



For attention of Mr. James McSherry

Renewables,
Commission for Energy Regulation,
The Exchange,
Belgard Square North,
Tallaght,
Dublin 24

14th December 2011

11A0457 CER

**Re: Response to Consultation on Certification Process for High Efficiency CHP
(CER/11/189)**

Dear Mr. McSherry,

Byrne Ó Cléirigh (BÓC) welcomes the Commission for Energy Regulations' consultation paper on the certification process for high efficiency CHP, and the clarity that the proposed certification process provides to applicants. We recognise the constraints within which the certification process is based and the various interpretations that arise from the European and Irish legislation. In this regard, we offer our comments on the Consultation Paper as follows:

1. We welcome the emphasis in the paper that the key factor which determines the high efficiency status of a CHP installation is whether it achieves a Primary Energy Saving of 10% (for CHP installations other than small- and micro-scale).

However, we note that the Consultation Paper refers to *efficiency thresholds* of 75% and 80% and we consider that the use of the term *threshold* can cause a degree of uncertainty for applicants. In our view, neither the Directive nor the Irish legislation refers to the 75% and 80% efficiency values as thresholds; they are used as a means for determining the route by which the *electricity from CHP* is calculated. We note that this is reflected in the Commission's paper, but we believe that it would be beneficial to remove reference to the word *threshold*.

2. We recognise that there is a degree of ambiguity in how to interpret the meaning of *useful heat demand* and we can see the merits in both of the approaches proposed by the Commission. However, we do not believe that the title for Approach 1 matches its description. Approach 1 is referred to as *All Economically Justified Heat is Considered Useful Heat*. This suggests that an *economically justifiable* heat demand is also a *useful heat demand*, but the more detailed description states that under this approach, the economically justifiable heat would be eligible for assessment as useful heat. We believe that, as written, this could cause confusion for applicants.

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3. Our understanding of the Directive and the Irish legislation is that the criteria for assessing heat as *useful* is by considering whether, in the absence of CHP, the heat recovered from the plant would be supplied by other fuels or heat sources under market conditions. We can foresee situations where the decision to invest in a CHP plant as part of a larger investment may determine the economics of the larger integrated industrial investment itself. In the absence of the economic contribution from CHP, with its income from heat and power, the larger investment may be less viable than it would be without high efficiency CHP status. In that case, the potential heat load will not exist without the investment and could not therefore be supplied under market conditions without the CHP unit. In our view, in consideration of *market conditions*, recognition of the context in which the investment is being made should be considered.
4. We believe the CER should clarify that there is no onus on an applicant to prove that the provision of heat via CHP is the *most* economic alternative, but simply that it is *economically justifiable*. As noted in our comment 6, it is our view that the relative economics are for the applicant to determine in each particular circumstance.
5. We note in section 3.4 of the paper that the CER interprets the term *at market conditions* to mean market conditions in the absence of support/subsidy and we would be grateful if the CER could confirm whether this is confined to direct *financial* support/subsidy, or whether it refers to other support mechanisms that may be in place for the alternative heat generation process.
6. We also note in Section 3.4, under Criteria (a), that applicants must provide a variety of information on the alternative heat generation process, including costings, rates of return and operating costs. It is our view that the case for economic justification for the selection of one technology over another is dependent upon the requirements of the applicant and the applicant's business model, and therefore we would be grateful if the CER could confirm whether it intends to compare the financial information provided by the applicant against set criteria, or whether the CER will be amenable to each applicant providing the economic justification on a case-by-case basis.
7. We believe that it would be useful if the CER could confirm that reference by an applicant to analogous uses of CHP in other jurisdictions and/or in similar applications, can be used to demonstrate, to a certain degree, that the use of CHP *can* be considered economically justifiable. Criteria (b) in Section 3.4 indicates that the CER will examine analogous CHP use to that proposed by the applicant.
8. There is a variety of terminology used in the Directive, the Irish legislation and the associated decisions and guidance documents, particularly in relation to the term *power to heat ratio*. This term is qualified by *actual*, *design* and, in the case of the CER's Consultation Paper, the *power to useful heat ratio*. As the terminology has a



direct impact on how the legislation is interpreted, we consider that a discussion of the terms and how the CER interprets them would be useful. We also suggest that the CER uses the terms within the legislation to maintain consistency.

We trust that our comments are of benefit to the CER in finalising its certification process and we look forward to publication of the Decision Paper in due course.

Yours sincerely,

Thomas Cleary
Chartered Engineer