

**Transmission Tariffs
for the
Gas Year 2014/15**

22th August 2014



1. Introduction

Bord Gáis Networks (BGN) welcomes the opportunity to present its paper to the CER on the Transmission Tariffs for 2014/15. This paper outlines the indicative tariffs calculated by applying the Revenue Control Formulae as determined by the CER for the PC3.

The calculation of 2014/15 Transmission tariffs involves a number of steps:

1. Updating the CER published 5-Year Revenue Control model to reflect
 - Forecast out-turn revenues for GY 2013/14.
 - Incremental OPEX and CAPEX for EU 3rd Directive Costs and Technical Training and Assessment costs as approved by the CER.
 - The net effect of these adjustments result in the 2014/15 allowed revenue decreasing by €3.73m (from €191.04m to €187.31m) in 10/11 monies. In 2014/15 monies the decrease is €3.87m (€198.19m to €194.32m).
2. Deriving the allowed revenue through application of the revenue control formulae.
3. Forecasting system demand, specifically:
 - BGN are forecasting that c.22% of Onshore Allowed Revenues and c.11% of Interconnector Allowed Revenues will be generated from Short Term Capacity Products in 2014/15. The Annual Tariff has been calculated to recover the remaining Annual Allowed Revenue.
4. Calculating unit capacity and commodity tariffs based on the required revenue set against projected peak day and annual volume figures.

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 decrease of circa 6.1% (a decrease of 5.5% when inflation of 0.6% is included) for Moffat shippers and a real decrease of 9.9% (a decrease of 9.3% when inflation is included) for Inch shippers when compared with the 2013/14 tariffs that became effective on October 1st 2013. These calculations are based on a combined tariff (e.g. Onshore + IC = Moffat Shipper Tariff), on a weighted average basis using an average load factor and are based on a 90/10 capacity/commodity split.

The Price Control determines the allowed revenues for a 5-year period. BGN has calculated the 2014/15 revenue in line with the price control decision of November 2012 and the updated

revenue profile published by the CER on 21st August 2013 when setting the 2013/14 tariff (ref CER/13/193).

When compared to the 2014/15 allowed revenue, the revised 2014/15 allowed revenue has decreased by €3.73m in 10/11 Monies. This decrease is the net effect following the application of:

- The return of a forecast over-recovery of revenue in 2013/14 due to an increase in short-term bookings materialising which were not forecasted.
- Incremental revenue for additional OPEX and CAPEX in relation to EU 3rd Directive Costs and Technical Training and Assessment projects.

The 2014/15 allowed revenue has also been adjusted to reflect a slight increase in Pass-Through costs and an adjustment for revenue over-recovered during 2012/13 which is now being returned.

The following sections outline the application of the Price Control Formula and discuss the tariff calculation in more detail.

3. Allowed Revenue Calculation

The Revenue Control Formula sets out the parameters for the calculation of the required revenue in a given gas year, in this case gas year 2014/15. The BGN required revenues are adjusted to take account of forecast pass through costs and inflation for 2014/15. 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. 2012/13.

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

- Inflation
 - In setting the 2014/15 tariffs, 0.6% inflation was assumed for the time period from April 14 to March 15¹.
- Euribor²
 - 2012/13 Euribor of 0.49% which represents an average 12-month rate from Oct 1st '12 - Apr 26th '13.
 - 2013/14 Euribor of 0.56% which represents an average 12-month rate from Oct 1st '12 - May 6th '14.

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

¹ The inflation for 2014/15 is estimated to be 0.6% based on figures from the Department of Finance – Ireland's Stability Programme Apr'14 Update.

² This is used to uplift revenue over/under-recoveries for the 2012/13 tariff year. Revenue over-recoveries up to 103% and under-recoveries attract an interest rate of Euribor + 2%.

Any over-recovery over 103% of allowable revenue attracts an interest rate of Euribor + 4% for Year t .

The 2014/15 allowed revenues have been further adjusted for the following items:

BGN have included additional OPEX and CAPEX in relation to the EU 3rd Directive Implementation project and Technical Training and Assessment costs in the Price Control to determine the revised allowed revenues for the 5-year period. As these costs were not approved in the original PC3 decision, BGN have followed the CER guidance per sec. 8.5 of CER/12/196 and made a subsequent application as part of the 2014/15 tariff setting process.

Evolution of 2014/15 Allowed Revenues (10/11 monies) and Impact on PC3 Allowed Revenues

When setting the Tariffs for 2013/14 the CER calculated allowed revenues of c. €188.37m (€202.35m Tariff adjusted in 13/14 monies). However, due to a change in the booking patterns of Annual and Short Term products during the 2013/14 Gas Year BGN currently project an over-recovery of €15.4m for 2013/14.

It has been agreed with the CER to update the 2013/14 allowed revenue in the 5 Year Price Control Model to be equal to the current forecast of revenues. This will have the effect of distributing the projected 2013/14 over-recovery over the 2014/15-2016/17 period and should help to prevent large year-to-year tariff variations.

In relation to the Moffat Entry Point, the CER continues to adopt the approach that the Interconnector allowed revenues for 2014/15-2016/17 should be equal in each year rather than pro-rata to forecast bookings as outlined in CER/13/193.

Forecast for 2014/15 Pass Through Costs

The impact of the forecast 2014/15 pass through costs can be seen in the table below:

2014/15 Forecasts	(Saving)/Charge
Pass Through Costs Variance	€m
Rates *	-0.04
CER Levy	0.00
Gaslink	1.05
CO2 **	-0.26
Pass Through Costs Difference - Charge	0.75

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

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

- Pass Through Costs
 - Pass through costs include Rates, CER Levy, Gaslink Costs and Carbon (CO₂) Costs
 - The projected carbon costs included for 2013/14 are based on a carbon price of €5.40 per tonne.
 - CER Levy for 14/15 is estimated to be €1.37m.
 - The Gaslink costs are forecast to be €3.43m.

No estimate for Inventory Product revenue has been included in the Interconnector revenue calculation for 2013/14 as any money earned will be passed back to customers through the actual IC revenue.

2012/13 Correction Factor

The correction factor adjusts for differences in revised forecast and actual out turn revenues for the previous period (i.e. 2012/13).

As can be seen from the table below, transmission over-recovered revenues in 2012/13. Savings were achieved in relation to Rates and CO₂ pass-through costs while there was a slight charge on CER Levy and Gaslink ISO costs. Overall the correction factor results in an over-recovery of €2.21m which is included in the setting of the required revenue requirement for 2014/15.

2012/13 Actual Outturn (Kt-1)	€m
Revenue Over Recovery	- 2.23
<u>Pass Through Costs</u>	
Rates - Saving	-0.109
CER Levy - Charge	0.180
ISO - Charge	0.184
CO ₂ - Saving	-0.133
Total Pass Through Costs	0.12
Total 2012/13 Adjustment for Excess Revenue & Cost	-2.106
Interest Rate Multiplier	1.051
Total Kt-1 Adjustment (2014/15 monies)	- 2.21

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

2014/15 REVENUE CONTROL				
	Allowed Required Revenue	Effect of additional allowances & 2013/14 Projected over-recovery	Revenue Control Formula	Variance due to Kt-1 adjust. and revised forecast Pass-through Costs
Revenue Summary	2014/15	2014/15	2014/15	
	€m	€m	€m	€m
Interconnector	61.40	61.03	59.15	1.88
Inch	2.02	2.00	1.90	0.10
Exit	134.78	131.29	131.81	-0.52
Total Revenue Allowed	198.19	194.32	192.86	1.46

Please see Appendix 2 for the Revenue Control Formula calculations.

In 2012/13 a total of €7.0m was earned from IC Inventory Storage (€0.06) and Short-Term Capacity products (€6.94). This is included in the revenues earned for 2012/13.

When calculating the 2014/15 Tariff, the total Annual Allowed Revenue is divided by total annual demand forecasts. This method in calculating the tariff has changed from the prior Gas Year calculations due to the increase in short term bookings. In the prior year, total allowed revenues were divided by total demand. As the 2014/15 Revised Forecast demands are a mix of both annual and short-term capacities, the current year calculation deducts the projected revenue from short term bookings from the Total Allowed revenue and divided by projected annual demand.

At a total level the impact of the correction factor (Kt-1) adjustments and the revised forecast pass through costs for 2014/15 on the Revenue Requirement comes to (€1.46m). The detail can be seen in the table below.

Total Revenue Summary	
<i>Values in 2014/15 monies</i>	€m
BGN Allowed Required Revenue	198.19
Less: CAPEX, OPEX & 13/14 Revenue	-3.87
	194.32
Revenue Control Formula Adjustments	
Pass Through Costs Forecast Charge 2014/15	0.75
2012/13 Correction Factor (Kt-1)	-2.21
Total Revenue Control Formula Adjustments	-1.46
Final 2014/15 Required Revenue	192.86

4. Revised Capacity

The Capacity projected for 2014/15 assumes a mix of both firm and short term capacity products. It is expected that a significant amount of short-term capacity will be utilised in 2014/15 and these are equivalent to c.11% of the Allowed Revenue at the IC Entry and c.22% of the Allowed Revenue at the Onshore Exit systems.

Forecast Capacity for 14/15

The forecast Capacity figures are shown in table 4.1 below.

The numbers outlined in table 4.1 are based on the following assumptions:

It is assumed that most DM and LDM shippers will continue to optimise their capacity booking between a combination of annual, monthly and daily products.

The NDM sector will continue to book for a 1-in-50 peak day.

A forecasted decrease in Annual exit capacity bookings is assumed under this regime.

14/15 annual Moffat capacity is 12.6% lower than 2013/14 due to the effect of Corrib. It is assumed that Moffat Shippers will optimise their bookings and continue to rely on trades at Entry.

Inch Entry Bookings are based on a profile provided by Kinsale Energy.

Table 4.1

		2013/14 Tariff Forecast	2014/15		% Change 2014/15 v's 2013/14	% Change 2014/15v's Original
			PC3 Forecast	Forecast		
<u>Onshore Capacity Bookings</u>						
Annual	GWh	235.52	225.00	209.41		
Monthly	GWh	-	-	5.83		
Daily	GWh	-	-	52.53		
Total Onshore Bookings		235.52	225.00	267.77	13.7%	19.0%
<u>Onshore Commodity Bookings</u>						
Demand Forecast	GWh	49,800	50,681	47,870	-3.9%	-5.5%
<u>Inch Bookings</u>						
Annual	GWh	36.34	32.32	31.91		
Monthly	GWh	-	-	-		
Daily	GWh	-	-	-		
Total Inch Bookings		36.34	32.32	31.91	-12.2%	-1.3%
<u>Inch Commodity Bookings</u>						
Demand Forecast	GWh	3,903	6,704	5,611	43.8%	-16.3%
<u>IC Bookings</u>						
Annual	GWh	158.42	164.78	122.73		
Monthly	GWh	-	-	4.06		
Daily	GWh	-	-	11.63		
Total IC Bookings		158.42	164.78	138.41	-12.6%	-16.0%
<u>IC Commodity Bookings</u>						
Demand Forecast	GWh	47,219	50,770	35,034	-25.8%	-31.0%

Note that the 2014/15 Revised Forecast demands are a mix of both annual and short-term capacities: The short-term capacity forecasted is converted into an annual equivalent value based on the month in which it is expected to arise and the relevant multiplier in that month.

Please see Appendix 3 for the assumptions used in formulating the projected capacity bookings for gas year 2014/15.

5. Transmission Tariff for 2014/15

The 2014/15 tariff calculation is based on the proposed required revenue for 2014/15, 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.

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

BGE Transmission Tariffs for 2014/15			Published Tariffs		% Change Nominal from 13/14
	£ 2014/15 Tariff	(14/15 Monies)	2012/13 - Apr-Sep £	2013/14 Tariff £	
Onshore Network					
capacity	443.036	per peak day MWh	491.313	509.093	-13.0%
commodity	0.275	per MWh	0.244	0.268	2.9%
Interconnectors					
capacity	358.577	per peak day MWh	340.822	355.325	0.9%
commodity	0.157	per MWh	0.148	0.132	18.8%
Inch					
capacity	53.604	per peak day MWh	103.697	45.717	17.3%
commodity	0.034	per MWh	0.091	0.047	-28.4%
Illustrative Transmission Transportation Costs					
	£		£	£	
Transmission Transportation Cost of UK Gas					
capacity	801.612	per peak day MWh	832.135	864.418	-7.3%
commodity	0.433	per MWh	0.392	0.400	8.2%
Transmission Transportation Cost of Inch Gas					
capacity	496.639	per peak day MWh	595.010	554.810	-10.5%
commodity	0.309	per MWh	0.335	0.315	-1.8%
Cost/Therm Comparisons					
Annual Consumption	365				
Load Factors	1.3				
Gas Year 14/15 (14/15 Monies)					
Moffat	£	Inch	£		
Capacity	1,042.10	Capacity	645.63		
Commodity	157.96	Commodity	112.87		
Total	1,200.05	Total	758.50		
Cost/MWh	3.287821	Cost/MWh	2.078081		
Cent/Therm	9.64	Cent/Therm	6.09		
Gas Year 13/14(13/14 Monies)					
Cent/Therm	10.20		6.71		
% Decrease - Nominal	-5.5%		-9.3%		
Gas Year 13/14 (14/15 Monies)					
Cent/Therm	10.26		6.75		
% Decrease - Real	-6.1%		-9.9%		

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 decrease of circa 6.1% real for Moffat shippers and a decrease of 9.9% real for Inch shippers on the 2013/14 tariff's respectively. Please see Appendix 4 for the individual tariff calculations.

APPENDIX 1: Correction Factor Calculations³

IC

CALCULATION OF KIC _{t-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	RIC _{t-1}	62.96
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}	2.81%
Allowed Inflation t-1		HICPR _{t-1}	3.53%
Calculation - Revenue * Inflation		$(RIC_{t-1} + (0.5 * UICF_{t-1})) * (1 + HICPA_{t-1} / 1 + HICPR_{t-1})$	62.53
Expected pass-through costs less Actual (100%)	Year t-1 Monies	PICA _{t-1}	0.13
Expected pass-through costs less Actual (50%)	Year t-1 Monies	PICA _{t-1}	0.11
Actual Revenue Recovered in period t-1	Year t-1 Monies	AICR _{t-1}	63.57
Actual Other Revenue from IC in period t-1	Year t-1 Monies	0.5*UICA _{t-1}	0.00
Calculation - Actual Revenue		$PICA_{t-1} - (AICR_{t-1} + (0.5 * UICA_{t-1}))$	-63.81
Actual Revenue Recovered vs Allowed			101%
Euribor Rate period t		I _t	2.56%
Euribor Rate period t-1		I _{t-1}	2.49%
Correction Factor period t-1	Year t+1 Monies	KIC_{t-1}	-1.35

Inch

CALCULATION OF KINCH _{t-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	RINCH _{t-1}	4.14
Forecast Other Revenue in period t-1	Year t-1 Monies	0.5*UINCHF _{t-1}	0.00
Actual Inflation t-1		HICPA _{t-1}	2.81%
Allowed Inflation t-1		HICPR _{t-1}	3.53%
Calculation - Revenue * Inflation		$(RINCH_{t-1} + (0.5 * UINCHF_{t-1})) * (1 + HICPA_{t-1} / 1 + HICPR_{t-1})$	4.11
Expected pass-through costs less Actual (100%)	Year t-1 Monies	PINCHA _{t-1}	0.005
Expected pass-through costs less Actual (50%)	Year t-1 Monies	PINCHA _{t-1}	0.027
Actual Revenue Recovered in period t-1	Year t-1 Monies	AINCHR _{t-1}	4.11
Actual Other Revenue from IC in period t-1	Year t-1 Monies	0.5*UINCHA _{t-1}	0.00
Calculation - Actual Revenue		$PINCHA_{t-1} - (AINCHR_{t-1} + (0.5 * UINCHA_{t-1}))$	-4.14
Actual Revenue Recovered vs Allowed			99.4%
Euribor Rate period t		I _t	2.56%
Euribor Rate period t-1		I _{t-1}	2.49%
Correction Factor period t-1	Year t+1 Monies	KINCH_{t-1}	-0.04

³ Note: Terminology in tables is a per Transmission Submission during PC3

Onshore

CALCULATION OF KEXIT_{t-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	REXIT _{t-1}	111.35019
Forecast Other Revenue in period t-1	Year t-1 Monies	0.5*UEXITF _{t-1}	0.00
Actual Inflation t-1		HICPA _{t-1}	2.81320%
Allowed Inflation t-1		HICPR _{t-1}	3.53%
Calculation - Revenue * Inflation		$(REXIT_{t-1} + (0.5 * UEXITF_{t-1})) * (1 + HICPA_{t-1} / 1 + HICPR_{t-1})$	110.58074
Expected pass-through costs less Actual (100%)	Year t-1 Monies	PEXITA _{t-1}	-0.36
Expected pass-through costs less Actual (50%)	Year t-1 Monies	PEXITA _{t-1}	-0.03
Actual Revenue Recovered in period t-1	Year t-1 Monies	AEXITR _{t-1}	111.76
Actual Other Revenue from IC in period t-1	Year t-1 Monies	0.5*UEXITA _{t-1}	0.00
Calculation - Actual Revenue		$PEXITA_{t-1} - (AEXITR_{t-1} + (0.5 * UEXITA_{t-1}))$	-111.37
Actual Revenue Recovered vs Allowed			100%
Euribor Rate period t		I _t	2.56%
Euribor Rate period t-1		I _{t-1}	2.49%
Correction Factor period t-1	Year t+1 Monies	KEXIT_{t-1}	-0.83

APPENDIX 2: Revenue Control Formula Calculations⁴

INTERCONNECTOR		<u>Revenue Allowed in year t+1</u>	
<u>Description</u>		<u>Formula Ref</u>	<u>Value</u>
Inflation		HICPDj	3.74%
Allowed Revenue for period t+1	10/11 Monies	BICt+1	58.83
Calculation - Inflated Allowable Revenue		$\{(1+(HICPj / 100)) * BICt+1\}$	61.03
Forecast less Allowable pass through costs (50%)	Yr t+1 Monies	PICFt+1	-0.33
Forecast less Allowable pass through costs (100%)	Yr t+1 Monies	PICFt+2	-0.20
Correction Factor Kt-1	Yr t+1 Monies	KICt-1	-1.35
Forecast Other Revenue in period t+1	Yr t+1 Monies	0.5*UICFt	0.00
Allowable Revenue to be Recovered in year t+1			59.15
INCH		<u>Revenue Allowed in year t+1</u>	
<u>Description</u>		<u>Formula Ref</u>	<u>Value</u>
Inflation		HICPDj	3.74%
Allowed Revenue for period t+1	10/11 Monies	BINCHt+1	1.93
Calculation - Inflated Allowable Revenue		$\{(1+(HICPj / 100)) * BINCHt+1\}$	2.00
Forecast less Allowable pass through costs (50%)	Yr t+1 Monies	PINCHFt+1	-0.01
Forecast less Allowable pass through costs (100%)	Yr t+1 Monies	PINCHFt+2	-0.06
Correction Factor Kt-1	Yr t+1 Monies	KINCHt-1	-0.04
Forecast Other Revenue in period t+1	Yr t+1 Monies	0.5*UICFt	0.00
Allowable Revenue to be Recovered in year t+1			1.90
EXIT		<u>Revenue Allowed in year t+1</u>	
<u>Description</u>		<u>Formula Ref</u>	<u>Value</u>
Inflation		HICPDj	3.74%
Allowed Revenue for period t+1	10/11 Monies	BEXITt+1	126.56
Calculation - Inflated Allowable Revenue		$\{(1+(HICPj / 100)) * BICt+1\}$	131.29
Forecast less Allowable pass through costs (50%)	Yr t+1 Monies	PEXITt+1	0.30
Forecast less Allowable pass through costs (100%)	Yr t+1 Monies	PEXITt+1	1.05
Correction Factor Kt-1	Yr t+1 Monies	KEXITt-1	-0.83
Forecast Other Revenue in period t+1	Yr t+1 Monies	0.5*UEXITFt	0.00
Allowable Revenue to be Recovered in year t+1			131.81

⁴ Note: Terminology in tables is a per Transmission Submission during PC3

APPENDIX 3: Assumptions Used in Formulating the 2014/15 Commodity Forecast

The main assumptions used in formulating the Entry/Exit forecast for the gas year 2014/15 when compared to the 2013/14 tariff forecast may be summarised as follows:

- DM demand is up by 7.8% in 2014/15. This reflects strong growth throughout 2013/14.
- Demand from the power stations is forecast to contract by 0.3% in 2014/15. Moderate growth in electricity demand is offset by increase in installed wind capacity.
- NDM is relatively flat year on year.
- Demand from transport included during 2014/15.
- Corrib assumed to commence production in 2014/15.

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

ONSHORE ANNUAL TARIFF CALCULATION		€'m
Total Revenue Allowed for 2014/15		131.81
Less: Revenue Projected from Short-Term Capacity		25.86
Total Annual Revenue Allowed for 2014/15		105.96
<u>Demand</u>		<u>2014/15</u>
peak days GWh		209.41
commodity GWh		47,869.73
<u>Tariff</u>		
capacity - c per peak day kWh		44.3036
commodity - c per kWh		0.0275
<u>Revenue</u>		
Annual capacity		92.77
Annual commodity		13.18
Total		105.96

INCH ANNUAL TARIFF CALCULATION		€'m
Total Revenue Allowed for 2014/15		1.90
Less: Revenue Projected from Short-Term Capacity		-
Total Annual Revenue Allowed for 2014/15		1.90
<u>Demand</u>		<u>2014/15</u>
peak days GWh		31.9
commodity GWh		5,611.2
<u>Tariff</u>		
capacity - c per peak day kWh		5.3604
commodity - c per kWh		0.0034
<u>Revenue</u>		
capacity		1.71
commodity		0.19
Total		1.90

INTERCONNECTOR ANNUAL TARIFF CALCULATION		€'m
Total Revenue Allowed for 2014/15		59.15
Less: Adjustment due to Moffat Cap transferred to Corrib		4.00
Adjusted Allowed Revenue		55.15
Less: Revenue Projected from Short-Term Capacity		5.62
Total Annual Revenue Allowed for 2014/15		49.52
<u>Demand</u>		<u>2014/15</u>
peak days GWh		122.73
commodity GWh		35,034.08
<u>Tariff</u>		
capacity - c per peak day kWh		35.8577
commodity - c per kWh		0.0157
<u>Revenue</u>		
capacity		44.01
commodity		5.51
Total		49.52

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. 12/13). In 2012/13 Transmission experienced a revenue over-recovery. This over recovery of revenue was under 103% for the Exit and Interconnector System 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-ebf.eu/euribor-org/euribor-rates.html>

Euribor 2012/13	0.49%	
Euribor 2013/14	0.56%	
Euribor + 2% 2012/13	2.49%	<i>lt-1</i>
Euribor + 2% 2013/14	2.56%	<i>lt</i>
Euribor + 4% 2012/13	4.49%	<i>lt-1</i>
Euribor + 4% 2013/14	4.56%	<i>lt</i>
The interest rate factor calculated as		
$= (1 + lt - 1 / 100) * (1 + lt / 100)$	1.051	@Euribor + 2%
$= (1 + lt - 1 / 100) * (1 + lt / 100)$	1.092	@Euribor + 4%