### Decision on BGN Allowed Revenues and Gas Transmission Tariffs for 2011/12

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Abstract:
This paper sets out the decision of the Commission for Energy Regulation ('the CER') in relation to Bord Gáis Networks ('BGN') Allowed Revenues and Gas Transmission Tariffs for the Gas Year 1\textsuperscript{st} October 2011 to 30\textsuperscript{th} September 2012.

Target Audience:
Gas Customers, Suppliers, Shippers and Producers.

Related Documents:

- **Bord Gáis Networks Revenue Review 2007/08 – 2011/12 Transmission Decision Paper (CER/07/110)** Published 2\textsuperscript{nd} August 2007.

- **Proposed Decision on BGN Allowed Revenues and Gas Transmission Tariffs for 2011-12 (CER/11/121)** Published 15\textsuperscript{th} July 2011.

- **BGN Transmission Tariff Submission Paper 2011-12 (CER/11/122)** Published 15\textsuperscript{th} July 2011.

For further information on this Decision Paper, please contact Jerry Mac Evilly (jmacevilly@cer.ie) at the CER.
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1.0 Introduction

1.1 Purpose of this paper

The purpose of this paper is to outline the CER’s decision in relation to the “BGN Allowed Revenues and Gas Transmission Tariffs for 2011/12”. The proposed tariffs were consulted upon on the 15th of July (CER/11/121). The CER also summarises respondents’ comments in relation to this consultation.

1.2 Background Information

Under the Gas (Interim) (Regulation) Act, 2002, the CER is responsible for regulating charges in the natural gas market. Under Section 14 of that Act the CER may set the basis for charges for transporting gas through transmission systems.

In 2007 the CER carried out a comprehensive review of the revenue control regime for the Bord Gáis Networks Transmission System for the five years from 2007/08 to 2011/12. This five year period, referred to in this paper as PC2, is the second revenue control period set by the CER. The first Revenue Control Period ran from 2003/04 to September 2007. The Price Control sets out the revenues which BGN will be allowed to recover over the five year period. The Revenue Control Formula, which is set out in the CER decision (CER/07/110), is used to calculate the maximum allowed revenues for BGN’s transmission business for a given year of the control period. These allowed revenues are adjusted each year and set against a revised forecast of ‘peak day’ and ‘throughput’ demand values (for the same year) to produce transmission capacity and commodity tariffs.

1.3 Comments Received

In July 2011, the CER published a Proposed Decision Paper (see CER/11/121) based BGN’s submission on transmission tariffs for 2011/12 (see CER/11/122). The CER received comments to the Proposed Decision Paper from one confidential respondent and one other party, Bord Gáis Éireann (BGE), whose response is published alongside this paper.

In reaching its decision, the CER has taken due account of the arguments presented in all of the submissions and representations made. The principal points raised by respondents are summarised in section 5 and are accompanied by the CER’s response.

1 Bord Gáis Networks Revenue Review 2007/8-2011/12 Transmission Decision Paper (CER/07/110)

2.0 Transmission Revenues and Tariffs for 2011/12

2.1 BGN Submission

The transmission revenues that BGN are allowed to earn each year between 2007/08 and 2011/12 were consulted upon and agreed in the five year revenue review published in 2007 (CER/07/110). Taking these allowed revenues into account, BGN made their annual submission entitled ‘Transmission Tariffs for the Gas Year 2011/12’ in July 2011 (see CER/11/122). The annual update of the transmission tariffs consists of two parts. The first is to establish, using the revenue control formulae, BGN’s allowed transmission revenue. The second is to set the transmission tariffs.

The CER examined BGN’s July submission and produced a Proposed Decision Paper on the subject (CER/11/121). Having reviewed the responses to CER/11/121 the CER has decided upon transmission revenues for 2011/12 and requested BGN to update its calculations accordingly. The information below therefore reflects the finalised transmission revenues and tariffs for 2011/12.

2.2 Allowed Transmission Revenue

The PC2 revenues for transmission relate to that allowed for the Interconnectors (ICs), the onshore transmission network and assets at Inch.

As part of the calculation of the 2009/10 transmission tariffs, BGN re-profiled the expected revenues on the ICs based on the latest forecast IC demand. This re-profiling was also undertaken by BGN for the last 2 years of PC2 as part of the calculation of 2010/11 transmission tariffs. This means that BGN recovered less revenue in 2010/11 and will recover more revenue in 2011/12 compared with the re-profiled revenues from 2009/10. The total IC revenues for PC2 are the same in NPV terms in all 3 cases (original allowed revenue, re-profiling in 2009/10 and re-profiling again in 2010/11; see the table below).

<table>
<thead>
<tr>
<th>PC 2 IC Revenues* 05/06 Monies</th>
<th>2007/08</th>
<th>2008/09</th>
<th>2009/10</th>
<th>2010/11</th>
<th>2011/12</th>
<th>Total Nominal</th>
<th>Total NPV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original</td>
<td>€m</td>
<td>€m</td>
<td>€m</td>
<td>€m</td>
<td>€m</td>
<td>263.2</td>
<td>235</td>
</tr>
<tr>
<td>Re-profiling in 09/10</td>
<td>63.6</td>
<td>64.7</td>
<td>49.8</td>
<td>51.3</td>
<td>32.41</td>
<td>261.8</td>
<td>235</td>
</tr>
<tr>
<td>Re-profiling in 10/11</td>
<td>63.6</td>
<td>64.7</td>
<td>49.8</td>
<td>42</td>
<td>42.24</td>
<td>262.3</td>
<td>235</td>
</tr>
</tbody>
</table>

*The figures presented in this table have been rounded.

The re-profiled IC revenue for 2011/12 is €42.24 in 2005/06 monies. This amounts to €44.69m when inflated to 2011/12 monies. Adding this to the allowed
revenues for Inch and the onshore system this amounts to a revised PC2 total allowed revenue for 2011/12 of €172.77m (in 2011/12 monies).^3

In calculating the allowable revenue for the 2011/12 transmission tariff, BGN have applied the Revenue Control Formulae. The Revenue Control Formulae sets out the parameters for the calculation of the allowable revenue to be recovered for a given gas year (in this case the 2011/12 Gas Year).

Using the Revenue Control Formula, the revised PC2 allowed revenue for 2011/12 has been adjusted to take account of certain costs, i.e. pass-through costs, number of customer connections, inflation and any revenue over/under-recoveries.

BGN’s submission outlines how the allowed revenues for the ICs, Inch and the onshore transmission network are adjusted for amongst other things:

1. Common Arrangements for Gas project costs
2. Third Energy Package Implementation costs
3. 2009/10 Correction Factor
4. Lower than forecast pass-through costs for 2011/12

1. Common Arrangements for Gas project costs

BGN’s annual submission CER/11/122 and the CER’s associated Proposed Decision Paper CER/11/121 published in July did not make any provision for costs associated with work undertaken by BGE for the Common Arrangements for Gas project. The CER approved a provisional sum of €0.6m in July 2011 to cover work progressed by BGE in advance of the CER and Utility Regulator agreeing the final costs and agreeing an allocation of the costs between the two jurisdictions. The final amount to be recovered for CAG costs, as well as the allocation of this amount, will be agreed by the CER and the Utility Regulator as soon as reasonably practicable; the CER anticipates that the costs attributable to Irish customers will be included in time for next year’s network tariffs. A provisional sum of €0.6m has therefore been included in the transmission onshore required revenue for 2011/12 and has been reflected in the onshore tariff noted in section 4.

2. EU Third Energy Package Implementation costs

As part of the calculation of the 2010/11 network tariffs, the CER included a provisional sum of €11m for the implementation of Bord Gáis Éireann’s unbundling requirements in Ireland under the EU Third Energy Package (referred to in this document as ‘Third Package Costs’^4). BGN’s submissions on the

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^3 To be clear, in the CER’s PC2 Decision Paper, a total allowed transmission revenue of €170.3m (2005/06 monies) was approved. This amounts to €180.2m in (2011/12 monies).

^4 This is referred to in BGN submissions as ‘3rd Directive Costs’.
2011/12 transmission and distribution tariffs included a further provisional amount of €11m. In the CER’s recent Proposed Decision Papers on the matter (CER/11/121 and CER/11/123), the CER proposed not to include any provisional amount for Third Package Costs in BGN’s allowable revenue, at least for 2011/12, and discussed the principal regulatory issues regarding the treatment of such costs.

The CER has decided that no additional provisional amount for Third Package Costs will be included in BGNs allowable revenues for the Gas Year 2011/12. It is also noted in this Decision Paper that efficiently incurred Third Package implementation costs attributable to Bord Gáis Éireann (BGE) as the Vertically Integrated Utility in Ireland will be recovered from end users in Ireland via network charges. It is anticipated that the recovery of these efficiently incurred costs will take place over a number of years commencing in 2012/13.

The tariffs noted in section 4 reflect this decision. The CER addresses this matter in detail in section 3 and respondents’ comments are discussed in section 5.

3. 2009/10 Correction Factor

This correction factor adjusts for the difference between 2009/10 actual revenues and pass-through costs versus 2009/10 projected revenues and pass-through costs forecasted in 2009.

An over-recovery in transmission revenues occurred in 2009/10 taking into account savings achieved in pass-through costs including the CER levy, Gaslink ISO costs and CO2. Overall, the correction factor results in BGN returning €5.6m which is included in the setting of the allowable revenue requirement for 2011/12.

A further saving of €1.22m, which includes interest, has also been incorporated on account of a correction to the actual outturn of ISO/Gaslink costs for 2007/08 and 2008/09. BGN have submitted further details on this correction which have been reviewed by the CER as part of the calculation of 2011/12 network tariffs.

4. Lower than forecast pass-through costs for 2011/12

As per the Revenue Review Decision CER/07/110, the CER has agreed that a number of costs will be treated as pass-through costs and an estimate was made for these in the 5 year review. BGN has revised its forecast of pass-through costs for the coming year. The revised forecast for 2011/12 indicates that pass-through costs will be €2.72m lower than originally allowed for. This is due to a reduction in rates costs; these costs are slightly offset by a projected increase in the CER Levy and CO2 costs.

Summary of Transmission Revenue 2011/12

BGN have updated the revenue control formula since their July submission (CER/11/121) taking into account the adjustments outlined in this Decision
Paper. This results in a revenue requirement for 2011/12 of €163.84m which is made of the following:

€44.4m for the Interconnectors (Moffat entry point),
€1.99m for Inch, and
€117.44m for the Onshore system.

This is €8.93m less than the allowed PC2 transmission revenue of €172.77m (in 2011/12 monies) taking account of the Interconnector revenue re-profiling.

### 2.3 System Demand for 2011/12

BGN has reforecast 2011/12 capacity bookings as follows (compared to the 2010/11 forecast and the original forecast set out in section 3.7 of CER/07/110):

- Interconnector capacity bookings are forecast to increase by 1.8% on 2010/11 levels. This represents a 21.4% increase compared to that originally forecast for 2011/12 in CER’s PC2 decision.

- Inch capacity bookings are forecast to increase by 14.3% on 2010/11 estimates. This still represents a 32.9% increase on the figures originally forecast for 2011/12 in CER’s PC2 decision.

- Onshore (exit) capacity bookings are forecast to decrease by 0.7% compared to the 2010/11 forecast which represents a 14.7% decrease on the original PC2 forecast for 2011/12 in CER’s PC2 decision.

<table>
<thead>
<tr>
<th>Capacity Bookings</th>
<th>2010/11 Tariff Forecast</th>
<th>2011/12 Original PC2 Forecast</th>
<th>2011/12 Revised Forecast</th>
<th>11/12 % Change v’s 10/11</th>
<th>11/12 % Change v’s Original</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exit Bookings GWh</td>
<td>241.52</td>
<td>281.10</td>
<td>239.87</td>
<td>-0.7%</td>
<td>-14.7%</td>
</tr>
<tr>
<td>Inch GWh</td>
<td>33.59</td>
<td>28.90</td>
<td>38.40</td>
<td>14.3%</td>
<td>32.9%</td>
</tr>
<tr>
<td>IC Bookings (*) GWh</td>
<td>206.65</td>
<td>173.40</td>
<td>210.46</td>
<td>1.8%</td>
<td>21.4%</td>
</tr>
</tbody>
</table>

As a general note, forecast gas demand has decreased significantly since original PC2 estimates were made in 2007.

It should be noted that, following discussions with Bord Gais Network, forecast Inch capacity bookings have been updated to show a higher booking than that set out in the Proposed Decision Paper CER/11/121 (that is an increase from 32.5 to 38.5 GWh). This has resulted in a lower Inch tariff. The higher bookings at Inch have resulted in a corresponding lower booking on the Interconnectors. Therefore, the Interconnector capacity bookings noted above are lower than that used in the CER’s Proposed Decision Paper CER/11/121. As a result of this revision, the Interconnector capacity tariff shows an increase of 3% on that set out in section 4 of CER/11/121.
3.0 CER Decision on BGE 3\textsuperscript{rd} Package Costs for 2011/12

3.1 Background Information

The EU Directive 2009/73/EC, as part of the Third Energy Package, came into force in September 2009 and contains unbundling provisions designed to separate the supply and networks activities of Vertically Integrated Utilities, such as BGE, in order to facilitate non-discriminatory access to gas transmission networks. BGE is a Vertically Integrated Utility (VIU) in both Ireland and Northern Ireland. The Directive outlines a number of models by which Member States can achieve compliance with the unbundling requirements. The Minister for Communications, Energy and National Resources has advised that he and the Government have chosen to implement the Independent Transmission Operator (ITO) model in respect of BGE and the necessary regulations will be implemented shortly. Under the ITO model, a legally separate and ring-fenced independent subsidiary of BGE will own and operate gas transmission systems in Ireland, Northern Ireland and in onshore Scotland. This change will probably involve an amalgamation of Gaslink, BGN, BGE UK and BGE NI functions. In order to ensure compliance, BGE are obliged to carry out this re-structuring by 3\textsuperscript{rd} March 2012.

3.2 CER Decision

It is recognised that the re-structuring of BGE under the ITO model, as a Vertically Integrated Undertaking, has been carried out in light of EU Third Package unbundling requirements and that BGE have set about implementing this model following discussions with all relevant Government Departments and regulatory authorities.

The CER has decided that no additional provisional amount for EU Third Package Costs will be included in BGN’s allowable revenues for the Gas Year 2011/12. This decision has been taken on account of the specific regulatory issues involved in relation to this matter. As noted in the Proposed Decision Papers CER/11/121 and CER/11/123, these are:

(i) The extent to which costs efficiently incurred in implementing the Government’s decision to opt for the “Independent Transmission Operator” unbundling model for BGE, provided for in Directive 2009/73/EC, should be charged to gas customers;
(ii) The way in which such allowed costs should be allocated between customer categories (for example, being applied to BGN only? being applied to gas customers in Ireland only? etc.).
(iii) Whether such costs – if they are allowed – should be defrayed over a number of years.
The CER also previously stated that this position was also partly influenced by the increases expected for gas end-user tariffs in any event and that the CER would continue to engage with BGE on these issues.

The CER has now decided that efficiently incurred EU Third Package implementation costs attributable to BGE as the Vertically Integrated Utility in Ireland will be recovered from end users in Ireland via network charges. It is anticipated that the recovery of these efficiently incurred costs will take place over a number of years commencing in 2012/13.

This decision is based on the following:

- The re-structuring imposes definite and necessary costs on BGE;
- The aim of the Third Package unbundling requirements is to allow for greater market integration in Europe and to bring benefits to all final customers;
- The costs associated with the re-structuring of VIUs under the EU Second Package have been passed through to final customers via network tariffs both in Ireland and other jurisdictions.
- Consistency with previous CER decisions to allow BGN to recover additional costs that were previously unforeseen and are currently outside of BGN’s direct control.

As detailed in CER/10/149, in the event that the implementation of networks driven aspects of the Third Package constitutes an amount less than the provisional sum of €11m allowed as part of the 2010/11 transmission and distribution allowed revenues, such an over-recovery would be returned to customers through correction factor adjustments. The CER anticipates that the allocation of such efficiently incurred costs between transmission and distribution and between entry and exit will be as per that used in the 2010/11 network tariffs.

The CER is mindful that efficient Third Package Costs attributable to BGE as the Vertically Integrated Utility in Ireland, which both have been incurred and will be incurred, have not yet been examined in detail by the CER. The CER agrees that clarity is needed on this matter in the short-term. Therefore, the CER has decided to commence a review of such costs in Q4 2011 with a view to making a final decision on the appropriate level by March 2012.

Regarding the separate issue of inter-jurisdictional allocation of Third Package Costs as noted by BGE in their response to CER/11/121, the CER welcomes BGE’s recommendations in this regard and will take these into consideration as part of further discussions on the subject.

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5 In the CER’s previous decisions on transmission and distribution tariffs for 2010/11 (see CER/10/149 and CER/10/150), this €11million was distributed on an 80:20 basis between transmission and distribution (i.e. €8.8million in transmission and €2.2million in distribution). In relation to transmission, this €8.8million was divided between the Interconnector and Inch tariffs on a 95:5 basis.
4.0 CER Decision on Transmission Tariffs for 2011/12

The CER hereby directs Gaslink to implement the tariffs set out in the Table 4.1 below from 1st October 2011 – 30th September 2011.

Table 4.1 Transmission Tariffs for 2011/12*

<table>
<thead>
<tr>
<th>BGE Transmission Tariffs for Gas Year 2011/2012</th>
<th>Published Tariffs</th>
<th>% Change Nominal from 10/11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Onshore Network</td>
<td>£</td>
<td>(11/12 Monies)</td>
</tr>
<tr>
<td>capacity</td>
<td>440.657</td>
<td>per peak day MWh</td>
</tr>
<tr>
<td>commodity</td>
<td>0.215</td>
<td>per MWh</td>
</tr>
<tr>
<td>Interconnectors</td>
<td>£</td>
<td>(11/12 Monies)</td>
</tr>
<tr>
<td>capacity</td>
<td>189.884</td>
<td>per peak day MWh</td>
</tr>
<tr>
<td>commodity</td>
<td>0.082</td>
<td>per MWh</td>
</tr>
<tr>
<td>Inch</td>
<td>£</td>
<td>(11/12 Monies)</td>
</tr>
<tr>
<td>capacity</td>
<td>46.697</td>
<td>per peak day MWh</td>
</tr>
<tr>
<td>commodity</td>
<td>0.053</td>
<td>per MWh</td>
</tr>
</tbody>
</table>

Illustrative Transmission Transportation Costs

| Transmission Transportation Cost of UK Gas | £  | (11/12 Monies) | £ | £ | -4.8% | -2.2% |
| capacity                                      | 630.541 | per peak day MWh | 654.232 | 662.642 | -4.8% |
| commodity                                     | 0.297 | per MWh | 0.285 | 0.303 | -2.2% |

| Transmission Transportation Cost of Inch Gas | £  | (11/12 Monies) | £ | £ | -5.4% | -4.0% |
| capacity                                      | 487.354 | per peak day MWh | 485.733 | 515.106 | -5.4% |
| commodity                                     | 0.268 | per MWh | 0.248 | 0.279 | -4.0% |

Cost/Therm Comparisons

| Annual Consumption | 365 |
| Load Factors       | 1.3 |

Gas Year 11/12 (11/12 Monies)

| Moffat | £  | £ |
| Capacity | 819.70 | 633.56 |
| Commodity | 108.32 | 97.77 |
| Total | 928.03 | 731.33 |

Cost/MWh | 2.54 | 2.00 |

Cent/Therm | 7.45 | 5.87 |

Gas Year 10/11 (10/11 Monies)

| Cent/Therm | 7.81 | 6.19 |

% Decrease - Nominal | -4.5% | -5.2% |

Gas Year 10/11 (11/12 Monies)

| Cent/Therm | 7.89 | 6.26 |

% Decrease - Real | -5.6% | -6.2% |

[*The numbers presented both in the tariff and in the worked example have been rounded.*]

Table 4.1 shows that the 2011/2012 tariffs result in a decrease of 4.5% in nominal terms (2011/12 monies compared to 2010/11 monies) for typical Moffat
shippers (Moffat entry tariff plus the onshore tariff) and a decrease of 5.2% in nominal terms (2011/12 monies compared to 2010/11 monies) for Inch shippers (Inch entry tariff plus the onshore tariff).

In real terms (inflating the 2010/11 cost to 2011/12 monies) BGN’s table shows that the 2011/12 tariffs as calculated would result in a decrease of 5.6% for typical Moffat shippers and a decrease of 6.2% for Inch shippers compared to that set out in the CER’s decision for 2010/11.6

Table 4.1 also contains a worked example of the effect of the new tariffs on both a Moffat and an Inch Shipper that each have a customer with an annual consumption of 365 MWh and a load factor of 1.3 (~77%). In order to ascertain the correct capacity payment for the Moffat shipper, the relevant tariff is calculated by adding the Onshore and Interconnector capacity tariffs. This figure is then multiplied by the applicable capacity (the annual consumption divided by 365 and multiplied by the load factor).

The commodity payment for the Moffat Shipper is calculated by adding the Onshore and Interconnector commodity tariffs and multiplying this figure by the annual consumption. The total capacity and commodity payment figure for the Moffat Shipper is divided by the annual consumption to give the cost per MWh. A similar calculation is carried out for the Inch Shipper except the capacity tariff is made up of Onshore and Inch capacity tariffs added together and the commodity tariff is made up of the Onshore and Inch commodity tariffs added together.

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6 For information on actual and forecast inflation, see page 3 of the BGN Transmission Tariff Submission Paper 2011-12 (CER/11/122)
5.0 Comments Received & CER Response on EU 3rd Energy Package Costs

The CER received comments to the Proposed Decision Paper from one confidential respondent and one other party, Bord Gáis Éireann, whose response is published alongside this paper. The CER addresses the principal comments in turn in this section.

- Confidential Respondent

One confidential respondent welcomed the CER position not to allow an additional €11million in costs for BGE’s implementation of the Third Package Costs. They also noted that the provisional sum of €11m allowed as part of the calculation of the 2010/11 network tariffs should be disallowed and returned to end-users. The party in question also requested that the CER express its position on whether the provisional sum of €11million for 2010/11 and an additional €11million requested by BGE for 2011/12 amounts to a reasonable estimate of EU Third Energy Package implementation costs.

CER Response:

The CER’s decision on the recovery of EU Third Energy Package costs and how the final level of those costs will be examined is set out in section 3 of this Decision Paper.

It should be noted that BGE’s submission published alongside this paper states ‘one off restructuring costs on BGE [are] in excess of €30 million’ and that ‘BGE has committed over €18 million to date’.

The confidential party requested information on both the total Third Package Costs relating not only to BGN but also for BGE.

CER Response:

For the avoidance of doubt, as stated in previous CER tariff papers and BGE/BGN submissions on the subject, the noted Third Package Costs do not merely relate to BGN but are based on the restructuring of the entire BGE group in accordance with EU Third Package legislation.

The respondent also expressed concern with the CER’s statement from the Proposed Decision Paper which placed the potential exclusion of Third Package Costs from 2011/12 network tariffs partly in the context of ‘increases expected for gas end-user tariffs in any event’. 7

7 This issue was also raised by BGE in their response to the Proposed Decision Paper.
CER Response:

It is agreed that the expected level of retail tariffs should not be a primary driver when deciding to allow or disallow Third Package Costs. It should be noted, however, that taking into account the overall potential impact of both potential networks and retail costs on consumers is entirely appropriate in the context of reaching a decision on how efficiently incurred cost should be treated.

Taking this potential impact into consideration is also consistent with the CER’s legislative duties to protect the interests of final customers and to promote efficiency on the part of natural gas undertakings. It also aligns with the CER’s core objective to ensure prices charged are fair and reasonable.

The confidential respondent also stated that it is difficult to reconcile figures for ‘networks’ turnover published in BGE’s annual financial statement with their transmission and distribution allowed revenues. They also stated that there should be more transparency with the process and that regulatory accounts of the separate businesses of BGE within each geographic region should be published.

CER Response:

The CER notes that the same issue was raised by the respondent in question in 2010. The CER responded that tariff consultations are a complex issue based on a number of different data sources and forecasts. It was also stated that a more ‘user friendly’ approach will be examined as part of analysis for the third gas networks’ price control (PC3). The CER’s analysis for PC3 commenced this year. The CER intends to examine the suitability of BGN’s tariff submissions in conjunction with price control issues in 2012.

In relation to the respondent’s final point on allowed revenues and financial statements, the CER re-iterates that the method by which BGE report their financial performance (through the Annual Report) is an issue for the shareholder. It should be taken into account that BGE have transmission and distribution assets and other businesses which are not regulated by the CER. The CER is therefore not in a position to require regulatory accounts for the separate businesses of BGE within each geographic region.
BGE Response

BGE submitted a detailed response to the Proposed Decision Papers CER/11/121 CER/11/123 in which they set out their views on the grounds for recovery of BGE’s Third Package Costs.8

CER Response:

The CER has thoroughly examined BGE’s response to the Proposed Decision Paper. As noted in section 3, the CER has decided that no additional provisional amount for Third Package Costs will be included in BGNs allowable revenues for the Gas Year 2011/12.

The CER has decided that efficiently incurred Third Package implementation costs attributable to BGE as the Vertically Integrated Utility in Ireland will be recovered from end users in Ireland via network charges.

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8 BGE’s response is published alongside this Decision Paper.
5.0 Summary of Gas Transmission Tariffs for 2011/12

The 2011/12 tariffs result in a decrease of 4.5% in nominal terms compared with 2010/11 tariffs for typical Moffat shippers (Moffat entry tariff plus the onshore tariff) and a decrease of 5.2% in nominal terms compared with 2010/11 tariffs) for Inch shippers (Inch entry tariff plus the onshore tariff).

In real terms (inflating the 2010/11 cost to 2011/12 monies) BGN’s table shows that the 2011/12 tariffs as calculated would result in a decrease of 5.6% for typical Moffat shippers and a decrease of 6.2% for Inch shippers.