



CER Press Release – 27th July 2012

CER Considers Bord Gáis Energy's Residential Gas Tariff Application

Bord Gáis Energy (BG Energy) has applied to the Commission for Energy Regulation (CER) for a 7.54% rise in its residential gas tariffs from this October. The CER has today published a public consultation paper on this matter. Following this public consultation and a detailed review of BG Energy's costs, the CER will decide on the issue in late August.

BG Energy has indicated that it requested this gas tariff increase due to higher gas commodity costs and network tariffs. Gas commodity costs have risen because the value of the Euro has decreased considerably against Sterling over the last year, raising costs given that Ireland purchases virtually all of its gas from Great Britain. The upward pressure on network tariffs is due to a reduction in gas demand and higher financing costs for Bord Gais Networks, both of which are related to the economic situation in Ireland and abroad.

In coming to a decision, the CER will only allow efficiently-incurred costs from BG Energy to be passed through to customers. If, following the public consultation and a CER review, a gas price rise is granted, it would be with regret given the current difficult economic climate. We note however that there have been significant gas price rises across many EU countries over the last two years and that latest independent Eurostat data shows that Ireland's residential gas prices are generally lower than the EU average. We expect Ireland's gas prices to remain relatively competitive, even if an increase is decided on for this October.

The CER would also like to emphasise that there are a number of competing gas suppliers and encourages customers to "shop-around" for the best tariff and service deal. In addition customers are encouraged to adopt energy efficiency measures where possible to keep energy costs down. Furthermore, any customer who has difficulty in meeting energy payments is advised to engage early with his/her supplier and to organise a payment plan.

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Note to Editors follows.

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- The CER is Ireland's independent energy regulator with a wide range of economic, safety and customer protection responsibilities in energy. Its economic roles include regulating the Irish electricity and natural gas sectors. The CER protects energy customers by working for a safe, secure and sustainable supply of electricity and natural gas, as well as a competitive market which delivers reasonable prices and a good quality service. For further details please see www.cer.ie. The CER's energy customers' website is www.energycustomers.ie.
 - Given the emergence of strong competition, the CER de-regulated BG Energy business customers last October. As a result prices for business customers are not set by the CER but by BG Energy itself. Today's announcement only relates to BGÉ residential customer prices, which continue to be regulated.
 - The cost of the gas commodity on international wholesale markets is approximately 50% of the Irish gas price. The CER approves the allowed gas commodity price for BG Energy residential customers in accordance with a "benchmark" mechanism. Under this mechanism a certain percentage of the total anticipated gas volume demand for each delivery month is procured by BG Energy 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 price spikes.
 - The remainder of the regulated BG Energy price is mostly made of the cost of transporting the gas through the monopoly gas transmission and distribution networks (i.e. the pipes). These costs are regulated by the CER with a view to ensuring "value for money". Finally, about 7% of the overall gas price is associated with BG Energy supply costs, such as billing and administration.
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