



Response: Electricity Support Schemes: Transitioning to I-SEM Arrangements

Proposed Decision Paper

About CEWEP

CEWEP is the umbrella association of the owners / operators of Waste-to-Energy Plants, representing approximately 400 Waste-to-Energy Plants from 18 European countries. Our members make up 86% of the Waste-to-Energy capacity in Europe.

CEWEP Ireland is the Irish branch of CEWEP Europe and has two members: Indaver, which operates the Meath Waste-to-Energy Facility and is proposing to develop similar facilities in Belfast and Cork; and Covanta, which operates the Dublin Waste-to-Energy Facility. By 2020 it is anticipated that members will have a total treatment capacity of over 1,070,000 tonnes per annum residual waste and export more than 90MW electricity and/or heat.

Introduction

The Department of Communications, Climate Action and Environment (DCCAE) is updating existing electricity support schemes supported by the Public Service Obligation (PSO) Levy (primarily for renewable energy) so that they are compatible with the new Integrated-Single Electricity Market arrangements (I-SEM) which is due to 'go live' in May 2018.

A balanced solution is being sought so as to ensure that the existing renewable support schemes are compatible with the new market design and operate efficiently. In this regard, CEWEP members are both subsidised under the Renewable Energy Feed In Tariff (REFIT) scheme in Ireland for the renewable fraction of their output power.

Capacity Payments

CEWEP members are concerned that REFIT's interaction with the Capacity Remuneration Mechanism reflects a downside risk to the subsidised energy from our plant with no corresponding revenue, and potentially the overall design impacts consumers of the Capacity Remuneration Mechanism (CRM) and Public Service Obligation (PSO) Levy more than it should.

This is in contrast to REFIT subsidised wind generation, which can choose not to qualify for a portion or all of the auction, and reduce the volumes procured (and potentially the clearing price in the auction) through non-participation.

Whereas a dispatchable REFIT generator must participate in the capacity auction for its full capacity, cannot formally withdraw from the auction, is exposed to potential penalties (with no capacity revenues, as these only reduce the REFIT compensation) and consumers procure more capacity than needed (as there is no reduction in the capacity volumes to be procured), potentially with a higher clearing price as a result.

This issue and a potential solution to the same has been previously highlighted by CEWEP in correspondence with the Department and therefore it is not proposed to reprise the matter in full in this response. However, for the sake of clarity and completeness, this previous communication is attached as an Appendix to this Consultation Response below.

Reference Price:

Choosing between Time-Weighted or Production-Weighted Production

The Department's Proposed Decision Paper considers that decisions in the paper should apply to co-firing or part renewables plant for the portion of their capacity that receives PSO levy support. CEWEP members consider that an alternative option as set out below should be given consideration.

Alternative to Choosing between Time-Weighted or Production-Weighted Production

Wind generation has been given an easier "reference price" in the blend of the Day Ahead Market (DAM) and the Balancing Market which recognises the balancing costs of wind generation in the Proposed Decision Paper. Moreover, this reference price will be calculated as the generation weighted average price (page 13 of the Decision paper).

Predictable generation (such as CEWEP members) will be given the time-weighted price as the target. The different technologies amongst CEWEP members likely leads to different levels of predictable output. Other non-wind technologies have comparable predictability issues.

As such, CEWEP members as producers of predictable generation would be held to a higher standard. It is submitted that all generation should be subject to the same standard and treated in an equivalent manner.

In the absence of any analysis of different technologies, it is further submitted that in holding non-wind generation to a different standard, this may be said to be discriminatory in nature.

Therefore, CEWEP proposes that in light of the above concerns, consideration should now be given to an alternative option of calculating the reference price on a generation weighted average basis in order to ensure that all generation is treated equally under the Proposed Decision process.