

Kenny Dane
The Utility Regulator
Queens House
14 Queen Street
Belfast BT1 6ED

20th March 2020

Re: Public Consultation on SEM-20-006 CRM 2024/25 T-4 Capacity Auction Parameters and Compliance with the Clean Energy Package by SEM Committee.

Dear Kenny,

I am writing on behalf of Gas Networks Ireland (GNI) in response to the SEM Committee's request for submissions on the SEM-20-006 CRM 2024/25 T-4 Capacity Auction Parameters and Compliance with the Clean Energy Package consultation. GNI welcomes the opportunity to respond.

GNI is a fully owned subsidiary of Ervia. It owns, operates, builds and maintains the natural gas network in Ireland and ensures the safe and reliable delivery of gas to its customers. The company transports natural gas through a 14,390km pipeline network. This network supplies energy to over 700,000 customers, including businesses, domestic users and power stations. GNI believes that the natural gas network is integral to Ireland's energy system and energy future.

GNI would like to raise a concern about Article 22(4) of Regulation (EU) 2019/943. This article limits generators that emit more than 550 g of CO₂ of fossil fuel origin per kWh of electricity from operating in capacity markets. However, GNI is concerned that the guidance that ACER (per Opinion 22/2019) has given with regard to the methodology for calculating the carbon intensity may result in some unintended consequences. If ACER's methodology were to be applied to the electricity market on the island of Ireland there could be a negative environmental impact with regard to electricity generated using high efficiency Combined Heat and Power (CHP) systems.

If the SEM Committee were to employ ACER's methodology, electricity generated from high efficiency CHP plants would be considered above the 550g/kWh emissions threshold as they are only allowed to consider the electricity output and not the useful heat output from these systems. This would result in the removal of these electricity generators from the market, and an increase in carbon emissions on the island of Ireland when operators of these installations switch to separate electricity and heat production.

The ACER methodology does not give credit to the heat generation element of CHP installations. CHP technology combines the generation of electricity at a local level with the use of heat for process use and/or space heating. CHP technology provides distributed power generation, reducing the reliance on the national electricity grid, while providing significant carbon and energy savings versus utilising

grid electricity. The total efficiency of a CHP plant ranges from 70% to 90%¹. As reported by the SEAI² the use of CHP in 2018 avoided 438 kt CO₂ emissions when compared with separate electricity and heat production.

ACER's positive intention in developing the methodology may have been to eliminate coal fuelled CHP generators from the market, as coal CHP is prevalent in some European countries. However, Ireland is significantly different with SEAI figures showing natural gas fuelling 93.5% of CHP operational capacity in 2018. Natural gas is a much cleaner fuel than coal producing significantly less CO₂ when combusted³.

Maintaining a fleet of CHP plants in Ireland supports security of supply in electricity generation and these plants could potentially decarbonise their fuel source in future. Natural gas CHP installations could switch to biogas or hydrogen and become carbon neutral. As of 2018, 2.9% of CHP's in Ireland were fuelled by biogas.

GNI asks that the SEM Committee considers implementing a methodology which takes into account the heat generation benefit from CHP. This would reduce the calculated emissions from Irish CHP below the 550g threshold, keeping these generators in the market, and result in continued carbon savings for the island of Ireland.

If you have any questions or require clarification on the above information, please do not hesitate to contact me.

Yours sincerely,



Ian O'Flynn

Head of Commercial & Corporate Affairs
Gas Networks Ireland

¹ EU: Cogeneration, or Combined Heat and Power (CHP)

:https://setis.ec.europa.eu/system/files/Technology_Information_Sheet_Cogeneration.pdf

² SEAI - Combined Heat and Power In Ireland: <https://www.seai.ie/publications/CHP-Update-2019.pdf>

³ SEAI - Emissions Factors: <https://www.seai.ie/data-and-insights/seai-statistics/conversion-factors/>