



Briefing for Oireachtas members on the Renewable Electricity Support Scheme auction

Introduction

After every previous RESS auction Wind Energy Ireland produced a short briefing paper, in advance of the results of the auction, to help inform members of the Joint Oireachtas Committee on Climate, Environment and Energy.

The paper explains how the auction operates, anticipates the likely outcome and makes proposals for how future auctions could be improved to deliver better prices for consumers.

We hope you find it useful and we would be happy to discuss this in more detail at any time.

What is the Renewable Electricity Support Scheme (RESS)?

The Renewable Electricity Support Scheme (RESS) is a key Government policy to deliver clean, affordable, electricity for Irish families and businesses.

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 fifth onshore auction, RESS 5, will be published **on Wednesday 24 September**.

What is RESS 5?

This is the fifth 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 5 must be operational by 31 December 2030.

This makes it a critical auction in the context of our 2030 targets.

The results of previous auctions are summarised below. Please note that not every project which won a contract has been built and that some projects won a contract under the RESS and later chose to build under a Corporate Power Purchase Agreement (see below).

For the first three auctions a single average price for wind and solar projects combined was provided. In RESS 4 an overall average price was again provided along with separate average prices for each technology.

Auction	Date	Wind contracts	Solar contracts	Average price per MWh
RESS 1	Q3 2020	480 MW	796 MW	€74.08
RESS 2	Q3 2022	414 MW	1,534 MW	€97.87
RESS 3	Q3 2023	148 MW	498 MW	€100.47
RESS 4	Q3 2024	374 MW	960 MW	All projects: €96.85 Solar: €104.76 Wind: €90.47
Total to date		1,416 MW	3,788 MW	

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

The auction opened on **Wednesday 3 September at 10am** and concluded on **Tuesday 9 September at 12 noon**. The provisional auction results will be published on **Wednesday 24 September**.

Between 3 September and 9 September 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.¹ 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 350 and 450 MW of onshore wind energy will compete in the auction and we expect most of this will be successful.

In previous auctions the Government announced a **single average price** covering wind and solar projects until RESS 4 when an overall average price was provided as well as separate prices for wind and solar. It is not clear whether the Government will, again, announce separate prices.

We predicted last year the average price for RESS 4 would be “between €90 and €95” and the final price was slightly higher at €96.85.

Assuming it is a single average auction price we expect a price of between €95-102 per megawatt hour.

We would expect, if published, the average price for wind energy projects to come under the overall auction average price.

To provide context, the average monthly wholesale price of electricity in Ireland has ranged from a high of €167.51 in January to a low of €95.21 in June.

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 price**.

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

¹ 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.

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.

Over the last four decisions on the PSO levy the CRU has anticipated a pay back to the electricity consumer from RESS wind and solar projects of €433 million.

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, usually with a single large energy user or a group of SME businesses.

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.

Were there improvements in the auction design for RESS 5?

Over the lifetime of the scheme to date, the Department of Climate, Environment and Energy has introduced several positive and innovative changes to improve the auction.

These include longer longstop dates; partial indexation of bid price; reducing curtailment risks; allowances for delays from judicial reviews and others.

The main change introduced in this auction was a highly technical one that enables better competition between wind and solar projects.

In previous auctions solar projects had their bids adjusted using something called the **Evaluation Correction Factor** to make them more competitive. This was done to support what was, in the Irish context, a relatively new technology when competing against wind energy, which was more established.

As solar has matured in Ireland the need for this adjustment has changed and, while solar farms still get an advantage in the auction over wind projects, it is significantly reduced. This helps to level the playing field between wind and solar.

How could we get better prices in future RESS auctions?

Wind Energy Ireland has long advocated for two key changes to the RESS auction design which we believe would deliver renewable electricity at a better price for consumers.

Duration of contract

Onshore RESS contracts are awarded for a maximum of 16.5 years while offshore contracts are 20 years in duration.

A longer contract duration greatly reduces the risk borne by investors in a project. It makes the project more attractive to investors and enables the developer to raise capital at a significantly better rate.

The decision not to offer 20-year contract in RESS 5 forces projects to bid higher to cover the additional risk.

[Research produced by Cornwall Insights in 2022](#) confirmed that extending the contract-duration to 20 years is the single most effective policy choice to improve prices in RESS

auctions. The research found that it could reduce cost to the consumer of building onshore wind energy by as much as 13 per cent.

Indexation

Initial RESS auctions included no indexation of bid prices. Partial indexation was introduced in RESS 3 and in RESS 5 30 per cent of the price is indexed annually to the Harmonised Index of Consumer Prices.

While the introduction of partial indexation is welcome, it does not go far enough

Index-linking auctions means lower prices, greater transparency for consumers and increased deliverability of RESS projects due to protection against rapidly increasing supply chain costs.

The REFIT scheme – in place before the RESS – was successful in attracting low-cost international institutional investment. Indexation of the REFIT price was a factor in this because it provided an inflation hedge, which is very much sought after by institutional equity investors and particularly pension funds.

It is worth considering the recently published EU Commission’s [European Wind Power Action Plan](#) stressed the importance of indexation to “help industry to better cope with cost increases due to inflation”.

Last week the Department of the Economy in the North published the final design of its own renewable electricity support scheme and this included full indexation.

A study commissioned by the Department for the Economy to inform the design of the scheme, [published in March 2024 by Aurora](#), recommended full indexation in the auction. This echoed [previous analysis by Cornwall Insights](#) which identified 100 per cent indexation of bid price as one of the “key factors” to de-risk investment.

Where can I get final results?

The provisional results will be published on the EirGrid website on **24 September**. Participants in the auction then have a period of time to indicate any difficulty with the results before the final results are formally confirmed on **15 October**.

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