

**DAIRYGOLD CO-OPERATIVE SOCIETY LTD.**  
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Mr John Lynch  
Commission for Energy Regulation  
The Exchange  
Belgard Square North  
Tallaght  
Dublin 24

By email [jlynch@cer.ie](mailto:jlynch@cer.ie)

27 June 2016

Dear Mr Lynch,

The following is Dairygold's response to the Proposed Decision Paper, Public Service Obligation Levy 2016/17 (CER/16/152).

Dairygold is increasingly concerned about the competitiveness impact of rising PSO costs. The proposed increase for next year will mean that the Levy will have risen by 379% between 2011/12 and 2016/17.

The main purpose of the PSO is to encourage alternative generation while also promoting security of supply. However the PSO levy, as it is at present effectively acts as a barrier to energy efficiency projects including CHP development and other on-site generation.

Dairygold has invested in CHP Facilities with a view to reducing our energy consumption through efficient on-site generation, but we also have to maintain a MIC at a level that would cover the Site's Maximum Demand if required. The PSO levy in its current format is penalizing Company's like Dairygold that may wish to invest in CHP. This is because of how the PSO is charged based on the site Maximum Import Capacity (MIC).

For example, Dairygold has CHP facilities installed on two of our large manufacturing sites with the facility to export spill electricity to National Grid. The site's MIC needs to be maintained to ensure reliable operation of the plant during maintenance of the CHP or in the event of the CHP facility not been available due to a breakdown. **If the PSO Levy was charged on units imported rather than the Contracted MIC** this would be an incentive for Large Energy users to invest in CHP Facilities.

Applying a consumption based charge would result in the PSO Levy cost allocation methodology being aligned with the aims of the PSO, the White Paper and other government policies. This method would provide a strong incentive for users to manage their consumption proactively and would be a fairer and more equitable method of raising the funds required for the PSO.

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It should be noted that one of the objectives of the CER, is “to encourage the efficient use and production of energy”. We respectfully suggest that the current PSO cost allocation methodology runs contrary to this.

Dairygold understands that the CER is required to use the current cost allocation methodology for the PSO levy. Therefore the CER should advise the Minister that legislation be put in place so that the **PSO levy could be charged based on kWh consumption** which would help promote the sustainability of Irish electricity generation.

Regards

John Gubbins – Energy Buyer