

Commercially Sensitive

June 26th 2009

Mr. James McSherry,
Commission for Energy Regulation,
The Exchange,
Belgard Square North,
Tallaght,
Dublin 24

RE: PUBLIC SERVICE OBLIGATION LEVY 2009/2010

Bord Gáis Energy (BG Energy) welcomes the opportunity to comment on the Proposed Decision on the Public Service Obligation Levy for 2009/2010 (CER/09/084) issued by the Commission for Energy Regulation (CER) on June 12th, 2009. Following consideration, BG Energy would like to make the following comments with regard to the Proposed Decision and requests that the CER take this response into account before making its final decision on the Public Service Obligation Levy Charge for 2009/2010.

As a general overriding comment BG Energy would like to highlight that increases in the pass through elements of retail tariffs can affect the competitiveness of independent supply companies, as well as increasing the total cost of electricity for customers.

Generally, customers prefer to see what discount they will receive by switching to an alternative supplier. As highlighted in the recent consultation published on Tariff structures (CER/09/093b), the higher the percentage of pass through costs the less potential there is for an independent supplier to differentiate their product offering from that of other suppliers. It also limits the ability of customers to fully assess the affect a change in their consumption will have on their final bill. Essentially, the discount offered is diluted by the fixed costs which are pass-through payments.

The large PSO increase proposed for 2009/10 compounds this problem for BG Energy as an independent supplier.

BG Energy is strongly of the opinion that a greater breakdown of costs included in the 2009/10 PSO calculation is required. The level of detail that is currently provided makes it very difficult for respondents to provide constructive analysis or feedback to the consultation process.

BG Energy would like to ask for clarification in relation to the following costs included in the 2009/10 PSO calculation:

- West Offaly, Lough Ree and Edenderry Power stations are all peat fired power stations of a similar age, yet the proposed PSO costs associated with the ESB Power Gen (ESN PG) peat plants are much larger than those of the Edenderry plant. The difference in generation capacity associated with the ESB PG peat plants does not appear to account for the sizable gap between the costs for the plants. It would be helpful if the CER provided reference to publicly available documentation which may help us understand the details of this cost discrepancy. We would ask that given the level of the amount in question that the CER provide further detail and/or justification for these costs.
- Given the size of the r-factor proposed for the 2009/2010 PSO levy BG Energy believes that more detail on the individual components needs to be provided. From the level of detail that is currently provided it is difficult to ascertain where these r-factor costs occur. We believe the CER should provide additional justification on the basis of these costs:
 - Why did these plants have a higher than expected income?
 - Why did these plants have lower costs?
 - Why did these plants have different outputs than were originally forecasted?

It would be helpful if the CER could reference any relevant documentation that would help in understanding how this cost accrued.

- Particularly in relation to the final component of the r-factor, the AER/Edenderry Power Ltd/Capacity 2005 cost of -€54.5m, BG Energy would ask that the CER give a more detailed breakdown of these costs. The way in which this cost is currently presented does not enable commentators to provide any useful comments to the consultation. It is

unclear what amount each of these three components contributes to the -€54.5m total.

In conclusion BG Energy request that these increases be explained in greater detail before the CER make a final decision on the PSO charges for 2009/10.

We would be happy to meet with the CER at any stage should they wish to discuss any of the above comments further.

Yours sincerely

Eric Mullane
Commercial Regulation
Bord Gáis Energy