

Postalisation Reconciliation 2017-18

Explanatory Note

December 2018

1.0 Introduction

1.1 The 2017-18 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 30th November 2018. 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 2017 to September 2018:

Table 1 Required Revenue	Required Revenue (£)		Variance	
	Forecast	Actual	Value	%
Premier Transmission	25,375,458	23,135,662	-2,239,796	-8.8%
GNI(UK)	18,935,196	18,935,196	0	0.0%
Belfast Gas Transmission	8,278,161	7,923,229	-354,932	-4.3%
West Transmission	514,943	312,100	-202,843	-39.4%
Total	53,103,758	50,306,188	-2,797,570	-5.3%
Capacity Charges	39,827,819	37,729,641	-2,098,178	-5.3%
Commodity Charges	13,275,940	12,576,547	-699,393	-5.3%

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	4,475,651,920	4,086,340,969	-389,310,951	-8.7%
Coolkeeragh Power	4,644,029,036	5,275,800,000	631,770,964	13.6%
Phoenix Distribution	4,383,767,851	4,668,927,197	285,159,346	6.5%
Firmus Distribution	1,707,770,098	1,806,401,208	98,631,110	5.8%
SGN Distribution	111,952,000	92,816,158	-19,135,842	-17.1%
Total	15,323,170,905	15,930,285,532	607,114,627	4.0%

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	25,000,000	32,952,222	7,952,222	31.8%
Coolkeeragh Power	18,766,000	18,818,889	52,889	0.3%
Phoenix Distribution	33,582,405	33,582,405	0	-
Firmus Distribution	8,257,512	9,512,681	1,255,169	15.2%
SGN Distribution	440,000	465,000	25,000	5.7%
Total	86,045,917	95,331,197	9,285,280	10.8%

Table 4 System Entry Capacity by Product Duration	Moffat Entry Capacity (Kwh per Day)		Variance	
	Forecast	Actual	Value	%
Annual	68,027,000	68,027,000	0	0.0%
Quarter1	800,000	200,000	-600,000	-75.0%
Quarter 2	1,000,000	600,000	-400,000	-40.0%
Quarter 3	200,000	0	-200,000	-100.0%
Quarter 4	0	0	0	-
October	1,100,000	0	-1,100,000	-100.0%
November	1,250,000	0	-1,250,000	-100.0%
December	1,350,000	950,000	-400,000	-29.6%
January	1,200,000	650,000	-550,000	-45.8%
February	1,200,000	400,000	-800,000	-66.7%
March	1,100,000	500,000	-600,000	-54.5%
April	1,700,000	1,500,000	-200,000	-11.8%
May	1,600,000	500,000	-1,100,000	-68.8%
June	1,100,000	300,000	-800,000	-72.7%
July	1,100,000	0	-1,100,000	-100.0%
August	1,100,000	100,000	-1,000,000	-90.9%
September	1,100,000	350,000	-750,000	-68.2%
Daily-October	8,138,035	1,571,916	-6,566,119	-80.7%
Daily-November	7,147,005	1,676,956	-5,470,049	-76.5%
Daily-December	7,155,000	844,362	-6,310,638	-88.2%
Daily-January	8,530,947	1,699,219	-6,831,728	-80.1%
Daily-February	7,317,904	1,394,137	-5,923,767	-80.9%
Daily-March	7,706,499	2,330,211	-5,376,288	-69.8%
Daily-April	6,350,240	4,091,453	-2,258,787	-35.6%
Daily-May	7,394,314	2,492,188	-4,902,126	-66.3%
Daily-June	6,393,923	4,160,483	-2,233,440	-34.9%
Daily-July	3,886,275	522,319	-3,363,956	-86.6%
Daily-August	4,384,683	1,022,926	-3,361,757	-76.7%
Daily-September	6,390,304	749,506	-5,640,798	-88.3%

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 Gormanstown. 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 2017-18

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

Table5 Revenue	Revenue Collection (£)		Variance	
	Forecast	Actual	Value	%
Annual Exit	19,128,868	21,193,078	2,064,211	10.8%
Annual Entry	15,123,082	15,123,082	0	0.0%
Quarterly Entry	291,094	143,212	-147,882	-50.8%
Monthly Entry	426,378	189,450	-236,928	-55.6%
Daily Entry	4,857,728	1,152,036	-3,705,692	-76.3%
Total Capacity	39,827,150	37,800,859	-2,026,291	-5.1%
Commodity	13,275,995	13,801,999	526,004	4.0%
Total Revenue	53,103,145	51,602,858	-1,500,287	-2.8%

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	53,103,758
Actual Revenue Requirement	50,306,188
Deviation in Revenue Requirement	-2,797,570
Forecast Revenue Collection	53,103,145
Actual Revenue Collection	51,602,858
Deviation in Revenue Collection	-1,500,287
Deviation in FRR and Forecast Collection	-613
Bullet Payment to Shippers	1,296,670
Postalised Tariff Adjustment	-2.51%

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	Collected Revenue (£)		Adjustment	
	Actual Required	Actual Collected	Value	%
Capacity Charges	37,729,641	37,800,859	-71,218	-0.19%
Commodity Charges	12,576,547	13,801,999	-1,225,452	-8.88%
Total	50,306,188	51,602,858*	1,296,670	-2.51%

Table 8 Forecast & Actual Postalised Tariff		Postalised Tariffs		
		Forecast	Actual	%
Annual Exit / Entry Capacity	£/ peak day Kwh pa	0.22231	0.22189	-0.19%
Commodity	p/Kwh	0.08664	0.07895	-8.88%

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	0.08664	0.22231	0.22231
Actual Tariff	0.07895	0.22189	0.22189
Adjustment	-0.00769	-0.00042	-0.00042
Gas Supplier Payment (£)	-153,800	-1,260	-840

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)	62,176,115	5,000,000	8.04%
Over Run Charges (ex VAT)	214,548	17,253	8.04%