



RESS Update

Beauchamps

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RESS UPDATE

The Department of Communications, Climate Action and Environment (**DCCA**E) at an industry briefing event on 13 September 2019 provided further information on how the Renewable Energy Support Scheme (**RESS**) will operate and the timelines for its implementation.

The RESS 1 Auction is planned to take place within the timelines set out in the Climate Action Plan, this will include:

- Pre-qualification for the Auction in December 2019
- State Aid approval is expected in February 2020
- Auction pre-qualification to close in March 2020
- Final volume determination in April/May 2020
- RESS 1 auction in June 2020

The RESS Detailed Design is expected to be published in December 2019. The Detailed Design will clarify how the auction quantity for RESS 1 will be determined and set out the detailed terms and conditions. The quantity is likely 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. The final figure will also depend on the quantities in the bids and the pipeline of viable projects.

Eligibility Criteria

The DCCA E has indicated the following eligibility criteria must be met for a project to participate in an Auction:

- it must either be a new or repowered renewable project
- full planning permission is required
- the bidder must specify the project site and show that it controls it so that it can develop and operate the project
- it must be a grid contracted project, or be listed as an ECP-1 project by EirGrid or ESB Networks and be eligible to receive a connection offer of sufficient capacity for its RESS 1 bid. Projects that did not accept an ECP-1 offer within the relevant period for acceptance are not eligible
- standard Director certifications must be provided regarding corporate structure, financial capability and information as to the "Independence" of the bidder. However, it is not anticipated that large developers will be prevented from making several bids for different projects
- an offer to allow for community participation in the project must be evidenced

Participation in the support scheme can be for up to 15 years. Successful projects will be provided with an Implementation Agreement that states the project is entitled to receive a RESS letter of offer. This will enable the project to enter a PPA with a PSO eligible electricity supplier. It is anticipated that supplier-lite structures can still be used in RESS in the same manner they were used in REFIT. The Implementation Agreement will set out timeframes by which various project milestones must be achieved. The DCCA E will be entitled to rescind the offer if the milestones are not met and in that situation the DCCA E would also be able to call in the developer's bid bond for the project.

Pay as Bid

A significant change highlighted in the update is that the first RESS auction will be "Pay as Bid", rather than "Pay as Clear". Successful offers will be eligible for support based on the strike price specified in their offer. There will be no clearing price applied to offers in the first auction. The stated reason for this approach is to discourage speculative bids.

The financial structure of RESS will comprise a 2-way contract for difference financed by the Public Service Obligation (**PSO**) levy through a Floating Feed in Premium. Payments to, or from, the generator will be the difference between the accepted offer price ("strike price") and the market reference price, multiplied by the metered output of the project. Developers will need to be particularly careful as to how they price their bids for RESS 1, as they will not have the buffer of a clearing price if they effectively underbid in order to be successful.

Delivery Deadline

Unlike REFIT, RESS 1 will not have hard project delivery deadlines in order to retain RESS support. Instead it appears that there will be a reducing level of support over time if the intended project delivery timeline is not met. This is

a particularly welcome change as it eliminates the "cliff edge" that existed under REFIT whereby a project lost all support if it was not connected by the relevant REFIT deadline.

Community Benefit Fund

The position remains that €2/MWh is to be allocated to a mandatory Community Benefit Fund which will fund local projects with priority given to those within 10km.

Developers will need to set up the fund within 120 days of the Implementation Agreement being entered into and will have to comply with DCCAE code of practice requirements, including having a community liaison officer and a website with project information. This clearly imposes more onerous obligations on developers than was the case under REFIT. Developers would be advised to work out the time and cost implications involved so that they can factor this into their auction bids.

Community Investment Scheme

A Community Investment Scheme is still a requirement in order to bid in an auction. However, the DCCAE appears to have conceded that the investment need not necessarily be an equity investment i.e. allowing members of the community to subscribe for shares in the project company. This will be a relief to both developers and funders alike. The precise details of the community investment model are still being ironed out. However, we understand that the DCCAE are looking at a debt investment model whereby eligible members of the public will be able to invest in the project in return for a guaranteed coupon.

Continuation from RESS High Level Design

The DCCAE update is welcome as greater clarity was needed on several matters following the release of the [RESS High Level Design in July 2018](#)

Many of the key items in the High Level Design have not changed. So the position remains that the auctions will be technology neutral, bid bonds are required and the winners of offers will be selected in ascending price order. However, greater clarity has been given on the timelines (including progress on the State Aid approval), eligibility criteria and auction structure (Pay-as-Bid).

It is important to note however, that the recent DCCAE industry briefing relates exclusively to the first auction (RESS 1) and that the DCCAE is reserving the right to change its structure and approach for later auctions, particularly the proposed offshore wind auction. We will provide a further client briefing note once the RESS Detailed Design is published (expected December 2019).

For more information, please contact [Ainsley Heffernan](#) Head of Energy & Natural Resources or [David Gunn](#) Partner in Energy & Natural Resources.