Information note on 2017 Distribution System Operator allowed revenue, DUoS 2016/2017 tariffs & Distribution Loss Adjustment Factors

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Abstract:

In 2015 the CER published its decision (CER/15/295) on the revenue that the DSO could collect from its customers through DUoS tariffs over the 2016 to 2020 period. In line with that decision, revenues are reviewed each year when setting DUoS tariffs. This is to account for, *inter alia*, more up to date forecasts; for example updated customer numbers, and demand figures. It also sees adjustments pertaining to the outcome of the last two previous years – through so called K factors.

Each year the CER publishes an information note detailing the results of this annual revenue review and tariff setting process. This information note details this for the 2017 revenues and the tariffs for the period 1 October 2016 to 30 September 2017. It also details the Distribution Loss Adjustment Factors (DLAFs) for the 12 month tariff period.

Target Audience:

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

It will be of particular interest to parties who pay Distribution Use of System charges directly (suppliers) and final customers, who pay tariffs that incorporate these charges.

Related Documents:

CER/15/295	Decision on DSO revenue for 2016 to 2020

Executive Summary

Last year the CER published its decision on distribution network revenues for each year from 2016 to 2020. That decision (CER/15/296) was the fourth such revenue decision spanning 5 years. It is referred to as Price Review 4 (PR4).

PR4 set distribution network revenues to deliver value for money for the customer while providing for continued investment in the network. That continued investment is vital to ensure that the network delivers reliable supply for the customer and assists in Ireland's economic growth and meeting renewable generation targets.

Distribution revenues are collected through Distribution Use of System (DUoS) tariffs. DUoS tariffs are charged to energy suppliers, who may choose to pass them on to their customers. At present DUoS tariffs make up approximately 25% of a customer's bill.

These tariffs are designed to recoup the approved distribution revenues. They are updated each year, with effect from 1st October. When setting these charges, the allowed revenues are reviewed. This is to ensure the most up to date information is used. This year the review pertains to revenues for the calendar year 2017. This paper sets out the results of that review and the resultant DUoS tariffs that will come into effect on 1st October 2016.

PR4 had provided for €835.72m (2017 monies). The CER's review has resulted in an updated figure of €808.1m. This is a reduction of €27.63m or 3.3%. This results in an average tariff[1] of 3.40c/kWh; to be charged from 1st October 2016 to 30th September 2017. This is 3.85% higher than currently.

The CER's current expectation is that this 3.85% increase will result in approximately a 1.5% rise in overall electricity customer prices in October 2016[2]. However, the actual outcome for customer prices depends, among other factors, on international fuel and related generation costs, which are currently circa 50% of the overall cost of electricity to customers, and we note that these costs have fallen over the last year or so.

The revenue update is now discussed in more detail.

DSO allowed revenue

In 2015 the CER published its PR4 decision paper (CER/15/295). That decision set out the revenues that the DSO could collect from its customers

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[1] This is called the average unit price and is calculated by simply dividing revenues for the period in question by demand. It is an approximation of the change in DUoS tariffs, which have standing and unit charge components and also incorporate a LEU rebalancing – see section 4 for more details.

[2] See section 4 discusses the link between the change in average tariffs and this impact on the customer.

from 2016 to 2020. In line with that decision, those revenues are reviewed each year, when setting DUoS tariffs. This is to account for, *inter alia*, more up to date forecasts (for example updated customer numbers, and demand figures) and adjustments pertaining to the outcome of the last two previous years – through so called K factors. Each year the CER publishes an information note detailing the results of this annual revenue review and tariff setting process. This information note sets out the results of this process for the 2017 revenues and the tariffs for the period 1 October 2016 to 30 September 2017. This information note also presents the Distribution Loss Adjustment Factors (DLAFs) for the 12 month tariff period.

Calendar year revenue 2017

As agreed in the PR4 decision, the DSO's 2017 calendar year revenue was €817.1m (2014 monies). This value includes a PR3 adjustment value of €48.81m. This adjustment resulted from a review, at the end of the PR3 period, of revenues from 2011 to 2015. The €817.1m allowed 2017 revenues represented a 10.8% increase relative to the agreed 2016 revenue of €737.1m (2014 monies); as agreed in the PR4 decision.

When the €817.1m is inflated to 2017 monies, this leads to a nominal 2017 amount of €835.72m. This inflation is based on Central Bank interest rate figures[3]. The various adjustments resulting from this year's review of the 2017 revenue amounts has led to a reduction in these allowed revenues from €835.87m to €808.1m (nominal, i.e. 2017 monies). This is a reduction of nearly €28 million or 3.3%. It leads to a lower than anticipated (as per the PR4 decision) increase over the 2016 revenues – which would now be a 7.2% increase rather than the anticipated 10.8%[4] increase.

[3] Central Bank Quarterly Bulletin Q2

[4] percentage comparison done in 2014 monies

Details of the adjustments that bring the 2017 revenues from €835.72m to €808.1m are shown in the following table.

k factors[5] & adjustments to revenue for 2017, nominal €m				
Adjustments relating to customer numbers, indexation & GWhs	**2015 (k-2)**	**2016 (k-1)**	**2017 (U_t)[6]**	**Total**
Higher (lower) customer numbers relative to those included in PR3 decision, nominal, €m	-	0.06	0.14	0.20
Indexation & over-collection				
Effect on total revenue of indexation being different to forecast, nominal, €m	-3.92	-21.10	0	-25.02
Revenue forecast for collection based on latest assumptions re demand (or outturn collected where available), nominal, €m	3.73	0	0	3.73
Incentives				
Incentives, nominal, €m	4.36	0	0	4.36
Pass-through costs, nominal, €m				
Regulatory levy	0	0	0	0
Rates	0	0	0	0
Non-capitalised costs, nominal, €m				
PR3 Opex	6.75	0	0	6.75
CER Safe Electric Campaign	0	0.35	0	0.35
PR2 Clawback	1.10	0	0	1.10
PR3 NPV adjustment	1.35	0	0	1.35
Capitalised costs, nominal, €m				
Unspent capex: network (PR3)	-0.11	-0.22	-0.22	-0.55
Underspend capex: non network (PR3)	0.53	1.04	1.02	2.59
Smart Metering	0	-7.49	-15.04	-22.52
Total adjustment (excluding interest adjustment), nominal, €m	13.79	-27.36	-14.10	-27.81
Total adjustment (including interest adjustment), nominal, €m	***13.75***	***-27.29***	**-14.10**	**-27.78**

Table 1: k factors and adjustments to 2017 base revenue.

DUoS Tariffs for 1st October 2016 to 30th September 2017

The updated 2017 revenues of €808.1m (nominal) leads to a revenue of €795.9m[7] to be recovered during the 1 October 2016 to 30 September 2017 tariff period. This is a 5.77% increase relative to the €752.5m that was approved for recovery during the 2015/16 tariff year.

The Average Unit Price, based on the allowed revenue of €795.9m, for Distribution Use of System charges for the 1 October 2016 to 30 September 2017 period is 3.40c/kWh. This is a 3.85% increase relative to the AUP of 3.27c/kWh for the 1 October 2015 to 30 September 2016 period. The AUP,

[5] K factors are the correction factors, which ensure that prices in 2017 are adjusted by an amount equal to the difference between what was actually charged in year 2015 (k-2) or 2016 (k-1) and the forecast of what should have been charged.

[6] Ut is the change in Uncertain Costs allowed by CER in 2017.

[7] This is approximately 26.7% of the 2016 calendar year plus 73.3% of the 2017 calendar year revenue

which is the allowed revenue divided by the demand, is a useful indicator of the movement in tariffs. However, it is only an indicator, and the movement in individual DUoS tariffs will differ from this figure.

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1 Introduction

1.1 The Commission for Energy Regulation

The Commission for Energy Regulation (CER) is Ireland's independent energy and water regulator. CER was established in 1999 and now has a wide range of economic, customer protection and safety responsibilities in energy. CER is also the regulator of Ireland's public water and wastewater system.

CER's primary economic responsibilities in energy cover electricity generation, electricity and gas networks, and electricity and gas supply activities. The overall aim of CER's economic role is to protect the interests of energy customers. CER has an important related function in customer protection by resolving complaints that customers have with energy companies.

CER's core focus in safety is to protect lives and property across a range of areas in the energy sector. This includes safety regulation of electrical contractors, gas installers and gas pipelines. In addition CER is the safety regulator of upstream petroleum safety extraction and exploration activities, including on-shore and off-shore gas and oil.

In 2014 CER was appointed as Ireland's economic regulator of the Irish public water and wastewater sector. CER's role is to protect the interests of water customers, ensure water services are delivered in a safe, secure and sustainable manner and that Irish Water operates in an economic and efficient manner.

Further information on CER's role and relevant legislation can be found on CER's website at www.cer.ie.

1.2 Purpose of this paper

This paper provides information on:

- The approved Distribution System Operator (DSO) revenue for the 2017 calendar year;
- The approved Distribution Use of System (DUoS) tariffs to apply from 1 October 2016 to 30 September 2017; and,
- The approved Distribution Loss Adjustment Factors (DLAFs) to apply from 1 October 2016 to 30 September 2017.

1.3 Structure of this paper

This paper is structured in the following manner:

Section 1 provides an introduction to and outlines the purpose of this information note.

Section 2 provides background information. It outlines how the decisions made when setting the DSO revenue for the 2016 to 2020 period are being implemented to set the DSO revenue for the 2017 calendar year. It also outlines how DUoS tariffs are set to recover that revenue. Section 2 also provides information on how DLAFs are set each year.

Section 3 provides detail on the DSO revenue that has been approved for the 2017 calendar year.

Section 4 provides detail on the DUoS tariffs that are approved for implementation from 1 October 2016 to 30 September 2017.

Section 5 provides detail on the DLAFs that are approved for implementation from 1 October 2016 to 30 September 2017.

Section 6 provides a summary of CER decisions regarding DSO's revenues.

Four documents are published alongside this paper. They are:

- The approved DSO schedule of DUoS tariffs which will apply during the 1 October 2016 to 30 September 2017 period;
- The excel model that was used to update the 2017 DSO revenue;
- An explanatory note from the DSO explaining the updates to the model; and, the approved DLAFs which will apply during the 1 October 2016 to 30 September 2017 period.

2 Background Information

2.1 DSO revenue control for the period 2016 to 2020

In December 2015, the CER published a decision paper detailing the level of DSO revenue for the period 2016 to 2020 (CER/15/295[8]). The allowed revenue set for each calendar year of the period is shown in the below table in 2014 monies.

(2014 monies, €m)	**2016**	**2017**	**2018**	**2019**	**2020**
DSO Allowed Revenue	737.1	817.1	835.8	857.7	883.2
Year on Year % increase	-	10.8%	2.3%	2.5%	3%

Table 1: DSO allowed revenues 2016-2020

2.2 Yearly updates of calendar year revenue

The decision paper on DSO revenues for the 2016 to 2020 period, provided for yearly updates of revenues. These updates are to be done when setting tariffs and consider such things as more up to date forecasts and outturn figures for the previous two years. The decision stated that the CER would publish, each year, information notes outlining the effect of implementing these updates.

In addition to the publication of these information notes, an excel model detailing the calculation of these updates is published. This model has been developed by the CER. The model is completed each year in advance by the DSO (for example, the 2017 calendar year revenue is to be updated in 2016), and submitted to CER for review and approval. This process has been completed for the 2017 calendar year. An updated model has been provided by the DSO and reviewed by the CER. The CER is satisfied that the model correctly implements the decision paper. Details on the updated approved revenue for 2017 are provided within Section 3 of this paper.

2.3 Determination of DUoS tariffs for each tariff period

In recent years, the CER has approved DUoS tariffs on an annual basis to cover the period from 1 October to 30 September. Essentially, DUoS tariffs are set to recover 26.7%[9] of the revenues associated with the first calendar year included in the tariff period and 73.3%[9] for the second calendar year. For the DUoS tariffs set out in this information note, and covering the tariff period 1 October 2016 to 30 September 2017, 26.7% of 2016 revenues and 73.3% of 2017 revenues are included.

[8] The decision on DSO revenue for the 2016 to 2020 period is available here.

[9] This is based on the percentage of demand that relates to the relevant period of the year.

2.4 Determination of DLAFs

Details on the DLAFs for the 1 October 2016 to 30 September 2017 period are provided within Section 5 of this paper. Information on the methodology which the DSO uses to determine these values is available on the CER website[10].

[10] The methodology used by the DSO to determine DLAFs is available here.

3 DSO revenue for the 2017 calendar year

3.1 Introduction

As detailed in Section 2.1, in December 2015 the CER published a decision paper (CER/15/295) detailing the level of DSO allowed revenue for the period 2016 to 2020. That decision paper also detailed how the allowed revenue would be updated each year.

CER/15/295 provided for 2017 revenues, of €817.1m (2014 monies). When updated / inflated to 2017 monies, this leads to a nominal 2017 amount of €835.72m. The adjustments to this figures, as detailed in this paper, have led to a reduced 2017 revenues of €808.1m. This section provides details on the revenue submission provided by the DSO and the calculations that led to this reduced revenue amount.

Further details can also be found in the following documents published alongside this information note:

- The **DSO explanatory document** detailing the adjustments made to the DSO revenue based on inputs (i.e. GWh, inflation, and DSO outturn values for Opex & Capex) provided by the DSO and agreed with CER.
- ***"CER's Excel Model"*** (developed by the CER and completed by the DSO) detailing the calculation of DSO revenues based on the revenue control formula (in section 3.2.1) and the adjustments outlined in DSO's explanatory note;

3.2 DSO revenue for the 2017calendar year

3.2.1 Revenue control formula

The revenue control formula, which is used to keep the DSO's revenue in line with allowed costs, is set out in detail in Section 13 of CER/15/295. Very simply, the revenue control formula takes the 'base' allowed revenue (in 2014 monies, as detailed in Table 1), inflates that revenue into nominal 2017 figures, and adjusts it for specific revenue parameters. The following formula is used:

$$\mathbf{R} = \prod_{2015}^{t}[(1 + Inf_j)/100] * B_t + \prod_{2015}^{t}[(1 + Inf_j)/100] * [\Delta INCENT_t + PCust_t * (FCust_t - Cust_t)] + \Delta P_t + \Delta U_t + K_{t-1} + K_{t-2}$$

Equation 1: Price control formula from CER/15/295

The terms within this equation are defined fully within CER/15/295.
For the 2017 calendar year:

- R_{2017}, the maximum level of revenue allowed in 2017, is €808.1 m;

- When adjusting from 2014 to 2017 values, the relevant figures are multiplied by 1.023[11];
- B_{2017}, the level of allowed revenue for the 2017 calendar year in real 2014 prices as detailed in CER/15/295, is €817.1m;
- $\triangle INCENT_{2017}$, the difference in value of incentives/penalties earned in 2015 from an assumed penalty payment of -€12m (in real 2014 prices) in 2015, is €4.36m[12];
- $PCust_{2017}$, the revenue earned or foregone by the DSO for each additional connection above or below forecasted levels, is €16;
- $FCust_{2017}$, the current forecast for new connections for the period 2016 to 2017, is 45,000;
- $Cust_{2017}$, the number of new connections assumed for the period 2016 to 2017 in the determination of B_{2017}, is 36,000;
- $\triangle P_{2017}$, the change in 2017 pass-through costs from those assumed in the determination of B_{2017}, is 0.0m[13];
- $\triangle U_{2017}$, the change in 2017 uncertain costs from those assumed in the determination of B_{2017}, is -€14.24m;
- K_{t-1}, the correction factor for 2016, is -€27.29m;
- K_{t-2}, the correction factor for 2015, is €13.75m;

These figures are explained in more detail in the following section and are broken down further within Table 2 (overleaf).

3.2.2 *Explanation* of k factors and adjustments to 2017revenue

B_{2017}, the level of allowed revenue for the 2017 calendar year in 2014 monies as detailed in CER/15/295, is €817.1m. When adjusted for inflation the figure increases to €835.72m (in 2017 monies, i.e. nominal). More details can be found in Table 1 in section 2.1. The agreed 2017 revenue of €835.87m includes a PR3 adjustment figure.

As agreed, for the 2017 calendar year, in the PR4 decision, the DSO is allowed to collect a closing PR3 adjustment balance of €48.81m. The PR3 adjustment figure can largely be attributed to an Opex overspend during the PR3 period. The CER and the CER's Consultants, at the time of the decision, deemed this overspend as an efficiently incurred cost.

As a result of the revenue adjustments in Table 2 (overleaf), and the PR3 adjustment figure, the DSO's 2017 calendar year revenue amounts to €808.1m. This equates to a reduction of nearly € 27.63 million (or 3.3%) from the revenue for 2017 included in PR4. It leads to a lower than anticipated (as per the PR4 decision) increase over the 2016 revenues – which is now a 7.2% increase rather than the anticipated 10.8% increase[14].

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[11] HICP of -0.033%, 0.6% and 1.7% for each of the years from 2015 to 2017.

[12] Note that this is set at €4.36m for 2017 as outturn data shows for 2015 shows the actual penalty was -€7.63m as opposed to the assumed penalty of -€12.00m (i.e. reimbursed €4.36m).

[13] This value is zero for 2017. Changes in pass-through costs for 2015 are fed through this equation through the k_{t-2} value.

[14] percentage comparison done in 2014 monies

Details of the adjustments that bring the 2017 revenues from €835.72m to €808.1m are shown in Table 2 (overleaf); which is followed by further written explanations.

The costs included in Table 2 show the change in costs from those assumed in the five-year revenue determination. Certain costs items (known as uncertain costs) were not explicitly dealt within the five-year control as they were not examined/anticipated at that time. Such cost/items are captured in placeholders (within the CER excel model) that are specifically designated for uncertain costs. Depending on how and when these cost are incurred (e.g. depreciated over time) will dictate how and when the costs are accounted for within the model. The values for 2017 correspond to the $\triangle U_t$ in Equation 1. The values for 2016 and 2015 are fed into Equation 1 through the k_{t-1} and k_{t-2} factors, respectively. These figures and the detail behind them have been reviewed by the CER and the CER is satisfied that they should be included within the DSO revenue for the 2017 calendar year.

k factors[15] & adjustments to revenue for 2017, nominal €m				
Adjustments relating to customer numbers, indexation & GWhs	**2015 (k-2)**	**2016 (k-1)**	**2017 (U_t)[16]**	**Total**
Higher (lower) customer numbers relative to those included in PR3 decision, nominal, €m	-	0.06	0.14	0.20
Indexation & over-collection				
Effect on total revenue of indexation being different to forecast, nominal, €m	-3.92	-21.10	0	-25.02
Revenue forecast for collection based on latest assumptions re demand (or outturn collected where available), nominal, €m	3.73	0	0	3.73
Incentives				
Incentives, nominal, €m	4.36	0	0	4.36
Pass-through costs, nominal, €m				
Regulatory levy	0	0	0	0
Rates	0	0	0	0
Non-capitalised costs, nominal, €m				
PR3 Opex	6.75	0	0	6.75
CER Safe Electric Campaign	0	0.35	0	0.35
PR2 Clawback	1.10	0	0	1.10
PR3 NPV adjustment	1.35	0	0	1.35
Capitalised costs, nominal, €m				
Unspent capex: network (PR3)	-0.11	-0.22	-0.22	-0.55
Underspend capex: non network (PR3)	0.53	1.04	1.02	2.59
Smart Metering	0	-7.49	-15.04	-22.52
Total adjustment (excluding interest adjustment), nominal, €m	13.79	-27.36	-14.10	-27.81
Total adjustment (including interest adjustment), nominal, €m	***13.75***	***-27.29***	**-14.10**	**-27.78**

Table 2: *k factors and adjustments to revenue for 2017*

Adjustments relating to customer numbers (€0.20m)

An increase of €0.20m has been applied to the 2017 revenue to allow for a higher number of customer connections. ESBN's forecast of customer numbers is 20,500 for 2016 and 24,500 for 2017. These are higher than PR4 Determination of 17,000 for 2016 and 19,000 for 2017 and results in an adjustment of €0.20m to the 2017 revenue requirement.

Adjustments relating to indexation & under-collection (-€21.29m)

A reduction of -€21.29m has been applied to the 2017 revenue to allow for indexation being different to forecast (-€25.02m) and less revenue than forecast being collected over 2015 and 2016 through DUoS tariffs (€3.73m). The following table outlines the inflation and Euribor assumptions used in this revenue review.

[15] K factors are the correction factors, which ensure that prices in 2017 are adjusted by an amount equal to the difference between what was actually charged in year 2015 (k-2) or 2016 (k-1) and the forecast of what should have been charged.

[16] Ut is the change in Uncertain Costs allowed by CER in 2017.

Key Assumptions	2015	2016	2017
HICP	0.0%	0.6%	1.7%
Euribor	0%	(0.3%)	

Table 3: Inflation and Euribor Assumptions

Adjustments relating to incentives (€4.36m)

The below tables shows the DSO's performance against its incentive targets. It can be seen that, overall, they have incurred a €7.63m penalty. This is primarily due to the DSO missing its customer minutes loss target.

Incentive	Target	Actual	Difference	€+/-
Customer minutes lost (CML) [17]	112.11	156.06	-43.95	-€10.88m
Customer interruptions (CI) [13]	124.41	127.78	-3.37	-€0.71m
Customer satisfaction [18]	85.3%	89.8%	+4.5%	+€1.81m
RedC poll	74%	80.1%	+6.1%	+€1.64m
Minimum one meter read/yr	98%	97.8%	-0.2%	€0
Avoiding back to back block Estimates	99.00%	99.65%	+0.65%	+€0.51m
Total	**-**	**-**	**-**	**-€7.63**
Placeholder in 2017 revenues				**-€12.00m**
Resultant Adjustment to 2017 revenues				**+€4.36m**

Table 4: Target and actual figures for incentives

The upward adjustment of €4.36m in the 2017 revenues (rather than - €7.63m as included in the table) is due to the fact that the 2017 revenues had already assumed that the DSO would incur a penalty of - €12m. The €4.36m adjustment is the difference between this - €12m and the -€7.63m.

Adjustments relating to Non Capitalised Costs (€9.5m)

PR3 Opex (€6.75m)

There was a variance between the Operational Expenditure forecast for 2015 included in the PR4 Determination and the actual outturn of €13.5m. The CER has decided to include half of the variance in the allowed revenue for 2017 with the full amount (or clawback) subject to further review. This has resulted in an increase of €6.75m to ESBN's 2017 allowed revenue. Any adjustments required after review will be made to the 2018 revenue requirement.

[17] Note that the incentives for CMLs, and CIs are each capped to 1.5% of allowed revenue for the year.

[18] Note that the incentive for customer satisfaction is capped to 0.25% of allowed revenue for the year.

Safe Electric Campaign (€0.35m)
A figure of €0.35m has been included to cover the costs associated with the Safe Electric advertising campaign 2016.

PR2 clawback (€1.1m)
This is due to an error in the calculation of the PR2 Clawbacks / K-Factor that was included in the PR3 Determination. The correction of this error results in an increase of €1.1m in the 2017 revenue requirement.

PR3 Net Present Value adjustment (€1.35m)
The Net Present Value of the allowed revenue and the collected revenue over a price review must balance. After adjusting the PR3 allowed revenue for actual 2015 outturns an adjustment is required to ensure the NPV of the allowed and collected revenue for PR3 balances. The correction of this balancing results in an increase of €1.35m in the 2017 revenue requirement.

Adjustments relating to Capitalised Costs (-€20.48)

PR3 Unspent Capex: network (-€0.55m)
There was a variance between the forecast for 2015 included in the PR4 Determination and the actual outturn of -€3.1m in Network Capital. This results in an adjustment of -€0.55m in the 2017 revenue requirement.

PR3 Overspent Capex: non-network (€2.59m)
There was a variance between the forecast for 2015 included in the PR4 Determination and the actual outturn of €10.8m in Non - Network Capital. The DSO requested this variance be included in the 2017 revenue requirement. The CER has decided to allow €7m of the Non Network Capital variance in the allowed revenue for 2017. When taking account of return and deprecation, this results in an adjustment of --€2.59m to the 2017 revenue calendar year revenue. The allowed Non Network Capital spend (€7m) will be subject to further review, any further adjustments will be made to the 2018 revenue requirement.

Smart Metering (-€22.52m)
The PR4 decision provided a placeholder capex allowance of €100m (2014 monies) for each year of the price review. That placeholder was on the basis that the smart metering would proceed along envisioned timelines. However, this has not been the case and the project is now facing delays of over a year. To account for this delay, the Commission approved the deferral of the €100 million placeholder for the year 2016. This results in an adjustment of €22.52m in 2017 revenues. This adjustment claws back any revenues (depreciation and return) already collected and disallows any revenues that were to be included in 2017.

3.3 Comparing 2017 with 2016 calendar year revenues

This year's review of the 2017 revenue amounts has led to a reduction in these allowed revenues from €835.72m to €808.1m. This is a reduction of nearly € 27.63 million or 3.3%. It leads to a lower than anticipated (as per the PR4 decision) increase over the 2016 revenues – which would now be 7.2% increase rather than the anticipated 10.8% increase[19].

It is important to note that tariffs are not set on a calendar year basis. Consequently, interested parties may find it more useful to compare the AUP between tariff periods as discussed within Section 4 of this paper.

[19] Percentage comparison done in 2014 monies

4 DUoS tariffs for 1 Oct 2016 to 30 Sept 2017

4.1 Revenue for recovery during Oct 2016 to Sept 2017

Section 2.3 provides detail on how portions of calendar year revenue are allocated for recovery within the DUoS tariffs that are implemented from 1 October one year to 30 September of the next calendar year.

The approved methodology sees 26.7% of 2016 calendar revenue (26.7% of €762.3m = €203.5) and 73.3% of 2017 calendar year revenue (73.3% of €808.1m = €592.3m) being allocated to the tariff period 1 October 2016 to 30 September 2017. A total of €795.9m is therefore to be recovered during the 1 October 2016 to 30 September 2017 tariff period. This represents a 5.77% increase relative to the €752.5 that was approved for recovery during the equivalent period for the previous year (1 October 2015 to 30 September 2016). .

4.2 DUoS tariffs for Oct 2016 to Sept 2017

The DUoS tariffs for the 1 October 2016 to September 2017 period have been calculated by the DSO by essentially scaling up the existing DUoS tariffs to allow recovery of the revenue[20] detailed in Section 4.1 of this paper (i.e. €795.5m).

These approved DUoS tariffs are published alongside this paper. If members of the public wish to compare these with previous DUoS tariffs, they can refer to the CER website for previous values[21].

While the DSO does not collect its revenue on a per kWh basis, it is sometimes useful to compare the Average Unit Price (AUP), that is, the total revenue divided by total kWhs, when moving from one tariff period to another. The AUP for the 1 October 2016 to 30 September 2017 tariff period is 3.40c/kWh, a 3.85% increase relative to the 3.27c/kWh for the previous tariff period.

A customer impact analysis showing the amount of DUoS paid by an average customer (broken down by category) under the current and new tariffs is provided in Appendix 1 of this note. The % increase in the tariffs always varies from the AUP increase calculated in the revenue model. The % increase in DUoS tariffs for 2016/17 will be on average 6.06%. The revenue model is based on the Total Revenue Amount/GWh sales, whereas the DUoS tariff calculation takes account of customer numbers and MIC's as well as the GWh sales. It is also influenced by Large Energy User (LEU) rebalancing, as per CER/10/198. LEU rebalancing relates to the request from the Government that a rebalancing of €50m in favour of LEU's was to be applied from 01/10/10.

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[20] Given certain customer number and GWh assumptions

[21] The tariffs that are currently in place (covering the period 1 October 2015 to 30 September 2016) are available here.

5 Distribution Loss Adjustment Factors

The CER has approved Distribution Loss Adjustment Factors (DLAFs) for implementation from 1 October 2016 to 30 September 2017. DLAFs are applied to the metered consumption of relevant customers to apportion distribution losses to energy consumption or production metered at end user sites. The DLAFs for 1 October 2016 to 30 September 2017 are published alongside this paper and are also provided below in Table 5.

The values for the period from October 2015 to September 2016 are available on the CER website[22] and for ease of reference have also been provided below within Table 6.

Voltage Level	Time Period		
	Composite	Day	Night
38kV Sales	1.020	1.021	1.017
MV Sales	1.035	1.037	1.030
LV Sales	1.084	1.090	1.072

Table 5: DLAFs for 1 October 2016 to 30 September 2017

Voltage Level	Time Period		
	Composite	Day	Night
38kV Sales	1.020	1.021	1.017
MV Sales	1.035	1.038	1.030
LV Sales	1.085	1.090	1.072

Table 6: DLAFs for 1 October 2015 to 30 September 2016

[22] The DLAFs for the current period (October 2015 to September 2016) are available here.

6 Summary

This decision paper outlines the CER's decisions on:

- The DSO allowed revenue approved for the 2017 calendar year;
- The DUoS tariffs approved for implementation during the tariff period from 1 October 2016 to 30 September 2017; and,
- The DLAFs approved for implementation during the period from 1 October 2016 to 30 September 2017.

The allowed revenue for the 2017 calendar year is €808.1m. The DUoS tariffs and DLAFs that have been approved for implementation during the period from 1 October 2016 to 30 September 2017 are published alongside this paper.

Appendix 1: DUoS payments made by average customer

The below table gives a customer impact analysis showing the amount of DUoS paid by an average customer's (broken down by category) under the current and new tariffs.

	kWh	MIC*	DUoS payments made by average customer **Oct 15 - Sept 16 tariffs, €**	**Oct 16 - Sept 17 tariffs, €**	**Change €**	**Change %**
DG1: Urban Domestic - Standard Meter	3,535	n/a	196.5	208.4	11.9	6.06%
DG1: Urban Domestic - Dual Meter	5,981	n/a	213.9	226.8	13.0	6.06%
DG2: Rural domestic - standard meter	3,777	n/a	234.6	248.8	14.2	6.06%
DG2: Rural domestic - dual meter	11,540	n/a	425.4	451.2	25.8	6.06%
DG3: Unmetered	23,046	n/a	732.9	777.3	44.4	6.06%
DG5 with a standard meter	12,176	n/a	601.1	637.5	36.4	6.06%
DG5 with a dual meter	35,586	n/a	1,279.1	1,356.6	77.5	6.06%
DG6	294,717	118	10,108.2	10,721.0	612.8	6.06%
DG7	3,346,781	1,037	23,244.8	24,653.9	1,409.1	6.06%
DG8	18,724,489	3,971	58,230.9	61,760.9	3,530.0	6.06%
DG9	1,290,429	2,444	21,122.1	22,402.6	1,280.4	6.06%

* The average MIC of customers in DG6 - DG9 excludes DG(a) customers as they do not pay capacity charges