

## **Forecast Postalised Tariff 2024/25 - 2028/29**

### **Postalised Tariff Explanatory Note**

#### **1 Introduction**

Pursuant to condition 2A.4.3.1 (b) of the Gas Conveyance licenses granted to Gas Networks Ireland (UK), Premier Transmission Limited, Belfast Gas Transmission Limited and West Transmission Limited, the Postalisation System Administrator ('PSA') has completed its annual calculation of the forecast postalised tariff for 2024/25 and the following four gas years.

The Utility Regulator reviews the inputs to the tariff calculation (the Forecast Required Revenues (FRRs) and the forecast volume and capacity figures as submitted by the Transmission System Operators ('TSOs')). It should be noted that accurate forecasting is an integral part of the tariff setting process.

This note explains what the inputs for calculating the postalised tariff are based on and explains where possible any differences from the previous year's forecasts. It should also be noted that the forecasts for the gas years 2025/26 to 2028/29 are included for indicative purposes only.

#### **2 Summary**

The capacity tariff for GY2024/25 is higher than the GY2023/24 tariff by 4.4%, whilst the commodity tariff is higher by 10.1%. The driver for these movements is due to a 3.9% increase in TSO forecast revenue requirements with a decrease in forecasted capacity of 0.5% and forecasted commodity volumes decreasing by 5.6%.

#### **3 Inputs**

##### **3.1 Forecast Required Revenues**

###### **(i). Premier Transmission Limited (PTL)**

The calculation of the PTL Forecast Required Revenue is based upon the existing Licence formula where the figures are made up of the repayments on the £107m bond at a real rate of 2.461% as well as forecast Operating Expenditure.

The PTL Forecast Required Revenue is reduced for the forecast payment made by Stranraer.

(ii). Gas Networks Ireland (UK) (GNI (UK))

The GNI (UK) Forecast Required Revenue is based on capital expenditure and an allowance for controllable and uncontrollable operating expenditure as part of the GNI (UK) GT22 (2022/23–2026/27) Price Control Determination. GNI (UK)'s Capital Expenditure will be recovered over the Price Control period at a constant real amount, at a rate of return of 2.66% (vanilla), based on the final Price Control determination.

(iii). Belfast Gas Transmission Limited (BGTL)

The BGTL Forecast Required Revenue is based on the repayment of the £109m bond at a real rate of 2.387% plus forecast operating expenditure.

(iv). West Transmission Limited (WTL)

The WTL Forecast Required Revenue is based on the repayment of c.£202.5m debt at a rate linked to the Retail Price Index with no additional interest premium applied to the nominal value (including over £80m to finance intermediate pressure pipelines owned by SGN Natural Gas and Phoenix Natural Gas) plus forecast operating expenditure.

## **2.1 Capacity**

The forecast capacity figures used in the tariff for all exit and entry points are based on either bookings for upcoming years or in line with forecasts provided for by the relevant shippers at the points.

## **2.2 Volumes**

Volume figures are based on end customer's best estimate using the number of customers, load factors and electricity generation output assumptions and are submitted by suppliers.

## **2.3 Capacity Commodity Split**

The revenue capacity commodity split is 95:5 for 2024/25 and all successive years.

#### 4 Difference between the forecast 2023/24 Annual Tariff and forecast 2024/25 Annual Tariff

The overall forecasted capacity is 0.5% lower when compared with GY2023/24 forecast capacity and by taking the 3.9% increase in forecast revenue requirement this has translated to an increase of 4.4% in the capacity tariff for GY2024/25. The total forecast commodity figure is 5.6% lower than for GY2023/24, so this has combined with the higher revenue requirements to produce a commodity tariff increase of 10.1%.

Table 1: Annual Forecast Tariffs

Annual Forecast Tariffs	2023/24	2024/25	Difference
<b>Entry Capacity Charge (£ per kWh/d booked)</b>	0.43714	0.45647	4.42%
<b>Exit Capacity Charge (£ per kWh/d booked)</b>	0.43714	0.45647	4.42%
<b>Commodity Charge (£ per kWh)</b>	0.000206	0.000227	10.12%

Table 2: Capacity Charge Calculation

Capacity Charge	2023/24	2024/25	Difference
<b>Total Weighted Entry &amp; Exit forecast capacity bookings (kWh/d)</b>	174,256,421	173,394,169	-0.49%
<b>Total capacity forecast required revenue (£)</b>	76,174,287	79,148,557	3.90%
<b>Capacity Tariff (£ per kWh)</b>	0.43714	0.45647	4.42%

Table 3: Commodity Charge Calculation

Commodity Charge	2023/24	2024/25	Difference
<b>Total forecasted commodity (kWh)</b>	19,451,998,468	18,353,910,932	-5.65%
<b>Total commodity forecast required revenue (£)</b>	4,009,173	4,165,714	3.90%
<b>Commodity Tariff (£ per kWh)</b>	0.000206	0.000227	10.12%

#### 4.1 Capacity and Volumes

##### Calculation of Capacity Price

Exit capacity is available as an annual product only. Entry capacity is available as yearly, quarterly, monthly and daily products (day ahead and within day).

In order to determine the forecast capacity price for each product it is necessary to calculate the “Total Weighted Forecast Capacity” which will be utilised for the forthcoming Gas Year. To do this a product multiplier<sup>1</sup> must be applied to the forecast bookings for each product, so that the capacity for each product is on an annual basis, and then these are summed for the entire Gas Year.

The Total Weighted Forecast Capacity is then used to calculate a forecast price for the Gas Year for annual (entry and exit) capacity products by dividing the FRR by the Total Weighted Forecast Capacity.

The Forecast Postalised Annual Capacity Charge is then used as a ‘reference price’, to determine the reserve price for each of the non-annual entry products to be applied in auctions. Reserve prices for each product are calculated by applying the relevant product multiplier.

### Capacity

The analysis of the forecast capacity data has been reviewed against the previous year’s capacity usage, while also accounting for future expansion, new power station and an increase in network usage.

Table 4 shows that there has been a decrease of 5.95% in the total forecast entry capacity figures for 2024/25 compared to 2023/24. The main change is a decrease in the forecast usage of the daily product (16.3%). In addition, there is a slight movement away from annual to monthly products.

Table 4: Moffat Entry Point Forecast Capacity (kWh/day)

<b>Weighted Entry Capacity</b>	<b>2023/24</b>	<b>2024/25</b>	<b>Difference</b>
<b>Annual Capacity</b>	58,628,000	56,849,000	-3.03%
<b>Quarterly Capacity</b>	0	0	0.00%
<b>Monthly Capacity</b>	2,412,394	2,453,983	1.72%
<b>Daily Capacity</b>	18,287,168	15,301,220	-16.33%
<b>Total Entry</b>	<b>79,327,562</b>	<b>74,604,204</b>	<b>-5.95%</b>

<sup>1</sup> [http://gmo-ni.com/assets/documents/Gas-Product-Multipliers-and-Time-Factors-Table\\_210201\\_150625.pdf](http://gmo-ni.com/assets/documents/Gas-Product-Multipliers-and-Time-Factors-Table_210201_150625.pdf)

Table 5 below shows that there is a slight increase of 4.07% in the total forecast exit capacity figures for 2024/25 compared to 2023/24 with two shippers that had zero forecast exit capacity in the previous gas year, forecasting exit capacity bookings this year.

Table 5: Exit Point Forecast Annual Capacity (kWh/day)

Annual Exit Capacity	2023/24	2024/25	Difference
<b>Ballylumford Power Station</b>	24,000,000	24,000,000	0.00%
<b>Coolkeeragh Power Station</b>	18,766,000	18,973,333	1.10%
<b>Kilroot Power Station</b>	0	5,500,000	100.00%
<b>Lycra Company</b>	0	750,000	100.00%
<b>Phoenix Distribution Market</b>	36,435,536	33,401,747	-8.33%
<b>Firmus Energy Distribution Market</b>	11,770,000	12,204,000	3.69%
<b>Evolve Distribution Market</b>	3,957,324	3,960,885	0.09%
<b>Total Exit Point Booked Capacity</b>	<b>94,928,860</b>	<b>98,789,965</b>	<b>4.07%</b>

### Commodity Volumes

Table 6 reflects a decrease in forecasted commodity compared to the previous gas year driven predominantly by lower generation consumption.

Table 6: Forecast Exit Commodity Volumes (kWh)

Exit Commodity	2023/24	2024/25	Difference
<b>Ballylumford Power Station</b>	6,457,608,332	5,748,940,991	-10.97%
<b>Coolkeeragh Power Station</b>	5,275,800,000	4,758,131,933	-9.81%
<b>Kilroot Power Station</b>	52,393,518	288,734,254	451.09%
<b>Lycra Company</b>	0	188,630,136	100.00%
<b>Phoenix Distribution Market</b>	4,896,131,271	4,479,334,660	-8.51%
<b>Firmus Energy Distribution Market</b>	1,920,785,376	2,064,717,474	7.49%
<b>Evolve Distribution Market</b>	849,279,971	825,421,483	-2.81%
<b>Total Forecast Volumes</b>	<b>19,451,998,468</b>	<b>18,353,910,932</b>	<b>-5.65%</b>

## 4.2 Entry-Exit Split

The split of revenue to be received from capacity tariffs at all entry points and the revenue from capacity tariffs at all exit points is calculated ex post. It is not a predetermined split therefore is not required as an input to the tariff setting process.

The split of revenue from entry and exit capacity tariffs is determined as an output of the forecast tariff calculation process based on the forecast booking of exit capacity and entry capacity in a gas year.

Table 7: Entry-Exit Split

Entry/Exit Split	2024/25
<b>Forecast Capacity entry proportion</b>	43.03%
<b>Forecast Capacity exit proportion</b>	56.97%

### 4.3 Required Revenues

The total required revenue forecasted for 2024/25 is £83,314,270 compared to last year’s figure of £80,183,460 , this is an increase of 3.9%. Table 8 provides a review of the previous year FRR for comparison.

Table 8: Forecast Required Revenue

Forecast Required Revenue (FRR)	PTL £	BGTL £	GNI(UK) £	WTL £	Total £
<b>FRR 2023/24</b>	<b>31,448,600</b>	<b>13,618,053</b>	<b>24,309,838</b>	<b>10,806,969</b>	<b>80,183,460</b>
<b>FRR 2024/25</b>	<b>32,348,276</b>	<b>13,776,637</b>	<b>26,215,984</b>	<b>10,973,373</b>	<b>83,314,270</b>
<b>% Change</b>	<b>2.86%</b>	<b>1.16%</b>	<b>7.84%</b>	<b>1.54%</b>	<b>3.90%</b>

The Mutual Energy owned businesses (PTL, BGTL and WTL) show a forecast increase from 2023/24 which reflects the impact of recent high inflation on the interest and capital repayments on the group’s debt.

GNI (UK) forecasted revenue requirement (FRR) for the 2023/24 gas year was £24.3m. This was based on GT22 allowances, adjusted for RPI, and was also adjusted to account for ‘Supplemental Income’ pertaining to the SNP Haynestown arrangements of c. £0.9m in 2023/24.

The revenue included for 2024/25 is aligned to the final Price Control determination for this year and has been set at £26.2m. This is based on an FRR of c.£27.1m with an adjustment made to account for ‘Supplemental Income’ of c.£0.9m. The approach to the calculation of Supplemental Income is informed by the established approach via the licence arrangements and takes into account what was set for previous periods, this results in an equal Supplemental Income requirement for 2024/25 versus 2023/24.

Inflation projections for 2024/25 are based on current forecast rates for the year, and the revenue has also been adjusted to reflect higher out-turned inflation for the 23/24 year versus original forecasts.

## 5 Forecast Postalised Tariff for years 2025/26-2028/29

Table 9: Forecast Tariffs GY+1 - GY+4

	2024/25	2025/26	2026/27	2027/28
<b>Entry Capacity Charge (£ per kWh/d booked)</b>	0.46651	0.47078	0.49671	0.5294
<b>Exit Capacity Charge (£ per kWh/d booked)</b>	0.46651	0.47078	0.49671	0.52940
<b>Commodity Charge (£ per kWh)</b>	0.0002382	0.0002631	0.0002957	0.0003294

The forecast tariffs for the years 2025/26 to 2028/29 are provided for indicative purposes only.