

## SEM-20-028

### "Implementation of Regulation 2019/943 in relation to Dispatch and Redispatch"

CEWEP would like to thank the SEM Committee for the opportunity to respond to the consultation "Implementation of Regulation 2019/943 in relation to Dispatch and Redispatch", SEM-20-028.

CEWEP is the umbrella association of the owners / operators of waste-to-energy (WtE) facilities, representing approximately 500 plants across Europe. Our members represent nearly 90% of European WtE capacity.

CEWEP Ireland (hereafter "CEWEP") is the Irish branch of CEWEP Europe and has two members. Indaver operates the Meath Waste-to-Energy facility and is proposing to develop similar facilities in Belfast and Cork. Covanta operates the Dublin Waste-to-Energy facility. Members currently have a total treatment capacity of over 900,000 tonnes per annum residual waste and export almost 80MW of electricity.

Both the Covanta and the Dublin Waste to Energy Facility ("the facilities") qualify for Priority Dispatch on the basis of the renewable fraction of the processed residual waste. Both facilities are currently in receipt of REFIT, with such financial support due to fall away prior to 2030 in both cases.

In the response to the consultation, CEWEP first outline both a high-level summary and then key points of note from its review of the consultation. Secondly, CEWEP provides its response to the 15 questions posed in the consultation. Some comments in the response to the questions are repeated from the points of note for completeness.

#### **Summary**

- CEWEP facilities should have the highest priority dispatch within the hierarchy (subject to hydro safety concerns), justified by the public health issues that may arise with sustained disruption of the processing of waste, the essential service of waste recovery required under European legislation, the original flawed rationale of SEM-11-062, and the detail of the Regulation itself;
- CEWEP facilities should be able to recover their lost subsidy through either competition in a market-based mechanism, or through Article 13(7) of the Regulation when subject to downwards redispatch;
- Generators which had sufficiently progressed their projects within the context of assumed Priority Dispatch status, should be considered to have concluded a contract for the purposes of Article 12. CEWEP is of the view that the most objective non-disputable measure of this is whether a generator was in receipt of a connection offer by July 4<sup>th</sup> 2019. Loss of Priority Dispatch should not occur arising from "business as usual" adjustments and improvements to a generation facility. Examples of "business as usual" activities are given in the text.

## **CEWEP Key Points**

### Process

The consultation paper is complex, and CEWEP recommends that only areas which have been fully explained with adequate detail should progress to a final decision to give industry participants adequate opportunity to comment. Areas which could progress to a final decision include which generators should have priority dispatch, and a ruleset for when such generators need to give up that support.

### Processing of Waste as Policy

Throughout all of our response, we encourage the SEM Committee to keep in mind that the primary purpose of waste processing facilities is exactly that – the processing of waste. This waste processing is vital to the strategic waste management policy of Ireland. CEWEP facilities are deemed an essential service for both waste processing and energy production, and are a critical part of the national waste infrastructure, processing in excess of 40% of the residual waste produced in Ireland. The facilities are R1 recovery facilities, i.e. the waste is used principally as a fuel to generate energy. This is paramount for Ireland to meet its recovery rates for waste management.

According to EU waste policy, WtE facilities can be classified as either a recovery operation or a disposal operation. As waste policy has evolved and become increasingly focused on moving waste 'up the hierarchy', national targets for recycling and recovery reflect this shift in emphasis. The distinction between 'recovery' and 'disposal' has become progressively more relevant, both commercially and economically.

WtE is classified as recovery if it meets the R1 energy efficiency threshold i.e. level of energy recovery from waste. The Waste Framework Directive specifies that WtE can be classified as R1 only where their energy efficiency is equal to or above 0.65. WtE facilities are designed with this threshold in mind and reports this information on an annual basis to ensure it still meets the recovery threshold. Instructions to dispatch down to minimum generation (or indeed dispatch down to off) can impact the amount of waste treated, the amount of electricity produced and ultimately Ireland's ability to meet these targets. We note that failure to meet these targets can lead to material fines from Europe for non-compliance. This should also be taken into account by the SEM Committee in the consideration of their statutory duties to the consumer.

There are also public health issues with sustained levels of curtailment which must be considered by the SEM Committee. Facility licensing prohibits storage of large amounts of waste on-site. Landfill capacity in Ireland is limited. Electricity downward redispatch has the potential to disrupt the balance of Ireland's entire waste infrastructure, leading to fundamental issues as to where collectors can bring waste. Electricity consumers are citizens too. The SEM Committee's responsibilities to the consumer do not end at the cost of electricity.

Downward dispatch or redispatch of CEWEP facility is therefore significantly different from dispatch down of other plant on the system, in that it hinders the processing of another essential service. The consequence to the waste industry and Ireland's legal obligations of such dispatch down is far greater in magnitude to the impediment to the power generation industry to facilitate baseload operation of WtE.

The production of sufficient electricity to qualify as an R1 recovery facility should not be hindered by energy policy. Unfortunately, that is now a matter of fact for CEWEP members. Even though members are compliant with Grid Code standards, the operation of the electricity system and the extent of variable renewable generation mean:

- The overall maintenance costs of waste-to-energy technology is increasing year on year;
- Qualification as an R1 facility may be at risk if waste continues to be processed without the concurrent production of energy;
- There are actual public health concerns around disrupting key elements of Ireland's waste processing infrastructure; and
- For some members, the waste needs to be diverted to other treatment processes such as landfill, contrary to EU mandated targets and policy objectives.

As CEWEP facilities qualify for Priority Dispatch, the key issue in relation to the above concerns are the Priority Dispatch hierarchy, which is now open for public consultation for the very first time. It is disappointing that the first opportunity to comment on this hierarchy has occurred within the context of the Regulation, and the uncertainty in the paper as to the intent of the different priority dispatch hierarchies presented.

#### Priority Dispatch Hierarchy

This is likely an area that will require further consultation.

There are two Priority Dispatch hierarchies presented in the paper. One is an adjustment to the existing Priority Dispatch hierarchy (introduced in SEM-11-062) and the second is in relation to non-market based redispatch pursuant to the Regulation.

The hierarchies are different. It is not particularly clear when one might apply over the other, or whether they are intended to be competing alternatives within the paper. If one is intended for market based redispatch and another for non-market based redispatch, both hierarchies can be happening simultaneously. The lack of clarity as to the proposals arises (outside of definitional uncertainties in the adjustment to SEM-11-062) as follows:

- Curtailment in the paper is classified as non-market based redispatch;
- Curtailment in the paper is considered solely within the context of non-synchronous generation; however
- The majority of dispatch down of CEWEP facilities occurs during periods of non-synchronous curtailment where there is a requirement to keep a minimum number of must run generators synchronised to the Grid for system stability. CEWEP facilities are turned down before wind due to the application of SEM-11-062 hierarchy; and therefore
- The consultation is subsequently unclear whether CEWEP facilities should be considered within the Regulation's hierarchy for non-market redispatch for curtailment.

### Priority Dispatch Hierarchy: Regulation

CEWEP believes that the legal position is clear. Downwards redispatch of CEWEP facilities which happens concurrently with non-synchronous curtailment is also non-market redispatch as CEWEP facilities are bound by BMPCOP during such periods and cannot receive market-based compensation<sup>1</sup>. Therefore, the Regulation's hierarchy must apply, and the SEM-11-062 hierarchy is no longer legally valid. CEWEP facilities should have the same shared priority as all renewables for downwards redispatching on a non-market basis.

We also note that the SEM Committee's description of the Regulation's non-market based redispatch hierarchy is incomplete, leaving out the protection for dispatchable / controllable renewable and HE CHP power that does not export. There are limited circumstances where this occurs in the SEM, but the rules should reflect the regulation.

### Priority Dispatch Hierarchy: SEM-11-062

If the SEM Committee, however, can develop an argument and progress with the belief that dispatch down of CEWEP renewable facilities is "market based redispatch" during non-synchronous curtailment events, then CEWEP has comments in relation to the proposed changes to the SEM-11-062 hierarchy.

We do consider such classification as problematic.

Dispatchable Priority Dispatch generators under the Code with zero marginal costs have to submit a price of zero (D.4.4.11). Dispatchable Priority Dispatch generators under the Code with non-zero marginal costs are bound by the BMPCOP, which does not allow them to recover their opportunity costs. Even if submitting a non-zero price, this is ignored in dispatch, and the Priority Dispatch hierarchy applies. Controllable Priority Dispatch generators (all of which have zero marginal cost) cannot submit a price at all. Every generator is on an equal footing: all Priority Dispatch generators have their costs ignored during such events.

There is also an obligation under the Regulation to minimise downwards redispatch of renewables (Article 13(5)). This implies that if there is market-based downwards redispatch of renewables it must occur *after* the market-based redispatch of conventional generation – which is another element which needs to be overcome when defining downwards redispatch as market based.

Furthermore, for reasons of non-discrimination, if Priority Dispatch dispatchable synchronous generation is considered market based redispatch when dispatched downwards, CEWEP considers that the same logic should apply to non-synchronous Priority Dispatch generation when being curtailed. It would be a paradoxical outcome for non-synchronous renewables without Priority Dispatch during curtailment events having priority over synchronous renewables with Priority Dispatch.

That said (assuming the Priority Dispatch renewables are subject to this market-based hierarchy):

- CEWEP notes that the hierarchy produced in SEM-11-062 was never consulted on (it was produced as an appendix to a decision paper without an opportunity to comment), and therefore makes

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<sup>1</sup> There is an important distinction to be made here. Just because compensation for downwards redispatch down flows through the T&SC, does not mean that the redispatch decision was chosen on a market basis.

erroneous assumptions around waste-to-energy facilities that during periods of dispatch down, the waste is somehow stored, increasing security of supply. Waste either continues to be processed with the energy lost, or waste eventually has to be diverted to other solutions, such as landfill. The rationale for the lower priority of waste to energy was flawed;

- The original priority dispatch hierarchy contained no “scheduling” steps of turning off any generators. No rationale has been provided for the expansion of the dispatch hierarchy into commitment decisions;
- References to Autoproduction are unclear. If there is power being consumed onsite to support processes below the level of the minimum stable generation, it is not Grid Code compliant to request such generators to operate at a technically infeasible level;
- Most importantly, the Priority Dispatch hierarchy takes into account wider non-TSO licence objectives, namely consideration of water levels in dispatch of hydro facilities. CEWEP believe this is entirely appropriate, and argue that such wider considerations, including wider state policy objectives, should be taken into account in the design of the hierarchy (as described earlier). Consideration of such waste policy objectives should not be undermined by a Priority Dispatch hierarchy.

For these reasons, downward redispatching of CEWEP facilities should be considered at least at the same level in the hierarchy as non-synchronous energy (wind, solar), if not even higher.

While outside the scope of this particular review, future waste-to-energy facilities or indeed Autoproduction or HE CHP facilities where the production of electrical energy is a secondary by-product of a wider industrial process, may require either Grid Code derogations or different treatment in dispatch more generally if these technologies are to remain viable in the long-term.

#### Priority Dispatch Hierarchy: Interconnector Counter-Trading

It is understood that issues associated with SO-SO Interconnector trades are highly bound up with European Network Codes. It may or may not be appropriate to include TSO actions within a Priority Dispatch hierarchy anymore. Nevertheless, there is an extraordinary lack of clarity as to what activities are being taken (or can be taken) on Interconnectors once each relevant Intraday auction has been cleared.

CEWEP strongly recommends that EirGrid communicate such activities (if any) with the market so they can assess their risk of inefficient curtailment and downward redispatch, and if there are no activities underway, an explanation is warranted as to what is the legal basis for this not occurring given the requirement under the Regulation to minimise the level of downward redispatch of HE CHP and renewables.

#### Compensation for Redispatch

Given the lack of clarity as to whether downward redispatch for CEWEP facilities is considered market-based or non-market based, CEWEP makes the following high-level comments:

- As both connection agreements are firm, CEWEP members are entitled to compensation at the full level of financial support offered under REFIT, i.e. the REFIT rate for **non-market redispatched** down energy. CEWEP is not convinced, along with other industry associations, that the test for

unjustifiably high compensation should be tested at the global industry level, but rather should be tested at the level of the individual generator.

- For **market-based redispatch**, we note that CEWEP generators have their offer highly regulated in line with the BMPCOP. The BMPCOP considers a very narrow non-subsidised avoided cost formulation, which does not recognise either the level of subsidy foregone, nor the wider issues in relation to costs associated with waste energy policy non-compliance. It seems paradoxical for market based redispatch to not allow recovery of lost opportunity costs on a market basis. (We note that there is no specific instance of market power, temporal or locational, in relation to CEWEP's facilities' offer during period of curtailment, i.e. the rationale for the general application of the BMPCOP to all non-energy actions is not supported by the level of market power for system wide downward redispatch or curtailment, any more than it is for energy balancing.)
- Finally, we understand that **REFIT rules** will need to be reconsidered in relation to the retention of such compensation.

#### Qualification for Priority Dispatch

Generators which had sufficiently progressed their projects within the context of assumed Priority Dispatch status, should be considered to have concluded a contract for the purposes of Article 12. CEWEP is of the view that the most objective non-disputable measure of this is whether a generator was in receipt of a connection offer by July 4<sup>th</sup> 2019. Relying on a signed connection offer brings an element of arbitrary timing into the discussion. Connection agreements may have been offered, but were under dispute. Procedural timing issues of execution may exclude certain parties. It is for this reason that the issue of a connection agreement is a cleaner, more objective measure than reliance on a signed connection offer.

#### Loss of Priority Dispatch

The consultation suggests that loss of Priority Dispatch occurs where there is a new connection agreement or a change in Maximum Export Capacity. Regulation 2019/943 ("the Regulation") states that such changes in connection agreement must be "required" due to a significant change in the power generation facility. CEWEP believes that this should relate to full or partial repowering of the power generating facility, or a large change to the overall generation technology. There are many different and normal "within lifecycle" modifications and improvements which could be made to a generation facility. These include:

- Material changes to the level of onsite load, related to changes to the processing of waste or the development of other demand processes on site;
- The installation of battery storage to improve DS3 performance on site, utilising the existing connection; and
- Changes to the control of the existing generator, including the addition of further waste processing lines which may increase the peak capability of electrical production.

Providing such changes don't result in an increase in MEC, we believe such changes should be allowed without loss of Priority Dispatch for the overall facility.

We also contend that any issue of new connection agreement that happens for a procedural matter (when a modification could have sufficed) should not trigger loss of Priority Dispatch, as that was not a "required" new connection offer.

Responses to the specific consultation questions follow below. Repetition of the above text are in italics to assist reading. If you wish to discuss our response further, we would be amenable to meet with the SEM Committee or its representatives at a mutually convenient time.

## **Responses to Individual Questions**

**Consultation Question 1: Do you agree with the RAs' interpretation of the requirements under Articles 12 and 13 and specifically the application of dispatch, redispatch and market based/non-market based redispatch in the SEM?**

### **Response**

CEWEP agrees with the mapping of SEM and Regulation concepts. Energy actions are dispatch. Non-energy actions are redispatch. Some clarifications are required.

### *Curtailment*

- *Curtailment in the paper is classified as non-market based redispatch;*
- *Curtailment in the paper is considered solely within the context of non-synchronous generation; however*
- *The majority of dispatch down of CEWEP facilities occurs during periods of non-synchronous curtailment where there is a requirement to keep a minimum number of must run generators synchronised to the Grid for system stability. CEWEP facilities are turned down before wind due to the application of SEM-11-062 hierarchy; and therefore*
- *The consultation is subsequently unclear whether CEWEP facilities should be considered within the Regulation's hierarchy for non-market redispatch for curtailment.*

### **Constraint as Market Based Redispatch**

Question 12 proposes that new and old renewables shall be treated equivalently for all forms of redispatch. Constraint is a form of redispatch and is considered market based in the paper. This implies that CEWEP facilities with Priority Dispatch now need to compete on cost for constraint, which weakens existing Priority Dispatch rights. This is not acceptable. Either all constraint is non-market based redispatch, or constraint is market based redispatch for non-Priority Dispatch plant only.

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**Consultation Question 2: In terms of the practical implementation of Article 12(1) to introduce a distinction between units which retain eligibility for priority dispatch and those which are not eligible, the RAs propose;**

- **Where a commissioning programme has been agreed with the TSOs on or before 4 July 2019, it is proposed that such units will be eligible for priority dispatch.**
- **Where a unit is eligible to be processed to receive a valid connection offer by 4 July 2019, the RAs are of the view that this represents a contract concluded before priority dispatch ceases to apply under Article 12 and that such units are also eligible for priority dispatch.**
- **Where a unit becomes active under a contract concluded before 4 July 2019 including a REFIT letter of offer or PPA, the RAs welcome feedback on the proposal for such generators to be eligible for priority dispatch.**

**Interested stakeholder's views are invited on these proposals.**

## **Response**

*Generators which had sufficiently progressed their projects within the context of assumed Priority Dispatch status, should be considered to have concluded a contract for the purposes of Article 12. CEWEP are of the view that the most objective non-disputable measure of this is whether a generator was in receipt of a connection offer by July 4th 2019. Relying on a signed connection offer brings an element of arbitrary timing into the discussion. Connection agreements may have been offered, but were under dispute. Procedural timing issues of execution may exclude certain parties. It is for this reason that the issue of a connection agreement is a cleaner, more objective measure than reliance on a signed connection offer.*

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**Consultation Question 3: It is the RAs' understanding that any unit which is non-renewable dispatchable but is no longer eligible for priority dispatch can be treated like any other unit within the current scheduling and dispatch process, through submission of PNs with an associated incremental and decremental curve. Feedback is requested on this aspect of implementation of Article 12 of the new Electricity Regulation.**

## **Response**

CEWEP facilities agree that as either Priority Dispatch or non-Priority Dispatch plant, they can continue to utilise EDIL.

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**Consultation Question 4: It is proposed that any unit which is non-dispatchable but controllable and is no longer eligible for priority dispatch would run at their FPN, be settled at the imbalance price for any volumes sold ex-ante and could set the imbalance price.**

**As part of this proposal, there is a question of whether such units would be required to submit FPNs or where no FPN is submitted, the unit could be assigned a deemed FPN calculated by the TSOs as per the process today. Where a unit elects to submit an FPN, in this case, the TSOs would be required to use this as long as it does not deviate above a certain percentage of the TSOs' own forecast availability of the unit.**

**As an alternative or as a possible interim measure, taking account of the zero marginal cost nature of non-dispatchable but controllable generation in the market today, i.e. wind, solar, units no longer eligible for priority dispatch could be scheduled to their availability as per the process today on the assumption that this reflects economic dispatch in any case, but where there is excessive generation on the system such units would be subject to energy balancing prior to any priority dispatch units.**

**In particular, the RAs are seeking feedback from the TSOs on measures which can be introduced to facilitate required compliance with the new Electricity Regulation within the scheduling and dispatch and balancing market systems.**

## **Response**

These are technical issues which impact controllable generators, and as such, CEWEP members are not directly impacted.

Nevertheless, there are scenarios whereby conventional generation and renewable generation may have FPNs which deviate from their ex ante position. Examples include:

- Conventional generation with FPNs at times where they have cleared less than their minimum stable generation in the ex-ante markets;
- Renewable generators which have a “FPN” set by the TSO to their Actual Availability in the market;
- (And if allowed) Other generators, such as RESS generators, which may have a commercial incentive to FPN higher than their ex-ante traded position if the day-ahead market price is positive.

When this occurs, this may change what the TSO considered redispatch (if FPN = Demand Served) or dispatch (if FPN <> Demand Served). If downward redispatch is shared with new renewables, CEWEP members do not want a solution where pragmatic flexibility given to generators in terms of FPN submission leads to real-life lost revenues due to increased curtailment.

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**Consultation Question 5: Feedback is invited from interested stakeholders on the treatment of non-dispatchable and non-controllable units.**

**Response**

No comment. WtE should not be affected by the Regulation.

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**Consultation Question 6: Do you agree with the RA’s interpretation that new generators which are no longer eligible for priority dispatch (both dispatchable and non-dispatchable but controllable) will be subject to energy balancing actions by the TSOs, considered in dispatch economically and settled like any other instance of balancing energy?**

**Response**

Yes, insofar as actions with are “Dispatch” and “Redispatch” can be predictably assessed and modelled, and there is no mechanism to reclassify “Dispatch” as “Redispatch” and undermine the Priority Dispatch rights of existing generators.

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**Consultation Question 7: What is your view on the application of bids and offers to zero marginal cost generation?**

**Response**

We note that this section appears to be about energy balancing, but with a concern that all zero-marginal cost (presumably as measured under BMPCOP standards) will offer a DEC of zero. The BMPCOP does not apply for energy balancing (dispatch).

CEWEP generators are not zero cost generators, so our comments here are somewhat tangential.

*For market-based redispatch, we note that CEWEP generators have their offer highly regulated in line with the BMPCOP. The BMPCOP considers a very narrow non-subsidised avoided cost formulation, which does not recognise either the level of subsidy foregone, nor the wider issues in relation to costs associated with waste energy policy non-compliance. It seems paradoxical for market based redispatch to not allow recovery of lost opportunity costs on a market basis. (We note that there is no specific instance of market power, temporal or locational, in relation to CEWEP's facilities' offer during period of curtailment, i.e. the rationale for the general application of the BMPCOP to all non-energy actions is not supported by the level of market power for system wide downward redispatch or curtailment, any more than it is for energy balancing.*

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**Consultation Question 8: What is your view on a potential rule-set being implemented for non-dispatchable units where (a), systems cannot facilitate ranking of decremental bids for such units for balancing actions for a certain time period and/or (b) where convergent bid prices require a tie-break rule?**

**Response**

No comment.

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**Consultation Question 9: Do you agree with the TSOs' proposal for a revised priority dispatch hierarchy? The RAs request that the TSOs consider the points raised in this Section in their response with any further proposed changes to the hierarchy.**

**Response**

Priority Dispatch Hierarchy

*This is likely an area that will require further consultation.*

*There are two Priority Dispatch hierarchies presented in the paper. One is an adjustment to the existing Priority Dispatch hierarchy (introduced in SEM-11-062) and the second is in relation to non-market based redispatch pursuant to the Regulation.*

*The hierarchies are different. It is not particularly clear when one might apply over the other, or whether they are intended to be competing alternatives within the paper. If one is intended for market based redispatch and another for non-market based redispatch, both hierarchies can be happening simultaneously.*

*The lack of clarity as to the proposals arises (outside of definitional uncertainties in the adjustment to SEM-11-062) as follows:*

- *Curtailment in the paper is classified as non-market based redispatch;*
- *Curtailment in the paper is considered solely within the context of non-synchronous generation; however*
- *The majority of dispatch down of CEWEP facilities occurs during periods of non-synchronous curtailment where there is a requirement to keep a minimum number of must run generators synchronised to the Grid for system stability. CEWEP facilities are turned down before wind due to the application of SEM-11-062 hierarchy; and therefore*

- *The consultation is subsequently unclear whether CEWEP facilities should be considered within the Regulation's hierarchy for non-market redispatch for curtailment.*

#### Priority Dispatch Hierarchy: Regulation

*CEWEP believes that the legal position is clear. Downwards redispatch of CEWEP facilities which happens concurrently with non-synchronous curtailment is also non-market redispatch as CEWEP facilities are bound by BMPCOP during such periods and cannot receive market-based compensation<sup>2</sup>. Therefore, the Regulation's hierarchy must apply, and the SEM-11-062 hierarchy is no longer legally valid.*

*CEWEP facilities should have the same shared priority as all renewables for downwards redispatching on a non-market basis.*

*We also note that the SEM Committee's description of the Regulation's non-market based redispatch hierarchy is incomplete, leaving out the protection for dispatchable / controllable renewable and HE CHP power that does not export. There are limited circumstances where this occurs in the SEM, but the rules should reflect the regulation.*

#### Priority Dispatch Hierarchy: SEM-11-062

*If the SEM Committee, however, can develop an argument and progress with the belief that dispatch down of CEWEP renewable facilities is "market based redispatch" during non-synchronous curtailment events, then CEWEP has comments in relation to the proposed changes to the SEM-11-062 hierarchy.*

*We do consider such classification as problematic.*

*Dispatchable Priority Dispatch generators under the Code with zero marginal costs have to submit a price of zero (D.4.4.11). Dispatchable Priority Dispatch generators under the Code with non-zero marginal costs are bound by the BMPCOP, which does not allow them to recover their opportunity costs. Even if submitting a non-zero price, this is ignored in dispatch, and the Priority Dispatch hierarchy applies. Controllable Priority Dispatch generators (all of which have zero marginal cost) cannot submit a price at all. Every generator is on an equal footing: all Priority Dispatch generators have their costs ignored during such events.*

*There is also an obligation under the Regulation to minimise downwards redispatch of renewables (Article 13(5)). This implies that if there is market-based downwards redispatch of renewables it must occur after the market-based redispatch of conventional generation – which is another element which needs to be overcome when defining downwards redispatch as market based.*

*Furthermore, for reasons of non-discrimination, if Priority Dispatch dispatchable synchronous generation is considered market based redispatch when dispatched downwards, CEWEP considers that the same logic should apply to non-synchronous Priority Dispatch generation when being curtailed. It would be perverse*

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<sup>2</sup> There is an important distinction to be made here. Just because compensation for downwards redispatch down flows through the T&SC, does not mean that the redispatch decision was chosen on a market basis.

*paradoxical outcome for non-synchronous renewables without Priority Dispatch during curtailment events having priority over synchronous renewables with Priority Dispatch.*

*That said (assuming the Priority Dispatch renewables are subject to this market-based hierarchy):*

- *CEWEP notes that the hierarchy produced in SEM-11-062 was never consulted on (it was produced as an appendix to a decision paper without an opportunity to comment), and therefore makes erroneous assumptions around waste-to-energy facilities that during periods of dispatch down, the waste is somehow stored, increasing security of supply. Waste either continues to be processed with the energy lost, or waste eventually has to be diverted to other solutions, such as landfill. The rationale for the lower priority of waste to energy was flawed;*
- *The original priority dispatch hierarchy contained no “scheduling” steps of turning off any generators. While the new introduced Step 4 of decommitting dispatchable Priority Dispatch plant is unlikely to have material effect, no rationale has been provided for the expansion of the dispatch hierarchy into commitment decisions;*
- *References to Autoproduction are unclear. If there is power being consumed onsite to support processes below the level of the minimum stable generation, it is not Grid Code compliant to request such generators to operate at a technically infeasible level;*
- *Most importantly, the Priority Dispatch hierarchy takes into account wider non-TSO licence objectives, namely consideration of water levels in dispatch of hydro facilities. CEWEP believe this is entirely appropriate, and argue that such wider considerations, including wider state policy objectives, should be taken into account in the design of the hierarchy (as described earlier). Consideration of such waste policy objectives should not be undermined by a Priority Dispatch hierarchy.*

*For these reasons, downward redispatching of CEWEP facilities should be considered at least at the same level in the hierarchy as non-synchronous energy (wind, solar), if not even higher.*

*While outside the scope of this particular review, future waste-to-energy facilities or indeed Autoproduction or HE CHP facilities where the production of electrical energy is a secondary by-product of a wider industrial process, may require either Grid Code derogations or different treatment in dispatch more generally if these technologies are to remain viable in the long-term.*

#### *Priority Dispatch Hierarchy: Interconnector Counter-Trading*

*It is understood that issues associated with SO-SO Interconnector trades are highly bound up with European Network Codes. It may or may not be appropriate to include TSO actions within a Priority Dispatch hierarchy anymore. Nevertheless, there is an extraordinary lack of clarity as to what activities are being taken (or can be taken) on Interconnectors once each relevant Intraday auction has been cleared.*

*CEWEP strongly recommends that EirGrid communicate such activities (if any) with the market so they can assess their risk of inefficient curtailment and downward redispatch, and if there are no activities underway, an explanation is warranted as to what is the legal basis for this not occurring given the requirement under the Regulation to minimise the level of downward redispatch of HE CHP and renewables.*

**Consultation Question 10: Feedback is requested from interested stakeholders on the types of demonstration projects that may be suitable for an application process for limited priority dispatch eligibility.**

**Response**

Demonstration projects must be unique at a European level. The period of Priority Dispatch granted should be subject to review to ensure “demonstration” is not extended for commercial advantage.

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**Consultation Question 11: The RAs’ interpretation of the Regulation is that where a new connection agreement is required or where the generation capacity of a unit is increased, a unit will no longer be eligible for priority dispatch. The RAs also propose that units should be able to make a choice on whether they wish to retain their priority dispatch status or not. Feedback is requested on this proposal.**

**Response**

*The consultation suggests that loss of Priority Dispatch occurs where there is a new connection agreement or a change in Maximum Export Capacity. Regulation 2019/943 (“the Regulation”) states that such changes in connection agreement must be “required” due to a significant change in the power generation facility. CEWEP believes that this should relate to full or partial repowering of the power generating facility, or a large change to the overall generation technology. There are many different and normal “within lifecycle” modifications and improvements which could be made to a generation facility. These include:*

- *Material changes to the level of onsite load, related to changes to the processing of waste or the development of other demand processes on site;*
- *The installation of battery storage to improve DS3 performance on site, utilising the existing connection; and*
- *Changes to the control of the existing generator, including the addition of further waste processing lines which may increase the peak capability of electrical production.*

*Providing such changes don’t result in an increase in MEC, we believe such changes should be allowed without loss of Priority Dispatch for the overall facility.*

*We also contend that any issue of new connection agreement that happens for a procedural matter (when a modification could have sufficed) should not trigger loss of Priority Dispatch, as that was not a “required” new connection offer.*

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**Consultation Question 12: Do you agree with the RAs’ interpretation of Article 13(5)(b) whereby downward redispatching of electricity produced from renewable energy sources or from high-efficiency cogeneration (i.e. the application of constraints and curtailment) regardless of priority dispatch status, should be minimised in the SEM? Under this interpretation, the only difference between renewable generators and HECHP eligible for priority dispatch will be how they are treated in terms of energy balancing.**

**Response**

We agree that all renewables should be subject to minimal downwards redispatch.

This implies that if there is market-based downwards redispatch of renewables it must occur after the market-based redispatch of conventional generation – which is another element which needs to be overcome when defining downwards redispatch as market based.

If new renewables are market based redispatch, however, how does that interact with the requirement that constraint is considered non-market based redispatch. See our response to Question 1.

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**Consultation Question 13: Do you agree with the RAs' interpretation of Article 13(6) and the introduction of a new hierarchy for the application of non-market-based downward redispatching?**

**Response**

Please see our response to Question 9.

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**Consultation Question 14: Do you agree with the RAs' interpretation of Article 13(7) and the view that the provision of financial compensation to firm generators subject to curtailment based on net revenues from the day-ahead market including any financial support that would have been received represents an unjustifiably high level of compensation?**

**Response**

Please see response to Consultation Question 15. In short, CEWEP do not agree with this assertion for the reason outlined there.

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**Consultation Question 15: Which of the options on compensation for curtailment presented above do you view to be most appropriate to adopt in the SEM? Are there additional options that the RAs should consider around compensation for curtailment?**

**Response**

This needs further consultation. It is not actually possible to respond to this section on the basis that it is entirely unclear whether any of it applies to CEWEP members at this time. For the avoidance of doubt, CEWEP disagree with any outcome where current compensation for all forms of downward or upwards redispatch are limited or reduced arising from the integration of non-Priority Dispatch renewables.

It is CEWEP's position that it is not curtailed, but it subject to non-market downwards redispatch which has equivalent priority to non-synchronous renewables (which is also a form of non-market downward redispatch).

*Given the lack of clarity, however, as to whether downward redispatch for CEWEP facilities is considered market-based or non-market based, CEWEP makes the following high-level comments:*

- *As both connection agreements are firm, CEWEP members are entitled to compensation at the full level of financial support offered under REFIT, i.e. the REFIT rate for **non-market redispatched** down energy. CEWEP is not convinced, along with other industry associations, that the test for unjustifiably high compensation should be tested at the global industry level, but rather it should be tested at the level of the individual generator.*
- *For **market-based redispatch**, we note that CEWEP generators have their offer highly regulated in line with the BMPCOP. The BMPCOP considers a very narrow non-subsidised avoided cost formulation, which does not recognise either the level of subsidy foregone, nor the wider issues in relation to costs associated with waste energy policy non-compliance. It seems paradoxical for market based redispatch to not allow recovery of lost opportunity costs on a market basis. (We note that there is no specific instance of market power, temporal or locational, in relation to CEWEP's facilities' offer during period of curtailment, i.e. the rationale for the general application of the BMPCOP to all non-energy actions is not supported by the level of market power for system wide downward redispatch or curtailment, any more than it is for energy balancing).*
- *Finally, we understand that **REFIT rules** will need to be reconsidered in relation to the retention of such compensation.*