

Public Consultation on the Design of a new Renewable Electricity Support Scheme in Ireland

Cork Chamber Submission

9th November 2017

Introduction

Cork Chamber endorses the Government intention to establish a Renewable Electricity Subsidy Scheme and welcomes this consultation.

To highlight the economic potential, we look to the UK and to offshore wind as a case study. The support structure in the UK over the past 10 years has led to the UK becoming the global leading market for offshore wind with substantial investment from all major players in the market. DONG Energy alone have committed £12 billion to the UK market building and committing to build successive record breaking windfarms with outputs of up to 1.6GW.

Over this timeframe the industry has become extremely competitive with conventional power, leading to a recent CfD price of £57.50MWh, 50% lower than the previous round of CfD allocations just two years ago, demonstrating the rapid reduction in cost across the industry. Platts noted these prices are lower than the cost of the 35-year contract awarded for the new Hinkley Point C nuclear power project at GBP92.50/MWh, and the UK government's forecast levelized cost of gas in 2020 of GBP66/MWh

The UK government has also used the subsidy regime to encourage the local sourcing of consultancy, manufacture and ancillary services stimulating a new expertise, supply chain and industry. Green Port Hull is a shining beacon of this progress.

As such there is a great potential for Ireland to benefit from the ability to support the development of assets that benefit from the huge progress and reduction in costs born out the UK investment. The benefits are multifaceted including national energy security, the ability to export energy, utilise new technologies such as demand side response, reduce our carbon footprint and to further develop a resilient energy generation base to compliment the evolving current mix.

Cork Chamber endorse the submission of Energy Cork which represents and actively supports our energy Cluster here in Cork. The Energy Cork submission provides a comprehensive feedback across each section. The following Chamber submission seeks to pinpoint certain areas which we believe merit specific consideration.

RESS Detailed Design

Q1a. The emerging policy includes a measure whereby all capacity available under the new RESS (with the exception of small scale developments) should be allocated through a competitive bidding process via auctions. Do the respondents agree with the competitive auction based approach? If not, what alternative model would you propose and why?

Yes, agreed.

Q1b. Do respondents agree with the use of Uniform-Price cost of support for RES-E projects in the main RESS capacity auctions, as a mechanism to keep costs to the consumer to a minimum?

Not in full. A majority of the support must promote the most cost-effective generation that can be delivered to the state, but a proportion must be set aside to encourage diversity and innovation.

Q2. The analysis suggest that a Floating Feed in Premium (FIP) is the primary financial support mechanism for the main RESS, as evidence indicates this is the most cost effective approach. Do you agree with this proposal versus the other mechanisms identified?

Yes, agreed.

Q3. What are respondents views on a proposed price cap (maximum €/MWh) within the uniform price proposal? What alternative approach would you propose and why?

Yes, agreed.

Q4a.

In order to keep costs to the consumer to a minimum, a Principal Category, encompassing all viable technology options leading to the most cost-effective projects, is provided for. The outcome of this

initial auction will inform the design of future auctions.

Not in full, a majority of the support must promote the most cost-effective generation that can be delivered to the state, but a proportion must be set aside to encourage diversity and innovation.

Do you agree with this approach? What alternatives would you propose to this approach and why?

No not in full, the majority should be allocated in this manner, but a segment should be set aside to stimulate diversity of supply.

Q4b. Would you support separate technology specific auctions for emerging technologies, at a greater cost to the PSO, and if so what percentage of the overall scheme capacity (MWh) would you allocate to this category?

Yes, to stimulate indigenous innovation, a segment could be set aside. Furthermore speed of deployment should be considered a notable benefit to offset European fines.

Q5. Separate to the Principal Category RESS, a dedicated Community Category volume of renewable capacity (MWh) allocated for community-led renewable projects is envisaged in the preferred approach. The initial proposal is that between 10-20% of the total capacity (of new MWhs) of each auction is ring-fenced for community-led projects.

Do you agree with this proposal? What changes would you propose to this proposal including reference to the viable level of ambition for community-led projects?

This is commendable however, if there is no uptake, there must be a clear cut off timeframe and ability to reallocate the investment option to commercial investors and developers.

Q6. Do you agree with the proposal to further develop opportunities for micro-generation, outside of the main RESS?

Yes, however as stated in the question it is essential that this takes place outside of the RESS and does not impact on RESS allocation which is critical to stimulate commercial deployment of scale.

Q7. Do you agree with capping the amount of support received by each RES-E project that clears in a RES-E auction? What changes would you make to the proposal to set this cap by the level of support (€/MWh) determined in the auction and the cleared volume of the project (MWh).

Yes support should be capped and revisited at intervals. That said, to stimulate sustained industry, long range intention/insight should be forthcoming. The recent sudden reversal of solar subsidy in the UK is cited as an unpalatable approach for industry.

Q8. Do respondents agree with the proposal to hold periodic auctions e.g. every two years, over the course of the lifetime of the scheme, to take advantage to falling costs and reduce the impact on the electricity consumer?

Yes, agreed. It will deliver the best value for the State, stimulate competition, and ensure that the most competitive and cost effective decisions can be made.

Q9. Do you agree that planning approval, grid connection, bid bonds/penalties and community participation criteria should be met before projects can apply for support under the new RESS? What other pre-qualification criteria would you like to see introduced?

Yes, however these criteria must be suitable to promote development. For example, a community participation scheme offered but not utilised should not be a barrier to development of a viable project.

Q10. DCCAE welcome the respondents' views on the PSO levy supporting a baseline 40% RES-E. Do you think the PSO should support higher levels of ambition?

Yes, the mix within this levy should be considered on an ongoing basis as all elements of the industry and not just renewables continue to evolve.

Q11. Do respondents agree with this approach?

What are respondents' views on an alternative approach whereby renewable energy CHP plants receive support from the RESS or the proposed RHI but not both, and that the project promoter should decide which support scheme best suits the proposed development.

Government policy should support a diverse mix of energy and should align policy and funding models wherever possible to ensure there is no market confusion or ambiguity such as the above.

Community Policy Detailed Design

Q12a. What should the minimum size of project be, below which a community investment offer does not need to be made (e.g. 100kW, 500kW, 1MW)?

The threshold must be representative of a project scale that is commercially viable and supportive of the speculative investment required in adding this element to project development prior to RESS allocation and capital expenditure.

Q12b. What minimum share should be offered to the community for investment (e.g. 20%) and should there be a maximum amount any one individual can purchase?

The threshold for this must not be a barrier to attracting the level of commercial interest necessary to finance projects. There must be an option for investors to meet the deficit where a community does not have sufficient interest in investing.

Q12d. What are respondents' views on whether additional financial supports are necessary in order to enable mandatory investment opportunities for citizens and communities?

The key word to be emphasised in this statement is opportunity. The availability of this opportunity should be clearly bound by time based parameters to ensure that disinterest does not delay projects. Conversely, there must be adequate promotion and awareness defined in guidelines to ensure communities are informed and can opt in. The approach must be pragmatic for all involved.

Q13a. Do you agree with the emerging proposal that a Floating FIP is made available for smaller

community projects?

Yes.

Q18b. Do you agree with the proposed €2/MWh level of community benefit?

Do you have any other comments on the proposed community benefit good practice principles?

Community benefit schemes must be of a scale that provides meaningful benefit to communities but does not conflict with the fact that the RESS is a state subsidy and the most value must be derived from this for the State. For example, based on this model, a 1.6GW subsidy would lead to a €3.2 million CBF which is of considerable scale.

Looking to the UK, and to offshore wind again as a case study, both Burbo Bank Extension and Walney Extension offer an effective £1/MWh per annum over the effective lifespan of the project which brings immense community benefit but is lower than the quoted figure. It should also be noted that while there is an industry accepted level, it is not dictated by a prescribed figure.