



An Coimisiún  
um Rialáil Fóntas  
**Commission for  
Regulation of Utilities**

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# Information Paper

## Arrangements for PSO Invoicing and Collection

### Information Paper

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## Executive Summary

In accordance with the Electricity Regulation Act, 1999 (as amended) and S.I. 217 of 2002 (as amended), the Commission for Regulation of Utilities (CRU) is responsible for the calculation of the PSO levy and for ensuring that the PSO scheme is administered appropriately and efficiently.

As part of its role in administering the PSO scheme, and in accordance with Article 19 of S.I. 217 (as amended), the CRU previously approved the Distribution System Operator's (DSO) and Transmission System Operator's (TSO) PSO invoicing and collection procedures. These procedures are summarised in CER/03/013 "PSO Invoicing and Collection Procedures". Additional arrangements regarding the collection and distribution of the PSO levy are also documented in Section 3 of CER/08/153 "Arrangements for the Public Service Obligation Levy".

Following an independent review of CER/03/013 and Section 3 of the CER/08/153, the CRU is publishing this information paper, which brings these two documents together, setting out the arrangements for PSO invoicing and collection. The only material change that has occurred to these arrangements is the implementation of a withholding mechanism to address the risk of bad debt in the PSO through the publication of CRU/18/261. There have been no other material changes to the arrangements for PSO invoicing and collection procedures since the publication of CER/03/013 and CER/08/153.

The arrangements are being made in order to reflect changes within Ireland's electricity market and have not resulted in fundamental changes to the arrangements for PSO invoicing and collection. This information paper supersedes CER/03/013 and Section 3 of CER/08/153. The CRU notes that in accordance with Article 11, 14 and 15 of S.I. 2017 of 2002 (as amended), it is the duty of suppliers, the DSO and the TSO to:

- collect the PSO levy,
- pay relevant market participants all appropriate amounts received in respect of the PSO levy, and
- recover any contract debts.

Additionally, in accordance with Article 19 of S.I. 2017 of 2002 (as amended), participants who have any duties imposed under the relevant PSO legislation, other than a final customer, shall upon request submit a document to the CRU for approval specifying the procedures they will adopt to comply with those duties.

This information paper describes the current arrangements for PSO invoicing and collection that are in place by market participants. It is the responsibility of such participants to have procedures in place that comply with their PSO duties and are reflective of market conditions. Participants with CRU approved procedures in place are advised to undertake periodic reviews of their procedures to ensure that they

remain fit for purpose. In the event that an update of such procedures is deemed warranted, the relevant documentation should be submitted to the CRU for approval.

The CRU may update this document if there are any substantive changes to PSO invoicing and collection procedures.

## **Public/Customer Impact Statement**

The CRU recently completed a review of the arrangements for PSO invoicing and collection, which are detailed in CER/03/013 and Section 3 of the CER/08/153. Arising from this review, the CRU is publishing this information paper, which sets out the arrangements for PSO invoicing and collection. There have been no fundamental changes to PSO invoicing and collection arrangements. The purpose of this information paper is to consolidate all CRU approved PSO billing and invoicing procedures. This information paper therefore supersedes CER/03/013 and CER/08/153, and is intended to provide greater clarity and transparency regarding the arrangements for PSO invoicing and collection.

# Table of Contents

<b>Executive Summary .....</b>	<b>1</b>
<b>Public/Customer Impact Statement .....</b>	<b>3</b>
<b>Table of Contents .....</b>	<b>4</b>
<b>Glossary of Terms and Abbreviations .....</b>	<b>5</b>
<b>1. Introduction .....</b>	<b>6</b>
1.1 The Commission for Regulation of Utilities .....	6
1.2 Purpose of this Document .....	6
1.3 Structure of Paper .....	7
1.4 Related Documents .....	7
<b>2. Applicable Legislation .....</b>	<b>8</b>
2.1 Determination of PSO amounts .....	8
2.2 Invoicing & Collection .....	9
<b>3. PSO Levy Invoicing and Collection .....</b>	<b>10</b>
3.1 Summary of current DSO and TSO procedures .....	10
3.2 Withholding mechanism .....	11
3.3 Modification of procedures .....	11
<b>4. Payment of Arrears .....</b>	<b>12</b>
<b>5. Certification of PSO Levy Collected .....</b>	<b>12</b>
<b>6. Billing and Payment Disputes .....</b>	<b>13</b>
6.1 PAYMENT TO DSO .....	13
6.2 PAYMENT TO TSO .....	14
<b>7. Revocation of licences .....</b>	<b>16</b>
<b>8. Submission of documents to the CRU .....</b>	<b>17</b>
<b>Appendix 1 – Summary of PSO levy payment and information flows .....</b>	<b>19</b>

## Glossary of Terms and Abbreviations

Abbreviation	Meaning
<b>CRU</b>	Commission for Regulation of Utilities
<b>CER</b>	Commission for Energy Regulation
<b>DSO</b>	Distribution System Operator
<b>EURIBOR</b>	Euro Interbank Offered Rate
<b>MIC</b>	Maximum Import Capacity
<b>PSO</b>	Public Service Obligation
<b>SEM</b>	Single Electricity Market
<b>SI</b>	Statutory Instrument
<b>TSO</b>	Transmission System Operator

# 1. Introduction

## 1.1 The Commission for Regulation of Utilities

The CRU's mission is to protect the public interest in Water, Energy and Energy Safety.

The CRU is guided by four strategic priorities that sit alongside the core activities we undertake to deliver on the public interest. These are:

- Deliver sustainable low-carbon solutions with well-regulated markets and networks
- Ensure compliance and accountability through best regulatory practice
- Develop effective communications to support customers and the regulatory process
- Foster and maintain a high-performance culture and organisation to achieve our vision

## 1.2 Purpose of this Document

The purpose of this document is to:

- Explain the roles and responsibilities of relevant parties in the context of the PSO.
- Describe the current Public Service Obligation (PSO) invoicing and collection procedures, which have been approved by the CRU; and
- Set out provisions specified by the CRU for:
  - recovery of PSO monies outstanding;
  - certification of the amounts of PSO levy collected;
  - billing and payments disputes pertaining to the PSO;
  - revocation of a licence in the event that PSO monies are unpaid; and
  - submission of procedures to the CRU.
- Reflect recent CRU decisions that are relevant in the arrangements for PSO invoicing and collection (e.g. CRU/18/261 - Addressing the Risk of Bad Debt to the PSO levy).

This information paper supersedes CER/03/013 "PSO Invoicing and Collection Procedures", and CER/08/153 "Arrangements for the Public Service Obligation Levy". This paper consolidates all CRU approved PSO billing and invoicing procedures.

## 1.3 Structure of Paper

The remainder of the paper is structured as follows

- **Section 2:** provides an overview of the legislative framework governing the PSO.
- **Section 3:** summarises the Transmission System Operator's (TSO) and Distribution System Operator's (DSO) PSO invoicing and collection procedures.
- **Section 4:** summarises the TSO and DSO's obligations in relation to defaulting supply businesses who owe PSO monies.
- **Section 5:** describes the TSO and DSO's obligation to provide annual audited certification to the CRU.
- **Section 6:** outlines the billing and payments dispute process for PSO levy disputes between suppliers and the DSO or TSO.
- **Section 7:** outlines the CRU's procedure for revoking supply licences from defaulting supply companies.
- **Section 8:** outlines the obligation of suppliers, the DSO and the TSO to submit PSO procedure documents to the CRU upon request.

## 1.4 Related Documents

- [Electricity Regulation Act, 1999](#) (as amended)
- [S.I. No. 217/2002 - Electricity Regulation Act 1999 \(Public Service Obligations\) Order 2002](#) (as amended)
- [CER/03/013](#) PSO Invoicing and Collection Procedures
- [CER/08/153](#) Arrangements for the Public Service Obligation Levy
- [CER/08/236](#) Calculation of the R-factor in determining the Public Service Obligation Levy
- [CER/17/073](#) Decision on Updated Cost Allocation Methodology
- [CRU/18/261](#) Addressing the Risk of Bad Debt to the PSO Levy

## 2. Applicable Legislation

### 2.1 Determination of PSO amounts

The Electricity Regulation Act, 1999 (as amended) directs that the PSO Levy be allocated annually across three categories of electricity customer based on the maximum demand in respect of each category, as a proportion of the sum of the three maximum demand figures.

Schedule 2 of the Electricity Regulation Act 1999 (as amended) specifies the three categories of electricity customers as follows:

*(a) Domestic Accounts, meaning electricity accounts held by final customers and which are identified by the distribution system operator as liable for distribution use of system charges at the rate for urban domestic customers or the rate for rural domestic customers;*

*(b) Small Accounts, meaning electricity accounts held by final customers which are not Domestic Accounts or Medium-Large Accounts; and*

*(c) Medium-Large Accounts, meaning electricity accounts held by final customers which, in respect of each such account, the distribution system operator certifies as having a maximum import capacity of not less than 30kVA.*

In its role as the Distribution System Operator (DSO), ESB Networks is responsible for calculating the maximum demand attributable to each customer category on an annual basis and for submitting this to the CRU for approval, as stated in Section 39 (5A) (b) of the Electricity Regulation Act, 1999 (as amended).

*The attribution of the maximum demand in respect of each category of electricity account shall be carried out by the distribution system operator with the approval of the Commission in respect of each levy period.*

For domestic and small commercial accounts, the amount of the levy for a given period that is to be imposed on each individual electricity account is calculated as the total levy allocated to that category divided by the total number of accounts in that category. For medium-large commercial accounts the amount of the levy for a given period that is to be imposed on each individual electricity account is calculated as the total levy allocated to that category divided by the total maximum import capacity (MIC) of that category and multiplied by the MIC of the individual account.

## 2.2 Invoicing & Collection

Sections 11 to 15 of SI 217 of 2002 (as amended) specify that *inter alia*:

1. The PSO levy is collected by suppliers from all final customers and paid to the DSO or the TSO as appropriate (as per Sections 11 – 13).
2. It is the duty of the DSO (as per Section 14) and the TSO (as per Section 15) to collect payments of the PSO levy from suppliers and to put in place and implement procedures for the recovery of same.
3. The DSO is required to account for and to pay all appropriate amounts received by it in respect of the PSO levy to the TSO (as per Section 14).
4. The TSO is responsible for the payment of the appropriate PSO levy to suppliers (as per Section 15).

Section 19(1) of Statutory Instrument (S.I.) 217 of 2002 (as amended) requires the following:

*19(1) Each person, other than a final customer, who has any duties imposed on him or her pursuant to this Order shall submit a document to the Commission for approval in such form as may be required by the Commission from time to time specifying the procedures which he or she will adopt in order to comply with those duties and, when approved by the Commission, shall comply with those procedures.*

Section 19(3) of S.I. 217 of 2002 (as amended) provides for the modification of such approved procedures:

*19(3) A document referred to in paragraphs (1) and (2) which has been approved by the Commission in accordance with paragraph (1) may, with the consent of the Commission, be modified from time to time.*

Section 19(4) of the same legislation empowers the CRU to request the modification of the procedures:

*19(4) A document referred to in paragraphs (1) and (2) which has been approved by the Commission in accordance with paragraph (1) shall, at the request of the Commission, made in compliance with the Notification and the provisions of this Order, be modified from time to time in accordance with the request of the Commission.*

Schedule 2 of S.I. 217 of 2002 (as amended) sets out the PSO levy invoicing and collection terms.

## 3. PSO Levy Invoicing and Collection

### 3.1 Summary of current DSO and TSO procedures

This section provides a summary description of the current procedures (in respect of the PSO levy) that have been put in place by the DSO and TSO to:

- i. collect and recover payments of the PSO levy from suppliers;
- ii. account for and transfer appropriately between the DSO and TSO; and
- iii. pay the appropriate PSO levy to suppliers.

These procedures (as summarised in Table 3.1) have been developed by the DSO and TSO, and previously approved and summarised by the CRU.

**Table 3.1: Procedures for Invoicing & Collection**

<b>End of month + business days</b>	<b>Relevant Entity</b>	<b>Brief Description of Activity</b>
15	DSO	Suppliers are invoiced based on the number of distribution-connected customers registered to them in a month. <sup>1</sup>
20	TSO	Suppliers are invoiced based on the number of transmission-connected customers registered to them in a month <sup>1</sup> .
15-25 [and no later than 10 days after date of PSO invoice]	Suppliers	Suppliers pay the invoiced levy, less their eligible administration expenses, to the DSO-designated bank account <sup>2</sup> .
20-30 [and no later than 10 days after date of PSO invoice]	Suppliers	Suppliers pay the invoiced PSO levy, less their eligible administration expenses, to the TSO-designated bank account <sup>2,3</sup> .
28	DSO	The DSO provides the TSO with a report detailing the PSO levy amounts invoiced and collected by it in respect of the previous month. The report includes details of the action taken against any late payers/defaulters (if applicable) and the DSO monthly administration charge <sup>3</sup> . The TSO invoices the DSO on the basis of the report, and DSO pays the invoiced amount to the TSO-designated bank account.
33 <sup>5</sup>	TSO	All monies transferred to the TSO-designated PSO bank account, less the TSO administration charges for the month <sup>3</sup> are transferred to the suppliers that have PPAs in place with policy-supported generators <sup>4</sup> . In the case of suppliers with a net negative PSO levy, the suppliers pay the appropriate amount to the TSO. Receipts from negative payments will be processed and distributed by the TSO in the following month.
Various (depending on supplier)	Suppliers	Suppliers are responsible for invoicing the PSO levy to their final customers, in accordance with Schedule 2 of SI 217 of 2002 (as amended).

Table notes:

1. If a customer registers with a supplier after the beginning of the month or changes supplier during the month, the full PSO amount for that customer is charged to the supplier that the customer is registered to at the end of the month.
2. It is the responsibility of the DSO and the TSO to collect the PSO levy, as invoiced, from each supplier and to verify the deductions of any administration expenses against the CRU-allowed deductions.
3. DSO, TSO and supplier administration charges are approved by the CRU.
4. The CRU issues final statements to suppliers setting out PSO amounts payable and instructs the TSO to commence PSO payments. Due to fluctuations in customer numbers, the actual PSO money collected from final customers will differ from the amount due to PSO suppliers, each month. Each month, the PSO payments made by the TSO to suppliers is then pro-rated (as described in CER/08/153).
5. The timeframe within which suppliers are to receive PSO payments is no more than 33 working days after the end of the month for which the given payment is due.

The payment and information flows associated with the current procedures are summarised in Appendix 1 of this Information Paper.

## **3.2 Withholding mechanism**

In December 2018, the CRU published its Decision Paper, CRU/18/261 “*Addressing the Risk of Bad Debt to the PSO Levy*”. In this paper, the CRU decided to implement a Withholding Mechanism whereby PSO payments to a supplier may be withheld in respect of a PSO supported generation project, which has failed to meet a specific milestone in terms of generation commencement.

## **3.3 Modification of procedures**

The current DSO and TSO procedures may be modified in accordance with the legislative provisions described in section 2.2.

## **4. Payment of Arrears**

In accordance with Article 14 and 15 of S.I. 217 of 2002 (as amended), the DSO and the TSO are obliged to take all necessary steps against defaulting supply businesses to recover any PSO monies outstanding. Any unpaid PSO charges/monies shall be reported to the CRU together with the steps being taken to recover same.

In accordance with Article 18 of S.I. 217 of 2002 (as amended), the DSO and the TSO may recover as a simple contract debt in any court of competent jurisdiction, any amount due and owing in respect of the PSO levy.

## **5. Certification of PSO Levy Collected**

The DSO and the TSO shall each provide an annual certification to the CRU, prepared by a suitably qualified auditor, which shall include:

- The number of customers from whom the PSO levy was collected, broken down by customer categories specified in section 2.1; and
- The total PSO levy amounts collected, broken down by customer category.

The auditor's certification shall include assurance that:

- The invoicing and collections procedures applied by the DSO or the TSO are in line with the procedures that have been approved by the CRU; and
- The amount of PSO levy collected by the DSO or the TSO has not been materially misstated.

## 6. Billing and Payment Disputes

### 6.1 PAYMENT TO DSO

6.1.1 Where the Supplier disputes any sum in account of the PSO and the dispute is a Designated Dispute (as defined in paragraph 6.1.2 below):

- a) the Supplier shall pay such amount of PSO Charge due whether in dispute or not pending resolution of the dispute;
- b) the Parties shall use reasonable endeavours to resolve the dispute in good faith;
- c) where the dispute remains unresolved after twenty (20) Business Day either Party may refer the dispute to CRU in accordance with section 34(6) of the Electricity Regulation Act 1999;
- d) following resolution of the dispute, any amount agreed or determined to be payable shall be paid within ten (10) Business Days after such agreement or determination and interest shall accrue on such amount plus Value Added Tax (if any) from the date such amount was originally due until the date of payment at the rate of 1% per annum above the 3-month EURIBOR rate, (prevailing on the due date), compounded monthly.

6.1.2 A dispute shall be a "Designated Dispute" for the purposes of this paragraph 6.1.2 where within ten (10) Business Days of receiving a request for payment the Supplier in good faith provides the DSO with a statement and explanation of the amount in dispute where there is an error in the information used for the calculation or an arithmetic error in the calculation of the PSO Charge by the DSO which is apparent on the face of the account.

6.1.3 Where, other than in the case of a Designated Dispute within ten (10) Business Days of receiving a request for payment the Supplier in good faith provides the DSO with a statement and explanation of the amount of PSO Charges in dispute:

- a) the Supplier shall pay the total amount of such charges as they fall due in accordance with Clause 5.5 of the Use of System Agreement;
- b) the parties shall use reasonable endeavours to resolve the dispute in good faith;
- c) where the dispute remains unresolved after twenty (20) Business Days either Party may refer the dispute to CRU in accordance with section 34(6) of the Electricity Regulation Act 1999;

- d) following resolution of the dispute, any amount agreed or determined to be repayable (including where appropriate any interest paid pursuant to Clause 6.2 of the Use of System Agreement) by the DSO shall be paid within ten (10) Business Days after such agreement or determination and interest shall accrue on such amount from the date such amount was originally paid by the Supplier until the date of repayment at 1% per annum above the 3-month EURIBOR rate, (prevailing on the due date), compounded monthly.

## **6.2 PAYMENT TO TSO**

6.2.1 Where the Supplier disputes any sum in an account issued under clause 2 and the dispute is a Designated Dispute (as defined in paragraph 6.2.2 below):

- a) the Supplier shall pay such amount of PSO Charge due whether in dispute or not pending resolution of the dispute;
- b) the Parties shall use reasonable endeavours to resolve the dispute in good faith;
- c) where the dispute remains unresolved after twenty (20) Business Days either Party may refer the dispute to CRU in accordance with section 34(6) of the Electricity Regulation Act 1999;
- d) Following resolution of the dispute, any amount agreed or determined to be payable shall be paid within ten (10) Business Days after such agreement or determination and interest shall accrue on such amount plus Value Added Tax (if any) from the date such amount was originally due until the date of payment at the rate of 1% per annum above the 3-month EURIBOR rate (compounded monthly).

6.2.2 A dispute shall be a "Designated Dispute" for the purposes of this paragraph 1 where within ten (10) Business Days of receiving a request for payment the Supplier in good faith provides the TSO with a statement and explanation of the amount in dispute where:

- a) there is an error in the information used for the calculation or an arithmetic error in the calculation of the PSO Charge by the TSO which is apparent on the face of the account;

6.2. 3 Where, other than in the case of a Designated Dispute within ten (10) Business Days of receiving a request for payment the Supplier in good faith provides the TSO with a statement and explanation of the amount of PSO Charges in dispute:

- a) the Supplier shall pay the total amount of such charges as they fall due in accordance with Clause 2;
- b) The parties shall use reasonable endeavours to resolve the dispute in good faith;
- c) Where the dispute remains unresolved after twenty (20) Business Days either party may refer the dispute to CRU in accordance with section 34(6) of the Electricity Regulation Act 1999;
- d) following resolution of the dispute, any amount agreed or determined to be repayable (including where appropriate any interest paid pursuant to Clause 2 by the TSO shall be paid within ten (10) Business Days after such agreement or determination and interest shall accrue on such amount from the date such amount was originally paid by the Supplier until the date of repayment at 2% per annum above the 3-month EURIBOR rate (prevailing on the due date), compounded monthly.

## **7. Revocation of licences**

The CRU may revoke a supply licence if any amount of PSO is unpaid 30 days after it has become due and remains unpaid for a period of 14 days after the CRU has given the licensee notice in writing that the payment is overdue. No such notice shall be given earlier than the 16th day after the day in which the amount payable became due.

## 8. Submission of documents to the CRU

Upon request, suppliers, the DSO and the TSO shall submit document(s) specifying their PSO invoicing and collection procedures to the CRU. To date, the CRU has only approved the DSO's and the TSO's collection and payment procedures.<sup>1</sup>

In 2018, the CRU completed an independent review<sup>2</sup> of the DSO's and the TSO's procedures (as per CER/03/013), which confirmed that both entities:

- have internal procedures for invoicing and collection; and
- adhere, where applicable to their procedures, as summarised in CER/03/013.

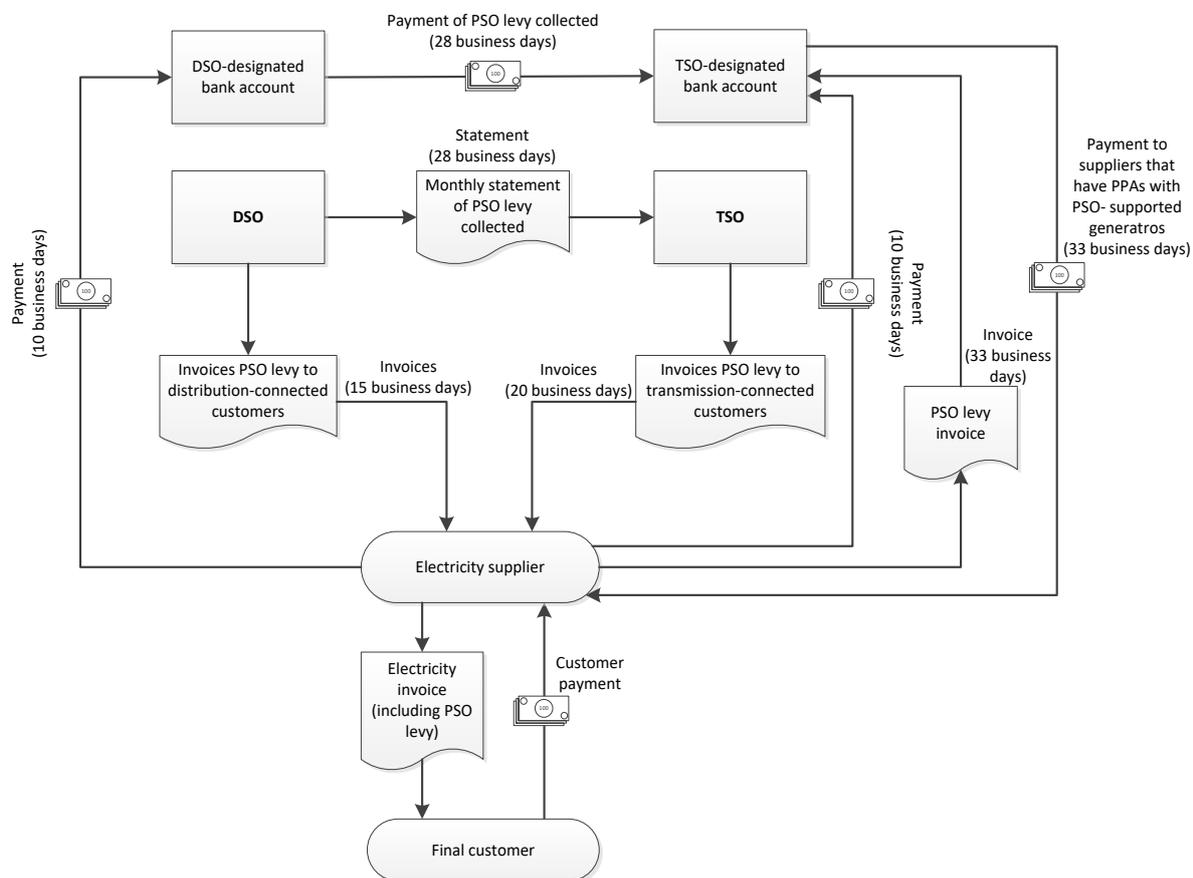
For persons that have procedures in place, which have been requested by the CRU and subsequently approved, as per Article 19 of S.I. 217 (as amended), the CRU advises that such persons undertake periodic reviews of their procedures to ensure that they are fit for purpose and submit their relevant documents to the CRU for approval, in the event that an update of such procedures is deemed warranted to facilitate the administration of the PSO.

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<sup>1</sup> CER/08/153 states "In accordance with the requirements of SI 217 of 2002 as amended, the Commission has approved the collection and payment procedures of the DSO and TSO in relation to the PSO levy. These approved procedures are set out in CER 03/013".

<sup>2</sup> Review completed by Byrne O'Cleirigh and LHM Casey McGrath.

# Appendix 1 – Summary of PSO levy payment and information flows



Note: All references to ‘business days’ refer to the number of business days after the last day of the previous month