



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

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Commission for Regulation of Utilities

PSO Payment 2022/23

Information Note

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CRU Strategic Plan 2022-24

<p>Our Mission</p> <ul style="list-style-type: none">• Protecting the public interest in water, energy and energy safety.	<p>Our Strategic Priorities</p> <ul style="list-style-type: none">• Ensure Security of Supply• Drive a Low Carbon Future• Empower and Protect Customers• Enable our People and Organisational Capacity
<p>Our Vision</p> <ul style="list-style-type: none">• Safe, secure and sustainable supplies of energy and water, for the benefit of customer now and in the future	

Public / Customer Impact Statement

In 2022 for the first time since the commencement of the PSO scheme, a PSO Payment of a significant magnitude was calculated. As published in Decision Paper ([CRU202277](#)), the CRU calculated that the money required for the PSO was negative €491.25 million. This is equivalent to a payment of €89.10 per annum for domestic customers, €311.51 per annum for small commercial customers and €37.82/kVa for medium/large customers. These amounts represent a payment to, rather than a charge on, final customers, Payments due to customers are referred to as a “PSO Payment” and a charge due to customers a “PSO Levy”.

The PSO Payment due to customers is a result of the inverse relationship between the PSO and the wholesale electricity price. When wholesale electricity prices are high, mostly because of high gas prices, renewable generators, which do not require gas, receive greater revenues for the electricity they sell in the wholesale market. As a result, for the PSO Year 2022/23, no support is required from the PSO. Moreover, whereas customers have in previous years paid a PSO Levy, under the terms of the schemes the benefits of lower cost renewable generation is now to be paid back to customers through a PSO Payment.

In the 2022/23 PSO Decision Paper ([CRU202277](#)), the CRU noted that legislative and administrative amendments would be required to facilitate the PSO Payment to electricity customers. Furthermore, due to operational constraints, the CRU decided that from the 1st of October 2022 the PSO Levy would, in the interim, be set to zero, pending the implementation of an enduring payment mechanism.

In June 2022, Government amended Section 39 of the Electricity Regulation Act, 1999, to allow the CRU to allow for payments to customers when the PSO has been calculated as a negative. The PSO Order for PSO Year 2022/23 facilitating this change is expected to enter into force in the coming days. Meanwhile, the CRU, the Distribution System Operator (ESB Networks) and the Transmission System Operator (EirGrid), have been working to develop the detailed procedures whereby the benefits of procuring electricity through the REFIT and RESS Schemes can be returned to customers through the PSO Payment. These will be published in CRU Information

Paper, “The PSO Invoicing and Collection Procedures”, as soon as the legislation is finalised.

This Information Note is written specifically for the 2022/23 PSO Payment period and details the “go live date” for PSO Payments to commence. Furthermore, given that the payments for 2022/23 are being prorated over a seven-month period, the payments amount due to each customer is also outlined in this paper.

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Glossary of Terms and Abbreviations

Abbreviation	Meaning
CRU	Commission for Regulation of Utilities
CER	Commission for Energy Regulation
DSO	Distribution System Operator
MIC	Maximum Import Capacity
PSO	Public Service Obligation
SI	Statutory Instrument
TSO	Transmission System Operator
REFIT	Renewable Energy Feed-In Tariff
RESS	Renewable Electricity Support Scheme

1. Introduction

1.1 Background

Under current legislation, the Public Service Obligation (PSO) Levy is charged to all electricity final customers to fund schemes designed by the Irish Government in support of national policy objectives. Over a number of years, the PSO has encompassed several schemes, and currently supports the Renewable Energy Feed-In Tariff (REFIT) and the Renewable Electricity Support Scheme (RESS), which provide support payments to suppliers to contract with eligible renewable generation projects.

The PSOs key in enabling Ireland to meet its national targets in terms of the generation of electricity from renewables and aligns with the CRU's vision of achieving a secure, low-carbon future. To date, these schemes have been successful in incentivising over 4,200 MW of renewable generation.

For the first time in many years, due to unprecedented and sustained high wholesale electricity prices, the PSO fund requirement for PSO Year 2022/23 is negative (-€491.25 million).

Specifically, for the PSO Year 2022/23 the key drivers for the negative PSO were:

- (a) The benchmark prices substantially exceeded the REFIT reference price, resulting in an exceptionally low level of REFIT support payments being required.
- (b) The benchmark prices also exceeded the strike prices for RESS generators. RESS is a two-way Contract for Difference (CfD), meaning unlike the REFIT schemes, RESS projects can owe monies back to the PSO in the event where a project's strike price is lower than the benchmark price. For the PSO Payment Period 2022/23 RESS projects owe €313.95 million back to the PSO, and ultimately the final electricity customer.

(c) PSO levy payments are calculated on the basis of estimated generation and estimated wholesale electricity market prices for the year ahead. These ex-ante payments are then corrected for actual generation and prices through the R-factor. Due to actual market revenues in 2020/21 substantially exceeding the estimates on which ex-ante payments were based, the 2020/21 R-factor which is included in the 2022/23 PSO calculation is negative, meaning that RESS and REFIT generators owe money back to the PSO and ultimately the final electricity customer for PSO Payment Period 2022/23.

1.2 Purpose of this Information Note

This purpose of this Information Note is to:

- communicate to all final electricity customers details of the 2022/23 PSO Payment
- set out suppliers' PSO Payment obligations for 2022/23 (in conjunction with the forthcoming "The PSO Invoicing and Collection Procedures)

This Information Note also includes a list of frequently asked questions stakeholders may have regarding the PSO Payment (see Appendix).

1.3 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/17/073](#) Decision on Updated Cost Allocation Methodology
- [CRU/18/261](#) Addressing the Risk of Bad Debt to the PSO Levy
- (Pending) PSO Invoicing and Collection Procedures (2023)

2. Overview

In 2022, for the first time since the commencement of the PSO scheme, a negative PSO of significant magnitude was calculated. A “negative PSO” results in a payment to, rather than a charge on, final customers. Payments due to customers will be referred to as a “**PSO Payment**” and this payment will be made in a “**PSO Payment Period**”. Furthermore, a charge due to be paid by a customer is referred to as a “**PSO Levy**” and this is charged to customers during a “**PSO Levy Period**”.

The pending amendments to the PSO Order and to the PSO Invoicing and Collection Procedures are primarily to provide for PSO Payments on an enduring basis. The objective of this paper is to give an overview of the PSO Payments for 2022/23.

2.1 Electricity Accounts

The Act directs that the PSO Levy or PSO Payment 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 Act specifies the three categories of electricity customers as:

- (a) *Domestic Accounts*, meaning electricity accounts held by final customers and which are identified by the DSO as liable for distribution use of system charges at the rate for urban domestic customers or the rate for rural domestic customers;
- (b) *Small [commercial] 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 DSO certifies as having a maximum import capacity of not less than 30kVA.

In its role as 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 Act.

For Domestic Accounts and Small Commercial Accounts, the amount of the PSO Levy or PSO Payment for a given period is calculated as the total PSO calculation allocated to that category divided by the total number of accounts in that category.

For Medium-Large Accounts, the amount of the Levy or PSO Payment for a given period is calculated as the total PSO calculation 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 PSO Payment to Customer

PSO Payments for 2022/23 will commence on 1st March 2023. Specifically, for PSO Payment Period 2022/23, monthly **PSO Payments will be paid starting 1st March 2023 until 31st September 2023.** Therefore, payments due to customers will be shared equally over the remaining seven months of the 2022/23 PSO Year, see Table 1, below, for breakdown for each customer category.

PSO Customer Category	2022/23 PSO Payment Amount	Prorated PSO Payment Amount (2022/23) (7 month)
Domestic	€89.10	€12.73
Small commercial (MIC < 30 kVA)	€311.51	€44.50
Medium/Large commercial (MIC ≥ 30 kVA)	€37.82/ kVa	€5.40 / kVa

Table 1: Monthly PSO Payment from 1st March- 31st September 2023

2.3 Bill Paying Customers

For bill paying customers, the relevant electricity supplier is required to credit customers the PSO Payment at the same time as they invoice charges for supply of electricity. The payment should be reflected as an individual billing line item on the customer's bill.

No action from the bill paying customers is required, the PSO Payment will be reflected on the first bill received for usage of electricity from the 1st of March 2023.

2.4 Prepayment Customers

For prepayment meter customers, the PSO Payment due will be credited on a daily basis to their prepayment meter. This will be implemented by deducting the PSO Payment due to customers from the daily electricity standing charge from the 1st of March 2023 by the relevant electricity supplier. No action from prepayment customers is required

2.5 Switching Retail Supplier

Where a final customer switches supplier during any given month, the full PSO Payment amount due for that month is paid by the supplier with which the final customer is registered at the end of the month. From a customer perspective, much like what happens when a customer switches during a PSO Levy period, this process will happen automatically. No action will be required by the customer.

3. Next Steps

The DSO (ESB Networks) and the TSO (EirGrid), along with the Retail Suppliers will implement the necessary processes to give effect to the PSO Payment.

The CRU will actively monitor the process to ensure that the TSO, DSO and Retail Suppliers undertake the responsibility obligated upon them under the legislation.

Appendix – Frequently Asked Questions

When will the PSO Payments start?

The PSO Payment will commence from 1st March 2023. The dates when an individual customer will receive the PSO Payment will depend on the timing of their billing cycle.

How much PSO Payment will the final customer get?

The total PSO Payment for 2022/23 for domestic final customers is €89.10, which will be spread over the seven months at €12.73 a month. Small commercial customers will receive a total of €311.51 of €44.50 a month spread over seven months and Medium/Large commercial customers €37.82/kVa per annum or €5.40 / kVa spread over seven months.

PSO Customer Category	2022/23 PSO Payment Amount	Prorated PSO Payment Amount (2022/23) (7 month)
Domestic	€89.10	€12.73
Small commercial (MIC < 30 kVA)	€311.51	€44.50
Medium/Large commercial (MIC ≥ 30 kVA)	€37.82/ kVa	€5.40 / kVa

What happens if I switch electricity supplier? Will I still get the PSO Payment?

Yes. If you switch your supplier mid-month, it is your new supplier, that you switched to, that will provide your PSO Payment. The new supplier will apply the PSO Payment as a credit to your bill or prepayment meter. This should happen automatically with no action required by the customer.

What will be the PSO Payment procedure for prepayment customers?

Prepayment customer will receive their PSO payment through the adjustment in their daily standing charge. The reduction in your daily standing charge will equal to the daily PSO Payment due to you. For example, for the period of March 2023, a 31-day month, the PSO payments is paid as a €0.41 cent deduction of the daily standard charge. This is an equivalent to a monthly credit of €12.73.

PSO payment for Prepayment customer for March 2023(31-day month)	
Example daily Standing Charge	0.80 cent/day
Monthly PSO Payment amount for 2022-23	€ 12.73
Daily PSO payment amount deducted for March (€12.73/31 days)	€ 0.41
Revised daily Standing Charge	€ 0.39 (standing charge - daily PSO payment)

When will the PSO Payments start for customers?

Electricity Suppliers will credit customer accounts, or in the case of prepayment customers, their meter, starting from 1st March 2023. However, the exact date the PSO Payments will be credited to your bill will depend on your supplier's particular billing arrangements.

Who should I contact if I don't receive the PSO Payments?

For bill customers, the date you receive your payment will depend on the date that your supplier normally sends you your bill. If you haven't received your first PSO Payment by the 1st May 2023, please contact your electricity supplier. You can find their contact details on your most recent bill or statement. For prepayment customers, the first deduction from the daily standing charge should begin on 1st March 2023,