



Commission for Energy Regulation

An Coimisiún um Rialáil Fuinnimh

CER Press Release – 1st September 2010

CER Announces No Change in Gas Tariff – CER/10/156

The Commission for Energy Regulation (CER) has announced that there will be no change to the current Bord Gáis Energy (BG Energy) tariff for the Non-Daily Metered residential and smaller industrial and commercial customers for the period 1st October 2010 to 30th September 2011. This follows the CER's annual review of allowable revenues for BG Energy.

Over 90% of Ireland's gas is bought externally and Ireland has no power to influence the price. Given the wholesale price of gas constitutes almost 50% of the cost to the consumer, changes in international wholesale gas prices have a very significant effect on consumer prices. Compared to the same period last year gas prices are significantly higher for the year ahead.

However, despite the increase in international wholesale gas prices, CER has announced that there will be no increase in the retail tariffs for Non-Daily Metered residential and smaller industrial and commercial customers.

Three factors are acting in mitigation of the increase in wholesale gas prices. First, as approved by CER, the price for gas is set using a "benchmark" (laddered approach) which spreads the cost of gas over a period of time. Secondly, margin earned from higher than predicted sales during the winter period is being returned to the customer. Thirdly, savings achieved by BG Energy beating the "benchmark" price have been included. The combined result of the mitigating factors is that the tariff can remain unchanged for the gas year 2010/11.

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Note to Editors:

- The vast majority of residential customers fall into the category covered by these tariffs.
- Gas Tariffs for residential and smaller industrial and commercial customers were reduced by an average 8% on 1st February 2010, by 9.8% on average on 1 October 2009 and 12% on average on 1 May 2009.
- The CER approves the allowed gas commodity price in accordance with the “benchmark” mechanism. Under this mechanism a certain percentage of the total anticipated gas volume demand for each delivery month is procured in a gradual manner, according to a fixed pattern. It is a hedging-type strategy which ensures that gas costs are not heavily impacted by random market spikes.