



Mr J PIHLATIE
Head of Unit
Competition DG
EUROPEAN COMMISSION
Brussels B1049
Belgium

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Subject: State aid No. 571/2006-Ireland RES-E support programme.

Dear Mr Pihlatie,

1 Introductions

I refer to previous communications regarding the proposed REFIT support programme as referenced above . My authorities have asked me to provide the following additional clarifications, as requested.

2. Concerning the levy controlled by CER

2.1 My authorities have asked me to confirm that the fund used to finance the REFIT payments to electricity suppliers will be collected and controlled in the manner notified in the previously referenced files customised to the REFIT terms and conditions i.e. -

- i) it will be collected from all subscribers to the electricity network by the transmission system operator through a levy,
- ii) the levy will be imposed under the supervision of the Commission for Electricity Regulation (CER), an independent regulator established by law,
- iii) the levy will be based on the capacity of the connection of each subscriber and the rate will vary depending on whether the connection serves a domestic account or a professional account,
- iv) the CER will never become the owner of the levy payments, however, it will exert significant control over these payments and
- v) the value of the payments will be controlled and certified by the CER using, for this purpose, a number of high level principles fixed by the Law that leave a significant range of parameters in its control.

3. Requirement that aid granted does not exceed plant depreciation (capital investment).

3.1 The following table illustrates the amount BNE could fall by for 15 years commencing in year 1 without the aid granted exceeding plant depreciation

		Wind Large	Wind Small	LFG	Biomass/hydro
1	"Unallocated" capital cost €/MW	€800 000	€700 000	€1000000	€1500000
2	"Unallocated" capital cost distributed per MWh for 15 years €/MWh	€17	€15	€12	€22
3	Permissible BNE reduction [(€66 (BNE) less €57 (floor price))+ values in row 2] before compensation exceeds capital costs €/MWh	€26	€24	€21	€31
4	Permissible BNE-reduction in percent (row 3/66)	39 %	36 %	32 %	47 %

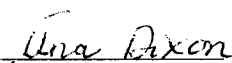
3.2 The following table illustrates the amount BNE could fall by for 12 years commencing in year 3 without the aid granted exceeding plant depreciation

		Wind Large	Wind Small	LFG	Biomass/hydro
1	"Unallocated" capital cost €/MW	€800 000	€700 000	€1000000	€1500000
2	"Unallocated" capital cost distributed per MWh for 12 years€/MWh	€22	€20	€16	€29
3	Permissible BNE-reduction [(€66 (BNE) less €57 (floor price))+ values in row 2] before compensation exceeds capital costs €/MWh.	€31	€29	€25	€38
4	Permissible BNE-reduction in percent (row 3/66)	48 %	43 %	38 %	57 %

4 Concerning PPA prices

4.1 My authorities are not aware of any PPA concluded so far which has been negotiated at a price below the reference price for the appropriate technology as notified in the previous documentation i.e. €57, €59, €70 and €72/ MWh.

Yours sincerely,


 Una Dixon
 Energy Attaché