



Integrated Single Electricity Market (I-SEM)

**Measures to promote liquidity in the I-SEM
forward market**

CEWEP Ireland consultation response

SEM-16-030



July 2016

CEWEP is the umbrella association of the owners / operators of Waste-to-Energy Plants, representing approximately 400 Waste-to-Energy Plants from 18 European countries. Our members make up 86% of the Waste-to-Energy capacity in Europe.

CEWEP Ireland is the Irish branch of CEWEP Europe and has two members: Indaver, which operates the Meath Waste-to-Energy Facility and is proposing to develop a similar Waste-to-Energy Facility in Cork; and Covanta, which is currently constructing the Dublin Waste-to-Energy Facility. By 2020 it is anticipated that members will have a total treatment capacity of over 1,070,000 tonnes per annum residual waste and export more than 90MW electricity and/or heat.

For these reasons, areas of key importance include:

- Consideration of new entrants and impact of proposed regulatory interventions.
- Simplicity in design and lowering administrative burden for small scale generators.
- Ensuring Forward Contract Selling Obligations for dispatchable plants exclude REFIT volumes.

INTRODUCTION

CEWEP Ireland acknowledges there are structural features affecting I-SEM forward trading and understands the concerns of the Regulatory Authorities regarding the potential lack of incentive for generation to supply forward products. For the purposes of this consultation, the focus of our response relates to the proposals in section 7 on the introduction of a Forward Contract Selling Obligation (FCSO), one of the proposed forms of regulatory intervention addressed in the paper.

SECTION 7 - FORWARD CONTRACT SELLING OBLIGATIONS

The paper suggests spreading selling obligations across a larger number of market players allocated proportionally to the forecasted market share of the DAM of each generator. Therefore as noted in the paper, all but the smaller generators would be required all to offer CfD contracts to be backed by the physical positions they could take in the DAM using in-merit dispatchable generation.

In the case of renewable dispatchable plant such as WtE, any FCSO requirement on dispatchable generation must exclude REFIT hedged volumes. Furthermore, the proposed threshold for mandatory participation should be re-examined. A threshold of 30MW baseload could have the effect of imposing disproportionate transaction costs on small generation.