



## Response to CER/17/115, Proposed Decision on Public Service Obligation Levy 2016/17

For the attention of:

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

Prepared by:

Pat McGrane,

Commercial Director,

Energy Information Centre Ireland Limited, Trading as Kore Energy

**Tel:** +353 (0)1 808 5555

**Fax:** +353 (0)1 808 5554

**Mobile:** +353 (0) 86 6076 770

**Website:** [www.kore.ie](http://www.kore.ie)

**Date issued:** 26 June 2017

Registered Number 403186 (Ireland)

Registered for VAT: IE6423186E

## Introduction

Kore Energy provides energy procurement and energy price risk management services to a significant number of large energy users in Ireland and currently manages circa 2,800 GWh of electricity on behalf of large electricity users. Our clients include 5 of the country's top ten energy users and global leaders in the pharmaceutical, IT and Food sectors. We welcome the opportunity to respond to the Commission's proposed decision in relation to the 2017/18 Public Service Obligation (PSO) levy.

Having reviewed the proposed decision paper we have the following comments and questions:

### 1 Latest proposed increase in PSO levy will bring cumulative 6 year increase to 423%.

The latest proposed increase in the PSO levy for large energy users will bring the cumulative increase in the PSO levy over the past 6 years to 423%, as detailed in Figure 1, below. The extent of that increase is a cause of great concern for large energy users, firstly because of the adverse cost impact on their operations and secondly as it is not something that could have been included in previous medium terms forecasts for energy costs. In its proposed decision paper, the CER states that it has no discretion over the terms of the PSO scheme. Given the CER's mandate to ensure that Irish energy markets are competitive, we urge the CER to engage with Government with a view to reviewing and, where necessary, amending the PSO scheme to ensure that it delivers on its objectives in a competitive manner.

**Figure 1: Annual and cumulative PSO levy change, 2011 to 2017**

	PSO levy, €/kVA of MIC/month	Yearly Increase	Cumulative increase
Oct-11	0.715		
Oct-12	0.989	38%	38%
Oct-13	1.539	56%	115%
Oct-14	2.850	85%	299%
Oct-15	2.762	-3%	286%
Oct-16	3.330	21%	366%
Oct-17	3.740	12%	423%

### 2 Requirement for longer term PSO levy cost projections

In order to facilitate financial planning and investment on the part of large energy users, can the CER please provide a longer term price forecast for the PSO levy over the next five years. We appreciate that variations in wholesale energy rates will mean that the eventual PSO levy rate for each year will change relative to any projection completed now. However, based on targets for renewable generation over the next five years and any other PSO supported plant that may be commissioned, it should be possible for the CER to provide a reasonably accurate projection for PSO costs, preferably based on a number of different wholesale price scenarios.

Given the current uncertain economic outlook it is important that Large Energy Users are in a position to have greater control over financial planning and it is in this area that we urge the CER to provide some degree of clarity over a reasonable timeframe.

**3        Charging based on Maximum Import Capacity rather than volume or demand adversely impacts large energy users, particularly those in a growth phase.**

The current methodology for allocating PSO costs to each customer category uses a calculation of peak demand for each category. However, the application of PSO charges is then completed on a different basis. In the case of large energy users, the charge is based on the Maximum Import Capacity (MIC) in kVA rather than the peak metered demand. Kore Energy represents a small number of very large users in the Irish market who have recently increased their MIC, or are planning on increasing their MIC, in advance of plant expansions and planned increases in electricity volumes. Those large energy users will pay a disproportionately high contribution towards the PSO levy, until such time as their sites ramp up to demand levels that are reflective of their increased MIC. These energy users accept that the cost of the higher MIC must be paid for in the form of higher Transmission charges. However, the method of allocating the PSO levy based on contracted MIC places an onerous cost burden on these users. In order to address this, we request that the Commission would consider allocating the PSO levy within the Large Profile sector based on peak monthly demand in MW or on a unit cost basis.

**End.**