

22nd June 2010
North Cork Co-Op
Kanturk
Co. Cork

James McSherry
CER

Re 2010/2011 proposed PSO levy decision paper CER/10/086 comments

Dear James

North Cork Co-Op are alarmed to read the proposed levels of PSO levy that will apply during 2010/2011. North Cork Co-Op are a medium sized independent dairy processing business giving full time employment to 50 local people and several other part time and small contract businesses. North Cork Co-Op operates as a price taker for the commodities it produces. The proposed PSO levy will be responsible for a 5-10% increase on electricity supply costs for our processing operations. Electricity costs are, after labour, one of the main operating costs within the business. This proposed increase, alongside proposed reduction in LEU rebates will put a further squeeze on already hard pressed operating margins. Why are industrial users being asked to take on board such a large increase, when the domestics use increase is of the order of 2%?

I would like to raise the following points on the breakdown table in section 3.0

1. The line item "other" which is shown as +23 million euro is listed as a combination of R factor and PSO administration, the R factor is given as +20 million euro. The difference here seems to indicate an administration cost of 3.234 million euro – this sounds excessive.
2. Looking at the breakdown of all the PSO costs for 2010/2011 and comparing them to those given in the final decision paper for 2010/2011, one cannot be struck by the similarity of the amounts given for each line item. It also seems noteworthy how much more PSO funds are being given to both ESB owned peat stations vs Edenderry, and also in the R factor for 2010/2011 these stations get a further 13.4 million euro on top of the +70 million euro they both received from last years PSO, Edenderry are not mentioned in the 2010/2011 PSO Why is there such a large variation between ESB owned peat stations and Edenderry, a privately owned peat station? This issue is not referred to within the paper
3. The amounts for AER are broadly the same in 2009/2010 and 2010/2011, most of these AER contracts are finishing up, and are not being renewed, why does this amount not reduce in this paper vs. last year?
4. The level of monies included in the R factor relative to the line items included in last years paper do not suggest a very good degree of initial estimation - R factor amounts for the two ESB peat stations and Refit are in the order of 20% of last years PSO decision line items

Generally speaking, given that the PSO admin costs seem rather large, the impact the PSO increase will have on North Cork Co-Op's business, and the lack of transparency in how PSO monies are arrived at, one would expect a greater degree of attention to be paid to how these charges are levied. The statistics on the rate of business wind ups during 2010 speak for themselves. The contribution of high electricity costs as an underlying factor in these statistics is also self evident. The contribution of pass through costs to high power prices is and continues to be a cause of major concern.