



Commission for Energy Regulation
An Coimisiún um Rialáil Fuinnimh

**REGULATED TARIFF FORMULA:
FINAL DECISION TO BORD GÁIS ENERGY SUPPLY
REGARDING CUSTOMER ELIGIBILITY RULES**

CER/07/170

17 October 2007

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1 Context

The Commission for Energy Regulation proposed in CER/07/150 that Bord Gáis Energy Supply (BGS) revise the rules for determining which of its Industrial & Commercial (I&C) customers are eligible for the Regulated Tariff Formula (RTF). These revised RTF eligibility rules are necessary for consistency with the corresponding rules of the recently introduced Fuel Variation Tariff (FVT) customer category.

BGS will offer the RTF to Daily Metered (DM) sites whose annual consumption is below 264GWh. The RTF will no longer be offered to any Non-Daily Metered (NDM) customers.

A number of NDM customers currently availing of the RTF will therefore migrate onto the FVT. Likewise, a number of DM customers currently availing of BGS's Demand & Commodity tariffs will migrate onto the RTF.

The financial impact on these customers is likely to be small, given that the FVT and RTF have similar cost structures.

All other aspects of the Regulated Tariff Formula will continue unchanged in 2007/08.

2 Introduction

2.1 Legal background

Under Section 23 of the Gas (Interim) (Regulation) Act of 2002, the Commission for Energy Regulation is responsible for regulating charges in the natural gas market, including supply tariffs to final customers in both the eligible and non-eligible market sectors. As such, the Commission examines the costs underlying these tariffs and approves revenues for Bord Gáis Energy Supply. BGS is the business unit of Bord Gáis Éireann which supplies gas to both business and residential customers. BGS's regulated activities include supplying customers whose usage is less than 264 Gwh per annum.

Pursuant to the Act, CER must have regard for the need to:

- Promote competition in the supply of natural gas,
- Promote safety and efficiency on the part of natural gas undertakings,
- Secure that there is sufficient capacity in the natural gas system to enable reasonable expectations of demand are met, and
- Secure the continuity, security and quality of supplies of natural gas.

CER sets the controls for Bord Gáis Energy Supply's regulated activities within the context of these duties. The Commission is also responsible for the phased opening of the Irish gas market to competition.

2.2 Purpose of this decision

This decision establishes the revised rules for deciding which BGS customers should be offered the RTF. The rationale underlying the change and an assessment of the impact on customers which are required to either join or to depart the RTF as a result of the new rules are both provided within.

3 Revised criteria for RTF eligibility

CER/06/168 'Direction to Bord Gáis Energy Supply Regarding the Regulated Tariff Formula' specified that customers consuming between 5.3GWh and 264GWh per annum would be eligible for the RTF. It acknowledged that some customers have a consumption which fluctuates around the 5.3GWh threshold, and it set out rules for determining how such customers should be classified in any year. These were based on historic averages of actual metered consumption. The Direction also included a number of exceptions to cater for those sites which did not have a three-year consumption history, or which anticipated a step change in annual consumption levels.

The eligibility rules set out in Section 3 of CER/06/168 are hereby amended as follows with effect from 1st October 2007.

1. A site which is designated by Bord Gáis Networks as being Daily Metered (DM) or Large Daily Metered (LDM) but which consumes less than 264GWh per annum is deemed to be eligible for the RTF.
2. For the avoidance of doubt, Daily Metered CHP sites with a capacity in excess of 50kW will continue to be allowed to opt out of the RTF, provided they demonstrate compliance with CER's generation licensing requirements.

There will be no special rules or exceptions to the above eligibility rules applied by BGS for customer sites expecting a step change in annual consumption. In exceptional circumstances, however, BGS may request Bord Gáis Networks (BGN) to check whether a particular site's DM/NDM status has been correctly assessed. For information, BGN's standard policy is to install and maintain Daily Meters at all off-take points for which the Annual Quantity (temperature-adjusted consumption volume) exceeds a threshold value of 5.5GWh.

4 Rationale for the change in eligibility rules

The eligibility rules set out in CER/06/168 mainly related to the treatment of customers whose actual historic consumption fluctuated around the lower threshold of 5.3GWh. As a consequence, BGS is currently offering the RTF to some customers that do not have Daily Meters installed, and denying the RTF to some DM customers. Given that the structure of the RTF is specifically designed

for DM customers, this imposes commercial risks on both BGS and its customers.

In the course of developing the Fuel Variation Tariff for larger NDM customers, BGS proposed that the FVT should not apply to DM sites. The Commission approved this proposal in decision paper CER/07/097. The eligibility rules for the RTF are now being changed to ensure consistency with this earlier decision.

Because the lower threshold for RTF eligibility will henceforth be aligned with the DM status of each industrial and commercial (I&C) off-take point, any ambiguity regarding a site's tariff status will be eliminated. The new rules also greatly reduce the likelihood of borderline I&C customers fluctuating between FVT-eligible and RTF-eligible from year to year.

5 Retention of remaining RTF provisions

This proposed decision effectively amends the eligibility provisions for borderline RTF sites as previously specified in Section 3 of CER/06/186. However, all the other provisions of CER/06/186 will remain in full effect until further notice. In the event that BGS is unclear about implementing any aspect of the RTF, it must consult with CER.