

IWEA response to the PSO Levy 2015/16 Proposed Decision Paper – CER/15/110

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IWEA welcomes the opportunity to respond to the PSO Levy 2015/16 Proposed Decision Paper (CER/15/110). IWEA notes the importance of the Public Service Obligation (PSO) levy in promoting the development of clean renewable generation and to support certain peat and gas generation as mandated by Government and approved by the European Commission.

As a country we are hugely (85.5%) dependent on foreign energy imports. The most recent statistics from the Sustainable Energy Authority of Ireland (SEAI)¹ confirm that Ireland is the fourth most energy dependent Member State trailing only behind Malta, Luxembourg and Cyprus, but confirms that with growing renewables our import dependency is falling from 89% in 2013 to 85.5% in 2014.

The PSO mechanism is working to supporting the growth of indigenous Irish renewable energy. Wind energy accounted for a record 18.3% of electricity generated in Ireland in 2014 according to the SEAI and was the second most significant source of electricity after natural gas. Total renewable electricity share (22.6%) now contributes nearly as much as coal and peat combined (23.1%) this had the effect in 2014 of lower the carbon intensity of electricity generation to a record low of 457gCO₂/kWh.

In particular IWEA welcomes that acknowledgement within the paper that *“While more wind generation tends to increase the PSO levy, it also tends to reduce the wholesale price of electricity in the SEM.”* The positive impact from wind energy on lowering Irish electricity prices has been clearly shown by a number of independent studies:

- The SEAI Study on the *Impact of Wind Generation on Wholesale Electricity Costs in 2011*² showed that Wind generation in 2011 reduced Ireland’s wholesale market cost of electricity by around €74 million. This saving offset the other costs associated with the generation of wind energy and so was Cost Neutral to the Irish Consumer.
- The *Value of Wind Energy to Ireland*³ study published in March 2014 by Pöyry, a leading international consulting and engineering consultancy, and Cambridge Econometrics. 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.

¹ http://www.seai.ie/News_Events/Press_Releases/2015/Renewable-Energy-Use-Grew-by-10-in-2014.html#sthash.IMdPteJr.dpufA

² http://www.seai.ie/Publications/Energy_Modelling_Group_/Energy_Modelling_Group_Publications/Impact_of_Wind_Generation_on_Wholesale_Electricity_Costs_in_2011.pdf

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

- The European Commission confirmed in its *Working Document on Energy Prices and Costs*⁴ published 17 March 2014 that “for wind electricity in Spain and Ireland the benefits for electricity consumers in terms of **reduction in whole-sale prices outweigh the costs of subsidies.**”

In our response to the Consultation on Capacity Requirement and Annual Capacity Payment Sum for Calendar Year 2016, we noted our concerns that the proposed changes to the capacity payment sum will increase the PSO levy for consumers. The PSO Proposed Levy 2015/16 assumes a reduction in the capacity payment from €7.29/MWh for 2014/15 to €5.77/MWh in 2015/16 and results in an estimated €9.3 million increase in the 2015/16 PSO forecast attributable to renewable generation. 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. It is important that a holistic view is taken to any market changes to take into account the wider impact of the change.

⁴ http://ec.europa.eu/energy/doc/2030/20140122_sw_d_prices.pdf (Page 236)