

Annual Postalisation Reconciliation 2020-21

Explanatory Note

December 2021

1.0 Introduction

1.1 The 2020-21 Postalisation Reconciliation process for the Northern Ireland Gas Transmission Network has been completed and was circulated to the Designated Pipeline Operators (“DPOs”) by the Postalised System Administrator (“PSA”) on 29th November 2021. This explanatory note summarises the Year End Charges and how they have changed from the Forecast Charges. For clarity, it also illustrates how the reconciliation payments are calculated.

2.0 Year End Charges

2.1 The following tables compare the actual volumes, capacity and required revenue with the forecast volumes, capacity and required revenue for the period October 2020 to September 2021:

Table 1 Required Revenue	Required Revenue (£)		Variance	
	Forecast	Actual	Value	%
Premier Transmission	26,015,862	26,468,304	452,442	1.7%
GNI(UK)	17,463,254	17,463,254	0	0.0%
Belfast Gas Transmission	8,567,490	8,128,144	-439,346	-5.1%
West Transmission	8,501,036	8,258,423	-242,613	-2.9%
Total	60,547,642	60,318,125	-229,517	-0.4%
Capacity Charges	51,465,495	51,270,406	-195,089	-0.4%
Commodity Charges	9,082,147	9,047,719	-34,428	-0.4%

Note: GNI (UK) Forecast and Actual Required Revenue remains unchanged while that of the other three licence holders varies so that in any year actual revenues equal actual expenditure.

Note: All value figures in sections 2 and 3 of this explanatory note exclude VAT.

Table 2 System Throughput	System Throughput (kWh)		Variance	
	Forecast	Actual	Value	%
Ballylumford Power	4,589,730,000	5,018,170,527	428,440,527	9.3%
Coolkeeragh Power	5,275,800,000	5,275,800,000	0	0.0%
Phoenix Distribution	4,824,449,176	4,865,382,303	40,933,127	0.8%
Firmus Distribution	1,943,323,539	2,012,713,344	69,389,805	3.6%
SGN Distribution	968,593,000	722,231,180	-246,361,820	-25.4%
Total	17,601,895,715	17,894,297,354	292,401,639	1.7%

Note: the volume of gas on which Coolkeeragh is billed is subject to a ship or pay contract and may therefore be greater than actual throughput as reported in the DPO Quarterly Exit Volumes Report

Table 3 System Exit Capacity	System Exit Capacity (kWh per Day)		Variance	
	Forecast	Actual	Value	%
Ballylumford Power	21,500,000	23,463,889	1,963,889	9.1%
Coolkeeragh Power	18,766,000	18,766,000	0	0.0%
Phoenix Distribution	35,336,970	35,336,970	0	0.0%
Firmus Distribution	11,430,000	11,430,000	0	0.0%
SGN Distribution	3,793,844	3,000,000	-793,844	-20.9%
Total	90,826,814	91,996,859	1,170,045	1.3%

Table 4 System Entry Capacity by Product Duration	Entry Capacity (kWh per Day)		Variance	
	Forecast	Actual	Value	%
Annual	49,815,000	47,921,000	-1,894,000	-3.8%
Quarter1	0	0	0	0.0%
Quarter 2	865,000	0	-865,000	-100.0%
Quarter 3	0	0	0	0.0%
Quarter 4	0	0	0	0.0%
October	400,000	0	-400,000	-100.0%
November	355,000	700,000	345,000	97.2%
December	500,000	500,000	0	0.0%
January	850,000	3,000,000	2,150,000	252.9%
February	950,000	8,050,000	7,100,000	747.4%
March	850,000	6,850,000	6,000,000	705.9%
April	500,000	1,500,000	1,000,000	200.0%
May	100,000	0	-100,000	-100.0%
June	0	0	0	0.0%
July	0	0	0	0.0%
August	0	0	0	0.0%
September	0	0	0	0.0%
Daily-October	5,735,929	4,485,847	-1,250,082	-21.8%
Daily-November	7,476,107	4,712,170	-2,763,937	-37.0%
Daily-December	8,341,155	10,350,925	2,009,770	24.1%
Daily-January	8,186,336	12,825,927	4,639,591	56.7%
Daily-February	7,473,710	7,756,370	282,660	3.8%
Daily-March	6,080,416	2,431,153	-3,649,263	-60.0%
Daily-April	6,246,578	3,641,189	-2,605,389	-41.7%
Daily-May	7,406,280	4,850,319	-2,555,961	-34.5%
Daily-June	8,517,279	4,105,167	-4,412,112	-51.8%
Daily-July	4,265,718	4,177,581	-88,138	-2.1%
Daily-August	5,465,511	4,236,954	-1,228,557	-22.5%
Daily-September	5,127,055	8,192,957	3,065,902	59.8%

Note: Other products are made available at entry capacity auctions, Within Day and Virtual Reverse Flow. As zero bookings were forecast or actually made for these products they have not been included in this table.

2.2 The effect on revenues of the variation between forecast and actual capacity/volumes was as follows:

Table 5 Revenue	Revenue Collection (£)		Variance	
	Forecast	Actual	Value	%
Annual Exit	28,744,870	29,115,166	370,296	1.3%
Annual Entry	15,765,451	15,166,038	-599,413	-3.8%
Quarterly Entry	220,895	0	-220,895	-100.0%
Monthly Entry	330,242	1,825,697	1,495,454	452.8%
Daily Entry	6,410,050	6,554,870	144,820	2.3%
Total Capacity	51,471,509	52,661,771	1,190,262	2.3%
Commodity	9,082,578	9,233,457	150,879	1.7%
Total Revenue	60,554,087	61,895,228	1,341,141	2.2%

Note: Forecast collected revenues do not match Forecast Revenue Requirement in Table 1. This is because actual transmission charges as applied in practice are limited to the 5th decimal place.

Note: All value figures in sections 2 and 3 of the explanatory note exclude VAT.

2.3 As detailed in Table 5, the revenue over collection is largely due to monthly entry capacity bookings that were higher than forecast over the year; particularly during the Winter and Spring months when these products are more expensive compared to capacity products of a longer duration.

2.4 The deviations in Required Revenue and Collected Revenue when combined equate to the total value of Postalised Revenue that will be returned to network users in the reconciliation.

Table 6 Bullet Payment Calculation	(£)
Forecast Revenue Required	60,547,642
Actual Revenue Requirement	60,318,125
Deviation in Revenue Requirement	-229,517
Forecast Revenue Collection	60,554,087
Actual Revenue Collection	61,895,228
Deviation in Revenue Collection	1,341,141
Deviation in FRR and Forecast Collection	6,446
Bullet Payment to Shippers	1,577,104
Postalised Tariff Adjustment	-2.55%

Note: The bullet payment to Shippers figure in Table 6 excludes revenue from entry over-run charges which is dealt with separately as set out in section 4 below.

Note: Deviation in FRR and Revenue Collection is a result of the fact transmission charges used for invoicing during the gas year are limited to the 5th decimal place.

- 2.5 The adjustment to the Postalised Tariff is not uniform however and effects commodity and capacity charges separately. This maintains the pre-determined split between commodity and capacity-based revenues.

Table 7 Postalised Tariff Adjustment	Revenue (£)		Adjustment	
	Required	Actual	Value	%
Capacity Charges	51,270,406	52,661,771	-1,391,365	-2.64%
Commodity Charges	9,047,719	9,233,457	-185,739	-2.01%
Total	60,318,125	61,895,228	1,577,104	-2.55%

Table 8 Forecast & Actual Postalised Tariff		Postalised Tariffs		%
		Forecast	Actual	
Annual Exit / Entry Capacity	£/kWh/day booked	0.31648	0.30815	-2.63%
Commodity	p/kWh	0.05160	0.05056	-2.02%

Note: For the purposes of the reconciliation payment calculations no limit is placed on the number of decimal places to which final tariffs are calculated.

3.0 Reconciliation Payments

- 3.1 It should be noted that the figures used in this section are simply to illustrate the calculation of a reconciliation payment and are not based on any particular shipper. Each Gas Supplier's reconciliation payment is calculated according to the following formula as set out in condition 2A.2.6.3 of the standard licence conditions:

Commodity Reconciliation = (Year End Commodity Tariff – Forecast Commodity Tariff)

* Gas Supplier Annual Exit Quantity

Capacity Reconciliation = (Year End Capacity Tariff – Forecast Capacity Tariff)

* Gas Supplier Firm Capacity

- 3.2 The payment is due from a Gas Supplier if the figure is positive and owed to a Gas Supplier if the figure is negative. The table below provides a worked example of these calculations.

Table 9 Worked Example	Exit	Annual Capacity Booking	
	Volume (kWh)	Entry (peak day kWh per day)	Exit
Volume kwh	2,000,000,000	3,000,000	2,000,000
Forecast Tariff (p/kWh)	0.05160	0.31648	0.31648
Actual Tariff (p/kWh)	0.05056	0.30815	0.30815
Adjustment (p/kWh)	-0.00104	-0.00833	-0.00833
Gas Supplier Payment (£)	-20,800	-24,990	-16,660

4.0 Entry Over-Run Charges

- 4.1 Each year additional revenues are collected from network users in entry over-run charges. The revenue from these over-run charges is returned to network users and included in the reconciliation payment. The payment to an individual network user of these over-run revenues is in proportion to their contribution to the total licence invoice amounts for all shippers (including VAT). The table below sets out the calculation of this repayment based on an indicative network user.

Table 10 Entry Over Run	Aggregate	Indicative Shipper A	
	Value (£)	Value (£)	%
Licence Invoice Revenue (inc VAT)	72,154,530	5,000,000	6.93%
Over Run Charges (ex VAT)	84,880	5,882	6.93%