



RESS Update

Beauchamps

December 2019

RENEWABLE ELECTRICITY SUPPORT SCHEME - LATEST UPDATE

The Department of Communications, Climate Action and Environment (**DCCA**E), at an industry briefing event on 22 November 2019, provided further information on the Renewable Energy Support Scheme (**RESS**) timelines and how the first auction (**RESS 1**) will operate. At a subsequent press conference on 2 December, Minister Bruton announced that the Government has now approved the detailed design of RESS 1, subject to State Aid approval. These updates have been eagerly awaited by stakeholders in the renewable energy sector. Developers need as much certainty as possible on RESS so they can prepare their financing, resourcing and bidding strategies.

RESS 1 Latest Updates

The main highlights from the November briefing session are:

- It is expected that the draft terms and conditions for RESS 1 will be published by DCCA E on 13 December next and will undergo a five week period of public consultation;
- The first auction is scheduled to take place in June 2020, subject to State Aid approval (expected Feb 2020). According to DCCA E there is a moderate risk of delay to this timeline, due to the potential for change following feedback from the stakeholder consultations;
- Projects which are successful in RESS 1 will be eligible for support from 1 July 2021;
- RESS support will continue until 31 December 2037 (so 16.5 years is the maximum permitted support). Contrast this with REFIT, where the maximum length of support was 15 years;
- An additional 12 months may be added in cases of force majeure. Importantly however, DCCA E has indicated that delays caused by late grid delivery will not be considered force majeure. This will be a cause of concern to many developers, particularly where the delays are caused by the DSO or TSO and are outside of the developers' control;
- The proposed long stop date for commercial operation is 31 December 2023 regardless of force majeure;
- Projects which are still awaiting their ECP-1 grid offers from ESBN/EirGrid will be provided with an estimate of grid costs and timelines by EirGrid to allow for these projects to bid into the auction;
- A bid bond of around €2,000 per MW is expected to be required to participate in RESS 1. Successful RESS 1 bidders will then have to provide a performance bond of €25,000 per MW on entry into the Implementation Agreement. Further clarification is needed if this larger bond will replace the bid bond or be in addition to it?;
- A separate solar category will be included in RESS 1. In his recent press release, Minister Bruton stated that solar would represent approximately 10% of the overall auction. It remains to be seen whether this percentage is intended to be a cap or a floor? However, our understanding is that it will be a floor and that there will be a supplementary auction for solar capacity if the minimum threshold is not reached;
- Community owned projects will have their own category in RESS 1 of up to 30 GWh;
- DCCA E has clarified that while planning permission for the project is a requirement to participate in RESS 1, planning permission for the associated grid connection is not;
- Once a project gets through the auction, it will have to achieve several pre-defined delivery milestones (eg full financing in place by 31 December 2021, second stage payment for grid connection before 30 June 2022, Committee established to administrate Community Benefit Fund before 30 June 2022, COD achieved for installed capacity between 90% and 120% of the Offer Quantity from the Letter of Offer (**LoO**) before 31 December 2022). If these milestones are not achieved DCCA E may either call in the performance bond or rescind the LoO;

- Revenue stacking will be permitted for ancillary services (DS3) but not for capacity payments;
- At present it would appear that support under RESS 1 will not be indexed linked. This is likely to be controversial. One of the major selling points of REFIT to institutional investors was that the support was index linked (upwards only). This acted as a hedge against inflation over the 15 year term of REFIT support;
- The RESS 1 auction will be operated by EirGrid (as is the case for the Capacity Auctions) and will be settled through the PSO process in the same manner as the current REFIT settlement process;
- A mandatory community benefit fund must be provided by all projects (including offshore wind) which are successful in RESS. The contribution is to be €2/MWh;
- the State Aid application was submitted in November 2019. So the design of RESS is still subject to approval, which is anticipated in February 2020;

What is unaffected by this latest update?

Many important aspects of RESS 1, as summarised in [our previous update](#), appear to remain unaffected by this latest industry briefing. These include: (i) the eligibility criteria to participate in an auction, (ii) successful projects must enter an Implementation Agreement which entitles the project to receive a RESS LoO whereby the project can enter a PPA with a PSO eligible electricity supplier, (iii) RESS 1 will be "pay as bid" and successful offers will be eligible for support based on the strike price specified in their offer as opposed to getting a clearing price, and (iv) the successful bidders will be selected in ascending price order.

Supplier-lite structures can be used in RESS in a similar manner to REFIT and the quantity for RESS 1 is still planned to be at least 1,000 GWh (unless a lower volume is required for competition reasons) and is expected to not exceed 3,000 GWh.

Future RESS Auctions

DCCAIE is reserving its right to change the RESS 1 structure and its approach for later auctions, including in the proposed offshore wind auction which is anticipated for Q2 in 2021.

It is envisaged that there will be a minimum of four auctions between 2020 and 2027. The frequency of auctions is important given that Ireland has interim targets to reach in the lead up to 2030. These indicative timelines are intended to provide clarity for developers as to when they need to have their projects "auction ready". It should also allow Ireland to take advantage of new technologies as they emerge and falling costs in existing technologies.

We will provide a further client briefing note once the RESS Detailed Design is published (expected 13 December 2019).

Contact

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