

**IWEA response to the CER's consultation on proposed update from ESB Networks to the PSO Levy
Cost Allocation Methodology**

CER/16/374

27 January 2017

IWEA welcomes the opportunity to respond to the CER's consultation on proposed update from ESB Networks to the PSO Levy Cost Allocation Methodology (CER/16/374). IWEA notes the importance of the Public Service Obligation (PSO) levy in the promotion of the development of clean renewable generation, in support of the use of indigenous energy and in ensuring the security of supply as mandated by Government and as approved by the European Commission.

Ireland is highly dependent on expensive imported energy and recent Sustainable Energy Authority of Ireland (SEAI) statistics¹ show that Ireland's energy import dependency increased to 88% in 2015 (from 85% in 2014), costing Ireland approximately €4.6 billion. The report confirms that increased levels of renewables on the system will reduce this import dependency.

IWEA supports the PSO Levy as a system which promotes the growth of Irish renewable electricity, in particular, that which is derived from wind energy. In 2015, wind energy accounted for 22.8% of the electricity generated, according to the SEAI, and was the second largest source of electricity generation after natural gas. Furthermore, the use of renewable electricity in 2015 reduced CO₂ emissions by 3.2 Mt and avoided €286 million in fossil fuel imports. Renewable electricity generation, increased to 27.3% of total electricity consumption in 2015. The contribution of renewables to gross final consumption was 9.1% in 2015, compared to a 2020 target of 16%. While Ireland has made good progress towards our 2020 targets, there is still some way to go. Therefore, the prioritisation of renewable energy integration on the system must remain our main focus over the next few years.

The positive impact of wind energy on lowering Irish electricity prices has been clearly shown by a number of independent studies including the Vayu 2015 Report² and the Pöyry 2014 Report³. These lower electricity prices more than offset the PSO levy which is used to support wind energy projects. As stated above, the use of renewable electricity in 2015 reduced CO₂ emissions by 3.2 Mt and avoided €286 million in fossil fuel imports. It is essential that the importance and the benefits of the PSO levy are highlighted in the decision paper associated with this consultation, and that value is being passed to consumers arising from the reduced wholesale prices which wind is delivering. Discussions relating

¹ [Energy in Ireland 1990 – 2015 2016 Report](#)

² <http://vayu.ie/2015-vayu-annual-energy-report-23-drop-in-irish-wholesale-gas-prices-in-q4-2015-compared-with-last-year/>

³ <http://www.iwea.com/index.cfm/page/industryreports?twfId=1467&download=true>

to the PSO often focus on the cost of the levy, but information needs to also be provided on the significant benefits.

IWEA continues to support the PSO levy as a key mechanism in the promotion of renewable energy development, in security of supply and in support of the use of indigenous fuel. It is important to ensure that a fair approach is taken in regard to the allocation of costs between different types of users which takes affordability and competitiveness into account.

IWEA welcomes the opportunity to respond to this consultation and looks forward to continuing to engage on this process going forward. Please feel free to contact us if further detail is required.