



An Coimisiún
um Rialáil Fóntais
**Commission for
Regulation of Utilities**

An Coimisiún um Rialáil Fóntais
Commission for Regulation of Utilities

Levy/ Application Fee Structure for Class 2 LPG Operators

Decision Paper

Decision Paper

Reference: CRU202288	Date Published: 21/09/2022	Closing Date: N/A
-----------------------------	-----------------------------------	--------------------------

CRU Draft Strategic Plan 2022-24

Our Mission <ul style="list-style-type: none">• Protecting the public interest in water, energy and energy safety.	Our Strategic Priorities <ul style="list-style-type: none">• Ensure Security of Supply• Drive a Low Carbon Future• Empower and Protect Customers• Enable our People and Organisational Capacity
Our Vision <ul style="list-style-type: none">• Safe, secure and sustainable supplies of energy and water, for the benefit of customer now and in the future	

Executive Summary

Following consultation ([CRU202261](#)) on the structure for charging Class 2 LPG operators, the CRU has decided to proceed with its preferred approach of charging a one-off application fee of €200. The purpose of the fee is to fund the CRU's safety regulatory activities for Class 2 LPG safety licence holders. This charging approach provides the most consistency, transparency, and proportionality for this class of LPG operator.

The CRU is awaiting the publication of legislation which will create this second class of LPG safety licence. A person will be required to hold a Class 2 LPG safety licence if they operate ten or less piped LPG distribution networks for each network. Class 1 LPG safety operators will continue to be charged a licence application fee and annual levy as set out in CER/14/101.

The CRU posed two questions in the consultation period from 30 June 2022 to 25 August 2022, seeking stakeholders' views on the preferred application fee only approach and alternative proposals. No responses were received during the consultation period.

When the primary legislation has been amended (expected Q4 2022), it will be an offence for a person to make available LPG by way of a piped LPG distribution network for use by two or more individual domestic final customers unless that person has been granted an LPG safety licence. The CRU will contact all identified operators who are impacted when the legislative amendments have been finalised to discuss the next steps regarding issuing of appropriate safety licences.

Public/Customer Impact Statement

It is important that all operators of piped LPG distribution networks are regulated with respect to safety so that the general public, and in particular, end customers, are protected from the safety risks associated with piped LPG distribution networks.

Current legislation does not require operators of LPG distribution networks that purchase LPG from sources other than directly from a refinery within the State or via importation to hold an LPG safety licence. To ensure all LPG operators are regulated with respect to safety the CRU has requested a change to primary legislation.

All customers supplied with LPG via a distribution network will be protected through the enactment of an awaited legislative amendment, which will provide for emergency response arrangements and a prescriptive Operator Handbook. The Operator Handbook sets out the safety requirements for those LPG operators that are not currently regulated by the CRU. The Operator Handbook must be complied with as a licence condition of a Class 2 LPG safety licence granted by the CRU.

To enable the CRU to fund these safety regulatory activities an application fee and/or levy must be imposed on Class 2 LPG operators. In this decision paper the CRU has decided to apply a one-off application fee of €200 for each Class 2 safety licence.

Contents

1. Introduction	6
1.1 Background	6
1.1.1 Related Documents.....	6
1.1.2 Structure of Paper.....	7
1.2 Respondents	7
2. Decision	8
3. Conclusion	9
3.1 Next Steps	9

Glossary of Terms and Abbreviations

Abbreviation or Term	Definition or Meaning
CRU	Commission for Regulation of Utilities
LPG	Liquefied Petroleum Gas

1. Introduction

1.1 Background

The Commission for Regulation of Utilities (CRU) is Ireland's independent energy and water regulator. The CRU's mission is to protect the public interest in water, energy, and energy safety.

Under the *Electricity Regulation Act 1999*, as amended, the CRU is responsible for the safety regulation of natural gas and Liquefied Petroleum Gas (LPG) undertakings. To carry out this regulation the CRU established the Gas Safety Framework (the Framework) in 2007. The CRU may amend or review the Framework as often as is considered necessary.

Under the *Electricity Regulation Act 1999*, as amended, the CRU may licence LPG undertakings that import or purchase LPG directly from a refinery within the State and make that LPG available to individual domestic or commercial customers by way of a piped LPG distribution network. The CRU is awaiting the publication of legislation which will amend the definition of LPG undertaking to include LPG distribution network operators that purchase LPG from other sources so that the CRU can licence all LPG distribution network operators with respect to safety. Once enacted the amended definition will result in two classes of LPG operators. A person will be required to hold a Class 2 LPG safety licence if they operate ten or less piped LPG distribution networks.

Following consultation, the CRU published a decision in 2020 to introduce a new class of LPG safety licence that establishes a new class (Class 2) of safety licence. This licence obliges such licence holders to comply with an Operator Handbook. The CRU requires funding to enable it to undertake its safety regulatory activities. *Schedule 1 section 8 (16) of the Electricity Regulation Act 1999*, as amended by, *The Energy (Miscellaneous Provisions) Act 2012*, enables the CRU to recover these costs and it is the recovery of these costs from Class 2 operators that is the subject of this decision paper.

1.1.1 Related Documents

By way of background to this paper, the following list of documents is of relevance:

- [CER/14/096](#) – Gas Safety Regulatory Framework for Ireland – Decision Paper on LPG Safety Licence and LPG Safety Licence Fees
- [CER/14/101](#) - Gas Safety Regulatory Framework for Ireland – Decision Paper on a Levy Methodology for Licenced LPG Undertakings
- [CRU/19/059](#) – Regulation of Piped LPG Distribution Networks that are not Operated by a Licenced LPG Undertaking – Consultation Paper

- [CRU/20/030](#) – Regulation of Piped LPG Distribution Networks that are not operated by a licenced LPG undertaking – Decision Paper
- [CRU202212](#) – Regulation of Piped LPG Distribution Networks that are not Operated by a Licenced LPG Undertaking: Operator Handbook – Part of Class 2 LPG Safety Licence & Class 2 Safety Licence – Decision & Consultation Response Paper
- [CRU202261](#) – Levy/ Application Fee Structure for Class 2 LPG Operators – Consultation Paper

Information on the CRU's role and relevant legislation can be found on the CRU's website at www.cru.ie

1.1.2 Structure of Paper

This decision paper is structured as follows:

- **Section 1** – Comprises of an introduction and background
- **Section 2** – Outlines the decision taken
- **Section 3** – Includes conclusions and next steps

1.2 Respondents

The CRU posed two questions in the consultation period from 30 June 2022 to 25 August 2022, seeking stakeholders' views on the preferred application fee only approach and alternative proposals. No responses were received.

2. Decision

The CRU set out four different Class 2 operator charging options in the consultation paper. Further detail on each of these options can be found in CRU202261.

The CRU has decided to proceed with an application fee only approach as proposed in the consultation paper, with the fee set at €200.

This will be a one-off fee that must accompany the Class 2 safety licence application. This fee will cover the reasonable costs and expenses that the CRU are likely to incur in the consideration and processing of the licence application.

This is significantly less than the current application fee of €600 for those current licensed LPG distribution network operators that will be classified as Class 1. The reduced application fee is appropriate as the CRU has decided that Class 2 operators will not be required to submit a safety case, the CRU review of which requires considerable resources.

Implementing the application fee only option is sufficient to enable the CRU to deliver the safety regulatory regime, as the enduring audit and inspection regime is narrower in scope for the Class 2 LPG distribution network operators. This is due to the smaller size of the networks and the smaller number of end customers supplied by Class 2 licence holders. The associated audit and inspection regime will also be narrower in scope due to the prescriptive Operator Handbook, which must be complied with as part of the Class 2 licence, and which represents sufficient oversight via on-going compliance. The Class 2 LPG distribution network operators will be subject to a risk-based audit and inspection regime. In the event that the ongoing audit and inspection regime is of a significantly greater scale than anticipated the CRU would not be precluded from introducing a levy at a later date.

There is likely to be over 100 Class 2 licences to be issued by the CRU. When compared to an annual charge or levy, the one-off application fee represents a reduced regulatory burden for Class 2 LPG distribution network operators and a reduced administrative burden for the CRU. This represents a proportionate regulatory approach to these small-scale LPG distribution network operators, one that delivers significant public safety protections, is transparent and is consistent for all operators that fall within the Class 2 definition.

The CRU has decided on this approach for reasons of consistency, transparency, and proportionality, while enabling the reduction of risks associated with the activities of Class 2 LPG distribution network operators to a level that is ALARP.

3. Conclusion

This decision paper has been published following public consultation on the Levy/Application Fee Structure for Class 2 LPG safety licence holders (CRU202261). The CRU welcomed feedback during the consultation period before arriving to a decision on the charging structure.

The CRU received no responses to the consultation and has decided to proceed with its preferred approach of charging a one-off application fee of €200.

3.1 Next Steps

When the primary legislation has been amended (expected Q4 2022), it will be an offence for a person to make available LPG by way of a piped LPG distribution network for use by two or more individual domestic final customers unless that person has been granted an LPG safety licence.

A person will be required to hold a Class 2 LPG safety licence if they operate ten or less piped LPG distribution networks. An individual Class 2 safety licence will be required for each discrete piped LPG distribution network. The CRU will contact all identified operators who are impacted when the legislative amendments have been finalised to discuss the next steps regarding issuing of appropriate safety licences.

There will be a transitional period so all affected parties have an appropriate amount of time to apply for a Licence. All obligated parties that are affected by the legislative amendment will have a period of 12 weeks to submit their licence application. The overall transitional period will be for 12 months following the legislative amendment.