European Commission Call for Evidence: Design elements of renewable energy auctions

EirGrid is the Irish Transmission System Operator (TSO), responsible for developing, managing, and operating the onshore electricity transmission system in Ireland, including exploring and implementing opportunities for interconnection. In 2021, EirGrid's role as TSO was expanded to incorporate the operation and ownership of Ireland's offshore electricity transmission grid. As such, EirGrid has a significant and central part to play in the facilitation and delivery of Ireland's renewable energy targets.

We welcome the opportunity to provide input to this Call for Evidence noting that the European Commission has made the European Green deal a top priority. We acknowledge that the expansion of renewable energy sources necessary for the energy transition will require public support schemes. As the TSO, it is clear to us that the design of such schemes has the potential to impact both system operations and wholesale markets. As a result, it is vital that the design of auctions in order to speed up the execution of projects consider best practices in format, products, eligibility, selection criteria as well as the contract design. In the future, it is likely that such schemes will need to consider much wider contexts above and beyond energy to include paradigms such as flexibility.

Our role is not to design such support schemes, which in Ireland is a matter for government, however, we believe that additional thinking will be needed and a coordinated approach is vital to ensure that there are no distortionary impacts of newly designed support schemes on the wider wholesale markets and operations. Avoiding these distortionary affects is a significant challenge in order to deliver a cost-efficient, sustainable, and secure system on the path to Net Zero.

Changes to the support scheme design must ensure that there will be efficient use of resources and align with locational signals. There needs to be a balance between the facilitation of low-carbon technologies and carbon reducing solutions and the delivery of "value for money" for consumers and taxpayers like. The schemes ultimately must drive investment with the appropriate risk/reward allocation. Incentives that reward innovation, sustainability, and the ability to deliver are to be welcomed.

A whole of Europe approach is to be welcomed in order to deliver scaled RES projects and to efficient use locationally constrained sources of supply. The interaction of support schemes with wholesale energy markets needs to be well understood in order to avoid deterring investment elsewhere. In many cases the benefits of projects being supported by these schemes may be shared across a number of markets. We would encourage the use of wider criteria when carrying out cost benefit analysis to ensure that a broader and deeper perspective is used to make good decisions regarding the choice of support design. This is particularly important in the case of small island markets with large offshore energy potential as is the case in Ireland.

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