eurostat

RAPID REPORTS
Energy and industry

1991 □ 23

ISSN 1016-0191

PRICE SYSTEMS
GAS

Council Directive No 90/377/EEC of 29 June 1990 lays down a Community procedure to improve the transparency of gas and electricity prices charged to industrial end-users.

In accordance with Article 1.2, this note sets out a summary of the price systems in force as at 1 July 1991. Only those replies received before 22 November 1991 have been taken into consideration.

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BELGIUM

There are two types of tariff for industrial uses which depend on the consumption of the customer.

Non-domestic tariffs are designed for those industries which use less than 33 500 GJ/year and other non-domestic customers. They are linked to the same indexing system, Iga and Igd, as domestic uses and apply in the whole country.

T.C.	Tariff	GJ/year	Fixed rental (bfr)	Commodity rate cent./MJ
I_1	ND1	35-527	5 737 Igd	23,8678 Iga + 7,2409 Igd
	ND2	527-3 517	14 722 Igd	23,8678 Iga + 5,5359 Igd
I_2	ND3	> 3 517	50 732 Igd + 4,377 Igd/MJ(1)	23,8678 Iga + 1,1382Igd

(1) by megajoule of maximum daily offtake.

Iga reflects the development of the cost of purchasing gas from Distrigaz by the public authorities; the ex-border price of natural gas is the predominant factor.

Igd partially reflects the development of distribution costs; 31% represent wages and salaries and 25% represent materials.

Manuscript completed on = 16.12.1991

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Price (excl. VAT) in Luxembourg: Subscription ECU 160 Catalogue number: CA-NL-91-023-EN-C

The industrial tariff covers fixed and erasable supplies to industries consuming more than 33 500 GJ per year. It is a national tariff. For fixed supplies, it is not possible for the supplier of natural gas to make any interruption at all except in the event of force majeure. Erasable supplies can be interrupted in winter between 15 November and 15 March on the initiative of the natural gas supplier after a notification, which is agreed on in advance, has been given. The total number of erasure days per winter period may not exceed 35.

This tariff comprises:

- a fixed charge of (BFR/month): $(1\text{-}Rn) * 4371 * RDZ * S_n * K$
- a commodity rate of (BFR/ GJ): $1{,}02 * (G - 61{,}35) + (76{,}26 + 6 * RDZ * C_{ne} * P * K$

The parameters in these formulae are defined as follows:

S_n = sum of the "fixed" S_{nf} and "erasable" S_{ne} subscriptions in GJ/h
R_h = hourly regularity factor assessed in accordance with annual consumption (Q_a) and the sum of subscriptions (S_n);$R_h = Q_a : (8760 * Sn)$
C_{ne} = coefficient of non-erasure between 0 and 1 depending on the degree of erasure.
P = adaptation coefficient for the commodity charge depending on the use which is made of the gas.

Non-specific applications : fixed 1; erasable 0.9
Specific applications : fixed 1.1; erasable 1

K = price reducing factor as a function of the monthly offtake and calculated as follows:
- on the first, second, third, fourth and fifth block of 41 870 GJ: K=1; 0.99; 0.98; 0.97; 0.96;
- on offtake beyond 209 350 GJ : K= 0.95

G = purchase price of the gas at the border in Bfr/GJ, valid for the supply month and calculated monthly so as to represent the average price of the various types of gas bought by Distrigaz during the supply month. This cost is monitored by the industrial auditors of the Comité de Contrôle de l'Electricité et du Gaz.

RDZ = monthly revision formula based on wage and materials costs.

There is a rental charge for installation which depends on the geographical situation of the customer with respect to the network.

As regards interruptible supplies, i.e. those which can be interrupted at any time on the initative of the supplier and/or the customer, the gas price is agreed jointly between the two parties.

	Iga	Igd	G	RDZ
07.1991	0,6613	1,1934	123,838	1,496284

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GERMANY

Gas Price Formation in the Federal Republic of Germany

Gas prices in the Federal Republic of Germany take their orientation from competition on the market where gas is seeking the same outlets as other sources of energy. The prices that users pay for gas are negotiated between the supplier and the consumer, each evaluating the contract that is being offered by a set of appropriate criteria.

These criteria include, on the one hand, the prices at which competing sources of energy are being offered and their efficiencies and, on the other hand, the cost that the consumer incurs for the conversion of the energy delivered by the supplier into useful energy.

In the industrial sector, the prices at which major users receive gas are freely negotiated on a case-by-case basis. As these negotiations are guided by the principle of market orientation, gas prices paid by industrial users in the Federal Republic of Germany cannot be determined by standard rates. On the one hand, competition is controlled by the circumstances of each case and, energy, such as heavy fuel oil, gas oil, coal, LPG and electricity are offered, vary for the different regions and the different applications. Market-oriented industrial gas prices vary accordingly.

The customer pays a service charge and thus acquires the right to use gas delivery facilities and services, i.e. ducts, pressure valves, storage facilities, gas meters and the company's supply guarantee. This service charge may be compared to storage and investment costs the individual customer would have to pay for fuel oil. It may also be considered to be an adaquate balance of competition created by the price.

Generally unlimited in time, the right to use supply facilities may be limited by special contracts. This special tariff provides low service charges according to the length of supply periods, or no service charge at all for customers in industry with two-way heating equipment suitable for other forms of energy as well, including stored fuel oil.

For the different industrial consumer categories, gas companies throughout the Federal Republic of Germany are confronted with similar competitive environments. In the case of the I_1 through I_3 standard consumers, gas oil is the chief competitor, in the case of the I_4 consumer, gas competes with both gas oil and heavy fuel oil and for I_5 sales, heavy oil is the most important alternative to gas.

The gas prices that are negotiated only reflect market conditions at the time of negotiation. As this situation changes continually, it is necessary to adjust the agreed market-oriented price.

Such adjustment can be achieved by price indexation formulae of the type widely used by the gas industry. Fuel oil price indexation formulae pegging the price of gas to the prices of heavy fuel oil and gas oil are, for example, agreed upon with industrial gas users.

Gas prices are adjusted at agreed regular intervals. Quarterly adjustment on 1st January, 1st April, 1st July and 1st October is frequent. On each adjustment date, the price of gas is modified to reflect average heavy fuel oil and gas oil prices during an earlier reference period.

In the Federal Republic of Germany, the oil product prices included in the price adjustment formulae are the prices published each month by the German statistical office.

Apart from firm gas supplies, interruptible supplies are offered to industrial users and to power stations. Interruptible supplies are agreed in a contract negotiated between the gas company and the user. Users opting for these supplies normally operate large boiler plants. Under such a contract, the gas company is entitled to interrupt gas supplies fully or in part, if and when certain agreed criteria are fulfilled. During the duration of the interruption, the user employs another fuel which is often heavy fuel oil. The user therefore needs dual fuel equipment as well appropriate fuel oil storage tankage.

The gas company's right to interrupt supplies may, for instance, be exercised throughout the year or during a limited period of the year or below an agreed average daily temperature.

For similar gas quantities and similar market conditions, interruptible supplies of gas are at present sold at a price which is between 5 % and 10 % below the price of firm gas, chiefly to account for the extra capital charges and operating expenses incurred by the user for dual fuel equipment.

Natural gas supply is subject to a purchase tax of 14 %. When natural gas is used for heating, an additional natural-gas tax is levied at a rate of 0.0036 DM kWh as of 1 July 1991 (before : 0.0026 DM/kWh)

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SPAIN

1. Industrial tariffs for supplies of piped natural gas (non-interruptible)

These tariffs are subdivided into the following groups:

1.1 Industrial tariffs for daily contractual consumption of less than 12 500 therms (tariff "F")

Tariff structure: the structure of these tariffs shall be two-part, comprising two terms, the first of which (fixed charge) shall be fixed and the second (energy charge) dependent on the energy consumed.

Invoices for gas supplied on the basis of these tariffs shall be calculated by applying the following formulae to monthly consumption (expressed in thermal units): F1 + F2*Y; where: F1 = Fixed charge per type of supply; F2 = Unit price of therm; Y = Number of therms consumed monthly.

Tariff	Type	Fixed charge - Ptas/month	Maximum unit price of energy charge Ptas/therm
F_{AF}	High-pressure supplies.....	21 300	0.273+0.0508*FO+0.0346*GO
F_{MF}	Medium-pressure supplies.....	21 300	0.573+0.0508*FO+0.0346*GO

In the above formulae:

FO = maximum sale price to the public of Class 1 fuel oil in pesetas/kilogramme for the reference period
GO = sale price to the public of C-grade diesel oil in pesetas/litre for the reference period.

1.2 Industrial tariffs for daily contractual consumption exceeding 12 500 therms

Tariff structure: these tariffs are classified according to industrial uses, the levels being A, B, C, D and E.

The structure of each of these tariffs shall be two-part, comprising two charge bands. A price level for natural gas expressed in pesetas/therm shall be drawn up for each of these.

The quantity of gas consumed per month up to a total of sixteen times the maximum daily contractual quantity shall be invoiced under the first band of the corresponding tariff, the remainder of monthly consumption being invoiced under the second charge band.

The minimum monthly charge shall be set at fourteen times the maximum daily contractual quantity for each tariff, at the price of the first of the corresponding bands.

Likewise, in order to optimize regulation of the distribution system run by companies supplying natural gas, all consumption by users exceeding 10% of the contractual hourly value shall be invoiced at double the unit price per therm laid down in the corresponding rate schedule.

The tariff structure for industrial uses covered by tariff levels A, B, C, D and E shall be determined and adjusted according to the prices of Class 1 fuel oil and bulk propane, in accordance with the following (PTAS/Te):

	First band	Second band
A :	0.0859*FO	0.0818*FO
B :	0.0908*FO	0.0865*FO
C :	0.2401 + 0.0964*FO	0.2286 + 0.0918*FO
D :	0.3635 + 0.0964*FO	0.3462 + 0.918*FO
E :	0.0654*P	0.0623*P

P = sale price to the public of commercial bulk propane applicable to bulk orders in pesetas/kilogram for the reference period.

1.3 Tariffs for special uses

Tariff G: Supplies of natural gas for co-generation of electrical and thermal energy.
Tariff H: Supplies of natural gas for use as a raw material.

2. Industrial tariffs for supplies of piped natural gas (interruptible supply, tariff I)

This tariff shall not apply to consumption of less than 10 million therms per year or 30 000 therms per day.

For this tariff, a single maximum price level is laid down in pesetas/therm ("I"), which shall be applicable to the total consumption of the industrial user: I_1 = 0.0813*FO

3. Distance surcharge: Users charged according to the non-interruptible industrial tariffs A, B, C, D, E, G, H and interruptible-type industrial tariffs (I) shall, in addition to standard invoices, be required to pay a surcharge that shall be directly proportional to the distance between the user's control and metering room and the main conduit or distribution circuit, the exact amount of this being dependent on the daily contractual quantity.

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FRANCE

Industrial customers consuming less than 5 GWh/year (18 000 GJ/year), pay on a two-level Public Distribution scale, which depends on the amount of fuel used during Winter and summer, and the alocation of the region which is supplying them in relation to the major network, which links up all the gas suppliers.

The major industrial consumers (>18 000 GJ/year) are supplied by contract. The price depends on the daily consumption as provided in the contract and in certain cases on the summer or winter consumption levels, and the geographic location (whether they are located in relation to the major network). The prices fluctuate according to the GNP price and the purchasing cost of gas.

Public distribution tariff fluctuations are subject to semi-regulation : each change in the tariff has to be agreed by the State. Price changes for major industrial consumers are subject to semi-regulation : the State reserves the right to oppose the change.

Consumers consuming more than 10 GWh/year are offered the choice of a demand reduction tariff. Under this system, normally, a guaranteed price is offered on the fuel which is substituted for the gas supply: domestic fuel oil or industrial fuel oil.

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ITALY

The tariff structure is based on agreements between the national methane gas company, SNAM, and the industrial associations (CONFINDUSTRIA and CONFAPI) and is applied nationally without distinction to all sectors of production and regardless of the type of supply network (transport or urban distribution) to which users are connected. Industrial users connected to urban distribution networks are subject to the same conditions as applied by SNAM for direct use if the annual offtake exceeds 200 000 m^3. The current tariff structure stipulates that users with offtakes below this figure should be generally regarded as domestic users, with end tariffs officially fixed in accordance with a special methodology.

Continuous supplies:

The tariff for continuous supplies includes a connection charge, a fixed charge linked to the daily production made available by SNAM and a variable charge related to the quantities supplied.

A) Connection charge: Lit 500 000 per month (but reduced by Lit 200 000 per month from 1 July 1991 to 31 December 1991 and by Lit 100 000 per month from 1 January 1992 to 30 June 1992).

B) Fixed charge (TF): Calculated using the formula: TF = Ca x I where:

Ca = demand charge, expressed in lire per month for each contracted daily cubic metre. The demand charge Ca is adjusted every six months (1 January and 1 July) in accordance with the trends in the indices of the agreed hourly wages of industrial workers (60% of the calculation) and the wholesale prices of non-agricultural products (40%).

I = user's daily demand (m^3/day); the fixed charge is increased if daily offtakes exceed the contracted demand by more than 11-15% (depending on the size of the user).

C) Variable charge (TP): The unit value of the variable charge (TP) is calculated using the formula: TP = Ba x Ks x S where:

Ba = base value of the variable charge (Lit/m^3)

Ks = average band coefficient calculated on the basis of the following coefficients: (from 1 to 0.85)

S = coefficient to take account of seasonal reductions: 0.94 for offtakes from April to September inclusive and 1.00 for the rest of the year.

The following arrangements apply to offtakes by establishments owned by the same company and involved in similar production:

1) single connection charge (applied to the establishment with the greatest offtake);

2) reduction (from 0.5 % to 2 %) of amounts charged according to the number of establishments involved.

A reduction is also available to consumers whose monthly offtakes are constant throughout the year. This reduction may be as much as 2.5% of the annual bill.

Lastly, at the end of the calendar year consumers who have consistently complied with the conditions of their contracts are accorded a reduction of 1.5% of the total bill for the offtake of the previous 12 months.

The above tariff is applied to almost all users. Consumers with very irregular offtakes are eligible for two other tariff scales (low consumption and one-part tariff) which are better suited to their specific requirements.

Interruptible supplies:

There are two tariff scales for interruptible supplies. Eligibility depends on the duration of the maximum interruption in each calendar year.

"Short" interruptibility : maximum interruption, 20 days/year
"Long" interruptibility : maximum interruption, 90 days/year

Interruptible supplies are intended for consumers with installations using heavy fuel oil and with a certain minimum annual offtake (1 000 000 m^3 for "short" interruptibility and 2 000 000 m^3 for "long" interruptibility).

The price of natural gas is calculated as follows:

P = 0.875 x (121.124 x IM + M) x Sm x Kstag x (1 + P.R./1200) x Reg where:

P = price of gas in Lit/m^3

121.124 = 1986 value in Lit/kg of ATZnaz

IM = (0.8 x ATZNAZ/ATZNAZo + 0.2 x ATZEST/ATZESTo) where ATNAZ and ATZEST are the price of high-sulphur heavy fuel oil as indicated for the two-part tariff for continuous supplies, both in relation to the same month of natural gas offtake; ATZNAZo = 121.124 Lit/kg (1986 value of ATZNAZ); ATZESTo = 110.664 Lit/kg (1986 value of ATZEST)

M = surcharge which varies according to the type of interruptibility ("long" or "short") and the location of the consumer's establishment.

SM = average band coefficient, which varies according to the type of contract:

"long" interruptibility: (from 1 to 0.98)

"short" interruptibility: (from 1 to 0.96)

Kstag= coefficient based on the seasonal reduction: 0.98 for offtakes from April to September inclusive and 1.00 for the rest of the year

P.R. = value in percent of the bank prime rate applicable in each month; used to take account of the time lag between consumption and payment of fuel oil and natural gas.

At the end of each calendar year the consumers who have consistently complied with the conditions of their contracts are accorded a reduction of 1.25% on the average price for the annual supply of gas.

Tax:

Natural gas for industrial use is subject to a consumption tax of Lit 20/m^3. Exemption is granted in the case of use for the generation of electricity and internal use within refineries and installations where hydrocarbons are converted into chemicals.

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LUXEMBOURG

The tariffs in force are adapted every quarter by applying the following three indices: $E_1 = 0,23\ I/I_0 + 0,6\ P/P_0 + 0,17$; $E_2 = (P-P_o) * 1,1$; $E_3 = I/I_o$

where: I = last number of the cost-of-living index known at the time of the revision,
I_o = 285.17 weighted index of consumer prices as of 31.12.1977,
P_o = 2.0963 purchasing price of natural gas as of 31.12.1977,
P = purchasing price of natural gas at the time of the revision.

Heating tariffs 1 and 2, TC1 (I_1) and TC2 (I_2, I_{3-1}), are tariffs for a single meter applied to gas used for supplying both separate and collective heating installations. These tariffs are applied in addition to the charges for gas for domestic purposes. Tariff TC1 covers collective heating installations whose useful power is below 150 000 kcal/h, tariff TC2 applying to a figure above this. These tariffs are made up of:

a) a monthly standing charge, by full block and by block which has been started, of 5 000 kcal/h of installed useful power, amounting to: TC1: (31 + E_1) Fr; TC2: (16 + E_1) Fr

b) a price per cubic metre of gas consumed of Lfr (3.64 + E_2)

c) the meter tax fixed as explained below.

The offpeak tariff, THP (I_{3-2}, I_{4-1}, I_{4-2}), is applied, in accordance with a contract, to the consumption of gas supplied outside peak hours and days, and is designed for installations equipped with combined fuel burners and a remote control device allowing operation to be switched from gas to oil and vice versa from the gasworks. It is made up of:

a) a price per cubic metre of gas which is determined each month for each subscriber by the City Council; this price may not be below the purchase price for a cubic metre of gas + 50 centimes, nor above that of oil with the same calorific value at the date the contract is concluded,

b) a monthly subscription amounting to 1/120 of the actual cost of the supply installation.

There is an industrial tariff for gas used for craft or commercial purposes rather than industrial ones. Annual consumption must exceed 1 000 cubic metres of natural gas.

Monthly meter rental charges

Membrane meters (from 19 to 260 FL)
Turbine or rotary piston meters (from 350 to 1 500 FL)

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NEDERLANDS

1. Pursuant to the provisions of the Agreement, the prices stated against a, b, c, d and e below shall be applicable successively in any year with effect from 1st January, 1990.

Zone	Offtake in m^3	Price in guilder cents per m^3 supplied
a.0	-170 000(G:500)	* 37,2 - 2,3 plus a standing charge of NLG 69 per annum
b.	170 000 - 10^6	(P:500) * 38,2 + 4,6
c.	10^6 - 10.10^6	(P:500) * 38,2 + 1,8
d.	10.10^6 - 50.10^6	(P:500) * 38,2 + 0,8
e.	> 50.10^6	(P:500) * 36,3 + 1,25

G is understood to mean: the value, averaged over the six months before the half-year for which the price applies, of gas oil excise duty, fuel storage surcharge (COVA surcharge and trade and transport surcharges). This value shall be the arithmetic mean of the high and low monthly quotations for gas oil published in Platt's Oilgram Price Report in US dollars per tonne under "Barges FOB Rotterdam", translated into Dutch guilders per tonne. This rate rounded off to four decimal places as published by ABN-Bank for the relevant period and shall be rounded off to full guilder cents.

P is understood to mean: the value, average over the six months immediately preceding the quarter for which the price applies, of fuel oil with a sulphur content of 1.0 % by weight, plus excise duty and trade and transport surcharges. This value shall be the arithmetic mean of the high and low monthly quotations for fuel oil with a sulphur content of 1 % by weight as published in Platt's Oilgram Price Report in US dollars per tonne under "Barges FOB Rotterdam", translated into Dutch guilders per tonne. This rate rounded off to four decimal places as published by ABN-Bank for the relevant period and shall be rounded off to full guilder cents.

The results of the multiplication by factor G or P shall be rounded off three decimal places. Price adjustments for band a) exceed 3 guilder cents/m^3 for any half year. The environmental levy on natural gas shall be added to the price per m^3.

If in any year the offtake exceeds 1 million m^3 and the operating period (B) in any year is less than 150 days but more than 100 days, the Customer shall be charged compensation over and above the price per m^3 offtake, as follows:

a. (1-B/150) guilder cents per m^3, rounded off to three decimal places;

b. 0,27 guilder cents for each m^3 by which the offtake exceeds 1 million m^3 per annum. This amount shall be increased by 0,26 guilder cents for each m^3 by which the offtake exceeds 8,8 million m^3 in that year.

The lower of the amounts given by a and b above shall be charged to the Customer by the Supplier. However, if the operating period is less than 100 days, the compensation shall be calculated as under a above.

A discount of 0,75 guilder cents on the price m^3 offtake shall be given in respect of gas supplied within the provinces of Groningen, Friesland and Drenthe and within the area of the province of Overijssem designated by the Netherlands Governement. This discount shall not amount to more than 5% of the price per m^3 offtake, excluding any surcharges.

The amount payable by the Customer pursuant to the preceding paragraphs is exclusive of Value Added Tax.

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PORTUGAL

GDP (Gás de Portugal) is the sole company producing and distributing piped town gas in Lisbon and neighbouring municipalities.

Price regulation: the prices for a cubic metre of town gas and monthly service charge are regulated by the Secretary of State for Energy and the Secretary of State for Domestic Trade.

Taxation: A VAT rate currently set at 8 % is applied to the price per cubic metre of town gas and monthly service charge.

Pricing system: GDP charges one price only per cubic metre of town gas: ESC 37.00 (including 8 % VAT) for all customers, whether industrial or not. The price does not vary according to volume of consumption.

Tariff and contractual formulas: GDP customers who are supplied with piped gas must pay a monthly service charge which varies according to the type of meter installed.

The large majority of GDP customers (about 99 %) have meter types G4 or G5 (440 ESC + VAT).

Options (interruptibility, seasonal rates, reductions) are not currently available.

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UNITED KINGDOM

Tariff customers

Domestic and smaller industrial and commercial customers, i.e. those consuming up to 2 638 GJ per year, are supplied under published tariffs. Since 1 March 1990 these tariffs have been standard across the whole of Great Britain. There are two main types of tariff, the credit tariff, which applies to the majority of domestic sector sales, and the domestic prepayment tariff, where consumers pay in advance via a meter. Both tariffs incorporate a standing charge and charges for each unit consumed. The rate payable per GJ varies according to the level of consumption, reducing as consumption increases.

Non-tariff customers

Customers taking more than 2 638 GJ per year can be supplied either by British Gas or by another supplier. For supplies by British Gas customers are normally supplied according to the prices and therms (GJ) set out in published schedules, although they can be supplied under British Gas's tariffs. These schedules were introduced in May 1989 following recommendations in the 1988 report by the Monopolies and Mergers Commission, and are intended to stimulate competition in the market. Suppliers other than British Gas negotiate individual contracts with customers.

The prices within British Gas's schedules are determined according to a number of factors, including the size of the load, the number of premises supplied, whether the supplies are firm or interruptible and the length of the period of interruption. Interruptible supplies are available only to costumers consuming more than 21 101 GJ per year. There are different schedules for contracts of different lengths. The schedules do not differentiate according to the use of the gas by the customer. Power station's supplies are generally covered by the schedule for long-term contracts (10-15 years).

In general the schedules in operation in July 1991 incorporate a monthly charge and a unit charge. The monthly charge varies according to the level of annual consumption; the unit charge varies with consumption and also according to the number of premises supplied. There are optional terms in the schedules allowing for prices to be fixed (at supplement of the basic price) or for the prices to be indexed. For firm supplies the schedules also incorporate seasonal pricing factors which increase the price in winter. These factors are follows:

December, January, February, March	1.0
April, May, October, November	0.95
June, July, August, September	0.85

Since British Gas remains the majority supplier, all prices reported under the Directive for the United Kingdom gas market for 1 July 1991 are these charged by British Gas.

Regulation of gas prices

Since 1987 prices charged by British Gas to the tariff sector have been restricted according to a formula linked to the rate of inflation as measured by the Retail Price Index (RPI). The Director General of Gas Supply has the responsibility of monitoring and enforcing the formula. Under the formula British Gas can increase its prices up to the level allowed by the formula. The formula has had a structure : RPI-X+Y+K.

The first part of the formula , RPI-X, applies to "non-gas costs", that is, all British Gas costs except the purchase cost of gas. British Gas is allowed to reflect increases in these costs in its process up to the rate of inflation minus an efficiency factor (X) set at 2%. The second element in the formula, Y, at present allows British Gas to pass through all the increases in its gas purchase costs into prices. The third element in the formula, K, allows under-shoot or over-shooot in any particular year to be corrected in later years.

Following a review, the formula is more fully developed. It contains a double price cap (a ceiling setting a limit on price rises) - and a new energy efficiency element. One of the two caps is for non-gas costs, and there is a separate cap for gas costs. The formula has the form : RPI-X+GPI-Z+E+K.

The RPI-X element is the same as in the present formula, though X has been increased to 5%. However, the Y element in the formula has been replaced by a new price cap, GPI-Z. This means that British Gas can increase its gas costs in accordance with the movement in special gas price index minus an efficiency factor, Z, set at 1%.

The second new element, E, covers certain energy efficiency expenditure. Th K factor is the same as before.

Gas prices to larger consumers outside the tariff sector are not subject to the same regulation. The report published by the Monopolies and Mergers Commission in October 1988 recommended that British Gas be required to publish a schedule of prices at which it was prepared to supply firm and interruptible gas to contract customers. This recommendation was accepted by the Governement and price schedules were introduced from May 1989.