



Commission for Energy Regulation

An Coimisiún um Rialáil Fuinnimh

**Direction to**

**ESB (Public Electricity Supplier) on**

**Electricity Charges for 2004**

**3rd October 2003**

**CER/03/248**

## 1. Introduction

This document contains the details of a direction by the Commission for Energy Regulation (“the Commission”), 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 directs that the Board shall charge final customers the outlined charges of this document commencing on the January/February billing period 2004. Attachment 1 sets out the details of the finalised tariffs.

The direction applies 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;
- 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.

## 2. Background

The Commission issued a direction on tariff charges on 28<sup>th</sup> 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 a number of years.

### **3. Tariff Components**

#### **Generation Costs**

In December 2002 (CER/02/240) the Commission issued a decision outlining the calculation of ESB Power Generation's allowable revenue. A number of cost components were treated as "fixed" and therefore amended year on year by published indices. At that time the Commission decided that other costs should be treated as market driven and therefore amended year on year by the market value of these costs (e.g. rates).

In 2003 the Commission reviewed the application of the approved formula for the rate of change of fixed costs and estimates for variable costs. Based on the Commission's published decision relating to ESB Power Generation's allowable revenue for 2004 and the costs associated with implementing a number of peaking capacity measures (see below), the Commission proposes to approve an allowable 2004 revenue of €718 million.

#### **Transmission Costs**

In September 2001 the Commission determined the allowable revenues for ESB's transmission business, both for operation and ownership. The Commission undertook to review the Transmission System Operator's (TSO) allowable revenue on an annual basis given the uncertainty around the organisational structure of the TSO. The Commission's determination is published on the Commission's website. The Commission proposes to approve revenues of €250 million for 2004 which would result in an increase in Transmission Use of System (TUoS) charges of an average 10 % in 2004 over 2003.

ESB National Grid acting as the TSO has produced a set of tariffs, which the Commission proposes to approve, to apply from 1<sup>st</sup> January 2004. These tariffs have been used in determining the PES TUoS costs for each customer category.

#### **Distribution Costs**

The Commission proposes to approve revenues of €550 million to be earned by the Distribution System Operator in 2004, to recover costs that will be incurred by the Distribution System Operator (DSO). The Commission's finalised determination is published on the Commission's website. This results in an increase in Distribution Use of System (DUoS) charges of 7.72% in 2004 over 2003. The approved revenue takes into consideration, the various adjustments required in the revenue formula in addition to further costs that the Commission has approved for market opening, business separation, acceleration of refurbishment of the distribution networks and installation of bulk supply point metering. (The formula to calculate allowable DSO revenue is set out in the Commission's determination of "Distribution Allowed Revenues" published in September 2001 – CER/01/128.)

### **Public Electricity Supply Costs**

The Commission has carried out a comprehensive review of ESB PES submission in respect of its estimated allowed revenue for 2004. The review was based on the Commission's 2003 PES Revenue Review decision, which sets out the basis that will be used to determine the PES allowed revenue. The Commission proposes an allowable 2004 revenue of €114 million.

### **Other Costs**

#### **Peaking Capacity**

Ireland's continued economic growth has resulted in a marked increase in the consumption of electricity. Currently the increase in demand for electricity is about 4%. The continued growth in demand has necessitated ESB procuring some peaking generator units (104 MW) and contracting with NIE Power Procurement Business for 167 MW of generation to provide much needed capacity in advance of new generators coming on line. The Commission proposes to include a share of the costs associated with these measures in determining the PES tariffs.

#### **Capacity Margin**

Experience to date would suggest that the capacity margin scheme has had only a modest impact in achieving its objective. This is becoming increasingly evident as the capacity margin continues to decline. A number of additional measures have been taken with the aim of ensuring that supply meets demand in the short to medium term. As a result the Commission proposes to cap payments for capacity under this scheme at €16m for 2004 (estimated as half the level of generator payments that would otherwise be made). The Commission will continue to review the operation of this scheme in 2004.

These charges have been considered in determining the PES tariffs.

### **Public Service Obligation Levy**

The Public Service Obligation (PSO) levy relates to the purchase by ESB of the output of certain peat generated electricity, in the interests of security of supply, and the output of certain generating stations using renewable, sustainable or alternative forms of energy under the AER schemes, in the interests of environmental protection, in accordance with the PSO Order (S.I. No 217 of 2002). The PSO charge is levied on all consumers of electricity, regardless of supplier, and appears as separate items on customer bills.

In accordance with the PSO Order the Commission implemented PSO charges to apply in 2004. The estimated 2004 cost of PSOs has increased by around 60% compared to 2003.

**4. Development of Tariffs to apply in 2004**

Allowable costs incurred in the generation, transmission, distribution and supply of electricity for each of the customer categories (and “Other Costs” as outlined above) were used to calculate the PES tariffs for 2004. The result of the Commission’s review is a 5.09% increase in the average price of electricity. A separate exercise was carried out to determine the tariff increases to apply in each of the tariff categories.

<b>Tariff Categories</b>	<b>Increase %</b>
Domestic	5.02
Non-Domestic General Purpose	4.01
Low Voltage Maximum Demand	6.00
10-20kV Maximum Demand	6.00
38kV Maximum Demand	5.98
110kV Maximum Demand	5.97
Public Lighting	6.97
CEU	6.00
Overall Average	5.09

**5. Restricted Tariff and Tariff Structures**

**Optisave**

The Optisave tariff rewards ESB PES customers who have a good load factor. In 2001 the Commission reviewed the range and structure of PES tariffs. In its decision on Restricted Tariffs Incentives (CER/01/149), the Commission referred to the Optisave tariff and decided that the tariff could be offered by ESB PES for a year. The Commission undertook to review the range and the value of this tariff and other possible load management incentives at that time.

The Commission has now completed its review of the Optisave tariff. The Commission considers that the scheme provides a minimal contribution to the load management programmes. The Commission at this time is in favour of introducing incentives that can be applicable to all customers in the market. The Optisave tariff is a restricted tariff and therefore is only available to customers whose load has certain characteristics. Therefore, the Commission is not in favour of permitting ESB PES to continue to offer this tariff.

The Commission directs that ESB discontinue to offer the Optisave scheme to customers, effective from 1<sup>st</sup> November 2003.

Apart from some minor changes, the Commission does not propose to amend the structure of the existing PES tariffs at this time. As part of a separate exercise the Commission will commence its review of Transmission and Distribution Use of System charges and ESB PES tariffs later this year.

**Tom Reeves**  
**Commissioner**  
**3<sup>rd</sup> October 2003**

**ATTACHMENT 1**

**ESB (Public Electricity Supply) Electricity Tariffs 2004**

<b>Urban Domestic</b>	
<b>Standard Tariff</b>	
Standing Charge	€ 6.88 per 2 month period
Unit Rate	11.07 c/kWh
PSO	€ 3.02 per two month period
<b>Nightsaver Tariff</b>	
Standing Charge	€ 16.26 per 2 month period
Unit Rate day	11.07 c/kWh
Unit Rate Night	4.90 c/kWh
PSO	€ 3.02 per two month period
<b>Night Storage Heating</b>	
Standing Charge	€ 1.00 per 2 month period
Units Rate	4.90 c/kWh

<b>Urban Domestic Group Account</b>	
<b>Standard Tariff</b>	
Standing Charge	€ 6.88 per 2 month period and a reduced rate of €3.86 per 2 month period for each additional flat/apartment
Unit Rate	11.07 c/kWh
PSO	€ 3.02 per 2 month period
<b>Nightsaver Tariff</b>	
Standing Charge	€ 16.26 per 2 month period and a reduced rate of €11.35 per 2month period for each additional flat/apartment
Unit Rate day	11.07 c/kWh
Unit Rate Night	4.90 c/kWh
PSO	€ 3.02 per 2 month period



**Rural Domestic**

**Standard Tariff**

Standing Charge	€ 11.76 per 2 month period.
Unit Rate	11.07 c/kWh
PSO	€ 3.02 per 2 month period

**Nightsaver Tariff**

Standing Charge	€ 23.22 per 2 month period.
Unit Rate Day	11.07 c/kWh
Unit Rate Night	4.90c/kWh
PSO	€ 3.02 per 2 month period

**Rural Domestic Group Account**

**Standard Tariff**

Standing Charge	€ 11.76 per 2 month period and a reduced rate of €8.45 per 2 month period for each additional flat/apartment.
Unit Rate	11.070 c/kWh
PSO	€ 3.02 per 2 month period

**Nightsaver Tariff**

Standing Charge	€ 23.22 per 2 month period and a reduced rate of €18.24 per 2month period for each additional flat/apartment.
Unit Rate day	11.07 c/kWh
Unit Rate Night	4.90 c/kWh
PSO	€ 3.02 per 2 month period

<b>Commercial and Industrial General Purpose</b>	
<b>Standard Tariff</b>	
Standing Charge Autoproducers MEC>MIC	€ 15.76 per 2 month period
Standing Charge	€3.61 per 2 month period
Unit Rate 1 <sup>st</sup> block (8,000kWh per 2 month period)	12.97 c/kWh
Unit Rate 2 <sup>nd</sup> block	11.05 c/kWh
PSO (Customer < 30 kVA)	€9.16 per 2 month period
PSO (Customers >=30 kVA)	€1.68/kVA per 2 month period
<b>Nightsaver Tariff</b>	
Standing Charge	€ 20.17 per 2 month period
Standing Charge for Autoproducers with MEC>MIC	€ 6.58 per 2 month period
Unit Rate 1 <sup>st</sup> block (8,000kWh/per 2 month period)	13.81 c/kWh
Unit Rate 2 <sup>nd</sup> block	11.05 c/kWh
Unit Rate Night	4.90 c/kWh
PSO (Customer < 30 kVA)	€9.16 per 2 month period
PSO (Customers >=30 kVA)	€1.68/kVA per 2 month period
<b>Night Storage Heating</b>	
Standing Charge	€ 1.00 per 2 month period
Unit Rate	4.90 c/kWh

<b>Residential Business Premises</b>	
<b>Standard Tariff</b>	
Standing Charge	€ 14.66 per 2 month period
Standing Charge for Autoproducers with MEC>MIC	€ 2.51 per 2 month period
Unit Rate 1 <sup>st</sup> . Block (1,500 kWh per 2 month period)	11.07 c/kWh
Unit Rate 2 <sup>nd</sup> block	12.97 c/kWh
PSO (Customer MIC < 30 kVA)	€9.16 per 2 month period
PSO (Customer MIC >=30 kVA)	€1.68/kVA per 2 month period
<b>Nightsaver Tariff</b>	
Standing Charge	€19.07 per 2 month period
Standing Charge for Autoproducers with MEC>MIC	€ 5.48 per two month period
Unit Rate 1 <sup>st</sup> . Block (1,200 kWh per 2 month period)	11.07 c/kWh
Unit Rate 2 <sup>nd</sup> block	13.81 c/kWh
Units Rate Night	4.90 c/kWh
PSO (Customer MIC < 30 kVA)	€9.16 per 2 month period
PSO (Customer MIC >=30 kVA)	€1.68/kVA per 2 month period
<b>Low Power Factor Surcharges (applicable to LV non-domestic non-MD tariffs)</b>	
<b>Tariff</b>	<b>Rate</b>
Low Power Factor Surcharge applies to all kVARh recorded in any two monthly period if:	0.76 c/kVARh
(a) more than 2,800 kVARh are recorded, and	
(b) the kVARh recorded exceed 50% of the total kWh recorded in the same period.	

**Public Lighting**

<b>Unmetered Supplies (urban/rural)</b>	
Dusk to midnight	15.25 c/kWh
Dust to dawn	8.53 c/kWh
24 hr supplies	8.14 c/kWh
Metered Supplies (rural)	15.25 c/kWh
Unmetered Supplies	€4.42/kWh
PSO	€1.68/kVA per 2 month period

**Misc. Unmetered Supplies**

Telephone kiosks < 31Watts	€ 4.17 per 2 months
PSO	€ 1.68/kVA per 2 months
Telephone kiosks > 30Watts	€ 8.30 per 2 months
PSO	€ 1.68/kVA per 2 months
<b>TV aerial towers &amp; boosters</b>	
Up to 50 watts	€ 8.44 per 2 months
51 to 100 watts	€ 18.58 per 2 months
101 to 150 watts	€ 28.70 per 2 months
151 to 200 watts	€ 38.82 per 2 months
201 to 300 watts	€ 55.96 per 2 months
301 to 400 watts	€ 73.48 per 2 months
401 to 500 watts	€ 91.01 per 2 months
501 to 600 watts	€ 108.54 per 2 months
601 to 700 watts	€ 126.07 per 2 months
701 to 800 watts	€ 143.21 per 2 months
801 to 900 watts	€ 160.73 per 2 months
901 to 1000 watts	€ 178.24 per 2 months
For each additional 100 watts or Portion thereof	€ 17.45 per 2 months
PSO	€1.68/kVA per 2 months

<b>Maximum Demand (Low Voltage)</b>	
Standing Charge	€145.00 per 2 month period
Standing Charge for Autoproducers with MEC>MIC	€ 28.47 per 2 month period
MD Charge [Summer]	€5.60/kW of metered MD per 2 month period
MD Charge [Winter]	€6.70/kW of metered MD per 2 month period
Day Unit Rate 1 <sup>st</sup> 350kWh per kW of MD per Summer Period [2 months] Balance of kWh per Summer Period [2 months]	10.02 c/kWh 6.86 c/kWh
Day Unit Rate 1 <sup>st</sup> 350kWh per kW of MD per Winter Period [2 months] Balance of kWh per Winter Period [2 months]	11.17 c/kWh 7.26 c/kWh
Night unit rates	4.60 c/kWh
Service Capacity Charge	€4.35/kVA per 2 month period
Service Capacity Charge for Autoproducer With MEC>MIC	€0.00/kVa per 2 month period
PSO (Customer MIC<30kVA)	€9.16 per 2 month period
PSO (Customer MIC>=30kVA)	€1.68/kVA per 2 month period

<b>Maximum Demand (Medium Voltage) 10/20kV</b>	
Standing Charge	€ 476.00 per 2 month period
Standing Charge for with Autoproducers with MEC>MIC	€104.32 per 2 month period
MD Charge [Summer]	€ 3.15 /kW of metered MD per 2 month period
MD Charge [Winter]	€ 6.10 /kW of metered MD per 2 month period
Day Unit Rate 1 <sup>st</sup> 350kWh per kW of MD per Summer period (2 months)	7.51 c/kWh
Balance of kWh per Summer period (2 months)	6.00 c/kWh
Day Unit Rate 1 <sup>st</sup> 350kWh per kW of MD per Winter period (2 months)	8.65 c/kWh
Balance of kWh per Winter period (2 months)	6.51 c/kWh
Night unit rates	4.27 c/kWh
Service Capacity Charge	€4.79 per kVA per 2 month period
Service Capacity Charge for Autoproducer With MEC>MIC	€0 per kVa per 2 month period
PSO	€1.68/kVa per 2 month period

<b>Maximum Demand 38 kV</b>	
Standing Charge – Looped	€ 6400.00 per 2 month period
Standing Charge – Tailed	€ 2250.00 per 2 month period
Standing Charge for Autoproducers with MEC>MIC-Looped	€ 169.28 per 2 month period
Standing Charge for Autoproducers with MEC>MIC-Tailed	€ 169.28 per 2 month period
MD Charge Summer	€ 3.30 /kW of metered MD per 2 month period
MD Charge Winter	€ 4.95 /kW of metered MD per 2 month period
Day Unit Rate 1 <sup>st</sup> 350kWh per kW of MD per Summer period (2 months)	7.08 c/kWh
Balance of kWh per Summer period (2 months)	5.57 c/kWh
Day Unit Rate 1 <sup>st</sup> 350kWh per kW of MD per Winter period (2 months)	8.89 c/kWh
Balance of kWh per Winter period (2 months)	6.26 c/kWh
Night unit rates	4.15 c/kWh
Service Capacity Charge	€ 3.51/kVA of MIC per 2 month period
Service Capacity Charge for Autoproducer with MEC>MIC	€0/kVA per 2 month period
PSO	€1.68 per kVA per 2 month period

<b>Maximum Demand 110kV (Transmission Connected)</b>	
Standing Charge	€ 1720.00 per 2 month period
MD Charge Summer	€ 2.05 /kW of metered MD per 2 month period
MD Charge winter	€ 4.25 /kW of metered MD per 2 month period
Day Unit Rate 1 <sup>st</sup> 350kWh per kW of MD per Summer period	7.01c/kWh
Balance of kWh per Summer period	5.13c/kWh
Day Unit Rate 1 <sup>st</sup> 350kWh per kW of MD per Winter period	7.71c/kWh
Balance of kWh per Winter period	4.93c/kWh
Night unit rates	4.03c/kWh
Service Capacity Charge	€2.48per kVA of MIC per 2 month period
PSO	€ 1.68/kVA per 2 month period

**Low Power Factor Surcharges (applicable to MD tariffs)**

<b>Tariff</b>	<b>Rate</b>
Low Voltage	0.76 c/kVARh
Medium Voltage	0.76 c/kVARh
38 kV	0.76 c/kVARh
Low Power Factor Surcharge applied to kVARh in excess of one third of kWh in any 2 monthly billing periods.	

**MIC Penalties (applicable to MD Tariffs)**

If a customer's MD, converted to kVA by dividing by .95 exceeds their MIC, there will be a surcharge of twice the Capacity Charge for the excess, for that billing period only.

A Networks Unauthorised Usage Charge of € 600 per MWh applies to the 110 kV tariff for all energy (as measured at the trading point) used in excess of the customer's Maximum Import Capacity. € 600 per MWh