



Commission for Energy Regulation

An Coimisiún um Rialáil Fuinnimh

**A PROPOSED DIRECTION TO ESB ON ELECTRICITY TARIFF
CHARGES**

**CER/02/121
6th September 2002**

1. Introduction

This document contains the details of the proposed direction by the Commission for Energy Regulation (“the Commission”), to be issued in accordance with Regulation 31 of Statutory Instrument No.445 of 2000, to ESB (“the Board”) in relation to the charges for electricity (“tariffs”) to final customers who are not being supplied in accordance with a licence issued under paragraph (b), (c), or (d) of Section 14(1) of the Electricity Regulation Act 1999 (“the Act”).

The Commission will issue a direction in relation to the tariff charges on 4th October 2002 and the revised tariffs will apply from the January/February 2003 billing period. The direction will apply to the following tariff categories.

- Domestic Urban (Standard, Nightsaver and Group)
- Domestic Rural (Standard, Nightsaver and Group)
- Residential Business Premises
- Commercial and Industrial General Purpose (Standard and Nightsaver)
- Commercial and Industrial Maximum Demand (low voltage)
- Maximum Demand (medium voltage)
- Maximum Demand (38kV)
- Maximum Demand (110 kV) – transmission and distribution connected
- Public Lighting

The various terms used in tariffs (e.g. domestic, industrial, commercial, standard, nightsaver, maximum demand, low and medium voltage, 38kV, 110 kV, standing charge, day, night, month, maximum import capacity) shall have the definition as currently adopted by the Board where any such definition exists and shall not be amended by the Board unless approved (or directed as required) by the Commission.

The details of the proposed tariffs are fully set out in Attachment 1 to this document.

2. Background

The electricity market is currently opened to eligible customers whose annual consumption of electricity is 1GWh or more at single premises (estimated to be about 40% of the demand). The market is also opened fully to any customer supplied by a supplier who sources energy from renewable, sustainable or alternative sources (‘green suppliers’) or from CHP. ESB Public Electricity Supplier (PES) sells electricity to customers that are not eligible along with those eligible customers who have chosen to be supplied by PES.

The Commission issued a direction on tariff charges on 28th September, 2001. This was the first step in a process to deliver fully cost reflective tariffs. At that time, the Commission considered the impact of imposing fully cost reflective tariffs and concluded that price increases should be phased in over the next few years. Consequently, the Commission has evaluated the impact of increases in each tariff in the context of the costs incurred, the severity of the increase on particular customer groups, the ability of customers to abate the increases and the availability of alternatives.

3. Tariff Components

The cost of electricity can be divided into a number of components; generation, supply, transmission and distribution. Generation costs include Public Service Obligation (PSO) costs, the capacity margin payment and the purchases that ESB Public Electricity Supplier (PES) is required to make from ESB Power Generation (PES), Edenderry Power Limited and Alternative Energy Requirement schemes. On 23rd May 2002 the Minister for Public Enterprise issued an Order directing the Commission to introduce a PSO arrangement to apply from 1st January 2003. In 2003, this charge does not result in additional generation costs being introduced into the market. Rather, it is a reallocation of existing generation costs.

The Commission reviewed each of these cost categories and made a determination of the appropriate level of these costs. The resulting allowable costs are used as inputs to setting PES's tariff prices for 2003 for the different categories of customer. Details of these tariffs are included in Attachment 1.

PES's forecast revenue is expected to increase by under 2% when compared to the original estimate of 2002 revenue. At the same time, PES's volume of sales for 2003 is expected to fall by some 8%. This means that PES's average price for electricity will increase in 2002 by just under 10%.

There are a number of reasons why the fall in expected sales is not matched by a similar reduction in costs.

Regulation 31 of S.I. No.445 of 2000 requires the Commission to approve a sales arrangement between PG and PES for the sale of electricity to all consumers that are not supplied by licensed suppliers. A significant proportion of generation costs are fixed or capital related. This means that if PES buys more output from PG, the average fixed cost of production reduces. Conversely, as is expected to happen in 2003, as PES purchases less from PG, the average fixed cost increases – contributing to the overall increase in the average price of electricity. In addition, transmission costs will increase in 2003 due to increases in operational costs and the significant level of investment in the networks.

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A third contributor to the overall increase in electricity prices relates to the recovery by PG and PES of certain deferred costs. Last year the Commission, as part of its phased approach to tariff re-balancing decided that a number of costs incurred in 2001 and 2002 (e.g. the emergency generation costs) should not be recovered in 2002 tariffs.

4. Development of Tariffs to apply from 1st January 2003

Allowable costs incurred in the generation, transmission, distribution and supply of electricity for each of the customer categories were used to calculate the PES tariffs required to recover these costs. The Commission limited the initial overall increase to 9.85%. A separate exercise was carried out to determine the tariff increases to apply in each of the tariff categories.

Tariff Categories	Increase
	%
Domestic	13.25
Non-Domestic General Purpose	3.56
Low Voltage Maximum Demand	8.42
10-20kV Maximum Demand	3.46
38kV Maximum Demand	4.20
110kV Maximum Demand	4.20
Public Lighting	6.16
CEU	8.00

As a result of the capping of the overall tariff increases, PES will not recover all its costs in 2003. Of the estimated generation costs due to PG from PES, approximately €16 million has not been included in the 2003 tariffs and will be recovered in future years.

5. Tariff Structures

The costs underlying the Board's electricity charges comprise: Power Generation (PG) costs, Transmission Use of System (TUoS) costs, Distribution Use of System (DUoS) costs, ESB PES supply costs and other costs.

In the September 2001 direction, the Commission amended a number of tariffs offered by PES. The Commission does not propose to amend the structure of the existing PES tariffs at this time. However, the following changes to the application of the tariffs will take effect from 1 January 2003:

1. The 50% demand ratchet will no longer be applied to MD tariffs;
2. The standing charge of the 38kV tariff will be higher for looped connections; and
3. a new tariff will be introduced for distribution connected 110kV customers, which will have the same structure as the existing 110kV tariff but the charges will be higher to take account of the distribution use of system charges incurred by these customers.

As part of a separate exercise, the Commission will review Transmission and Distribution Use of System charges from Quarter 4, 2002 with the intention of introducing any necessary structural charges to these tariffs for 2004 onwards. In parallel to the Use of System charges review, the Commission will review the structure of PES's existing tariffs.

Tom Reeves
Member of the Commission for Energy Regulation
6th September 2002

ATTACHMENT 1

ESB PES Tariffs 2003

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Urban Domestic	
Standard Tariff	
Standing Charge	€ 5.70 per 2 month period
Unit Rate	10.75 c/kWh
PSO	€ 2.34 per two month period
Nightsaver Tariff	
Standing Charge	€ 15.00 per 2 month period
Unit Rate day	10.75 c/kWh
Unit Rate Night	4.60 c/kWh
PSO	€ 2.34 per two month period
Night Storage Heating	
Standing Charge	€ 0.95 per 2 month period
Units Rate	4.60 c/kWh

Urban Domestic Group Account	
Standard Tariff	
Standing Charge	€ 5.70 per 2 month period
Unit Rate	10.75 c/kWh
PSO	€ 2.34 per 2 month period
Nightsaver Tariff	
Standing Charge	€ 15.00 per 2 month period
Unit Rate day	10.75 c/kWh
Unit Rate Night	4.60 c/kWh
PSO	€ 2.34 per 2 month period

Rural Domestic	
Standard Tariff	
Standing Charge	€ 10.15 per 2 month period
Unit Rate	10.75 c/kWh
PSO	€ 2.34 per 2 month period

Nightsaver Tariff	
Standing Charge	€ 21.80 per 2 month period
Unit Rate Day	10.75 c/kWh
Unit Rate Night	4.60 c/kWh
PSO	€ 2.34 per 2 month period

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Rural Domestic Group Account	
Standard Tariff	
Standing Charge	€ 10.15 per 2 month period
Unit Rate	10.75 c/kWh
PSO	€ 2.34 per 2 month period
Nightsaver Tariff	
Standing Charge	€ 21.80 per 2 month period
Unit Rate day	10.75 c/kWh
Unit Rate Night	4.60 c/kWh
PSO	€ 2.34 per 2 month period
Commercial and Industrial General Purpose	
Standard Tariff	
Standing Charge	€ 14.60 per 2 month period
Unit Rate 1 st block (8,000kWh per 2 month period)	12.58 c/kWh
Unit Rate 2 nd block	11.00 c/kWh
PSO (Customer < 30 kVA)	€7.26 per 2 month period
PSO (Customers >30 kVA)	€1.21/kVA per 2 month period
Nightsaver Tariff	
Standing Charge	€ 18.50 per 2 month period
Unit Rate 1 st block (8,000kWh/per 2 month period)	13.33 c/kWh
Unit Rate 2 nd block	11.00 c/kWh
Unit Rate Night	4.60 c/kWh
PSO (Customer < 30 kVA)	€7.26 per 2 month period
PSO (Customers >30 kVA)	€1.21/kVA per 2 month period
Night Storage Heating	
Standing Charge	€ 0.95 per 2 month period
Unit Rate	4.60 c/kWh

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Residential Business Premises

Standard Tariff	
Standing Charge	€ 13.50 per 2 month period
Unit Rate 1 st . Block (1,500 kWh per 2 month period)	10.75 c/kWh
Unit Rate 2 nd block	12.58 c/kWh
PSO (Customer MIC < 30 kVA)	€7.26 per 2 month period
PSO (Customer MIC >30 kVA)	€1.21/kVA per 2 month period
Nightsaver Tariff	
Standing Charge	€17.50 per 2 month period
Unit Rate 1 st . Block (1,200 kWh per 2 month period)	10.75 c/kWh
Unit Rate 2 nd block	13.33 c/kWh
Units Rate Night	4.60 c/kWh
PSO (Customer MIC < 30 kVA)	€7.26 per 2 month period
PSO (Customer MIC >30 kVA)	€1.21/kVA per 2 month period

Public Lighting

Unmetered Supplies (urban/rural)	
Dusk to midnight	14.25 c/kWh
Dust to dawn	8.04 c/kWh
24 hr supplies	7.61 c/kWh
Metered Supplies (rural)	14.25 c/kWh
Unmetered Supplies	€4.13/kWh
PSO	€1.21 per 2 month period

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Misc. Unmetered Supplies	
Telephone kiosks < 31Watts PSO	€ 3.90 per 2 months €1.21/kVA per 2 months
Telephone kiosks > 30Watts PSO	€ 7.78 per 2 months €1.21/kVA per 2 months
TV aerial towers & boosters	
up to 50 watts	€ 8.25 per 2 months
51 to 100 watts	€ 17.83 per 2 months
101 to 150 watts	€ 27.19 per 2 months
151 to 200 watts	€ 36.65 per 2 months
201 to 300 watts	€ 52.68 per 2 months
301 to 400 watts	€ 69.05 per 2 months
401 to 500 watts	€ 85.44 per 2 months
501 to 600 watts	€ 101.83 per 2 months
601 to 700 watts	€ 118.21 per 2 months
701 to 800 watts	€ 134.24 per 2 months
801 to 900 watts	€ 150.61 per 2 months
901 to 1000 watts	€ 166.99 per 2 months
For each additional 100 watts or Portion thereof	€ 16.31 per 2 months
PSO	€1.21/kVA per 2 months
Maximum Demand (Low Voltage)	
Standing Charge	€ 140.00 per 2 month period
MD Charge	€ 5.00/kW of metered MD per 2 month period
Day Unit Rate 1 st 350kWh per kW of MD per 2 month period	10.00 c/kWh
balance of kWh per 2 month period	6.80 c/kWh
Night unit rates	4.39 c/kWh
Service Capacity Charge	€4.06/kVa per 2 month period
PSO	€1.21/kVa per 2 month period

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Maximum Demand (Medium Voltage) 10/20kV	
Standing Charge	€ 450.00 per 2 month period
MD Charge Summer	€ 3.50 /kW of metered MD per 2 month period
MD Charge winter	€ 6.50 /kW of metered MD per 2 month period
Day Unit Rate 1 st 350kWh per kW of MD per 2 month period	7.73 c/kWh
Balance of kWh per 2 month period	5.35 c/kWh
Night unit rates	4.07 c/kWh
Service Capacity Charge	€4.52 per kVA per 2 month period
PSO	€1.21/kVa per 2 month period

Maximum Demand 38 kV	
Standing Charge - Looped	€ 6250.00 per 2 month period
Standing Charge - Tailed	€ 2100.00 per 2 month period
Service Capacity Charge	€ 3.35/kVA of MIC per 2 month period
MD Charge Summer	€ 3.00 /kW of metered MD per 2 month period
MD Charge Winter	€ 4.50 /kW of metered MD per 2 month period
Day Unit Rate 1 st 350kWh per kW of MD per Summer period (2 months)	6.95 c/kWh
Balance of kWh per Summer period (2 months)	5.08 c/kWh
Day Unit Rate 1 st 350kWh per kW of MD per Winter period (2 months)	8.25 c/kWh
Balance of kWh per Summer period (2 months)	5.91 c/kWh
Night unit rates	3.91 c/kWh
PSO	€1.21 per kVa 2 month period

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Maximum Demand 110kV

Standing Charge	€ 1720.00 per 2 month period
MD Charge Summer	€ 2.00 /kW of metered MD per 2 month period
MD Charge winter	€ 3.50 /kW of metered MD per 2 month period
Day Unit Rate 1 st 350kWh per kW of MD per Summer period	6.43 c/kWh
Balance of kWh per Summer period	4.37 c/kWh
Day Unit Rate 1 st 350kWh per kW of MD per Winter period	7.95 c/kWh
Balance of kWh per Winter period	5.74 c/kWh
Night unit rates	3.84 c/kWh
Service Capacity Charge	€2.24 per kVA of MIC per 2 month period
PSO	€1.21 kVa per 2 month period

Low Power Factor Surcharges (applicable MD tariffs)

Tariff	Rate
Low Voltage	0.649 c/kVARh
Medium Voltage	0.572 c/kVARh
38 kV	0.533c/kVARh
Low Power Factor Surcharge applied to kVARh in excess of one third of kWh in any 2 monthly billing period.	

MIC Penalties (applicable to MD Tariffs)

If a customer's MD exceeds its MIC, there will be a penalty of twice the Capacity Charge for that billing period only, as in DUoS.