



Commission for Energy Regulation

An Coimisiún um Rialáil Fuinnimh

PUBLIC SERVICE OBLIGATION LEVY

2005 CHARGES

Decision

CER/04/269

29th July 2004

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).

Decision

The Commission has determined the PSO Levy for 2005 to be the following amounts:

Customer Category	Annual Levy Amount
Domestic customers	€ 23.84 / customer
Small ¹ commercial customers (maximum import capacity of less than 30kVA)	€ 74.15/ customer
Medium and large customers (maximum import capacity of greater than 30kVA)	€ 13.42/ kVA

These rates will apply from January 1st 2005 until December 31st 2005 inclusive. The total amount to be recovered via the Levy in 2005 is €103.338 million. (Refer to Appendix 1 for the allocation of the Levy by customer category and percentage of individual peaks.)

Background

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).

Changes to PSO Cost

The Proposed PSO Levy Paper 2005 (CER/04/234) detailed total PSO costs of €122.808 million. The final approved PSO costs have reduced to €103.338 million. The reduction is due to the reduction in BNE (CER/04/296). A BNE of €48.858/MWh was assumed for the calculation of the Proposed PSO Costs. Since then the BNE Consultation paper has been published with an increased price of €53.6/MWh due to the increases in gas prices and the impact of emissions trading costs. This price has been used in the calculation of the PSO Decision Paper.²

²The BNE Decision Paper will be released in August 2004, if there are as a consequence changes to the BNE price for 2005, the PSO Levy 2006 review will take account of required adjustments to correct the difference in the BNE price for the 2005 PSO review.

There has also been a change in the distribution of the costs; which is based on the revised MIC's used by the DSO to calculate the PSO charges per customer category.

Comments

The CER received substantial comments on its published PSO Draft Decision. These comments will be brought to the attention of the Department of Communications, Marine and Natural Resources who determine PSO policy. In light of these comments, the CER intends to review the PSO in particular its impact on the market structure with a view to advising the Minister by the end of 2005. During the review the CER will consider the impact of PSO on CHP participants.

Tom Reeves
Member of the Commission
29th July 2004

Appendix 1 – Allocation of 2005 PSO Levy

Customer Category	Individual Peak Kw	% of Total Individual Peaks	PSO Alloc	Total Mkt Customer Nos	Total Mkt MICs	Annual Charge		Monthly Charge	
			€ m			kVA	€ per Cust	€/kVA	€ per Cust
Domestic Profile	2,037,406	39.8%	41.108	1,724,346		23.84		1.99	
Small & Medium Profile	572,280	11.2%	11.547	155,731		74.15		6.18	
Large Profile	2,511,936	49.0%	50.683	23,913	3,776,221		13.42		1.12
	5,121,623	100%	103.338	1,903,990					

Note: The PSO Breakdown is as follows: -

Cost Category	Cost (€m)	Installed MWs	GWhs
Bellacorick	1.060	20	38
Lough Ree Power	28.214 ³	91	664
West Offaly Power	25.838 ⁴	137	998
Peaking Capacity	19.987	373 ⁴	221
EPL	7.594	118	812
Existing AER	4.637	178 ⁶	520
AER VI	7.719	442 ⁵	698
Other ⁶	8.288	n/a	n/a
	103.338		

³ 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.

⁴ This includes 104 MW in Rhode, 167 MW in Ballylumford 51 MW in Asahi and 51 MW in Aghada.

⁵ AER figures are based on an average 35% load factor.

⁶ 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.

