

# Making RESS 1 a Success

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## Early RESS auctions are an opportunity to prove the value of renewables

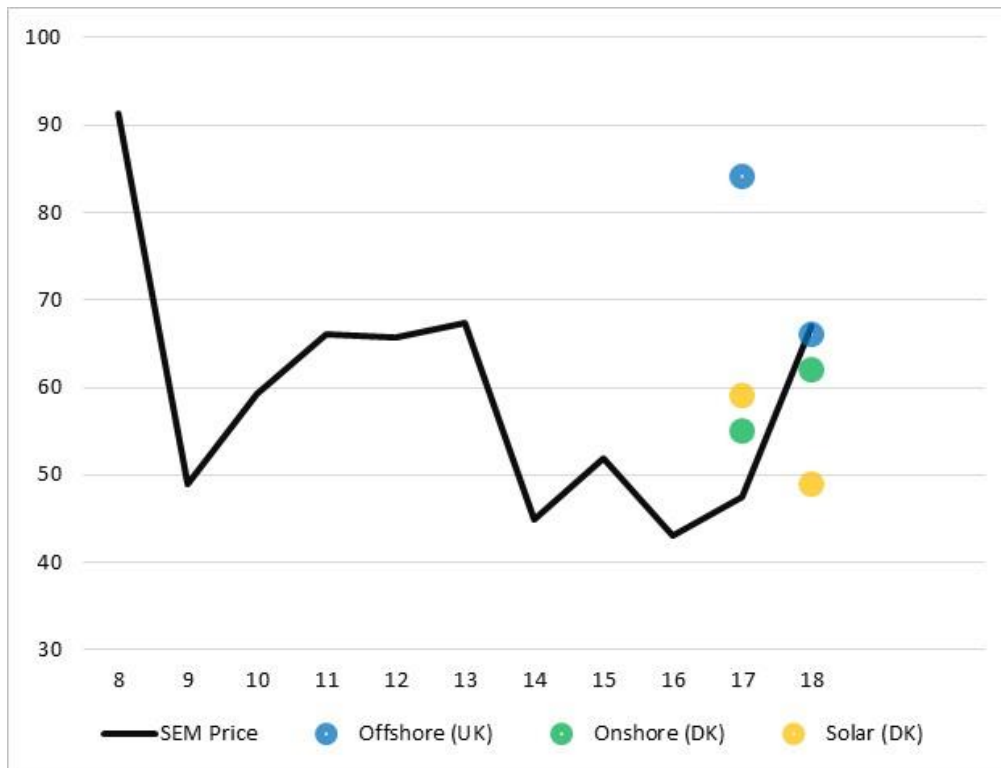
- A lot to be determined for the future of renewables:
  1. RESS schedule is indicative e.g. RESS 5
  2. Govt target of 55% or 70%?
  3. Roles of Flexibility, Electricity Storage, CCS and Renewable Gas?
  4. Decarbonisation of heat and transport?
- Government policy needs to identify the least-cost path to decarbonisation
  - Early 2020s are an important time

	Auction Capacity (GW/hrs)	Auction Year	Delivery Year (end of)
RESS 1	1,000	2019	2020
RESS 2	3,000	2020	2022
RESS 3	3,000	2021	2025
RESS 4	4,000	2023	2027
RESS 5 (possible)	2,500	2025	2030

- Important for early RESS auctions prove the value of renewables
  - Cheaper renewables will influence electricity policy for RESS and beyond
  - Cheaper renewables will result in a more successful industry

## Strong potential to contract renewables at or below the wholesale price of power

- Average I-SEM DAM price of €71/MWh
  - Onshore wind in Germany and France clearing at and below these levels
  - Solar and offshore prices for Ireland falling



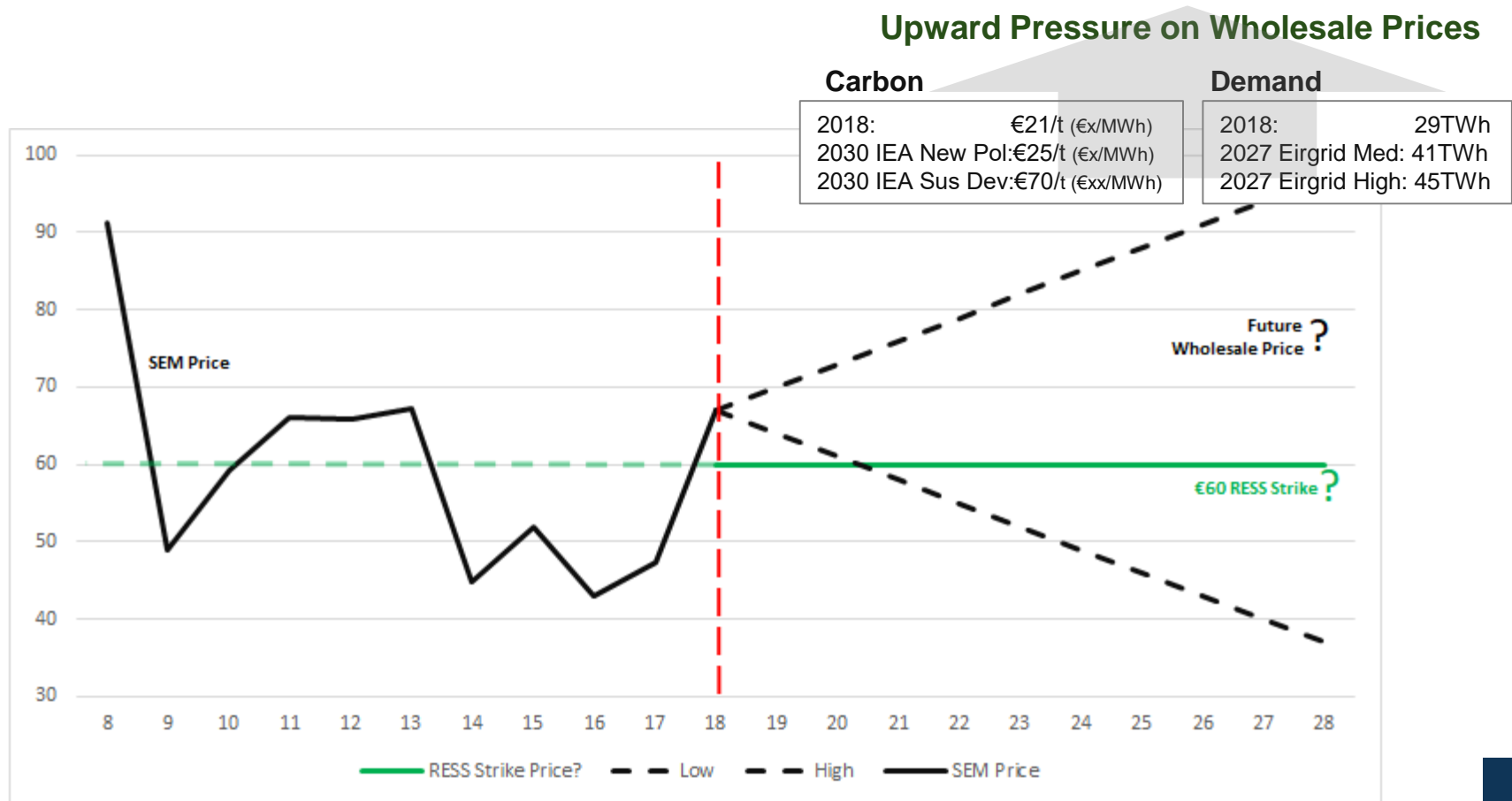
### Current Market Prices (€/MWh)

Source: SEMO, ESB Directed Contracts

Period	Winter 18/19
Avg Baseload	€71/MWh
Avg Wind Capture	€65/MWh

## RESS contracts can insulate against future price rises

- Upwards pressure on wholesale prices from Carbon and Irish Demand
- RESS contracts offer fixed prices
  - Insulating against future price rises



## IWEA & Poyry have developed a Position Paper for the RESS Design

- 8 Positions Identified as Important for RESS Detailed Design






- IWEA Positions supported by Poyry analysis

- Review of EU Schemes
- Lessons learned from EU auctions outturns
- LCOE analysis to inform positions

- Paper submitted to RESS Implementation Group in early January



5 positions in the IWEA Paper are important to drive value

<b>Price Certainty</b>	①	<ul style="list-style-type: none"> <li>• CPI</li> <li>• Stable Reference Price e.g. no price cannibalisation</li> </ul>		<b>Attract lower cost capital</b>
<b>Contract Duration</b>	②	<ul style="list-style-type: none"> <li>• Longer durations reduce merchant risk</li> </ul>		
<b>Risks</b>	③	<ul style="list-style-type: none"> <li>• Risks to be manageable</li> <li>• e.g. late grid delivery should not be a bidder risk</li> <li>• e.g. late delivery penalties to gradually erode value</li> </ul>		
<b>Revenue Stacking</b>	④	<ul style="list-style-type: none"> <li>• Should be allowed</li> <li>• CRM, DS3 &amp; GoOs</li> <li>• [CEP specifically allows revenue stacking]</li> </ul>		<b>Decrease reliance on RESS</b>
<b>Delivery Dates</b>	⑤	<ul style="list-style-type: none"> <li>• Encourage competition</li> <li>• Within technologies &amp; between technologies</li> </ul>		<b>Increased competition</b>



## Limiting cheaper technologies in RESS will increase costs

### ○ Viability Gap Analysis & Tech Specific Cap exclude or limit cheaper technologies

### ○ Does it make sense to exclude the cheapest technology?

- UK consumer paying for more expensive offshore in CfD R2 and CfD R3

### ○ The cPPA market is not yet mature

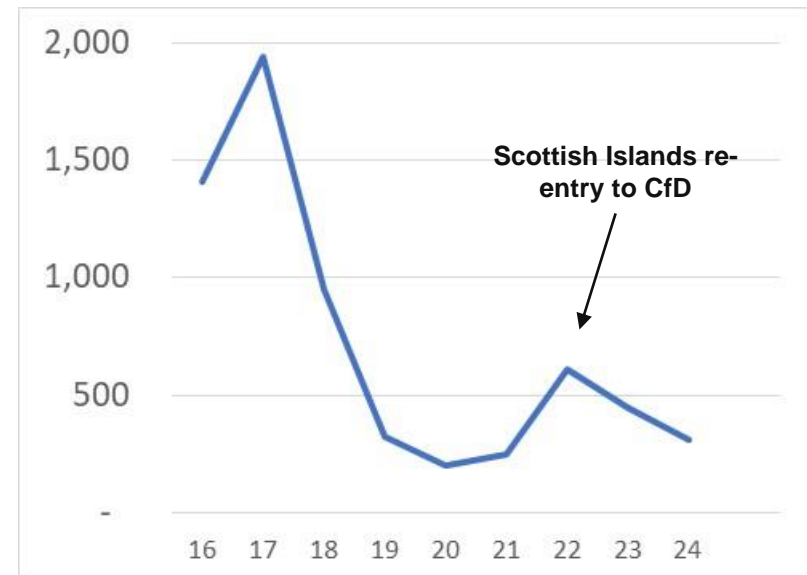
- Most cPPAs in EU are for existing plant
- New-builds CPPAs limited primarily to Nordics where generators layer state support & cPPA

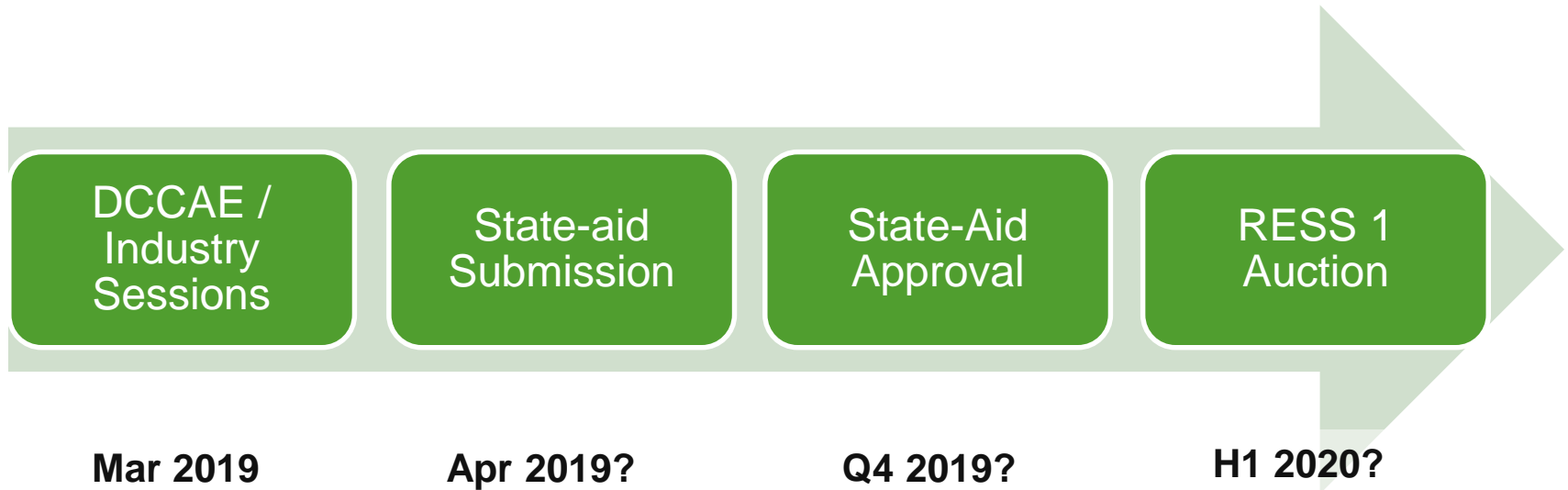
### ○ Ireland needs to be cautious about excluding the cheapest technologies

- Likely to increase overall RESS costs

**UK Onshore Market Turbine Procurement (MW)**

Source: MAKE (2018)





We understand industry sessions may be for information only

Will the RESS will be designed without industry consultation?



1. RESS offers a value opportunity for the Irish electricity consumer
2. IWEA Position Paper sets out 5 positions that are important for driving value
3. IWEA encourage the DCCAE to consider the IWEA Position Paper