RESS-1 Auction Design and Implementation Project

Industry Briefing
September 13, 2019
Agenda

- Team Introduction
- Project Plan
- Terms & conditions / design
- State Aid / Legal update
- Community update
- Questions / commentary (at end)
- Close
Team Structure

DCCAE

Eirgrid

CRU - Commission for Regulation of Utilities
Project Scope

- Obtain RESS EU state aid approval
- Prepare the design and terms and conditions
- Develop procedures for auction
- Undertake industry workshops
- Obtain government approval
- Implementing, running and administering the auction
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 if competitive.

- Strong community participation in RESS-1
High-Level Schedule

December 2019
- Detailed Design Complete
- Commence Qualification (Auction Timetable Published / briefing)

January 2020
- Operational Procedures Complete
- Registration & Training

February 2020
- Qualification Info Pack
- State Aid Approval

March 2020
- Accept Qualification submissions

April 2020
- Qualification Result / Decision on eligibility

May 2020
- Final Qualification Decisions
- Auction Info Pack Published

June 2020
- RESS-1 Auction
## Communications (2019)

<table>
<thead>
<tr>
<th>Party Responsible</th>
<th>Reference</th>
<th>Reason</th>
<th>Date</th>
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<tbody>
<tr>
<td>DCCAE</td>
<td><strong>Industry Briefing No.1</strong>&lt;br&gt;Information briefing on project status to Stakeholders / Associations</td>
<td>To keep industry up to date on action status</td>
<td>13/09/19</td>
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<tr>
<td>DCCAE</td>
<td><strong>Monthly Progress updates on DCCAE website</strong></td>
<td>To keep industry and public up to date on action status</td>
<td>Monthly</td>
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<tr>
<td>DCCAE</td>
<td><strong>Industry Briefing No.2</strong>&lt;br&gt;Public information briefing on detailed design / formal State Aid application.</td>
<td>To keep industry and public up to date on action status</td>
<td>December 2019</td>
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<tr>
<td>EirGrid</td>
<td><strong>Industry (Auction systems) Briefing No.3</strong>&lt;br&gt;EirGrid will hold an industry forum similar to that which is conducted for Capacity Market.</td>
<td>To brief industry on auction process and requirements and minimise issues with bids.</td>
<td>December 2019</td>
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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
- Payments to be made to project as offered based on project metered output when offer price (“strike price”) is above market reference price – difference between strike price and reference price times metered generation
- Payments to be made by project as offered based on project metered output when offer price (“strike price”) is below market reference price – difference between reference price and strike price times metered generation
- 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)
- Intent is to include a one time option for a project to exit the support scheme with reasonable notice
Auction Quantity

• The quantity procured in RESS 1 will consider the Quantities in the applications received and a CRU competition assessment.

• Actual Quantity influenced by the supply pipeline and developer interest at qualification stage.

• Analysis has not yet been finalised but indicative Quantity for RESS 1 may be within range:
  — Not exceeding 3,000 GWh
  — At least 1,000 GWh, unless lower if necessary for competition reasons.

• Process to determine Quantity to be set out in Final Design/T&Cs.
Draft Eligibility Criteria

New or Repowered Renewable Project
• Must either be a new or repowered renewable project.

Planning Consent
• Requirement for full planning permission of projects 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.

Community Investment
• Evidence of community offering

Other
• Including typical Director certifications with respect to corporate organisation, financial capability and information with respect to Independence of bidders from other bidders
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 will be required as part of/in advance of Offer submission
Winner Selection

- **Technology neutral** framework with any diversity signals to be finalised

- Offers to be selected in **ascending price** order

- 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
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.

- Expected that participation in the support scheme will be for up to 15 years.
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
- Performance security requirement (on-demand bond €/MW)
- Breach could lead to RESS LoO being rescinded
- Milestones to be achieved will include:
  - Guarantee that GoO will not be sought < 30 days
  - Tax clearance certificate < 60 days
  - Programme submitted to Department < 60 days
  - Signed and accepted grid connection offer < 90 days
  - CER statutory permissions < 90 days
  - Appropriate title evidence < 90 days
  - Demonstrate Community Aspects < 120 days
  - Suite of Completion Milestones
- Community project declaration
State Aid / Legislation Update

• Pre-notification issued to EU Competition Authority in June

• Queries received from DG Comp – major focus on competition in auction

• Responses in draft form to be issued in mid-September

• State Aid approval expected for Q1 2020

• Legislation updates being progressed to provide for RESS Framework
Community Aspects

- Community Benefit Fund
- Community Projects (in progress)
- Investment Scheme
- Enabling Framework for Community projects (in progress)
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.

- Fund to be set up and co-ordinated by developers. DCCAE will set some administrative requirements.

- Milestone to be demonstrated < 120 days after RESS offer (IA)

- Will include key elements of the DCCAE Code of Practice
  - Community Liaison Officer
  - Website with project information and CLO details
  - Establishment of Community Benefit Fund Committee
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 Projects

- Output threshold for community projects
- Community structures are subject to legal inputs
- Relaxation of eligibility criteria
- Declarations to be included in Implementation Agreement
Questions and Answers