



Response to CER/16/374, CER's Consultation on Proposed Update from ESB Networks to the PSO Levy Cost Allocation Methodology

For the attention of:

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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 consultation paper in relation to the proposed update from ESB Networks to the Public Service Obligation (PSO) levy cost allocation methodology.

Kore Energy support the ESB Networks proposed change to the PSO levy cost allocation methodology as it represents a significant improvement on the existing process. Specifically Kore Energy support the proposal given;

- (1) The new proposed methodology provides greater accuracy in the allocation of PSO costs which ESB Networks have confirmed, given the new methodology utilises actual meter read data which is available to ESB networks. The existing process is inherently less accurate and does not use this meter read data.
- (2) The new proposed methodology for medium-large customers utilises a bottom up approach for calculating the PSO cost allocation for this customer segment, which is in line with the principle of a bottom up approach currently used for other customer segments.

The current top-down PSO cost allocation methodology for medium-large customers disadvantages them given its inherent inaccuracy, and thus any proposal that creates a fairer, more accurate allocation of PSO costs to customers must be viewed as a very positive move, and should be supported.

Kore Energy have clearly outlined their support for the new proposed methodology above. However, we believe the review has missed an ideal opportunity to fix a fundamental flaw in the PSO cost allocation process, which continues to greatly disadvantage medium-large energy users, and has done so for years. In summary the problem is that individual larger energy users today are charged PSO costs based on their Maximum Import Capacity (MIC) in kVA rather than their peak metered demand. This adversely impacts a substantial number of larger energy users where their MIC is considerably higher than their actual demand. This "disconnect" between MIC or reserved capacity and actual demand can often occur for very good reasons, generally where end users are in a growth phase or where they are planning for future growth. While these end users will consider it reasonable that they pay towards network costs for future reserved capacity, it is entirely unreasonable that they are effectively penalised via a higher PSO levy (on a kWh basis) than other users which results due to the current methodology. The CER are strongly encouraged to address this important issue as a matter of priority, in collaboration with ESB Networks, and government departments as appropriate. Kore Energy noted this key issue in our response to the commissions proposed decision on Public Service Obligation Levy 2016/17 in June 2016 (CER/16/152).

End.