



Commission for Energy Regulation

An Coimisiún um Rialáil Fuinnimh

PUBLIC SERVICE OBLIGATION LEVY

PROPOSED 2005 CHARGES

Draft Decision

CER/04/234

29th June 2004

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 by the Department of Communications, Marine and Natural Resources (DCMNR) 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

Scenario 1: Bellacorick and Peaking Costs included

The Bellacorick costs¹ and the peaking capacity costs² are included in anticipation of the relevant Notification Approval being received by the DCMNR from the European Commission and the related Statutory Orders being made by the DCMNR by 1st August 2004. In this case, the Commission proposes the following PSO Levy amount in 2005:

Customer Category	Monthly Levy Amount
Domestic customers	€2.36 / customer
Small commercial customers (maximum import capacity of less than 30kVA)	€7.51/ customer
Medium and large customers (maximum import capacity of greater than or equal to 30kVA)	€1.26/ kVA

These proposed rates would take effect from January 1st 2005 until December 31st 2005 inclusive. The total amount to be recovered via the Levy in 2005 is €122.808 million. Refer to Appendix 1 for the allocation of the Levy by customer category.

Scenario 2: Bellacorick and Peaking Costs not included

If the relevant Notification Approval is not received by the DCMNR from the European Commission and the related Statutory Orders are not made by 1st August 2004, the Commission proposes the following PSO Levy 2005 will apply³:

¹ These costs represent the extra costs required to continue Bellacorick's operation to April 2004 in order to provide needed capacity.

² These costs include the additional costs of the following capacity: 2X 51 MW Peaking Units at Aghada and Asahi, 167 MW from Ballylumford (N.I.) and a further 104 MW peaking capacity due to be installed in Rhode for winter'05.

³ The DCMNR have informed the Commission that the Minister will be making a PSO Order in the interests of security of supply (Bellacorick and Peaking) the costs of which suppliers will be required to collect from customers in 2005.

Customer Category	Monthly Levy Amount
Domestic customers	€1.93 / customer
Small commercial customers (maximum import capacity of less than 30kVA)	€6.14/ customer
Medium and large customers (maximum import capacity of greater than or equal to 30kVA)	€1.03/ kVA

These proposed rates would take effect from January 1st 2005 until December 31st 2005 inclusive. The total amount to be recovered via the Levy in 2005 is €100.511 million. See Appendix 2 for the allocation of the Levy by customer category.

Impact Of BNE

A BNE of €48.858/MWh was assumed for the calculation of the above Proposed PSO Costs. A review of the BNE for 2005 is currently underway and it is expected that it will be completed by the time of the final PSO Decision on 1st August 2004. Due to the increases in fuel prices and the impact of emissions trading costs, it is anticipated that the BNE price will increase which in turn would reduce the PSO costs.

PES Tariffs

It is anticipated that the 2 scenarios outlined above in relation to the PSO levy charges would lead to an average increase of 2.8 – 3% in the 2005 PES tariffs.

Emissions Trading

In calculating emissions trading costs for 2005 the Commission has assumed a carbon allowances cost of €10. Peat stations and peaking plant will have to purchase carbon allowances in excess of those allocated to them for free under the National Allocation Plan. The latter are allowable costs under the PSO notification. The additional PSO costs as a result of carbon trading will be the carbon costs of PSO plants over and above those carbon costs of a BNE plant.

Comments

Under Section 9 (3)(d) of the Statutory Instrument 217 of 2002, comments on the Draft Decision Paper are required by the 16th July 2004 and should be sent to Siobhán Dinneen: sdinneen@cer.ie

Tom Reeves
Member of the Commission
29th June 2004

Appendix 1 – Allocation of 2005 PSO Levy

Customer Category	Max Demand	% of Total Individual Peaks	PSO Alloc	Total Mkt Customer Nos	Total Mkt MICs	Annual Charge		Monthly Charge	
						€ m	kVA	€ per Cust	€/kVA
Domestic Profile	2,037,406	39.8%	48.854	1,724,286		28.33		2.36	
Small & Medium Profile	572,280	11.2%	13.722	152,338		90.08		7.51	
Large Profile	2,511,936	49.0%	60.232	24,440	3,972,491		15.16		1.26
	5,121,623	100%	122.808	1,901,064					

Note: The PSO Breakdown is as follows: -

Cost Category	Cost (€m)	Installed MWs	GWhs
Bellacorick	1.240	20	38
Lough Ree Power	31.362 ⁴	91	664
West Offaly Power	30.571 ⁴	137	998
Peaking Capacity	21.057	373 ⁵	221
EPL	11.5	118	812
Existing AER	7.0	178 ⁶	520
AER VI	11.79	442 ⁶	698
Other ⁷	8.288	n/a	n/a
	122.808		

⁴ The capital costs of West Offaly and Lough Ree Power are higher than for EPL due to market conditions at the time (EPL constructed approx. 2 years earlier) and the fact that no grants were obtained. Construction of the plants was subject to a competitive tendering process which has been independently verified.

⁵ This includes 104 MW in Rhode, 167 MW in Ballylumford 51 MW in Asahi and 51 MW in Aghada.

⁶ AER figures are based on an average 35% load factor.

⁷ These costs include the administration costs for TSO, PES, DSO and market participants and the 2003 R Factors for PES and PGen. R Factors are corrections for over/under recoveries in PSO income 2003.

Appendix 2 – Allocation of 2005 PSO Levy

Customer Category	Max Demand	% of Total Individual Peaks	PSO Alloc € m	Total Mkt Customer Nos	Total Mkt MICs kVA	Annual Charge		Monthly Charge	
						€ per Cust	€/kVA	€ per Cust	€/kVA
Domestic Profile	2,037,406	39.8%	39.984	1,724,286		23.19		1.93	
Small & Medium Profile	572,280	11.2%	11.231	152,338		73.72		6.14	
Large Profile	2,511,936	49.0%	49.296	24,440	3,972,491		12.41		1.03
	5,121,623	100%	100.511	1,901,064					

Note: The PSO Breakdown is as follows: -

Cost Category	Cost (€m)	Installed MWs	GWhs
Lough Ree Power	31.362 ⁸	91	664
West Offaly Power	30.571 ⁷	137	998
EPL	11.5	118	812
Existing AER	7.0	178 ⁶	520
AER VI	11.79	442 ⁹	698
Other ¹⁰	8.288	n/a	n/a
	100.511		

⁸ The capital costs of West Offaly and Lough Ree Power are higher than for EPL due to market conditions at the time (EPL constructed approx. 2 years earlier) and the fact that no grants were obtained. Construction of the plants was subject to a competitive tendering process, which has been independently verified.

⁹ AER figures are based on an average 35% load factor.

¹⁰ These costs include the administration costs for TSO, PES, DSO and market participants and the 2003 R Factors for PES and PGen.