



Commission for Energy Regulation

An Coimisiún um Rialáil Fuinnimh

## Decisions on Electricity Retail Tariff Inputs for 2008/2009.

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Commission for Energy Regulation

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## CER – Information Page

This paper provides clarification to industry on the status of each of the consultations relating to the key inputs for the ESB PES retail tariffs to apply for 2008/2009. Specifically this paper sets out the decisions on the Transmission and Distribution Allowed Revenues & Network Charges that will apply until 31<sup>st</sup> December 2008 and provides detail on how those tariffs will be set for the period from 1<sup>st</sup> January 2009 – 30<sup>th</sup> September 2009. This paper also describes the treatment of ESB PES Allowed Revenue for 2008/09.

### Target Audience:

This decision paper is for the attention of members of the public, the energy industry, customers and all interested parties.

### Related Documents:

<a href="#">CER/08/094</a>	Proposed Determination of Transmission Allowed Revenue and Use of System Tariffs
<a href="#">CER/08/095</a>	Proposed Determination of Distribution Allowed Revenue, Use of System Tariffs and Distribution Loss Adjustment Factors for ESB Networks
<a href="#">SEM-08-079</a>	SEMO Revenue Tariffs-TSO Dispatch Balancing Costs for October 2008-September 2009
<a href="#">SEM-08-083</a>	Fixed Cost of a Best New Entrant Peaking Plant for the Calendar Year 2009
<a href="#">CER/08/103</a>	ESB PES Allowed Costs for the period 1 <sup>st</sup> October 2008 – 30 <sup>th</sup> September 2009
<a href="#">CER/08/131</a>	CER Decision Paper Interim Electricity Price Increase – 1st August 2008

[CER/08/134](#)

Decision on ESB PES Electricity Tariffs 1 August – 31 December 2008

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Public Service Obligation Levy 2008/2009 A Decision by the Commission for Energy Regulation

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## **1.0 Introduction**

### ***1.1 The Commission for Energy Regulation***

The *Commission for Energy Regulation* ('the Commission') is the independent body responsible for overseeing the regulation of Ireland's electricity and gas sector's. The Commission was initially established and granted regulatory powers over the electricity market under the Electricity Regulation Act, 1999. The enactment of the Gas (Interim) (Regulation) Act, 2002 expanded the Commission's jurisdiction to include regulation of the natural gas market, while the Energy (Miscellaneous Provisions) Act 2006 granted the Commission additional powers in relation to gas and electricity safety. The Electricity Regulation Amendment (SEM) Act 2007 outlined the Commission's functions in relation to the Single Electricity Market (SEM) for the island of Ireland. This market is regulated by the Commission and the Northern Ireland Authority for Utility Regulation (NIAUR). The Commission is working to ensure that consumers benefit from regulation and the introduction of competition in the energy sector.

### ***1.2 Purpose of this paper***

This paper provides clarification on the status of each of the consultations relating to the key inputs for the ESB PES retail tariffs to apply in 2008/2009. Specifically this paper provides confirmation on the level of TUoS and DUoS tariffs that will apply until 31<sup>st</sup> December 2008 and provides detail on how those tariffs will be set for the period from 1<sup>st</sup> January 2009. This paper also describes the treatment of ESB PES allowed revenue for 2008/09.

### ***1.3 Background Information***

Following the implementation of the SEM the prices charged by ESB Public Electricity Supply (PES) for electricity will recover the costs of procuring wholesale supplies of electricity, together with the costs of transporting those supplies across the transmission and distribution systems. These costs must be added to the costs of the Single Market Operator in administering the All-Island Single Electricity Market (SEM), Imperfections Charges, Capacity Payments and PES' retail overhead costs incurred in providing the supplies. There is also the cost of the Public Service Obligation Charge. Each of these inputs is consulted on separately and the appropriate cost is incorporated into the final retail tariff.

This following sections set out the current status of each of the consultations relating to the key inputs for the ESB PES retail tariffs to apply 2008/2009.

(i) Transmission Allowed Revenue & Network Charges

The first consultation<sup>1</sup> relates to EirGrid (as transmission system operator) and ESB Networks (in its role as transmission system owner). The Commission consulted on the allowed revenue for the electricity Transmission Use of System (TUoS) business for 2009 and the associated demand transmission tariffs for the period 1<sup>st</sup> October 2008 to 30<sup>th</sup> September 2009. This consultation paper and related documentation was published on 13<sup>th</sup> June 2008, with comments due back by 4<sup>th</sup> July 2008.

(ii) Distribution Allowed Revenue & Network Charges

The second consultation<sup>2</sup> related to ESB Networks (in its role as distribution system operator) and consulted on:

- The proposed Distribution System Operator (DSO) allowed revenue for the 2009 calendar year;
- The proposed Distribution Use of System (DUoS) tariffs for the period 1<sup>st</sup> October 2008 to 30<sup>th</sup> September 2009; and,
- The proposed Distribution Loss Adjustment Factors (DLAFs) for the period 1<sup>st</sup> October 2008 to 30<sup>th</sup> September 2009.

This consultation and related documentation was published on 20<sup>th</sup> June 2008, with comments due back by 18<sup>th</sup> July 2008.

(iii) PES Allowed Revenue

The third consultation<sup>3</sup> related to ESB PES (Public Electricity Supplier) and consulted on the proposed allowed revenue for the supply business over a 12 month period (1<sup>st</sup> October 2008 to 30<sup>th</sup> September 2009). This consultation paper was published on 25<sup>th</sup> June 2008, with comments due back by 22<sup>nd</sup> July 2008.

(iv) PSO Levy

The Commission has published its final decision on the Public Service Obligation<sup>4</sup> (PSO) Levy for the period 1<sup>st</sup> October 2008 to 30<sup>th</sup> September

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<sup>1</sup> [Proposed Determination of Transmission Allowed Revenue and Use of System Tariffs CER08094](#)

<sup>2</sup> [Proposed Distribution Allowed Revenues and Use of System Tariffs for ESB Networks CER08095a/b](#)

<sup>3</sup> [ESB PES \(Public Electricity Supplier\) Allowable Costs for the period 1st October 2008 - 30th September 2009 Draft Decision CER08103](#)

<sup>4</sup> [Public Service Obligation Levy 2008/2009 Charges CER08129](#)

2009. The Commission has decided that the PSO levy for the 1st of October 2008 to the 30th of September 2009 will be set to zero.

(v) Market Operator Charges, Imperfections and Capacity Payments

On the 24th June 2008, the Regulatory Authorities (CER & Northern Ireland Authority for Utility Regulation (NIAUR)) published their consultation<sup>5</sup> paper proposing Market Operator (SEMO) related revenue and tariffs for a new tariff period (2008/09) of Single Electricity Market operation.

On 4th July 2008 the Regulatory Authorities also published a consultation<sup>6</sup> paper on Fixed Cost of a Best New Entrant Peaking Plant for the Calendar Year 2009.

In light of recent rising fuel costs, which are the key determinant in the cost of electricity generation and consequently retail cost to consumers, the Commission issued a decision<sup>7</sup> paper (21<sup>st</sup> July 2008) which approved the following decisions:-

- Interim price increase of an average of 17.5% for households and SME's to apply from the 1<sup>st</sup> August 2008.
- Further review of tariffs this autumn with a final decision on 1<sup>st</sup> December on prices to apply from 1<sup>st</sup> January 2009.
- Customer credit of €300 million from ESB to be credited to all electricity customers from 1<sup>st</sup> January 2009.
- STOD tariff to be offered to LEU customers from 1<sup>st</sup> October 2008.

On the 23<sup>rd</sup> July, the Commission subsequently approved ESB PES tariffs<sup>8</sup> to apply for domestic customers and SME customers from the 1<sup>st</sup> August to the 31<sup>st</sup> December 2008 which underpinned the average interim increase of 17.5%. The tariffs that were approved as part of that decision covered the period 1<sup>st</sup> August 2008 to 31<sup>st</sup> December 2009 and were calculated on the assumption that there would be no change to the current PSO, TUoS and DUoS charges during this period.

The Commission has reviewed the status of each of the consultations in light of recent decision on the retail tariff timeline in order to provide clarification to industry on the regulated cost inputs to the ESB PES retail tariffs to apply from 1<sup>st</sup> January 2009.

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<sup>5</sup> [SEMO Revenue Tariffs-TSO Dispatch Balancing Costs for October 2008-September 2009 SEM 08-079](#)

<sup>6</sup> [Fixed Cost of a Best New Entrant Peaking Plant for the Calendar Year 2009 SEM 08-083](#)

<sup>7</sup> [CER Decision Paper Interim Electricity Price Increase – 1st August 2008 CER08131](#)

<sup>8</sup> [Decision on ESB PES Electricity Tariffs 1 August – 31 December 2008 CER08134](#)

## **1.4 Decision**

In light of its decision in respect of the retail tariff timelines for 2008/2009, the Commission has decided on the following actions with respect to ESB PES inputs for retail tariffs from 1<sup>st</sup> January 2009:-

(i) **Transmission and Distribution Allowed Revenue & Network Charges 2008/2009**

TUoS and DUoS charges will be maintained at current levels over the period 1<sup>st</sup> August 2008 to 31<sup>st</sup> December 2008. In order to establish the appropriate TUoS<sup>9</sup> and DUoS charges from 1<sup>st</sup> January 2009 onwards, the Commission will re-consult on the network charges by mid October with a final decision by the 1<sup>st</sup> December 2008.

Distribution Loss Adjustment Factors (DLAFs) will be maintained at current levels until 31<sup>st</sup> December 2008. Revised DLAFs will be included in the October consultation, with final values being set by the 1<sup>st</sup> December 2008 for implementation from 1<sup>st</sup> January 2009.

All Island Transmission Loss Adjustment Factors (TLAFs) will be maintained at current levels until 31<sup>st</sup> December 2008, with TLAFs for next year to be consulted on by the RAs by September for implementation from the 1<sup>st</sup> January, 2009.

(ii) **PES Allowed Revenue 2008/2009**

In order to establish the appropriate PES 2008/2009 allowed revenue for inclusion in the retail 2009 tariffs from 1<sup>st</sup> January 2009 the Commission will reconsult on the PES allowed revenue by mid October with a final decision by the 1<sup>st</sup> December 2008.

(iii) **Market Operator Charges, Imperfections and Capacity Payments**

Market Operator charges and Imperfections are calculated on an all Island basis. A decision on these charges will be published on the All Island website ([www.allislandproject.org](http://www.allislandproject.org)) by the end of August 2008 for implementation from 1<sup>st</sup> October 2008.

In line with the recent decision on the retail tariff timelines for 2008/2009, the Commission have decided that these charges which cover the period 1<sup>st</sup> October 2008 to 30<sup>th</sup> September 2009 will be included in the ESB PES retail tariffs from the period 1<sup>st</sup> January 2009 to 30<sup>th</sup> September 2009.

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<sup>9</sup> This relates to demand TUoS only. A decision will be published on Generator TUoS methodology and charges by September 2008.



The Commission has decided that the Capacity Payments, which are calculated on an All Island basis per calendar year, will be determined by the current consultations for inclusion in the retail tariffs from 1<sup>st</sup> January 2009. A decision on these charges will be published on the All Island website by the end of August 2008 for implementation from 1<sup>st</sup> January 2009.

While interested parties will be given the opportunity to comment on the October consultations, all comments received on the original transmission, distribution and PES allowed revenue consultation papers (published on 13<sup>th</sup>, 20<sup>th</sup> and 25<sup>th</sup> June 2008 respectively) will be taken into account as part of the subsequent consultations and final decisions.