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**SEM COMMITTEE PROPOSED POSITION PAPER SEM-10-060 (2
SEPTEMBER 2010) ON THE PRINCIPLES OF DISPATCH AND THE
DESIGN OF THE MARKET SCHEDULE IN THE TRADING AND
SETTLEMENT CODE**

I refer to the invitation to submit comments on the proposed decisions set out in the above paper. DOE welcomes the opportunity to respond and would comment as follows:

We acknowledge that under the Single Electricity Market, which operates over the Island of Ireland, certain types of electricity generators will be given priority over others with regard to the sale of their electricity. The SEM Position Paper SEM-10-060 proposes certain changes to the operation of the Market, including some relating to the definition of 'priority' status.

However, the position paper does not address the unique position of Energy from Waste (EfW) facilities and in particular does not reflect the application of the Renewable Energy Directive 2009/28/EC requirement that such facilities should be provided with Priority Dispatch status. It is widely accepted that a more holistic and cohesive approach to tackling waste and energy is required and, in this context, it is important that arrangements and conditions are created to facilitate and improve current arrangements.

The Renewable Energy Directive 2009/28/EC requires Member States to give priority to generating installations using renewable energy sources in so far as the secure operation of the national electricity system permits and based on transparent and non-discriminatory criteria. The renewable energy sources as defined in Renewable Energy Directive include the biodegradable fraction of industrial and municipal waste. Accordingly, there is a clear direction from the EU that EfW facilities fuelled by the biodegradable fraction of industrial and municipal Waste should be afforded priority dispatch within the Single Electricity Market.

I would stress that the Directive does not differentiate between the renewable and non renewable fraction of waste nor discriminate against the non-renewable fraction. It is important that priority dispatch for EfW facilities is not confused with the issue of the electricity consumer or taxpayer funded incentives for renewable fuel sources e.g. ReFIT NIROCs etc.

A holistic approach must be taken to the development of energy policy and adequate regard must be taken in respect to statutory obligations for waste management. We would urge the SEM Committee to recognise that waste legislative provisions could help and contribute to preventing any abuse or inappropriate outcomes in the Single Electricity Market through the introduction of pragmatic and workable measures.

There is no incompatibility between the points made in this response and the SEM Committee's legal duties and functions which are outlined in the introduction of the Position Paper, namely:

- Protection of the interests of consumers of electricity – consumers of electricity are also producers of waste and they have an interest in their waste being converted from a liability to an income stream to control the price they pay for both electricity and for waste management.
- Effective competition – the energy from waste facilities planned as part of waste infrastructure across Ireland will provide new base load generating capacity with low variable cost.
- Security of supply and environment – EfWs provide reliable capacity, generate electricity from non intermittent indigenous fuel source, are in close proximity to centres of demand, provide fuel diversity and reduce the reliance on imported fuel, contribute to the reduction of greenhouse gas emissions and remove from the next generation a legacy of landfill sites created by this one.
- Energy from renewable sources – the fuel source for the planned EfWs use renewable fuel sources as defined by EU Directives and will make a significant contribution to the targets to produce energy from biomass.
- Exercise of functions – it is now practical to address how EfWs are treated in the SEM given the need to transpose EU legislation related to waste being a renewable fuel source in an uncomplicated and transparent manner to national law and the status of waste infrastructure programmes in both jurisdictions. It would be illogical and inconsistent for the SEM to overlook or frustrate the implementation of statutory waste programmes and leave member states and citizens at risk of significant legal and financial consequences. On the contrary, the SEM has an opportunity to facilitate the implementation of EU waste legislation while also progressing energy policy and facilitating the attainment of renewable targets.

The role of EfW in enabling Northern Ireland to meet its statutory waste obligations has been articulated in the National Waste Strategy and the three sub-regional Waste Management Plans. Implementation of these plans is a key element of Northern Ireland's efforts to meet its obligations under the European Landfill Directive and the revised Waste Framework Directive. An operational EfW facility has yet to be fully established in Northern Ireland. However, a number of nationally significant projects are currently at various stages of development.

From a financial and economic perspective the provision of Priority Dispatch status will;

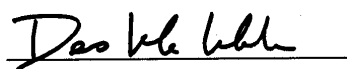
- Provide the robustness and certainty with regard to incorporation into the business cases to ensure the relevant facilities are procured;

- Realise the most economically advantageous position for the taxpayer / ratepayer – who will also be an electricity consumer;
- Facilitate securing of the initial necessary private sector funding to deliver the infrastructure required to meet statutory waste targets;
- Enable predictable cash flows to meet project debt servicing.

In closing I would again urge that implementation of the Single Electricity Market and associated measures incorporates granting priority dispatch to Energy from Waste facilities, both to enable compliance with strategic waste obligations and in recognition of their renewable energy contribution, indigenous fuel source and the operating constraints placed on them by EU Directives and environmental licensing. I would be happy to discuss any issues which this response raises with you.

I trust this is of assistance and makes a constructive contribution.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Denis McMahon", written over a horizontal line.

DENIS McMAHON

DIRECTOR- ENVIRONMENTAL POLICY DIVISION