

ENERGY, INFRASTRUCTURE &  
NATURAL RESOURCES

## Offshore Wind - ORESS and Grid Connection Consultations Open

On 11 October 2021 the Department of the Environment, Climate and Communications (DECC) and the Commission for Regulation of Utilities (CRU) simultaneously published two important (and interrelated) consultations, namely:

- » consultation on the draft terms and conditions for the first Offshore Renewable Electricity Support Scheme (ORESS) (the ORESS Consultation), and
- » proposed decision on offshore grid connection assessment for Phase 1 Projects (CRU/21/112) (the Grid Consultation)

6 MIN READ



These consultations come at a critical phase in the Irish offshore wind sector and are an important step in driving Ireland's ambition to deliver 5GW of offshore wind projects by 2030. They are of particular relevance to the Phase 1 Projects, the successful delivery of which is critical in delivering on these ambitious targets. Notably, both DECC and the CRU have stressed that these consultations relate only to ORESS 1 and should not be taken as a basis for future policy/ORESS auctions.

Here we provide a high-level summary of the key features of both consultations.

Submissions to the ORESS Consultation must be made by **6 December 2021**. Submissions to the Grid Consultation must be made by **22 November 2021**.

## ORESS – Key consultation topics

### Eligibility

DECC has sought industry views on its proposed approach to eligibility criteria for ORESS 1.

***Planning permission: Planning permission will not be an eligibility criterion to ORESS 1***

This is due to the nascent stage of the Irish offshore wind sector, and given that the enabling legislation to facilitate offshore development consents, the Maritime Area Planning Bill (**MAP Bill**), is not yet enacted. DECC recognises that there are risks and challenges (both to developers and the State) with this approach however the perceived benefit is that Phase 1 Projects will be able to progress through the development consent and auction processes in parallel. DECC has stated that the alternative (i.e. delaying ORESS 1 until a cohort of projects come through the development consent process) is not desirable.

***State consent: MAC or Foreshore Lease will be an auction pre-requisite***

A Maritime Area Consent (**MAC**) awarded under the MAP Bill, or a Foreshore Lease, awarded under the Foreshore Act 1933 will satisfy this criterion. The process for obtaining a MAC will be established via the MAP Bill as enacted, and the intention is to host ORESS 1 only after sufficient time has been provided for early-stage offshore wind projects to obtain a MAC and compile an auction offer.

***Grid connection: Grid connection assessment will be an auction pre-requisite***

As discussed in more detail below, projects entering ORESS 1 will need to have reached a certain point in the offshore grid connection process, referred to as a 'Grid Connection Assessment' (**GCA**) (not a grid connection agreement). From an auction bidding perspective the GCA should allow developers to know their MEC, connection method and costs of constructing transmission assets.



### Indexation

Those familiar with onshore RESS schemes will know that support under the RESS 1 scheme is not indexed. DECC has acknowledged that there may be a case for indexation in the offshore wind sector.

To inform the consultation DECC has commissioned (and co-published with the ORESS Consultation) a study by KPMG on the application of indexation to ORESS 1 support. DECC has invited participants to submit information on a range of inputs to support the argument for indexation (or partial indexation) for ORESS 1 support and the nature of the indices, if introduced. DECC has stressed that its focus on indexation is to reduce the cost of capital for the ultimate benefit of the consumer.

### Auction mechanisms

- DECC has invited views on a number of specific auction mechanisms.
- DECC proposes to retain the pay-as-bid mechanism that is a feature of RESS 1 however DECC has requested feedback on specific questions if DECC was to consider a pay-as-clear approach for ORESS 1.
- DECC also invites feedback on the removal of a number of auction mechanisms (namely the 5% rule and X and Y rule) which were a feature of RESS 1 but may not be appropriate for ORESS 1, given its characteristics.

### Bid bonds and performance securities

DECC has proposed (in line with proposals for RESS 2):

- **Bid bond:** €7/MWh of deemed energy quantity
- **Performance security:** €24/MWh of deemed energy quantity

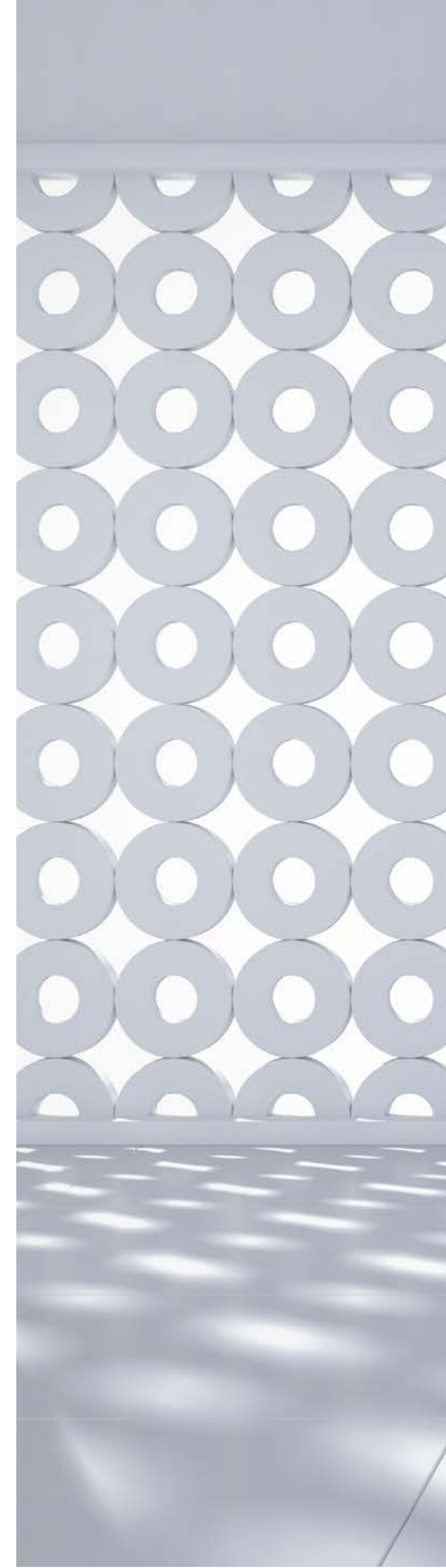
### Project milestones

Interim and final milestones are proposed to encourage timely deployment and to safeguard against capacity hoarding. Proposed milestones include:

- Planning permission under MAP (interim and final milestone)
- Construction commencement (interim and final milestone)
- Commercial Operation Date (**COD**) (interim and final milestone)

Whilst the dates cited in the ORESS Consultation are indicative, DECC is proposing a period of 18 months and 21 months respectively between award of MAC and the planning permission interim and final milestone dates (essentially allowing an 18 – 21 month period to receive a development consent under MAP).

DECC is also proposing a three year construction window between construction commencement and COD with a longstop date in June 2028 for ORESS 1 Projects to reach COD.



As with RESS 1, missed interim milestones are subject to a phased drawdown under performance security and missed final milestones may result in full drawdown of performance security and a withdrawal of ORESS 1 support. In addition, missed COD interim milestone results in an erosion of the ORESS 1 support period.

#### Community benefit funds

- Proposed community benefit contribution of €2/MWh of energy produced
- Community benefit contribution will be required prior to operations date. However, this can be offset during the operational life of the project (with measures to ensure a smooth level of offsetting)
- DECC proposes a nationally managed offshore community benefit fund to recognise the specific challenges of managing community benefit contributions for offshore projects, the significant scale of funding requirements for offshore projects and the potential for State Aid issues to arise.

#### Local operation and maintenance

- DECC proposes that operation and maintenance services for each project successful at ORESS 1 are required to be headquartered in either Ireland or Northern Ireland. This is in order to capture the maximum economic benefit of offshore wind to local communities, to deliver long-term, high-value employment in these areas, and to ensure a level playing field between projects.

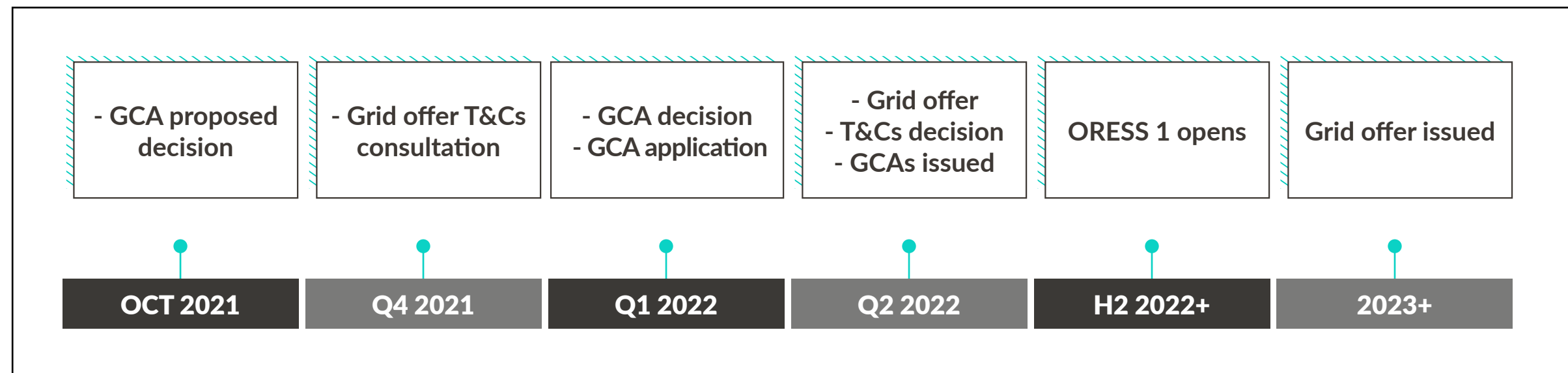
#### The Grid Consultation - Key Features of proposed decision

The proposed decision focuses on connection policy for Phase 1 Projects only. This follows a direction from the CRU to EirGrid in 2020 where the CRU directed EirGrid to accept applications from certain offshore wind projects (now referred to as 'Phase 1 Projects'). A separate grid connection policy will need to be introduced for later offshore wind projects.

The CRU proposes that EirGrid will issue a GCA to each eligible Phase 1 applicant. This GCA will detail the method and cost of connecting a Phase 1 project to the transmission system at its onshore connection point. The purpose of issuing a GCA is to fulfil the requirement for applicants to have grid connection information to enable them to participate in ORESS 1 (see above). Then, under certain conditions proposed in the CRU Consultation, Phase 1 projects can qualify for a full grid connection offer (connection agreement and quotation letter) to be issued by EirGrid.

### Connection offer timeline

The proposed decision sets out the following connection offer timeline:



The CRU will decide on the criteria for the Phase 1 GCA in early Q1 2022. Within two weeks of that Decision, EirGrid will open the GCA application window for offshore Phase 1 projects for a period of four weeks. If a Phase 1 project does not submit an application at this stage, it will no longer be considered a Phase 1 project for the purposes of grid connection application processing.

Once the application window closes, the TSO shall issue the GCA to the applicant within 90 days (subject to a 30 day extension in the case of competitive connection point locations which need to be resolved).



### Conditionality and validity period

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**MAC:** Applicants for a GCA must be eligible to apply for or hold a MAC. If a MAC is declined after final MAC application or if a MAC is granted but subsequently terminated, the GCA (or eligibility for a GCA) will also terminate.

### Route to market:

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- Applicants for a GCA must be eligible to apply for (and subsequently take part in) ORESS 1 or confirm that the project has entered into a Corporate Power Purchase Agreement (**CPPA**) in advance of ORESS 1. If a project elects not to participate in ORESS 1, the GCA (or eligibility for a GCA) will terminate. However, projects that participate in ORESS 1 but are unsuccessful will be entitled to retain eligibility for the period outlined below.

- Helpfully the CRU is proposing that the validity period of GCAs should not be driven exclusively by the outcome of the ORESS 1 auction (i.e. projects should have the ability to secure a different route to market e.g. through a CPPA). However to avoid capacity hoarding (and to avoid delays in processing Phase 2 projects) the CRU is proposing to impose a time limit on the validity of GCAs to the earlier of (i) two years from issuance or (ii) three months before eligible Phase 2 Projects are due to submit grid connection applications.

### Connection offer

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Phase 1 Projects holding a GCA will qualify for a full grid connection offer through confirmation of either (a) ORESS 1 success and acceptance; or (b) the project having entered into a CPPA (or multiple CPPAs) to develop the MEC applied for (there is flexibility for a grid connection offer to be issued for a lower MEC if the CPPA(s) is concluded for a MEC of less than that in the GCA).

### Connection point allocation

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A number of Phase 1 Projects are likely to have connection points in Dublin. In this context the CRU has made proposals for resolving issues arising as a result of competing connection locations.

### Terms and conditions

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The legal terms and conditions of offshore grid connection offers will be subject to a separate consultation scheduled for later in 2021.



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## Resources



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