Annual Postalisation Reconciliation 2021-22

Explanatory Note

December 2022

1.0 Introduction

1.1 The 2021-22 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 1st December 2022. 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 2021 to September 2022:

Table 1 **Required Revenue**	Required Revenue (£)		Variance	
	Forecast	Actual	Value	%
Premier Transmission	25,603,708	28,912,908	3,309,200	12.9%
GNI(UK)	17,521,462	17,521,462	0	0.0%
Belfast Gas Transmission	9,830,647	10,120,341	289,694	2.9%
West Transmission	8,571,367	8,071,057	-500,310	-5.8%
Total	61,527,184	64,625,767	3,098,583	5.0%
Capacity Charges	58,450,825	61,394,479	2,943,654	5.0%
Commodity Charges	3,076,359	3,231,288	154,929	5.0%

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.

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

Table 2 **System Throughput**	System Throughput (kWh) Forecast	 Actual	Variance Value	 %
Ballylumford Power	4,285,290,000	5,908,676,903	1,623,386,903	37.9%
Coolkeeragh Power	5,275,800,000	5,275,800,000	0	0.0%
Phoenix Distribution	4,808,277,630	4,404,522,390	-403,755,240	-8.4%
Firmus Distribution	2,012,809,125	1,881,939,727	-130,869,398	-6.5%
SGN Distribution	1,022,572,000	710,906,153	-311,665,847	-30.5%
Total	17,404,748,756	18,181,845,173	777,096,417	4.5%

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) Forecast	 Actual	Variance Value	 %
Ballylumford Power	23,000,000	26,132,500	3,132,500	13.6%
Coolkeeragh Power	18,766,000	18,773,333	7,333	0.0%
Phoenix Distribution	35,843,052	35,843,052	0	0.0%
Firmus Distribution	11,760,000	11,760,000	0	0.0%
SGN Distribution	3,983,536	3,000,000	-983,536	-24.7%
Total	93,352,588	95,508,885	2,156,297	2.3%

Table 4 System Entry Capacity by Product Duration	Entry Capacity (kWh per Day)		Variance	
	Forecast	Actual	Value	%
Annual	51,418,000	57,121,000	5,703,000	11.1%
Quarter1	0	0	0	0.0%
Quarter 2	1,070,000	3,000,000	1,930,000	180.4%
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	200,000	-155,000	-43.7%
December	500,000	1,446,000	946,000	189.2%
January	850,000	3,078,000	2,228,000	262.1%
February	950,000	2,471,000	1,521,000	160.1%
March	850,000	450,000	-400,000	-47.1%
April	500,000	100,000	-400,000	-80.0%
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	2,970,362	2,675,612	-294,750	-9.9%
Daily-November	3,592,745	3,626,049	33,304	0.9%
Daily-December	3,872,353	2,766,412	-1,105,941	-28.6%
Daily-January	5,880,965	3,038,910	-2,842,055	-48.3%
Daily-February	6,294,551	240,383	-6,054,168	-96.2%
Daily-March	1,460,459	2,269,229	808,770	55.4%
Daily-April	1,247,492	3,296,028	2,048,536	164.2%
Daily-May	2,241,388	3,888,220	1,646,832	73.5%
Daily-June	3,725,811	5,276,800	1,550,989	41.6%
Daily-July	2,115,382	4,589,007	2,473,625	116.9%
Daily-August	514,348	4,603,458	4,089,110	795.0%
Daily-September	557,253	4,188,531	3,631,279	651.6%

Note: Other products are made available at entry capacity auctions, Within Day and Virtual Reverse Flow. Since 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 Collection (£)		Variance	
Revenue	Forecast	Actual	Value	%
Annual Exit	34,507,784	35,304,859	797,075	2.3%
Annual Entry	19,006,664	21,114,778	2,108,114	11.1%
Quarterly Entry	319,149	894,810	575,661	180.4%
Monthly Entry	385,721	800,222	414,501	107.5%
Daily Entry	4,231,763	2,368,569	-1,863,194	-44.0%
Total Capacity	58,451,081	60,483,238	2,032,157	3.5%
Commodity	3,077,160	3,214,550	137,391	4.5%
Total Revenue	61,528,241	63,697,788	2,169,547	3.5%

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 mainly due to higher annual capacity bookings; both at entry and exit with smaller contributions from higher than forecast quarterly and monthly capacity revenue. This has resulted in a substantial under-recovery of daily entry capacity revenue which has significantly offset the over-recovery of revenue from the longer duration products.

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	61,527,184
Actual Revenue Requirement	64,625,767
Deviation in Revenue Requirement	3,098,583
Forecast Revenue Collection	61,528,241
Actual Revenue Collection	63,697,788
Deviation in Revenue Collection	2,169,547
Deviation in FRR and Forecast Collection	1,057
Bullet Payment from Shippers	-927,979
Postalised Tariff Adjustment	1.46%

Note: The bullet payment from 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**	Collected Revenue (£)		Adjustment	
	Required	Actual	Value	%
Capacity Charges	61,394,479	60,483,238	911,241	1.51%
Commodity Charges	3,231,288	3,214,550	16,738	0.52%
Total	64,625,767	63,697,788	-927,979	1.46%

Table 8 **Forecast & Actual Postalised Tariff**		Postalised Tariffs		
		Forecast	Actual	%
Annual Exit / Entry Capacity	£/kWh/day booked	0.36965	0.37521	1.50%
Commodity	p/Kwh	0.01768	0.01777	0.51%

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 Volume (kWh)	Annual Capacity Booking (peak day kWh per day)	
		Entry	Exit
Volume kwh	2,000,000,000	3,000,000	2,000,000
Forecast Tariff (£/kWh)	0.0001768	0.36965	0.36965
Actual Tariff (£/kWh)	0.0001777	0.37521	0.37521
Adjustment (£/kWh)	0.0000009	0.00556	0.00556
Gas Supplier Payment (£)	1,800	16,680	11,120

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 Value (£)	Indicative Shipper A Value (£)	 %
Licence Invoice Revenue (inc VAT)	74,116,063	5,000,000	6.75%
Over Run Charges (ex VAT)	88,703	5,984	6.75%