

# Distribution Tariffs for 2004/05

## Tariff Calculation

The allowable recoverable revenue from the 2004/05 Distribution Tariff as determined by the CER and as outlined in CER/04/283 on September 3<sup>rd</sup>, is €143.57m (2004/05 monies).

The 2004/05 tariff charges have been derived by escalating the 2003/04 tariff by +6% for capacity charges and –4.1% for commodity charges in order to recover the 2004/05 allowable revenue of €143.57.

The present tariff structure is under review by the Commission and 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 2004/05 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.

In order to avoid anomalies between similar type users (i.e. eliminate extreme discrete differences), a set of regression formulae have been developed in order to return the requisite revenue from the 2004/05 market capacities and volumes. The tables below illustrate the distribution tariff charges for 2004/05 as they pertain to the various market categories. These charges are intended to apply from October 1<sup>st</sup> 2004, to September 30<sup>th</sup>, 2005.

## Capacity Charges

Category by Annual Quantity	Capacity Charge (c/peak day kWh)
$\leq 73$ MWh	128.035
$> 73$ MWh - $\leq 14,653$ MWh	$113.342 - 3.295 \ln(\text{MDQ})^*$
$> 14,653$ MWh - $\leq 120,000$ MWh	$283.169 - 40.635 \ln(\text{MDQ})$
$> 120,000$ MWh	32.934

## Commodity Charges

Category by Annual Quantity	Commodity Charge (c/kWh)
$\leq 73$ MWh	0.2464
$> 73$ MWh - $\leq 14,653$ MWh	$0.1967 - 0.0191 \ln(\text{MDQ})$
$> 14,653$ MWh - $\leq 120,000$ MWh	$0.2293 - 0.0302 \ln(\text{MDQ})$
$> 120,000$ MWh	0.0441

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.

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\*  $\ln(\text{MDQ})$  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: 0.2464 c/kWh

Annual Commodity Revenue: 50,000 (kWh) x 0.2464 / 100 = €123.20

Capacity Charge applicable: 128.035 c/pk day kWh

Annual Capacity Revenue: 410 (kWh) x 128.035 / 100 = €524.94

Total Annual Revenue = €648.14

### Example 2

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

Commodity Charge applicable:  $0.1967 - 0.0191 \ln(43.84) = 0.124492$  c/kWh

Annual Commodity Revenue: 10,000,000 (kWh) x 0.129867 / 100 = €12,449

Capacity Charge applicable:  $113.342 - 3.295 \times \ln(43.84) = 100.8851$  c/pk day kWh

Annual Capacity Revenue: 43,840 (kWh) x 100.8851 / 100 = €44,228

Total Annual Revenue = €56,677

### Example 3

Customer Annual Quantity	-	50,000 MWh
Customer Maximum Daily Quantity	-	178 MWh

Commodity Charge applicable:  $0.2293 - 0.0302\ln(178) = 0.07281$  c/kWh

Annual Commodity Revenue:  $50,000,000$  (kWh)  $\times 0.07281 / 100 = \text{€}36,405$

Capacity Charge applicable:  $283.169 - 40.635 \times \ln(178) = 72.60723$  c/pk day  
kWh

Annual Capacity Revenue:  $178,000$  (kWh)  $\times 72.60723 / 100 = \text{€}129,241$

Total Annual Revenue =  $\text{€}165,646$