Transmission Tariffs

for the

Gas Year 2010/11

6th July 2010

BORD GÁIS
NETWORKS

1. Introduction

This paper outlines the calculation of Transmission Tariffs for gas year 2010/11 in accordance with CER decisions. It details the calculation of the 10/11 tariffs as follows by outlining:

a) The allowed revenue for 2010/11 by applying the Revenue Control Formulae; and
b) The updated demand forecasts based on industry information.

All calculations are shown in the appendices.

2. Executive Summary

Applying the Revenue Control Formulae and incorporating updated demand forecasts, results in a real tariff increase of circa 1.4 % (a increase of 1.9% when inflation is included) for Moffat shippers and a real increase of 6.4% (an increase of 6.9% when inflation is included) for Inch shippers when compared with the 2009/10 tariffs. These calculations are based on a combined tariff (e.g. Onshore + IC = Moffat Shipper Tariff), on a weighed average basis using an average load factor and are based on a 90/10 capacity/commodity split.

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

3. Allowed Revenue for 2010/11

The allowable revenue for 2010/11 is calculated by applying the Revenue Control Formula according to the CER "Bord Gais Revenue Review 2007/08 – 20011/12: Transmission Decision Paper" (CER/07/110). This decision paper is also used to calculate the correction factor Kt-1, which closes out 2008/09. The decision paper (CER/07/110) outlines the allowed revenue for each year of BGN's second price control period based on allowed operating expenditure, capital expenditure and forecast demands at that time.

When setting the price control for 2007/08 – 2011/12 it was estimated that Corrib would flow from October 1st 2009. This was reflected in the forecast Transmission demand figures with lower flows through the interconnector system in 2009/10, 2010/11 and 2011/12. When setting the 09/10 tariff last year it was assumed that Corrib would commence operational flows in 2011 with the full impact on Moffat being evident from January 2012. In order to reduce volatility and keep the Tariffs from fluctuating significantly due to the timing of Corrib, the revenues for 2009/10, 2010/11 and 2011/12 were re-profiled based on new forecasted IC demand figures for that period. By reprofiling the revenues to the new demand it meant that BGN would recover more revenue in 2009/10 and 2010/11 but less revenue in 2011/12 compared with the original PC2 allowed revenues.

Based on the latest information available, Corrib is now not expected to be operational until PC3. The revenues for 2010/11 and 2011/12 which were re-profiled in 09/10, have been re-profiled again based on the latest forecast of IC demand for the last 2 years of PC2. This means that BGN will recover less revenue in 2010/11 and more revenue in 2011/12 compared with the re-profiled revenues from 09/10. The total IC revenues for PC2 are the same in NPV terms in all 3 cases (original allowed revenue, re-profiling in 09/10 and re-profiling again in 10/11).

The Revenue Control Formula sets out the parameters for the calculation of the allowable revenue in a given gas year, in this case gas year 2010/11. The original CER allowed revenues are adjusted to take account of revised forecast pass through costs and inflation for

2010/11. The Revenue Control Formula also has a Correction Factor built into it which takes account of the actual revenue (over/under recoveries), inflation and pass through costs for the previous gas year i.e. 2008/09.

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

- Inflation/Deflation
  - In setting the 2010/11 tariffs, 0.5% inflation was assumed for the time period from April 10 to March 11[1]
  - The inflation used to bring the PC2 allowances for 10/11 (originally set in 05/06 monies) up to 2010/11 monies is 3.93%[2] and includes an adjustment for moving from the Price Control 1 methodology to the Price Control 2 methodology

- Euribor[3]
  - 2008/09 Euribor of 2.397% which represents an average 12-month rate from 1st Oct’08 to 30th Sep’09
  - 2009/10 Euribor of 1.235% which represents an average 12-month rate from 1st Oct’09 to 18th June’10

Please see Appendix 5 for an explanation of the interest rate multiplier/euribor rates.

Revised Forecast for 2010/11 Pass Through Costs

The impact of the forecast 10/11 pass through costs can be seen in the table below:

2010/11 Forecasts		**(Saving)/Excess**
Pass Through Costs Variance		**€m**
	Rates *	-2.30
	CER Levy	0.79
	ISO/Gaslink	0.31
	CO2 **	0.69
Pass Through Costs Difference		**-0.52**

[1] The inflation/deflation for 2010/11 is estimated to be +0.5% based on ESRI Forecast for 2011(source April 2010).

[2] Inflation of 2.9% (2005/06 to 2006/07) by 3.7% (2006/07 to 2007/08) by -0.7% (2007/08 to 2008/09) by -2.4% (08/09 to 09/10) by 0.5% (09/10 to 10/11) gives a total inflation (actual and projected) of 3.93%. (Ref. CSO Consumer Price Index Publication for actual inflation)

[3] This is used to uplift revenue over/under-recoveries for the previous year. Revenue over-recoveries up to 103% and under-recoveries attract an interest rate of Euribor + 2%, any over-recovery above 103% of allowable revenue attracts an interest rate of Euribor + 4% for year t-1.

*For rates, 50% of the variance between allowed and estimated costs is passed through.

**For CO2, 100% of the variance between the original allowance and the estimated cost is passed through. In year of close out, 50% of the variance between the estimated and actual price is passed through when the actual price is known.

- Pass Through Costs
    - Pass through costs agreed with the CER include Rates, CER Levy, ISO/Gaslink Costs and Carbon (CO2) Costs
    - Forecasted rate savings for 10/11 have been taken into account
    - The projected carbon costs included for 2010/11 are based on a carbon price of €15.5 per tonne
    - CER Levy for 10/11 is estimated to be €1.8m and the original allowance is €1.01m.

In Price Control 2, a cost sharing incentive was introduced for rates and emission permits (CO2 costs). If the actual costs differ from the PC2 allowance then 50% of the difference will be borne by Bord Gais and 50% by the customers.

In setting the 10/11 tariff, this mechanism applies in the year of close out (Kt-1, 08/09) for rates and carbon emissions when actual figures for pass-through costs are known and in the tariff setting year (Kt+1, 10/11) for rates when pass-through costs are being forecast. For Carbon emission costs an agreed set of volumes for five years was established during the PC2 Price Review and it was determined that each year a one-year forward looking price would be established based on market data available at that time.

The European Union Third Energy Package on market liberalisation in the energy sector came into force in September 2009 and contains a directive concerning common rules for the market in gas. BGE are obliged to implement this package by March 2012. The CER has allowed additional pass-through costs to cover the cost of implementing the Networks driven aspects of the Third Package. For the 2010/11 Gas Year, €11m has been allowed and this will be split across Transmission and Distribution on an 80:20 basis. This results in an additional pass-through cost of **€8.8m**, which combined with the €0.52m saving in the table above results in a total pass-through cost adjustment of €8.28m for 2010/11.

<u>2008/09 Correction Factor</u>

The correction factor adjusts for differences in revised forecast and actual outturn revenues for the previous period (i.e. 2008/09).

Correction Factor 2008/09 (K_{t-1})

This correction factor adjusts for the difference between 2008/09 actual revenues and pass-through costs versus 2008/09 projected revenues and pass-through costs forecasted in 2008. As can be seen from the table below, transmission over-recovered revenues in 2008/09 with additional savings achieved in CER levy. Overall the correction factor includes a give-back of €5.6m which is included in the setting of the allowable revenue requirement for 2010/11.

In June 2008, when setting the 08/09 tariffs the 50:50 mechanism was not applied to the rates estimates for 08/09 and 100% of the estimated rates savings were passed through, reducing the 08/09 revenue requirement at that time. However, this is now being corrected in closing out 2008/09. This correction results in an increase of €2.01 to the 10/11 revenue requirement, but overall €2.3m of savings in rates have been applied.

08/09 Actual Outturn (Kt-1)	€m
Revenue Over Recovery	-7.61
Pass Through Costs	
Rates *	1.74
CER Levy	-0.74
ISO	1.31
CO2 **	0.09
Pass Through Costs	2.41
Total 08/09 Adjustment for Excess Revenue & Cost Savings (08/09 monies)	-5.20
Interest Rate Multiplier	1.08
Total Kt-1 Ajustment (10/11 monies)	-5.60

*For rates 50% of the cost variance between estimated and actual costs is passed through.

**For CO2, 50% of the variance between estimated and actual prices is passed through in year of close out when actual prices are known.

Please see Appendix 1 for the correction factor calculations for each system i.e. IC, Inch and Onshore.

Revenue Summary

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

Table 3.1

10/11 REVENUE CONTROL Revenue Summary		Reprofiled/ Original Allowed Revenue	Revenue Control Formula	Difference
	(10/11 Monies)	€m	€m	€m
Interconnector (*)		43.63	49.56	**5.93**
Inch		2.34	2.55	**0.21**
Exit		123.36	119.90	**-3.46**
Total Revenue Allowed		**169.33**	**172.01**	**2.68**

(*) The Inch and Exit revenues are as set out in the CER Transmission Decision Paper (ref: CER/07/110) and indexed to 10/11 Monies. However, the original Interconnector revenues for 2009/10 to 2011/12 were re-profiled in setting the 09/10 Tariff and have been re-profiled again based on latest IC demand figures for that period. This is explained in detail in Section 3, Page 2.

Please see Appendix 2 for the Revenue Control Formula calculations.

The differences between the re-profiled/original allowed revenues and the Revenue Control Formula revenues seen above are derived from the Correction Factor Formulae and forecast pass-through costs for 10/11. The revised allowable revenue represents a 1.6% increase from the original re-profiled allowed revenue for 2010/11.

In 08/09 a total of €0.8m was earned from the IC Inventory Storage and Short-Term Capacity products. This is included in the revenues earned for 08/09.

At a total level the impact of the correction factor (Kt-1) adjustments and the revised forecast pass through costs for 2009/10 on the Revenue Requirement can be seen in the table below.

Total Revenue Summary	
Values in 10/11 monies	€m
Reprofiled/Original CER Allowed Revenue	169.33
Revenue Control Formula Adjustments	
Pass Through Costs Forecast Savings 10/11	-0.52
2008/09 Correction Factor (Kt-1)	-5.60
Total Revenue Control Formula Adjustments	-6.12
Add: 3rd Directive Costs	8.80
Final 2010/11 Allowable Revenue	**172.01**

4. Drivers of the 2010/11 Tariff

The key drivers to the tariff for 2010/11 are (a) the revenue requirement for 10/11, (b) the forecast demand for 2010/11 and (c) the 2008/09 correction factor.

(a) Revenue Requirement for 10/11

As mentioned in section 3, the revenue requirement is adjusted to reflect actual revenue recovered in 2008/09 and actual/forecast over/under-spends of pass-through costs. The overall transmission revenue requirement has increased by 1.6% from the re-profiled original allowed 10/11 revenue.

The following factors are key drivers in the overall revenue requirement;

- In terms of pass through costs, the cost of implementing the EU 3rd Directive makes the biggest contribution to the increase in the overall revenue requirement.

- There are significant savings on rates which lower the revenue requirement as forecasts for 10/11 are expected to be lower compared to the allowance set in 2007.

- Carbon costs incurred in 2008/09 and forecast carbon costs for 2010/11 have been included in the revenue calculation. There was an increase in carbon costs for 2008/09 and there is also an increase forecasted for 2010/11 due to the delay in Corrib flows.

- ISO/Gaslink costs incurred in 2008/09 and forecast costs for 2010/11 have been included in the revenue calculation. There was an increase in Gaslink costs in 2008/09 and there is an increase forecasted for 2010/11 due to scope changes.

- CER Levy incurred in 2008/09 and forecast CER Levy for 2010/11 has been included in the revenue calculation. Actual CER Levy for 2008/09 and the estimated CER Levy for 2010/11 are higher than the original allowance.

The demand assumed for 10/11 is based on firm 12-month capacity bookings and does not take into account any potential short term product bookings. Any revenue accrued from short term products will be passed back to customers through the system revenue requirements. No estimate for Inventory Product revenue has been included in the Interconnector revenue calculation for 10/11 as any money earned will be passed back to customers through the actual IC revenue.

(b) Revised Forecast Demand for 10/11

The revised forecast demand figures are based on updated demand information as opposed to the demand projections for gas year 2010/11 that were published in the CER document mentioned previously (CER/07/110). See table 4.1 below for comparison to original forecasts.

Table 4.1

Capacity Bookings		2009/10 Tariff Forecast	2010/11 Original PC2 Forecast		2010/11 Revised Forecast	10/11 % Change v's 09/10	10/11 % Change v's Original
Exit Bookings	GWh	241.39	280.70		241.52	**0.1%**	**-14.0%**
Inch	GWh	34.56	30.00		33.59	**-2.8%**	**12.0%**
IC Bookings	GWh	212.83	159.10	(*)	206.65	**-2.9%**	**29.9%**

(*) The Original PC2 Forecast of IC Bookings for 10/11 was based on the assumption that gas would begin to flow from the Corrib field in Q4 2009 as set out in the CER Transmission Decision Paper (ref: CER/07/110).
Please see Appendix 3 for the assumptions used in formulating the projected capacity bookings for gas year 2010/11.

Overall system demand is anticipated to be circa 14% lower than originally forecast and is circa 0.1% higher than the forecast demand in 09/10.

Inch bookings have increased by 12% from that originally forecast.

Interconnector bookings are higher than originally forecast due to a delay with regards to the commencement of Corrib flows.

(c) 2008/09 Correction Factor

As outlined in section 3, the Kt-1 correction factor results in a benefit of €5.6m to customers, driven by an over-recovery of revenue.

5. Transmission Tariff for 2010/11

The 2010/11 tariff calculation is based on the out-turn allowable revenue for 2010/11, derived from applying the Revenue Control Formulae as outlined in Section 3 and set against the revised forecast system demand for the gas year as outlined in Section 4(b).

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

BGE Transmission Tariffs for Gas Year 2010/2011

	€	(10/11 Monies)	Published Tariffs 2008/09 €	Published Tariffs 2009/10 €	% Change Nominal from 09/10
Onshore Network					
capacity	**446.809**	per peak day MWh	396.360	432.614	3.3%
commodity	**0.214**	per MWh	0.192	0.194	10.0%
Interconnectors					
capacity	**215.833**	per peak day MWh	301.521	221.618	-2.6%
commodity	**0.090**	per MWh	0.128	0.090	-0.8%
Inch					
capacity	**68.297**	per peak day MWh	64.005	53.119	28.6%
commodity	**0.065**	per MWh	0.069	0.053	22.3%
Illustrative Transmission Transportation Costs	€				
Transmission Transportation Cost of UK Gas					
capacity	**662.642**	per peak day MWh	697.881	654.232	1.3%
commodity	**0.303**	per MWh	0.319	0.285	6.5%
Transmission Transportation Cost of Inch Gas					
capacity	**515.106**	per peak day MWh	460.365	485.733	6.0%
commodity	**0.279**	per MWh	0.261	0.248	12.6%

Cost/Therm Comparisons

Annual Consumption	365
Load Factors	1.3

Gas Year 10/11 (10/11 Monies)

Moffat	€	**Inch**	€
Capacity	861.43	Capacity	669.64
Commodity	110.77	Commodity	101.80
Total	972.20	Total	771.43
Cost/MWh	2.66	Cost/MWh	2.11
Cent/Therm	**7.81**	**Cent/Therm**	**6.19**

Gas Year 09/10 (09/10 Monies)

	Moffat	Inch
Cent/Therm	**7.66**	**5.80**
% Increase - Nominal	**1.9%**	**6.9%**

Gas Year 09/10 (10/11 Monies)

	Moffat	Inch
Cent/Therm	**7.70**	**5.82**
% Increase - Real	**1.4%**	**6.4%**
	0.5%	0.5%

The above is a worked example of the effect of the proposed new tariffs on both a Moffat and an Inch Shipper where 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 a increase of circa 1.4% real for Moffat shippers and an increase of 6.4% real for Inch shippers on the 2009/10 tariff's respectively.

Please see Appendix 4 for the individual tariff calculations.

APPENDIX 1: Correction Factor Calculations

IC

CALCULATION OF KICt-1

$$KIC_{t-1} = \{ (RIC_{t-1} + (0.5*UICF_{t-1})) * (1+ HICPA_{t-1} /1+ HICPR_{t-1}) - PICA_{t-1} - (AICR_{t-1} + (0.5*UICA_{t-1})) \}*(1+(I_t /100)*(1+(I_{t-1} /100))$$

Description		Formula Ref	Value
Allowed Revenue period t-1	*Year t-1 Monies*	*RICt-1*	69.64
Forecast Other Revenue from IC in period t-1	*Year t-1 Monies*	*0.5*UICFt-1*	0.00
Actual Inflation t-1		*HICPAt-1*	5.96%
Allowed Inflation t-1		*HICPRt-1*	10.23%
Calculation - Revenue * Inflation	***(RICt-1 + (0.5*UICFt-1)) * (1+ HICPAt-1 /1+ HICPRt-1)***		**66.95**
Rates Correction for Yr of Estimation	*Year t-1 Monies*		-0.39
CO2 Correction for Yr of Estimation	*Year t-1 Monies*		-0.18
Expected pass-through costs less Actual	*Year t-1 Monies*	*PICAt-1*	0.22
Actual Revenue Recovered in period t-1	*Year t-1 Monies*	*AICRt-1*	69.82
Actual Other Revenue from IC in period t-1	*Year t-1 Monies*	*0.5*UICAt-1*	0.00
Calculation - Actual Revenue	***PICAt-1 - (AICRt-1 + (0.5*UICAt-1)***		**-69.47**
Actual Revenue Recovered v's Allowed			100%
Euribor Rate period t		*It*	3.24%
Euribor Rate period t-1		*It-1*	4.40%
Correction Factor period t-1	*Year t+1 Monies*	***KICt-1***	**-2.72**

Inch

CALCULATION OF KINCHt-1

$$KINCH_{t-1} = \{ (RINCH_{t-1} + (0.5*UINCHF_{t-1})) * (1+ HICPA_{t-1} /1+ HICPR_{t-1}) - PINCHA_{t-1} - (AINCHR_{t-1} + (0.5*UINCHA_{t-1})) \}*(1+(I_t /100)*(1+(I_{t-1} /100))$$

Description		Formula Ref	Value
Allowed Revenue period t-1	*Year t-1 Monies*	*RINCHt-1*	2.67
Forecast Other Revenue in period t-1	*Year t-1 Monies*	*0.5*UINCHFt-1*	0.00
Actual Inflation t-1		*HICPAt-1*	5.96%
Allowed Inflation t-1		*HICPRt-1*	10.23%
Calculation - Revenue * Inflation	***(RINCHt-1 + (0.5*UINCHFt-1)) * (1+ HICPAt-1 /1+ HICPRt-1)***		**2.57**
Rates Correction for Yr of Estimation	*Year t-1 Monies*		-0.01
CO2 Correction for Yr of Estimation	*Year t-1 Monies*		0.09
Expected pass-through costs less Actual	*Year t-1 Monies*	*PINCHAt-1*	0.00
Actual Revenue Recovered in period t-1	*Year t-1 Monies*	*AINCHRt-1*	2.65
Actual Other Revenue from IC in period t-1	*Year t-1 Monies*	*0.5*UINCHAt-1*	0.00
Calculation - Actual Revenue	***PINCHAt-1 - (AINCHRt-1 + (0.5*UINCHAt-1))***		**-2.73**
Actual Revenue Recovered v's Allowed			99%
Euribor Rate period t		*It*	3.24%
Euribor Rate period t-1		*It-1*	4.40%
Correction Factor period t-1	*Year t+1 Monies*	***KINCHt-1***	**-0.18**

Onshore

CALCULATION OF KEXITt-1

$$KEXIT_{t-1} = \{ (REXIT_{t-1} + 0.5*UEXITF_{t-1})*(1+ (HICPA_{t-1}/100)/1+ (HICPR_{t-1}/100)) - PEXITA_{t-1} - (AEXITR_{t-1} + (0.5*UEXITA_{t-1})) \}*(1+(I_t /100)*(1+(I_{t-1} /100))$$

Description		Formula Ref	Value
Allowed Revenue period t-1	*Year t-1 Monies*	*REXITt-1*	106.99
Forecast Other Revenue in period t-1	*Year t-1 Monies*	*0.5*UEXITFt-1*	0.00
Actual Inflation t-1		*HICPAt-1*	5.96%
Allowed Inflation t-1		*HICPRt-1*	10.23%
Calculation - Revenue * Inflation	***(REXITt-1 + (0.5*UEXITFt-1)) * (1+ HICPAt-1 /1+ HICPRt-1)***		**102.85**
Rates Correction for Yr of Estimation	*Year t-1 Monies*		-1.62
Expected pass-through costs less Actual (100%)	*Year t-1 Monies*	*PEXITAt-1*	-0.58
Expected pass-through costs less Actual (50%)	*Year t-1 Monies*	*PEXITAt-1*	0.05
Actual Revenue Recovered in period t-1	*Year t-1 Monies*	*AEXITRt-1*	107.51
Actual Other Revenue from IC in period t-1	*Year t-1 Monies*	*0.5*UEXITAt-1*	0.00
Calculation - Actual Revenue	***PEXITAt-1 - (AEXITRt-1 + (0.5*UEXITAt-1))***		**-105.36**
Actual Revenue Recovered Vs Allowed			100%
Euribor Rate period t		*It*	3.24%
Euribor Rate period t-1		*It-1*	4.40%
Correction Factor period t-1	*Year t+1 Monies*	***KEXITt-1***	**-2.71**

APPENDIX 2: Revenue Control Formula Calculations

INTERCONNECTOR	*Revenue Allowed in year t+1*		
Description		**Formula Ref**	**Value**
Inflation		*HICPDj*	3.93%
Allowed Revenue for period t+1	*05/06 Monies*	*BICt+1*	41.98
Calculation - Inflated Allowable Revenue	***{(1+(HICPj /100))* BICt+1}***		**43.63**
Forecast less Allowable pass through costs (50%)	*Year t+1 Monies*	*PICFt+1*	-0.43
Forecast less Allowable pass through costs (100%)	*Year t+1 Monies*	*PICFt+2*	0.72
Correction Factor Kt-1	*Year t+1 Monies*	*KICt-1*	-2.72
EU 3rd Directive Costs	*Year t+1 Monies*		8.35
Forecast Other Revenue from IC in period t+1	*Year t+1 Monies*	*0.5*UICFt*	0.00
Allowable Revenue to be Recovered in year t+1			**49.56**

INCH	*Revenue Allowed in year t+1*		
Description		**Formula Ref**	**Value**
Inflation		*HICPDj*	3.93%
Allowed Revenue for period t+1	*05/06 Monies*	*BINCHt+1*	2.25
Calculation - Inflated Allowable Revenue	***{(1+(HICPj /100))* BINCHt+1}***		**2.34**
Forecast less Allowable pass through costs (50%)	*Year t+1 Monies*	*PINCHFt+1*	-0.03
Forecast less Allowable pass through costs (100%)	*Year t+1 Monies*	*PINCHFt+2*	-0.03
Correction Factor Kt-1	*Year t+1 Monies*	*KINCHt-1*	-0.18
EU 3rd Directive Costs	*Year t+1 Monies*		0.45
Forecast Other Revenue in period t+1	*Year t+1 Monies*	*0.5*UICFt*	0.00
Allowable Revenue to be Recovered in year t+1			**2.55**

EXIT	*Revenue Allowed in year t+1*		
Description		**Formula Ref**	**Value**
Inflation		*HICPDj*	3.93%
Allowed Revenue for period t+1	*05/06 Monies*	*BEXITt+1*	118.69
Calculation - Inflated Allowable Revenue	***{(1+(HICPj /100))* BICt+1}***		**123.36**
Forecast less Allowable pass through costs (50%)	*Year t+1 Monies*	*PEXITt+1*	-1.85
Forecast less Allowable pass through costs (100%)	*Year t+1 Monies*	*PEXITt+1*	1.10
Correction Factor Kt-1	*Year t+1 Monies*	*KEXITt-1*	-2.71
Forecast Other Revenue from IC in period t+1	*Year t+1 Monies*	*0.5*UEXITFt*	0.00
Allowable Revenue to be Recovered in year t+1			**119.90**

APPENDIX 3: Assumptions Used in Formulating the 2010/11 Demands

The main assumptions used in formulating the Entry/Exit forecast for the gas year 2010/11 may be summarised as follows:

- Assumptions on commodity are broadly consistent with Transmission Development Statement (TDS).
- Demand from the power stations is forecast to contract by 1% in 10/11.
    - Gas prices are assumed to be less favourable, relative to coal in 10/11.
    - Electricity Demand projections are in line with latest Eirgrid's latest GAR (electricity demand expected to contract in 2010 and return to growth of 2% in 2011).
- DM demand is forecast to contract by 1% in 10/11, as any potential gain due to GDP growth will be nullified by reductions due to energy efficiency measures and responses to gas prices.
- NDM demand growth is forecast to be 0.9% down on 09/10 as efficiency targets drive gas consumption down.
- Inch forecasts are in line with TDS assumptions.
- Corrib not assumed to commence production until after gas year 2011/12.
- Entry and Exit Capacity is forecast to be lower than 09/10.
- Assumed that current capacity booking patterns are maintained.

➢ APPENDIX 4: Revenue Control Tariff Calculation

INTERCONNECTOR TARIFF CALCULATION	
Revenue Allowed for 2010/11	**49.56**
Demand	**2010/11**
peak days GWh	206.65
commodity GWh	55,242
Tariff	
capacity - c per peak day kWh	21.5833
commodity - c per kWh	0.0090
Revenue	
capacity	44.60
commodity	4.96
Total	**49.56**

INCH TARIFF CALCULATION	
Revenue Allowed for 2010/11	**2.55**
Demand	**2010/11**
peak days GWh	33.6
commodity GWh	3,914
Tariff	
capacity - c per peak day kWh	6.8297
commodity - c per kWh	0.0065
Revenue	
capacity	2.29
commodity	0.25
Total	**2.55**

ONSHORE TARIFF CALCULATION	
Revenue Allowed for 2010/11	**119.90**
Demand	**2010/11**
peak days GWh	241.52
commodity GWh	56,091
Tariff	
capacity - c per peak day kWh	44.6809
commodity - c per kWh	0.0214
Revenue	
capacity	107.91
commodity	11.99
Total	**119.90**

APPENDIX 5: Interest Rate Multiplier/Euribor Rates

The interest rate multiplier is used to uplift revenue over/under recoveries for the previous year (e.g. 08/09). In 2008/09 Transmission experienced a revenue over-recovery. This over recovery of revenue was under 103% and therefore attracted an interest rate of Euribor + 2%. The Euribor Rate applied is based on information downloaded from the Euribor website:

http://www.euribor.org/html/content/euribor_data.html.

Euribor 08/09	2.40%	
Euribor 09/10	1.24%	
Euribor +2% 08/09	4.40%	*It-1*
Euribor +2% 09/10	3.24%	*It*
The interest rate factor calculated as		
=(1+*It-1* /100)*(1+*It* /100)	1.08	