



An Coimisiún
um Rialáil Fóntas
**Commission for
Regulation of Utilities**

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Gas Networks Ireland Transmission Tariffs and Allowed Revenue 2018/19

Information note

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Executive Summary

Article 29 of the Tariff Network Code¹, now requires that transmission reserve prices and a set of accompanying information is published 30 days ahead of the annual yearly capacity auctions. The annual yearly capacity auctions will be held on 2 July 2018 for the forthcoming gas year which commences on 1 October 2018. As a result, this is the first time that the transmission reserve prices for the coming gas year will be known to Shippers in advance of the annual yearly capacity auctions.

The Commission for Regulation of Utilities (CRU) is now publishing this information note containing the required information. It should be noted that, under Article 30 of the Tariff Network Code, a more detailed paper on the transmission tariffs will be published 30 days ahead of the 2018/19 gas year which runs in ROI from 1 October – 30 September. This paper will contain further more detailed information for now, the CRU is publishing a succinct note in accordance with Article 29 of the Tariff Network Code.

On the basis of the revenues, forecast capacity bookings and forecast commodity flows the network tariffs, that will prevail from 01 October 2018 to 30 September 2019 are set out in the table below.

Table 1 Transmission Tariffs 2018/19

		Bellanaboy	Inch	Moffat	Exit
		€	Production €	€	€
Firm ²	Capacity per peak day MWh	630.428 ³	123.452	325.979	389.884
	Commodity Per MWh	0.113			0.235

¹ Commission Regulation (EU) 2017/460 – 16 March 2017

² “Firm” means gas transmission capacity contractually guaranteed as uninterruptible by the transmission system operator.

³ This is composed of two elements; one to remunerate the Allowed Revenue of GNI (€136.25) plus a Corrib Linkline Element (€494.24), which will remunerate the revenues relating to the Corrib Linkline (Corrib Partners).

The transportation cost of UK gas has decreased in nominal terms by **c.6%** as a result of stronger demands at the Exit and the movement of gas flows from Corrib to Moffat. Transportation costs from Bellanaboy have fallen by **c.4%**.

Network tariffs are charged to gas suppliers who may choose to pass them on to their customers. The network tariff changes in this paper will equate to a **c. 0.55%** decrease on an average residential gas customer's bill.

The combined effect of the Transmission and Distribution Network Tariffs for 2018/19 on an average residential gas customer's annual bill would see a decrease of **c. €13.67**, which is an overall **1.8%** decrease.

Public Impact Statement

The CRU is legally responsible for regulating network charges in the natural gas market. The CRU may set the basis for charges for using the transmission systems. The CRU 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:

- Transmission network tariffs in nominal terms are down **c.6%** versus 2017/2018. Network tariffs are charged to gas suppliers who may choose to pass them on to their customers. The network tariff changes in this paper will equate to a **c. 0.55%** decrease on an average residential gas customer's bill.
- The combined effect of the Transmission and Distribution Network Tariffs for 2018/19 on an average residential gas customer's annual bill is a decrease of **c. €13.67**, which is a **1.8%** decrease.

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.
CRU	Commission for Regulation of Utilities
Correction Factor (K-Factor)	An adjustment of revenue applied to rectify over or under recoveries.
Extra-over items	Work items not included in the Price Control
GNI	Gas Networks Ireland
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.
Price Control	A 5 - yearly review of GNI's allowed revenues.
VRF	Virtual Reverse Flow

1 Introduction

1.1 Commission for Regulation of Utilities

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

This paper outlines the CRU's decision in relation to the Gas Network Ireland's (GNI) allowed revenues and transmission tariffs that will apply from 01 October 2018 to 30 September 2019.

The calculation of Transmission tariffs is based on the Price Control (PC4) (CER/17/260) which established revenues for Transmission over the 5 year period from October 2017 to September 2022.

1.2 Background Information

Article 29 of the Tariff Network Code⁴, now requires that transmission reserve prices and a set of accompanying information is published 30 days ahead of the annual yearly capacity auctions. The annual yearly capacity auctions will be held on 2 July 2018 for the 2018/19 gas year which commences on 1 October 2018. As a result, this is the first time that the transmission reserve prices for the coming gas year will be known to Shippers in advance of the annual yearly capacity auctions.

1.3 Related Documents

- Decision on October 2017 to September 2022 transmission revenue for GNI (CER/17/260).

Information on the CRU's role and relevant legislation can be found on the CRU's website at www.cru.ie

⁴ Commission Regulation (EU) 2017/460 – 16 March 2017

2 Setting the tariffs for 2018/19

2.1 Revenue setting process and inputs

In August 2017, the CRU published its Decision Paper (CER/17/260) on the allowed revenue that GNI's transmission business may recover over the Price Control period from 01 October 2017 to 30 September 2022.

2.2 Pass-through costs and extra-over items

As part of the annual tariff setting, GNI submits requests for items that are either considered pass-through costs or extra over items. Pass through costs are those which at the time of the Price Control, the exact expenditure was not finalised. GNI did not seek any transmission pass-through costs for 2018/19.

GNI has submitted a request for extra over items, which are items that were not foreseen at the time of the Price Control. The CRU has decided to allow GNI a total of c. **€1.4m** for extra-over items. This relates to an allowance of **€0.636m** for Network Code Implementation and **€0.75m** for legal costs.

3.2 Correction Factor (K-factor)

A correction factor is an adjustment of revenue applied to rectify over or under recoveries.

The transmission correction factor for 2018/19 tariffs is a **€8.54m** give-back. This over-recovery relates to a 2016/17 allowed revenue variance (**€5.20m**), pass-through costs (**€2.97m**) and interest costs (**€0.358m**)⁵.

⁵ In setting the 2018/19 tariffs an inflation rate of 1.06% is assumed. This is average of the Central Bank, ESRI and Dept. of Finance forecasts.

3.3 Demand Projections

As part of the PC4 Decision demand projections were estimated by GNI for each of the five years of the control period. As part of the setting of annual tariffs these demand figures have been adjusted to consider the latest available forecasts.

At a high-level, GNI forecast transmission demand to increase by **c.3%** when compared with 17/18 tariff demands.

3.3.1 Exit Forecasts

GNI anticipate Exit capacity to increase by **c.5%** when compared to 17/18 tariff demands forecasts. Exit commodity is forecast to be **c.3%** higher than 17/18 tariff demand forecasts.

This is due mainly to higher electricity demand, additional Moneypoint outages and EWIC exports. Large Daily Metered (LDM) and Daily Metered (DM) forecast bookings are expected to be higher than 17/18 tariff levels as a result of increased economic activity. Non-Daily Metered forecasts are ahead of 17/18 tariff levels due to a higher 1 in 50⁶.

3.3.2 Entry Forecasts

In order to meet transmission Exit capacity demand, Entry capacity demands for the 2018/19 tariff year are forecast to be **c.5%** higher than 17/18 tariff demands. Based on the latest profiles, Corrib is behind by **-16%** which has resulted in Moffat being ahead by **c.40%**⁷.

Entry commodity demands for the 2018/19 tariff year are forecast to be **c.3%** higher than 17/18 tariff demands. Similarly, this is driven by higher Exit demands.

3.4 Tariff Network Code

In line with Article 29 of the Tariff Network Code⁸, this section includes the accompanying information which the CRU is required to publish along with the transmission reserve prices.

⁶ The draft 1 in 50 has increased in 2018/19 by 7% compared with the 2017/18 tariff demands (PC4 demands). This increase is as a result of the increased demand on the system, and can be verified by the fact that the peak day (1 in 50) was reached in March 2018 for the NDM sector.

⁷ Production at the Corrib gas field is falling at higher rate than originally anticipated by GNI in Price Control 4.

⁸ Commission Regulation (EU) 2017/460 – 16 March 2017

3.4.1 Details of Multipliers and Seasonal Factors

The table below outlines the current short-term multipliers which are outlined in CER/12/143⁹. The short-term multipliers were set with reference to the probability of severe weather. The CRU will review these multipliers in line with the requirements of the Harmonised Tariff Network Code which is due to be implemented by the 31 May 2019.

Short Term Multipliers	Monthly	Daily
October	13.235294%	0.661765%
November	13.235294%	0.661765%
December	17.647059%	1.176471%
January	30.882353%	2.058824%
February	35.294118%	2.352941%
March	26.470588%	1.764706%
April	13.235294%	0.661765%
May	1.000000%	0.050000%
June	1.000000%	0.050000%
July	1.000000%	0.050000%
August	1.000000%	0.050000%
September	1.000000%	0.050000%

3.4.2 Interruptible Virtual Reverse Flow Charges

The registration fee for VRF will continue to prevail for the forthcoming year, pending a review of the current methodology to take account of both the enhanced product and Tariff Network Code requirements.¹⁰ The current arrangements will come to an end in 2019 and VRF will be priced at the probability of interruption.

The charges associated with both VRF products at Moffat and at Gormanston are indicated below the methodology currently used is an interim arrangement based on a registration fee

⁹ [CRU Decision on Short Term Tariffs and Transmission Exit Capacity Transfers](#)

¹⁰ As part of the 2017/18 tariffs, the CRU decided to accelerate the depreciation profile in order to recover the remaining costs of the initial implementation and any enhanced product costs over two years at Moffat and Gormanston. Therefore, this is the last year of depreciation.

an enduring methodology for the calculation of a tariff for VRF will be in place by May 2019. See Appendix B for further detail.

Table 3.1: VRF Registration Fee

			€
VRF Registration Fee	VRF at Moffat	Shipper Registration Fee	15,514
	VRF at Gormanston	Shipper Registration Fee	40,625
	Commodity Charge	Exit Per MWh ¹¹	0

¹¹ Applies to both VRF products

4 CRU Decision on Transmission Tariffs for 2018/19

Previous sections outline the elements affecting the Transmission tariffs which will apply from 01 October 2018 to 30 September 2019. The CRU hereby directs Gas Networks Ireland to implement the following tariffs from 01 October 2018 to 30 September 2019, based on an allowed revenue of €181m.

The transportation cost of UK gas has decreased in nominal terms by **6%** as a result of stronger demands at the Exit and the movement of gas flows from Corrib to Moffat. Transportation costs from Bellanaboy have fallen by **4%**.

Table 4.1 Transmission Tariffs 2018/19

		Bellanaboy	Inch Production	Moffat	Exit
		€	€	€	€
Firm 12	Capacity per peak day MWh	630.428 ¹³	123.452	325.979	389.884
	Commodity Per MWh	0.113			0.235

4.1.1 Interconnection Point Tariffs

In addition, as CER/15/140 (per Decision 10) 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.

¹² "Firm" means gas transmission capacity contractually guaranteed as uninterruptible by the transmission system operator.

¹³ This is composed of two elements; one to remunerate the Allowed Revenue of GNI (€136.25) plus a Corrib Linkline Element (€494.24), which will remunerate the revenues relating to the Corrib Linkline (Corrib Partners).

Table 4.2: Gormanston Tariffs

Firm	Gormanston Exit Capacity	€ per peak day/MWh	374.212
	Gormanston Exit Commodity	€ per MWh	0.235

4.1 Next Steps

It should be noted that, under Article 30 of the Tariff Network Code, a more detailed paper on the transmission and distribution tariffs will be published 30 days ahead of the tariff period, however the tariffs will not change.

This will include: (1) methodology parameters related to technical characteristics of the transmission system; (2) Transmission System Operator revenue information (3) additional information related to tariff evolution and (4) the publication of a simplified transmission tariff model.

Appendix A: GNI Transmission Tariffs 2018/19

<u>GNI</u>			<u>Published</u>			
<u>Transmission</u>			<u>Tariffs</u>			
<u>Tariffs for</u>			2015/16	2016/17	2017/18	%
<u>2018/19</u>			Tariffs	Tariffs	Tariffs	Change
	2018/19		€	€	€	Nominal
	Tariffs					from
	€	(2018/19 Monies)				2017/18
<u>Exit</u>						
capacity	389.884	per peak day MWh	430.882	428.352	402.080	-3.0%
commodity	0.235	per MWh	0.267	0.256	0.238	-1.1%
<u>Moffat Entry</u>						
capacity	325.979	per peak day MWh	367.786	360.253	359.183	-9.2%
commodity	0.113	per MWh	0.118	0.123	0.114	-1.1%
<u>Bellanaboy Entry</u>						
capacity	630.428	per peak day MWh	617.996	610.463	658.431	-4.3%
commodity	0.113	per MWh	0.118	0.123	0.114	-1.1%
<u>Inch Storage Entry</u>						
capacity	53.027	per peak day MWh	53.058	53.058	53.027	0.0%
commodity	0.113	per MWh	0.118	0.123	0.114	-1.1%
<u>Inch Production Entry</u>						
capacity	123.452	per peak day MWh	164.186	156.653	156.656	-21.2%
commodity	0.113	per MWh	0.118	0.123	0.114	-1.1%
<u>Illustrative Transmission Transportation Costs</u>						
	€		€	€	€	
<u>Transmission Transportation Cost of UK Gas</u>						
capacity	715.864	per peak day MWh	798.668	788.605	761.263	-6.0%
commodity	0.348	per MWh	0.385	0.379	0.352	-1.1%
<u>Transmission Transportation Cost of Bellanaboy Gas</u>						
capacity	1,020.312	per peak day MWh	1048.878	1038.815	1060.511	-3.8%
commodity	0.348	per MWh	0.385	0.379	0.352	-1.1%
<u>Transmission Transportation Cost of Inch Storage Gas</u>						
capacity	442.911	per peak day MWh	483.940	481.410	455.107	-2.7%
commodity	0.348	per MWh	0.385	0.379	0.352	-1.1%
<u>Transmission Transportation Cost of Inch Production Gas</u>						
capacity	513.337	per peak day MWh	595.068	585.006	558.736	-8.1%
commodity	0.348	per MWh	0.385	0.379	0.352	-1.1%

Appendix B

The VRF tariff is calculated as the sum of the initial implementation costs the enhanced product costs, and any additional enhanced implementation costs, all inflated to 2018/19 monies. The registration fees recovered to date are then subtracted from this amount and the result is divided over the forecast number of registered shippers for the upcoming year and the following year over which the remaining costs will be recovered. The calculations are outlined in the tables below.

Table 1: VRF tariff calculation - Moffat

Moffat	€
Total Implementation Cost (11/12)	180,846
Enhanced Implementation Cost (15/16)	110,351
Additional Enhanced Implementation Cost (16/17)	23,328
<i>Total Cost including inflation (18/19)</i>	<i>314,525</i>
Registration fees (15/16)	14,079
Registration fees (16/17)	37,154
<i>Remaining VRF cost (18/19)</i>	<i>185,724</i>
Total number of shippers forecast in 2017/18	5
Depreciation period	1 year
Registration Fee for VRF in 2017/18	15,514

Table 2: VRF tariff calculation - Gormanston

Gormanston	€
Total Implementation Cost (12/13)	80,000
<i>Total Cost including inflation (18/19)</i>	<i>81,251</i>
Total number of shippers	2
Depreciation period	1 year
Registration Fee for SNP Virtual Reverse Flow	40,625