

SEM-21-026

Consultation on Dispatch, Redispatch and Compensation Pursuant to Regulation (EU) 2019/943

CEWEP would like to thank the SEM Committee for the opportunity to respond to the *Consultation on Dispatch, Redispatch and Compensation Pursuant to Regulation (EU) 2019/943*.

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 existing Indaver 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.

Summary

- While not the focus of this proposed consultation, (we understand a further consultation paper on the Priority Dispatch hierarchy is to follow), 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;
- When subject to downwards redispatch, CEWEP facilities must be able to recover the higher of additional operating costs caused by redispatching or the level of financial support that would have arisen without the redispatching request, as per Article 13(7) of the Regulation;
- Future WtE facilities may require either derogations or different treatment in dispatch more generally if these facilities are to remain viable in the long-term.

What differentiates WtE from other types of electricity generation?

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. This was reaffirmed in 2020, whereby when some other

thermal treatment facilities stopped accepting waste, CEWEP facilities continued operating and providing essential waste treatment services. 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. Therefore rules relating to the dispatch and redispatch of WtE must adhere to the EU's Clean Energy Package and the Circular Economy Action Plan.

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 or exported abroad for treatment, contrary to EU mandated targets and policy objectives.

As existing CEWEP facilities qualify for priority dispatch, the key issue in relation to the above concerns are the priority dispatch hierarchy. Whilst we understand the priority dispatch hierarchy will be subject to consultation at a later date, it is important to outline the rationale for existing facilities to be considered at least at the same level in the hierarchy as non-synchronous energy (wind, solar), if not even higher.

How is Waste to Energy dispatched down in comparison to other types of generation in other Member States?

WtE facilities do not endure the same levels/frequency of dispatch down as the facilities in the SEM. Notwithstanding the relatively unique profile of generation in the SEM, other jurisdictions account for the distinctive characteristics of WtE in comparison to other types of generation.

Priority Dispatch Hierarchy

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. 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 compensation¹. Therefore, the Regulation's hierarchy must apply, and the SEM-11-062 hierarchy is no longer legally valid. Existing CEWEP facilities should have at least the same shared priority as existing renewables for downwards redispatching on a non-market basis.

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 non-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

¹ 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.

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

Unfortunately, the hierarchy in SEM-11-062 was never consulted on and made an inaccurate assumption that waste can be stored during periods of dispatch down. The same assumption was also contained in the proposals in SEM-28-2020. Waste either continues to be processed with the energy lost, or waste eventually has to be diverted to other solutions, such as landfill. Therefore the rationale for the lower priority of WtE in comparison other forms of generation 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;
- Most importantly, the priority dispatch hierarchy takes into account wider non-TSO licence objectives, namely consideration of water levels in dispatch of hydro facilities. However, wider considerations, such as those pertaining to wider state policy objectives around EU mandated waste targets, should also 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.

Therefore, the 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.

Against the backdrop of the proposals in this consultation paper, and SEM-21-027, future WtE facilities 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.

Below please find our comments to the proposals as outlined in the consultation paper.

1. Definition of Dispatch and Redispatch

Dispatch should be conducted to reach the most economically viable operational schedule, and is market driven. Redispatch is how the transmission system operator alters the supply or demand of electricity to change physical flows and ensure system security. Redispatch actions meet the needs of the system, and using economic submissions for this level of decision making is market based redispatch.

2. Definition of Non-Market Based Redispatch

In the case of WtE, bids are subject to the Bidding Code of Practice and in addition, any commercial offers are not used by the TSO for the purpose of redispatching the system. Quite clearly, WtE is therefore subject to non-market based redispatch, and CEWEP agree with the RA’s assertion that redispatch for priority dispatch plant should be treated as such.

It is important to re-iterate, the few priority dispatch plant that are synchronous are not subject to curtailment, and any dispatch down that arises due to the curtailment of non-synchronous plant is a constraint action for WtE.

3. Financial Compensation Under Article 13(7)

Any dispatch down of synchronous renewables that is non-market based is therefore eligible for compensation under Article 13(7). Currently, WtE facilities are not being fully compensated since the only market compensation under the Trading and Settlement Code is then offset against the REFIT scheme. The Article offers no subjectivity on the matter of compensation, and does not permit the RAs to opt out of payment of compensation through a perceived value of priority dispatch.

4. Application of proposals from 1 January 2020

To give effect to the Article, then three options are available to the RAs:

- Amend the REFIT formula (though a change to bidding principles will likely also be required);
- Amend the Bidding Code of Practice to ensure revenue recovery is achieved through the balancing market;
- Create a new payment scheme to compensate plant in the event of non-market based redispatch.