

**Transmission Tariff  
for the  
Gas Year 2006/07**

**22<sup>nd</sup> June 2006**

## 1. Introduction

This paper outlines the calculation of Transmission Tariffs for the gas year 2006/07 in accordance with CER decisions. It details the calculation of the 06/07 tariffs as follows by outlining:

- a) The allowed revenue for 2006/07 by applying the Revenue Control Formulae; and
- b) The up to date demand forecasts based on latest industry information.

All calculations are shown in the appendices.

## 2. Executive Summary

Applying the Revenue Control Formulae and incorporating up to date demand forecasts results in a tariff decrease of circa 10.3% real (7.9% nominal) for Moffat shippers and an decrease of 1.7% real (0.9% nominal increase) for Inch shippers on the 2005/06 tariffs respectively.

These decreases are mainly due to the following:

- The delay in Corrib gas production from that originally forecast at the outset of the control period which has led to increased volumes flowing through the Interconnector system in 06/07
- A decrease in the total system revenue requirement of circa 4% due to increased demand in 05/06 and savings in pass through costs.

The following sections outline the application of the Revenue Control Formulae and discuss the reasons for the tariff decreases in detail.

## 3. Allowed Revenue for 2006/07

The allowable revenue is calculated by applying the Revenue Control Formula as per the CER “Decision on Transmission Use of System Revenue Requirement and Tariff Structure 1 October 2003 – 30 September 2007” (CER/03/172) as amended in “Transmission Use of System Allowable Revenue and Tariffs 1 October 2004 – 30 September 2005” (CER/04/282) following discussion with the CER. That decision paper outlines the allowed revenue for each year of the control period based on allowed operating expenditure, capital expenditure and forecast demands at that time.

The Revenue Control Formula set out the parameters for the calculation of the allowable revenue for each gas year in the control period. The formula adjusts the allowable revenue to account for out-turn revenue recovered in the previous gas year and out-turn/revised forecast pass through costs and inflation. Built into the Revenue Control Formula are Correction Factors which take account of actual/forecast revenue and pass through costs for the current gas year 05/06 and the previous gas year 04/05.

BGE have applied these formulae to the relevant systems and have made the following assumptions therein;

- Inflation
  - In setting the 2005/06 tariffs, 2.0% was assumed for the time period from October 04 to September 05. This inflation was updated to 2.8% to reflect actual outturn inflation from October 04 to September 05;
  - In setting the 2006/07 tariffs, 2.7% is being assumed for the time period from October 05 to September 06.
- Euribor

- Euribor rate of 3.396% (12-month rate as at 06/06/06). This is used to uplift any over/under recoveries in the previous gas year<sup>1</sup>;
- 04/05 rate of 2.256% which represents the average 12-month rate from October 04 to September 05;
- Pass through costs
  - Rates, CER Levy and Carbon Costs;
  - Rates savings for the two gas year 05/06 and 06/07 have been taken into account;
  - Carbon Costs have been included with pass-through costs to recover the costs incurred in 04/05 and the projected cost for 05/06 and 06/07. The rates allowed for carbon costs were as approved by the CER;
- Other
  - Based on the recent CER draft decision (CER/06/102) on “Tariff Treatment of Exit Flows at Inch”, estimated revenue for the Inch system and the Onshore system has been included in the projected 05/06 revenues. This is accounted for in the 05/06 correction factors for the Inch and Onshore systems.

The revenues derived from applying the Revenue Control Formula are as follows;

**Table 3.1**

<b>06/07 REVENUE CONTROL</b>			
<b>Revenue Summary</b>	<b>Original Allowed Revenue</b>	<b>Revenue Control Formula</b>	<b>Difference</b>
	<b>€m</b>	<b>€m</b>	<b>€m</b>
	<b>(06/07 Monies)</b>		
Interconnector	64.12	60.92	<b>-3.20</b>
Inch	3.18	3.41	<b>0.24</b>
Exit	130.76	125.82	<b>-4.95</b>
<b>Total Revenue Allowed</b>	<b>198.06</b>	<b>190.16</b>	<b>-7.90</b>

The differences between the original allowed revenues and the Revenue Control Formula revenues seen above are derived from the Correction Factor Formulae and revised forecast pass through costs for 06/07. The revised allowable revenue represents a 3.8% decrease from the original allowed revenue for 2006/07.

As can be seen in the Correction Factors on Appendix 1, the revenue differences on each system are due to variances on pass through costs. There are also pass through cost savings anticipated for 06/07 which are recognised in the Revenue Control Formula on Appendix 2.

See Appendix 1 & 2 for the Correction Factor calculations and the Revenue Control Formula calculations.

#### **4. Drivers of the 2006/07 Tariff**

The key drivers to the tariff for 2006/07 are (a) the revenue requirement for 06/07 and (b) the forecast demand for 2006/07.

##### **(a) Revenue Requirement for 06/07**

As mentioned in section 2 the revenue requirement is adjusted to reflect actual/forecast revenue recovered in previous gas years and actual/forecast over/under-spends of pass through costs. The overall transmission revenue requirement has decreased by 3.8% from the original allowed 06/07 revenue.

<sup>1</sup> Revenue over/under recoveries up to 103% attracts an interest rate of Euribor +2% while any over/under recoveries over 103% attracts an interest rate of Euribor +4%.

The following factors resulted in the decrease in the overall revenue requirement;

- In the published CER 05/06 tariff decision paper it was envisaged that there would be a €15m under-recovery of revenue in 05/06 due to the tariff decision of allowing only a portion of the increase requested. However increased bookings on the system in 05/06 have reduced this under-recovery to circa €m;
- Rates savings in 05/06 of circa €6.8m. Forecast rates for 05/06 have reduced based on the latest global rates valuation agreed with the Valuation Office;
- Taking account of the 06/07 rates savings of circa €6.6m in this current period has led to the decrease in the overall revenue requirement;
- Carbon costs incurred in 04/05 of €81k and forecast 05/06 and 06/07 costs of €17k and €487k have been included in the revenue calculation. The rates allowed for the carbon costs were as approved by the CER. Under the Kyoto agreement from 1<sup>st</sup> January 2005 allowances are given for carbon emissions from compressor stations. Any excess over these allowances need to be purchased on the open market;
- Inch Storage projected revenue figures for 05/06 for Inch and Onshore have been included in the 05/06 projected revenue figures taken account of in the Correction Factor formulae;
- Actual/forecast revenue from the Inventory Product for the gas year 05/06 has been included in the forecast of Interconnector revenue used in the revenue control formula calculation;
- An estimate of €1m revenue from the Inventory Product for 06/07 has also been included in the Interconnector revenue calculation for 06/07.

Factors that were not taken into account in the revenue requirement as of yet are as follows;

- Revenue from any new short term products as a result of EU Regulation 1775. The demand assumed for 06/07 is based on firm 12-month capacity bookings and does not take account of the effect of any short term products. Any revenue accrued from any short term products will be passed back to customer through the system revenue requirements.

**(b) Revised Forecast Demand for 06/07**

The revised forecast demand figures are based on latest up-to-date demand information as opposed to the demand projections for gas year 2006/07 that were published in the CER document mentioned above (CER/03/172). See table 3.1 below for comparison to original forecasts.

**Table 4.1**

<b>Capacity Bookings</b>		<b>2005/06 Tariff Forecast</b>	<b>2006/07</b>		<b>06/07 % Change v's 05/06</b>	<b>06/07 % Change v's Original</b>
			<b>Original Forecast</b>	<b>Revised Forecast</b>		
Exit Bookings	GWh	225.3	250	240.8	7%	-4%
Inch	GWh	48.7	67.9	41.3	-15%	-39%
IC Bookings	GWh	182.0	149.8	200.4	10%	34%
Corrib	GWh	-	40.8	-	-	-100%

Overall system demand is anticipated to be circa 4% lower than originally forecast but is circa 7% higher than the forecast out-turn demand in 05/06.

Inch bookings have reduced substantially by 39% from that originally forecast due to problems with production from the Seven Heads gas field.

Interconnector bookings are significantly higher than originally forecast due to the on going delays with the Corrib project. Originally it was forecast that Corrib would be in production by mid gas

year 06/07. As a result of this delay, the bookings projected on the interconnector system in 06/07 are 34% higher than originally forecast.

See Appendix 3 for the assumptions used in formulating the projected capacity bookings for gas year 2006/07. These items are discussed in more detail in a projected demand paper submitted by BGE to the CER on the 28<sup>th</sup> of April 2006, "Projected demand for Entry and Exit Capacity on the BGE Transmission System".

## 5. The Resulting 2006/07 Tariff

The 2006/07 tariff calculation is based on the out turn allowable revenue for 2006/07, derived from applying the Revenue Control Formula as outlined in Section 3 and set against the revised forecast system demand for the gas year as outlined in Section 4(b).

See Appendix 4 for the tariff calculations.

The table below outlines the resultant tariffs by applying this approach and states the increase/decrease in tariffs that a typical Moffat/Inch shipper would incur.

### BGE Transmission Tariffs for Gas Year 2006/2007

			Published Tariffs		Proposed Tariffs	% Change Nominal 2006/07 V 2005/06
			2004/5	2005/6	2006/07	
			€	€	€	
<b>Onshore Network</b>						
	€	(06/07 Monies)				
capacity	470.254	per peak day MWh	403.558	481.879	470.254	-2.4%
commodity	0.240	per MWh	0.1850	0.220	0.240	9.0%
<b>Interconnectors</b>						
capacity	273.604	per peak day MWh	272.456	336.727	273.604	-18.7%
commodity	0.126	per MWh	0.1140	0.139	0.126	-9.4%
<b>Inch</b>						
capacity	74.409	per peak day MWh	59.296	65.482	74.409	13.6%
commodity	0.064	per MWh	0.0370	0.054	0.064	18.5%
<b>Illustrative Transmission Transportation Costs</b>						
			€			
<b>Transmission Transportation Cost of UK Gas</b>						
capacity	743.858	per peak day MWh	676.014	818.606	743.858	-9.1%
commodity	0.3662	per MWh	0.2988	0.360	0.366	1.9%
<b>Transmission Transportation Cost of Inch Gas</b>						
capacity	544.663	per peak day MWh	462.854	547.361	544.663	-0.5%
commodity	0.3034	per MWh	0.2212	0.274	0.303	10.9%

### Cost/Therm Comparisons

Annual Consumption	365
Load Factors	1.3

### Gas Year 06/07 (06/07 Monies)

<b>Moffat Shipper</b>		<b>Inch Shipper</b>	
	€		€
Capacity	967.02	Capacity	708.06
Commodity	133.67	Commodity	110.74
Total	<u>1,100.68</u>	Total	<u>818.81</u>
Cost/MWh	3.016	Cost/MWh	2.24
<b>Cent/Therm</b>	<b>8.84</b>	<b>Cent/Therm</b>	<b>6.57</b>

### Gas Year 05/06

Cent/Therm - (05/06 Monies)	9.60	6.52
Cent/Therm - (06/07 Monies)	9.86	6.69

% Increase - Real	-10.3%	-1.7%
% Increase - Nominal	-7.9%	0.9%

The above is a worked example of the effect of the proposed new tariffs on both a Moffat and an Inch Shipper that each have a customer with an annual consumption of 365 MWh and a load factor of 1.3 (~77%). In order to ascertain the correct capacity payment for the Moffat shipper, the relevant tariff is calculated by adding the Onshore and Interconnector capacity tariffs. This figure is then multiplied by the applicable capacity (the annual consumption divided by 365 and multiplied by the load factor). The commodity payment for the Moffat Shipper is calculated by adding the Onshore and Interconnector commodity tariffs and multiplying this figure by the annual consumption. The total capacity and commodity payment figure for the Moffat Shipper is

divided by the annual consumption to give the cost per MWh. A similar calculation is carried out for the Inch Shipper except the capacity tariff is made up of Onshore and Inch capacity tariffs added together and the commodity tariff is made up of the Onshore and Inch commodity tariffs added together.

As can be seen above this will result in decrease of circa 10.3% real for Moffat shippers and an decrease of 1.7% real for Inch shippers on the 2005/06 tariff's respectively.

## APPENDIX 1: Correction Factor Calculations

CALCULATION OF KIC <sub>t</sub>		INTERCONNECTOR	
<b><math>KIC_t = \{ (RIC_t + 0.5*UICF_t) * (1 + (HICPR_t/100)/1 + (HICPF_t/100)) - PICR_t - FICR_t - 0.5*UICR_t \} * (1 + (I_t/100))</math></b>			
Description		Formula Ref	Value
Allowed Revenue period t	Year t Monies	$RIC_t$	70.22
Forecast Other Revenue from IC in period t	Year t Monies	$0.5*UICF_t$	0.00
Forecast Inflation		$HICPR_t$	2.8%
Allowed Inflation		$HICPF_t$	2.0%
<b>Calculation - Revenue * Inflation</b>		<b><math>(RIC_t + 0.5*UICF_t) * (1 + (HICPR_t/100)/1 + (HICPF_t/100))</math></b>	<b>70.77</b>
Allowed pass-through costs less Expected	Year t Monies	$PICR_t$	2.51
Forecast Revenue Recovered in period t	Year t Monies	$FICR_t$	68.29
Revised Forecast Other Revenue from IC	Year t Monies	$0.5*UICR_t$	0.00
<b>Calculation - Forecast Revenue</b>		<b><math>- PICR_t - FICR_t - 0.5*UICR_t</math></b>	<b>-70.81</b>
Forecast Revenue Recovered v's Allowed			97%
Euribor Rate		$I_t$	5.40%
<b>Correction Factor period t</b>	Year t+1 Monies	<b><math>KIC_t</math></b>	<b>-0.04</b>

CALCULATION OF KIC <sub>t-1</sub>			
<b><math>KIC_{t-1} = \{ (RIC_{t-1} + (0.5*UICF_{t-1})) * (1 + HICPA_{t-1}/1 + HICPR_{t-1}) - PICA_{t-1} - (AICR_{t-1} + (0.5*UICA_{t-1})) \} * (1 + (I_t/100)) * (1 + (I_{t-1}/100))</math></b>			
Description		Formula Ref	Value
Allowed Revenue period t-1	Year t-1 Monies	$RIC_{t-1}$	46.72
Forecast Other Revenue from IC in period t-1	Year t-1 Monies	$0.5*UICF_{t-1}$	0.00
Actual Inflation t-1		$HICPA_{t-1}$	6.3%
Forecast Inflation t-1		$HICPR_{t-1}$	6.3%
<b>Calculation - Revenue * Inflation</b>		<b><math>(RIC_{t-1} + (0.5*UICF_{t-1})) * (1 + HICPA_{t-1}/1 + HICPR_{t-1})</math></b>	<b>46.72</b>
Expected pass-through costs less Actual	Year t-1 Monies	$PICA_{t-1}$	-0.36
Actual Revenue Recovered in period t-1	Year t-1 Monies	$AICR_{t-1}$	46.95
Actual Other Revenue from IC in period t-1	Year t-1 Monies	$0.5*UICA_{t-1}$	0.00
<b>Calculation - Actual Revenue</b>		<b><math>PICA_{t-1} - (AICR_{t-1} + (0.5*UICA_{t-1}))</math></b>	<b>-46.58</b>
Actual Revenue Recovered v's Allowed			100%
Euribor Rate period t		$I_t$	5.40%
Euribor Rate period t-1		$I_{t-1}$	4.26%
<b>Correction Factor period t-1</b>	Year t+1 Monies	<b><math>KIC_{t-1}</math></b>	<b>0.15</b>



CALCULATION OF KINCHt		INCH	
<b><math>KINCH_t = \{ (RINCH_t + 0.5 * UINCHF_t) * (1 + (HICPR_t / 100) / 1 + (HICPF_t / 100)) - PINCHR_t - FINCHR_t - 0.5 * UINCHR_t \} * (1 + (I_t / 100))</math></b>			
Description		Formula Ref	Value
Allowed Revenue period t	Year t Monies	RINCHt	3.54
Forecast Other Revenue from INCH in period t	Year t Monies	0.5*UINCHFt	0.00
Forecast Inflation		HICPRt	2.8%
Allowed Inflation		HICPFt	2.0%
<b>Calculation Revenue * Inflation</b>		<b><math>(RINCH_t + 0.5 * UINCHF_t) * (1 + (HICPR_t / 100) / 1 + (HICPF_t / 100))</math></b>	<b>3.57</b>
Allowed pass-through costs less Expected	Year t Monies	PINCHRt	-0.06
Forecast Revenue Recovered in period t	Year t Monies	FINCHRt	3.52
Revised Forecast Other Revenue from INCH	Year t Monies	0.5*UINCHRt	0.00
<b>Calculation Forecast Revenue</b>		<b><math>- PINCHR_t - FINCHR_t - 0.5 * UINCHR_t</math></b>	<b>-3.45</b>
Forecast Revenue Recovered v's Allowed			99%
Euribor Rate		It	5.40%
<b>Correction Factor period t</b>	Year t+1 Monies	<b>KINCHt</b>	<b>0.12</b>

CALCULATION OF KINCHt-1			
<b><math>KINCH_{t-1} = \{ (RINCH_{t-1} + (0.5 * UINCHF_{t-1})) * (1 + HICPA_{t-1} / 100 + HICPR_{t-1}) - PINCHA_{t-1} - (AINCHR_{t-1} + (0.5 * UINCHA_{t-1})) \} * (1 + (I_t / 100))</math></b>			
Description		Formula Ref	Value
Allowed Revenue period t-1	Year t-1 Monies	RINCHt-1	2.63
Forecast Other Revenue in period t-1	Year t-1 Monies	0.5*UINCHFt-1	0.00
Actual Inflation t-1		HICPAt-1	6.3%
Forecast Inflation t-1		HICPRt-1	6.3%
<b>Calculation - Revenue * Inflation</b>		<b><math>(RINCH_{t-1} + (0.5 * UINCHF_{t-1})) * (1 + HICPA_{t-1} / 100 + HICPR_{t-1})</math></b>	<b>2.63</b>
Expected pass-through costs less Actual	Year t-1 Monies	PINCHAt-1	-0.02
Actual Revenue Recovered in period t-1	Year t-1 Monies	AINCHRt-1	2.61
Actual Other Revenue from IC in period t-1	Year t-1 Monies	0.5*UINCHAt-1	0.00
<b>Calculation - Actual Revenue</b>		<b><math>PINCHA_{t-1} - (AINCHR_{t-1} + (0.5 * UINCHA_{t-1}))</math></b>	<b>-2.59</b>
Actual Revenue Recovered v's Allowed			99%
Euribor Rate period t		It	5.40%
Euribor Rate period t-1		It-1	4.26%
<b>Correction Factor period t-1</b>	Year t-1 Monies	<b>KINCHt-1</b>	<b>0.04</b>

CALCULATION OF KEXIT <sub>t</sub>		ONSHORE/EXIT	
<b><math>KEXIT_t = \{ (REXIT_t + 0.5 \cdot UEXITF_t) \cdot (1 + (HICPR_t/100)/1 + (HICPF_t/100)) - PEXITR_t - FEXITR_t - 0.5 \cdot UEXITR_t \} \cdot (1 + (I_t/100))</math></b>			
Description		Formula Ref	Value
Allowed Revenue period t	Year t Monies	REXIT <sub>t</sub>	121.29
Forecast Other Revenue from INCH in period t	Year t Monies	0.5*UEXITF <sub>t</sub>	0.00
Forecast Inflation		HICPR <sub>t</sub>	2.8%
Allowed Inflation		HICPF <sub>t</sub>	2.0%
<b>Calculation Revenue * Inflation</b>		<b><math>(REXIT_t + 0.5 \cdot UEXITF_t) \cdot (1 + (HICPR_t/100)/1 + (HICPF_t/100))</math></b>	<b>122.24</b>
Allowed pass-through costs less Expected	Year t Monies	PEXITR <sub>t</sub>	4.10
Forecast Revenue Recovered in period t	Year t Monies	FEXITR <sub>t</sub>	119.41
Revised Forecast Other Revenue	Year t Monies	0.5*UEXITR <sub>t</sub>	0.00
<b>Calculation Forecast Revenue</b>		<b><math>- PEXITR_t - FEXITR_t - 0.5 \cdot UEXITR_t</math></b>	<b>-123.51</b>
Forecast Revenue Recovered v's Allowed			98%
Euribor Rate		I <sub>t</sub>	5.40%
<b>Correction Factor period t</b>	Year t+1 Monies	<b>KEXIT<sub>t</sub></b>	<b>-1.33</b>

CALCULATION OF KEXIT <sub>t-1</sub>			
<b><math>KEXIT_{t-1} = \{ (REXIT_{t-1} + 0.5 \cdot UEXITF_{t-1}) \cdot (1 + (HICPA_{t-1}/100)/1 + (HICPR_{t-1}/100)) - PEXITA_{t-1} - (AEXITR_{t-1} + (0.5 \cdot UEXITA_{t-1})) \} \cdot (1 + (I_{t-1}/100))</math></b>			
Description		Formula Ref	Value
Allowed Revenue period t-1	Year t-1 Monies	REXIT <sub>t-1</sub>	85.24
Forecast Other Revenue in period t-1	Year t-1 Monies	0.5*UEXITF <sub>t-1</sub>	0.00
Actual Inflation t-1		HICPA <sub>t-1</sub>	6.3%
Forecast Inflation t-1		HICPR <sub>t-1</sub>	6.3%
<b>Calculation - Revenue * Inflation</b>		<b><math>(REXIT_{t-1} + (0.5 \cdot UEXITF_{t-1})) \cdot (1 + HICPA_{t-1}/1 + HICPR_{t-1}/100)</math></b>	<b>85.24</b>
Expected pass-through costs less Actual	Year t-1 Monies	PEXITA <sub>t-1</sub>	-0.71
Actual Revenue Recovered in period t-1	Year t-1 Monies	AEXITR <sub>t-1</sub>	85.69
Actual Other Revenue from IC in period t-1	Year t-1 Monies	0.5*UEXITA <sub>t-1</sub>	0.00
<b>Calculation - Actual Revenue</b>		<b><math>PEXITA_{t-1} - (AEXITR_{t-1} + (0.5 \cdot UEXITA_{t-1}))</math></b>	<b>-84.97</b>
Actual Revenue Recovered v's Allowed			101%
Euribor Rate period t		I <sub>t</sub>	5.40%
Euribor Rate period t-1		I <sub>t-1</sub>	3.80%
<b>Correction Factor period t-1</b>	Year t+1 Monies	<b>KEXIT<sub>t-1</sub></b>	<b>0.296</b>

**APPENDIX 2: Revenue Control Formula Calculations**

<b>INTERCONNECTOR</b>		<i>Revenue Allowed in year t+1</i>	
<u>Description</u>		<u>Formula Ref</u>	<u>Value</u>
Inflation		<i>HICPDj</i>	12.22%
Allowed Revenue for period t+1	<i>02/03 Monies</i>	<i>BICt+1</i>	57.14
<b>Calculation - Inflated Allowable Revenue</b>		<b><math>\{(1+(HICPj/100))* BICt+1\}</math></b>	<b>64.12</b>
Forecast less Allowable pass through costs	<i>Year t+1 Monies</i>	<i>PICFt+1</i>	-2.31 *
Correction Factor Kt	<i>Year t+1 Monies</i>	<i>KICt</i>	-0.04
Correction Factor Kt-1	<i>Year t+1 Monies</i>	<i>KICt-1</i>	0.15
Forecast Other Revenue from IC in period t+1	<i>Year t+1 Monies</i>	<i>0.5*UICFt</i>	0.00
<b>Allowable Revenue to be Recovered in year t+1</b>			<b>61.92</b>
<b>Less:</b> Estimate of Inventory Product Revenue			1.00
<b>Adjusted Allowable Revenue to be Recovered in year t+1</b>			<b>60.92</b>
<hr/>			
<b>INCH</b>		<i>Revenue Allowed in year t+1</i>	
<u>Description</u>		<u>Formula Ref</u>	<u>Value</u>
Inflation		<i>HICPDj</i>	12.22%
Allowed Revenue for period t+1	<i>02/03 Monies</i>	<i>BINCHt+1</i>	2.83
<b>Calculation - Inflated Allowable Revenue</b>		<b><math>\{(1+(HICPj/100))* BINCHt+1\}</math></b>	<b>3.18</b>
Forecast less Allowable pass through costs	<i>Year t+1 Monies</i>	<i>PINCHt+1</i>	0.08 *
Correction Factor Kt	<i>Year t+1 Monies</i>	<i>KINCHt</i>	0.12
Correction Factor Kt-1	<i>Year t+1 Monies</i>	<i>KINCHt-1</i>	0.04
Forecast Other Revenue in period t+1	<i>Year t+1 Monies</i>	<i>0.5*UICFt</i>	0.00
<b>Allowable Revenue to be Recovered in year t+1</b>			<b>3.41</b>
<hr/>			
<b>EXIT</b>		<i>Revenue Allowed in year t+1</i>	
<u>Description</u>		<u>Formula Ref</u>	<u>Value</u>
Inflation		<i>HICPDj</i>	12.22%
Allowed Revenue for period t+1	<i>02/03 Monies</i>	<i>BEXITt+1</i>	116.53
<b>Calculation - Inflated Allowable Revenue</b>		<b><math>\{(1+(HICPj/100))* BICt+1\}</math></b>	<b>130.76</b>
Forecast less Allowable pass through costs	<i>Year t+1 Monies</i>	<i>PEXITt+1</i>	-3.91 *
Correction Factor Kt	<i>Year t+1 Monies</i>	<i>KEXITt</i>	-1.33
Correction Factor Kt-1	<i>Year t+1 Monies</i>	<i>KEXITt-1</i>	0.30
Forecast Other Revenue from IC in period t+1	<i>Year t+1 Monies</i>	<i>0.5*UEXITFt</i>	0.00
<b>Allowable Revenue to be Recovered in year t+1</b>			<b>125.82</b>

\* Reflects forecast savings in pass through costs in gas year 2006/07

### **APPENDIX 3: Assumptions Used in Formulating the 2006/07 Demands**

The main assumptions used in formulating the Entry/Exit Capacity forecast for the gas year 2006/07 may be summarised as follows:

- Shippers continue to reserve similar levels of primary capacity from the Transporter going forward for 2006/07, with adjustments for the following:
  - The forecast includes provision for new gas fired Combined Cycle Gas Turbine (“CCGT”) stations per the Central Demand scenario;
  - The forecast for older gas-fired stations was reduced to reflect the impact of the above new gas-fired power stations, and increased electrical interconnection with Northern Ireland (“NI”) and Great Britain (“GB”);
  - The Moffat forecast was adjusted for declining production at Inch and new forecast production from Corrib (from the end of Q1 2008);
  - The Daily Metered (“DM”) I/C and Non-DM (“NDM”) forecasts were adjusted upwards per the Central Demand scenario growth assumptions;
  - The current 90/10 capacity/commodity split is maintained in the tariff;
- A key assumption that shippers do NOT revert to the aggressive trading of capacity on the secondary market - observed in the 2004/05 gas year; and
- No provision has been made for EU Regulation 1775 (which mandates the provision of short-term capacity products) - the forecast will be revised once its implementation in the ROI has been clarified;

➤ **APPENDIX 4: Revenue Control Tariff Calculation**

<b>ONSHORE TARIFF CALCULATION</b>	
<b>Revenue Allowed for 2006/07</b>	<b>125.82</b>
<b><u>Demand</u></b>	
	<b><u>2006/07</u></b>
peak days GWh	240.8
commodity GWh	52,456
<b><u>Tariff</u></b>	
capacity - c per peak day kWh	47.0254
commodity - c per kWh	0.0240
<b><u>Revenue</u></b>	
capacity	113.24
commodity	12.58
<b>Total</b>	<b>125.82</b>

<b>INCH TARIFF CALCULATION</b>	
<b>Revenue Allowed for 2006/07</b>	<b>3.41</b>
<b><u>Demand</u></b>	
	<b><u>2006/07</u></b>
peak days GWh	41.3
commodity GWh	5,373
<b><u>Tariff</u></b>	
capacity - c per peak day kWh	7.4409
commodity - c per kWh	0.0064
<b><u>Revenue</u></b>	
capacity	3.07
commodity	0.34
<b>Total</b>	<b>3.41</b>

<b>INTERCONNECTOR TARIFF CALCULATION</b>	
<b>Revenue Allowed for 2006/07</b>	<b>60.92</b>
<b><u>Demand</u></b>	<b><u>2006/07</u></b>
peak days GWh	200.4
commodity GWh	48,216
<b><u>Tariff</u></b>	
capacity - c per peak day kWh	27.3604
commodity - c per kWh	0.0126
<b><u>Revenue</u></b>	
capacity	54.83
commodity	6.09
<b>Total</b>	<b>60.92</b>