



Western Development Commission

**Response to the Public Consultation on the Design of a Renewable
Electricity Support Scheme (RESS)**

**Submitted to the Department of Communications, Climate Action and
Environment**

www.wdc.ie

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Introduction

The Western Development Commission (WDC) is a statutory body operating under the aegis of the Department of Rural and Community Development, promoting economic and social development in the Western Region of Ireland (the counties Donegal, Sligo, Leitrim, Roscommon, Mayo, Galway and Clare). The WDC¹ is involved in policy analysis, the promotion of regional initiatives and the operation of the Western Investment Fund and continues to work on the development of renewable energy in the Western Region.

In 2004 the WDC published [To Catch the Wind: The Potential for Community Ownership of Wind Farms in Ireland](#). The report included recommendations for policy change to allow more community involvement in the sector. One recommendation was that renewable energy projects that incorporate a substantial element of community ownership should be able to access specific supports – not only to expand the renewable energy sector but also as a means of promoting rural development.

In 2007 the WDC published [Communities and Renewable Energy: A Guide](#) as a follow-up to the 2004 report. This guide is a practical guide for communities interested in taking part in a renewable energy project. It also gives policy-makers and private developers an ‘insider’s view’ into what is needed to encourage community involvement and investment in the renewable energy sector. It outlined what happened when a private local developer and a community group in Co. Mayo came together to develop a project involving community investment in a wind farm. The WDC acted as project facilitator for this project and this role underlined the type of support necessary for community groups wishing to engage with private developers in renewable energy projects.

The WDC has also been working to develop the bioenergy heat market since 2006 delivering a range of development projects and policy analysis. The WDC has led a number of EU renewable energy projects including RASLRES (Regional Approaches to Stimulating Local Renewable Energy Solutions www.raslres.eu) which worked to increase the use of renewable energy technologies in rural economies and BioPAD (www.biopad.eu) which promoted the wider use of bioenergy and supply chain development along the whole process from supplying fuel to producing energy. The WDC is currently leading GREBE (Generating Renewable Energy Business Enterprise www.grebeproject.eu) which focuses on the challenges of peripheral and arctic regions as places for doing business and developing renewable energy (RE) business opportunities provided by extreme conditions. The WDC is also involved as a partner in REDIRECT which promotes the efficient use of natural resources and materials by converting residual biomass into carbon products and activated carbon at smart regional decentralised units, and LECO which focuses on the development of ‘Energy Villages’ making

¹ See www.wdc.ie for more information

best use of the natural resources available, and fits with the WDCs work on the development of Sustainable Energy Communities. See www.wdc.ie for information on our other projects and for publications on renewable energy www.wdc.ie/publications/renewable-energy-reports/ .

Given the WDC experience in renewable energy we are pleased to respond to the consultation the Renewable Electricity Support Scheme. Based on our experience we first highlight some issues general relevance to a Renewable Electricity Support Scheme and then address the questions outlined in the consultation document.

The RESS- issues for consideration:

The development of a new renewable electricity support scheme is very welcome, however, in parallel with this policy development there needs to be sufficient investment in grid infrastructure so that renewable electricity projects can be developed where there is suitable resource, investor or community interest, and not just where there is current grid capacity. Thus alongside the development of this scheme there needs to be clear long term planning for transmission and distribution investments which take account of this and other energy policy designed to increase use of renewable electricity into the future with higher rates of renewable electricity capacity required. EirGrid's recent decision to cut the Grid West project has very significant implications for the development of renewable electricity generation projects in the west of Ireland and the decision does not align with government policy outlined in the *White Paper Ireland's Transition to a Low Carbon Energy Future 2015-2030* or in the National Mitigation Plan.

In addition to coherent long term infrastructure planning for a significant switch to renewable electricity, future development of the distribution grid needs to make it responsive to potential small scale distributed generation projects which may feed in on an occasional rather than continual basis.

The time period over which the RESS will operate needs to be more explicit in the consultation. A clear commitment to the policy for a designated time period provides security and space to plan projects for both communities and developers. At the same time a well defined end point makes it possible for policy makers to begin (in future) to plan a new support which can respond to the key issues which have emerged- post 2030 for example.

The mechanism for community involvement is important, as is what constitutes a community. A number of wealthy individuals in an area purchasing shares in a local project is quite a different proposition to a local community co-operative or company having shares and spreading the benefits to a wider community. Additionally, in certain situations payment of a community gain to an appropriate community representative group could be the most practical approach especially for smaller projects.

Similarly the benefits of individual small scale (domestic or SME scale) microgeneration can bring similar benefits to those indicated for community involvement while providing a more flexible and responsive solution to the need to involve people in their energy generation and increase acceptance and buy in from the wider community. While the WDC strongly supports the requirement for community involvement in energy projects and the options for supporting community owned projects, in reality, most people in Ireland, or even in rural areas in Ireland will not have the opportunity to be involved in a community project or to purchase a share in another renewable project. For this reason support for micro generation at a domestic level in particular is

an essential part of achieving community involvement in renewable electricity production, albeit at an individual scale. Support for microgeneration should therefore be included in the RESS. It is important that micro generation is clearly defined and that the targets of this support are identified in the RESS. While domestic and household level is very important, consideration should also be given to the inclusion of housing developments (e.g. apartment blocks or housing estates) and to small SMEs.

It will be important that the operation of the RESS can be reviewed after a relatively short period (two years for example) to make adjustments and ensure the incentives in the scheme is working as planned, or that elements such as community investment and community projects are developing. By stating a review period, and the details which will be reviewed, there will be some certainty for developers but flexibility to respond to implementation and other issues.

Questions

It should be noted that not all questions have been addressed, the main focus of the WDC submission is on issues for consumers, small scale, community and micro generation.

Q1a. 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 the respondents agree with the competitive auction based approach? If not, what alternative model would you propose and why?

Yes, we agree that most capacity available under RESS should be allocated through an auction process. However, a certain proportion of capacity at each auction should be set aside for small scale developments. What is considered to be a small scale development needs to be clarified.

The size and type of small scale developments which would not need to participate in the auction process needs to be defined. Rules about the numbers or types of small scale projects and ownership of projects which can qualify should be developed.

Q3. What are respondents views on a proposed price cap (maximum € /MWh) within the uniform price proposal? What alternative approach would you propose and why? In order to keep costs to the consumer to a minimum, a Principal Category, encompassing all viable technology options leading to the most cost effective projects, is provided for. The outcome of this initial auction will inform the design of future auctions.

We agree that a large proportion of the RESS should be allocated through an auction open to all technologies. However, in order to ensure security of supply and a spread of technologies and opportunities for technology development, *regular* technology specific auctions should be held with commitment given in the scheme (or with a reasonable lead in time) to the number and date of such auctions.

Q4b. 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?

As it is not certain that, over time the outcome of each auction will broaden the technologies contributing to the our RES E capacity, it is important that there is a commitment to holding separate

specific technology auctions. Overall scheme capacity allocated to these could be up to 25% but the final amount should depend on the technology spread emerging from the technology neutral auctions. Ideally after holding a technology neutral auction the amount to be allocated in a technology specific auction would be decided and then announced with a reasonable lead in time given.

Q5. 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?

We welcome this proposal and would welcome this level of ambition in relation to the capacity of community led projects. However, given the long timescale involved in developing community led projects it is likely that more of these projects will in a position to supply RES E later in the scheme lifetime. This needs to be accommodated and planned for so that community projects can develop with more certainty.

Q6. 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.

No, we do not agree. It is important that micro generation is covered in the RESS. While micro generation does not fit easily with the design of the RESS, as currently outlined, it is a potentially significant element of renewable electricity generation, and it is important that it is seen as a part of the suite of electricity supply options.

While it is noted in the consultation document that the cost of microgeneration is very high and that meeting renewable energy targets and renewable diversity targets might be more cost effectively achieved at other scales, there are wider reasons it is essential to support micro generation which are very similar to those put forward in relation to community investment and community projects. There is significant focus on community involvement in the RESS, and microgeneration/very small scale generation is another way of involving citizens in renewable energy production and one which is less limited by their location.

A clear definition of what is being considered as micro generation needs to be provided to ensure that discussion on what is being incentivised is focused.

As noted above individual small scale (domestic or SME scale) generation can bring similar benefits to those indicated for community involvement while providing a more flexible and responsive solution to the need to involve people in their energy generation and increase acceptance and buy in from the wider community. While the WDC strongly supports the requirement for community involvement in energy projects and the options for supporting community owed projects, in reality, most people in Ireland, or even in rural areas in Ireland will not have the opportunity to be involved in a community project or to purchase a share in another renewable project. For this reason support for micro generation at a domestic level in particular is an essential part of achieving community

involvement in renewable electricity production, albeit at an individual scale. Support for it therefore should be included in the RESS.

While there may be concerns about the distributional implications (i.e. wealth distribution among the population) of supporting individuals to make investments in generation, supporting or mandating individuals to become involved in developers projects is likely to have a very similar distributive effect to supporting individual citizen or 'community' investors in developer led projects and does at least allow for a greater geographical spread of participation.

Support for microgeneration can take a number of forms, in terms of grants or capital incentives for involvement or soft loans, but it can also involve a payment for electricity exported to the grid. We would agree that the FIP mechanism will not be suitable for supporting microgeneration and the other options should be explored.

While a grant system is simple to operate it does not incentivise any export of power to the grid. Net metering has proved to be an effective approach and relatively simple to administer. Where necessary for the grid or other reasons restrictions could be an option at times and there could be price variation according to time of production. This is more in line with the market value approach.

Where there is a market value approach the level of this payment should be comparable to that paid under the FIP, and, even at the level it is likely that the main incentive in micro generation would be to allow the household (or small SME- depending on the definition used for microgeneration) to self supply and reduce their kWh payment for their electricity. The systems installed by householders can be set up to make the household use the main priority for the system with some elements of hot water storage. In future, battery storage in EVs or in other batteries could become central to the management of microgeneration and indeed this might provide network wide benefits. While these details are beyond the current RESS design they should be considered. It is essential that the design of the smart meters introduced to household will be able to monitor and record any power exported to the grid.

The development of microgeneration is an important part of democratising the power system and giving people a greater role and responsibility for their power consumption and generation and an involvement in the system as more than customers and consumers. While developing a microgeneration policy as a part of the RESS will be complex, it is part of the development of policy and support that will be relevant into the longer term to 2050 as the levels of Renewable electricity capacity and use increase. It is important that a start is made to support microgeneration with this RESS scheme.

The RESS is being designed to accommodate community projects and community investments and incentivising micro generation is another similar element which should be included. As mentioned above defining the target of any microgeneration support will be important While it is essential to cover domestic and household level, consideration should also be given to the inclusion of housing developments (e.g. apartment blocks or housing estates) and small SMEs.

While it is likely that the main incentive for those investing in microgeneration is self supply there should be a payment made, decided under the RESS, for any electricity exported. The benefits of this are very similar to those associated with community involvement in whichever form.

Q7. 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).

We agree with capping the amount of support received by each RES project so that the amount to be paid under the RESS is predictable. It is not clear whether, when bidding in the auction, the will bid in a specific capacity level or electricity production level. If this it is a bid related to capacity then it would be particularly important to cap the amount payable to each project so that in years which are good for renewable electricity production conditions consumers do not end paying higher prices or having unpredictable costs which could result in increases in the PSO in following years. While there are advantages in being able to increase the amount of RES purchased in any year, especially if it is a good production year (for wind for example, or solar) but this marginal production does not necessarily have to be purchased at the bid price, market price should be sufficient as projects will have been planning in relation to a particular capacity.

Therefore, a certain amount of production to meet the specified targets or the amount decided amount to be purchased in a particular auction, which could be paid for at the bid price. Beyond that the electricity could be purchased at the market price in preference to that generated from fossil fuels. If the bids are for a particular volume of electricity to produced then the amount to be paid is in effect capped anyway.

Q8. 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 ?

We would agree with the proposal to hold auctions periodically as this would allow the RESS scheme to respond to changes in the market and to potentially avail of any cost reductions. The length of time between auctions needs to be considered carefully, and will partly depend on the auction process and the level of bureaucracy required both from the projects and also in the management of the auctions. If the auction process is simple and straightforward an annual auction process might be a more responsive option. Otherwise every two years would be appropriate for the auction, but in that case the specific technology auctions could be held every alternate year, allowing them to respond to changing markets also. It is important that if one of the objectives for the RESS if to support a variety of technologies for security of supply and risk spreading purposes that the technology auctions are also scheduled predictably.

Q9. 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?

Yes, it is important that prequalification criteria are in place so that those bidding are in a position to supply from the date determined in the auction.

The WDC is aware that this situation favours existing market participants but given delays in getting planning, grid connections and construction, without prequalification there could be significant delays in supplying RES-E committed to in the auction, and there could be a situation where targets would not be met.

If there is a commitment to hold auctions throughout the period of the RESS scheme, and the auction periods are announced with scheme launch newer entrants will be able to plan to have completed prequalification requirements in order to participate in one of the designated future auctions.

Q10. 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?

While in general the WDC would support higher levels of ambition in relation to the amount of RES E capacity, it would not support funding it directly from the PSO. The PSO for domestic users increased by 30% between 2016/2017 and 2017/2018 and the domestic consumer now pays a monthly levy of €8.72 including VAT, (€7.69 monthly excluding VAT) which is an additional annual charge of €105. Small commercial users pay €26.55 per month (€319 annually ex VAT) charge. These are substantial charges for domestic and small commercial users which is effectively a regressive tax, accounting for a higher proportion of income in poorer households. Similarly the PSO as a flat levy does not incentivise any reduction in use and those using more electricity are not contributing more. It is noted in the consultation document that increases in RES E above 40% are likely to be more expensive. If domestic users and small commercial users were required to fund this from the PSO it would be even higher.

Higher levels of RES E were to be funded through the PSO the first step should be to remove VAT on the PSO, or alternatively to ensure that the amount of VAT being charged on the PSO goes directly to RES E support rather than having further increases in the PSO to support a higher ambition for RES E.

About 25% of the PSO levy in 2017/2018 will be to support peat fired generation. When this commitment to support peat generation expires that this portion of the PSO could be directed towards a higher level of ambition for RES E.

In the absence of any reform or change to the PSO, however, we would not support using the PSO to fund higher levels of ambition, unless this was achieved with the existing charge faced by consumers.

Q11. 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.

In order to ensure that there is an incentive to use heat from electricity generation is used prudently the opportunity should be available to receive supports from both RESS and RHI. However, depending on the rate payable on the RHI and the level of bids in any RESS auction it will be important to ensure that where a project is receiving funding under both schemes the payments being made can be related to each other and a maximum payment appropriate to the project is in place.

Q 12 a. 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)?

The minimum project size for community involvement should vary by technology and should reflect the size of investment required by the developer and the expected returns (which could be estimated on a standardised basis) rather than by the actual capacity. This would mean community involvement could be achieved fairly across technologies.

It is important to be careful about having a clear cut off point, or too large a cut off point as this could incentivise projects to remain below that level to avoid community investment requirements.

Q12 b. 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 share available to the community should be at least 10% for a project to receive RESS, but it could be that a higher amount could be offered initially to the community. The amount might vary with project size or technology type.

There should be a maximum purchase amount for individuals, and this should relate to a proportion of the amount available to the community for purchase (e.g. no more than 10% of the amount available for community purchase).

Q12 c. 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.

It would be easier to set the minimum distance by DED or town land or other clear mechanism but where population density is low the offers will need to be made to a wider area to ensure there is a sufficient population to gain involvement.

Q12 d. What are respondents' views on whether additional financial supports are necessary in order to enable mandatory investment opportunities for citizens and communities ?

These are discussed further below in relation to grants and soft loans. It seems likely that these will be necessary for community led projects and to widen the involvement of community investors and to ensure that there is a broad range of community investors. However, the form of support is important and the level as otherwise they could, in effect, become an additional support to the developer allowing for more investment in a project or higher share price.

Q12 e. Other comments on the mandatory investment offer requirement are welcome.

It is important that the mandatory level of investment is strictly applied, and where it is not possible to get a sufficient level of community investment, a higher level of community benefit payment should be required to ensure that there the developer has a strong incentive to actively recruit community investors.

Q13 a. Do you agree with the emerging proposal that a Floating FIP is made available for smaller community projects?

It would not be appropriate for smaller community projects to have to bid into a FIP type system, but it would be appropriate for them to receive a payment based on the bid price. Whether the smaller community projects got the bid price or a bid price plus a certain percentage should be considered. If the community led projects are smaller on average than the commercial projects in

the auction process, or if they tend to have different characteristics of face different conditions, then it may be appropriate to provide a higher premium than that generated for the FIP auction process.

Q13 b. What should the minimum size project be below which the FIP will not be available?

The minimum size should partly depend on what is covered in any microgeneration element of the RESS (see above) as a small scale project (which may be easiest for communities to become involved in) might fit in with the definition of microgeneration to be used and so could be covered by that element of the RESS.

Q1 4 a. Do you agree with the emerging proposal to support community - led projects with grants and soft loans through various stages of a projects development?

The WDC agrees that in order to stimulate community involvement in renewable project grants and soft loans should be made available. The levels, types and repayment periods would have to be agreed. However all means of reducing barriers to community involvement are important.

Q14 b. 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?

Without clarity on the size of community projects to be targeted or envisaged in the RESS it is difficult to comment on this. Grants and soft loans should be available at a level which will ensure that the size of the project is sufficient to ensure viability in a community or for the community but it would not be appropriate to provide grants and soft loans to large scale projects which could be very profitable for a community. Within the RESS there should be a clear view on the appropriate size and type of community projects, dependent on circumstances, in terms of what will work for the community and also make reasonable contribution to RE generation. Experience for other countries probably indicates a manageable, viable size range for community projects. However, the proposal that there should be a grant of up to €20,000 available for the initial high risk stage of the community project, depended on project scale, seems reasonable.

Q15 . 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.

It is important that if there is to be an emphasis on promoting community owned projects that their grid access would be facilitated. Indeed as mentioned above, long term grid development which will enable easier and quicker access for all project types is projects is essential. The issue of facilitating grid access for community projects is complex and beyond the scope of this RESS consultation. It does however need to be an integral part of the development of supports for community led projects.

Q16 DCCAE and SEAI welcome feedback on the role of the proposed Trusted Intermediary.

The WDC welcomes the Trusted Intermediary proposal, as noted in the WDC Publication 'Communities and renewable energy- A guide'² the role of the independent facilitator (the WDC in the Killala project) who is independent of the process and does not benefit from the development is very important in supporting the community and acting as an intermediary between the community

² http://www.wdc.ie/wp-content/uploads/reports_Communities-and-Renewable-Energy_Guide.pdf

and the developer. The TI role outlined in the Ricardo report on Assessment of Models for Community Renewables is similar to that played by the facilitator, although elements of the TA role were combined in the Killala project, and it was found to be very important to driving forward the project.

In the RESS there needs to be more information on how the TI would be funded- it is noted that TIs will be government funded but no more detail is given. How it will be funded, whether directly through DCCAE or SEAI or through some form of levy system needs to be clear. There is no information on how the TIs would be recruited (by the developer or by the Community or using the CARES model). Public procurement guidelines may need to be followed. Depending on the model used TIs may be recruited for individual projects, or possibly- as in the Cares model- they would be from a supporting organisation.

Thus while the TI model is welcome, without more detail on the mechanisms to be used and practical implementation details which can make a significant difference, it is hard to comment further.

Q17. DCCAE and SEAI welcome feedback on the proposed Framework for Trusted Advisors.

The WDC also welcomes having a framework for Trusted Advisors, but similar to the TI proposal there is very little detail on how it should work, and very often the practical details have a significant effect on what happens in practice. Detailed consideration needs to be given to the role, recruitment, responsibilities, funding, payments, independence, liabilities etc. See previous question for further discussion.

Q18 a. Do you agree with the proposal that community benefit payment be based on best practice principles?

It is important that there continues to be a community benefit option for renewable projects because, as noted above, for a variety of reasons, many people in the community will not be in a position to become directly involved in the project and the community benefit payment provides a means of spreading the benefits to the wider community. It is also useful where there is a low number of community investors coming forward.

It goes without saying that such benefits should be based on best practice principles but without clarity about what they are or which are to be adopted under the RESS (IWEA principles? UK principles?) it is difficult to comment.

Q18 b. 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?

The level of community benefit payable should relate to the level of community stakeholder investment in the project. Where there has been significant uptake of community investment options in a project it may be appropriate to have a lower level of community benefit payable, and in contrast where recruitment of community investors has been low a higher level of community benefit could be paid.

Q19 . What are your views on the definition of ‘community renewable electricity projects’, ‘community led community projects’ and ‘developer- led community projects’?

The definitions used seem to be appropriate. A key issue in relation to definitions used is that the definitions are clear and explicit and applied consistently.

Q20 . What are your views on proposing additional financial measures to enable citizens to invest in projects (e.g. tax incentives, green bonds etc.).

It is likely that additional financial incentives might be required to ensure there is reasonable uptake of citizen investment in projects and in particular to support a wider range of investors and to attract citizens who would not usually make such investments. However, some of the incentives needed will become clear when the level of uptake by citizen investors can be assessed. It may be appropriate therefore to consider these options in more detail when the RESS is in place and the level and type of investment by community is established and this would allow for a more targeted scheme to ensure that the investors reflect the community in which the project is developed.

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