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ar son na hAeráide & Comhshaoil**  
Department of Communications,  
Climate Action & Environment



# RESS-1 Auction Design and Implementation Project

Stakeholder Briefing

November 22, 2019

# Agenda



- Introduction
- Project Plan update – James Conlon
- Terms & conditions update – Philip Newsome
- Implementation Agreement – Rory Somers
- State Aid / Legal update - Caroline Green
- Community update – James Conlon
- 10 min break @ 11:20
- Question responses by panel of speakers



Disclaimer: The content of this presentation is subject to change as a result of the outcome of the Government approval, State Aid approval and any further consultation feedback.

# Successes for RESS-1 Project



- ✓ RESS-1 incentivises speedy connection of required quantity of renewable electricity generation to meet Ireland's RES-E targets.
- ✓ Offer prices bid into RESS-1 are competitive and consumer costs are minimised
- ✓ RESS-1 auction takes place within the timelines set out in the Climate Action Plan
- ✓ Diversification of the mix in the RESS-1 auction
- ✓ Strong community participation in RESS-1

# Workstream Update



<b>Workstream</b>	<b>Last Action</b>	<b>Next Action</b>
WS1 Project Management	Consultation plan for RESS-1 agreed with Project Board	Government approval on RESS-1 in November
WS2 – Detailed RESS Design	Terms and Conditions (v5) internally reviewed	Publish Terms and Conditions (T&Cs) in December
WS3 – Legislation and State Aid	State Aid responses provided to EU Commission Secondary legislation drafted	Formal State Aid application Publish PSO amendment / TSO license update
WS4 – Legal Drafting	Legal review of T&Cs and Implementation agreement	Publish Terms and Conditions in December
WS5 – Implementation	Auction specification works commenced	Publish Auction timetable in December
WS6–Operation of Processes	-	Auction systems briefing in December
WS7 Regulatory	Auditor and Monitor role tendered	Appoint Auction Auditor and Monitor



# Communication Plan (2019)



Owner	Reference	Reason	Date
DCCAIE	<b>Industry Briefing</b>	To keep industry up to date on action status	13/09/19
DCCAIE	<b>Monthly website progress updates</b>	To keep industry and public up to date on action status	Monthly
DCCAIE	<b>Stakeholder Briefing</b>	To keep industry and public up to date on action status	22/11/2019
DCCAIE	<b>Consultation period on the Terms and Conditions of RESS-1</b>	To seek input from stakeholders on aspects of the Terms and Conditions which may affect project deliverability	13/12/2019 – 17/01/2020
EirGrid	<b>Auction systems briefing</b>	To brief industry on auction process and requirements and minimise issues with bids.	18/12/19

# RESS-1 Schedule

On track

Delay risk depending on consultation outcome

Not achievable



# RESS-1 Delivery Timelines



- Projects are eligible for RESS-1 support from 1<sup>st</sup> July 2021
- RESS support will continue until 31<sup>st</sup> December 2037 (16.5 years max.)
- An additional support of 12 months may be granted in cases of Force Majeure (FM) i.e. support up to 31<sup>st</sup> December 2038
- The long stop date for commercial operation is 31<sup>st</sup> December 2023 regardless of FM

# RESS-1 Support



	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	
RESS-1 Delivery																			
RESS-1 Support		RESS-1 Support (Maximum duration 16.5 years)																	
Force majeure (Max 12 mths)																			
Example Project 1		Project 1 reaches Commercial Operation (CO) on 01/01/22 = 16 year contract																	
Example Project 2				Project 2 reaches CO on 01/07/23, (experiences 6 months Force Majeure), 15 year contract															
Example Project 3				Project 3 reaches CO on 01/09/23, 14 years, 3 months contract															



# Industry Concerns



- Wind Energy Development Guidelines impacts
- Contestable cables landownership
- Curtailment
- Rates

# Future RESS Auctions



- A pipeline of future RESS auctions has not yet been baselined.
- Terms and Conditions for future RESS auctions may differ to RESS 1 based on learnings.
- The Climate Action Plan sets out next RESS auction for offshore in Q2 2021.
- This auction is dependent on adequate supply chain and may include onshore developments.

# RESS 1 Design Update



RESS 1 Terms and Conditions being developed that will set out:

- Product to Be Procured
- Auction Quantity
- Draft Eligibility Criteria
- Offer Structure
- Winner Selection
- Awarded Project Benefits
- Awarded Project Obligations
- Draft Implementation Agreement

# Product to Be Procured



- MWh of renewable energy that will receive support
- Support to be provided through a 2 way support arrangement through Floating Feed in Premium
- Settled through the PSO process similar to current REFIT settlement
- Will require a PPA with a supplier that is eligible for the PSO process (may include an affiliated supplier – supplier lite)
- Revenue stacking for ancillary services, not for capacity revenues.
- Intent is to include a one time option for a project to exit the support scheme with reasonable notice



# Auction Quantity



- Analysis has not yet been finalised but the indicative overall quantity for RESS 1 may be within range:
  - At least 1,000 GWh /year
  - Not exceeding 3,000 GWh /year
- The final quantity procured in RESS 1 will take into account the quantities offered in the qualified applications received, and a CRU competition assessment
- The CRU competition assessment will be undertaken after qualification, and before submission of offer prices

# Draft Eligibility Criteria



## **New or Repowered Renewable Project**

- Must either be a new or repowered renewable project (50% energy increase and €300k/MW investment for repowered)

## **Planning Consent**

- Requirement for full planning permission of projects (excluding grid connection assets) to be offered.

## **Grid Connection**

- Requirement to be a grid contracted project or a project listed by EirGrid or ESB Networks as a ECP-1 project that is eligible to be processed to receive a valid connection offer of sufficient capacity to carry the capacity of the project submitted in RESS 1. Projects that have declined to contract an ECP-1 offer within the acceptance period of the offer will not be eligible.

## **Site Control**

- The site of the project must be specified, must demonstrate control of the site for the purposes of developing and operating the project.

## **Director Declarations and Other Information**

- Refer to next slide

# Director Declarations



## Applicant Independence Declarations

- Declaration of Independent Bidding by entity or its owner; and/or
- Declaration of who Pricing Information has been shared with
- Declaration of any Agreements or Arrangements contingent on results of RESS 1 auction

## Declaration of Other Information

- Ownership interests
- Confirmation that information submitted is true and accurate
- And so on

Director Declaration information will potentially be used by the CRU to inform its competition assessment

# Offer Structure



- Offer to describe project and provide project capacity in MW
- Offer to provide strike price for use in two way arrangement settlement
- MWh quantity based on capacity and technology-specific capacity factors set out in the terms and conditions
- These MWh quantities will be used for evaluation but will not carry over to settlement
- Settlement will be based on metered generation of the project
- Bid bond (cash deposit of €2k/MW) will be required to be qualified

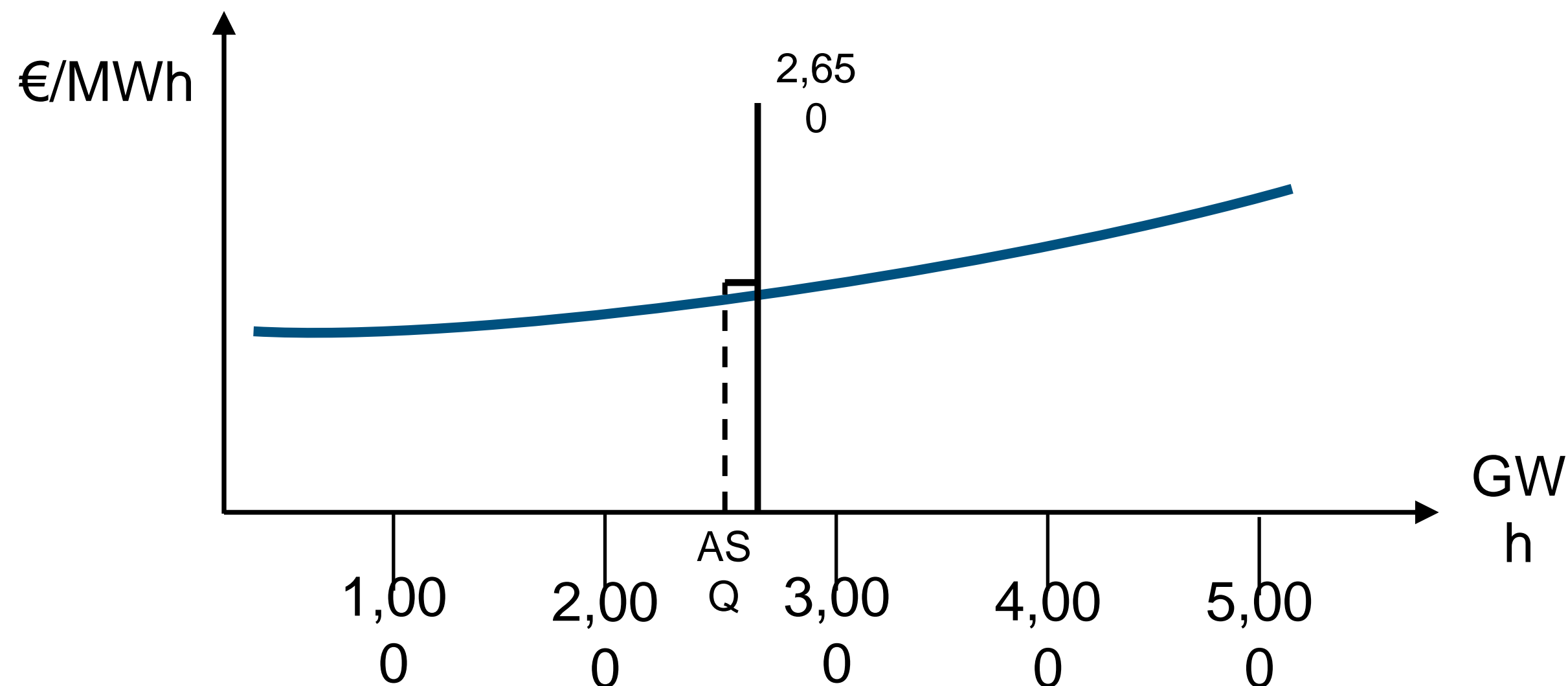


# Winner Selection



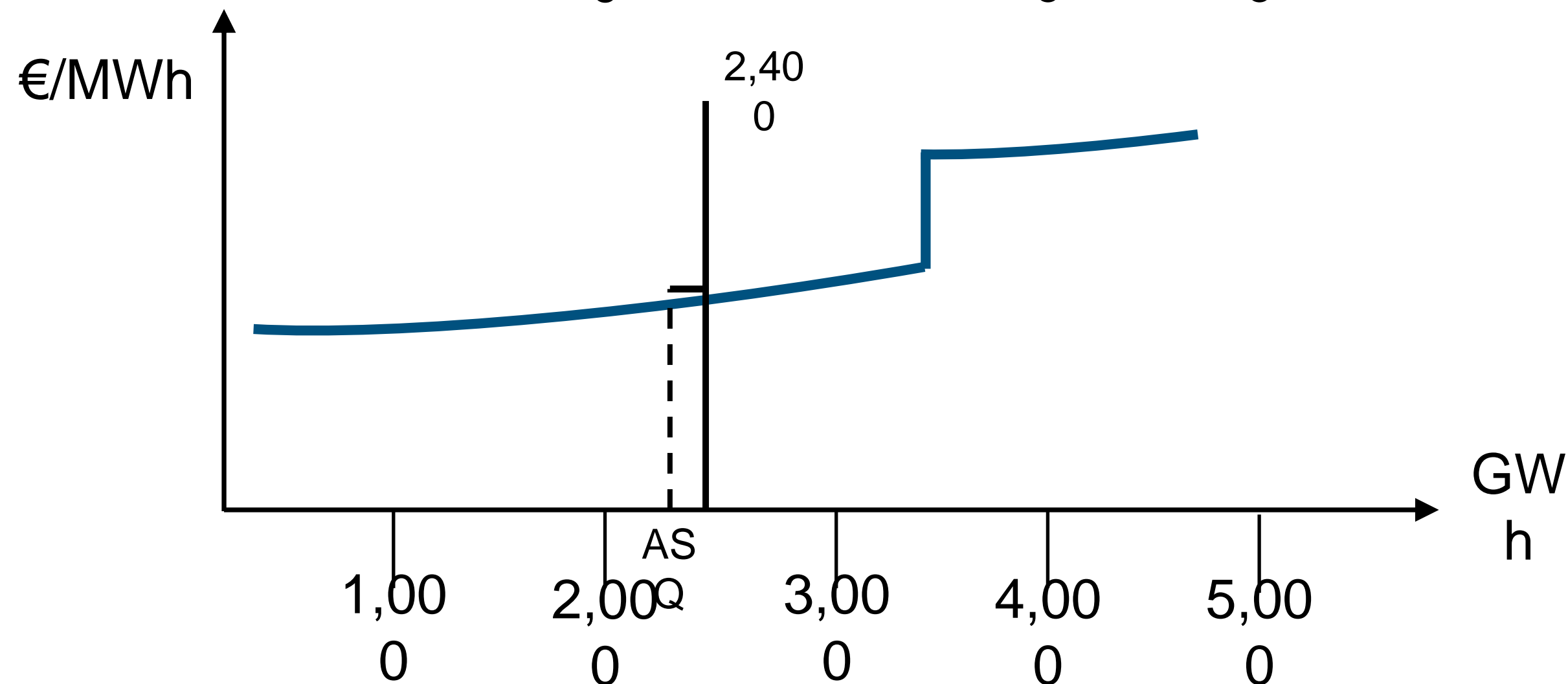
- Technology neutral framework with any diversity signals to be finalised
- Offers to be selected in ascending price order
  - Includes consideration of whether a “viability gap” exists in the ordered list of offers qualified
  - Accepts additional offers with price within 5% of marginal offer at target
  - Provision for preference to be given up to set levels for predefined preference categories
- Community preference category (10-30 GWhrs)
- Quantity to be provided support may exceed quantity target
- Pay As Bid: Selected offers will be eligible for support based on the strike price specified in their offer – there will be no clearing price applied to offers so as to mitigate any speculation

# Winner Selection: Overall Auction



## Example 1

- Min 1,000 GWh; Max 3,000 GWh
- 5,000 GWh of offers qualify
- CRU competition ratio of 2.0
- No viability gap
  - Auction Starting Quantity (ASQ) =  $5,000/2.0 = 2,500$  GWh
  - Additional 150 GWh accepted because offer price within 5% of that at ASQ
  - 2,650 GWh in total accepted



## Example 2

- Min 1,000 GWh; Max 3,000 GWh
- 4,800 GWh of offers qualify
- CRU competition ratio of 1.5
- Viability gap at 3,300
  - Auction Starting Quantity (ASQ) =  $3,300/1.5 = 2,200$  GWh
  - Additional 200 GWh accepted because offer price within 5% of that at ASQ
  - 2,400 GWh in total accepted

# Publication of Auction Results



Published RESS 1 results will include the following:

- The quantity of renewable energy purchased, by technology
- The weighted average price for each preference category
- A list of all successful projects and the location, size and technology of each successful project

The offer price of each successful project will not be published. Auction participants should be aware however that current CRU policy is to publish PSO outturn payments by supplier to each generator

# Awarded Project Benefits



- Successful Projects will be provided with an Implementation Agreement that states that the project will receive a letter of offer
- The LoO enables Project to execute a PPA with a supplier that will be eligible to participate in the PSO process using the two way support arrangements
- Participation in the support scheme will be from 16.5 to 14 years depending on delivery date.



# Awarded Project Obligations



- The Implementation Agreement will commit project to being developed as offered in return for receiving letter of offer providing for support scheme eligibility
- Successful offeror will be required to post Performance Security to support commitments to developing the project as offered and on schedule

# Draft Implementation Agreement



- Performance contract between Minister and successful bidders
  - Incentives and charges for non-delivery
  - Performance security requirement (on-demand bond €25,000/MW\*)
    - *Breach could lead to RESS LoO being rescinded*
- \* =€0 for Community Projects in Community Preference Category

# Milestones to be Achieved Include



- For Community-Led Projects, established legal structure by 30<sup>th</sup> June 2020 compliant with definition
- Signed grid Connection Agreement by 30<sup>th</sup> June 2021
- Full financing is in place by 31<sup>st</sup> December 2021
- Second Stage payment for grid connection before 30<sup>th</sup> June 2022
- Committee established to administrate Community Benefit Fund before 30<sup>th</sup> June 2022 / contract executed with a 3rd party to run it.
- Commercial Operation achieved for installed capacity between 90% and 120% of the Offer Quantity from the LoO before 31<sup>st</sup> December 2022.
- For HeCHP, certificate from CRU 3 months after Commercial Operation.

# Mitigation and Remedy for Milestones



Mitigation is included to encourage achievement of milestones.

Ultimately, if milestone not achieved, DCCAE retain the right of Remedy to rescind the Letter of Offer



# Mitigation and Remedy for Milestones



Milestone	Mitigation	Remedy
Established a Company structure that meets the definition of Community-Led Projects by 30th June 2020	None	Rescind Letter of Award
Signed grid Connection Agreement by 30 <sup>th</sup> June 2021	Charges up to 25% of Project Security (4% per month)	Drop dead date: 31 <sup>st</sup> December 2021, or rescind Letter of Offer
Full financing is in place by 31st December 2021	Charges up to 25% of Project Security (4% per month)	Drop dead date: 30 <sup>th</sup> June 2022, or rescind Letter of Offer
Receipt from TSO/DSO of Second Stage payment by 30 <sup>th</sup> June 2022	Charges up to 25% of Project Security (4% per month)	Drop dead date: 31 <sup>st</sup> December 2022, or rescind Letter of Offer
Committee established to administrate the Community Benefit Fund / contract executed with a 3rd party to run it. before 30 <sup>th</sup> June 2022.	Charges up to 25% of Project Security (4% per month)	Drop dead date: 31 <sup>st</sup> December 2022, or rescind Letter of Offer
Commercial Operation achieved before 31st December 2022 for installed capacity that is between 90% and 120% of the Offer Quantity from the Letter of Offer.	Erosion of the contract term equivalent to the period of time between 31st December 2022 and Commercial Operation date	Drop dead date: 31 <sup>st</sup> December 2023, or rescind Letter of Offer
HeCHP cert from CRU 3 months after Commercial Operation	none	Rescind Letter of Offer



# Force Majeure



**Will:** Extend contract term during FM event for max. 12 months

**Is:** Typical FM disaster events

**Is NOT:** Delay to grid connection

**NOTE:** Longstop date not affected

# State Aid Update



- The RESS scheme is designed with the Guidelines on 2014-2020 State Aid for environmental protection and energy as published by the EU Commission.
- Comprehensive submission made to EU Commission DG Comp in early November by DCCAE – main focus on competition in the auction.
- Additional engagements ongoing in December 2019.
- State Aid approval expected for February 2020 prior to qualification.

# Legislative Update



- Legislative updates are progressing to the RESS Framework
- Operation of RESS-1 auction by Eirgrid
- Inclusion of the implementation agreement

# Community Benefit Fund



- €2/MWhr to be allocated into Community Benefit Fund. This money will fund selected local projects with priority given to projects <10km, near neighbour payments and climate actions measures.
- Fund to be set up and co-ordinated by developers. DCCAE will set some administrative requirements.
- Must include key elements of the DCCAE Code of Practice
  - *Community Liaison Officer*
  - *Website with project information and CLO details*
- Milestone in the Implementation Agreement demonstrating establishment of a Community Benefit Fund Committee / contract executed with a 3rd party to run it.
- Community projects are exempt from this requirement

# Community Investment Scheme



- Firm DCCAE proposal is being finalised as a baseline
- Developer investment models to match or exceed
- Not an equity proposal
- Auction qualification requirements - declaration that requirements will be met or exceeded
- Final details to be included in RESS information pack



# Community Project Definition



1. Maximum project size is 5MW;
2. Majority ownership (51%) - primary purpose is community benefit (environmental, economic or social) rather than financial profit. (The other 49% can be motivated by profit.);
3. Open access;
4. Participation based on local domicile;
5. Consortium/Entity applying must include a “Sustainable Energy Community”

## Note:

A Directors declaration will be required at time of qualifying stating that entity will comply with Items 2-5. Only Community projects which pay the bid bonds and performance securities will be eligible to compete in all auction categories.



# Questions and Answers