



## Briefing for Oireachtas members on the Renewable Electricity Support Scheme auction

### What is the Renewable Electricity Support Scheme (RESS)?

The Renewable Electricity Support Scheme (RESS) is a key Government policy to deliver the Climate Action Plan.

It is an auction-based scheme which invites wind and solar energy projects to compete against each other to win contracts to provide electricity at a guaranteed price for up to 16.5 years.

The provisional results of the fourth onshore auction, RESS 4, will be published **9 September** and we are expecting an improvement on last year's auction though the volume of renewable energy winning contracts will still be significantly less than what is needed to reach the Climate Action Plan target.

### What is RESS 4?

This is the fourth onshore auction that will take place under the Renewable Electricity Support Scheme. It is open to onshore wind and solar energy projects. All projects must, as a condition of competing in the auction, already have full planning permission and a grid connection offer.

**A project which wins a contract under RESS 4 must be operational by 31 December 2029.**

- Under the first auction, RESS 1, which took place in Q3 2020, contracts were offered to 480 MW of wind projects and just under 800 MW of solar projects.
- Under the second auction, RESS 2, which took place in Q3 2022, contracts were offered to 414 MW of wind projects and just over 1,530 MW of solar.
- Under the third auction, RESS 3, which took place in Q3 2023, contracts were offered to 148 MW of wind energy and 498 MW of solar projects.

### When will the auction take place and how will it work?

The auction opened on **Thursday 22 August at 10am** and concluded on **Wednesday 28 August at 12 noon**. The provisional auction results will be published on **Monday 9 September**.

Between 22 August and 28 August participants in the auction confidentially submitted a **bid price** to EirGrid. This is the price, per megawatt-hour (MWh), at which they are seeking a contract to provide a specific volume of electricity.<sup>1</sup> The most expensive bid prices will lose out in the auction and will not be awarded a RESS contract.

### What results can we expect from the auction?

We expect that between 300 and 450 MW of onshore wind energy will compete in the auction and between 900 and 1,500 MW of solar energy.

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<sup>1</sup> A megawatt-hour is a unit of electricity demand or use. To put it in context an average Irish household will use approximately 4.5 MWh of electricity annually.

While this represents an increase in the volume of wind energy participating in the auction compared to RESS 3 it is approximately half what we would need to see winning contracts each year to reach our Climate Action Plan targets.

In previous auctions the Government has announced a **single average price** covering wind and solar projects. We predicted last year the average price for RESS 3 would be “approximately €100” and the final price was in line with expectation at €100.47.

At time of writing, it is not clear whether the Government will, again, announce a single average price covering wind and solar projects or whether it will publish separate prices for each technology.

**Assuming it is, again, a single price we are expecting a drop in the price for RESS 4 to somewhere between €90-95 per megawatt hour.**

To provide context, the average wholesale price of electricity in Ireland over May to July was around €110 per megawatt hour.

It is worth noting that while these auction prices are lower than the previous auction's price of €100.47 per megawatt hour (RESS 3), they are still higher than the current European average and the prices in the most recent British auction, the results of which were announced in September 2024. The onshore price for the British auction, allowing for 2012 pricing and conversion, came in at around £70 per megawatt hour, which is equivalent to approximately €83 per megawatt hour today. Some of the reasons for the higher prices in the Irish market are set out later in this briefing note.

## Are wind energy projects identifying other routes-to-market?

Yes, they are. As well as the RESS, another option for a wind energy project is to sign a Corporate Power Purchase Agreement, or CPPA, with a large energy user. These agreements provide the certainty that enables the funding for these projects to be raised and, as they are not part of the RESS, means that they are not entitled to support from consumers through the PSO levy.

Effectively, this means consumers get the benefit of the lower wholesale electricity prices provided by onshore wind farms but without needing to support them through the PSO levy.

As CPPAs are private contracts between an energy-user and a renewable energy project it is difficult to be certain how many wind energy projects are taking this route but we estimate over 150 MW of projects which could have competed in RESS 4 have chosen instead to seek to sign CPPAs instead.

## How does a RESS contract work?

A RESS contract guarantees that the bid price submitted in the auction is the **guaranteed minimum** price that a project will get for its power for the maximum 16.5-year duration of the contract. It is also, and this is a change from the system before the RESS, the **guaranteed maximum**.

It can most easily be explained by using a hypothetical example.

In the RESS auction Hollybank wind farm submits a **bid price of €90 per MWh** and is successful. It is awarded a RESS contract.

When the wind farm is built it will sell its electricity on the wholesale market like any other generator. If it receives a price for its power which is **under the bid price** in its contract, say €82, then it is entitled to a top-up, in this case of €8, to ensure it receives the amount set out in its contract. This top-up is paid for using the PSO levy.

However, if the wind farm **gets a higher price** on the wholesale market than the bid price in its contract, it must refund the difference to the electricity consumer. If, for example, Hollybank wind farm sold its power at €100 it would have to pay €10 back to the electricity consumer (€100 minus the bid price of €90) through the PSO fund.

As an example, between October 2022 and September 2023, RESS wind and solar farms repaid nearly €90 to every single Irish household which has helped consumers struggling with high energy prices.

### What went right in the RESS 4 auction?

- i. **Relief Events:** It was positive to see the introduction of Relief Events for both System Operator and Judicial Review delays. This new provision in RESS 4 provides a risk mitigation for delays due to the System Operator's inability to deliver required grid reinforcements or to grant electricity grid outages to complete connection works within the contracted RESS delivery period. Delays caused by Judicial Review proceedings initiated by a third party associated with the renewable project or the grid connection are also included as a potential Relief Event. Both measures were helpful in reducing auction prices by allowing some projects to participate which otherwise would not have, this allows for higher levels of competition in the auction and drives down price.
- ii. **Indexation:** Prices in the RESS 1 and RESS 2 auctions were not index-linked. Partial indexation of contracts was introduced in RESS 3, and although this fell short of what was offered to offshore projects in the O-RESS 1 auction, it was still helpful in preventing even higher prices in RESS 3. It was welcome to see that the provision was maintained for RESS 4.
- iii. **Extended Longstop Date:** RESS 4 Longstop date (the date auction winners must have completed their project by) is set at the end of 2029. This is approximately 18 months longer than in previous auctions, allowing for approximately 5 years from Letter of Offer to a successful project to the Longstop date. The certainty provided by a longer timeframe in which to deliver a project successful in RESS 4 was helpful to projects entering the auction, particularly due to supply chain challenges in the energy sector.
- iv. **Curtailement:** The Government introduced a new provision in RESS 3, Unrealised Available Energy Compensation, which eliminates the risk for the wind or solar farm of lost revenue because the projects are curtailed by the grid operators. This was a significant move in the right direction and, by eliminating this risk, enabled projects to bid lower than they might otherwise have done. Expanding this to include network constraints would, at a time of rising levels of dispatch down, be very helpful to reducing bids further in future.

## What should improve for future auctions?

*Areas that we encourage policymakers to consider when designing future auctions:*

- i. Duration of the contract:** The contract offered in RESS 4 is for a maximum of 16.5 years while the contract offered to offshore projects in ORESS 1 was for 20 years. A longer contract duration greatly reduces the risk borne by investors in a project and enables the developer to raise money at a much better rate. The decision not to offer 20-year contracts in RESS 4 forces projects to bid higher.
- ii. Apply full indexation:** The current provision should be expanded in future onshore RESS auctions to include 100% protection during the operational phase.
- iii. Constraints and Lack of Grid Capacity:** Unfortunately, the high grid constraints risk due to a lack of available grid network is not currently addressed within the Unrealised Available Energy Compensation provision noted above under 'Curtailment'. Many eligible wind farm projects did not enter the auction due to a lack of available grid capacity meaning they could not be confident their projects could connect before the end of 2029. Further projects did not participate because the constraint risks associated with their project meant they could not bid in below the price cap (point (iii)). In order to optimise development of renewable generation at lowest cost to the end consumer, this risk should be placed with the party best placed to manage it – namely the System Operator. Additional savings could be delivered if network constraint risks are adequately mitigated in the T&Cs for future RESS rounds.
- iv. Price cap:** The Government chose to set the price cap at €93.50 for wind energy (€110 for solar energy) meaning no wind energy project could compete in the auction unless they were prepared to bid under the cap. We understand that some projects immediately withdrew from the RESS process once the cap was announced, which reduced the volume of renewable energy available in the auction.

*Broader areas that we encourage the Government to consider to support future auctions:*

- v. Increased funding for our planning authorities:** It is important to understand that the auction does not exist in a vacuum, it is part of a process by which we develop and build renewable energy. Projects can only compete in the auction if first they get planning permission and then subsequently obtain a grid connection agreement. While the timelines for decisions by An Bord Pleanála has begun to fall, thanks to additional investment from the Government, the volume of projects coming through is far too low. The lack of projects entering the auction leads to lower levels of competition in the auctions which drives up prices and reduces the volume of renewable energy contracts which can be awarded at auction. There needs to be a continued massive, and sustained, increase in funding for An Bord Pleanála, the National Parks & Wildlife Service, local authority planning departments to put in place a working planning system for energy projects.
- vi. Implementing policies to accelerate renewable energy development:** As referenced in the draft Planning and Development Bill 2023, which is expected to be finalised soon, the Irish planning system should make decisions on planning applications for renewable energy projects in a manner that is consistent with our obligations under the Climate Acts. It should also ensure that national efforts to speed up the delivery of renewable energy projects are not impeded by county councils across Ireland amending County Development Plans to block the development of new wind farms.
- vii. Commercial rates:** In recent years the Valuation Office has increased the commercial rates liability for wind farms by between 250-300 per cent while leaving fossil fuel generators largely untouched. A 50 MW wind farm now pays two and a half times the

rates of a 50 MW fossil fuel generator. It is estimated that wind energy project bids are approximately €3-5 higher following this dramatic increase in rates.

## Recommendations

Over the three previous onshore RESS auctions we have seen the quantity of wind energy which has been awarded contracts fall in each auction while the price achieved at auction has risen. The RESS4 auction should be an improvement on RESS3 in terms of the volume of wind energy which receives contracts and the overall average auction price; however, steps, as outlined in the previous section, should be taken to maintain this improvement year-on-year so that we can deliver a more successful RESS5 auction in 2025.

## Where can I get final results?

The provisional results will be published on the EirGrid website on **9 September**. Participants in the auction have a period of time to indicate any difficulty with the results before the final results are formally confirmed on 25 September.

**ENDS**