



Rialtas na hÉireann
Government of Ireland

RESS 3 Stakeholder Information and Summary of Amendments to Terms & Conditions

2023

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

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Contact Details

Minister for the Environment, Climate and Communications

Postal address:

Principal Officer,

Renewable Electricity Division,

Department of the Environment, Climate and Communications,

29/31 Adelaide Road,

Dublin,

D02 X285

Correspondence should be addressed to: RESS Team, Renewable Electricity Division

Email Address: RESS@decc.gov.ie

Role of Authorised Users

- Authorised users are nominated as part of the qualification process, they are persons identified as having been authorised and granted permission to each act on behalf of an Applicant in the auction process and in the post-auction delivery phase.
- Requests for project specific information, submission of documentation or amendments to information relating to a project will only be entertained if they are received from an Authorised User for the project.
- Authorised Users should always include the RESS reference for the project when communicating with the RESS Team.
- Should a project wish to add to or amend the Authorised Users, a current Authorised User should contact the RESS Team (RESS@DECC.gov.ie), requesting the change.

Performance Securities, Section 8.3 T&Cs, Section 6.1 of IA

Key points - Performance Security

- Must be in the form attached to the Implementation Agreement.
- Must be issued by a financial company with an Approved Credit Rating and with a nominated address in Ireland.

- Must be a single Performance Security instrument for the full amount as calculated in accordance with Section 8.3 must be provided by a Successful Applicant.
- Alternative forms of security (including cash) are not permitted.
- Must be in the amount of €20 per MWh, where the MWh value is the Deemed Energy Quantity for one year for the RESS 3 Project calculated pursuant to Section 6.6.4, see below for worked examples.
- Must use the correct RCF, as contained in Table 2, Section 6.6.5 of the Terms and Conditions and contained in the below table.
- Must be returned to DECC by the Implementation Agreement and Performance Security Return Date of 28 November 2023.
- Must be sent to:

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 RESS Team, Renewable Electricity Division,
 Department of the Environment, Climate and Communications,
 29-31 Adelaide Road,
 Dublin,
 D02 X285

Eligible Technology	MW Amount	Renewable Capacity Factor	Performance Security amount (/ MWh)	Hours per annum	MW x Renewable Capacity Factor x €20/MWh x Hours per annum	Performance Security Amount
Onshore Wind	4.95	35%	€20	8760	4.95 x 0.35 x €20/MWh x 8760 hours	€ 303,534.00
	43	35%	€20	8760	43 x 0.35 x €20/MWh x 8760 hours	€ 2,636,760.00
	65	35%	€20	8760	65 x 0.35 x €20/MWh x 8760 hours	€ 3,985,800.00
Solar	4	11%	€20	8760	4 x 0.11 x €20/MWh x 8760 hours	€ 77,088.00
	15	11%	€20	8760	15 x 0.11 x €20/MWh x 8760 hours	€ 289,080.00
	42	11%	€20	8760	42 x 0.11 x €20/MWh x 8760 hours	€ 809,424.00
	85	11%	€20	8760	85 x 0.11 x €20/MWh x 8760 hours	€ 1,638,120.00
RESS Hybrid,Wind and Storage	10	35%	€20	8760	10 x 0.35 x €20/MWh x 8760 hours	€ 613,200.00
	35	35%	€20	8760	35 x 0.35 x €20/MWh x 8760 hours	€ 2,146,200.00
RESS Hybrid,Solar and Storage	10	11%	€20	8760	10 x 0.11 x €20/MWh x 8760 hours	€ 192,720.00
	42	11%	€20	8760	42 x 0.11 x €20/MWh x 8760 hours	€ 809,424.00
Hydro	8	35%	€20	8760	8 x 0.35 x €20/MWh x 8760 hours	€ 490,560.00
	16	35%	€20	8760	16 x 0.35 x €20/MWh x 8760 hours	€ 981,120.00
Biomass HECHP	3	85%	€20	8760	3 x 0.85 x €20/MWh x 8760 hours	€ 446,760.00
	25	85%	€20	8760	25 x 0.85 x €20/MWh x 8760 hours	€ 3,723,000.00
Waste to Energy HECHP	12	43%	€20	8760	12 x 0.43 x €20/MWh x 8760 hours	€ 904,032.00
	30	43%	€20	8760	30 x 0.43 x €20/MWh x 8760 hours	€ 2,260,080.00
Biogas HECHP	7	36%	€20	8760	7 x 0.36 x €20/MWh x 8760 hours	€ 441,504.00
	18	36%	€20	8760	18 x 0.36 x €20/MWh x 8760 hours	€ 1,135,296.00

Key dates

Below are some dates pertinent to the Qualification, Auction and Delivery Phases of RESS

3.

August '23		Provisional Qualification Decision Application for Review Closing Final Application Withdrawal Application for Review Decision Qualification Decisions Submission Notice of Dissatisfaction by Participants	09/08/2023 11/08/2023 23/08/2023 23/08/2023 25/08/2023 25/08/2023	Qualification
September '23		Final Qualification Decisions Auction Information Pack Publication Financial Questionnaire Submission Opening Financial Questionnaire Submission Closing Auction Submission Opening Auction Submission Closing Auction Completion Provisional Auction Results Notice of Dissatisfaction by Participants	01/09/2023 04/09/2023 06/09/2023 07/09/2023 08/09/2023 15/09/2023 18/09/2023 26/09/2023 28/09/2023	Auction
October '23		Final Auction Results Notice of Award	09/10/2023 16/10/2023	Post Auction Delivery Phase
November '23	Milestones 1 & 2, Final	Return of Implementation Agreement and Performance Bonds by Successful Applicants Return of IA & PB	27/11/2023 28/11/2023	
December '23		Acknowledge Letter of Offer Acknowledge receipt of Letter of Offer (within 5 working days of receipt)		
January '24				
February '24				
March '24				
April '24	Milestone 3, Interim	CRU request estimates from Suppliers for upcoming PSO year Proof of Grid Connection Agreement to be submitted - Interim Date	30/04/2024	
May '24				
June '24	PSO submission	Documentation required to be submitted to DEC for inclusion on PSO (30 working days of CRU deadline)		
July '24				
August '24				
September '24				
October '24	Milestone 3, Final Milestone 4, Interim Support Start Date	Proof of Grid Connection Agreement to be submitted - Final Date Funding Certificate to be submitted - Interim Date Earliest support start date	31/10/2024 31/10/2024 31/10/2024	
November '24				
December '24				
January '25				
February '25				
March '25				
April '25	Milestone 4, Final	Funding Certificate to be submitted - Final Date	30/04/2025	
May '25				
June '25				
July '25				
August '25				
September '25				
October '25	Milestone 5, Interim	Proof of Second Stage Payment to be submitted - Interim Date	31/10/2025	
November '25				
December '25				
January '26				
February '26				
March '26				
April '26	Milestone 5, Final Milestone 6, Interim	Proof of Second Stage Payment to be submitted - Final Date Commercial Operation Certificate to be submitted - Interim Date	30/04/2026 30/04/2026	
May '26				
June '26				
July '26				
August '26				
September '26				
October '26				
November '26				
December '26				
January '27				
February '27				
March '27				
April '27	Milestone 6, Final	Commercial Operation Certificate to be submitted - Final Date	30/04/2027	
April '41	Support End Date			

Unrealised Available Energy Compensation (UAEC)

The following summary outlines UAEC in principle in high-level terms and is for illustrative purposes only. The actual rules governing the application of UAEC are set out in the RESS 3 Terms and Conditions and in subsequent CRU processes that will implement those Terms and Conditions. Those rules and processes contain and will contain more detailed provisions and conditions than are summarised here.

Compared to a hypothetical mechanism in which support is only provided per unit of energy actually produced, UAEC is intended to move the support much closer to being on the basis of energy that is available to be produced.

Actual energy produced by a generation project in a given hour can be less than the project's availability to produce energy in that hour for a number of reasons: oversupply, curtailment, constraints, system outages, and perhaps other dispatch-down instructions from the TSO (if any).

By providing RESS 3 support on the basis of a quantity closer to availability rather than energy actually produced, it is expected that per unit cost – and thus the Offer Price – should be lower in RESS 3 than it otherwise would have been. This is for two reasons. The first is that project costs should be divided by a larger denominator. The second is that there should be less uncertainty to the project's owner surrounding that denominator.

UAEC is intended to apply primarily to the key categories of oversupply and curtailment, as those terms are commonly used in Ireland. Any additional revenue sources for unutilised availability arising for reason of transmission constraints or system outages are governed by SEMC and CRU decisions (refer in the first instance to [SEM-22-009](#), [[CRU/2023/09](#) and [CRU/2023/13](#)]).

The UAEC provision is intended to de-risk RESS participant exposure to uncertainty surrounding oversupply and curtailment. UAEC is not intended to address balancing risk or associated risks arising between the day-ahead and subsequent SEM markets, and putting those aside the following table summarises the principles upon which UAEC is based.

	SEM Payment (a)	RESS Support		Total Payment (d)=(a)+(b)+(c)
		FIP (b)	UAEC* (c)	
Real-Time Physical Availability, represented by:				
(1) Energy actually produced (MWh)	Day-Ahead Market Price	Offer Price <i>minus</i> DAM Price**	-	Offer Price
(2) Oversupply (MWh)	-	-	Offer Price	Offer Price
(3) Curtailment (MWh)	-	-	Offer Price***	Offer Price
(4) Constraints (MWh)	Constraint payment (if applicable) per SEM and Article 12/13	-	-	Constraint payment (if applicable) per SEM and Article 12/13
(5) System Outages (MWh)	If applicable, compensation per CRU decisions/arrangements for shared connections	-	-	If applicable, compensation per CRU decisions/arrangements for shared connections
(6) Other dispatch down by TSO**** (MWh)	-	-	Offer Price***	Offer Price
Total Real-Time Physical Availability (MWh)				

* Generator must have participated in SEM according to CRU terms, and must have followed dispatch instructions.

** Any capacity revenue received is deducted from the FIP in the calculation of the RESS support payment.

*** Any other compensation for availability is deducted from UAEC compensation, such that the total payment is the offer price.

**** Could include other out of merit situations where the generator is dispatched down by the TSO because balancing market price < actual variable cost of generation, but for the avoidance of doubt this does not apply to constraints and system outages (refer to points 4 and 5).

Note that:

- UAEC applies in specific circumstances in each hour where a RESS 3 project has the availability to generate but where it didn't actually generate to the level of its availability. Specifically, UAEC applies to actual availability not converted to energy for reasons other than transmission constraints (network and local stability related constraints) and system/ connection outages. The CRU will be responsible for ensuring that the TSO has an appropriate methodology in place for distinguishing between instructions to dispatch down that are issued for reason of transmission constraint and system outage vs. instructions to dispatch down for other reasons.
- As the table indicates, UAEC is in addition to remuneration from the sale of energy and is in addition to support that applies for energy actually generated.
- Any other compensation for availability is deducted from UAEC compensation (except compensation for constraints and system outages, for which UAEC doesn't apply, as set out in the table above).
- Actual availability must be measured and verified according to defined standards specified by the CRU. This will be a similar revenue quality standard to that which is applied to the metering of energy production.
- UAEC allows for payment for availability during periods of negative prices (it does not require generation during periods of negative prices and support will not be provided in the event there is generation during periods of negative prices).

- To be eligible for UAEC in an hour, the generator must have participated in the SEM under terms that will be specified by the CRU and offered its output at its variable cost (however it is not necessary that it secured a market position ex-ante). It must also comply with TSO operating instructions.

Indexation

By way of contrast to RESS 1 and RESS 2, RESS 3 provides for partial indexation of the Strike Price. This means that instead of the Strike Price being set at the level of the Offer Price for the full duration of the RESS 3 Support Period, the Strike Price will instead escalate over time. The below provides guidance on how the indexing provisions of RESS 3 work.

Note: The below is intended for guidance purposes only. Prospective RESS 3 Applicants should refer to the RESS 3 Terms and Conditions throughout. The guidance provided here is for information purposes only and where there is any conflict between this and the RESS 3 Terms and Conditions, the latter prevails.

Applicability of the Strike Price

In RESS, including RESS 3, the Strike Price is applicable to energy produced. Section 5.2 of the RESS 3 Terms and Conditions sets out the relevant provisions.

RESS 3 also makes provision for an additional source of revenue, Unrealised Available Energy Compensation or UAEC, which relates to payments for generation availability not converted to generation for reasons of either curtailment or oversupply. The Strike Price also applies to UAEC. Section 5.6 of the RESS 3 Terms and Conditions sets out the provisions relevant to UAEC, and UAEC is the subject of a separate explanatory note.

Indexing of the Strike Price

The Strike Price for RESS 3 Projects will change over time. Initially, as of the date of the RESS 3 auction, the Strike Price will equal the Offer Price of the Project concerned. However, as of the start of each new calendar year following the auction date, the Strike Price will be updated and a new Strike Price will be applicable to the year concerned.

The new Strike Price will be calculated using a formula where:

- 30% of the new Strike Price is equal to 30% of the Offer Price adjusted for inflation since the auction date; and
- The remaining 70% of the new Strike Price does not change over time and is fixed at 70% of the Offer Price.

The new provision implementing this indexing appears at Section 5.2.3 of the RESS 3 Terms and Conditions and is as follows:

5.2.3 Strike Price Indexation

On each Indexation Date (Annual), the Strike Price will be adjusted in accordance with the following formula:

$$\text{Strike Price}_N = \text{Strike Price}_{\text{Bid}} \times I_N \text{ where}$$

$$I_N = 0.70 + \left(\frac{\text{HICP}_N}{\text{HICP}_{\text{Bid}}} \times 0.30 \right)$$

And where:

“**Strike Price**” is as defined in Section **Error! Reference source not found.** (expressed in €/MWh).

“**N**” means the Indexation Date (Annual).

“**Bid**” means the Indexation Date (Bid).

“**HICP**” means “Harmonised Index of Consumer Prices” for the EU 27 published by Eurostat, or such other replacement index as the Minister may from time to time designate in writing.

The Minister (or a nominated body) will, after each Indexation Date:

- a) publish the calculations in respect of the indexation of the Strike Price under this Section 0 in respect of such Indexation Date. For the avoidance of doubt, such publications shall not disclose the Strike Price of any specific RESS 3 Project; and
- b) notify each RESS 3 Project of the adjustments to the Strike Price in accordance with this Section 0 in respect of such Indexation Date.

Worked Example

The following is a worked example to illustrate how the Strike Price indexing provisions of RESS 3 will work. In this worked example:

- a Project has been successful in the RESS 3 auction in late 2023 at an offer price of €50/MWh; and
- Subsequent HICP index values are those set out in Table 1.

All data is illustrative and not intended to reflect real-life data.

Table 1:

<u>Date</u>	<u>HICP</u>
Auction Date	110.0000
01/01/2024	113.3000
01/01/2025	115.5660
01/01/2026	118.4552
01/01/2027	121.4165
01/01/2028	124.4519
01/01/2029	127.5632
01/01/2030	130.7523

- The Strike Price applicable to each is set out in the final column of Table 2:

Table 2:

<u>Date</u>	<u>HICP_N</u>	<u>HICP_{Bid}</u>	<u>Applicable Year (N)</u>	<u>30% of Offer Price (Escalated)</u>	<u>70% of Offer Price (Not Escalated)</u>	<u>Strike Price Year N</u>
	<u>(a)</u>	<u>(b)</u>		<u>(c)=30% x €50/MWh x ((a)/(b))</u>	<u>(d)=70% x €50/MWh</u>	<u>(e)=(c)+(d)</u>
Auction Date	110.0000	110.0000	2023	€15.00	€35.00	€50.00
01/01/2024	113.3000	110.0000	2024	€15.45	€35.00	€50.45
01/01/2025	115.5660	110.0000	2025	€15.76	€35.00	€50.76
01/01/2026	118.4552	110.0000	2026	€16.15	€35.00	€51.15
01/01/2027	121.4165	110.0000	2027	€16.56	€35.00	€51.56
01/01/2028	124.4519	110.0000	2028	€16.97	€35.00	€51.97
01/01/2029	127.5632	110.0000	2029	€17.39	€35.00	€52.39
01/01/2030	130.7523	110.0000	2030	€17.83	€35.00	€52.83

RESS 3 Revision 1 Terms and Conditions - Amendments

- The support term established in RESS 1 and RESS 2 of up to 16.5 years is being maintained in RESS 3. The Terms and Conditions incorrectly noted support end date of 2042, this error has been amended in recently published revised Terms and Conditions to reflect support end date in 2041, i.e. up to 16.5 years.
- Definitions relating to the commencement of support have been tweaked to enable projects which energise in advance of the nominal RESS 3 Support Start Date to avail of RESS Support earlier. The RESS 3 Support End Date will float accordingly, with up to 16.5 years being the maximum permissible support period.

- Some flexibility has been added in relation to the RESS 3 Support Start trigger, adding an option for support to commence via voluntarily commercial operation declaration rather than waiting for the ION + 90 days trigger.
- A number of small changes have been made to throughout the T&Cs to correct typos or to remove potential ambiguity.
- The delivery deadlines for Milestone 3 have been updated to reflect the auction / contracts timeframes.

General Note

- RESS 3 is being delivered within a cost-effective framework. The cost control measures include an auction price cap (a maximum cap on the price paid per megawatt/hour). A competition assessment will also be performed by CRU prior to the auction to identify the appropriate quantity to procure. A look back viability gap analysis has also been undertaken to ensure that eligible technologies for RESS 3 require a subsidy to participate. The Minister is acutely aware of the importance of competitive outcomes in the auctions to drive down costs while at the same time maintaining strong investment signals and a stable sectoral investment climate. Auction modelling suggests that the changes made in the RESS 3 design should reduce risk premia. The price cap and ECF will be included in the auction information pack.