



Commission for Energy Regulation

An Coimisiún um Rialáil Fuinnimh

**Final Decision on Bord Gáis Energy Supply  
Fuel Variation Tariff Charges  
For  
Commercial and Industrial Customers  
(Non-Daily Metered Market)**

**1 October 2007 – 30 September 2008**

**CER/07/133  
3<sup>rd</sup> September 2007**

## **Table of Contents**

1	Executive Summary .....	3
2	Background .....	3
2.1	Legal framework.....	3
2.2	Context .....	3
3	Elements of the Fuel Variation Tariff.....	4

## **1 Executive Summary**

This paper details the charges which comprise Bord Gáis Energy Supply's (BGS) Fuel Variation Tariff (FVT) for industrial and commercial (I&C) customers arising from the structure set out in CER/07/097, published by the Commission on 16 July 2007.

## **2 Background**

The BGS Fuel Variation Tariff is for I&C customers who have a Transporter-determined Annual Quantity (AQ) in excess of 73,000 kWh per year and a Supply Point Capacity greater than 3750 kWh.<sup>1</sup>

The Fuel Variation Tariff has four components: a Gas Commodity Charge, Fixed Rate Charge, Site Charge and Shrinkage Gas Charge.

This decision sets out the Fixed Rate Charge and Site Charge for the period 1 October 2007 to 30 September 2008.

The calculations for the components of the FVT are detailed in CER/07/097.

### **2.1 Legal framework**

Under the Gas (Interim) (Regulation) Act of 2002, the Commission for Energy Regulation is responsible for regulating charges in the natural gas market. This includes the functions of gas transmission, distribution and supply to the BGS Non-Daily Metered (NDM) customers.<sup>2</sup>

In arriving at this decision, the Commission has been mindful of its legal functions under the Act including the protection of final customers, promotion of competition within the gas market and continuity, security and quality of supply of natural gas.

### **2.2 Context**

Consultation Paper CER/07/045, published on 9 May 2007, described a proposal to introduce a new tariff regime for approximately 1,600 of BGS's larger NDM customers. The tariff allows for a variation in how eligible customers will be billed for their own gas costs and results in more cost reflective transportation and capacity charges.

The Commission has consulted and reviewed responses to the Consultation Paper CER/07/045 and published its Decision Paper CER/07/097 on 16 July 2007.

This decision details elements of the Fuel Variation Tariff for the period 1 October 2007 to 30 September 2008.

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<sup>1</sup> The Transporter is Bord Gáis Networks (BGN). BGN's Code of Operations defines Annual Quantity as the quantity offtaken at an Offtake Point over the preceding 12 months. It is updated each summer for every NDM Offtake and the updated figures apply throughout the following gas year. The AQ figure for each site reflects the Transporter's estimate of what the site offtake would have been if the Degree Days in the preceding year had been in line with the Long Run average.

<sup>2</sup> Under Section 2(6) of the Gas (Amendment) Act, 1987, as amended by Section 23 (2) (b) (vii) of the Gas (Interim) (Regulation) Act, 2002.

### 3 Elements of the Fuel Variation Tariff

The FVT is a new price regulation regime which will come into effect on 1 October 2007. It will provide a transparent, cost-reflective mechanism for pricing to customers, thereby creating a clear target for competing suppliers.

The FVT will be more responsive to changes in wholesale gas prices than the present tariffs. The tariff will reflect the underlying cost to serve each customer. It consists of the four components detailed below:

- The **Gas Commodity Charge** (c/kWh) reflects the monthly unit cost of wholesale gas notionally purchased at the UK National Balancing Point (NBP). The Gas Commodity Charge for an individual customer for a given month will depend on which pricing option the customer has chosen. The pricing options are detailed in CER/07/097.
- The **Fixed Rate Charge** (c/kWh) incorporates those costs which depend on the volume of gas supplied where the appropriate rate of cost recovery (per kWh consumed) remains constant through the gas year and does not vary between customers. These costs consist of transmission commodity tariffs, distribution commodity tariffs, swing flexibility and an approved margin on total costs. The supply margin is equivalent to 2.75% of the average annual cost of gas, transportation and administration for the FVT sector. This rate reflects the commercial risk faced by BGS in supplying the sector. The Commission will review this margin as part of its annual review on the operation of the FVT tariff. *For 2007/08, the Fixed Rate Charge totals €0.380 c/kWh.*
- The **Site Charge** (€ per month) incorporates those costs which are largely independent of the gas volumes consumed by a customer. The Site Charge consists of a fixed element, common to all customers, that represents the administrative cost of running BGS's supply business and a transmission and distribution capacity element whose level is unique to each customer. The transmission and distribution capacity costs charged to each customer are based on the individual capacity booking requirement for each customer. *For 2007/08, the Site Charge will consist of a supply charge of €424 per year per meter installed plus the appropriate level of transmission and distribution capacity tariff costs for each customer.*
- The **Shrinkage Gas Charge** (c/kWh) reflects the monthly unit cost of transmission shrinkage gas costs incurred by BGS from the Transporter in respect to FVT volumes. The charge will vary by month. However, it will be common to all customers regardless of which pricing option they have chosen.