

Postalisation Reconciliation 2016-17

Explanatory Note

December 2018

1.0 Introduction

1.1 The 2016-17 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 7th December 2017. 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 2016 to September 2017:

Table 1 Required Revenue	Required Revenue (£)		Variance	
	Forecast	Actual	Value	%
Premier Transmission	23,393,664	21,264,408	-2,129,256	-9.1%
GNI(UK)	17,183,335	17,183,335	0	0.0%
Belfast Gas Transmission	7,327,279	7,082,038	-245,241	-3.3%
West Transmission	800,912	145,780	-655,132	-81.8%
Total	48,705,190	45,675,561	-3,029,629	-6.2%
Capacity Charges	36,528,893	34,256,671	-2,272,222	-6.2%
Commodity Charges	12,176,297	11,418,890	-757,407	-6.2%

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	3,787,990,000	5,434,098,128	1,646,108,128	43.5%
Coolkeeragh Power	3,605,374,951	5,304,511,551	1,699,136,600	47.1%
Phoenix Distribution	4,453,215,991	4,145,997,374	-307,218,617	-6.9%
Firmus Distribution	1,864,217,455	1,704,680,796	-159,536,659	-8.6%
SGN Distribution	111,280,000	45,649,871	-65,630,129	-59.0%
Total	13,822,078,397	16,634,937,720	2,812,859,323	20.4%

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	21,980,750	29,174,444	7,193,694	32.7%
Coolkeeragh Power	18,766,000	18,766,000	0	0.0%
Phoenix Distribution	31,072,608	31,072,608	0	0.0%
Firmus Distribution	8,185,867	8,194,051	8,184	0.1%
SGN Distribution	440,000	307,527	-132,473	-30.1%
Total	80,445,225	87,514,630	7,069,405	8.8%

Table 4 System Entry Capacity by Preoduct Duration	Moffat Entry Capacity (Kwh per Day)		Variance	
	Forecast	Actual	Value	%
Annual	67,697,000	67,697,000	0	0.0%
Quarter1	0	0	0	-
Quarter 2	0	0	0	-
Quarter 3	0	0	0	-
Quarter 4	0	0	0	0.0%
October	24,999	0	-24,999	-100.0%
November	74,999	0	-74,999	-100.0%
December	124,999	880,000	755,001	604.0%
January	174,999	950,000	775,001	442.9%
February	224,999	1,150,000	925,001	411.1%
March	274,999	840,000	565,001	205.5%
April	313,524	110,000	-203,524	-64.9%
May	363,524	160,000	-203,524	-56.0%
Junew	413,524	0	-413,524	-100.0%
July	462,604	0	-462,604	-100.0%
August	512,604	0	-512,604	-100.0%
September	563,524	0	-563,524	-100.0%
Daily-October	967,742	2,307,065	1,339,323	138.4%
Daily-November	1,200,000	4,928,049	3,728,049	310.7%
Daily-December	967,742	2,812,431	1,844,689	190.6%
Daily-January	1,161,290	3,441,139	2,279,849	196.3%
Daily-February	1,285,714	798,729	-486,985	-37.9%
Daily-March	1,064,516	651,894	-412,622	-38.8%
Daily-April	1,100,000	5,272,651	4,172,651	379.3%
Daily-May	967,742	4,844,972	3,877,230	400.6%
Daily-June	800,000	8,657,688	7,857,688	982.2%
Daily-July	677,419	8,641,720	7,964,301	1175.7%
Daily-August	677,419	7,805,381	7,127,962	1052.2%
Daily-September	900,000	6,671,371	5,771,371	641.3%

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 Gormanston. 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 2016-17

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

Table 5 Revenue	Revenue Collection (£)		Variance	
	Forecast	Actual	Value	%
Annual Exit	19,372,819	21,075,273	1,702,454	8.8%
Annual Entry	16,302,792	16,302,792	0	0.0%
Quarterly Entry	0	0	0	0.0%
Monthly Entry	73,724	263,237	189,513	257.1%
Daily Entry	779,610	1,723,663	944,053	121.1%
Total Capacity	36,528,944	39,364,964	2,836,020	7.8%
Commodity	12,175,869	14,653,717	2,477,848	20.4%
Total Revenue	48,704,813	54,018,681	5,313,868	10.9%

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	48,705,190
Actual Revenue Requirement	45,675,561
Deviation in Revenue Requirement	-3,029,629
Forecast Revenue Collection	48,704,813
Actual Revenue Collection	54,018,681
Deviation in Revenue Collection	5,313,868
Deviation in FRR and Forecast Collection	-377
Bullet Payment to Shippers	8,343,120
Postalised Tariff Adjustment	-15.44%

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 actual transmission charges 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	Collected Revenue (£)		Adjustment	
	Required	Actual	Value	%
Capacity Charges	34,256,671	39,364,964	-5,108,294	-12.98%
Commodity Charges	11,418,890	14,653,717	-3,234,826	-22.08%
Total	45,675,561	54,018,681	8,343,120	-15.44%

Table 8 Forecast & Actual Postalised Tariff	Postalised Tariffs		
	Forecast	Actual	%
Annual Exit / Entry Capacity £/ peak day Kwh pa	0.24082	0.20957	-12.98%
Commodity p/Kwh	0.08809	0.06864	-22.08%

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	0.08809	0.24082	0.24082
Actual Tariff	0.06864	0.20957	0.20957
Adjustment	-0.01945	-0.03125	-0.03125
Gas Supplier Payment (£)	-389,000	-93,750	-62,500

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)	64,867,576	5,000,000	7.71%
Over Run Charges (ex VAT)	43,164	3,327	7.71%