SEM-22-024

CONSULTATION ON CHANGES TO REDUCE COLLATERAL REQUIREMENTS IN THE BALANCING MARKET

A Submission by

Dublin Waste to Energy

17th June 2022

Dublin Waste to Energy Ltd ("DWTE") welcome the opportunity to comment on the consultation in which the Regulatory Authorities (the "RAs") consult on changes to reduce collateral requirements in the Balancing Market,

Dublin Waste to Energy Ltd is a Waste to Energy ("WtE") facility, operated by Covanta, located on the Poolbeg Peninsula in Dublin City. It is a PPP with the four Dublin Local Authorities. The facility entered commercial operation in 2017. The plant can be described as a dual utility facility providing both a waste treatment service and renewable energy to the grid. Waste to Energy provides non-intermittent, indigenously fuelled, renewable energy generation capacity, offering many advantages both as a source of reliable base-load renewable generation capacity and in terms of the achievement of national and EU energy and environmental policy objectives.

The DWTE facility is Ireland's largest Waste to Energy plant, treating 600,000 tonnes of residual municipal solid waste ("MSW") per annum. This is equivalent to 35% of Ireland's residual MSW. As a result, the plant is considered a critical part of Ireland's waste management infrastructure.

Response to the Consultation Questions

Question 3

In your view, what are the reasons why many Participants in the balancing market are posting extra Credit Cover, significantly over and above their Required Credit Cover?

Given the recent volatility in global commodity markets, collateral requirements in the SEM have become unduly burdensome for participants. While the consultation paper proposes an evaluation of the undefined exposure period, we would draw the RA's attention to other aspects of the credit cover calculation.

While it is important to ensure the market is sufficiently collateralised, the Market has semi-regular issues retrieving market inputs which in turn delays settlement. Any delay to settlement runs places a considerable increase to the *Traded not Delivered Exposure.* For example, in the event of a metering issue, the number of days feeding into the Traded not Delivered Exposure calculation will increase by one each day until the issue is resolved.

For a baseload plant, with relatively low BM exposure, this will have the impact of an increase in credit by almost 50% for one day, 100% for two days etc.

A prudent generator, who takes all reasonable steps to ensure balance responsibility, can be exposed to a sudden collateral burden. Posting 'excess' collateral is prudent in general to cover other inputs to the calculation which can be subject to change (such as the credit assessment price), but an expectation that the generator should cover sudden increases of 50% or more, due to systems issue outside of the generator’s control, would appear self-evidently incorrect.

Question 4

In your view, are the approval times for Letters of Credit causing Participants to post extra Credit Cover as “headroom” as they believe they may find it difficult to meet the timelines of a Credit Cover Increase Notice (CCIN) with a Letter of Credit?

In the event of a CCIN, it is not feasible to put a new letter of credit in place in the required time. It may be possible to amend an existing letter, but in our view, there would be a high possibility the two working day requirement would be missed.