



Commission for Energy Regulation

An Coimisiún um Rialáil Fuinnimh

**PUBLIC SERVICE OBLIGATION LEVY 2003
A DECISION BY THE COMMISSION FOR ENERGY REGULATION**

**CER/02/152
4th October 2002**

Introduction

This document contains a decision by the Commission for Energy Regulation under the Electricity Regulation Act 1999, (Public Service Obligations) Order 2002, (SI 217 of 2002). This decision amends the Commission's decision dated 6th September 2002.

Decision

The Commission hereby designates the following charges to be recovered in respect to the 2003 PSO Levy:

Customer Category	Annual Levy Amount
Domestic customers	€11.49/Customer
Small Commercial Customers (maximum import capacity of less than 30kVA)	€35.67/Customer
Medium and Large Customers (maximum import capacity of greater than 30kVA)	€5.94/kVA

These rates will be in effect from January 1st 2003 until December 31st 2003 inclusive.

Background

On 23rd May 2002 the Minister for Public Enterprise issued an Order directing the Commission to impose a Public Service Obligation (PSO) on the Electricity Supply Board ("the Board") to cover the additional costs incurred by the Board in meeting these obligations by means of a levy to be imposed on all final electricity customers.

The aims of the Order are:

- To ensure that Ireland has reasonable self-sufficiency in electricity generation capacity by ensuring that a percentage of the State's generation capacity is fired on indigenous peat
- To help protect the environment by promoting the use of renewable energy sources.

The PSO requires the Board, in its capacity as Public Electricity Supplier (ESB PES), to purchase electricity generated from peat and other renewable, sustainable or alternative forms of energy to further the above aims.

The amount of the Levy will be the excess of the Board's allowed costs for bought-in and owned peat fired generation and alternative energy requirements (AER), over the market price for generation, and any other revenue accruing to ESB associated directly with that generation.

The then Department of Public Enterprise notified and agreed the parameters for calculating the amount of the Levy with the European Commission.

The amount of the PSO levy for each customer category is collected by the Transmission System Operator for transmission connected customers and by the Distribution System Operator for distribution connected customers. The levy will be imposed as a fixed charge, based on the customer's installed capacity. The levy amount will be a separate line item on the electricity bills issued by each supplier. The Commission will instruct suppliers to provide customers with information about the nature and purpose of the levy.

Reasons for the Commission's decision

Under Section 9(2) of the Electricity Regulation Act, 1999, (Public Service Obligations) Order 2002, (SI No. 217 of 2002), the Commission will determine the amount of the Levy on the basis of estimates provided.

In May 2002, the Commission began a review of the total allowable costs for ESB Power Generation (ESB PG) and ESB PES for 2003. This review included an examination of the costs of ESB PG's peat-fired stations and a review of the estimated PES purchases from AER and Edenderry Power Ltd. (peat plant) for 2003. These ESB PG costs had been included in the calculation of 2002 tariffs. Thus the estimated amounts to be recovered through the levy in 2003 do not represent additional costs to the electricity market. Rather these are a redefinition of existing costs. The Commission has approved the calculation of the PSO Levy based on these estimates.

The amount of revenue to be recovered through the PSO levy is the additional cost of electricity production from specifically designated generating stations under the PSO Order above the Best New Entrant (BNE) price in addition to administration costs. On September 6th 2002 a decision on the PSO levy (CER/02/122) was published based on a BNE price of €44.10/MWh at the station gate or €45.25 at the trading point.

Following comments received in response to that paper, the Commission has determined that it is more appropriate to base the calculation of PSO costs on the expected 2003 BNE rather than the 2002 value. The Commission has today issued a consultation paper on the 2003 BNE costs (Ref: CER/02/151). The Commission will use an estimate of €48/MWh in its PSO calculations for 2003, as per the BNE 2003 consultation paper, to provide greater certainty for suppliers. The change in the applicable BNE value requires the Commission to revise the 2003 PSO charges.

The Commission will take account of any differences between forecast and actual PSO costs prior to setting the 2004 PSO charges (including any changes that may arise should the Commission revise the 2003 BNE value on completion of the current consultation).

Tom Reeves
Member of the Commission
4th October 2002