



Submission by Bord na Móna in response to  
CER Consultation CER 11/189

Certification Process for High Efficiency CHP

## INTRODUCTION

Bord na Móna welcomes the opportunity to respond to the current CER consultation CER 11/189 regarding the Certification Process for High Efficiency CHP units. Bord na Móna also acknowledge the extension granted by the CER to the consultation deadline to facilitate a meeting with the IrBEA.

Bord na Móna is mindful of the fact that the CER have been mandated under SI 499 of 2009 to effectively certify CHP units as meeting the ‘High Efficiency’ definition as defined by 2004/8/EC. CHP units meeting this criterion are entitled to priority dispatch by the system operator.

In the consultation paper, the CER identify two fundamental questions regarding certification, namely the concept of ‘*useful heat/economically justifiable*’ load and the methodology for determining the primary energy savings (PES).

## OVERVIEW

It is generally accepted that the majority of CHP units which will be seeking ‘HE’ certification will also be ‘competing’ in the forthcoming REFiT 3 support scheme. Unfortunately, the ‘terms and conditions’ underpinning the scheme have not yet been published. Bord na Móna fully appreciate that the policies, objectives and operation of the proposed REFiT 3 scheme are completely outside the CER’s remit. However, from the viewpoint of a market participant there is the potential for substantive overlap on the one hand, or ‘misalignment’ on the other between the HE certification process and complying with the requirements for REFiT support.

In the first instance, Bord na Móna would request that the CER be mindful of this lacuna facing potential participants and we would encourage that the CER would see fit to invoke a mechanism in this consultation process which could provide a window for comments by consultees post the publication of the terms and conditions of REFiT 3.

Returning to the substantive issue of the consultation, and examining the vexed question of ‘the Classification of Useful Heat’. It is noted the consultation paper succinctly summarises the “*intention of the Directive is that an existing need for heat generation is displaced by the more efficient HE CHP process*”. It is important therefore that the CER would see it’s role, in scenarios where existing non-HE CHP units which have undergone investment and upgrading to meet the relevant PES standard, as certifying such units as *new* HE-CHP plant.

### **USEFUL HEAT**

The question of ‘Re-Cycled Heat’ being considered useful heat, appears to be one of conflicting interpretations and perhaps the most prudent approach would be to seek legal opinion on which interpretation, would on the balance of probabilities, be favoured by the courts . Again as noted above, there is the potential for a mismatch with the yet to be published terms and conditions of REFiT3, pending the outcome implemented by the CER, (i.e. either Approach 1 or Approach 2 or even possibly an alternate construction), and eligibility for inclusion in the support mechanism remains ambiguous.

### **ECONOMIC JUSTIFICATION & MARKET CONDITIONS**

Bord na Móna agree that determining heat demand being ‘economically justifiable’ and defining ‘market conditions’ is a ‘*difficult and detailed task*’. Bord na Móna would suggest that the CER be prepared to adapt a flexible approach when examining these criteria. It is most probable that numerous HE-CHP projects will employ the useful heat in processes which ultimately produce a ‘commodity’ for sale on the open market. Invariably, such commodities are subject to the vagaries of price volatility and as such assessing the ‘market conditions’ must take cognisance of this variability.

### **CALCULATION METHOD & AUDITING**

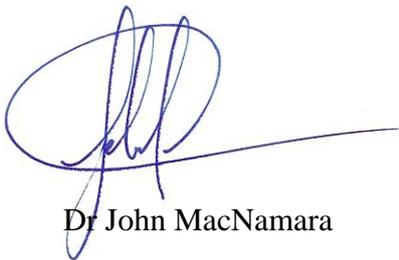
Notwithstanding the statutory role of the CER in protecting the consumers’ interests and validating the PSO, Bord na Móna would request that the calculation / auditing methodologies to be adapted impose the minimum regulatory burden and also be mindful of the fact that the financing and bankability of projects require a degree of certainty over a defined period.

**CONCLUSION**

Bord na Móna acknowledge the specific statutory role and responsibilities mandated to the CER regarding the certification of HE-CHP. It is most probable that many of the 'new' plants (including upgrades) which will seek certification will be powered by renewable fuels. In this regard it would be advantageous to allow potential market participants the opportunity to respond to this consultation in light of the terms and conditions underpinning the REFiT, once published. It may be prudent to seek independent legal advice as to the most appropriate definition of 'useful heat'. Interpretation of 'market conditions' must be such to allow for temporal / cyclic variation in costs/prices. Finally, the regulatory burden imposed on generators in obtaining initial certification and retaining it thereafter should be both minimised in the first instance and proportional to the 'size' of the project.

I trust that the above comments will be helpful in the current process. If you have any queries or comments please do not hesitate to contact me.

For and on behalf of  
Bord na Móna PowerGen



Dr John MacNamara

14<sup>th</sup> December 2011

