



Commission for Energy Regulation

An Coimisiún um Rialáil Fuinnimh

**Direction to Bord Gáis Éireann Relating to
Natural Gas Transmission Tariffs for the
2002/3 Gas Year**

**CER/02/141
27 September 2002**

Direction to Bord Gáis Éireann Relating to Natural Gas Transmission Tariffs for the 2002/3 Gas Year

Introduction

This document contains a direction by the Commission for Energy Regulation Pursuant to Section 14(3) of the Gas (Interim) (Regulation) Act, 2002.

The Commission's Direction

The Commission hereby directs that gas transmission tariffs for the 2002/3 gas year are to be calculated in line with the General Directives concerning standard service pricing for gas transmission issued by the then Minister of Public Enterprise in November 2001; in line with the Bord Gáis Éireann (BGÉ) Proposal for 2002/3 Transmission Tariffs of 28 June 2002; in line with the specific points stated below; and that BGÉ Transmission publish charges for standard service transmission for the gas year 2002/2003.

1. Treatment of Modification 4 Revenues

The Commission hereby directs BGÉ to exclude estimated revenues from the proposed Modification 4 to the Code of Operations from the calculation of tariffs.

2. Treatment of the Seven Heads Gas Field

The Commission hereby directs BGÉ to include reasonable estimates of production from the Seven Heads/Ramco field in the calculation of tariffs. Any additional costs reasonably incurred at Midleton as a consequence of the inclusion of Seven Heads/Ramco are to be added to the Inch tariff calculation.

3. Treatment of Isle of Man and the Scotland to Northern Ireland Pipeline

The Commission hereby directs that:

BGÉ exclude from the asset base used in the calculation of tariffs the costs of the link from the Second Interconnector to Isle of Man.

BGÉ account for capacity booked by Isle of Man users and throughput by Isle of Man users on the Interconnector as if the gas is being transported to Ireland.

The capital and operating expenditure associated with the Scotland Northern Ireland Pipeline capacity on the onshore Scotland section of the Interconnector should be excluded from the tariff calculations.

4. Recovery of additional capital expenditure in 2008

The Commission hereby directs that the estimated €10m additional capital cost of pipeline additions and enhancements anticipated by BGÉ in 2008 be excluded from the tariff calculation at this point.

5. Recovery of Discount Applied in 2001/2

The Commission hereby directs that any recovery of the adjustment, applied to the 2001/2 tariff calculation by multiplying the tariffs by a factor of 0.88 to smooth the transition to new tariff arrangements, be excluded from the current tariff calculation.

6. Telecommunications Ducting

The Commission hereby directs that BGÉ remove a reasonable share of all trenching, crossings, design, and reinstatement costs associated with the sections of pipe alongside which telecommunications ducting have been laid from the regulated asset base and capital projections.

7. Inflation

The Commission hereby directs that BGÉ use the most recently available estimate issued from the Central Statistics Office for the Consumer Price Index to be used in the tariff calculations.

8. The Start Date of the Corrib Gas Field

The Commission hereby directs that BGÉ use April 2005 as the start date for production from the Corrib Gas Field.

9. Timings of Reinforcement

The Commission hereby directs that BGÉ use the best available figures in relation to any changes in timing of expenditure on reinforcement of the Interconnector.

10. Deferral of €10m of Revenue from the Interconnector

The Commission hereby directs that BGÉ defer €10m of revenue on the Interconnector based upon the expected bookings and demand. This deferred revenue will be recoverable in the future adjusted for inflation and cost of capital.

The Commission directs that these charges come into effect on 1 October 2002.

Tom Reeves
Commissioner

27 September 2002

Background - Natural Gas Transmission Tariffs for the 2002/3 Gas Year

In November 2001 the Minister for State at the Department of Public Enterprise (now known as the Department of Communications, Marine and Natural Resources) issued Directives to Bord Gáis Éireann (BGÉ) putting in place new gas transmission tariffs. The new arrangements provide for an Irish Entry/Postalised Exit model in line with the recommendations of the [Brattle Group](#) and comprise of three directives in total; one in respect of gas transported via Moffat between Scotland and Ireland, one for transmission on BGÉ's onshore network and one in respect of entry/exit of gas at Inch. The tariffs are levelised over a ten-year period, with an adjustment factor in the first year to smooth the transition to the new tariff regime.

The Directives provide for adjustment of the tariffs if necessary to reflect variations in forecast demand, capital, or operating costs, to reflect under or over recovery of capital expenditure in previous years of the ten-year tariff period, or to reflect annual changes in the consumer price index.

The enactment of the Gas (Interim) (Regulation) Act, 2002 has resulted in the transfer of a number of functions to the CER regarding regulation of the natural gas sector including responsibility for overseeing the setting of tariffs for use of the transmission system. Specifically, Section 14(3) of the Gas (Interim) (Regulation) Act, 2002 allows the CER to give Directives to a pipeline operator in respect of the basis for charges for transportation of natural gas.

On 5th July 2002 the Commission published Bord Gáis Éireanns Proposal for 2002/03 Transmission Tariffs for Public Consultation. Comments and submissions were invited from all interested parties and a summary of these comments and the Commissions response are available in a separate document.