



**The Treatment of Green Supplier's Balancing  
Requirements (pursuant to Condition 20 of a Licence to  
Supply Electricity) under the Trading and Settlement  
Code**

**A Decision by the Commission for Electricity Regulation**

**CER/01/106**

**29<sup>th</sup> August 2001**

## **Introduction**

This document contains a decision by the Commission for Electricity Regulation under Regulation 3(4) of SI No. 49 of 2000 – Electricity Regulation Act, 1999 (Trading Arrangements in Electricity) Regulations, 2000.

## **Background**

Condition 20 of a Licence to Supply Electricity applies to Licensees issued with a Licence to Supply Electricity under Section 14 (1) (c) of the Electricity Regulation Act, 1999 [“the Act”], termed “green” suppliers by the Trading and Settlement Code (“the Code”).

An applicant issued with a supply licence by the Commission under Section 14 (1) (c) of the Act is defined as one that is enabled:

*“...to supply electricity to final customers which in aggregate does not exceed the amount of electricity which is available to the supplier and which is produced using renewable sustainable or alternative forms of energy purchased, in place of such electricity, in accordance with the trading arrangements provided for in regulations to be made by the Commission...”*

Condition 20 of a Licence to Supply Electricity is as follows:

*“The Licensee shall, each year within 90 days of the anniversary of the date of issue of the licence, deliver to the Commission a certificate, duly audited, specifying the source of the electricity supplied for the previous year ending on the anniversary of the date of issue of the licence. This certificate shall also certify that the Licensee has, for the previous year to the anniversary of the date of issue of the licence, complied with the electricity balancing criteria, pursuant to the Trading and Settlement Code.”*

## **Commission’s Decision**

The balancing requirements within the Code, for those suppliers trading in the first year of market opening from 2000 to 2001, are as follows:

1. A green supplier is required to balance Top Up and/or bilateral contract purchases of electricity (other than from renewable, sustainable or alternative sources), with green energy purchases

(bilateral contracts, imports and/or generation), which are spilled. This balancing requirement will be limited to 95 per cent of the supplier's demand; therefore a 5 per cent margin of error will be permitted. This is in recognition of the difficulty in balancing a supplier's demand on a certain date and time.

For the purposes of tracking and balancing, a supplier's demand will be the aggregate of all the demands of its final customers, except where some (or all) of a specific final customer's demand is met by on-site generation, in which case the net import across the site boundary will be used, plus electricity exported across any interconnector.

In the case of non-quarter hour metered customers the demand shall be the profiled demand, which has been settled at year end plus or minus all reconciliations that have been settled up to the end of the month of the reconciliation year (that is all reconciliation up to 31<sup>st</sup> December). Any further reconciled volumes will be added to the balancing requirement of the supplier for the following year.

2. For the first year of market opening, beyond the initial 5% margin of error, a green supplier is required to balance the excess of electricity supplied to final customers in the following year of trading. The supplier will be required to spill a corresponding amount of electricity in the following year, 2001/2002.

The above two points will be reflected in the Trading and Settlement Code for the applicable period.

In addition:

- The Commission reserves the right to investigate a Licensee's activities, where a green supplier supplies up to 5% more electricity to final customers than that which is available to it using renewable sustainable or alternative forms of energy, to uncover whether or not this discrepancy is the result of forecasting and other such errors or came about as a result of deliberate actions.
- In the event that a supplier fails to adequately comply with the criteria laid down in this Decision, the Commission may issue a direction under Section 24 of the Act, a determination under Section 25 of the Act or an order under Section 26 of the Act, to

ensure that the licence holder takes all measures necessary to comply with Condition 20. This could include requiring the supplier to cease from supplying any additional customers, with immediate effect. Under a Licence to Supply Electricity, the Commission has powers to revoke a licence if the Licensee fails to comply with a direction, determination or order under the Act.

## **Commissions Interpretation of Condition 20**

The Commission considers it vital to ensure that green suppliers comply with the principle and requirement to supply no more electricity to final customers than that which is available to them using renewable, sustainable or alternative forms of energy on an annual basis from licence issue. This is the basis on which an applicant receives a supply licence from the Commission and on which it trades under the Code.

However, the Commission recognises that it is very difficult for a green supplier to fully comply with Condition 20 as it was formerly written, that is with the requirement to provide the Commission with an audited certificate on the date of the anniversary of licence issue. Furthermore, for a start-up company operating in a new market, there are a number of factors which make balancing on a certain day difficult to achieve, including co-ordination of sales strategy with customer sign-on and conclusion of energy contracts exactly to programme.

The Commission intends to go to consultation regarding the issue of balancing for future years, with a view to establishing within the Trading and Settlement Code further criteria detailing how green and CHP suppliers and generators will be required to comply with the balancing requirement in Condition 20.

Tom Reeves

Member of the Commission  
August 2001