



Commission for Energy Regulation

An Coimisiún um Rialáil Fuinnimh

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CER announces reduction in Gas and Electricity prices

The Commission was pleased to announce in early September, a further drop in both natural gas and electricity prices for domestic, small and medium sized businesses.

Gas Prices

From 1st October 2007, Bord Gáis customers will see an average reduction of almost 11% in natural gas prices. This is the second price reduction of 2007, following a 10% decrease approved by the CER earlier this year.

On 3rd September, CER published their final decision on Bord Gáis Energy Supply's allowed revenues for 2007/08 and the resulting tariffs for residential and smaller industrial and commercial customers. The CER decided to allow revenue equivalent to a reduction in Bord Gáis prices of almost 11% from 1st October 2007.

As a result, domestic customers will see a much welcomed reduction of almost 11% in the typical domestic gas bill. Some domestic customers with low consumption levels can look forward to an even greater reduction in their gas bills. The average Bord Gáis annual household bill will decrease as

follows from 1 October 2007:

3Bed Semi: €100

2Bed Apartment: €165



In arriving at its decision, the Commission has reduced the standing charge paid by the average customer from €308.58 per annum to €56.75 per annum.

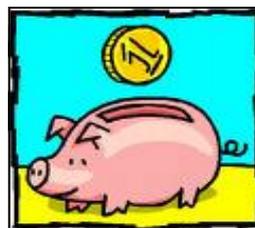
In addition, Bord Gáis' existing tariff structure will be replaced by a new suite of tariff options from 1st October 2007. The new tariffs are carefully designed to offer tariff choice to customers based upon their preferences and their level of consumption.

The main drivers behind the 2007/08 gas price decreases are:

- The fall in wholesale natural gas prices throughout 2007 and
- Cost savings resulting from the CER's five year review of Bord Gáis Networks revenues. Transmission and distribution tariffs are down by 11% and over 1% respectively for 2007/08. Network costs for 2007/08 will make up approximately 42% of the final end user gas price.

Electricity Prices

The Commission have also announced a proposed reduction in ESB electricity prices charged to domestic, small and medium sized businesses, from 1st November 2007.



The proposed price decrease varies across customer categories depending on their consumption however, on average electricity prices are expected to fall by 6.1% from 1 November 2007.

The reduction will be implemented 2 months earlier than normal and will coincide with the establishment of the Single Electricity Market (SEM) for the island of Ireland which has been designed to encourage the continued growth of competition in the electricity sector.

As a result customers can expect lower bills throughout the winter period when electricity usage is highest.

The following are the average percentage reductions which are being proposed for the three main groups of customers supplied by ESB:

Domestic: 5.4%

Small Business Customers: 5.9%

Medium Business Customers: 10%

This reduction will result in a saving of approx €50 per annum for domestic customers while small and medium sized business customers will see significantly greater savings.

The price reductions have been driven, in the main by lower gas prices offset somewhat by increases in oil and coal prices.

For further details on both gas and electricity prices, please refer to the Commission's website, www.cer.ie

New Safety Measures to Protect Gas and Electricity Customers

Safety for customers in the gas and electricity sectors is being targeted under a new regulatory regime proposed by the Commission for Energy Regulation (CER). The Energy (Miscellaneous Provisions) Act 2006, has given the CER new powers for the regulation of natural gas installers and electrical contractors, with regard to safety. Under these new powers, the CER is now planning to put in place a compulsory regime which aims to safeguard customers.

Bord Gáis Networks presently operate a voluntary register of natural gas installers known as the Register of Gas Installers (RGI). The RGI allows customers to choose an installer that they know is appropriately qualified and insured to complete the work they need done. This register however does not represent the majority of installers working in the industry as it is not compulsory to register.

The Energy (Misc) Act 2006 now gives a legal basis to the registering of gas installers and the CER is working to put in place a system for the regulation of all natural gas installers with respect to safety. The Commission has now published its consultation paper: **“The regulation of the gas installer industry with respect to safety”**

“The regulation of the gas installer industry with respect to safety”

This paper sets out its proposals in relation to regulating the natural gas installer industry in the future.



- The Commission proposes to appoint an independent body to take on the full time inspection and auditing of installers. All natural gas installers will have to be registered with the body to work legally within the industry.
- Part of the new regulatory regime will be the requirement for all gas works to be certified by the installer once they have been completed. This certificate will provide confidence to customers that their installer has carried out work in accordance with the appropriate national standard. At this time, only new connections require certification prior to gas being switched on at the premises.
- The Commission will run three information sessions in October 2007 intended for Natural Gas Installers, which will explain the CER's proposals in detail.

For further details of these information sessions and the consultation paper (CER/07/125), please visit the Commission's website, www.cer.ie

In addition to natural gas safety, the Energy (Misc) Act 2006 gives the CER responsibility for safety regulation in the electrical contracting industry. Towards establishing this function, the Commission has published a consultation paper:

“Vision for the Regulation of Electrical Contractors with respect to Safety”

This paper sets out the Commission's proposals for the implementation of its electrical safety regulation function.

The high-level proposals contained in this paper are as follows:

- certain electrical works will require a Completion Certificate and some of these works may only be carried out by registered electrical contractors;
- only registered electrical contractors will be entitled to self-certify (issue Completion Certificates for their work);
- in the electrical contracting industry, businesses rather than individuals will be required to register;
- electrical works will be required to conform with the standard prescribed by the Commission – the ETCI National Wiring Rules;
- the requirements for registration will be prescribed (and will relate to training, competence and other requirements, such as insurance);
- the Commission will appoint a Designated Body or Bodies who will be responsible for the operation and management of registration, monitoring, audit and inspection of electrical contractors together with other duties.



The Commission is currently drafting a “Criteria Document” detailing the rules concerning registration and regulation. This document will be subject to a separate consultation process.

To view the consultation paper (CER/07/127) please visit the consultation section of our website

www.cer.ie .



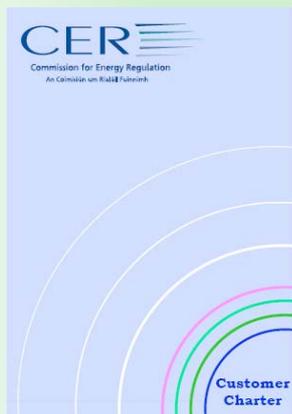
The closing date for comments on both papers is 21st September 2007.

Customer Charter

The CER is committed to providing a high quality, user-friendly service to our customers in all of our areas of responsibility. As such, the Commission recently undertook an internal review of its customer charter with the aim of improving the standard of Customer Service available to its customers. Our service commitments are based on the principles of Quality Customer Service (QCS) as outlined on the website of the Department of An Taoiseach (www.taoiseach.gov.ie)

The CER's Customer Charter outlines the level of service customers can expect from the CER with regard to the following areas:

- Personal Callers;
- Written Correspondence;
- Telephone Callers;
- General Information & Consultations;
- Complaints / Appeals;
- FOI requests;
- HR and Personal Information.



Our Customer Charter is available on our website, www.cer.ie. Hard copies are also available on request from the Commission.

Consultation Process

On September 7th 2007 the Commission published a consultation paper titled:

“Review of CER Public Consultation Process”

The Commission is required under legislation to carry out a public consultation prior to making its regulatory decisions.

The Government's White paper on Regulation calls on regulatory organisations to fully consider the views of all interested parties and stakeholders when making their regulatory decisions. The Commission has noted the value of carrying out a full public consultation and has now decided that it is timely to undertake a review of this public consultation process. The purpose of this consultation is to identify and address any areas of the public consultation process that may need improvement.

Interested parties are now invited to provide submissions and comments regarding the effectiveness of CER's present consultation process. Comments are also welcome from our customers with regard to the quality of our customer service. A short questionnaire addressing both of these areas is included in the Appendix of the consultation document.

Details of the consultation paper (CER/07/140) can be found on the Commission's website, www.cer.ie

Positive Outlook for Winter

Eirgrid has outlined a positive Security of Supply situation for Winter 2007/08

On 8th August, Eirgrid published their Winter Outlook Report 2007/08. This report examines the capability of the country's power plants to meet peak demands during the Winter period. The areas of capacity, power plant performance and growth in electricity demand are looked at based on analysis of current information from generating station operators. Generation capacity for the Winter period is expected to be sufficient to ensure security of supply is maintained. This conclusion is based on reasonable assumptions and estimates performances this Winter based on discussions with each of the power generation companies.

A number of key areas of focus for power generation companies are highlighted. Full details of the report are available on Eirgrid's website, www.eirgrid.ie



The Single Electricity Market (SEM) project has progressed considerably since Go-Active on July 3rd, with Go-Live on course for 1st November, 2007.



Market Trial

A successful Market Trial is the last major milestone before Go-Live of the SEM. Market Trial commenced on July 16th and involves a series of tests to ensure the infrastructure and rules of the SEM are functioning from end-to-end and fine-tuned in advance of "Go-Live". Market Trial will be conducted in two phases, the Scripted Phase and the Unscripted Phase. This allows full testing of the central and market participant systems. During the Scripted Phase the market is run on a pre-planned basis in order to facilitate the testing of various market running scenarios. At the end of the Scripted Phase there will be a break where the systems are taken down and all enduring data uploaded into them.

This is followed by Phase 2, the Unscripted Phase. During Phase 2 the trial will be run on an "As Live" basis. All market participants will be free to act how they please in order to test their internal business processes. The Unscripted Phase of Market trial will run from September 17th until the market goes live, which is scheduled for Nov 1st.

Hedging of Pool Price Risk

Due to the level of fluctuation expected in the SEM's pool price, participants will generally seek to limit their exposure to price risk by hedging out their position in the market. A typical product is a two-way Contract for Difference ("CfD") between generators and suppliers where the strike price is set and revenues from the pool in excess of the strike price are passed to the supplier by the generator while expenditures below the strike price are passed to the generator by the supplier.

Under SEM, ESB Power Generation ("ESBPG") has been required to offer a defined volume of these hedges (CfD's) at a regulated price. These are termed Directed Contracts and the process was completed in mid-July with 100% of the available product sold to market participants. Beyond this, ESBPG and NIE's Power Procurement Business have, voluntarily, offered CfD's in the market in an auction process; termed Non-Directed Contracts. The first phase of this offering was completed in mid-August with 100% of product sold.

For further information, please visit the All Island Project website, www.allislandproject.org

The electricity transmission system, commonly known as the national grid, is a high voltage network for the transmission of bulk electricity supplies around Ireland. The following is an update from the Electricity Transmission team within the CER:

East-West Interconnector: Route Selection

On 9th August 2007, the Commission published a decision on system access capacity for the East - West Interconnector. The CER is directing EirGrid to reserve transmission capacity to accommodate the 500MW Interconnector project, which will be connected and accommodated on the system at the Woodland transmission station, no later than the end of 2011. This follows a consultation on this topic which concluded on 27 July 2007.



SMO Revenue/Tariffs Paper

In June the Regulatory Authorities (CER & NIAUR) published a consultation paper proposing the allowed Single Market Operator (SMO) related revenue and tariffs. Following a review of comments received, the Regulatory Authorities have now published a decision paper on the matter. To view this paper, please visit the All Island Project website, www.allislandproject.org

SEM Ancillary Services Consultation Paper

In September 2006, the Regulatory Authorities approved the continuation of the existing and separate commercial arrangements for Ancillary Services within each jurisdiction for "Day 1" of the SEM - the "go-live" date, 1st November 2007 - pending a full and detailed review. As part of this review the Ancillary Services Vision Consultation Paper, developed by the system operators following an industry workshop held in May, was published on 24th August. This paper sets out all-island policy options for Ancillary Services for implementation post SEM go-live and seeks comments from the public by 21st September.

The policy options considered in this public consultation process will lead to a decision paper from the Regulatory Authorities, earmarked for Q4 2007.

For further information, please visit the All Island Project website, www.allislandproject.org