

## Annual Postalisation Reconciliation 2019-20

### Explanatory Note

#### December 2020

#### 1.0 Introduction

1.1 The 2019-20 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 30<sup>th</sup> November 2020. 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 2019 to September 2020:

Table 1 Required Revenue	Required Revenue (£)		Variance	
	Forecast	Actual	Value	%
Premier Transmission	26,443,585	25,725,830	-717,755	-2.7%
GNI(UK)	18,782,083	18,782,083	0	0.0%
Belfast Gas Transmission	8,553,923	8,643,183	89,261	1.0%
West Transmission	8,006,624	6,634,372	-1,372,252	-17.1%
<b>Total</b>	<b>61,786,215</b>	<b>59,785,468</b>	<b>-2,000,747</b>	<b>-3.2%</b>
Capacity Charges	46,339,661	44,839,101	-1,500,560	-3.2%
Commodity Charges	15,446,554	14,946,367	-500,187	-3.2%

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.

Note: All value figures in sections 2 and 3 of the explanatory note exclude VAT.

<b>Table 2</b> <b>System Throughput</b>	<b>System Throughput (kWh)</b>		<b>Variance</b>	
	<b>Forecast</b>	<b>Actual</b>	<b>Value</b>	<b>%</b>
Ballylumford Power	5,273,070,000	5,423,325,245	150,255,245	2.8%
Coolkeeragh Power	5,475,000,000	5,275,800,000	-199,200,000	-3.6%
Phoenix Distribution	4,650,344,037	4,687,914,571	37,570,534	0.8%
Firmus Distribution	1,823,468,428	1,854,037,535	30,569,107	1.7%
SGN Distribution	696,672,000	685,038,637	-11,633,363	-1.7%
<b>Total</b>	<b>17,918,554,465</b>	<b>17,926,115,988</b>	<b>7,561,523</b>	<b>0.0%</b>

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

<b>Table 3</b> <b>System Exit Capacity</b>	<b>System Exit Capacity</b> <b>(kWh per Day)</b>		<b>Variance</b>	
	<b>Forecast</b>	<b>Actual</b>	<b>Value</b>	<b>%</b>
Ballylumford Power	23,600,000	24,373,611	773,611	3.3%
Coolkeeragh Power	18,766,000	18,766,000	0	0.0%
Phoenix Distribution	34,129,823	34,129,823	0	0.0%
Firmus Distribution	10,751,000	10,751,000	0	0.0%
SGN Distribution	2,940,478	2,458,333	-482,145	-16.4%
<b>Total</b>	<b>90,187,301</b>	<b>90,478,767</b>	<b>291,466</b>	<b>0.3%</b>

Table 4 System Entry Capacity by Product Duration	Moffat Entry Capacity (kWh per Day)		Variance	
	Forecast	Actual	Value	%
Annual	66,429,484	67,277,000	847,516	1.3%
Quarter1	0	0	0	0.0%
Quarter 2	0	0	0	0.0%
Quarter 3	0	0	0	0.0%
Quarter 4	0	0	0	0.0%
October	200,000	400,000	200,000	100.0%
November	630,349	200,000	-430,349	-68.3%
December	735,484	500,000	-235,484	-32.0%
January	798,387	850,000	51,613	6.5%
February	1,030,033	950,000	-80,033	-7.8%
March	945,161	850,000	-95,161	-10.1%
April	500,000	700,000	200,000	40.0%
May	0	0	0	0.0%
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	2,600,000	3,168,864	568,864	21.9%
Daily-November	630,000	4,146,595	3,516,595	558.2%
Daily-December	0	3,253,699	3,253,699	0.0%
Daily-January	2,170,000	4,480,700	2,310,700	106.5%
Daily-February	3,690,000	4,988,619	1,298,619	35.2%
Daily-March	1,850,000	5,697,545	3,847,545	208.0%
Daily-April	1,270,000	6,537,817	5,267,817	414.8%
Daily-May	2,580,000	4,579,613	1,999,613	77.5%
Daily-June	6,520,000	290,904	-6,229,096	-95.5%
Daily-July	7,390,000	2,336,111	-5,053,889	-68.4%
Daily-August	3,400,000	3,223,935	-176,065	-5.2%
Daily-September	900,000	3,485,976	2,585,976	287.3%

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 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 29 days during gas year 2019-20

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	25,529,319	25,611,825	82,505	0.3%
Annual Entry	18,804,194	19,044,100	239,906	1.3%
Quarterly Entry	0	0	0	0.0%
Monthly Entry	319,498	296,739	-22,759	-7.1%
Daily Entry	1,684,764	3,713,628	2,028,864	120.4%
Total Capacity	46,337,776	48,666,291	2,328,516	5.0%
Commodity	15,445,794	15,452,312	6,518	0.0%
Total Revenue	61,783,570	64,118,603	2,335,034	3.8%

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 5<sup>th</sup> 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 largely due to daily entry capacity bookings that were higher than forecast over the year; particularly during the Winter and Spring months where these products are more expensive compared to capacity products of a longer duration.

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	61,786,215
Actual Revenue Requirement	59,785,468
Deviation in Revenue Requirement	-2,000,747
Forecast Revenue Collection	61,783,570
Actual Revenue Collection	64,118,603
Deviation in Revenue Collection	2,335,034
Deviation in FRR and Forecast Collection	-2,645
Bullet Payment to Shippers	4,333,136
Postalised Tariff Adjustment	-6.76%

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 5<sup>th</sup> 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.

<b>Table 7</b> <b>Postalised Tariff Adjustment</b>	Revenue (£)		Adjustment	
	Required	Actual	Value	%
Capacity Charges	44,839,101	48,666,291	-3,827,190	-7.86%
Commodity Charges	14,946,367	15,452,312	-505,945	-3.27%
<b>Total</b>	<b>59,785,468</b>	<b>64,118,603</b>	<b>4,333,136</b>	<b>-6.76%</b>

<b>Table 8</b> <b>Forecast &amp; Actual Postalised Tariff</b>		Postalised Tariffs		%
		Forecast	Actual	
Annual Exit / Entry Capacity	£/kWh/day booked	0.28307	0.26080	-7.87%
Commodity	p/kWh	0.08620	0.08338	-3.27%

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.

<b>Table 9 Worked Example</b>	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	0.08620	0.28307	0.28307
Actual Tariff	0.08338	0.26080	0.26080
Adjustment	-0.00282	-0.02227	-0.02227
Gas Supplier Payment (£)	-56,400	-66,810	-44,540

#### 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.

<b>Table 10 Entry Over Run</b>	Aggregate	Indicative Shipper A	
	Value (£)	Value (£)	%
<b>Licence Invoice Revenue (inc VAT)</b>	77,164,306	5,000,000	6.48%
<b>Over Run Charges (ex VAT)</b>	198,317	12,850	6.48%