

Postalisation Reconciliation 2018-19

Explanatory Note

December 2019

1.0 Introduction

1.1 The 2018-19 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 2nd December 2019. 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 2018 to September 2019:

Table 1 Required Revenue	Required Revenue (£)		Variance	
	Forecast	Actual	Value	%
Premier Transmission	25,195,784	23,792,295	-1,403,489	-5.6%
GNI(UK)	18,701,179	18,701,179	0	0.0%
Belfast Gas Transmission	7,781,567	7,515,076	-266,491	-3.4%
West Transmission	10,098,324	8,142,692	-1,955,632	-19.4%
Total	61,776,854	58,151,241	-3,625,613	-5.9%
Capacity Charges	46,332,641	43,613,431	-2,719,210	-5.9%
Commodity Charges	15,444,213	14,537,810	-906,403	-5.9%

Note: GNI (UK) Forecast and Actual Required Revenue remains unchanged while that for 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 the explanatory note exclude VAT.

Table 2 System Throughput	System Throughput (kWh)		Variance	
	Forecast	Actual	Value	%
Ballylumford Power	4,931,346,000	5,351,102,160	419,756,160	8.5%
Coolkeeragh Power	5,275,800,000	5,275,800,000	0	0.0%
Phoenix Distribution	4,525,660,997	4,480,966,222	-44,694,775	-1.0%
Firmus Distribution	1,731,892,823	1,760,020,454	28,127,631	1.6%
SGN Distribution	658,837,577	179,955,009	-478,882,568	-72.7%
Total	17,123,537,397	17,047,843,845	-75,693,552	-0.4%

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	24,320,000	24,717,778	397,778	1.6%
Coolkeeragh Power	18,766,000	18,766,000	0	0.0%
Phoenix Distribution	34,129,823	34,129,823	0	0.0%
Firmus Distribution	10,676,000	10,676,000	0	0.0%
SGN Distribution	2,164,008	973,152	-1,190,856	-55.0%
Total	90,055,831	89,262,753	-793,078	-0.9%

Table 4 System Entry Capacity by Product Duration	Moffat Entry Capacity (kWh per Day)		Variance	
	Forecast	Actual	Value	%
Annual	67,445,925	67,038,187	-407,738	-0.6%
Quarter1	400,000	0	-400,000	-100.0%
Quarter 2	850,000	0	-850,000	-100.0%
Quarter 3	0	0	0	0.0%
Quarter 4	0	0	0	0.0%
October	0	200,000	200,000	100.0%
November	342,957	900,000	557,043	162.4%
December	1,006,826	1,046,412	39,586	3.9%
January	791,579	1,300,000	508,421	64.2%
February	800,608	1,100,000	299,392	37.4%
March	602,842	1,000,000	397,158	65.9%
April	600,000	500,000	-100,000	-16.7%
May	0	100,000	100,000	100.0%
June	0	0	0	0.0%
July	0	0	0	0.0%
August	0	0	0	0.0%
September	0	100,000	100,000	100.0%
Daily-October	671,290	631,044	-40,246	-6.0%
Daily-November	1,209,333	1,236,248	26,915	2.2%
Daily-December	967,742	3,817,075	2,849,333	294.4%
Daily-January	1,114,839	5,170,927	4,056,088	363.8%
Daily-February	1,297,500	4,042,519	2,745,019	211.6%
Daily-March	557,419	5,577,447	5,020,028	900.6%
Daily-April	60,000	7,602,216	7,542,216	12570.4%
Daily-May	48,387	7,432,525	7,384,138	15260.6%
Daily-June	62,333	5,171,063	5,108,730	8195.9%
Daily-July	4,194	1,019,319	1,015,125	24204.2%
Daily-August	309,677	1,038,824	729,147	235.5%
Daily-September	158,867	4,424,601	4,265,734	2685.1%

Note: Other products are made available at entry capacity auctions, Within Day and Virtual Reverse Flow. A full range of products is also available at the South North IP. As zero bookings were forecast or actually were made for these products they have not been included in this table.

Note: February has 28 days during gas year 2018-19

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	25,744,260	25,517,543	-226,717	-0.9%
Annual Entry	19,280,767	19,164,207	-116,560	-0.6%
Quarterly Entry	275,562	0	-275,562	-100.0%
Monthly Entry	282,612	415,175	132,563	46.9%
Daily Entry	749,518	3,592,866	2,843,348	379.4%
Total Capacity	46,332,719	48,689,791	2,357,072	5.1%
Commodity	15,443,718	15,375,450	-68,268	-0.4%
Total Revenue	61,776,437	64,065,241	2,288,804	3.7%

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 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	61,776,854
Actual Revenue Requirement	58,151,241
Deviation in Revenue Requirement	-3,625,613
Forecast Revenue Collection	61,776,437
Actual Revenue Collection	64,065,241
Deviation in Revenue Collection	2,288,804
Deviation in FRR and Forecast Collection	-417
Bullet Payment to Shippers	5,914,000

Postalised Tariff Adjustment	-9.23%
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Note: The bullet payment to Shippers figure 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.

2.4 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	43,613,431	48,689,791	-5,076,360	-10.43%
Commodity Charges	14,537,810	15,375,450	-837,640	-5.45%
Total	58,151,241	64,065,241	5,914,000	-9.23%

Table 8 Forecast & Actual Postalised Tariff		Postalised Tariffs		
		Forecast	Actual	%
Annual Exit / Entry Capacity	£/ peak day kWh pa	0.28587	0.25606	-10.43%
Commodity	p/kWh	0.09019	0.08528	-5.44%

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	
		Entry (peak day kWh per day)	Exit
Volume kwh	2,000,000,000	3,000,000	2,000,000
Forecast Tariff	0.09019	0.28587	0.28587
Actual Tariff	0.08528	0.25606	0.25606
Adjustment	-0.00491	-0.02981	-0.02981
Gas Supplier Payment (£)	-98,200	-89,430	-59,620

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)	76,942,794	5,000,000	6.50%
Over Run Charges (ex VAT)	69,874	4,541	6.50%