Commission for Energy Regulation

An Coimisiún um Rialáil Fuinnimh

PUBLIC SERVICE OBLIGATION LEVY 2006

A DECISION BY THE COMMISSION FOR ENERGY REGULATION

CER/05/125
1ST August 2005

1. Introduction

The Minister for Communications, Marine and Natural Resources, in accordance with relevant legislation, has set out a Public Service Obligation (PSO) which requires ESB Public Electricity Supply (PES) to purchase electricity from specified sources, including sustainable and renewable sources. The PSO levy is charged to all electricity customers and is designed to recoup the additional cost incurred by ESB PES in meeting this obligation.

The Commission for Energy Regulation (CER) is required to calculate and notify all relevant parties of the level of this levy each year. This decision document sets out the decision by the Commission on the level of the PSO levy for 2006, in accordance with the Electricity Regulation Act 1999, (Public Service Obligations) Order 2002 (SI 217 of 2002) as amended.

2. Decision

The Commission has determined the Public Service Obligation (PSO) for 2006 to be as follows:

Customer Category	Annual Levy Amount
Domestic customers	€9.68/ customer
Small commercial customers (maximum import capacity of less than 30kVA)	€ 30.65/ customer
Medium and large customers (maximum import capacity of equal to or greater than 30kVA)	€ 5.26/ kVA

These rates will apply from January 1st 2006 until December 31st 2006 inclusive. The total amount to be recovered via the levy in 2006 is €44,173,042.25, compared to last year's figure of € 103,338,000. Appendix 1 sets out the detailed allocation of the levy by customer category and describes the components of the PSO levy.

3. Background

The Public Service Obligation (PSO) has been imposed by the Minister of Communications, Marine and Natural Resources on the Electricity Supply Board (ESB) since the 1st of January 2003 and has been amended from time to time since then. It requires ESB to purchase power from specified sources, including peat, renewable and other sustainable sources.

The Commission is required under Section 9(2) and (3) of the Electricity Regulation Act 1999, (Public Service Obligations) Order 2002 as amended (SI 217 of 2002), to approve ESB's estimated additional costs incurred by complying with the PSO, inclusive of the administration costs incurred by the Transmission System Operator, suppliers and the Distribution System Operator in collecting

payment of the PSO levy, within the relevant levy period. These additional costs incurred by the ESB are calculated annually in accordance with parameters specified in the PSO Notification to the European Commission[1]. These parameters were agreed by the then Minister of Public Enterprise (now the Minister of Communication, Marine and Natural Resources) and the European Commission. Once approved by the Commission the additional cost is offset by imposing a levy on all final electricity customers. The PSO is seen as a separate line item on all final customers' bills.

4. Change to PSO Costs

In July the CER published a paper setting out the estimated PSO levy for 2006 based on information that was available at that time (CER/05/102). The estimated total levy at that time was €25,785,961.86. Key assumptions used in arriving at this calculation were:

- The netting off of negative figures;
- The use of the then proposed BNE price for 2006 of €72.86/MWh;
- A carbon cost of €19.66/tonne; and
- The proposed inclusion of new plant expected to come on stream in 2005/6

The Decision in this document continues to be based on the approach of netting off negative figures. However, some of the other key assumptions have changed:

- The revised BNE price of €66.1/MWh (as per the BNE decision paper (CER/05/110)) has been used;
- Revised figures for the cost of carbon have been used; a carbon cost of €10/tonne has been included for ESB PG plant which is in line with the figures submitted by ESB PG for the revenue review and a carbon cost of €16.73/tonne has been included for Edenderry Power Ltd which is in line with the price for carbon included in the Commission's Decision paper on the BNE (CER/05/110);
- Due to delays in implementation of legislation the proposed new plant has not been included in the 2006 calculation – these will be addressed in the 2007 calculation.

These alterations have caused the amount to be recovered under the PSO levy for 2006 to increase from the proposed €25,785,961.86 to € 44,173,042.25. The additional costs actually incurred during 2006 by the ESB in complying with the Public Service Obligation will be audited in 2007. These audited figures will be reviewed by the Commission and any under/over recovery, with respect to the P.S.O. 2006 Levy, will be accounted for within the P.S.O. levy imposed for the year 2008.

1st August 2005

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[1] Notification of Public Service obligations (November 2000), *viz* http://www.dcmnr.gov.ie/NR/rdonlyres/7DFE9454-5D02-4DFA-92FF-AA8C279BEBE2/0/PSONotifcationtoBxl201100publishedonwebMarch2002.doc

Appendix 1 – Allocation of 2006 PSO Levy

4.1 Customer Category	Individual Peak Kw	% of Total Individual Peaks		PSO Allocation	Customer Numbers	Total MICs	Annual Charge		Monthly Charge	
				€ mil.			€/customer	€/kVA	€/customer	€/kVA
Domestic Profile	2,142,144	39.3		17.362	1,793,957		9.68		0.81	
Small & Medium Profile	613,792	11.26		4.975	162,324		30.65		2.55	
Large Profile	2,694,147	49.43		21.84		4,152,481		5.26		0.44

Note:-

1. PSO for 2006 is made up of the following:-

	€
Lough Ree Power Station	24,293,000.00
West Offaly Power	20,064,000.00
AER	209,504.00
Peaking Capacity[1]	21,621,000.00
Edenderry Power Ltd.	(833,013.00)
Sub-Total	65,354,491.00
Other[2]	(21,181,448.75)
Total	**44,173,042.25**

[1] This includes 104 MW in Rhode, 167 MW in Ballylumford, 51 MW in Asahi and 51 MW in Aghada

[2] These costs include the administration costs for TSO, PES, DSO and market participants and the 2004 R factors for PES and PGen. R Factors are corrections for over/under recoveries in PSO income in 2004.