



## **CER Press Release – 2<sup>nd</sup> September 2013**

### ***CER Decides on Bord Gáis Energy's Residential Gas Tariffs***

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The Commission for Energy Regulation (CER) has today sanctioned a rise in Bord Gáis Energy's regulated residential gas tariffs of 2.04%, applying from 1<sup>st</sup> October 2013. This is substantially less than that requested by Bord Gáis Energy, reflecting measures taken by the CER.

As a background, on 9<sup>th</sup> August Bord Gáis Energy applied to the CER for a 7.22% rise in its residential gas tariffs. The CER then published this application for public consultation. On 23<sup>rd</sup> August Bord Gáis Energy submitted to the CER a revised price rise application of 5.43%. A lower increase was requested due to specific measures that the CER has recently taken to increase bookings for larger customers on the gas network. This has significantly mitigated the level of rise in network charges that had been earlier anticipated.

Furthermore, since then the CER has reviewed public comments received to the consultation and has carefully examined Bord Gáis Energy's requested supply costs. As a result we have cut the supply costs by over €3.5 million. We have only allowed necessary and efficiently-incurred costs from Bord Gáis Energy to be passed through to customers.

The remaining tariff increase is mostly driven by lower gas demand. Lower gas demand results in higher network charges, i.e. charges to cover the cost of the pipes that transport the gas to our homes. This is because these costs, which contribute to circa 40% of a typical gas bill, are mostly fixed and need to be paid for even if demand reduces. In addition the wholesale cost of purchasing the gas from Great Britain, which drives about half of a typical residential gas bill, has risen marginally, thereby contributing slightly to the overall tariff increase.

Any increase in tariffs is of course difficult for customers. The CER has sought to keep any increase to Bord Gáis Energy residential gas prices to the minimum necessary. We would 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. 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.

We also note that the latest independent Eurostat data shows that Ireland's residential gas prices are generally lower than the EU average.

**Ends.**

*See contact details and further information below.*

For further information, please contact:

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#### **Note to Editors:**

- 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](http://www.cer.ie). The CER's energy customers' website is [www.energycustomers.ie](http://www.energycustomers.ie).
- Given the emergence of strong competition, the CER de-regulated BG Energy business customers in October 2011. As a result prices for business customers are not set by the CER but by Bord Gáis Energy (BG Energy) itself. Today's announcement only relates to BG Energy 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 8% of the overall gas price is associated with BG Energy supply costs, such as billing and administration.
- For information on the CER's recent decisions on gas transmission tariffs, including the measures taken to increase bookings on the system, as well as distribution tariffs, please see the following links:

<http://www.cer.ie/en/gas-transmission-network-current-consultations.aspx?article=08713179-ac5f-4557-8836-de7623861750>

<http://www.cer.ie/en/gas-transmission-network-current-consultations.aspx?article=0c220170-dd2f-44ff-a68f-9418efefc2f4>

<http://www.cer.ie/en/gas-distribution-network-current-consultations.aspx?article=26b94adb-f832-485a-b37c-d0803c939cc4>

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