

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

Comments on the proposed PSO Levy charges 2011/2012 (CER/11/097)

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1.0 General

Fingleton White welcomes the publication of the Proposed Decision Paper, Public Service Obligation levy 2010/2011, and the opportunity to submit comments.

The document provides a clear 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 Combined Heat and Power (CHP).

2.0 AER & REFIT schemes

CHP is a beneficiary of support under AERIV 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.

3.0 Allocation of the costs

There are a number of LEUs which have installed CHP to supply their site heat and electricity needs. CHP generation makes more efficient use of fuel supplies, reduces demand on the national grid and therefore contributes to providing security of supply. Sites which are autoproducers not only provide reduced demand (Negawatts) on the system, they are also supplying power to the system through their exports.

Furthermore, autoproducers which have a MEC greater than their MIC, have the capacity to export more than they import and therefore, should be exempt from the PSO levy.

Sites which have a MEC less than their MIC should be charged either on an equivalent kW basis or based on the difference between the MIC and MEC.

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

As this charge can only be applied retrospectively and would require access to metered data, it may be more practical to apply the charges based on the difference between the MEC and MIC.

i.e. PSO capacity = MIC – MEC

This method would be the simplest to implement since it can be applied to all sites.

For demand sites where;

- MEC = 0, PSO capacity = MIC
- MIC > MEC, PSO capacity = 0

Applying the PSO levy to a CHP site that 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. The PSO levy is to encourage alternative generation; it is illogical to **not** differentiate for CHP Sites.

4.0 Nature of charge: Capacity v Usage

The LEU rebate has been applied with a kWh element and a kVA element. This contrasts with the PSO levy, which is applied on a kVA element only. The resulting scenario exists whereby when monies are collected, sites with CHP pay the same as demand only customers, but when monies are rebated the majority is given to demand only customers and a very small component to sites with CHP.

This inconsistency demonstrates another example of the inequitable treatment of CHP. This inequity is demonstrated with the following example of a company with 5,000 kVA MIC and a 60% load factor.

The rebates applied in 2009 were €400,000 for the kWh element (15€/MWh x 5MW x 8760hrs x 0.6) and €60,000 (5000kVA x 11.52€/kVA) for the kVA element.

This example shows that 87% of the rebate was based on kWh element and only 13% on the kVA element. By contrast the PSO levy is 100% based on the kVA element. This results in the scenario where a site with CHP receives only 13% of a rebate but is charged 100% of the levy.

5.0 Peat Fuel

Approximately €41m of the total cost of the PSO Levy of €85m 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	23.538	100	235
West Offaly Power	19.912	150	133
EPL	- 1.853	120	15

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.



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