



## **Submission by the Society of St Vincent de Paul to the Commission for Energy Regulation on Public Service Obligation Levy**

**June 2018**

SVP welcomes the opportunity to input into the Discussion paper on the Public Service Obligation Levy. SVP is committed to fighting poverty in all its forms through practical assistance to people in need. In 2016 the Society spent over €4.3 million ensuring that financially vulnerable and energy poor households had the energy they needed for heating and lighting, to continue to keep themselves adequately warm and to cook.

Increasing energy costs are a particular concern considering a report by the Sustainable Energy Authority of Ireland (SEAI) on *Energy in the Residential Sector* which found that after a decade of decline, the typical amount of energy used in Irish homes is again on the rise. Between 2005 and 2016, electricity use in households increased by 5%.<sup>1</sup> The report further highlighted that the energy consumed by Irish households in 2016 cost an average of €2,000 per household per year.<sup>2</sup> The last six months has witnessed nearly all energy suppliers increase their costs as a result of increasing wholesale prices. Energy costs have seen an increase of 7.6% in the 12 months to May 2018<sup>3</sup>, with an average increase in energy costs of 24.2% since 2010.

According to the latest Survey on Income and Living Conditions (SILC), 48% of people living in consistent poverty went without heating at some stage in the last 12 months due to cost, and 29% were unable to afford to keep their house adequately warm.<sup>4</sup> Recent weather events have served as a stark reminder of the stress many households continue to face over being able to meet their utility costs. Considering the Public Service Obligation (PSO) levy, standing charge and VAT, the uncontrollable related costs account for approximately 37% of the average electricity bill in urban areas. For rural areas, this increases to 39%.

### **PSO levy**

The proposed levy for 2018/2019 is €258.6 million, representing a 45% decrease on the 2017/18 levy (€471.9 million). This proposed decrease is very welcome given the trend in the levy over recent years, with the PSO levy having increased by more than 231% over the last five years. SVP are conscious however, that this reduction is largely due to the unusually large R factor (correction factor) from 2016/2017 – with an R Factor of -€113.8 million included in the 2018/2019 levy calculation.

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<sup>1</sup> Sustainable Energy Association of Ireland (2018) Energy in the Residential Sector  
<https://static.rasset.ie/documents/news/2018/04/energy-in-the-residential-sector-2018-final.pdf>

<sup>2</sup> Ibid

<sup>3</sup> CSO (2018) Consumer Price Index - Division 04 Housing, Water, Electricity, Gas and Other Fuels - May 2018,  
<https://www.cso.ie/en/releasesandpublications/er/cpi/consumerpriceindexmay2018/>

<sup>4</sup> CSO (2018) Survey of Income and Living Conditions 2016, Table 7c.  
<http://www.cso.ie/en/releasesandpublications/er/silc/surveyonincomeandlivingconditions2016/>

Furthermore, the year on year increase in subsidy to renewables continues, highlighting the fact that the PSO is now primarily a renewables tax. SVP are conscious of the ongoing discussions on the Renewable Electricity Support Scheme. The Proposed Decision Paper recognises the increase in renewable generation as a driver that is exerting upward pressure on the PSO, with a 13% increase in the amount of MW of renewables supported by the 2018/19 PSO levy compared to the previous year. As mentioned in our submission to the [Consultation on the Design of a new Renewable Electricity Support Scheme](#), SVP is supportive of initiatives to reduce Irelands carbon emissions and invest in sustainable and renewable energy generation. While cost effectiveness in the design of RESS is important to consider, of crucial concern for SVP is that the impact of any cost implications on low income and struggling energy customers is to the fore.

Of note is the allocation of the levy across the three categories of consumers. The percentage allocation of total PSO levy to Domestic Customers is proposed to increase, while both of the other two categories will see a decrease. In light of this fact, and of the above, SVP reemphasises our call for policymakers to look at spreading the burden of risk more evenly between electricity customers and renewable energy producers, and calls for a review of the application of the PSO to low income and struggling energy customers.