



Commission for Energy Regulation

An Coimisiún um Rialáil Fuinnimh

PUBLIC SERVICE OBLIGATION LEVY

PROPOSED 2004 CHARGES

**CER/03/151
2 July 2003**

Introduction

Under Section 9(2) and (3) of the Electricity Regulation Act 1999, (Public Service Obligations) Order (Amended) 2002, (SI 217 of 2002), the Commission is obliged to approve ESB's estimated additional costs to be incurred in complying with the Public Service Obligation imposed on ESB and apportion those costs, recoverable from all final customers of electricity, based on the proportion of maximum demand attributed to each category of accounts (Domestic, Small/Medium, and Large).

Proposed PSO Levy Charges

The Commission proposes the following PSO Levy amount in 2004:

Customer Category	Annual Levy Amount
Domestic customers	€ 18.16 / customer
Small commercial customers (maximum import capacity of less than 30kVA)	€ 54.98/ customer
Medium and large customers (maximum import capacity of greater than 30kVA)	€ 9.99/ kVA

These proposed rates would be in effect from January 1st 2004 until December 31st 2004 inclusive. The total amount to be recovered via the Levy in 2004 is €74.814 million. (Refer to Appendix 1 for the allocation of the Levy by customer category and percentage of individual peaks.)

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, commencing 1st January 2003.

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 renewable, sustainable or alternative forms of energy in following Government aims for security of supply.

The amount of the Levy is the excess of the Board's allowed costs for bought-in and owned peat fired generation and alternative energy requirements (AER), over the Best New Entrant price for electricity. The levy includes an economic return on investment, where relevant, and any other revenue accruing to the Board associated directly with peat-fired generation and Alternative Energy Requirement (AER) generation schemes.

The parameters for calculating the annual Levy were agreed between the then Department of Public Enterprise (now the Department of Communication, Marine and Natural Resources) and the European Commission. The total Levy amount will vary annually, due primarily to the implementation of AER schemes to meet renewable energy targets as set by the Government.

Suppliers of electricity must collect the PSO levy from all customers. The levy is imposed as a fixed charge, based on the customer's installed capacity and is included as a separate line item on the electricity bills issued by each supplier. The monies collected are then passed on to ESB.

Calculation of the Levy Amount

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

In April 2003, ESB submitted its estimated costs of generating electricity from ESB's peat-fired stations and the estimated cost of purchases from AER and Edenderry Power Ltd. The Commission has concluded a review of these estimated costs and has approved the calculation of the 2004 PSO Levy derived from these estimates.

The 2004 PSO Levy amount has increased from the 2003 Levy due to the implementation of the AER VI scheme and the construction of the new peat-fired generation plant in Lanesboro, Co. Longford. The new, more efficient peat station will replace the existing station, which is scheduled to close during the 1st Quarter 2004.

The actual costs incurred by ESB in fulfilling the Public Service Obligation in 2004 will be audited in 2005. The Commission will review these audited accounts. Any variances between the estimated and actual costs will be recovered / rebated in the 2006 Levy.

Under SI 217 of 2002, each notified person may make representations to the Commission within 15 days of receiving this notice of proposed charges. The Commission shall have due regard to these representations when issuing the final determination, to be published on 1st August 2003.

Tom Reeves
Member of the Commission
2 July 2003

Appendix 1 – Allocation of 2004 PSO Levy

	Individual Peak Kw	% of Total Individual Peaks	PSO Allocation	Customer Numbers	Total MICs	Annual Charge		Monthly Charge	
						€/customer	€/kVA	€/customer	€/kVA
			€ mil.						
Domestic Profile	1,992,518	39.7%	29.702	1,635,615		18.16		1.51	
Small & Medium Profile	561,514	11.2%	8.370	152,247		54.98		4.88	
Large Profile	2,464,679	49.1%	36.741	24,037	3,677,735		9.99		0.83

Note:-

1. PSO for 2004 is made up of the following:-

	€ m
Peat	58.428
AER	16.086
<i>Sub-Total (excluding collection costs)</i>	74.514
Total Administrative Costs	0.300
Total incl. Collection Costs	74.814

2. Profiles were taken at the Connection point and not at the Trading Point.
3. DSO initial forecasts for customer no's and contracted capacity used