



**The Treatment of Green Supplier's and Generator's
Balancing Requirements under the Trading and
Settlement Code**

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

CER/02/33

25th March 2002

Introduction

This Paper contains a proposed 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.

Commission's Decision

This decision does not affect the balancing equations as currently set out in the Trading and Settlement Rules Appendix 7 Section 14.

The balancing requirements for Green suppliers and generators will be incorporated into the Code and will be as follows:

Balancing for Green suppliers in their first year of market operation:

1. A Green supplier must balance over the course of a year the total of its green (where green is renewable, sustainable or alternative ¹) bilateral sales plus its exports plus its demand with the total of its green bilateral purchases plus its green imports. 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.

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, the year of trading). Any further reconciled volumes will be added to the balancing requirement of the supplier for the following year.

2. Should a Green supplier exceed the 5% margin of error in its first year of trading, it is required to balance this excess in the following year of trading. Thus the supplier will be required to

¹ As defined in the Electricity Regulation Act, 1999

have a corresponding excess (i.e. the amount in excess of the 5% margin) of total green bilateral purchases plus its green imports over green bilateral sales plus its exports plus its demand between the first and second year of trading. This is in recognition of the special circumstances which may face a supplier during its first year of trading.

Balancing for Green suppliers subsequent to their first year of market operation:

1. A Green supplier must balance over the course of a year the total of its green (where green is renewable, sustainable or alternative) bilateral sales plus its exports plus its demand with the total of its green bilateral purchases plus its green imports. 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.

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 the year of trading). Any further reconciled volumes will be added to the balancing requirement of the supplier for the following year.

Balancing for Green generators:

1. A Green generator must balance over the course of a year its total net green sales (green sales less green purchases) with its total green tradable quantity. This balancing requirement will be limited to 95 per cent of the generator's rated capacity; therefore a 5 per cent margin of error will be permitted. This is in recognition of the difficulty in balancing production from a variable source on a certain date. The balancing period will be a year and the date will fall due on the anniversary of the commencement of trading.

Background

This draft Decision finalises the balancing positions for Green suppliers and generators. The balancing issue for Green suppliers was previously addressed in the Commission's earlier Decision CER/01/106, dated 29th August 2001, "The Treatment of Green Supplier's Balancing Requirements under the Trading and Settlement Code".

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 or electricity purchased, in place of such electricity, in accordance with the trading arrangements provided for in regulations to be made by the Commission, under section 9(1)(d)"

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 Interpretation of Condition 20 of a Licence to Supply Electricity

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 their start date of trading. This is the basis on which the applicant receives a supply licence from the Commission and on which it trades under the Code.

However, the Commission recognises that it may be difficult for a Green supplier to fully comply with Condition 20 and balance exactly on an annual basis on a certain date. Furthermore, for a start-up supplier operating in its first year, exact balancing may be more difficult to achieve. This is because such a supplier will typically need to particularly concentrate on customer acquisition so as to achieve economies of scale, making exact co-ordination of its Green purchases with Green sales more problematic.

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.

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