

Mr. James McSherry  
Renewables  
Commission for Energy Regulation  
The Exchange  
Belgard Square North  
Tallaght  
Dublin 24.

14/12/2011

Dear Mr. McSherry,

Thank you for the opportunity to respond to the consultation document that has been published on the certification of HECHP.

We feel that this is a timely document and one that needs to be expedited to its conclusion in order to allow for a rapid deployment of these efficient and jobs centric facilities countrywide.

We broadly agree with the overall intent of the document and welcome its swift transposition from consultation to directive, however we have included some small comments on the potential difficulties that may be experienced in the industry should the document be adopted in its current form.

It would seem that the intention of the directive is to ensure that the process requiring heat is required independent of a CHP generator and that there is a weighting of the alternatives to ensure that existing or planned independent heat requirements are displaced by the more efficient HE CHP process.

However a situation may exist where a facility that is operating at and above the 75% efficiency threshold and that has excess heat available due to an inbuilt efficiency at design stage may indeed choose to utilise the excess heat that it generates to dry feedstock for the system, but by consideration that this portion of heat that is utilised in this manner is not economically justifiable and by deduction of the disqualified portion of heat, it may affect the overall efficiency of the facility and bring it below the 75% threshold yet still maintain an overall PES in excess of the required 10% therefore potentially affecting its overall CHP v non CHP balance and that may potentially lead to a reduction in the overall amount of qualifying electricity production thereby potentially creating a disincentive to good overall process design.

The directive as written is designed to cover all types of energy use in cogeneration, from coal and gas to biomass and alternatives. It would seem that outlined approach 2 is designed to discriminate against biomass systems in general, which generally utilise more difficult and moisture variable feedstock's, this variable nature of raw material poses significant challenges, particularly in Irish conditions where moisture contents vary by as much as 75-80%, by allowing systems to pre process their fuels via heat recycling so that they are relatively homogenous it allows for a more conventional boiler design to be implemented and reduces the engineering cost significantly.

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This cost reduction will affect the overall financing costs of such projects and given the unstable financing environment that is being experienced continuously for the last number of years and for the foreseeable future it would seem prudent to ensure that for the development of the biomass industry that every assistance is given to ensure that projects are aided in achieving finance.

Therefore as is outlined in the first approach it is Biotricity's belief that all heat should be considered useful heat and that this seems to be consistent with the directive.

The proposed annual application process seems overly onerous with regards to the recertification of each individual plant annually via a fresh application procedure. It would seem that a more equitable way to handle this would be an initial certification which is then audited on an annual basis and thus recertified. The proposed spot auditing of larger facilities and the subsequent threat of immediate repeal of the HECHP certification seems particularly draconian, perhaps a more equitable way to deal with non compliance would be to implement a warning and rectification process whereby facilities that may be experiencing technical difficulties and are in some way not compliant receive a timely warning that they have, for instance, 90 days to achieve compliance or have their certificate repealed.

This type of auditing will have a significant bearing on the financing of any project if it is not found to be benign enough to ensure that there is some headroom and stringent enough to ensure corporate compliance, the proposed scenario may lead to a situation whereby a plant that is generally compliant may have experienced some unforeseen difficulty just prior to an unannounced audit and therefore may be incapable for a period of achieving its set efficiency goals yet still may be capable of power production, since the significant level of extra cost associated with a CHP unit is designed to be offset in its financing by the REFIT mechanism it does not seem just that a facility may be put into a default situation with its financiers because one particular small technical part of the overall facility has a temporary problem.

Whilst we appreciate that this may not be the intention of the CER in this aspect, we feel that the lack of a clear guideline in this regards may lead to some analysts attributing a risk weighting to this part of the certification process during financial close and thereby attributing an overall risk weighted cost to all facilities where this can otherwise be avoided through a clear definition.

Sincerely

Briain Smyth  
Operations Director