

Submission by Bord na Móna Powergen

on

the Commission for Energy Regulation's
Strategy Plan 2014 – 2018

30th May 2014

Executive Summary

Bord na Móna Powergen welcomes the opportunity to input into the Commission for Energy Regulation's draft Strategic Plan for the years 2014 – 2018.

In the first instance, it must be pointed out that Bord na Móna Powergen is broadly in agreement with the general 'direction of travel' detailed in the draft Strategic Plan for the years 2014 – 2018. It should also be noted that this short submission limits itself to comments where there is direct overlap between Bord na Móna Powergen's own activities and the statutory roles and responsibilities of the Commission for Energy Regulation (CER).

In summary, this submission notes the challenges that exist for Ireland in both providing a safe, secure power system and putting in place measures that meet our legal obligations under the 2020 targets, and the ambition to 2030. In this regard, it is suggested that network development (including a re-assessment of connection policies) will be a critical element during the lifetime of this proposed strategic plan in meeting these targets.

In addition, suggestions are made that the impartial and independent position of the CER together with its remit to ensure the safe supply of energy be employed in helping final consumers understand the actual risks associated with the delivery (and non-delivery) of energy infrastructure.

In terms of generation adequacy, the decisions of the CER (and UR) to implement the CRM is now beginning to be replicated in numerous European member states – highlighting the importance of differentiating between long term system adequacy and short term flexibility.

Finally, Bord na Móna Powergen, noting the CER's expanded role and responsibilities recognise that the expertise and experience of CER staff must be retained and developed. BnM Powergen supports the actions proposed to achieve this as well as a commitment to deliver best international practice in regulation.

Background

The Bord na Móna Powergen business manages and operates Bord na Móna's existing power generation assets, which include the Edenderry peat/biomass generating unit, the Cushaling peaking plant, the Drehid Landfill Gas facility, the Bellacorick and soon to be commissioned Mount Lucas and Bruckana windfarms. The business also has a number of developmental projects at different stages of maturity, which will add substantially to Bord na Móna's electricity generating capacity over the coming years.

Bord na Móna Powergen (hereunder BnM Powergen) fundamentally supports the Commission's focus on achieving adequate generation and network development, providing a safe secure power system for current and future generations, and designing a competitive wholesale market, whilst protecting the interest of the end consumer.

The electricity sector in Ireland has made a valuable contribution, and arguably has punched above its weight in contributing to Ireland's efforts to achieve the 2020 RES targets. The Government agreed that approximately 40% of Ireland's electricity, 12% of heating and 10% of energy in transport should be generated from renewable sources in Ireland by 2020 in order to achieve the mandatory Renewable Energy Directive (2009/28/EC) targets. This breakdown was contained in the National Renewable Energy Action Plan (NREAP) in July 2010 and updated in two subsequent Progress Reports.

Examination of the 2nd NREAP Progress Report projects a reduction in the total energy demand and a subsequent decrease in the volume of energy produced from renewable energy sources mandated in 2020, reflecting the impact of the economic downturn and financial crisis.

However, the Environmental Protection Agency (EPA) recently published¹ an assessment highlighting that there is significant risk that, even under the best-case scenario, Ireland will not meet its EU 2020 targets for CO₂ emissions from the non-ETS sector and is behind the necessary trajectories for RES-T and RES-H penetration. It is not inconceivable that policy makers could amend upwards the level of ambition for RES-E targets to compensate for shortfalls in the renewable heating and transport sectors.

Notwithstanding, any future changes to the existing RES-E targets, BnM Powergen welcomes this opportunity to comment on aspects of the Commission's draft Strategic Plan 2014 – 2018, as it relates to the attainment of Ireland's immediate 2020 targets and interim 2030 trajectories.

Strategic Goal One – To ensure that “*electricity and gas are supplied safely*” – facilitating a world class public safety record.

Bord na Móna's own commitment to Health and Safety is similarly aligned and mirrors that proposed by the CER, namely, ‘*to achieve and sustain the highest standards of Health and Safety as far as is reasonably practicable*². As part of the practical delivery of this policy, there is a commitment by Bord na Móna to identify hazards and carry out an assessment of the associated risks. Where such risks are assessed to be minimal, they are recorded and noted with this classification.

¹ Retrieved (28th May 2014) from <http://www.epa.ie/newsandevents/news/name.54166.en.html#.U4zbFXJdVac>

² Bord na Móna plc, Health and Safety Policy Statement

By way of corollary, it is respectfully suggested that the CER's own assessment of electricity infrastructure, and being cognisant of the organisation's independence and impartiality, proactively address and allay consumer's concerns over unfounded risks that are alleged to arise with such developments.

Strategic Goal Two – to ensure that “the lights stay on” – Secure electricity supplies from production to consumption

BnM Powergen recognises the importance of maintaining secure and reliable electricity supply whilst supporting the integration of indigenous renewable energy sources up to and beyond 2020. In light of this we welcome the opportunity to comment on the Commission's strategies relating to the development of electricity networks and interconnection, generator adequacy and emergency planning.

Infrastructure: Electricity Networks

Bord na Móna Powergen fully supports the CER's assertion that '*network developments is a key aspect in maintaining secure supplies and increasing the role of indigenous renewable energy in Ireland's energy mix*'. In addition, the action (2.1.2) to '*continue to monitor the delivery of Gate 3 connections to ensure network connections support delivery of national renewable targets for 2020*' is also welcomed, however it is again suggested that perhaps a more proactive approach be adapted. The delivery of power system infrastructure in Ireland can be a lengthy process not always compatible with externally imposed timelines. The achievement of the immediate 2020 targets may require a re-assessment of existing connection policies. Notwithstanding the work done by the Gate 3 Liaison Group, a new forum or process which facilitates the input of stakeholders, e.g. **developers with viable RES-E projects** (that can be delivered expeditiously), policy makers (DCENR), TSO, DSO and the CER would be welcomed.

Interconnection – Future interconnection projects

Bord na Móna Powergen concurs with the CER's considered opinion that '*increased interconnection with Europe to be helpful in both improving security of electricity supplies and competitiveness of the electricity market*'. More recently, the EU Commission published a communication on an Energy Security Strategy³ which clearly highlights the need for '*significant development of energy transport infrastructure, in particular cross-border interconnections between Member States*'⁴. In this regard the CER's proposed actions in section 2.2 are reasonable and prudent, however expanding action 2.2.2 to include '*co-operation with other NRAs and governments in the development of regulatory frameworks for the delivery of future interconnectors*' would be welcomed by Bord na Móna Powergen.

³³ Communication from the Commission to the European Parliament and the Council – European Energy Security Strategy (SWD 2014 330 Final)

⁴ Ibid at section 4.2

Generation Adequacy / Power System Resilience

BnM Powergen supports the Commission's intention to monitor generator adequacy to ensure security of supply standards is achieved. .

In this regard it is interesting to note that many NRAs and governments⁵ across Europe are now beginning to implement "new" mechanisms to ensure generation adequacy. On the island of Ireland, the CRM is one such established (by the CER & UR, and implemented by the SEMC) mechanism. The CRM in the SEM has proven itself to be the primary factor in ensuring that, post the worst financial crisis in the history of the state and noting the geographical isolation of Ireland, there is still sufficient generation capacity 'on the bars' to meet consumers expectations.

While it is appreciated that the I-SEM project will deliver on a new compliant market design, it is assumed that in 'monitor[ing] generation adequacy' the CER will continue to look at the longer term time horizon and incentives for developers to deliver capacity, as distinct from conflating adequacy with short term system requirements for real time flexibility. It is also expected that over the lifetime of this strategic plan, and falling under the gambit of 'monitor[ing] generation adequacy' the question of harmonising definitions and implementation of common 'supply standards' across the European market will come to the fore, Bord na Móna Powergen along with other stakeholders would welcome an opportunity to input into such discussions..

The Ukraine crisis has re-opened the debate around the need for diversified energy sources, routes and counterparties, but also highlighted the necessity to complete the internal energy market reform, increase domestic energy production and energy efficiency. Particular attention in Europe is given to the increasing necessity to diversify the supplier countries, especially in the field of gas, this draws the attention to continuing reliance on gas supplies in the Irish generation mix. BnM Powergen believes that electricity produced from indigenous and diversified fuels (peat, native and imported biomass) should continue to play an important role in the generation mix.

Emergency Planning – Policies to deal with emergency events

Bord na Móna Powergen supports the efforts of the CER in putting measures in place to deal with emergency events.

Strategic Goal Three – To ensure that 'the gas continues to flow' – Secure natural gas supplies with improved diversity of sources

Although Bord na Móna Powergen does not currently operate any gas fired generation units, we fundamentally recognise the criticality and the strategic importance to the economy as a whole of ensuring adequate gas supplies and broadly welcome the approach being proposed by the CER.

⁵ GB, France, Germany...

Strategic Goal Four – To ensure a reliable supply of clean water and efficient disposal of wastewater

Bord na Móna Powergen are not active in the provision of these utility services, however we recognise the importance of this new role for the CER, together with the need to approve, regulate and develop water/wastewater infrastructure into the future.

Strategies to Achieve Goal Five – to ensure that “the prices charged are fair and reasonable”

BnM Powergen believes the delivery of a stable competitive wholesale market can provide the lowest cost to the end consumer, but must also be capable of attracting investment and reducing Ireland's dependence on energy imports. We strongly support the Commission's commitment for further investment into renewable generation, increased interconnection and storage, and demand side participation.

The proposed actions⁶ in 5.1, while addressing some of the more immediate market redesign requirements fails to expressly recognise the benefits that long term generation adequacy, (see comments re section 2 above) including mechanisms that incentive capacity, delivers to consumers in terms of reduced price volatility and market power mitigation.

Bord na Móna Powergen acknowledges and appreciates the CER's proposed action to minimise curtailment of renewable generators, however, it must be remembered that this market outcome is fundamentally coupled to the development of a network that is fit for this purpose.

Strategic Goal Six – To ensure Regulation is Best International Practice – Living up to our Values

At a time when the role and responsibilities of the CER is expanding, Bord na Móna Powergen agrees that the achievement of the Commission's goals relies fundamentally on the knowledge and expertise of the CER's staff and their judgement in developing policies, recommendations and decisions. BnM Powergen therefore sees considerable merit in progressing personal/professional development of the CER staff and knowledge retention initiatives detailed in box 6.2,

Bord na Móna Powergen also welcomes the commitment to regularly review and implement best regulatory practice. As noted above, in response to comments regarding the design and implementation of the I-SEM, this is perhaps not the forum for detailed suggestions as to how and when such reviews should be carried out and how suggested

⁶ Bord na Móna Powergen have views on the IEM and the requirement of the new I-SEM to hit what is in effect a moving target (particularly in regard to the balancing timeframe) however, we appreciate that this is not the forum for a detailed submission on these concerns.

improvements can be incorporated into the CER's day to day activities. However, it would be remiss of this organisation not to take to this opportunity to suggest areas that could be included in future reviews e.g. that processes for appeals of decisions be examined, that impact assessments accompany decisions, as well as the old chestnut of well structured stakeholder engagement.

Finally, we again re-iterate our appreciation for the opportunity to comment on this consultation, and are available to provide clarification, additional information or to discuss further any of the matters raised in this submission.

For and on Behalf of

Bord na Móna Powergen



Dr. John MacNamara