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Submitted by email to: [psa@cer.ie](mailto:psa@cer.ie)  
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**Re: IWEA response to Proposed Decision Paper, Public Service Obligation Levy  
2017/18 ref: CER/17/115**

IWEA welcomes the opportunity to respond to the Proposed Decision Paper (CER/17/115) of the Commission for Energy Regulation (CER) regarding the Public Service Obligation Levy 2017/18 published on 2<sup>nd</sup> June 2017.

IWEA notes the importance of the Public Service Obligation (PSO) levy in promoting the development of clean, renewable energy generation, to support indigenous fuel in generating electricity and ensure security of supply for Ireland. This is both government and European Union policy. In this submission to the Commission IWEA wishes to emphasise that while the PSO is paid in large part to wind energy generators, no increase in funding is received by these generators as a result of the increased PSO. The increased PSO arises from the expansion of the market yielding more clean, renewable energy in the fuels mix which is a main driver behind the decrease in the wholesale cost of electricity. The increase in renewables was also a driving factor the average wholesale price of electricity decreasing by 18% in 2016.

Several studies consistently concluded that the inclusion of the PSO in the Irish market is compensated for by the reductions enjoyed by buying more fossil fuel from outside of the Irish market.

“Overall, wind decreases costs through its effect on the electricity price more than it increases constraint payments, even when storage is on outage. The effect of wind remains positive after including the cost of subsidies given to wind generation.” ESRI report - *Wind, Storage, Interconnection and the Cost of Electricity Generation*.

Data published by the Sustainable Energy Authority of Ireland (SEAI) shows<sup>1</sup> significant growth in energy use across all sectors of the economy in 2015 and nearly 5% growth in energy between 2010 and 2015. Energy-related CO<sub>2</sub> emissions increased by 6%. However, this increase in energy use and CO<sub>2</sub> emissions must be seen in the context of strong growth returning to the economy. In 2015,

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<sup>1</sup> [http://www.seai.ie/Publications/Statistics\\_Publications/Energy\\_in\\_Ireland/Energy-in-Ireland-1990-2015.pdf](http://www.seai.ie/Publications/Statistics_Publications/Energy_in_Ireland/Energy-in-Ireland-1990-2015.pdf)

wind generation accounted for 22.8% of the electricity generated and was the second largest source of electricity generation after natural gas. The use of renewables in electricity generation in 2015 reduced CO<sub>2</sub> emissions by 3.2 Mt and avoided €286 million in fossil fuel imports. In 2016 over 25% of Ireland's energy was met by renewables, overwhelmingly by onshore wind.

This data clearly shows Ireland's commitment to renewable energy, PSO mechanism, and stated government policy to decarbonise Ireland's economy is working. However, Ireland still imports 88% of fossil fuel for energy generation. This dependency is not good for our energy security and comes at a cost of approximately €15m a day. It highlights the importance of continuing to underpin the renewable energy journey Ireland is undertaking with a strong commitment to the PSO mechanism as designed.

The PSO mechanism for energy is supporting the continued growth of indigenous renewable energy for Ireland. Onshore wind is adding significant capacity year on year, which now stands at 2880 MW. SEAI has estimated Ireland needs approximately 4100MW capacity in order to reach our 2020 RES-E target of 40%.

Ireland's continued development and growth in onshore wind is having a positive impact on lowering Irish electricity prices. IWEA notes in the *2016 Energy Review and Forecast 2017 by Vayu Energy* which states:

*“The average wholesale price of electricity decreased by 17.9% in 2016, driven by significantly lower gas prices and a strong renewable presence in the fuel mix. The average wholesale price of electricity in the Irish market in 2016 was 4.18c/kWh compared to 5.08c k/Wh in 2015.”*

The *Value of Wind Energy to Ireland* study published in March 2014 by Pöyry, a leading international consulting and engineering consultancy, and Cambridge Econometrics should be noted. The analysis shows that if Ireland deploys wind capacity to meet 2020 targets the wholesale price will fall by €2.10/MWh by 2020 and that wind energy does not place a burden on the Irish consumer due to the net economic benefits of wind energy development. In fact, there is a net benefit for Irish consumers and the public in general as resources used supporting the PSO are being retained in the Irish economy and are not leaving the State to import fossil fuels.

In its Proposed Decision Paper, the Commission outlines an increase from €5.90 to €8.27, an increase of 40% for domestic customers. On a €100 average monthly household electricity bill, this amounts to a further **€2.37** per month. VAT charged on that bill at 23% runs to **€23 per month**. As an overall share of the price of the household or business utility bill the PSO is not a significant additional burden and supports the transition of Ireland's energy landscape. It should also be noted that part of the PSO raised on household and commercial bills is used to support the continued production of electricity from peat, the most greenhouse gas emission-producing fossil fuel there is.

IWEA is concerned that CER and the department have a responsibility jointly to Irish consumers to explain in full the policy objectives of the PSO, the FULL impact of year by year changes on consumers bills and particularly in the case of the department to encourage wider dialogue on the policy benefits of increasing renewables on the energy system. CER in their paper do not put any context on the decision they are taking or on the full impact on the consumer and we believe this leads to an undermining of the policy in the public debate. IWEA would encourage CER to give a fuller explanation of the impact of the PSO changes and not resort to a narrow assessment of just the changes in the PSO which is misleading.

The PSO Proposed Levy 2017/18 assumes a reduction in the capacity payment to €5.40/MWh. However, IWEA notes in the CER Proposed Decision Paper that:

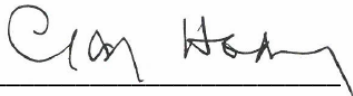
*“the mechanism for the remuneration of capacity will be fundamentally different in the new I-SEM market and intermittent generators are expected to receive minimal capacity revenue as a result.”*

IWEA is actively working and engaging in support of the new I-SEM market structure which is scheduled to go live during the forthcoming PSO period 2017/18 in May 2018.

IWEA is concerned that the reduction in market revenues which results in additional PSO support is not appropriate in a system with increasing levels of renewables. We would also note that the market changes currently underway will result in a further reduction of capacity payment to renewable generation in particular and we have concerns that this shortfall will further impact the PSO. It is important that a holistic view is taken to any market changes to take into account the wider impact of the change.

In conclusion IWEA believes that ensuring consistently lower energy bills for consumers means committing to and reaching a low-carbon economy in Ireland. Wind is the cheapest form of new power, it is clean, responsible and economically robust. IWEA welcomes the opportunity to respond to this consultation. The PSO architecture as constructed supports and underpins the transition of Ireland’s energy market to one that is low carbon and renewables led and we look forward to continuing to engage with the Commission on this and other matters.

Yours sincerely,



Dr. Gary Healy  
Chief Executive Officer