



**Response to Consultation by
Department of Environment, Climate and
Communications on**

**Renewable Energy Support Scheme 4 Terms &
Conditions**

Electricity Association of Ireland

Status: Final

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The Electricity Association of Ireland (EAI) is the representative body for the electricity industry and gas retail sector operating within the Single Electricity Market (SEM) on the Island of Ireland.

Our membership comprises utilities that represent 90% of generation and retail business activities and 100% of distribution within the market. Our members range in size from single plant operators and independent suppliers to international power utilities.

We believe that electricity has a fundamental role in providing energy services in a decarbonised, sustainable future, in particular through the progressive electrification of transport and heating. We believe that this can be achieved, in the overall interest of society, through competitive markets that foster investment and innovation.

We promote this vision through constructive engagement with key policy, regulatory, technology and academic stakeholders both at domestic and EU levels.

We represent the Irish electricity industry in EURELECTRIC, the representative body for the European electricity industry, and help shape the broader European response to developing policy and legislative initiatives.

Introduction

The Electricity Association of Ireland (EAI) welcomes the opportunity to respond to this consultation on RESS 4 Terms & Conditions. With 2030 fast approaching, the terms and conditions for this auction will be key to ensuring that the target of 9GW for onshore wind is achieved. The need to derisk projects and incentivise delivery is paramount if the targets are to be achieved, as this may be the penultimate or last RESS auction that has a chance of delivering by 2030. Unfortunately, RESS 3 fell well short of the required volumes and did not deliver the necessary projects. The costs associated with not delivering on 2030 targets are sizeable and will also impact 2040 ambitions. The following response outlines EAI's feedback on the Terms and Conditions in the context of the above.

Risk Allocation & Constraints

The provisions for "Relief Events" are welcomed by members and will help with the sensible and proportionate de-risking of project timelines for reasons outside of the developer's control. The introduction of the Unrealised Available Energy Compensation in RESS 3 for system operational constraints has reduced risk for projects but the treatment of local network constraints remains unresolved despite being a major risk for onshore wind project developers.

In EAI's view, the risks associated with these constraints should be placed with the entity best placed to manage them, and not the generator. While there has recently been a decision on Firm Access Methodology, the binary constraint threshold of 2% is inflexible and is an arbitrary value that provides no protection for generators who forecast constraints greater than this. With network constraints rising, a developer will have to forecast future constraints and then factor this risk into a bid price that is reflective of costs across the project's lifetime.

Delivery Timeline

The proposal to push out the longstop date by 18 months is a sensible step and is welcomed by members. However, the inflexible approach to the longstop date is not addressed within this consultation. With delivery of renewable units of such key importance, a cliff edge whereby failure to meet COD by the longstop date means the loss of subsidy, and potentially, an entire project is at odds with that goal. Some kind of mechanism is needed to incentivise timely delivery and ensure competitiveness, but this mechanism could be a proportional to the lateness of delivery rather than an extreme cut off.

Technology Specific Price Caps

The cost of building renewable projects is continuing to increase and it is essential that this is formally acknowledged in the auction and setting of the price cap. The EAI believe that measures taken to reduce the risk for projects should not be counteracted by price cap adjustments. Reducing the auction price cap could have an adverse impact on clearing volume and potentially exclude projects that are ready to build at a fair market price thereby reducing value for customers. The technology specific price caps are based upon an LCOE

analysis that will take place well in advance of the actual RESS 4 auction itself. RESS auction bids reflect the up-to-date costs that a project is facing. LCOE calculations completed far in advance of an auction may lead to viable projects with up-to-date costs being rejected due to out-of-date parameters. If viable projects are rejected due to this LCOE methodology, the government ambition to reach 2030 targets will be undermined through financial rather than policy decisions.

Ability to Withdraw from RESS

The consultation document seeks to understand if various changes to the T &Cs can reduce the costs for the consumer. Removing the flexibility for projects to withdraw from RESS is at odds with this objective as a project that withdraws from RESS will no longer be receiving a subsidy from the state which is ultimately funded by the customer through the Public Service Obligation Levy.

Hybrid Units

EAI members remains concerned by the progress in developing the regulatory arrangements for hybrid units. Not having the regulatory framework means projects will not be brought forward, overall costs to customers are increased, and less zero carbon generation is connected overall. We strongly urge a DECC intervention in enabling hybrid regulatory framework including setting clear milestones and responsibilities for completion of the workstreams.

Hybrid connections offer savings from better utilisation of energy generation and existing infrastructure which should ultimately lower the cost of electricity to customers. It should be the case that a hybrid solution can ensure that the customer gets best value out of supporting RESS 4 projects whereby excess generation would not be lost but could be stored for later usage/ delivery to the grid/ consumer.

