



Irish Concrete Federation

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June 28th 2017

Ms Grainne Black
Commission for Energy Regulation
The Exchange
Belgard Square North
Tallaght
Dublin 24

Re: Public Service Obligation Levy 2017/2018.

Dear Ms Black,

The Irish Concrete Federation (ICF) welcomes the opportunity to respond to the CER Proposed Decision Paper on the Public Service Obligation (PSO) Levy the period October 2017 to September 2018.

ICF is the national representative body for the Irish aggregates and concrete industry. We have 75 companies in our membership, the vast majority of which are small family owned businesses. There are approximately 4,000 people employed in the aggregates and quarrying industry which is approximately one-third of total employment numbers in 2008.

ICF members are dismayed at the current proposal by the Commission for Energy Regulation to increase the PSO levy by 12% for 2017/2018. The proposal clearly totally ignores the realities of running a business in Ireland in 2017 and takes no account of the ongoing pressure which many businesses face in order to survive.

The members of the ICF supply many of the key construction materials used in the construction of Ireland's built environment. Increasingly our members have also diversified to exporting precast concrete products to the UK and have succeeded in developing a valuable outlet for many concrete products. Despite much public commentary on the reported recovery in the general economy in Ireland, the facts are that that the limited recovery to date is confined largely to the greater Dublin area and activity in the rest of Ireland remains low. Notwithstanding the acknowledged recovery in the Dublin area, the fact is that construction activity in Ireland in 2017 will be less than 40% of that which applied a decade ago.

In an effort to maintain staff levels, companies must look to reduce their cost base constantly in other areas across the business. Notwithstanding the market realities, ICF members are categorised as medium and large customers due to the energy intensive nature of their businesses. Therefore, electricity is a major element of those costs and the PSO levy is a substantial component of this cost.

Overview of PSO rates since 2014 - 2017

- In 2014/2015 alone there was a totally unacceptable increase of 85% in the levy, which was followed by a mere 3% reduction for 2015/2016. This reduction, while welcome did little to compensate users for the previous year's 85% increase.
- The proposed annual levy for 2016/2017 represents a completely unacceptable proposed increase of 12%.

- The levy increase, if approved, represents an increase of 143% since 2013/2014, which is completely unsustainable for our members or any business.
- The proposed increase will undermine the competitiveness of Irish business both in the domestic and export marketplace.

Impact of Proposed PSO Levy Increase

The below table illustrates the impact of the recent and proposed increases in the PSO levy on typical ICF members in terms of the increases in their operating cost base.

Impact of PSO Levy Increases 2013-2018											
ICF Member	MIC	Annual Levy 2013/2014	Total Cost 2013/2014	Annual Levy 2014/2015	Total Cost 2014/2015	Annual Levy 2015/2016	Total Cost 2015/2016	Annual Levy 2016/2017	Total Cost 2016/2017	Annual Levy 2017/2018	Total Cost 2017/2018
	(kVA)	(€/kVA)	(€)	(€/kVA)	(€)	(€/kVA)	(€)	(€/kVA)	(€)	(€/kVA)	(€)
Member No 1	950	18.47	17,547	34.2	32,490	33.14	31,483	39.96	37,962	44.88	42,636
Member No 2	2,000	18.47	36,940	34.2	68,400	33.14	66,280	39.96	79,920	44.88	89,760

Member No. 1 (MIC 950 KVA)

- In 2013/2014 the PSO levy was €18.47/kVA equating to an annual cost of **€17,547**.
- In 2014/2015 the rate drastically increased by 85% leading to an annual cost of **€32,490**.
- In 2015/2016 there was a minute decrease of 3% leading to an annual cost of **€31,483**.
- In 2016/2017 there was a further increase of 21% leading to an annual cost of **€37,962**
- The proposed levy for 2017/2018 would lead to an annual cost of **€42,636**.

Member No.2 (MIC 2000KVA)

- In 2013/2014 the annual cost of the PSO levy was **€36,940**.
- In 2014/2015 the annual cost increased to **€68,400**.
- In 2015/2016 the cost decreased to **€66,280**.
- In 2016 / 2017 the annual cost increased to **€79,920**
- The proposed levy for 2017/2018 represents an annual cost of **€89,760**.

Irish electricity prices are currently among the highest in Europe. Irish business cannot be expected to continue to maintain and create jobs if its cost base continues to rise unsustainably. An increase of 143% in the PSO levy is completely unjustified and is totally contradictory with stated Government policy for employment and growth. The proposed increase in the PSO Levy will jeopardise job creation, job security and the competitiveness of Irish companies. Indeed, in the context of the aggregates and concrete sector, the negative impacts will include:

1. Increased construction costs In Ireland;
2. Improved competitive advantage of imports, particularly from Northern Ireland;
3. Further undermining of exports of precast concrete to the UK which are already severely damage by the devaluation of sterling since June 2016.

ICF urges the CER to recognise the fact that businesses cannot be asked to absorb the extra costs of this levy in a time when recovery is still fragile and businesses are still struggling for survival. We therefore request that the levy be reduced to an annual rate of €18.47 / kVA which is the level which applied in 2013/2014.

Yours sincerely



Gerry Farrell
Chief Executive