

18th September 2015

Errol Close
Decarbonisation Division
Department of Communications, Energy and Natural Resources
Adelaide Road
Dublin 2

Renewable Electricity Support Scheme – Technology Review Consultation

Dear Errol,

On behalf of Ibec and its members, I wish to thank DCENR for the opportunity to comment on the proposed framework for an enduring Renewable Electricity Support Scheme. This submission should be read in conjunction with our response to the accompanying RHI scheme consultation.

As with the RHI framework, the policy context for renewable electricity support appears to have been thought through in adequate detail, with the key issues being correctly highlighted. In contrast to the proposed RHI scheme, however, the funding to support renewable electricity is taken directly from energy consumers rather than from the Exchequer. Many of our members are large electricity users who are concerned about the ever-increasing percentage share of the annual PSO Levy costs being borne by industry.

It will be a challenge to ensure a cost-effective allocation of funds to technologies with differing levelised costs, particularly if done through competitive bidding. It is imperative that any support schemes funded by PSO should secure good value for money both for the State and for energy users.

Certain large-scale renewable technologies, most notably offshore wind, are still relatively costly per MWh of electricity generated. Microgeneration, including wind and solar PV, is also quite expensive compared to the deployment costs of onshore wind and biomass combustion. Such technologies may merit higher levels of support for reasons of industrial policy or social policy. However, there probably needs to be more emphasis on supporting RD&D and demonstration projects prior to supporting commercial scale deployment. This is particularly relevant to technologies such as wave and tidal energy, which offer the long-term prospect of harnessing our huge marine energy resource. In any case, the PSO contribution for more expensive technologies ought to be supplemented with Exchequer funding. Imposing all of the associated policy costs on energy users would risk damaging Ireland's industrial competitiveness.

A number of Ibec members involved in electricity generation or supply will be eligible for one or more support schemes resulting from this new framework. It will be important to ensure that their investment projects are bankable despite continuing uncertainty over aspects of the I-SEM design. Receiving a simple premium over the proposed Day-Ahead wholesale market price would not achieve this. It would be worthwhile for DCENR to examine the experience of other EU member states regarding other options for renewable support within the constraints of state aid guidelines.

Moreover, the proposed balancing obligation for wind generation may discourage some operators from fully committing their generation capacity into Day-Ahead market. They may opt instead to trade substantial volumes through a Within-Day market. If the published Day-Ahead market price becomes the exclusive reference for future RES supports, they would face a substantial increase in commercial risk.

The renewable electricity support schemes will also need to be more flexible than hitherto in accommodating unforeseen changes in operating cost that are beyond the operators' control. For example, some wind farm owners are facing the prospect of sharp increases in local authority rates. These additional costs cannot readily be recouped through the present wholesale market mechanism.

Finally, the consultation appears to suggest that generation of renewable electricity for consumption on site would not justify the same level of support as that for electricity being produced for export to grid. In our view, the evidence does not support this, either in the case of biomass CHP or conventional gas-fired CHP. We do appreciate that conventional CHP falls outside the scope of this consultation but would encourage DCENR to develop a parallel scheme to promote it.

I hope that these comments are helpful. Our members look forward to engaging further with the Department over the coming months.

Yours sincerely,

Neil Walker
Head of Infrastructure

Direct 01 605 1578
Mobile 087 969 0678
Email neil.walker@ibec.ie