



**Response by Energia to the Utility
Regulator Consultation on the Gas Licence
Fee Methodology**

The Principles

22 June 2012

We refer to the above consultation and review of gas licence fee methodology principles whose stated aim to derive a methodology that will “*provide a straightforward calculation of the licence fee taking into consideration the current structure of the gas market*”.

We also reference the following stated rationale for revising the gas licence fee methodology from the Utility Regulator’s proposed licence modification letter of 15 February 2012: “*As it is difficult to forecast supply volumes in a developing market it is suggested that supply licence holders would be omitted from the variable element of the licence fee calculation [and allocate the remaining licence fee to conveyance licence holders who participate in transmission activities] reducing the possibility of a licence fee over/under recovery. This methodology will provide a simple and transparent approach for the collection of the licence fees which would be easy and cheap to administer*”.

With the above in mind it is proposed that:

- Supply licence holders will pay a fixed fee of £1,500 (2012 real) that will increase annually based upon the Retail Price Index (RPI).
- The remaining gas regulatory costs net of the fixed supply licence charges and the CCNI costs will be apportioned between the conveyance licence holders who participate in transmission activities on the basis of their share of the total forecast volumes transmitted in that year.
- The Conveyance licence holders who participate in distribution activities will fund the CCNI’s costs associated with gas issues. The total fee to be raised will be apportioned between distribution licence holders based upon their share of the total forecast gas volumes distributed in that year to which the fees relate.

It is also proposed to adopt in the gas licences a methodology equivalent to that used for the purpose of the electricity licences, as follows:

- I. identifiable external costs incurred by or on behalf of the Utility Regulator in relation to references to the Competition Commission, or any successor body, made under Article 15 of the Gas (Northern Ireland) Order 1996, would be charged to any licence holder or group of licence holders, who are the subject of or connected with such references, in proportions which the Utility Regulator would in its discretion determine; and
- II. the costs of the Competition Commission in respect of references related to licence holders of a particular type (gas conveyance, or supply) would be allocated between licence holders of that type in proportions determined by the Utility Regulator in its discretion.

Energia acknowledges the merits of adopting in the gas licences a fee methodology equivalent to that used for the purpose of the electricity licences, as proposed above, but strongly submits that alignment of the licence fee methodology between gas and electricity needs to apply more broadly. Specifically it has been Energia’s consistent and firmly held view (as per previous correspondence attached) that given the structure of the electricity market there is a compelling basis for charging electricity suppliers a nominal fixed licence fee and allocating the remaining licence fee to the transmission and distribution licence holder, as proposed for gas. Given its merits and consistency with the proposed gas licence fee methodology Energia would suggest this be considered further and progressed by the Electricity Directorate of the Utility Regulator in the form of an industry consultation.