

Submission by Bord na Móna PowerGen

on

**Extension to the Criteria for Approval of Intermediary
Applications under the Trading and Settlement Code**

Consultation Paper

SEM-11-004

Extension to the Criteria for Approval of Intermediary Applications under the Trading and Settlement Code

Response to the Consultation Paper – SEM-11-004

Introduction

Bord na Móna welcomes the opportunity to respond to the consultation paper from the SEM Committee on the extension to the criteria for approval of Intermediary applications under the Trading and Settlement Code. As outlined in the paper, Intermediary arrangements have been a feature of the Single Electricity Market since its inception and have been operating successfully for the past three years.

In broad terms Bord na Móna fully supports the proposed extension, to allow certain Price Maker Generator Units to appoint an Intermediary to act on behalf of these units, but we would have some concerns regarding the limiting conditions proposed in the consultation paper. These concerns relate to the future operation of Hybrid peat/biomass generating units within the Single Electricity Market.

Application to Hybrid Plant

In our submission to the SEM Committee in response to the ‘Principles of Dispatch’ proposed position paper (SEM-10-060), Bord na Móna outlined a proposed scheme for the priority dispatch of Hybrid peat/biomass generating units. This proposed scheme envisaged that the Hybrid Plants would declare as Price Takers for the period during which they are granted priority under the Renewable Energy Directive (2009/28/EC), e.g. from October to April when demand on the system is highest. During the remainder of the year, from May to September, these plants would change over to become Price Makers and be dispatched if they are in merit.

The introduction of a Renewable Energy Feed In Tariff (REFIT) to support biomass co-firing was announced by the Minister for Communications, Energy and Natural Resources in May 2010. Details of the support mechanism for co-firing are included in the National Renewable Energy Action Plan (NREAP) submitted to the European Commission in July 2010.

It is Bord na Móna’s understanding that the detailed Terms and Conditions for REFIT support of biomass co-firing have been submitted to the European Commission for approval, but that these Terms and Conditions are not yet in the public arena. In the absence of the precise details, Bord na Móna must assume that the Terms and Conditions for the PSO-backed biomass co-firing REFIT would reflect other existing REFIT structures, and **may** require the appointment of an Intermediary to receive the support scheme payments.

Under the winter Price Taker/summer Price Maker model proposed for Hybrid peat/biomass generating units, biomass would be a majority fuel component during the winter Price Taker period, and a minority fuel component in the summer Price

Maker period. The Hybrid unit would therefore need to be able to access the REFIT support scheme both as a Price Taker and as a Price Maker.

Concerns Regarding the Proposed Conditions

The proposed extension to the criteria for approval of an Intermediary, to also allow Price Maker Generator Units appoint an Intermediary to act on their behalf, would facilitate access to the REFIT scheme by a Hybrid Plant operating in Price Maker mode. While Bord na Móna understands the SEM Committee's reservations regarding the concentration of market power, we believe that the proposed condition (b) is too restrictive:

Condition (b): *"The generator's Maximum Export Capacity is less than 50 MW"*

In the event that the biomass co-firing REFIT support scheme requires the appointment of an Intermediary, this condition would preclude the proposed extension applying to any of the peat-fired plants when co-fired with biomass and operating in the Price Maker mode. The threshold would need to be raised to a Maximum Export Capacity of 140 MW to encompass all of the co-fired peat units.

In summary, Bord na Móna is fully in favour of the proposed extension to the criteria for approval of Intermediary applications. It would facilitate co-fired peat plants operating part of the time in Price Maker mode being able to access the support scheme if an Intermediary is required under the co-firing REFIT rules. However, the MEC threshold for applicability needs to be increased.

For and on behalf of
Bord na Mona PowerGen,



Charles Shier
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