



Commission for Energy Regulation

An Coimisiún um Rialáil Fuinnimh

**Direction to Bord Gáis Éireann for Interim
Natural Gas Distribution Tariffs 2002/03**

**CER/02/144
27 September 2002**

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Introduction

This document constitutes a direction issued by the Commission for Energy Regulation (the Commission) to Bord Gáis Éireann (BGÉ) pursuant to Section 14 (3) (b) of the Gas (Interim) (Regulation) Act, 2002.

The Commission's Direction

The Commission hereby directs that gas distribution tariffs for the 2002/3 gas year are to be calculated in line with BGÉ's Interim Distribution Tariff Submission for the Period July 1st 2002 to September 30th 2003 published by the Commission on 29 August 2002 in line with the specific points stated below and that BGÉ publish such charges for the gas year 2002/2003 for market use and the calculations and underlying data that go to make up the tariffs.

1. Asset Value:

The Commission hereby directs that depreciation be based upon the opening net asset value of € 847.6 million. The closing asset value is assumed to be € 893.6 million.

2. Depreciation:

The Commission hereby directs that the tariff be calculated based on the gross asset value at historic cost less straight-line depreciation and escalated in line with the Consumer Price Index for the appropriate period.

3. Real Rate of Return:

The Commission hereby directs that the Real Rate of Return applicable is 6.5%.

4. Capacity Commodity Ratio:

The Commission hereby directs that the tariffs be allocated on the basis of an 80:20 Capacity: Commodity ratio.

5. Method of Recovery of Interim Natural Gas Distribution Tariff

The Commission hereby directs that the proposed statistical cost based charging methodology is used for charging natural gas consumers for use of the natural gas distribution system under this interim natural gas distribution tariff.

6. Treatment of Market Development and Market Incentives:

The Commission hereby directs BGÉ to exclude market development and market incentives from the Regulated Asset Base and from the Capital Expenditure for the period 1 October 2002 to 30 September 2003.

The Commission hereby directs BGÉ to incorporate market development costs for the period 2002/03 only, and to reflect this as an operating cost.

7. Interim Nature of Natural Gas Distribution Tariff:

The Commission advises that following the implementation, of the interim natural gas distribution tariff on 1st October 2002 the Commission will undertake a full review of the tariff structure and the factors that contribute to the revenue requirement.

Tom Reeves
Commissioner

27 September 2002

Background

The Commission directed BGÉ, pursuant to Section 14 (3) (a) of the Gas (Interim) (Regulation) Act, 2002, to produce a submission regarding an interim natural gas distribution tariff.

This direction had required BGÉ to produce a submission setting out the basis upon which charges would be imposed for use of the natural gas distribution system operated by BGÉ on natural gas distribution-connected consumers.

The submission has been published and consulted upon, where interested parties were invited to respond.

Following consideration of the submission, responses from interested parties and clarification of certain matters, and arising from those considerations the Commission is now issuing a direction, pursuant to Section 14 (3) (b) of the Gas (Interim) (Regulation) Act, 2002 (“the Act”), on the interim natural gas distribution tariff which will apply for the period 1 October 2002 until 30 September 2003, thus reflecting the new gas year.