

MARA COMPETITIVE MAC FRAMEWORK STAKEHOLDER ENGAGEMENT

Marine Renewables Industry Association response to questions posed by MARA Consultation

MRIA welcomes the opportunity to respond to this consultation and looks forward to continuing discussions on this at the Future Framework Forum. The questions posed by MARA are set out below in *italics*, followed by MRJA's responses

1. *The graphic above summarises the design options considered across all components of the draft competitive MAC framework and highlights MARA's preferred options, which are explained in more detail below. MARA believe that this is comprehensive model.*

MRIA notes that the Framework does not set out the underlying policy assumptions including route to market; sequencing; availability of site data, types of technology and policy objectives and no final determination should be made until the basis on how these fit into the Framework is detailed.

The future of offshore wind in Ireland requires a carefully tailored approach. Each potential development model has trade-offs. A combined seabed auction and CfD/CPPA allocation, effectively the Tonn Nua auction model, is a challenging enduring framework in MRJA's view. Holding a CfD auction so early in the process makes it difficult to bid an accurate strike price, as costs remain uncertain until project designs advance and go through planning. A more balanced approach might be a two-step process: first allocating the seabed lease, then securing planning consent, before proceeding to a CfD auction or alternative route to market. This sequencing allows developers to refine project costs and de-risk delivery before CfD bidding, which will help deliver more robust outcomes.

While we agree that MARA should retain flexibility in the overall MAC framework, we support MARA's view that certain options should be discounted from the outset e.g. local content criteria, given the immaturity of the Irish ORE market and our lack of an appropriate industrial base; development initiatives e.g., support for ORE R&D to develop an ORE supply chain would be desirable. To provide confidence and certainty, we believe other options should also be avoided e.g. community shareholdings, given the inherent complexity and challenges associated with rolling such a scheme out.

2. *MARA favours a light-touch financial requirement (e.g. minimum threshold) for pre-qualification. In reaching this decision we considered that having a qualification on capabilities is a relatively simple step that should enhance deliverability without creating an undue burden on bidders or MARA. In addition, while assessing only the provisional winner*

as part of the allocation process this may save time and reduce administrative burdens on MARA, this must be balanced against the risk of creating uncertainty for bidders regarding their qualification status

It is unclear as to what MARA means by 'light touch' – the financial pre-qualification criteria used by MARA for Phase 2.1 were demanding by comparison to those employed in other markets. A consultation with industry to define 'light touch' would be helpful.

3. *MARA strongly favours NPFs/delivery incentives mainly for the first round of competitive MACs. With deliverability prioritised and other objectives encompassing different forms of value, focussing mainly on NPFs and delivery incentives is most appropriate to MARA's objectives. A focus on achieving high prices could lead to threats to project viability in adverse conditions, while the dynamics of cost effectiveness for consumers vary depending on the funding model. As you will see in the Section 3 of this questionnaire, it is MARA's intention that the design of the NPFs will be kept simple to avoid creating any burdens that could threaten deliverability. It is acknowledged that a shift towards price may be necessary in the future, but MARA believes that focussing on NPFs is preferred for getting capacity built and built sustainably.*

NPFs will require careful deliberation, consultation and definition. We note that NPFs could be required under the Net Zero Industry Act for ORESS auctions – it will be important to avoid duplication at both the MAC and the ORESS stages

MRIA is particularly interested in the new and emerging technologies. In that context, we consider that the NPFs should predominate in the (hopefully!) forthcoming FLOW Demonstration projects. NPFs should include degree of innovation; ability to scale; contribution to ports development; and likely provision of 'learnings' for both policy makers and industry alike.

4. *MARA recognises that all three options can present benefits. One-off fees can help avoid disincentives to continue development between MAC award and COD. Fees at development stage would provide an incentive for speed of delivery as developers would want to avoid additional annual payments. However, it can also be an incentive to halt a project depending on the level of the fees and the macroeconomic context affecting project viability. Operational stage fees do not incentivise speedy delivery but have a low present cost (i.e. good for cost effectiveness for consumers) and can be variable with other factors such as revenues and risk-sharing. Therefore, MARA considers that all three of these options could be part of the framework, recognising, however that in the near-term it is most likely that fees at development stage will be important to achieve deliverability and incentivising timely delivery*

MARA should consider a risk-based approach to MAC fees whereby fees increase as the project progresses. This approach could be applied in instances where developers have limited access to site data in advance of an auction e.g., where the State chooses to provide site data (which, based on the current Irish data bases, is likely to be limited in scope). This approach may attract more interest from developers by reducing risk at the time of auction,

and allow the State a more realistic means of bringing sites to auction without incurring data collection costs. MARA should also give consideration to the number of years over which the Development Levy is due as, under a plan-led regime, the timescale for delivery may not solely rest with developer e.g., because of planning delays. Fees should be fair and proportionate and levying fees at the development stage is likely to be a disincentive because operators will not be self-funding at that stage. MRIA consider it best to leave any substantial fees to the *operational stage* when funding will be available

Projects built out first as Floating Offshore Wind Demonstration projects – MRIA is seeking two Demonstrators on different coasts - and then as a full-scale project should be charged an annual development levy commensurate to the development underway i.e., the business case for developers for a FLOW demonstration project of c200MW will be linked to the ability of that project to scale to a commercial level. As a result, acquiring a MAC capable of accommodating a commercial scale FLOW farm is considered a necessary first step for a FLOW Demonstration project. It is important that the FLOW *Demonstration* projects are not loaded with MAC fees for a *commercial scale* project. MAC fees should be phased should be and based on the scale of the project under development at the time

5. *MARA considers that profit share model is, while theoretically attractive, likely to be too complicated for effective delivery. MARA's levy framework charges a flat fee at development stage and revenue share during the operational stage. MARA is of the opinion that this provides a good balance of incentives and risk-sharing and proposes keeping this model*

The development stage of an ORE project – e.g., to support realistic financial modelling – must be based on flat fees. We are not convinced of the merits of a revenue sharing model for the operational phase and recommend that MARA consult further with industry on this matter, setting out, in particular its arguments for revenue sharing.

There should be a lower 'cap' for demonstration projects, notably the envisaged FLOW Demonstrations

6. *MARA's preference is to have at least one price component bid set in a manner which allows for differentiation between bidders (uncapped or capped at a level high enough so that most bids are expected to fall below the cap). The higher weighting of NPFs in the overall framework will limit the overall importance of the price component and contribute to project deliverability (see Section 2 on Competitive allocation model). We anticipate that any bidding would focus on the development stage payments*

Ideally, bids should be capped. A key issue here is to avoid speculative bidding which may result in bids well above the capacity of the market to bear them and impact directly on deliverability. The cap should be determined separately for each auction. The implication of the question is that NPFs will be crucial in determining auction outcomes.

7. *MARA notes that other countries that have used the ascending clock bidding mechanism, usually do so when they are not using NPFs. MARA strongly considers that sealed bidding is more appropriate when using NPFs and avoids administrative complexity.*

There are a number of issues here. There is a need for industry to 'find' the appropriate price; otherwise overbidding may result which can impact on deliverability. Given that multi-site auctions are a possibility (e.g., perhaps for Phase 2.2), ascending clock auctions provide developers with a greater opportunity to secure a site. Careful further discussion with industry is necessary prior to opting for either 'sealed bid' or for 'ascending clock'. See also our response to Q3 above

8. *MARA's preference is to use metrics and standards, rather than plan, for assessment purposes both at pre-qualification questionnaire (PQQ) and at allocation stage. This avoids subjectivity and excessive administrative burden on bidders and MARA. For PQQ, we would favour pass/fail scoring of individual criteria, which could then lead to a pass criteria of 6 out of 10 or could require 100% pass rate across all PQQ criteria. This reflects the objective of a prequalification stage, which aims at ensuring that minimum standards are met across the bidder pool. However, for allocation stage, we would consider scoring (granular or binary) where multiple criteria contribute to an overall score, and no individual criterion could fail the entire bid. Developers' bids would then be evaluated based on their total score with the highest-scoring bid being successful*

Noted. We are concerned however about the scope for duplication (and, therefore, for delays) in regard to environmental surveys in particular at various stages in the process of the ORE development processes

9. *In relation to supply chain sustainability MARA is of the opinion that this is a complex topic which would be difficult to score. Therefore, MARA supports the inclusion of both biodiversity criteria above on the basis that metrics can easily be developed, assessed and monitored. In addition, various options can be applied to both (e.g. financial contribution/deployment of relevant technology), which enables them to be easily adapted for site-specific calls*

We question whether biodiversity criteria 'can easily be developed, assessed and monitored'. The limited, detailed and relevant site-specific data available to bidders in Irish waters means that relatively little information in regard to environmental measures is available to developers prior to auctions. If SEA is done correctly, biodiversity 'hotspots' for sensitive species and habitats should already be flagged and if necessary avoided. Leaving biodiversity considerations until after consent is granted is not ideal. Overall, a cautious approach is therefore required when developing criterion relating to biodiversity. Further consultation will be required.

10. *MARA proposes not including any developer derisking criteria in the framework in order to avoid multiple participants seeking to undertake the same surveys, obtain grid agreements for the same area or engage with the local population. The objective is to avoid incentivising a duplication of effort*

MRIA agrees with this approach

11. *MARA considers that skills and training and community shareholding are the most appropriate criteria for the framework because they offer the best trade-offs between simplicity, measurability and impact*

We do not favour either criterion. Skills development and training policies for ORE in Ireland are still evolving and there are considerable benefits in focusing on or co-ordinating them through, the National Maritime College of Ireland, albeit with provision for some limited local provision at the lower levels for scope for other universities to join in if appropriate, perhaps under the NMCI umbrella. There is considerable risk of waste, duplication and low skill outcomes if the criterion suggested here is adopted. This is an area in which there are considerable economies of scale and maintenance of high standards by giving a leadership role to the major, credible resource of the NMCI.

Community shareholdings will bring almost endless complication to ORE development in Ireland. How do you provide share participation in multinational corporation-developed wind farms without discouraging investment in Irish ORE? How do you define ‘community’? What community ‘qualifies’ in the case of FLOW wind farms located far out to sea? What is the reasoning behind this proposal in a policy framework which already provides for the world’s most generous Community Benefit Fund arrangements? What form of shares should be involved? What about the tax implications for individual members of ‘communities’, however defined? How do community shareholders ‘exit’ from a project, possibly specifically funded through a Special Purpose Vehicle? MRIA is firmly against this proposal. The State will be getting taxes, fees, royalties and save itself having to pay huge fines to the EU from ORE.

By far the most beneficial way of contributing to social and economic development is to concentrate on the area of supply chain development. The metrics chosen need to be appropriate to the Irish market.

12. *MARA proposes to prioritise secured PPA offtake for initial calls for a competitive MAC without ORESS offtake. However, it also proposes keeping all options in the framework, including the potential to combine criteria in the future, in order to future-proof the framework for future evolutions and ways to manage energy integration*

It is almost impossible for projects to secure a PPA in advance of consent, site investigation, etc. To progress non-ORESS projects, MARA should consider the development of a phased system which allows access to the site for investigation followed by a go / no-go milestone including evidence of progress on PPAs.

13. MARA's preference is for a performance bond with progressive refund at milestones in the development stage. Such pre-operational milestones would be set administratively. The performance bond and associated milestones would be set in a manner which provides delivery incentives, while balancing the impact on developer of such sum being set aside over the pre-operational years

In general, MRIA agrees with the proposed approach. However, we would suggest that the bid bond be set at an appropriate level in light of the requirement for developers to bid in advance of seabed data. We are conscious of the limited 'deep dive' seabed and ocean data generally available to developers in Ireland in advance of auctions. A process to facilitate mediation between MARA and developers must be provided for from the outset.

14. MARA considers Permit loss as being appropriate to MARA's regulatory role and it works in line with the progressive performance bond (i.e. permit loss if total loss of bond). It also preserves deliverability while a project is live and does not reduce competition by excluding bidders from future rounds

Given the financial delivery incentives, coupled with annual development levies, the developer is already heavily incentivised to progress a project. We would, therefore, encourage MARA to consider permit loss as a last resort, with a long-stop date around milestone achievement, as executed in Crown Estate leases.

MRIA does not agree that banning developers from future auctions is an appropriate non-financial incentive.