

# Distribution Tariffs for 2003/04

## Tariff Calculation

The allowable recoverable revenue from the 2003/04 distribution tariff as determined by the CER and published in their decision of August 7<sup>th</sup>, is €126.03m in 2002/03 monies. Applying the Irish Harmonised Index of Consumer prices as indicated in the CER revenue decision paper\* to adjust for 2003/04 money results in annual revenue of €131.07m.

The 2002/03 tariff charges were based on a statistical method of application which assumed distribution charges were payable by all customers with annual volume <146,535 MWh. Following the CER's direction of November 26<sup>th</sup>, distribution charges are to be applied only to those customers connected off the distribution network. This has the effect of reducing the overall volumes and capacities for which the tariff is applicable.

Application of the 2002/03 tariff charges to the 2003/04 connection based market volumes and capacities resulted in annual revenue of €123.7m. In order to recover €131.07m in 2003/04, the present tariff charges have to be inflated by 5.6%.

As noted in the CER's decision paper of August 7<sup>th</sup>, the present tariff structure is under review by the Commission. Over the coming twelve months BGE will contribute to the process of reviewing the tariff structure, and the manner in which revenue is recovered from the market. This may, in future gas years, (i.e. not affecting 2003/04 tariffs which shall remain as shown in this paper) result in the relative charges among different customer categories changing, however it will not change the quantum of revenue recovered from the market.

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\* In accordance with the CER decision, if outturn inflation deviates from the forecast value (4%) subsequent year's revenues will be adjusted to account for this deviation.

In order to avoid anomalies between similar type users (i.e. eliminate extreme discrete differences), a set of regression formulae was derived based on the above charges in order to return the requisite revenue from the market capacities and volumes. The tables below illustrate the distribution tariff charges that shall apply in 2003/04 as they pertain to the various market categories. These charges are intended to apply from October 1<sup>st</sup> 2003, to September 30<sup>th</sup>, 2004.

### Capacity Charges

Category by Annual Quantity	Capacity Charge (c/pk day kWh)
<=73 MWh	120.733
> 73 MWh - <=14,653 MWh	$106.878 - 3.107\text{Ln}(\text{MDQ})^\dagger$
> 14,653 MWh - <=120,000 MWh	$267.021 - 38.317\text{Ln}(\text{MDQ})$
> 120,000 MWh	31.055

### Commodity Charges

Category by Annual Quantity	Commodity Charge (c/kWh)
<=73 MWh	0.257
> 73 MWh - <=14,653 MWh	$0.2051 - 0.0199\text{Ln}(\text{MDQ})$
> 14,653 MWh - <=120,000 MWh	$0.2391 - 0.0314\text{Ln}(\text{MDQ})$
> 120,000 MWh	0.045936

The capacity and commodity unit charges are determined by inserting the Maximum Daily Quantity into the relevant formulae (MDQ measured in MWh). The result of the formulae are in terms of c/peak day kWh and c/kWh respectively.

<sup>†</sup> Ln(MDQ) is the natural logarithm of the Max Daily Quantity (measured in MWh)

## Worked Examples:

### Example 1

Customer Annual Quantity	-	50 MWh
Customer Maximum Daily Quantity	-	0.41 MWh

Commodity Charge applicable: 0.257 c/kWh

Annual Commodity Revenue: 50,000 (kWh) x 0.257 / 100 = €128.50

Capacity Charge applicable: 120.733 c/pk day kWh

Annual Capacity Revenue: 410 (kWh) x 120.733 / 100 = €495

Total Annual Revenue = €623.50

### Example 2

Customer Annual Quantity	-	10,000 MWh
Customer Maximum Daily Quantity	-	43.84 MWh

Commodity Charge applicable:  $0.2051 - 0.0199 \ln(43.84) = 0.129867$  c/kWh

Annual Commodity Revenue: 10,000,000 (kWh) x 0.129867 / 100 = €12,987

Capacity Charge applicable:  $106.878 - 3.107 \times \ln(43.84) = 95.13184$  c/pk day kWh

Annual Capacity Revenue: 43,840 (kWh) x 95.13184 / 100 = €41,706

Total Annual Revenue = €54,693

### Example 3

Customer Annual Quantity - 50,000 MWh

Customer Maximum Daily Quantity - 178 MWh

Commodity Charge applicable:  $0.2391 - 0.314 \ln(178) = 0.076392$  c/kWh

Annual Commodity Revenue:  $50,000,000$  (kWh)  $\times 0.076392 / 100 = \text{€}38,196$

Capacity Charge applicable:  $267.021 - 38.317 \times \ln(178) = 68.4706$  c/pk day  
kWh

Annual Capacity Revenue:  $178,000$  (kWh)  $\times 68.4706 / 100 = \text{€}121,878$

Total Annual Revenue =  $\text{€}160,074$