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By email ([PSO@CER.ie](mailto:PSO@CER.ie))

30 June 2017

**PSO Levy – proposed decision paper CER/17/115**

Dear Grainne,

Ibec's members recognise the national imperative to meet EU renewables and greenhouse gas targets, as well as to ensure our security of energy supply. How we as country can achieve these goals in the smartest and most cost effective way needs to be a strategic priority for Government. At a time when industry is under immense pressure, following the Brexit vote in the UK, our members are concerned about the competitiveness impact of significant rises (recent and projected) to the PSO levy.

The proposed increase for next year will mean that the Levy will have risen by 439% between 2011/12 and 2017/18 with renewables receiving an additional €90m on last year, due to an increase in the overall MWs supported and a fall in wholesale prices. This upward trend in the PSO levy is set to continue for the foreseeable future. Ireland's draft National Mitigation Plan estimates that 880MW in renewable generation will need to be connected to the grid by 2020 if we are to reach our 40% RES-E target by 2020<sup>1</sup>. Looking beyond 2020 – while not required under current European Commission proposals - a move beyond 40% renewable electricity is likely as Ireland continues on its path to a low carbon economy by 2050. If further RES-E support schemes are introduced as part of that journey this will inevitably result in significant increases to the annual PSO levy.

In 2017 wind powered generation remains the most cost effective technology at our disposal. However earlier this month the Department of Housing, Planning and Local Government published a set of draft revisions to the 2006 Wind Energy Development Guidelines. If implemented, the proposed controls on proximity to residential properties, shadow flicker and noise levels will restrict the size and location of wind farms and increase installation costs. Moreover, Ibec understands that future renewable projects receiving PSO funding under the forthcoming support scheme for renewable electricity will have to meet strict community ownership and benefit criteria. While we have yet to see the finer details of this new policy, any mandatory scheme for community co-ownership of large scale renewable electricity generation projects may also hinder deployment, increase installation costs and potentially further drive up the PSO levy.

Ibec appreciates the value of a diverse renewable energy portfolio and understands that the Department of Communications, Climate Action and Environment is considering a range of technologies to support in the forthcoming renewable electricity support scheme. However it is possible that some of these will require far more financial support per MWh than is the case for onshore wind or large scale biomass and will result in significant increases to the PSO levy. For this reason and to keep costs down, it is crucial that competitive auctions be employed. If new and

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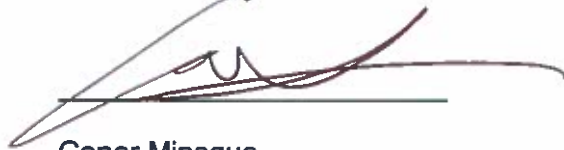
<sup>1</sup> Data source: Eirgrid and ESB Networks – Figures for December 2016

emerging technologies are to be supported to spur innovation, Ibec recommend the creation of a separate ring-fenced R&D fund financed by the Exchequer. It will be incumbent on the CER to advise the Minister of the adverse impact on industry and households from a large-scale PSO-funded roll out of costlier technologies.

Considering the increase in the PSO levy since 2011 and the country's decarbonisation commitments, there appears to be clear justification for the Exchequer to bear a portion of future support scheme costs to the extent that they reflect government policy decisions on support for renewables. In this way Ireland should note the recent Danish government decision to increase support for sustainable energy through Exchequer funding rather than through PSO supplier obligations.

Finally, Ibec welcomes the decision to adopt the ESB Networks PSO Costs Allocation Methodology and its application for the 2017-18 period. As noted in our submission last March and acknowledged by the CER, the revised methodology is more accurate in its determination of the demand peak associated with Medium-Large Account customers

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'Conor Minogue', written over a horizontal line.

Conor Minogue

Senior Executive, Energy Policy