

Subject : **Comments on proposed PSO Levy charges 2010/2011 (CER/10/086)**
Author : **John Fingleton, Fingleton White & Co. Ltd.**
Dated : **June 2010**

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A CHP Operators Perspective - Fingleton White & Co. Ltd.

General

The document is very welcome and gives a full and transparent breakdown of the costs of the PSO Levy.

The comments below make suggestions how the PSO Levy could be reduced in the future and include specific proposals to redress the inequitable treatment of CHP.

Peat Fuel

Approximately €90m of the total cost of the PSO Levy of €195m is allocated for the Peat Power Stations.

Analysing the costs for Lough Ree, West Offaly and Edenderry Power, the difference in cost between the EPL and the ESB stations is very significant.

| Sites | Cost (€m) | Installed MW | €/MW ('000s) |
|-------------------|-----------|--------------|--------------|
| Lough Ree Power | 33.766 | 100 | 338 |
| West Offaly Power | 45.263 | 150 | 302 |
| EPL | 10.536 | 120 | 88 |

The wisdom of supporting Peat Generation, in light of the high CO2 emissions associated with it and the widely accepted need to reduce CO2 emissions, is very questionable, however existing contracts must be honoured.

The fact that the ESB controlled Peat Stations get more than three times the support of the Edenderry Power Limited station is noteworthy.

AER & REFIT schemes

CHP is a beneficiary of support under AERI and AERIV schemes and hopefully will be a beneficiary under the REFIT scheme as recommended in the SEAI CHP in Ireland report (2006) and also the SEAI CHP Potential report (2009). Logically this support should not be negated by having to pay for it.

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Allocation of the costs

Costs that have been incurred have to be paid and it is important to have an equitable distribution of the costs.

Allocating the costs based on the MIC is equitable and reasonable in virtually all cases. Applying the logic of the Proposed Decision Paper as set out in Appendix B to 7 CHP sites that we are familiar with, where there is a combined export of approximately 25MW during the WPDRS hours, there should be no PSO levy applied as these sites are serving to reduce the peak rather than increase it. These sites have a total MIC of 52,000kVA.

Applying the PSO levy to a CHP site which it is importing less than 5% of the time and at times that suits the network on the same basis to sites that are importing 100% of the time is not equitable.

Because the PSO levy is to encourage alternative generation, it is illogical to **not** differentiate for CHP Sites.

I suggest that CHP sites which have Autoproducer status be exempt from the PSO levy and that sites that do not have Autoproducer status be charged on equivalent kW basis.

$$\text{i.e. Equivalent kW} = \frac{\text{kW hrs imported} - \text{kW hrs exported}}{8760}$$

The total cost of exempting CHP from the PSO Levy will be in the region of €860,000 and as such is not significant enough to need a recalculation of the proposed charges.

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