



CER

Commission for Energy Regulation
An Coimisiún um Rialáil Fuinnimh

Gas Networks Ireland Allowed Revenue and Transmission Tariffs 2016/17

Decision Paper

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Executive Summary

This Decision Paper sets out the update to the Allowed Revenues that Gas Networks Ireland may recover during the course of Gas Year 2016/17 and includes updates on additional revenue requests from GNI that the CER has approved. These revenues are required for the operation and maintenance of the high pressure natural gas transmission system. Updates on revenue requests for 2016/17 include additional funding for Midleton compressor station, resources for technical training and GNI's apprenticeship programme.

In addition, this paper updates key inputs such as the Cost of Capital, the inflation rate and the forecast Capacity bookings and Commodity flows which all influence the level of GNI's transmission tariffs. The Cost of Capital (WACC) is set at 5.2%, the floor of the current Price Control cost of capital. Inflation rates have been updated to indicate both actual rates as well as forecast inflation for 2016/17.

Forecast Capacity bookings on the GNI system are down marginally for Exit, but have increased for Entry, in particular there is a large increase in forecast bookings for gas from Corrib at the Bellanaboy entry point.

Finally, on the basis of the updated revenues and updated forecast Capacity bookings and forecast Commodity flows the network tariffs that will prevail from 1st October 2016 to 30th September 2017 are set out in section 3. On the basis of lower revenue requirements and the forecast Capacity bookings for the forthcoming year, the transportation cost of UK gas has decreased in nominal terms by 1.3%. Transportation costs from Bellanaboy have decreased by 1.0% and Inch Production and Storage have decreased by 1.7% and 0.5% respectively.

Public Impact Statement

The CER is legally responsible for regulating network charges in the natural gas market. The CER may set the basis for charges for using the transmission systems. The CER does so this in the best interests of the consumer. Our goal is to ensure that the gas is safely and securely supplied and that the charges are fair and reasonable.

The key customer impacts are as follows:

- All large power generation and large business customers are directly connected to the high pressure gas transmission system. Gas is moved through the transmission system into to the lower pressure distribution system where all domestic customers and most business are connected.
- Each year the CER agrees the allowed revenues that GNI may collect through the transmission network tariffs. These revenues cover a 12 month period from 1st October 2016 to 30th September 2017.
- The revenues that GNI are permitted to collect form a part of all gas customers' bills, including power generation, industrial and domestic customers, as all gas customers obtain their gas from transmission connected sources.
- The paper explains how the CER has set GNI's revenues and how these revenues are charged to customers for the coming year.
- Transmission network tariffs in nominal terms are down 1.3% versus 2015/2016. Network tariffs are charged to gas suppliers who may choose to pass them on to their customers. At present transmission network tariffs make up approximately 10% of a domestic customers bill. The network tariff changes in this paper will equate to c 0.1% of change to an average residential gas customer's bill. On an average customers bill this tariff change would equate to c. €0.10 of a decrease on an average residential gas customers bill.

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Glossary of Terms and Abbreviations

Abbreviation or Term	Definition or Meaning
Allowed Revenues	The sum of revenues that the TSO is entitled to obtain in a given period, as approved by the CER.
Price Control	A 5 - yearly review of GNI's allowed revenues.
Extra-over items	Work items not included in the Price Control
Pass-through items	Work items that were included in the Price Control but the costs of which were not certain at the time of the Price Control.
Euribor	Euro Interbank Offered Rate indicating the average interest rates at which Eurozone banks offer to lend to other banks.
GNI	Gas Networks Ireland
PC	Price Control
HICP	Harmonised Index of Consumer Pricing
Cost of Capital	The return that GNI are permitted to earn during a given year.
Correction Factor	An adjustment of revenue applied to rectify over or under recoveries.

1 Introduction

1.1 Commission for Energy Regulation

Under the Gas (Interim) (Regulation) Act, 2002, the CER is responsible for regulating charges in the natural gas market. Under Section 14 of that Act the CER may set the basis for charges for transporting gas through transmission systems.

This paper outlines the CER's decision in relation to the Gas Networks Ireland (GNI) Allowed Revenues and gas Transmission tariffs that will apply from 1st October 2016 to 30th September 2017.

The calculation of these revenues for the forthcoming gas year is based on GNI's Price Control, which is the revenue setting process that the CER conducts every five years. GNI is currently in its third Price Control (PC3) with 2016/17 being the final year of PC3.

In addition, as part of the annual process of setting network tariffs, GNI also submit additional items that were not envisaged as part of the Price Control process. This paper details the extra over-items which the CER has allowed GNI to recover revenues for.

1.2 Related Documents

[Decision on October 2012 to September 2017 transmission revenue for Bord Gáis Networks](#)

[Decision on BGN Allowed Revenues and Gas Transmission Tariffs for 2014/15](#)

1.3 Structure of Paper

This Paper is divided into three primary sections.

Section one details the revenue inputs that GNI are allowed to obtain in the coming Gas Year (2016/17). This includes updates on the extra items requested and pass-through items. In addition, Correction Factors from previous years are outlined.

Section 2 outlines the updated capacity and commodity forecasts for the forthcoming years, and includes some details on the changes from the PC3 decision and from the forecast Capacity bookings for 2015/16.

Section 3 details the forecast network Capacity bookings and Commodity flows and network tariffs to apply from 1st October 2016- 30th September 2017.

2 Background to CER Tariff setting

2.1 Revenue Setting process and inputs

In November 2012 the CER published its Decision Paper (CER/12/196) on the Allowed Revenue that GNI may recover over the Price Control period from October 2012-September 2017. This paper allowed €998.5 million to be recovered for Transmission over the 5 year period. Of this, €313 million was allowed for Operating Expenditure.

In addition, in July 2015, the CER published its Decision Paper on the “*Entry/Exit Tariff Methodology*” which developed a new methodology for the calculation of Entry and Exit tariffs, which are the means by which GNI’s Allowed Revenues are recovered.

In addition, developments at an EU level on the Network Code on Harmonised gas Transmission Tariffs are close to being finalised. One of the key requirements in this legislation will be the requirement to publish specific revenue related information as part of the tariff setting process. Therefore, as part of the 2016/17 tariff setting process this paper will outline additional information on the revenues, methodology and tariffs that apply.

Revenues	Methodology	Tariffs/Charges
Details on the revenues that GNI can recover in 2016/17	Details on the methodology that is used to derive firm Capacity and Commodity tariffs that recover revenues for 2016/17	Detail on the tariffs and charges detailed in this Decision Paper

Below details the revenue setting details and inputs that are in place for the current Price Control and therefore for 2016/17.

Key Transparency inputs as per Draft EU Network Code on Transmission Tariffs

	Revenue Period	Area of review	Detail
Revenue Regime	2012-2017	Revenue	Allowed Revenue
Allowed Revenue as per PC3	2016/17	Revenue	€187.9m
Capital Expenditure	2016/17	Revenue	€26.5m
Operating Expenditure	2016/17	Revenue	€63m
Yearly change in Allowed Revenue	2015/16- 2016/17	Revenue	€190.85m - €188.19m=-€2.66m
Reconciliation Process	KT-1	Revenue	Correction Factors are reconciled in KT-1, meaning one year after closeout, with exceptions.
Actually obtained Revenue	2014/15	Revenue	€203.97m
Correction Factor	2014/15	Revenue	€15.11m
Correction Factor being returned	2016/17	Revenue	€9.741m
Cost of Capital	2012-2017	Revenue	5.2%

Key Transparency inputs as per Draft EU Network Code on Transmission Tariffs

Inflation Index	2012-2017	Revenue	HICP Central Bank, ESRI, Department of Finance
Intended use of Auction Premium	2016-17	Revenue	None forecast
Capacity-Commodity Split	2015	Methodology	90:10 of Allowed Revenues
Entry-Exit split	2015	Methodology	33:67 of Allowed Revenues

2.2 Methodology details

Below details the key assumptions used in the tariff methodology used to derive the firm Capacity and Commodity tariffs in this Decision Paper. The model used to derive these tariffs is available directly from GNI by contacting barry.lehane@gasnetworks.ie. In addition, the distance data between each of the entry points and the active exit points are available by contacting GNI at the email address above.

Key Transmission Methodology inputs as per Draft EU Network Code on Transmission Tariffs

Tariff Methodology	Matrix
Input	Long Run Marginal Costs (LRMC)
Key inputs	Expansion Constants, Annuitisation Factor
Secondary adjustments applied	Rescaling to obtain required revenues
Capacity assumptions	Annualised forecast Capacity bookings
Capacity-Commodity split	90:10
Entry-Exit Split	33:67
Active Entry Points	3
Active Exit Points	110

2.3 Capacity and Commodity products

Below indicates the range of Capacity and Commodity tariffs that apply from 1st October 2016 to 30th September 2017. The details of the revenues associated with these network tariffs are detailed in this Decision Paper and the accompanying updated revenue model. A single Entry Commodity charge and/or Exit Commodity charge will apply based on actual flows.

Capacity Products				
Bellanaboy Entry <i>Linkline Element + GNI Allowed Revenue element</i>	Capacity Tariff	€610.463	Indigenous production	Per Peak Day MWh
Inch Production Entry	Capacity Tariff	€156.653	Indigenous production	Per Peak Day MWh
Inch Storage Entry	Capacity Tariff	€53.058	Storage	Per Peak Day MWh
Moffat Entry	Capacity Tariff	€360.253	Interconnection Point	Per Peak Day MWh
Gormanston Exit	Capacity Tariff	€412.68	Interconnection Point	Per Peak Day MWh
Equalised Exit	Capacity Tariff	€428.352	Domestic Exit	Per Peak Day MWh

Interruptible Capacity Products			
Virtual Reverse Flow at Moffat	Registration Fee	€7,316	Moffat
Virtual Reverse Flow at Gormanston	Registration Fee	€8,104	Gormanston

Commodity charges			
All Entry Points	Commodity tariff	€0.123	Per MWh
All Exit Points	Commodity tariff	€0.256	Per MWh

3 Pass-through and Extra over items

In addition to the revenues allowed in the Price Control, each year GNI submits requests for items that are either considered “pass-through” or “extra-over”. Pass through items are those for which at the time of the Price Control, the exact expenditure was not finalised. Extra over items are requests from GNI for items that were not anticipated in the Price Control.

3.1 Pass-through costs

Pass through costs have been updated for the coming year to reflect the following changes to the revenue inputs. The variance in the pass-through items in 2016/17 monies is reflected below vis-a-vis the original PC3 Decision forecasts. A plus (+) indicates that the variance is above what was forecast in the PC3 Decision Paper. A minus (-) indicates that the forecast is below.

For rates 50% of the variance between the allowed costs in the Price Control and the updated forecast variance are passed through.

For CO2 100% of the variance between the allowed costs in the Price Control and the updated forecast variance are passed through.

Pass-through	Saving or Charge	€m	Rationale
Local Authority Rates		+0.437	Rates are now forecast to be €14.99m and have been rising the last number of years.
CER Levy		-0.497	Over-recovery giveback in Levy.
PRISMA Booking Platform		+0.571	Membership fee for Interconnection Point Capacity Platform.
CO2 Allowance		-0.107	Carbon Price forecast of €6.03 tonne is lower than PC3 forecasts.
Total Variance		+0.404	

3.2 Items not finalised in the PC3 Decision (Extra-over)

In addition to pass-through items GNI has also submitted a request for additional items that were not identified in PC3. CER receives requests for additional items as part of the annual tariff setting process and also throughout the year as different work items or projects are approved e.g. the connection of a new town to the gas network.

Details on the extra-over items that the CER has approved an allowance for are outlined below.

3.2.1 Apprenticeship Scheme

As part of 2015/16 tariffs the CER approved an allowance for GNI's Apprenticeship Programme, which began in January 2015 with an initial intake of 14 apprentices. The CER was supportive of the scheme on the basis that it was important that the technical skills associated with operating and maintaining the natural gas network are maintained.

An allowance of €300,364 was approved last year which reflected the salary costs of the first year of the programme. As the salary costs for year 2 have increased the CER is approving an allowance of €419,043 to reflect the higher salary cost.

As the apprenticeship programme will provide training across both the Transmission and Distribution systems the allowance will be recovered 50% from Transmission tariffs and 50% from Distribution tariffs.

3.2.2 Technical Competency

In 2014, as a result of a review of the technical competency of GNI conducted by the Safety Division in the CER, a recommendation was made that the competency development within GNI be improved in core network functions. On that basis GNI implemented a Technical Competency Development framework which included investment in training facilities, field assessments and external assessments.

The CER has approved an allowance of €605,000 for 2016/17.

As Technical Competency applies across both the Transmission and Distribution networks the allowance will be recovered 50% from Transmission Tariffs and 50% from Distribution tariffs.

3.2.3 Midleton Compressor Station

During PC3 it was anticipated that Inch would cease output in 2014, and therefore the Midleton compressor station, in its current status would no longer be required.

However, indications from Kinsale Energy Limited now suggest that the facility will continue to supply production gas to 2021. As a result of the age of the assets and the changes to the flows from Inch, GNI has increased maintenance and inspections at the Midleton compressor site. This is required to ensure the integrity of the compressor stations life cycle up to 2021. Therefore, the CER has allowed a total allowance of €2,040,000 for 2016/17.

3.2.4 Balancing Network Code Implementation

In October 2015, GNI implemented the requirements of the EU Network Code on Balancing. This included the application of Interim Measures whilst the longer term enduring solution to a market based approach to Balancing is determined. During the course of 2016/17 it is anticipated that the project scope for moving to either a Balancing platform or a Trading platform will be decided. To progress this GNI requested an allowance for 2016/17 of €100,000 to progress the options from a regulatory, IT and legal perspective. The CER is mindful that progress towards a preferred option will occur in 2016/17 and therefore is approving this allowance request.

3.2.5 Innovation

Over the course of PC3, an allowance of €8m was allowed for innovation funding, of which €7.2m was collected from transmission. Thus far innovation funding has focused on the roll out of Compressed Natural Gas (CNG) for use in the transport sector, Renewable Natural Gas (RNG) and research grants.

In 2015, GNI requested an additional allowance of €800,000 to support the conversion of fleet vehicles to CNG, the CER approved an additional allowance of €400,000. Under the PC3 initiative, approximately 22 vehicles were identified for conversion to CNG. GNI predict that this will result in an additional 15GWh of gas consumption per annum.

As Innovation funding has been divided 90:10 between Transmission and Distribution, €360,000 will be added to Transmission revenues for the forthcoming year.

3.3 Summary of extra-over allowances

Item (2016/17)	GNI Request	CER allowance	Allowance to Transmission
Apprenticeship Programme	€499,043 ¹	€419,043	€209,522
Technical Competency	€605,000	€605,000	€303,000
Midleton Compressor Station	€2,040,000	€2,040,000	€2,040,000
Balancing Network Code implementation	€250,000 ²	€100,000	€100,000
Innovation	€800,000	€400,000	€360,000
Total			€3,012,522

¹ Including requested recovery of an over-spend in 2015/16 which was not approved by CER

² Additional analysis from GNI revised this to €100,000

4 Correction Factor

The application of a Correction Factor adjusts for the difference between 2014/15 actual revenues and pass-through costs versus the ex-ante projections for these revenues, which were forecast at the time of setting tariffs in August 2014.

In general, Correction Factors are applied one year after the actual revenues are recovered for the year in question. As part of previous Price Controls the CER has indicated that where a correction factor exceeds more than 5% of allowed revenues in the year in which the under/over recovery occurred then the correction factor would be spread over two years, with the excess over the 5% carried over to the second year rather than being recovered in the one year.

4.1 2014/15 Correction Factor

In 2014/15 there was an over-recovery of €15.11m, which is a significant over-recovery in a single year. The main contributor to the over-recovery was higher than forecast demands due to delays in the commencement in Corrib production. In addition, there was deflation in that year and variations in the pass-through forecasts for the year.

For the forthcoming year the CER has decided to apply a 5% revenue rule giveback in line with previous Price Control decisions. Therefore, €9.2m will be given back in 2016/17 with the remaining €5.91m given back in 2017/18. The return in 2017/18 will be done in an NPV neutral way, meaning that the value of the revenue being returned will be inflated to reflect the values of 2017/18 monies.

Correction Factor Year	€m
Correction Factor 2014/15	+15.11
Giveback 2016/17	-9.205
Giveback 2017/18	-5.91

In line with the direction on the entry-exit split in CER Decision Paper CER/15/140, the correction factor will factor into the single revenue requirement which will be split 67% to Exit and 33% to Entry.

14/15 Actual outturn (Kt-1)	Over/under recovery	€m	Cumulative additional revenue required
Giveback 2016/17	Over	-9.205	-9.205
CER Levy	Over	-0.074	-9.279
Rates	Under	+0.203	9.076
ISO	Over	-0.290	-9.366
CO2	Under	+0.220	-9.146
Total 14/15 over- recovery			-9.146
Interest Rate Multiplier			1.065%
Correction applied to 16/17 tariffs			-9.740

4.2 Euribor rates and Inflation

4.2.1 Euribor Rates

The Euribor rate plus 2% is applied where under/over recoveries are below 3% of the allowed revenues. Where under/over recoveries are above 3% then a Euribor plus 4% rates applies.

In the case of the 13/14 recovery the over-recovery is under 3% and therefore the Euribor plus 2% rate will apply.

Euribor 14/15	0.35%	Euribor +2%	2.35%	Euribor +4%	4.35%
Euribor 15/16	0.08%	Euribor +2%	2.08%	Euribor +4%	4.08%

4.2.2 Inflation

At the time of setting the 2014/15 tariffs an inflation rate of 3.74% was assumed for the allowed revenues of the Price Control which were set in 10/11 monies. This has been corrected to actual realised inflation of 2.81%³ which is applied to close out the revenues for that year.

In setting the 2016/17 tariffs an inflation rate of 1.3% is assumed for the time period from April 2016 to March 2017.

³ Source: Central Bank, ESRI, Department of Finance

5 Demand projections

As part of the PC3 Decision demand projections were estimated for each of the five years of the control period. As part of the setting of annual tariffs these demand figures are adjusted to consider the latest forecasts. It should be noted that in line with the CER Decision Paper CER/15/140 GNI is directed to maintain the 90:10 Capacity/Commodity revenue split.

Therefore, forecasts for Capacity and Commodity continue to be required.

5.1 Capacity forecasts assumptions

The forecast capacity bookings for 2016/17 are based on the following assumptions which influence the level of bookings anticipated at the Entry Points and at the Exit.

Annualisation of Capacity Bookings	It is anticipated that shippers will continue to optimise their Capacity bookings via a mixture of annual and short term capacity products. This applies to the Large Daily Metered (LDM) and Daily Metered (DM) sectors. Where short-term capacity is forecast then the value of these capacity products is converted into an annual value which is dependent on the month when the booking is expected to arise. In this way the forecast bookings are “annualised” ⁴ .
Powergen	This sector is expected to increase capacity bookings due to new wholesale market arrangements brought in by the CAM Gas Network Code. In addition, overall demand electricity demand is forecast to be higher in 2016/17.

⁴ An example of how capacity forecasts were annualised is shown in the 2014/15 Transmission Tariffs Decision Paper [CER/14/140](#)

LDM	The LDM sector is expected to decrease Capacity bookings, even though the actual throughput or flows from this sector is expected to rise, in part due to increased economic activity.
NDM	The NDM sector Capacity booking is derived by the AQ and SPC setting process in GNI, and there is a requirement on this sector to book a peak day requirement at the Exit. As a result of a series of mild winters the peak day requirement has reduced for this sector. In addition, the residential NDM sector as a proportion of NDM demand is also decreasing.
Entry Points	Inch Storage is expected to decrease as KEL have indicated that they will cease commercial Storage operations. Inch Production is forecast to rise a small amount. With Corrib now at full capacity, it is expected that Shippers will book the full available capacity at that Entry Point. This results in a decrease in Moffat Capacity bookings, but not to the extent that would have been expected. This is due to Shippers adjusting to a new entry point (Corrib) and changes in wholesale arrangement due to CAM auctions.
Commodity	Although Shippers are expected to optimise their Capacity bookings in 2016/17, throughput on the system is expected to increase by 2.9% over 2015/16.

5.2 Forecast Capacity bookings for 2016/17

Below indicates the forecast Capacity bookings that were estimated at the time of the Price Control, when setting 2015/16 tariffs and updated forecasts for the forthcoming year.

	PC3 Forecast for 16/17	15/16 Forecast	16/17 Forecast	16/17 versus PC3 forecast	16/17 v. 15/16
Exit	224.40GWh	267.09GWh	264.91GWh	+18%	-0.8%
Inch Production	NA	3.99 GWh	4.60GWh		
Inch Storage	NA	26.26 GWh	10.79 GWh		
Inch (total)	31.18 GWh	30.25GWh	15.39 GWh		
Moffat	164.78GWh	124.37GWh	102.85 GWh	-37.75%	-17.3%
Bellanaboy	NA	50.26 GWh	103.59 GWh	NA	+106%

Table 5.1 Capacity forecasts

For **Commodity** forecasts, in line with the CER Decision Paper 15/140 a single Commodity tariff is calculated across all Entry Points and a single Commodity forecast is calculated across all Exit Points.

The Exit Commodity total is lower than the Entry Commodity total primarily due to the Isle of Man offtake which is not included in the Exit. Overall, Commodity is higher in 16/17 due to forecast increased demand.

Commodity	PC3 forecast for 16/17	15/16 Forecast	16/17 Forecast	16/17 versus PC3 forecast	16/17 versus 15/16
Entry	55,013GWh ⁵	53,484 ⁶ GWh	50,466 GWh	-8.2%	-5.6%
Exit	53,581GWh	47,825GWh	49,223 GWh	-8.1%	+2.9%

Table 5.2 Commodity forecasts

⁵ The PC3 model included Commodity forecasts for Inch and Moffat, but did not include commodity forecasts for gas from Bellanaboy

⁶ Including flows from Bellanaboy

6 CER Decision on Transmission Tariffs for 2016/17

Previous sections outline the elements affecting the Transmission tariffs which will apply from 1st October 2016- 30th September 2017. This includes the updating of allowed revenues, inflation and updating forecasts that were initially included in the PC3 process.

Of significance in setting tariffs for the forthcoming year has been the level of over-recovery from 2014/15 which has the effect of reducing revenues for the forthcoming year. As can be seen below, the level of tariffs across all Entry Points is lower than 2015/16 due to the over-recovery and the overall level of forecast Capacity bookings remaining strong.

6.1 Firm Capacity Network Tariffs

The CER hereby directs Gas Networks Ireland to implement the following tariffs from 1st October 2016 to 30th September 2017.

		Bellanaboy	Inch Production	Inch Storage	Moffat	Exit
		€	€	€	€	€
Firm⁷	Capacity per peak day MWh	610.463⁸	156.653	53.058	360.25 3	428.352
	Commodity Per MWh	0.123				0.256

Table 7.1 Transmission Tariffs 2016/17

⁷ "Firm" means gas transmission capacity contractually guaranteed as uninterruptible by the transmission system operator.

⁸ This is composed of two elements; one to remunerate the Allowed Revenue of GNI (€176.926) plus a Corrib Linkline Element (€441.07), which will remunerate those that underwrite the Corrib Linkline (Corrib Partners).

6.1.1 Interconnection Point Tariffs

In addition, as per Decision 10 in CER/15/140 the Postalised Exit tariff (as indicated above) does not apply to Interconnection Points from the GNI system, such the Gormanston Exit Point.

The GNI Matrix model produces the Exit tariff for Gormanston which is indicated below. For clarity the Exit Commodity charge will apply where flows arise at the Interconnection Point.

Firm	Gormanston Exit Capacity	€ per peak day/MWh	412.68
	Gormanston Exit Commodity	€ per MWh	0.256

Table 6.2 Gormanston Tariffs

6.2 Interruptible Virtual Reverse Flow Charges

Decision Paper CER/11/190 established the tariff methodology that would be in place to calculate the charges applicable for the VRF product. This was based on the marginal cost of providing the service, depreciated and divided over an expected number of Shippers. At the time of setting the VRF charges for 2015/16 the CER stated that “*This methodology will continue to apply to shippers who register for use of the service until such time as the enhanced VRF is made available*”. The enhanced within-day VRF product has been made available since April 2016 and is being utilised extensively.

Pending a review of the current methodology to take account of both the enhanced product and impending EU requirements, the CER has decided that the current methodology will continue to prevail for the forthcoming year.

This take the cost per annum of the initial implementation costs (€17,000) and inflates these from 2011/12 monies (A). The same 10 year depreciation profile is used for the enhanced product costs resulting is a per annum cost of €10,800 which is then inflated from 2015/16 monies (B). The sum of the two inflated per annum costs are added together (€29,267) and then divided over the forecast number of registered shippers (C).

For clarity, as there has been additional incremental Capex related to the enhanced product the total revenue for recovery comprises the initial Capex amount being depreciated (€17,700)⁹ + the first years depreciation of the additional Capex (€108,000).

This total cost to be recovered is divided over the forecast number of shippers in a given year. The charges associated with both VRF products are indicated below.

Moffat	€
Total Implementation Cost (11/12)	177,000
Cost per Annum	17,700
Inflation	3.524%
Cost per annum (16/17 monies)	18,327 (A)
Enhanced Implementation Cost	108,000
Cost per annum	10,800
Inflation	1.3%
Cost per annum (16/17 monies)	10,940 (B)
Total number of shippers forecast	4 (C)
Registration Fee for Moffat Virtual Reverse Flow	7,316 (A+B/C)

A+B/C

Gormanston	€
Total Implementation Cost (12/13)	80,000
Cost per Annum	8,000
Inflation	1.3%
Cost per annum (16/17 monies)	8,104
Total Number of Shippers	1
Registration Fee for SNP Virtual Reverse Flow	8,104

⁹ With inflation applied from 2011/12 monies

			€
Interruptible	VRF at Moffat	Shipper Registration Fee	7,316
	VRF at Gormanston	Shipper Registration Fee	8,104
	Commodity Charge	Exit Per MWh¹⁰	0

¹⁰ Applies to both VRF products

Appendix: GNI Transmission Tariffs 2016/17

GNI Transmission Tariffs for 2016/17			Published Tariffs		% Change
	£	(16/17 Monies)	2014/15 Tariffs	2015/16 Tariffs	Nominal
<u>Exit</u>	2016/17 Tariff		£	£	from 15/16
capacity	428.352	per peak day MWh	443.036	430.882	-0.6%
commodity	0.256	per MWh	0.275	0.267	-4.2%
<u>Moffat Entry</u>					
capacity	360.253	per peak day MWh	358.577	367.786	-2.0%
commodity	0.123	per MWh	0.157	0.118	4.5%
<u>Bellanaboy Entry</u>					
capacity	610.463	per peak day MWh	NA	617.996	-1.2%
commodity	0.123	per MWh	NA	0.118	4.5%
<u>Inch Storage Entry</u>					
capacity	53.058	per peak day MWh	53.604	53.058	0.0%
commodity	0.123	per MWh	0.034	0.118	4.5%
<u>Inch Production Entry</u>					
capacity	156.653	per peak day MWh	53.604	164.186	-4.6%
commodity	0.123	per MWh	0.034	0.118	4.5%
Illustrative Transmission Transportation Costs					
	£		€	€	
<u>Transmission Transportation Cost of UK Gas</u>					
capacity	788.605	per peak day MWh	801.612	798.668	-1.3%
commodity	0.379	per MWh	0.433	0.385	-1.5%
<u>Transmission Transportation Cost of Bellanaboy Gas</u>					
capacity	1,038.815	per peak day MWh	NA	1048.878	-1.0%
commodity	0.379	per MWh	NA	0.385	-1.5%
<u>Transmission Transportation Cost of Inch Storage Gas</u>					
capacity	481.410	per peak day MWh	496.639	483.940	-0.5%
commodity	0.379	per MWh	0.309	0.385	-1.5%
<u>Transmission Transportation Cost of Inch Production Gas</u>					
capacity	585.006	per peak day MWh	496.639	595.068	-1.7%
commodity	0.379	per MWh	0.309	0.385	-1.5%