



**Decision Paper on the Accreditation of CHP Generated
Energy Imports into the Republic of Ireland**

23rd July 2003

Ref: 03/177

Background

The commissioning of the Scotland to Northern Ireland (“NI”) Interconnector (“IC”) from January 1st 2002, combined with the upgrading of the NI to Republic of Ireland (“Republic”) IC, will enable suppliers licensed in the Republic’s electricity market to import electricity from Scotland, or other countries to which it is interconnected, through NI and into the Republic.

The Commission for Energy Regulation (“the Commission”) licenses existing suppliers in the Republic’s electricity market. The commissioning of the Scotland to NI IC will enable those licensed “CHP” suppliers in the Republic’s electricity market to import CHP-generated electricity from Scotland, or other countries interconnected to it, through NI to meet its customers’ electricity demands in the Republic.

The Electricity Regulation Act, 1999 (“the Act”), defines Combined Heat and Power as follows:

“combined heat and power” means the simultaneous production of utilizable heat and electricity from an integrated thermo-dynamic process where the overall process operating efficiency, based on the gross calorific value of the fuel used and defined as the ratio of energy output usefully employed to the energy input, is greater than 70 per cent. and where the integrated thermo-dynamic process satisfies such technical, operational, economic and environmental criteria as may be specified by the Minister from time to time, following consultation with the Commission.”

Principle of CHP Supply

The Commission considers it vital to ensure that, subject to certain criteria, CHP suppliers annually supply no more electricity to final customers than that which is available to them using CHP-generated energy. This is the basis on which an applicant receives a CHP supply licence from the Commission and on which it trades under the Trading and Settlement Code.

Condition 20 of a Licence to Supply Electricity requires that a CHP supplier balances the amount of CHP electricity, which it sells to final customers with that which is available to it from a CHP generation source, on an annual basis, in accordance with criteria contained in the Code. On 25th March 2002 the Commission published a Draft Decision (CER/02/34) on the Code’s balancing criteria for CHP suppliers.

In order that the Commission can confirm that a licensed CHP supplier has complied with Condition 20 of a Licence to Supply Electricity, the Commission must be satisfied that electricity imported into the Republic is CHP-generated as defined under the Act.

Objective of Decision

This Decision paper outlines the Commission’s requirements for all licensed CHP suppliers seeking to import electricity into the Republic. Adherence to the procedures outlined below will facilitate the Commission in satisfying itself that the imported electricity is in fact CHP generated under the Act. Arrangements already exist for certifying green energy imported from Northern Ireland to the Republic, and these are to be replicated for certifying CHP-generated energy to the Republic. The burden of proof is on the CHP

Supplier to demonstrate to the Commission their compliance with obligations under Condition 20 of their licence.

Procedure for Authentication of Imported CHP-generated electricity

1. Authentication of generation source

The Commission must be satisfied that the source of any imported generation is CHP under the Act.

The Commission therefore requires that the relevant licensed CHP supplier submits an independent Engineers Report on the generation source containing the following information: the fuel source, the location of the plant and its maximum export capacity. The report should be forwarded to the Commission for examination prior to the commencement of physical trades between the generator (based in another jurisdiction) and the licensed CHP supplier in the Republic. This report should be updated if necessary and re-submitted annually thereafter.

The Commission reserves the right to inspect the plant(s) in question.

2. Contract for purchase of energy

The Commission must be aware of the contracted CHP energy

The Commission must receive from the CHP supplier in question a copy of the contract between the supplier and the generator. This contract will show the energy contracted between the generator and supplier and the duration of the contract. This contract must explicitly state that the CHP-ness (where this means the “combined heat and power” form of producing this electricity, as defined under “the Act”) is tied to the contracted energy.¹ The generator or supplier must not use the CHP element of the contracted energy in the country of origin or any country.

The Commission should be notified as soon as practicable of any amendment or revision to this contract, which affects the generation source or the amount of contracted energy.

3. Availability of interconnector capacity

Suppliers importing CHP energy must have obtained sufficient interconnector capacity on all relevant ICs to transport the contracted amount of CHP generation to their customers in the Irish market.

The Commission requires that a licensed CHP supplier importing electricity provide sufficient evidence that it has secured sufficient capacity on all relevant ICs to transport the contracted capacity to the Republic. The

¹ The Commission recognises that certain practicalities may arise impacting on this requirement, such as the generator experiencing an outage. However the Commission requires some comfort that the generator will not be double-counting the CHP-ness or any benefit thereof material or otherwise in the normal course of events.

Commission must be informed of any changes to the IC capacity secured by the supplier. The Commission does not require information on Bids made to the Transmission System Operators for capacity on the ICs.

Where the amount of capacity, which can physically be transferred by the supplier, has changed, the Commission should be informed without delay. In particular, the supplier must immediately inform the SSA and the CER of any IC outages affecting the flow of the contracted CHP from the country of origin.

This does not prejudice any future decision on superposition by the Commission due to restricted Available Transfer Capacity (ATC) across the NI to Republic IC.

4. Submission to System Operator

The Commission will require that a quarterly report be submitted to it derived from the original import nomination data that the supplier (or generator/trader) submits to the relevant system operator in each jurisdiction. This data should be accompanied by a statement from the supplier attesting to its accuracy, whilst the Commission reserves the right to access any supporting data.

The data submitted to the System Operators indicates the amount of energy that is being transferred across each interconnector by the supplier. This volume of nominated energy must be equal to, or less than, the volume of CHP energy under contract for purchase. This ensures that no amount of CHP energy, greater than which is under contract for purchase, can be imported across the interconnector.

Conclusions

It is in the interest of each supplier importing CHP electricity to provide all required documentation in advance of trades initially and thereafter in a timely fashion and in sufficient detail in order to satisfy the Commission that the imported energy transferred is CHP-generated under the Act and that they are in compliance with their Condition 20 obligations.

Eugene Coughlan
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