained. No additional erosion of support will be permitted.
- The RESS auctions have always been designed to accommodate ‘shovel ready’ projects; projects with grid offers in place, planning consents complete, and that are ready to mobilise to financial close, design and construction quickly following success in the auction. It is the Department’s view that providing for additional erosion of support, or a ‘soft’ delivery deadline introduces additional deployment risk and encourages premature participation in auctions by bidders.
- The eligibility criteria for RESS 3 have been changed accordingly. Only projects in receipt of a Letter of Offer for a grid connection that are either contracted or are still capable of accepting the offer within the 90-day validity period will be eligible to take part in the auction. This will better mitigate the risks associated with projects speculatively or prematurely bidding in the auction and the consequent significant risk to project delivery. A number of respondents cited this change as potentially problematic, and cautioned that it may result in delayed deployment of projects. It is noted that the same respondents also requested that the hard stop deadline for delivery be removed as projects not in receipt of a grid offer at the time of the auction

- would a) struggle to meet the Longstop date, and b) need to price in a premium for this risk. The Department is of the view that this change in eligibility criteria is in the best interests of consumers and places the risk with the party best placed to manage it.
- Furthermore, RESS 1 projects will not be permitted to participate in RESS 3 to avoid the risk of such projects exiting RESS 1 in advance of the RESS 1 longstop date to enter RESS 3. This would risk undermining the delivery incentives under the RESS and exposing electricity consumers to higher costs. In addition, RESS 3 projects will not be permitted to enter a future RESS auction in advance of the RESS 3 longstop date.
 - As outlined in the consultation document, a new Unrealised Available Energy Compensation (UAEC), “Availability” provision will be introduced in RESS 3, subject to State aid approval. The objective of UAEC is to significantly de-risk RESS participant exposure to uncertainty surrounding curtailment and oversupply, which generation participants are not able to easily manage, and which otherwise requires a risk premium to be included in participant’s bid prices. This de-risking should translate to lower auction bids through the removal of risk premia stemming from long term curtailment uncertainty, and consequently lower costs to consumers.
The UAEC represents a payment, additional to the RESS floating feed in premium support, which is applied in specific circumstances in each hour where a RESS project has the availability to generate but where it did not generate to the level of its availability.
 - The support term established in RESS 1 and RESS 2 of up to 16.5 years will be maintained in RESS 3.
 - A limited form of indexation will be introduced in RESS 3 on the Operation and Maintenance element of projects only. This will provide for 30% of a project’s offer price to be linked annually to the Harmonised Index of Consumer Prices (HICP). It will apply for the duration of the support term.
 - The implicit locational signals which were applied in RESS 1 and RESS 2 will continue. An explicit locational mechanism will not be applied in RESS 3 however it is becoming increasingly likely that a locational mechanism will soon be required either through the RESS or via grid connection policy in order to deliver on the 80% renewable electricity targets.
 - As indicated in the consultation document, the Department will again use technology specific Evaluation Correction Factors (ECFs) in RESS 3. A high degree of consideration has been given to issues raised by respondents and the Department is continuing to evaluate the ECFs which will be utilised in the auction. Final ECF values will be confirmed prior to the auction taking place, these ECFs will be captured in the Auction Information Pack¹.
 - Strong delivery incentives are to be maintained in RESS 3. As set out in the consultation document, Bid Bonds and Performance Securities will continue to be applied on a €/MWh basis in RESS 3. The proposed Bid Bond level of €6/MWh and the Performance Security of €20/MWh will be maintained. Additional Examples of Bid Bond Calculations will be included in the Qualification Information Pack published by EirGrid. Additional Examples of Performance Security Calculations are included in Appendix 1 below.

¹ Note that ECFs are used in the winner selection criteria only. They do not impact the level of support payments made to projects once they have been selected as a winning offer in the auction. In future RESS auctions these ECFs will be reconsidered as the market evolves and as additional data on system impacts becomes available

Note, any Capacity Factor utilised in the calculation of the Bid Bonds or Performance Security other than the Renewable Capacity Factors (RCF) contained in Table 2 of the Terms and Conditions will result in the incorrect amount being calculated. In the case of the Bid Bond this will result in disqualification from the auction. In the case of the Performance Security it may render the participant ineligible to receive a Letter of Offer and the Minister instructing the TSO to draw down on the Bid Bond provided by the Successful Applicant.

- The Department is continuing to assess the price cap for the RESS 3 auction, a final value will be included as part of the Auction Information Pack in advance of the auction taking place. It is noted that a number of the measures introduced within the RESS 3 design should have a significant de-risking effect for bidders and provide an associated impact on bid prices in the RESS 3 auction.
- The Community Projects preference category, which was established in RESS 1 and RESS 2, will not be included in RESS 3. Support for communities for the development of renewable projects will now transition to the non-competitive Small-Scale Generation Scheme (SSGS) which is due to be launched later this year. This scheme will align more closely to the capacity of the community energy sector and facilitate a more sustainable delivery of the renewable energy community target of 500 MW by 2030.
- In terms of the ability of a project to withdraw from RESS, merchant operation and optionality, the Department has made a number of changes in order to clarify the intention of the RESS. The most noteworthy is that the commencement of the support period will no longer be triggered via a declaration by participants. It will instead commence upon the successful energisation of the project with the addition of a buffer period to allow projects a reasonable duration to progress through dispatch testing before support / obligation requirements commence. This is in line with the expectation on projects that they participate in the RESS once they reach energisation, while also allowing them the time to ramp up their operations before support commences. Once support commences, projects will be required to remain in the scheme for a minimum of 12 months.

The Department recognises the considerable effort and analysis put into the submissions and has taken all feedback received into consideration. We wish to thank each of the respondents for their comments and look forward to progressing with a successful RESS 3 auction to deliver on Ireland's target of meeting 80% of demand from renewable energy sources by 2030.

Department of the Environment, Climate and Communications

Appendix 1 – Example Performance Security Calculations

As noted above, any Capacity Factor utilised in the calculation of a Bid Bonds or Performance Security other than the Renewable Capacity Factors (RCF) contained in Table 2 of the Terms and Conditions will result in the incorrect amount being calculated with the consequences as outline above and in the Terms and Conditions.

Worked examples of the Bid Bond Calculations will be included in the Qualification Information Pack Published by EirGrid. See below worked example of Performance Security calculations for each technology type. In these examples we have included a 10 MW project in each case.

Eligible Technology (t)	Renewable Capacity Factor (RCF _t)	Performance Security amount (/ MWh)	MW Amount	Hours per annum	Calculation Performance Security Amount x MW x Hours per annum x Renewable Capacity Factor	Performance Security Amount
Onshore Wind	35%	€20	10	8760	€20/MWh x 10 MW x 8760 hours x 0.35	€613,200
Solar	11%	€20	10	8760	€20/MWh x 10 MW x 8760 hours x 0.11	€192,720
RESS Hybrid, Wind and Storage	35%	€20	10	8760	€20/MWh x 10 MW x 8760 hours x 0.35	€613,200
RESS Hybrid, Solar and Storage	11%	€20	10	8760	€20/MWh x 10 MW x 8760 hours x 0.11	€192,720
Hydro	35%	€20	10	8760	€20/MWh x 10 MW x 8760 hours x 0.35	€613,200
Biomass HECHP	85%	€20	10	8760	€20/MWh x 10 MW x 8760 hours x 0.85	€1,489,200
Waste to Energy HECHP	43%	€20	10	8760	€20/MWh x 10 MW x 8760 hours x 0.43	€753,360
Biogas HECHP	36%	€20	10	8760	€20/MWh x 10 MW x 8760 hours x 0.36	€630,720

The only calculation which differs from the above is “RESS Hybrid, Wind and Solar”, which is a little more complex as it must be adjusted for the MW amount of each technology.

Performance Security Amount x MW x Hours per annum x Adjusted Renewable Capacity Factor

The Adjusted Renewable Capacity Factor is equal to the (Amount of Wind * Capacity Factor) + (Amount of Solar * Capacity Factor) all divided by the total MW amount.

In this instance the total MW Amount is 10MW, split as 5MW Wind and 5 MW Solar.
 $RCF = ((0.35 \times 5) + (0.11 \times 5)) / 10 = 0.23$. Note, this value will change depending on the project split so will have to be calculated by the applicant.

Eligible Technology (t)	Renewable Capacity Factor (RCF _t)	Performance Security amount (/ MWh)	MW Amount	Hours per annum	Calculation Performance Security Amount x MW x Hours per annum x Renewable Capacity Factor	Performance Security Amount
RESS Hybrid, Wind and Solar	$((35\% \times W_o) + (11\% \times S_o)) / OQ_o$	€20	5 Wind and 5 Solar	8760	€20/MWh x 10 MW x 8760 hours x <u>0.23</u>	€402,960

