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PRICE SYSTEMS
GAS
(Supplement to n° 23 - 1991)

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 received after the preparation of the previous rapid reports (16/12/1991).

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DENMARK

Price structure for sale of gas to end-users in Denmark

Sale of gas to end-users is settled according to four rates:

- The standard rate for customers with a yearly consumption of less than 300 000 m^3
- The industrial rate for industrial and commercial customers with a yearly consumption of more than 300 000 m^3
- The district heating rate for supplies to district heating plants and block heating plants with a yearly consumption of more than 300 000 m^3
- The electricity rate for sales to cogeneration plants where the gas is used to electricity production.

The first three rates are block-rates where the average price declines with increases in yearly consumption. All four rates are linked to oil product prices on the Danish market and are adjusted monthly to changes in oil product prices.

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Denmark applies relatively high energy taxes on light heating oil and on fuel oil for use outside the commercial and industrial sectors, i.e. the energy taxes are basically levied on oil used for residential heating.

There are no energy taxes on natural gas but the gas rates are linked to oil product prices inclusive of energy taxes when used for residential heating. The industrial rate is linked to oil product prices exclusive of energy taxes.

1. The standard rate

The standard rate applies to all customers with a yearly consumption lower than 300 000 m^3. The rate is linked to the price of light heating oil inclusive of energy tax:

Table 1. The standard rate

Yearly consumption m^3	Block rate gas price in per cent of the price of light heating oil inclusive of energy tax
0 - 20 000	100
20 001 - 75 000	98
75 001 - 150 000	93
150 001 - 300 000	90

Prices per m^3 of gas are calculated for oil and gas using net calorific values.

Rebates

An introduction rebate is granted. It is normally only granted in the five years following the date when connection to the grid was possible. This in order to provide an incentive for early connections to new distribution grids.

Table 2. Introduction Rebate

Yearly consumption m^3	DKK/m^3
0 - 1 000	0.00
1 001 - 6 000	0.40
6 001 - 150 000	0.12
150 001 - 300 000	0.075

Instead of a rebate on gas use the consumer has the options to receive a lump sum payment.

Industrial and commercial customers with a yearly consumption lower than 300,000 m^3 are included in the standard rate but have the right to receive an industrial rebate. This rebate corresponds to the energy tax imposed on light heating oil. Commercial and industrial customers are not liable to pay energy taxes on their oil consumption.

A conversion rebate is granted to consumers on the standard rate having a yearly consumption of 20 000 m^3 or more. The rebate is calculated according to the following formula:

$$\text{Rebate DKK/m}^3 = \frac{\text{Cost of Conversion}}{\text{Present Value of Contracted Yearly Consumption}}$$

2. The industrial rate

This rate applies to commercial and industrial customers with a yearly consumption of more than 300 000 m^3.

Table 3. The industrila rate

Yearly consumption m^3	Block rate gas price in % of light heating oil exclusive of energy tax	fuel oil exclusive of energy tax
The first 300 000	91.5	
300 001 - 800 000		110.5
800 001		104.7

Price per m^3 of gas are calculated using net calorific values of oil and gas. Reference price of fuel oil is for 1% Sulphur (S).

Rebates

The following rebates are granted:

Introduction:	0.15 DKK/m^3 for up to five years.
Conversion:	Same method as for standard rate.
Interruption: (Interruptible contracts can be negotiated only with customers having a yearly consumption of more than 800 000 m^3)	Rebates to customers on interruptible Contracts have the following elements: - A rebate on yearly interruptible quantities. - A rebate varying with the period between notifying the customer and actually interrupting his supplies. The shorter the period the higher the rebate - A compensation per 24 hours of interruption in supplies
Seasonel rebates:	Rebates on the part of the consumption which falls within the period from April to October.

Competition rebate:	Negotiated individually with an upper limit. The purpose is to meet general competition from fuel oil.
Market rebate:	A rebate varying with the fuel oil rebates. The purpose is to meet additional competition from fuel oil.
Extra change for high investment costs	When the investment costs for connecting a customer to the grid is high then it is possible for the distribution company to demand an extra charge.

3. The District Heating Rate

This rate applies to district heating plants and block heating plants with a yearly consumption of more than 300 000 m^3.

4. The Electricity Rate

The electricity rate covers sales for the production of electricity. It applies to cogeneration plants up to 80 MW electricity power.

No tariff or predetermined price policy applies to power and cogeneration plants bigger than 80 MW electricity power. In principle, such sales contracts are negotiated individually between Dansk Naturgas A/S and the electricity company.

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FRANCE

1. General situation in the gas industry (in 1990)

The gas industry in France is constituted as follows:

- a company which imports natural gas, GDF;
- a production company (SNEAP: Société Nationale Elf Aquitaine Production);
- three companies providing transport services: GDF, CFM (Compagnie Française du Méthane), SNGSO (Société Nationale de Gaz du Sud-Ouest);
- a distribution company (and regies): GDF.

2. Taxation

Gas sales are subject to value added tax, which may be recovered by registered industrial and tertiary-sector customers.

In the case of domestic customers. VAT is applied at 5.5% on standing charges and at 18.6% on commodity rates. The VAT rate is fixed at 18.6% for all tariffs applying to other customer categories.

The distinction between VAT rates on standing charges and commodity rates for domestic customers was introduced in October 1988. The rate of 18.6% has been unchanged since July 1982.

Furthermore, a special tax on the use of natural gas as an industrial fuel (TICGN: Taxe Intérieure à la Consommation de Gaz Naturel) was instituted on 1 January 1986. In 1991 this tax was levied at the rate of 0.59 C/kWh GCV. Exemptions apply to gas used to heat living accommodation or as a raw material. TICGN is applied when annual consumption exceeds 5 GWh/year, with an abatement of 400 000 kWh/ month.

3. Tariffs for domestic and tertiary-sector customers and for small-scale industry

Tariffs for these customers comprise:

- an annual standing charge,
- and a rate or rates per kWh consumed.

There are six tariffs, which vary according to the customer's annual consumption and in some cases the time of year:

- the basic tariff for annual consumption below 1 000 kWh (normally for cooking),
- tariff BO for annual consumption between 1 000 and 7 000 kWh (normally cooking and hot water),
- tariff B1 between 7 000 and 30 000 kWh per annum (individual heating, hot water and/or cooking),
- tariff B2I from 30 000 to between 150 000 and 350 000 kWh per annum (collective provision of heating and/or hot water),
- tariff B2S for consumption in excess 150 000-350 000 kWh per annum. Tariff B2S is seasonally adjusted: winter consumption (November to March) is charged at a higher rate than summer consumption (April to October),
- the contingency tariff applying to back-up or stand-by supplies for other energy sources (ratio annual quantities/daily offtake less than 70 days).

For customers whose consumption lies between 150 000 and 350 000 kWh, the choice of tariff B2I or B2S depends on the pattern of consumption and each case has to be calculated separately.

Standing charges are standardized throughout the public distribution network of GDF, as are the commodity rates of the basic and BO tariffs. The commodity rates for tariffs B1, B2I and B2S are subdivided into six levels depending on the cost of bringing the gas to the public distribution network.

4. Tariffs for large industrial customers

Large industrial customers (consumption above 5 GWh/year) are subject to tariffs with a more complex structure, known as subscription tariffs, for gas used for industrial purposes.
These subscription tariffs are made up of four components:

- an identical annual subscription charge for every point on the grid;
- an annual standing charge based on the daily winter demand which the customer has requested; payment of this standing charge "entitles" the customer to this daily offtake throughout the year;

- a reduced annual standing charge based on any additional daily demand which the customer has requested for the seven summer months only;

- commodity charges which differ according to season (winter/summer) and block of consumption:

  . block 1: up to 24 million kWh/year,

  . block 2: above 24 million kWh/year.

The charges in summer are lower than those in winter.

These tariffs have two versions corresponding to the type of network to which the customer's installations are connected, namely the SRS tariff for installations connected to the public distribution network and the STS tariff for installations connected directly to the transmission grid.

A single tariff is applied to the major interconnected transmission routes linking the country's sources of gas; tariffs (excluding subscription charges) for the minor routes are obtained by adding the charges specific to each one to this tariff (system of tolls). SRS tariffs are calculated from STS tariffs by adding a toll for transfer via the public distribution network.

These tariffs apply to industrial customers only and are subject to supply constraints and market conditions: there is basically no obligation to supply gas at these tariffs.

Contracts are concluded for a three-year period.

5. Special contracts

The GDF may ask its large customers (those using more than 10 GWh/year) if it may purchase from them the option of interrupting supplies. Under this arrangement customers undertake to cease their consumption of gas at GDF's request. The period of notice before supplies are interrupted is fixed contractually, varying from a few hours to fifteen days. The GDF may use this option when there is a supply crisis or at times of peak demand, customer notice permitting. The length of time for which supply may be interrupted is not fixed.

Customers participating in this arrangement must therefore be able to switch over readily to an alternative source of energy and must therefore maintain back-up equipment in working order. Customers must also undertake to consume at least 80% of the annual quantities stipulated in the contract.

The GDF rewards customers offering the option of interruptibility through flat-rate rebates when an alternative source of energy is domestic heating oil, and through guaranteed prices for heavy fuel oil when emergency use of this has to be made.

6. Price regulation

Tariffs are a matter of public record: if there is any change to existing rates, a new price list must be registered.

The tariffs for the public distribution network are regulated: the average rate of change is set by order of the Ministry of Finance.

Changes in prices for large industrial customers are partially unregulated: the GDF registers price lists with the Ministry of Finance, which has the right to oppose them.

In conjunction with the regulatory arrangements, the GDF and the State have concluded a contract defining their relationship for the period 1991 to 1993. Under this contract the GDF undertakes to make productivity gains and to pass some of the benefits on to domestic customers. The State, for its part, undertakes to permit the GDF to have the necessary tariff rates to reduce its debt.

GDF's prices vary according to supply costs and inflation. The cost of raw materials assumes greater importance with large industrial customers than it does with domestic customers, who are more expensive in terms of investment and management costs.

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IRELAND (Dublin)

Industrial/Commercial prices : standard tariff

PRICES BEFORE VALUE ADDED TAX IS APPLIED					VAT INCLUSIVE PRICES VAT Rate = 12.5%	
Tariff	Annual Minimum (Take or pay) Therms	Two-monthly Standing Charge Punts (Ir.)	Two-Monthly Consumption Blocks Therms	Gas Rate P(Ir.)/therm	Two-Monthly Standing Punts (Ir.)	Gas Rate P(Ir.)therm
Standard Tariff	N/A	10.00	0-200 thermies 201-1500 therm. 1500-3000 therm. + 3000 therm.	65.00 55.00 46.00 40.00	11.25	73.13 61.88 51.75 45.00

Note : VAT is charged at rate of 12.5 % on all prices : this is reclaimed by Industrial/Commercial Customers.

Industrial/Commercial prices : contracts

The Standard Industrial/Commercial Tariff caters normally for customers using up to 100 000 Therms per annum : equivalent to 2 931 MwHr. per annum.

Customers using in excess of 25 000 Therms per annum may opt for a contract wherin the gas prices is determined quarterly by appliying a multiplir (A-Factor) to the Landed price in P/Therm of the Marker Oil Fuel, all such contracts being subject to a minimum or Floor Price.

As is normal in the case of a developing market such contracts are subject to negotiation, and the final rate will be derived in a process that condiders the nature of the load, our costs and the customers costs and the anticipated return on investment to both parties.

Contract customers are also charged a Menter Rent as detailed in the following schedule.

Meter Capacity Cubic Meter/hour	Estimated Annual Consumption K. Therms per Annum	Monthly Rental Punts (Ir.) EXCLUDING VAT	Monthly Rental Punts (Ir.) INCLUDING VAT
Up to 20	1	5.00	5.63
21 - 40	5	15.00	16.88
21 - 100	30	25.00	28.13
101 - 500	100	50.00	56.25
Greater than 500	500 plus	100.00	112.50

note : VAT is charged at rate of 12.5 % on all prices : this is reclaimed by Industrial/Commercial Customers.