Mr, John Lynch
Commission for Energy Regulation,
The Exchange,
Belgard Square North,
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Dublin 24.

June 27, 2016.

Response to Public Service Obligation (PSO) Levy proposal – CER /16/152

In light of Britain voting to leave the European Union is it not time that the Irish Government paused to take stock of all those issues of national importance that may now be affected by the fall-out from this news.

General

With regard to Energy / electricity the Public Service Obligation levy should be held at last year's level net of the support contracts for Tynagh, Aughinish and Edenderry ending in 2016/17 until a more certain picture emerges of our future energy obligations in a European landscape that is changing significantly.

We do not know how the cost of fuels, that mainly deliver our energy needs (gas & oil traded in Sterling and USD), will be impacted in the coming months.

We do not know whether RES-E obligations will be re-visited in light of a re-structured Europe. (Indeed it is likely that many of the pillars of European development will now have to be revised as Britain has played a role in the structuring of many of these pillars).

We do not know where Europe's Energy Regionalisation policy sits now and how our particular regionalisation plans will be impacted.

Do we have any understanding of the impact on I-SEM from Britain's departure from the European Union?

When the parameters used to predict what happens in the next twelve months might be compromised and when certainty and stability are paramount (particularly in the recovering business environment) is it not more appropriate to hold the status quo rather than heaping more uncertainty into the mix.

Specific

In money terms the proposed increase in the levy is not €115.6m (35.5%) but rather €170.6m (63.1%) as termination of support contracts for Tynagh, Aughinish and Edenderry were, for some years flagged as ending in 2016/17 which would have resulted in a permanent PSO reduction in the order of €55.0m.

There is a significant imbalance in apportionment of the PSO with 52.62% of the ‘obligation’ and in turn 52.62% of the increase falling to customers with a medium & large profile.

It is clearly indicated in the PSO proposal document that there is 41% more renewables to be supported by the PSO in the coming year.

While it is recognised as the least expensive form of electricity it does, in addition to financial support, require significant capacity support for those periods when the wind does not blow.

Is now not the time to re-visit our headlong rush to meet EU targets by ‘throwing wind at it’?

Community acceptance of renewable infrastructure has been raised by Minister Naughton but it is not just about acceptance of the means of delivering renewables that is at issue but whether ‘riding the one trick pony’ will deliver Ireland a solution that is long term and sustainable.

Are we paying the’ idling charge’ now to buy time to develop the longer term solution? Should we not be further along in our supports for energy efficiency and development of other renewable technologies including tidal, solar, and off-shore. Alternatives to wind may prove to be more expensive but is it right to make the consumer pay on the double?

More specific

Regarding large energy users the recently revised European Commission Energy and Environment Aid Guidelines recognised new criteria for state aid to energy intensive industry exposed to international competition.

As Regulator and in the interest of fairness, competitiveness and a ‘level playing field’ are you engaged with the Government in ensuring that energy customers in Ireland are availing of all energy support entitlements within Europe. Other European countries exempt large industry / large employers from certain obligations and levies (Germany / and the now departing Britain for example).

Conclusion

As consumers we have paid over €6.5bn in Capacity payments and PSO in the last ten years.

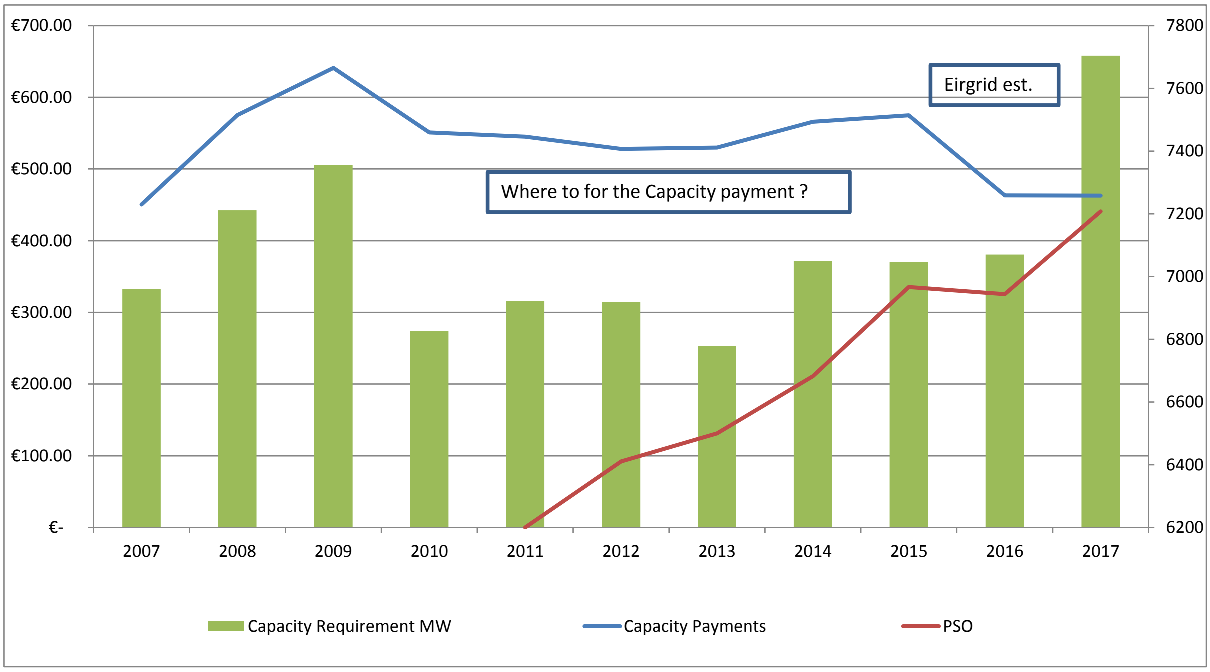
We have paid for a Single Electricity Market model that is now being replaced by another expensive model that currently must have significant uncertainty in its future, a model for which the consumer will again pay.

We have supported electricity generation capacity when all indicators in the last five years (out of recession) show that we have had more than enough generation capacity with no significant growth requirements.

We have a proffered European regionalisation policy that will now have to be revisited.

We have an expensively maintained national grid requiring regular five year injections of investment yet not getting an indication that it will ever be fit for purpose.

In light of the recently published energy white paper and the decision of the British electorate is it not now time to apply the brakes, park up and assess where we are really going?



This response to the proposed PSO levy for 2016/17 may appear to be somewhat opportunistic or even cynical.

It is not, it is a reflection of the serious concern that an increase of this magnitude has on industry in general and large industry in particular not in percentage terms but in real money terms. It is also a concern for the potential of the PSO increases yet to come.

It is reflecting a grave concern that an increase of this magnitude has not set alarm bells ringing and has not prompted questions of why an increase of this size is needed.

It is a reflection of the concern that should be shown for an economy in recovery in a very difficult global economic environment.

It is easy to say that it is Government policy but as Regulator you have a very significant role in ensuring that the dialogue is current and the content is relevant.

This proposed increase will take in the order of €400,000 from this company.

If the proposed increase is indeed levied are consumers sure what they are getting for it. It is not clear to this Company where the value is in such a payment.

Tadg Farrell.

For Boliden Tara Mines Limited