



Commission for Energy Regulation
An Coimisiún um Rialáil Fuinnimh

Information Note

Pass Through Costs for Business Electricity Customers from 1st October 2016

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Regulating Water, Energy and Energy Safety in the Public Interest

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Introduction

1.1.1 Purpose of this paper

This note provides business electricity customers with a brief overview of regulated cost components (unregulated costs such as the cost of energy and supply costs are not detailed here). Final prices are primarily influenced by international energy costs (accounting for approximately 60% of costs), and a proportion of the final price relates to regulated charges and taxes.

While suppliers may generally choose whether or not to absorb these costs (PSO and taxes are the exception), they typically pass them on to the customer. Such costs are referred to as Pass Through Costs. To assist business customers in evaluating quotations provided by suppliers, this document details the Pass Through Costs for each electricity business type, which are applicable from 1st October 2016 to 30th September 2017.

1.1.2 Background

Final prices are generally comprised of a number of different costs to a supplier, some of which are regulated. These costs fall into the following categories: generation, network, supply, the Public Service Obligation levy and taxes.

Generation: The cost of purchasing electricity accounts for about 60% of your electricity bill. The majority of the electricity generated in Ireland uses imported fossil fuels. International fuel prices – which are outside of Ireland’s control – are the key driver of the cost of generation and therefore electricity prices.

Details on the wholesale electricity market in Ireland (the Single Electricity Market) can be found through the following link: [Factsheet on the SEM](#). Historic costs in the wholesale market are available on the SEMO [website](#) (see their Market Data section¹) and reports relating to some of the hedging options available to suppliers against movements in energy costs are available on the All-Island Project [website](#) (see reports on - contracts for

¹ You will need to sign up to access the historic pricing information (note the price is referred to as the system marginal price or SMP for short). Signing up is a simple process but should you have any questions you should contact SEMO’s helpline – for details see <http://www.sem-o.com/pages/contactus.aspx>.

difference (CfDs), directed contracts and PSO CfDs). In addition to the SEM wholesale cost, suppliers pay SEMO (the SEM market operator) a Market Operator charge to recover the costs of administering the SEM to all electricity users.

Public Service Obligation (PSO): The PSO levy is a Government initiative designed to support electricity generation plant to meet national policy objectives of security of energy supply, the use of indigenous fuels (i.e. peat) and of the use renewable energy sources in electricity generation.

Networks: The cost associated with the services of Networks, which involves sending the electricity from the generation plants through the Transmission and Distribution wires to customers' premises, also accounts for a very significant portion of the final price of electricity for customers.

Supply: Supply costs refer to a supplier's operating expenditure in supporting their business (e.g. administrative costs).

Taxes: Suppliers are responsible for payment of an electricity tax and for returns/accounts in relation to it. Of these costs, suppliers must charge their customers the PSO levy and all applicable taxes. They may, however, choose to either absorb or charge the remaining costs to their customers. Nonetheless, the final prices will be primarily influenced by energy costs, which are estimated to account for up to 60% of the final price charged. Of the other charges the following are regulated and approved annually.

Cost Component	Charge
Generation	Capacity Payments
	Market Operator Charges
	Imperfection Charges
Networks	Network transmission use of system charges (TUoS)
	Network Distribution use of system charges (DUoS)
PSO	Public Service Obligation Levy

These costs are necessary in order for networks and other market operators to recoup the cost of generating, transmitting and distributing electricity, and suppliers are required to pay these annually. Changes to these charges generally come into effect on the 1st October annually (capacity charges are updated on 1st January). While it is the decision of each supplier whether

or not to pass through such costs to final customers, it is likely that most suppliers pass through all such costs. These costs, with the addition of the applicable taxes, are referred to as Pass Through Costs and are discussed in the next section.

2.0 Pass Through Costs

2.1 Introduction

This section describes Pass Through Costs for customers. As detailed in the previous section, these charges include regulated charges and taxes. The charges are detailed for each segment of the business electricity market. Before detailing the charges that have taken effect from October 2016 (with capacity charges being updated on 1st of January) it is important to explain how the business market is segmented and on what consumption basis charges are applied.

2.1.1 Electricity Market Segments

The electricity market is comprised of four different market segments covering different DUoS groups (distribution use of system groups or DGs)²: domestic, small-sized business, medium-sized business and large energy users (LEUs). It is important to know your DuoS group as some charges vary depending on which one you are in. The table below provides a breakdown of the 3 different business markets and their respective DUoS groups.

Business Market	DUoS Group
Small Business	<ul style="list-style-type: none"> • DUoS Group 5 – General Purpose
Medium Business	<ul style="list-style-type: none"> • Duos Group 4 – Local Authority Public Lighting • DUoS Group 6 – LVMD & LLF
Large Energy User	<ul style="list-style-type: none"> • DUoS Group 7- Medium Voltage Max Demand

² A DUoS charge is a fee that ESB Networks charges to electricity suppliers for use of the electricity distribution system. The amount of DUoS that ESN charges a supplier for each customer depends on which DUoS Group a customer is classified as, which is based on several factors including the voltage a premises is connected at, the type of meter installed, or if electricity is exported. Source: ESB Networks.

	<ul style="list-style-type: none"> • DUoS Group 8- 38KV Max Demand • DUoS Group 9 – 38KV Max Demand • T-CONN
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2.1.2 Consumption

Some of the components of price are charged on consumption at trading point and others on consumption at selling point. Retail consumption data published on a quarterly basis by the CER refers to consumption at selling point (i.e. at the customer’s site). To determine the trading point consumption for different market segments, a distribution loss adjustment factor (DLAF) is used. Electricity must be transported from the trading point to the customer’s metering point. During this transportation, losses occur and a DLAF is applied to customers metered energy consumption to account for the losses. The energy consumption measured at a customer’s meter is multiplied by the DLAF to get the consumption at which generation and transmission charges are applied. The CER publishes DLAFs each year with different DLAFs depending on the size of a customer’s connection and the time of consumption. All generation charges and TUoS charges are based on consumption at trading point. DUoS charges are based on consumption at selling point.

On the 26th of August 2016, a decision paper was published by the CER which identified the DLAFs to be applicable for the 2016/17 tariff year, see [CER/16/249](#) ‘DLAFs for 1st October 2016-30th September 2017’. The following are the applicable DLAFs for the 2016/17 tariff year.

DLAFS	Time Period		
	Composite	Day	Night
38kV Sales	1.02	1.021	1.017
MV Sales	1.035	1.037	1.03
LV Sales	1.084	1.09	1.072

2.1.3 Generation Charges

Capacity Payments

The capacity payment mechanism contributes towards generators' fixed costs because the system marginal price (SMP) is set in relation to short-run generation costs only (see 'energy costs' section below for more information). A capacity payment mechanism is needed to allow generators to fully recover their long-run fixed costs.

On the 10th of August 2016, a decision paper was published by the SEM Committee which identified the capacity charges to be applicable for the 2017 trading year, see [SEM-16-044 Final Decision ACPS 2017](#) 'Fixed Cost of a Best New Entrant Peaking Plant, Capacity Requirement and Annual Capacity Payment Sum For Trading Year 2017'. The following are the applicable charges for the business electricity market segments.

Year	BNE Peaker Cost (€/kW/yr)	Capacity Requirement (MW)	Annual Capacity Pot (€)	Total Demand GWh	Indicative Cost Per MWh
2017	71.45	7,267	€519,227,150	38,038	€13.65

Market Operator (MO) Charges

The Single Electricity Market (SEM) is administered by the Single Electricity Market Operator (SEMO). SEMO imposes a Market Operator charge to recover the costs of administering the SEM to all electricity users on a cent per kilowatt hour (c/kWh) basis. SEMO applies annually to the SEM Committee (which is comprised of the CER and the NI regulator, NIAUR) with their suggested revenues and tariffs for the upcoming tariff year. The SEM Committee reviews and approves a set of charges annually and publish these on the SEM website.

On August 16th 2016, the approved MO charges for the 2016/17 tariff year were published on the SEMO website, see '[SEMO Tariffs and Imperfection Costs Period: 1st October 2016 to 30th September 2017](#)', which is available [here](#). The following are the applicable charges for the business electricity market segments.

MO Charges	2016/17
Fixed Supplier Charge (per unit ³)	€ 112
Variable Supplier Charge (per MWh)	€0.283

³ Refers to supplier unit. A full list of supply units is on the SEMO website

Imperfection Charges

SEMO also recovers costs on an annual basis in relation to imperfection charges. Imperfections are made up of Make Whole Payments, Energy Imbalance Charges and Dispatch Balancing Costs (constraint costs). These are all costs relating to the operation of the grid.

On 16th August 2016, a decision paper was published by the SEM Committee, which identified the imperfection charges to be applicable for the 2016/17 tariff year, see '*SEMO Tariffs and Imperfection Costs Period: 1st October 2016 to 30th September 2017*', which is available [here](#). The following are the applicable charges for the business electricity market segments.

Imperfection charge	2016/17
Tariff	€ 2.05/MWh

2.1.4 Network Charges

Distribution Use of System (DUoS) charges

DUoS tariffs are charged to suppliers on the basis of the amount of energy used by their customers, and include standing charges. The DSO charges are calculated annually based on the 'allowed revenue' (as determined by the CER). DUoS tariffs are approved annually by the CER.

On the 26th of August 2016, a decision paper was published by the CER which identified the DUoS charges to be applicable for the 2016/17 tariff year, see [CER/16/249](#) 'Information Note on 2017 DSO allowed Revenue DUoS 2016/2017 tariffs & Distribution Loss Adjustment Factors' and accompanying [tariff statement](#). The following are the applicable charges for the business electricity market segments.

Segment	DUoS Standing charge 2016/17	DUoS Unit rates 2016/17	Low Power Factor Surchage
DG3		€0.03373/kWh	
DG4		€0.03373/kWh (ex DG4 premium ⁴)	
DG 5 and DG5b (low voltage non-domestic customers, non-max demand)	Standard meter: €96.32/ customer/ annum Day/night meter: €96.32/ customer/ annum	Standard meter: €0.0445/kWh Day/night meter: Day: €0.05198/kWh Night: €0.00635/kWh	Standard meter: €0.01031/kVArh Day/night meter: €0.01031/kVArh
DG5a (low voltage autoproducers MEC>MIC, non-max demand)	Na	Standard meter: €0.0445/kWh Day/night meter: Day: €0.05198/kWh Night: €0.00635/kWh	Standard meter: €0.01031/kVArh Day/night meter: €0.01031/kVArh
DG 6 and DG 6b (low voltage business customers, max demand)	Standing charge: €898.46/customer /annum Capacity charge: €33.53/kVA of MIC /annum	Day: €0.02645/kWh Night: €0.00312/kWh	€0.00942 /kVArh
DG 6a (low voltage autoproducers MEC>MIC, max demand)	Na	Day: €0.02645/kWh Night: €0.00312/kWh	€0.00942/kVArh
DG 7 & DG 7b (medium voltage customers, max demand)	Standing charge: €1,583.63/customer /annum Capacity charge: €11.58/kVA of MIC /annum Day	Day: €0.00458/kWh Night: €0.00072/kWh	€0.00827 /kVArh
DG 7a (medium voltage autoproducers MEC>MIC, max demand)	Na	Day: €0.00458/kWh Night: €0.00072/kWh	€0.00827/kVArh
DG 8 & DG 8b (38kV looped customers, max demand)	Standing charge: €26,547.53 /customer /annum Capacity charge: €5.70/kVA of MIC /annum	Day: €0.00101/kWh Night: €0.00007/kWh	€0.00776 /kVArh
DG 8a (38kV looped autoproducers MEC>MIC, max demand)	Na	Day: €0.00101/kWh Night: €0.00007/kWh	€0.00776 /kVArh
DG 9 & DG 9b (38kV tailed customers, max demand)	Standing charge: €7,561.97/customer /annum Capacity charge: €5.70/kVA of MIC /annum	Day: €0.00101/kWh Night: €0.00007/kWh	€0.00776/kVArh
DG 9a (38kV tailed autoproducers MEC>MIC, max demand)	Na	Day: €0.00101/kWh Night: €0.00007/kWh	€0.00776 /kVArh

⁴ DG4 tariff also incurs an additional premium in respect of additional costs incurred on public lighting installations

Transmission Use of System (TUoS) charges

TUoS charges are applied for the use of the transmission system infrastructure in Ireland.

On the 26th of August 2016, a decision paper was published by the CER which identified the TUoS charges to be applicable for the 2016/17 tariff year, see [CER/16/248](#) '2017 TSO and TAO Allowed Revenue and TUoS Tariffs 2016/2017' and [CER/16/248](#) 'Schedule of TUoS Demand Tariffs 2016/2017'. The following are the applicable charges for the non-domestic electricity market segment.

TUoS for 2016/17	DTS-D2 ⁵ (non-LEUs)	DTS-D1 ⁶ (non-LEUs)	DTS-D1 ⁷ (LEUs)	DTS-T ⁸ (LEUs)
Network Capacity Charge	€6.0246 /MWh (day hrs)	€1,482.1834 /MW	€1093.3314/MW	€1,305.9947/MW
Network Transfer Charge	€2.8623/MWh	€2.8623/MWh	€2.1114/MWh	€2.1114/MWh
System Services Charge	€3.8242MWh	€3.8242/MWh	€2.8210/MWh	€2.8210/MWh DSM
DSM Charge	€0.0003/MWh (day hrs)	€0.0003/MWh (day hrs)	€0.0003/MWh (day hrs)	€0.0003/MWh (day hrs)

Note: DTS-D2 (non-LEU) is applicable to DG 3, DG 4, DG 5, the majority of DG 6 customers.

DTS-D1 (non-LEUs) is applicable to some DG 6 customers.

DTS-D1 (LEUs) is applicable to DG 7, DG 8 and DG 9 customers.

DTS-T (LEUs) is applicable to T-CONN customers

2.1.5 Public Service Obligation Levy (PSO)

The Public Service Obligation Levy (PSO) is charged on all electricity customers and designed to support the national policy objectives of security of supply, the use of indigenous fuels (i.e. peat) and the use of renewable energy sources in electricity generation.

⁵ DTS-D2 non-LEU customers are those connected to the distribution system and have a maximum import capacity of less than 0.5MWs.

⁶ DTS-D1 non-LEU customers are those connected to the distribution system and have a maximum import capacity (MIC) greater than 0.5MWs.

⁷ DTS-D1 customers are those connected to the distribution system and have a maximum import capacity (MIC) greater than 0.5MWs.

⁸ Applies to customers connected directly to the transmission system.

On the 31st of August 2016, a decision paper was published by the CER which identified the PSO levy to be applicable for the 2016/17 tariff year, [CER/16/251](#). The following are the applicable charges for the domestic electricity market segment.

PSO Levy	2016/17
Small commercial customers (MIC of less than 30kVA)	€248.78 per customer per annum
Medium & large customers (MIC of equal to or greater than 30kVA)	€40.01/kVA

2.1.6 Electricity Tax

To comply with the EU Energy Tax Directive, an electricity tax on supplies of electricity was introduced in 2008. Suppliers are responsible for payment of the tax and for returns/accounts in relation to it. This cost is passed on to final customers⁹.

Electricity Tax	
Business	€0.50 per MWh

⁹ Households are exempt

