



ICMSA Submission to the Public Consultation on The Design Options of a Proposed New Renewable Electricity Support Scheme

November 2017

Introduction:

ICMSA agree that the primary objective of the new RESS is to incentivise the delivery of sufficient renewable electricity generation to deliver national targets for renewable electricity. While the document has placed the emphasis on the need for the new scheme to deliver value for money for the customer, given that any incentive must be financed by the public service obligation levy (PSO) it is essential that the level of incentive is the lowest required at any particular time as already energy costs in Ireland are above the EU average. It should be the objective to achieve the desirable level of renewable electricity at a PSO rate below the EU average. This can be justified given our relatively high quality wind energy for electricity generation in particular.

Technological improvements are leading to significant reductions in the cost of alternative technologies for electricity generation and thus, the fixing of the correct level of incentive must be the cornerstone of the scheme. To some extent, Ireland is coming late in redesigning a more appropriate RESS but it has the advantage of learning from other EU Member States. Given that the cost of technology varies little between Member States, any additional costs in Ireland, if any, arise in the main from the public policies including the cost and long-drawn-out process of obtaining planning permission and grid connections. While this latter issue is beyond the scope of the Consultation Document under review, it has to be addressed in the context of promoting renewable energies.

The key role of the Commission of Energy Regulation (CER) seems to have been omitted or downplayed in the report. Clearly the CER should have a significant input, if not the final arbiter, of the level of subsidy to be provided.

Regarding the PSO levy and the real purpose of the levy imposed on all consumers, there is some case to be made for the levy been renamed as a

renewable electricity levy rather than the current oblique name of “public service obligation”.

Below are ICMSA responses to the specific questions outlined in the consultation paper.

RESS detailed design:

1a. The emerging policy includes a measure whereby all capacity available under the new RESS (with the exception of small scale developments) should be allocated through a competitive bidding process via auctions. Do respondents agree with the competitive auction based approach? If not, what alternative model would you propose and why?

ICMSA agree that the RESS should be allocated through a competitive bidding process via auctions. We would recommend however that the auctions be designed in such a way that renewable energy projects are distributed evenly throughout the country and not clustered within certain regions.

1b. Do respondents agree with the use of Uniform-Price cost of support for RES-E projects in the main RESS capacity auctions, as a mechanism to keep costs to the consumer to a minimum?

ICMSA agree that the uniform price cost of support for RSE-E is the best approach.

2. The analysis suggest that a floating feed in premium (FIP) is the primary financial support mechanism for the main RESS, as evidence indicates this is the most cost effective approach. Do you agree with this proposal versus the other mechanisms identified?

ICMSA favour the FIP approach for the reasons set out in the consultation document.

3. What are respondents views on a proposed price cap (maximum €/MWh) within the uniform price proposal? What alternative approach would you propose and why?

ICMSA support a price cap. However, a cap was not discussed within the paper so the level at which the cap is set at would need to be appropriate.

4a. Do you agree with this approach? What alternatives would you propose to this approach and why?

ICMSA support Principal Category technology neutral auctions. Yet within these auctions, successful projects should be distributed evenly throughout the country to avoid the development of hubs and to encourage employment in rural areas.

4b. Would you support separate technology specific auctions for emerging technologies, at a greater cost to the PSO, and if so what percentage of the overall scheme capacity (MWh) would you allocate to this category?

ICMSA support the concept of technology specific auctions. In addition, we need to be mindful of what other countries have achieved regarding the development of nascent technologies and build on their experience.

5. Separate to the Principal Category RESS, a dedicated Community Category volume of renewable capacity (MWh) allocated for community-led renewable projects is envisaged in the preferred approach. The initial

proposal is that between 10-20% of the total capacity (of new MWhs) of each auction is ring-fenced for community-led projects. Do you agree with this proposal? What changes would you propose to this proposal including reference to the viable level of ambition for community-led projects?

ICMSA support the development of community projects and would support the ring fencing of between 10-20% of total capacity for community led projects.

6. Do you agree with the proposal to further develop opportunities for micro-generation, outside of the main RESS? Respondents are asked for their views on how best to support micro-generation.

Micro-generation projects will become an increasing feature on Irish farms as technologies become better developed and costs fall. It is essential that farmers are adequately supported. While these projects may not produce energy for the grid, the scheme should support farmers to become self sufficient energy producers by adopting renewable energy technologies.

7. Do you agree with capping the amount of support received by each RES-E project that clears in a RES-E auction? What changes would you make to the proposal to set this cap by the level of support (€/MWh) determined in the auction and the cleared volume of the project (MWh).

ICMSA agrees that the volume of funding a project receives should be capped.

8. Do respondents agree with the proposal to hold periodic auctions e.g. every two years, over the course of the lifetime of the scheme, to take advantage to falling costs and reduce the impact on the electricity consumer? What changes if any would you make to this proposal?

ICMSA agree with this proposal.

9. Do you agree that planning approval, grid connection, bid bonds/penalties and community participation criteria should be met before projects can apply for support under the new RESS? What other pre-qualification criteria would you like to see introduced?

While theoretically these requirements seem reasonable, ICMSA does not agree that they should be met before projects can apply. Given the expense and complexity of achieving planning permission relative to other EU member states, it would be unfair to expect developers to foot this cost prior to knowing the outcome of the auction. Perhaps some form of bonding obligation rather than having actual planning approval may be a suitable alternative.

10. DCCAE welcome the respondents' views on the PSO levy supporting a baseline 40% RES-E. Do you think the PSO should support higher levels of ambition?

If we are to support a baseline 40% RES-E, it is inevitable that the PSO levy will increase. An alternative to this would be to question the funding received by established projects that may no longer need the funding in particular on shore wind projects. The PSO levy in Ireland should not be greater than the average of such levies in other Member States and the target should be that the rate of PSO in Ireland is in the bottom third of such rates in the EU.

11. Do respondents agree with this approach? What are respondents' views on an alternative approach whereby renewable energy CHP plants receive support from the RESS or the proposed RHI but not both, and that the project

promoter should decide which support scheme best suits the proposed development.

ICMSA agree that CHP plants may receive funding either from the RESS or the RHI and that the project promoter should have the choice of either scheme.

Community Policy Detailed Design:

12a. What should the minimum size of project be, below which a community investment offer does not need to be made (e.g. 100kW, 500kW, 1MW)?

ICMSA believe that the minimum size should not be less than 2 MW, bearing in mind that the current average size of a new single on-land wind turbine is 3MW.

12b. What minimum share should be offered to the community for investment (e.g. 20%) and should there be a maximum amount any one individual can purchase?

The minimum should be in the region of 20%, and it would be ideal that the minimum number of individuals investing should not be less than four, otherwise it is hard to see any real community involvement. Provision should be made for Co-operative involvement.

12c. What is the appropriate distance from the project for the initial offer (e.g. 5km)? Views are welcome on subsequent offers to DED then neighbouring DEDs etc.

The distance limit for community inclusion will vary depending on the type of project it is and the location it is in. In some cases, there may be no person

living within a radius of 2 or 3 km from a particular project. In our view, the distance should be at least 10 km. The use of DEDs is of little use in this regard.

12d. What are respondents' views on whether additional financial supports are necessary in order to enable mandatory investment opportunities for citizens and communities?

ICMSA supports the provision of additional financial supports for community based projects.

13a. Do you agree with the emerging proposal that a Floating FIP is made available for smaller community projects?

ICMSA agree that this is the most suitable way to support community projects.

13b. What should the minimum size project be below which the FIP will not be available?

ICMSA suggest a limit of 100Kw.

14a. Do you agree with the emerging proposal to support community-led projects with grants and soft loans through various stages of a projects development?

ICMSA agree that development grants should be made available for the initial high-risk stages of the project.

14b. What size of loans for development and construction would you consider to be appropriate to support? Any other comments on the proposed use of grants and soft loans?

Rather than an absolute value, given that the cost to development various community projects will differ, the size of loans should be proportionate to the total estimated cost. The ICMSA suggest the limit be set at 40%.

15. In respect of Grid Access, DCCAE and SEAI are keen to receive feedback on the policy proposal to facilitate grid access for community-led renewable electricity projects.

The issue of grid access is a major block to the rational and widespread adoption of renewable electricity generation. ICMSA agree that there is a clear case that it is in the public interest that such infrastructure should be put in place and in addition it would facilitate greater use of uptake of micro-generation with the opportunity of feed-in to the national grid. Delays in obtaining grid connection is a major stumbling block that must be addressed with specific timeframes set down.

16. DCCAE and SEAI welcome feedback on the role of the proposed Trusted Intermediary.

ICMSA would have major reservations regarding the role of the proposed Trusted Intermediary. As it stands, it would seem that this person would have major power and control over the way community projects are established particularly developer-led projects. Would there be an appeal from the decision of a trusted intermediary? In our view, this role is best fulfilled by the CER.

17. DCCAE and SEAI welcome feedback on the proposed Framework for Trusted Advisors.

The issue of a Trusted Advisor arises for the first time in this question. There are at present many firms and individuals who provide detailed advice and professional input or technical and financial and regulatory matters for alternative energy projects. There seems to be no reason why separate dedicated framework of trusted advisers should be established. At the most, there should be a list of individuals or firms who provide a service and whose professional input may be covered in part by grant aid at the initial stages.

18a. Do you agree with the proposal that community benefit payment be based on best practice principles?

ICMSA agrees that payment should be based on best practice principles.

18b. Do you agree with the proposed €2/MWh level of community benefit? Do you have any other comments on the proposed community benefit good practice principles?

ICMSA agree with this level of community benefit.

19. What are your views on the definition of ‘community renewable electricity projects’, ‘community-led community projects’ and ‘developer-led community projects’?

ICMSA agree with the definition used in the consultation document. However, there is no mention of possible cooperative involvement either as the

community element of a developer-led project or indeed the promoter and operator of a community project itself. This should be addressed.

20. What are your views on proposing additional financial measures to enable citizens to invest in projects (e.g. tax incentives, green bonds etc.).

If additional financial measures are made available to individuals to invest in community projects, then the level of support given under the RESS could be reduced.