

# CRU HE-CHP Certification Process

## Opening Statement by CRU to the Joint Committee on Communications, Climate Action and Environment

2 April 2018

### Introduction – Paul McGowan

Good afternoon - I am Paul Mc Gowan, Chair of the CRU. As you are aware, the CRU is the economic regulator for the energy and public water sectors in Ireland and safety regulator in the energy sector. Our mission is to protect the public interest in water, energy and energy safety.

My colleagues and I welcome the opportunity to meet with the Committee to discuss our role in HE CHP certification and to provide an overview of our decision to award a partial HE CHP certificate to Mayo Renewable Limited.

I will now hand over to my colleague Commissioner Aoife MacEvilly who will outline our role in HE CHP certification and then our Directors of Energy Networks and Markets, Karen Trant and John Melvin will provide more detailed information on the certification process and on this particular application.

### Background – Aoife MacEvilly

The CRU's role in relation to HE CHP is set out in Irish legislation which transposed certain provisions of the European Energy Efficiency Directive of 2012. The aim of this Directive is to improve the EU's security of supply by reducing primary energy consumption and decreasing energy imports. It is also aimed at reducing greenhouse gas emissions in a cost-effective way and thereby mitigating climate change. The Directive specifically addresses HE CHP and provides a very detailed methodology and criteria (in Annex 1 and 2 of the Directive) on how to calculate the efficiency of the CHP process.

Both the European and Irish legislation are therefore detailed, technical and prescriptive in nature. In 2012, following a public consultation process, the CRU set out its role and detailed guidance on how we would process HE CHP applications in a policy paper (CER/12/125) which gives further effect to this legislation.

The methodology and the engineering analysis carried out on each application can be complex and must be applied by the CRU for all HE CHP applications. The assessment is based on specific information, including, technical and financial values provided by the applicant, which are then used to arrive at a very specific answer in relation to the certification. The focus is not so much on the technical specification of the plant itself (although this is looked at) but rather on the useful heat produced by the plant, and whether this useful heat is economically justifiable and delivers primary energy savings.

The CRU appreciates that members of this Committee have a very broad remit and are of course concerned with the regional economic impact of our certification decision in relation to Mayo Renewable Limited. It is the case that for many CRU regulatory decisions we are obliged to balance a range of competing priorities such as competitiveness, security of supply and sustainability.

However, our role as the body appointed to certify HE CHP is prescribed in narrow and technical terms. It does not allow for consideration of broader economic, social or environmental factors. My colleagues will give an overview of this process but in short, our role is to take the business case and detailed application submitted to us by the applicant and apply the HE CHP methodology as prescribed in law.

## Benefits of HECHP Certification

We consider that the rigorous application of this methodology is important, given that there are significant benefits arising from HE CHP certification. Those in possession of HE CHP certificates gain priority dispatch in the all-island electricity market. They can also avail of certain Revenue rebates. In addition, and perhaps most importantly, HE CHP certificates allow applicants to avail of payment(s) through the REFIT scheme. The REFIT scheme is funded by electricity customers, recovered through the Public Service Obligation Levy which is charged through their electricity bills. The REFIT payments for HE CHP are the highest level of REFIT payments available under the scheme and can be as high as hundreds of millions of euros over their 15 year term.

By way of example, REFIT payments for a plant of a similar scale to Mayo Renewable Limited with a 100% certificate and operating at full output could be in the order of **€31.6m** annually (based on 2019 figures). If similar payments were made each year for the 15 years of the REFIT scheme, this could amount to **€474m** in total.

You will understand, therefore, why it is so important that the assessment for HE CHP certification is carried out by the CRU in a robust way so that the public interest is protected. In addition to the initial certification process, the CRU also audits the HE CHP plants that have been awarded certificates to ensure that they are delivering useful heat and primary energy savings in line with that certification. Following these audits the CRU has amended HE CHP certificates, based on actual outcomes.

The HE CHP certificate is therefore not enduring in nature and can be amended when circumstances change. This is also why there is a time limit for planned HE CHP certificates, beyond which, if the plant is not operational a new application must be made. After a 5 year period, it would be expected that the inputs to the application, including the business plan and economic factors such as prices, would have changed and warrant a new application.

I will now hand over to my colleague to outline this application process.

[Slides to cover CRU process and Mayo application]