

Annual Postalisation Reconciliation 2022-23

Explanatory Note

December 2023

1.0 Introduction

1.1 The 2022-23 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 1st December 2023. 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 2022 to September 2023:

| Table 1 Required Revenue | Required Revenue (£) | | Variance | |
|-----------------------------|----------------------|-------------------|-------------------|--------------|
| | Forecast | Actual | Value | % |
| Premier Transmission | 28,992,645 | 27,554,891 | -1,437,754.03 | -5.0% |
| GNI(UK) | 21,870,433 | 21,870,433 | 0 | 0.0% |
| Belfast Gas Transmission | 10,753,034 | 10,642,176 | -110,858 | -1.0% |
| West Transmission | 10,193,120 | 9,756,440 | -436,680 | -4.3% |
| Total | 71,809,233 | 69,823,940 | -1,985,293 | -2.8% |
| Capacity Charges | 68,218,771 | 66,332,743 | -1,886,028 | -2.8% |
| Commodity Charges | 3,590,462 | 3,491,197 | -99,265 | -2.8% |

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.

All value figures in sections 2 and 3 of this explanatory note exclude VAT.

2.2 Gas costs needed for compression fell significantly, in line with movements in wholesale gas pricing, and this fall more than offset above budget costs on other items that related to the upstream network in Scotland. On the pipeline network included within the Northern Ireland postalised system, revised timings to IT infrastructure improvements further added to the savings made to outturn in a £1,985,293 saving against the FRR.

| Table 2 System Throughput | System Throughput (kWh) | | Variance | |
|--|-------------------------|-----------------------|--------------------|-------------|
| | Forecast | Actual | Value | % |
| Ballylumford Power | 3,229,290,000 | 5,176,811,162 | 1,947,521,162 | 60.3% |
| Coolkeeragh Power | 5,275,800,000 | 5,275,800,000 | 0 | 0.0% |
| Phoenix Distribution | 5,013,466,227 | 4,165,635,492 | -847,830,735 | -16.9% |
| Firmus Distribution | 2,161,328,240 | 1,892,851,178 | -268,477,062 | -12.4% |
| SGN Distribution | 865,086,868 | 779,333,287 | -85,753,581 | -9.9% |
| Total | 16,544,971,336 | 17,290,431,119 | 745,459,783 | 4.5% |

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 | 22,000,000 | 24,931,111 | 2,931,111 | 13.3% |
| Coolkeeragh Power | 18,766,000 | 18,766,000 | 0 | 0.0% |
| Phoenix Distribution | 37,250,202 | 37,250,202 | 0 | 0.0% |
| Firmus Distribution | 12,010,000 | 12,010,000 | 0 | 0.0% |
| SGN Distribution | 3,987,121 | 3,083,333 | -903,788 | -22.7% |
| Total | 94,013,323 | 96,040,646 | 2,027,324 | 2.2% |

| Table 4 System Entry Capacity by Product Duration | Moffat Entry Capacity (kWh per Day) | | Variance | |
|---|--|------------|------------|---------|
| | Forecast | Actual | Value | % |
| Annual | 56,037,000 | 57,282,000 | 1,245,000 | 2.2% |
| 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 | 400,000 | 0 | -400,000 | -100.0% |
| November | 355,000 | 150,000 | -205,000 | -57.7% |
| December | 1,746,000 | 150,000 | -1,596,000 | -91.4% |
| January | 3,228,000 | 1,139,000 | -2,089,000 | -64.7% |
| February | 2,921,000 | 985,000 | -1,936,000 | -66.3% |
| March | 850,000 | 350,000 | -500,000 | -58.8% |
| April | 500,000 | 250,000 | -250,000 | -50.0% |
| May | 100,000 | 0 | -100,000 | -100.0% |
| 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 | 2,735,929 | 1,983,677 | -752,251 | -27.5% |
| Daily-November | 3,797,294 | 1,451,067 | -2,346,227 | -61.8% |
| Daily-December | 1,772,082 | 6,446,963 | 4,674,880 | 263.8% |
| Daily-January | 990,418 | 2,916,730 | 1,926,312 | 194.5% |
| Daily-February | 871,537 | 1,262,657 | 391,120 | 44.9% |
| Daily-March | 1,209,650 | 3,730,391 | 2,520,741 | 208.4% |
| Daily-April | 1,996,578 | 1,078,159 | -918,420 | -46.0% |
| Daily-May | 4,864,280 | 1,982,516 | -2,881,764 | -59.2% |
| Daily-June | 5,155,279 | 3,402,600 | -1,752,679 | -34.0% |
| Daily-July | 3,265,718 | 2,590,000 | -675,718 | -20.7% |
| Daily-August | 1,665,511 | 1,407,677 | -257,834 | -15.5% |
| Daily-September | 2,959,055 | 159,226 | -2,799,829 | -94.6% |

2.3 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 | 40,835,627 | 41,716,215 | 880,588 | 2.2% |
| Annual Entry | 24,340,231 | 24,881,010 | 540,778 | 2.2% |
| Quarterly Entry | 0 | 0 | 0 | 0.0% |
| Monthly Entry | 1,146,882 | 366,363 | -780,519 | -68.1% |
| Daily Entry | 1,896,760 | 3,425,917 | 1,529,157 | 80.6% |
| Total Capacity | 68,219,500 | 70,389,505 | 2,170,005 | 3.2% |
| Commodity | 3,590,259 | 3,752,024 | 161,765 | 4.5% |
| Total Revenue | 71,809,759 | 74,141,528 | 2,331,769 | 3.2% |

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.

2.4 As detailed in Table 5, the revenue over-collection was mainly due to higher than forecast daily entry capacity bookings in December 22, January, February and March 23, with smaller contributions from higher than forecast annual capacity both at entry and exit. These over recoveries in daily and annual capacity more than offsets the under recovery in monthly entry capacity.

2.5 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.

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|---|------------|
| Bullet Payment Calculation | (£) |
| Forecast Revenue Required | 71,809,233 |
| Actual Revenue Requirement | 69,823,940 |
| Deviation in Revenue Requirement | -1,985,293 |
| Forecast Revenue Collection | 71,809,759 |
| Actual Revenue Collection | 74,141,528 |
| Deviation in Revenue Collection | 2,331,769 |

| | |
|--|-----------|
| Deviation in FRR and Forecast Collection | 526 |
| Bullet Payment to Shippers | 4,317,588 |
| Postalised Tariff Adjustment | -5.82% |

Note: The bullet payment to Shippers figure in Table 6 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.

2.6 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 | 66,332,743 | 70,389,505 | -4,056,762 | -5.76% |
| Commodity Charges | 3,491,197 | 3,752,024 | -260,826 | -6.95% |
| Total | 69,823,940 | 74,141,528 | 4,317,588 | -5.82% |

| Table 8 Forecast & Actual Postalised Tariff | | Postalised Tariffs | | |
|--|------------------|--------------------|---------|--------|
| | | Forecast | Actual | % |
| Annual Exit / Entry Capacity | £/kWh/day booked | 0.43436 | 0.40933 | -5.76% |
| Commodity | p/kWh | 0.02170 | 0.02019 | -6.96% |

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 | Annual Capacity Booking | |
|-----------------------------------|-----------------|---------------------------------|-----------|
| | Volume (kWh) | Entry (peak day kWh per day) | Exit |
| Volume kwh | 2,000,000,000 | 3,000,000 | 2,000,000 |
| Forecast Tariff | 0.0002170 | 0.43436 | 0.43436 |
| Actual Tariff | 0.0002019 | 0.40933 | 0.40933 |
| Adjustment | -0.0000151 | -0.02503 | -0.02503 |
| Gas Supplier Payment (£) | -30,200 | -75,090 | -50,060 |

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). Overrun Charges collected in GY2022/23 were £97,567.