



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

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Pass Through Costs for Business Electricity Customers from 1 October 2020 to 30 September 2021

Information Paper

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Customer Impact Statement

This CRU Information Paper provides business electricity customers with an overview of the regulated cost components that form part of a typical electricity bill. While electricity suppliers may generally choose whether or not to absorb regulated costs (though not the PSO levy or taxes), they typically pass them on to the customer. Such costs are therefore referred to as 'Pass Through Costs'. Unlike domestic customers who can choose one of the publicly available plans for their electricity supply, business customers often have bespoke contracts with electricity suppliers, with their electricity bills likely to be a significant proportion of their total costs. To assist business customers in evaluating quotations provided by suppliers, this paper provides an overview of the Pass Through Costs for each electricity business customer type which are applicable from 1 October 2020 to 30 September 2021.

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Glossary of Terms and Abbreviations

Abbreviation or Term	Definition or Meaning
CPM	Capacity Payment Mechanism
CRM	Capacity Remuneration Mechanism
CRU	Commission for Regulation of Utilities
DAM	Day-Ahead Market
DBC	Dispatch Balancing Costs
DG	Distribution Group
DLAF	Distribution Loss Adjustment Factor
DSO	Distribution System Operator
DUoS	Distribution Use of System
IDM	Intraday Market
I-SEM	Integrated Single Electricity Market
KV	Kilo Volt
kVArh	Kilo Volt Amperes Reactive Hours
kWh	Kilowatt Hour
LEU	Large Energy User

LLF	Low Load Factor
LV	Low Voltage
LVMD	Low Voltage Maximum Demand
MEC	Maximum Export Capacity
MIC	Maximum Import Capacity
MO	Market Operator
MV	Medium Voltage
MWh	Megawatt Hour
NEMO	Nominated Electricity Market Operator
NIAUR	Northern Irish Authority for Utility Regulation
PSO	Public Service Obligation
SEM	Single Electricity Market
SEMO	Single Electricity Market Operator
TSO	Transmission System Operator
TUoS	Transmission Use of System

1. Introduction

1.1 Background

This CRU Information Paper provides business electricity customers with an overview of the regulated cost components that form part of a typical electricity bill. Unlike domestic electricity customers who can choose one of the publicly available plans for their electricity supply, business customers often have bespoke contracts with suppliers, with their electricity bills likely to be a significant proportion of their total costs. To assist business customers in evaluating quotations provided by suppliers, this CRU paper provides an overview of the 'Pass Through Costs' for each electricity business customer type which are applicable from 1 October 2020 to 30 September 2021.

1.1.1 Overview of Charges

Final electricity prices are generally comprised of a number of different costs to a supplier, some of which are directly regulated. The final price of electricity is primarily influenced by energy generation costs on the wholesale market, which accounts for approximately 60% of the final electricity price to business customers, while the remainder of the price typically consists of network and other costs. The key cost components are outlined below:

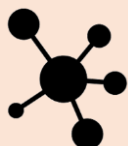


Generation

The cost of purchasing electricity from generators on the wholesale market accounts for about 60% of an electricity bill for business customers. The majority of the electricity generated in Ireland uses imported fossil fuels. International fuel prices – which are outside of Ireland's control – are therefore a key driver of the cost of generation / wholesale market and have a significant influence on final electricity prices.

The Integrated Single Electricity Market (I-SEM) project involved the design and implementation of the new market arrangements for the SEM in Ireland and Northern Ireland. The previous market arrangements have been replaced since 1 October 2018 by multiple markets or auctions, each spanning different trading time frames, with separate (although related) clearing and settlement mechanisms, covering both energy and non-energy commodities. The SEM comprises of two ex-ante Energy Markets (Day Ahead, Intra-day), a Balancing Market, two markets for Financial Instruments (Forwards Market, Financial Transmission Rights), and a Capacity Remuneration Market. These markets

operate independently and on different timelines. The new market arrangements are designed to integrate the all-island electricity market with European electricity markets, enabling the free flow of energy across borders. Details on the wholesale electricity market in Ireland can be found through this [link](#). In addition to the SEM wholesale cost, suppliers pay SEMO (the Single Electricity Market Operator) charges to recover the costs of administering the SEM to all electricity users.



Networks

The cost associated with the services of Networks, which involves sending the electricity from the generation plants through the Transmission and Distribution wires to customers' premises, also accounts for a significant portion of the final price of electricity for business customers.



Supply

A supplier's operating expenditure in supporting their business e.g. administrative costs.



Public Service Obligation Levy

The Public Service Obligation (PSO) levy is a Government initiative designed to support certain electricity generation plants in order to meet national energy policy objectives of security of energy supply, the use of renewable energy and the use of indigenous fuels (i.e. peat).



Taxes

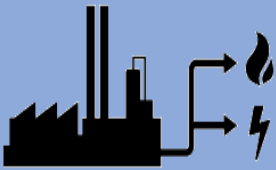


Suppliers are responsible for payment of an electricity tax and for returns/accounts related to it.

2. Pass Through Costs

2.1 Introduction

Whilst international fuel prices are a key driver of electricity prices (and outside of Ireland’s control), some of the cost components in a business customer’s electricity price are directly regulated and suppliers are required to pay them. Changes to these regulated charges generally come into effect on 1 October annually. While it is the decision of each supplier whether or not to pass through such costs to final customers, it is likely that most suppliers pass through all such costs. These costs, with the addition of the applicable taxes, are referred to as ‘Pass Through Costs’ and are discussed in this section.

Pass Through Costs include the following charges:

Cost	Charge	Description
 <p>Generation</p>	Capacity Payments	<p>Payment made to generators for their availability, based on the capacity provider’s awarded capacity and the capacity auction price, separate from energy production.</p> <p>Suppliers pay capacity charges.</p>
	Market Operator Charges	Charges levied on generators and suppliers for the operation of the wholesale markets.
	Nominated Electricity Market Operator Charges	Charges paid by market participants to trade in the ex-ante markets.
	Imperfection Charges	Constraint costs on the network are recovered by imperfection charges.
 <p>Networks</p>	Network Transmission Use of System charges (TUoS)	Charges levied for the building, maintenance and operation of the transmission network.
	Network Distribution Use of System charges (DUoS)	Charges levied for the building, maintenance and operation of the distribution network.
 <p>PSO</p>	Public Service Obligation Levy (PSO)	Levied for support for renewables, security of supply and indigenous fuels (peat).

These charges are detailed later in section 2 (in the order of the above table), following relevant background information in sections 2.2 and 2.3 below.

2.2 Electricity Market Segments

The value of each regulated ‘Pass Through Cost’ or charge (excluding taxes) is based upon the business electricity market segment that is being operated in. The electricity market is comprised of four different market segments covering different DUoS groups (distribution use of system groups or DGs)¹: domestic, small-sized business, medium-sized business and large energy users (LEUs). Some charges vary depending upon the DUoS group. The table below provides a breakdown of the three different business markets and their respective DUoS groups:

Business Market	DUoS Group
Small Business	DUoS Group 5 – General Purpose
Medium Business	Duos Group 4 – Local Authority Public Lighting
	DUoS Group 6 – LVMD & LLF
Large Energy User	DUoS Group 7 - Medium Voltage Max Demand
	DUoS Group 8 - 38KV Max Demand
	DUoS Group 9 – 38KV Max Demand
	T-CONN

2.3 Consumption

Pass Through Costs (except taxes) are charged on either consumption at trading point or consumption at selling point. All generation charges and Transmission Use of System Charges (TUoS) charges are based on consumption at trading point. Distribution Use of System Charges (DUoS) charges are based on consumption at selling point².

To apply charges (for both consumption at trading point and selling point), a customer’s metered consumption is used. However, the transportation of electricity from the trading point to a customer’s metering point results in losses. To account for these losses a ‘Distribution Loss Adjustment Factor’ (DLAF) is applied to customers’ metered energy consumption. The energy

¹ A DUoS charge is a fee that ESB Networks charges to electricity suppliers for use of the electricity distribution system. The amount of DUoS that ESN charges a supplier for each customer depends on which DUoS Group a customer is classified as, which is based on several factors including the voltage a premises is connected at, the type of meter installed, or if electricity is exported. Source: ESB Networks.

² Retail consumption data published on a quarterly basis by the CRU refers to consumption at selling point (i.e. at the customer’s site).

consumption measured at a customer’s meter is multiplied by the DLAF to get the consumption at which generation and transmission charges are applied. The CRU publishes DLAFs each year, broken down by size of a customer’s connection and time of consumption.

On 31 July 2020, an Information Paper was published by the CRU which identified the DLAFs to be applicable for the 2020/21 tariff year, see [CRU/20/084](#) ‘*The Electricity Distribution Network Allowed Revenues for 2021 and the Distribution Use of System (DUoS) Tariffs & Distribution Loss Adjustment Factors (DLAFs) for 2020/2021*’. The following are the applicable DLAFs for the 2020/21 tariff year:

Voltage Level	Time Period		
	Composite	Day	Night
38kV Sales	1.019	1.021	1.017
Medium Voltage (MV) Sales	1.035	1.037	1.030
Low Voltage (LV) Sales	1.087	1.093	1.075

Table 1 – Applicable Distribution Loss Adjustment Factors 2020/2021

2.4 Generation Charges

2.4.1 Capacity Charges

The administratively determined Capacity Payment Mechanism (CPM) in the SEM has been replaced with a competitively determined Capacity Remuneration Mechanism (CRM) and the price for awarded capacity is determined through an auction process. This new CRM went live on 1 October 2018. Capacity Payments are funded through a Capacity Charge Tariff which is socialised across all suppliers on a monthly basis based on their daytime demand profile. More information on how the new capacity market works can be found [here](#). The following are the applicable charges for 2020/21, and these apply to consumption on every day of the year from 7am to 11pm:

Supplier Capacity Charge Price	2020/21
Tariff	14.91 €/MWh

Table 2 - Applicable Capacity Charges 2020/2021

2.4.2 Market Operator Charges

The Single Electricity Market (SEM) is administered by the Single Electricity Market Operator (SEMO). SEMO imposes a regulated Market Operator (MO) charge, to recover the costs of

administering the SEM, on all electricity users on a cent per kilowatt hour (c/kWh) basis. SEMO applies annually to the SEM Committee (which is comprised of the Irish and Northern Irish regulators, CRU and NIAUR respectively, and an independent member) with their suggested revenues and tariffs for the upcoming tariff year which runs from 1 October to 30 September. The SEM Committee reviews and approves a set of charges annually and publishes them on the SEMO website.

On 3 September 2020, the approved MO charges for the 2020/21 tariff year were published on the SEMO website, see '*MO Tariffs & Charges and Imperfections Charge*', which is available [here](#). The following are the applicable charges:

MO Charges	2020/21
Fixed Supplier Charge (per unit³)	€119
Variable Supplier Charge (per MWh)	€0.466

Table 3 – MO Supplier Charges 2020/2021

2.4.3 Nominated Electricity Market Operator Charges

The Day-Ahead Market (DAM) and Intraday Market (IDM) are operated by Nominated Electricity Market Operators (NEMOs) in each bidding zone or geographical region. In the SEM bidding zone (the island of Ireland), EirGrid has been designated as a NEMO for Ireland, and SONI has been designated as a NEMO for Northern Ireland. EirGrid and SONI operate as SEMOpx in their roles as NEMO for the DAM and IDM under the SEMOpx Rules.

SEMOpx is responsible for registration of participants, market systems operation, settlement, credit risk management, currency risk, and access to market data.

Participation in the ex-ante markets through SEMOpx involves the following charges:

- **Once off Entry Fee:** This fee is a once off joining fee payable by each exchange member.
- **Annual Fee:** This is an annual fee for participation in the day ahead and intraday markets for each Exchange Member.
- **Per/MWh fee:** The fee per MWh will be the same in the Day-Ahead and Intraday Markets.

The once off entry fee is charged on a pro-rata basis. The annual subscription fee covers access to the Day-Ahead Market, the Intraday Auction Market, and the Intraday Continuous Market. Included in the annual subscription fee is one user login for the M7 trading system (Intraday Continuous Market) and two user logins for the ETS trading system (Day-Ahead and Intraday Auctions).

³ Refers to supplier unit. A full list of supply units is available on the SEMO website.

On 28 August 2020, the approved NEMO charges for the 2020/21 tariff year were published on the SEMOpx website, see ‘*SEMOpx Statement of Charges*’, which is available [here](#). The following tables set out the fees for participating on the SEMOpx power exchange in the current tariff year. All SEMOpx fees listed on this page are paid on a monthly basis.

Fee Structure	Cost
Once off entry fee	€5,000
Annual subscription fee	€5,000
Variable trading fee day-ahead markets (per MWh)	€0.036
Variable trading fee intraday markets (per MWh)	€0.036

Table 4 - NEMO Charges 2020/21

SEMOpx also charges fees for additional users. These are listed in the table below:

System	Cost
M7 (per additional user login per year)	€550
ETS (per additional user login per year)	€550

Table 5 - NEMO Additional Charges 2020/21

With I-SEM go live from 1 October 2018 and the new market arrangements put in place, new charges have been introduced. These are discussed further in section 2.4.3 below.

2.4.4 I-SEM and the introduction of different charges

The Integrated Single Electricity Market (I-SEM) project involved the design and implementation of the new wholesale market arrangements for the SEM in Ireland and Northern Ireland which went live on 1 October 2018.

The new market arrangements are designed to integrate the all-island wholesale electricity market with European wholesale electricity markets, enabling the free flow of electricity across borders. It consists of a number of markets including the Day-Ahead Market, Intra-Day Market and the Balancing Market. This is expected to deliver increased levels of competition which should help put a downward pressure on prices as well as encouraging greater levels of security and transparency.

The I-SEM project introduced changes to the wholesale market, including the introduction of a new capacity remuneration mechanism, through which generators get paid for their availability, to replace the old capacity payment mechanism.

The I-SEM project saw the introduction of three new tariffs on 1 October 2018, as follows:

- Difference Payment Socialisation multiplier;
- Currency Adjustment charges; and
- Residual Error Volume charges.

SEMO published a paper on 3 September 2020, [MO Tariffs & Charges and Imperfections Charge](#) for the tariffs and charges that apply for the period 1 October 2019 to 30 September 2020. These tariffs and charges have been approved by the Regulatory Authorities (RAs) in Ireland and Northern Ireland and will be applied in accordance with the Trading and Settlement Code. The following are the applicable charges:

Tariff	Value
Difference Payment Socialisation Multiplier ⁴	1.0 ⁵ %
Currency Adjustment Charge	0.015 €/MWh
Residual Error Volume Charge	1.61 €/MWh

Table 6 – MO Tariffs and Charges 2020/21

2.4.5 Imperfections Charge

SEMO recovers costs on an annual basis in relation to the operation of the grid in the form of Imperfections Charges. The Imperfections Charge is levied on suppliers by SEMO.

The purpose of the Imperfections Charge is to recover the following costs, with adjustments for previous years as appropriate:

- Dispatch Balancing Costs (DBC): sum of Constraint Payments, Uninstructed Imbalance Payments and Generator Testing Charges:
 - o Constraint Payments arise due to the TSOs having to dispatch some generators differently from the ex-post market unconstrained schedule, in real time, to ensure security of supply on the system;

⁴ Note that the Difference Payment Socialisation Multiplier will lead to different suppliers paying different amounts, depending on the load shape of their customers.

⁵ Difference Payment Socialisation Multiplier for system input purposes is 0.001.

- Uninstructed Imbalances occur when there is a difference between a generator unit's dispatch quantity and its actual output;
- Generator Testing Charges: testing of generator units results in additional operating costs to the system, in order to maintain system security;
- Make Whole Payments: any difference between the total Energy Payments to a generator and the production cost of that generator on a weekly basis;
- Energy Imbalance Charges: occur if the sum of Energy Payments to generators does not equal the sum of Energy Charges to supplier.

On 27 August 2020, a decision paper was published by the SEM Committee, which identified the Imperfections Charge to be applicable for the 2020/21 tariff year, see '*Imperfections Charge October 2020 - September 2021*', which is available [here](#). The paper includes explanations for each of the Imperfections Charge components. The following is the applicable Imperfections Charge:

Tariff	2020/21
Imperfections Charge	€8.96/MWh

Table 7 - Imperfections Charge 2020/21

2.5 Network Charges

2.5.2 Demand Transmission Use of System (D-TUoS) Charges

Demand Transmission Use of System (D-TUoS) charges are applied for the use of the high voltage electricity transmission system infrastructure in Ireland. They are designed to recover the total costs involved in operating, maintaining and developing the transmission system. D-TUoS charges are calculated on an annual basis by the Transmission System Operator (TSO), with the approval of the CRU.

On 28 August 2020, an Information Paper was published by the CRU which identified the D-TUoS charges to be applicable for the 2020/21 tariff year (1 October 2020 to 30 September 2021), see [CRU/20/095](#) 'Electricity Transmission Network Allowed Revenues for 2021 and Demand Transmission Use of System (D-TUoS) Tariffs 2020/21' and accompanying [statement of charges](#).

The following are the applicable charges:

TUoS for 2019/20	DTS-D1 ⁶ (non-LEUs)	DTS-D2 ⁷ (non-LEUs)	DTS-D1 ⁸ (LEUs)	DTS-D2 (LEUs)	DTS-T ⁹ (LEUs)
Network Capacity Charge	€1,871.9363/MW	€7.4317/MWh (day hrs)	€1,588.8073/MW	€5.9176/MWh	€1,887.5825/MW
Network Transfer Charge	€3.5453/MWh	€3.5453/MWh	€3.0090/MWh	€3.0090/MWh	€3.0090/MWh
System Services Charge	€6.3649/MWh	€6.3649/MWh	€5.4022/MWh	€5.4022/MWh	€5.4022/MWh
Demand Side Management (DSM)¹⁰ Charge	€0.0000/MWh (day hrs)	€0.0000/MWh (day hrs)	€0.0000/MWh (day hrs)	€0.0000/MWh (day hrs)	€0.0000/MWh (day hrs)

Note:

DTS-D2 (non-LEU) is applicable to DG 3, DG 4, DG 5, the majority of DG 6 customers.

DTS-D1 (non-LEUs) is applicable to some DG 6 customers.

DTS-D1 (LEUs) is applicable to DG 7, DG 8 and DG 9 customers.

DTS-T (LEUs) is applicable to T-CONN customers

Table 8 - TUoS Charges 2020/21

⁶ DTS-D1 non-LEU customers are those connected to the distribution system and have a maximum import capacity (MIC) greater than 0.5MWs.

⁷ DTS-D2 non-LEU customers are those connected to the distribution system and have a maximum import capacity (MIC) of less than 0.5MWs.

⁸ DTS-D1 LEU customers are those connected to the distribution system and have a maximum import capacity (MIC) greater than 0.5MWs.

⁹ Applies to customers connected directly to the transmission system.

¹⁰ The Demand Side Management charge covers the Power Save scheme. This Scheme was discontinued in 2020.

2.5.1 Distribution Use of System (DUoS) Charges

DUoS charges are applied for the use of the low/medium voltage electricity distribution system infrastructure in Ireland. DUoS tariffs are charged to suppliers based on the amount of energy used by their customers and include standing charges. These charges are paid to the Distribution System Operator (DSO) based on their 'allowed revenue', which is annually calculated by the CRU. The DSO determines the annual DUoS charges from this, with the approval of the CRU.

On 31 July 2020, a decision paper was published by the CRU which identified the DUoS charges to be applicable for the 2020/21 tariff year (1 October 2020 to 30 September 2021), see [CER/20/084](#) 'The Electricity Distribution Network Allowed Revenues for 2021 and the Distribution Use of System (DUoS) Tariffs & Distribution Loss Adjustment Factors (DLAFs) for 2020/2021' and accompanying [tariff statement](#).

The following are the applicable charges:

Segment	DUoS Standing charge 2020/21	DUoS Unit rates 2020/21	Low Power Factor Surcharge
DG3		€0.03742/kWh	
DG4		€0.03742/kWh (ex. DG4 premium ¹¹)	
DG5 and DG5b (low voltage non-domestic customers, non-max demand)	Standard meter: €106.87/customer/annum Day/Night meter: €106.87/customer/annum	Standard meter: €0.04932/kWh Day/Night meter: Day: €0.05767/kWh Night: €0.00705/kWh Time of Use ¹² : Day – Off Peak: €0.04932/kWh Night – Off Peak: €0.04932/kWh Peak: €0.04932/kWh	Standard meter: €0.01144/kVArh Day/Night meter: €0.01144/kVArh
DG5a (low voltage autoproducers MEC>MIC, non-max demand)	N/A	Standard meter: €0.04932/kWh Day/Night meter: Day: €0.05767/kWh Night: €0.00705/kWh	Standard meter: €0.01144/kVArh Day/Night meter: €0.01144/kVArh

¹¹ DG4 tariff also incurs an additional premium in respect of additional costs incurred on public lighting installations. This premium is 0.01 c/kWh but it is currently being reviewed.

¹² Explanation of new TOU Category:

- i. Day Off Peak = 08:00 to 23:00 (excluding 'Peak')
- ii. Night Off Peak = 23:00 to 08:00 (single night rate)
- iii. Peak = 17:00-19:00

DG5b (low voltage autoproducers MEC < MIC, non-max demand with on-line QH interval metering)	Standard meter: €106.87/ customer/annum Day/Night meter: €106.87/ customer/annum	Standard meter: €0.04932/kWh Day/Night meter: Day: €0.05767/kWh Night: €0.00705/kWh	Standard meter: €0.01144/kVArh Day/Night meter: €0.01144/kVArh
DG6 and DG6b (low voltage non-domestic customers, max demand)	Standing charge: €996.84/customer /annum Capacity charge: €37.20/kVA of MIC /annum	Day: €0.02935/kWh Night: €0.00346/kWh	€0.01045/kVArh
DG6a (low voltage autoproducers MEC>MIC, max demand)	N/A	Day: €0.02935/kWh Night: €0.00346/kWh	€0.01045/kVArh
DG7 & DG7b (medium voltage non-domestic customers, max demand)	Standing charge: €1,757.03/customer /annum Capacity charge: €12.85/kVA of MIC /annum	Day: €0.00508/kWh Night: €0.00080/kWh	€0.00918/kVArh
DG7a (medium voltage autoproducers MEC >MIC, max demand)	N/A	Day: €0.00508/kWh Night: €0.00080/kWh	€0.00918/kVArh
DG8 & DG8b (38kV looped customers, max demand)	Standing charge: €29,454.38/customer /annum Capacity charge: €6.32kVA of MIC /annum	Day: €0.00112/kWh Night: €0.00008/kWh	€0.00861/kVArh
DG8a (38kV looped autoproducers MEC >MIC, max demand)	N/A	Day: €0.00112/kWh Night: €0.00008/kWh	€0.00861/kVArh
DG9 & DG9b (38kV tailed customers, max demand)	Standing charge: €8,389.98/customer /annum Capacity charge: €6.32/kVA of MIC /annum	Day: €0.00112/kWh Night: €0.00008/kWh	€0.00861/kVArh
DG9a (38kV tailed autoproducers MEC >MIC, max demand)	N/A	Day: €0.00112/kWh Night: €0.00008/kWh	€0.00861/kVArh

Table 9 - DUoS Charges 2020/21

2.6 Public Service Obligation Levy (PSO)

The Public Service Obligation (PSO) levy is a government subsidy charged to all electricity customers in Ireland. It is designed by the Irish Government and consists of various schemes to support national policy objectives related to renewable energy, security of supply and the use of indigenous fuels (peat). The proceeds of the levy are used to contribute to the additional costs incurred by PSO-supported electricity generation which are not recovered in the electricity market, typically via contracts that suppliers have in place with electricity generators.

On 31 July 2020, a decision paper was published by the CRU which identified the PSO levy to be applicable for the 2020/21 tariff year (1 October 2020 to 30 September 2021), [CRU/20/086](#).

The following are the applicable monthly charges:

PSO Levy	Monthly Levy Amount 2020/21
Small commercial customers (MIC of less than 30kVA)	€21.41 per customer
Medium & large customers (MIC of equal to or greater than 30kVA)	€2.78 per kVA

Table 10 - PSO Charges 2020/21

The PSO levy for 2020/21 of €393.13 million represents an increase of €216.66 million (123%) on the 2019/20 levy of €176.46 million. A number of drivers are contributing to this increase, principally the 2018/19 R-factor and a lower 2020/21 estimated benchmark price.

2.7 Electricity Tax

The electricity tax is an excise duty that is charged on supplies of electricity made on or after 1 October 2008.

Energy taxes in Ireland are levied within the framework of the EU Energy Tax Directive. The tax is charged on the final supply of electricity to the customer and the liability arises at the time the electricity is supplied. Any supplies for domestic use are not subject to the tax.

Suppliers are responsible for payment of the tax and for returns/accounts in relation to it.

This cost is passed on to final customers.

Electricity Tax	
Business	€1 per MWh

Table 11 - Electricity Tax 2020/21