



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

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# Gas Networks Ireland Transmission Tariffs and Allowed Revenue 2019/20

## Information note

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## Executive Summary

Article 29 of the Tariff Network Code<sup>1</sup>, 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 1 July 2019 for the forthcoming gas year which commences on 1 October 2019. As such this information needs to be made available by the start of June.

With this paper, the Commission for Regulation of Utilities (CRU) is publishing the required information. It should be noted that a more detailed paper on the transmission tariffs will be published 30 days ahead of the 2019/20 gas year, which runs from 1 October – 30 September. That publication will fulfil the requirements of Article 30 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 2019 to 30 September 2020 are set out in the following tables. The tariffs outlined in Tables 2 and 3 are new transmission tariffs set as part of the CRU's Decision on the Harmonised Transmission Tariff Methodology for Gas.

Table 2 sets out the tariffs for Virtual Reverse Flow (VRF). VRF is a 'reverse flow' service offered on a virtual interruptible basis, at the Interconnection Points. It enables Shippers to virtually flow gas out of the ROI via Moffat and into the ROI via Gormanston. It has been possible to virtually reverse flow at Moffat and Gormanstown for a number of years but this is the first year that a transmission tariff has applied for these products - previously an interim registration fee had applied.

Table 3 provides the transmission tariffs that will apply for renewable natural gas – commonly referred to as biogas. A tariff is being introduced for renewable natural gas to facilitate the injection of renewable natural gas into the transmission system.

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

**Table 1 Transmission Tariffs 2019/20**

		<b>Bellanaboy</b>	<b>Inch Production</b>	<b>Moffat</b>	<b>Exit</b>
		€	€	€	€
<b>Firm<sup>2</sup></b>	Capacity per peak day MWh	619.442 <sup>3</sup>	105.557	301.345	367.658
	Commodity Per MWh	0.103			0.216

**Table 2: Virtual Reverse Flow Tariffs 2019/20**

		<b>Gormanston VRF Entry</b>	<b>Moffat VRF Exit</b>
		€	€
<b>Interruptible</b>	Capacity per peak day MWh	65.110	250.044
	Commodity Per MWh	0.103	0.216

**Table 3 Renewable Natural Gas Tariff 2019/20**

		<b>Renewable Natural Gas Entry</b>
		€
<b>Firm</b>	Capacity per peak day MWh	92.775
	Commodity Per MWh	0.103

<sup>2</sup> "Firm" means gas transmission capacity contractually guaranteed as uninterruptible by the transmission system operator.

<sup>3</sup> This is composed of two elements; one to remunerate the Allowed Revenue of GNI (€118.89) plus a Corrib Linkline Element (€500.55), which will remunerate the revenues relating to the Corrib Linkline (Corrib Partners).

It is estimated that, due to reduced tariffs at Moffat, the transportation cost of gas from GB to RoI will decrease in nominal terms by **c.6.5%**. The reduced tariff at Moffat is largely a result of greater gas flows through Moffat due to increased demand and lower flows from Corrib. Transportation costs from Bellanaboy have fallen by **c.3.3%**.

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. 0.48% (or €3.65)** decrease in the average annual bill of residential gas customers.

The combined effect of the Transmission and Distribution Network Tariffs for 2019/20 on the average annual bill of residential gas customer, is estimated to be a decrease of **c. €8.59**, equating to approximately a **1.13%** 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. Our mission is to protect the public interest in water, energy and energy safety.

The tariffs set out in this paper are charged to suppliers for use of Gas Network Ireland's transmission network – this network consists of the larger gas pipes, for example the gas pipes between larger cities and towns. The tariffs are designed to recover only necessary costs. Suppliers may choose to pass the costs for use of this network on to their customers.

The CRU conducts an annual review of transmission tariffs to ensure that only necessary costs are included in the calculation of these tariffs. This work has now completed and the transmission tariffs to apply from 30<sup>th</sup> September 2019 to 1<sup>st</sup> October 2020 are published in this paper. There are new tariffs for renewable natural gas – commonly referred to as biogas. This is to facilitate renewable natural gas injection into the transmission system as the market for this alternative gas further develops. There is also a new tariff being put in place for virtual reverse flow in and out of RoI. When gas is virtual-reverse-flowed in or out of the country, the gas does not physically flow in that direction. Rather, the flow in or out of the country, is virtual and reflected in financial arrangements between parties.

With the new tariffs to apply from 01 October this year, it is estimated that the cost of moving gas from Great Britain (GB) to the Republic of Ireland (RoI) will decrease by **c.6.5%**. In terms of the impacts of the tariffs on residential customers, it is estimated that the average annual bill for a residential gas customer will reduce by approximately **0.48% (or €3.65)** due to the new transmission tariffs.

The tariffs for the use of Gas Networks Ireland's distribution network (the smaller gas pipes, that includes those running to customers' homes) are also being published today. Those tariffs will also apply from 01 October 2019 until 30 September 2020. They are detailed in a separate paper. When we consider the combined effect of the Transmission and Distribution network tariffs for the period to 1<sup>st</sup> October 2019 to 30 September 2020, it is estimated that the average annual bill for residential gas customers will decrease by just under **€9 (€8.59)**, or **1.13%** in percentage terms.

## Glossary of Terms and Abbreviations

Abbreviation or Term	Definition or Meaning
<b>Allowed Revenues</b>	The sum of revenues that the TSO is entitled to obtain in a given period, as approved by the CRU.
<b>CRU</b>	Commission for Regulation of Utilities
<b>Correction Factor (K-Factor)</b>	An adjustment of revenue applied to rectify over or under recoveries.
<b>Extra-over items</b>	Work items not included in the Price Control
<b>GNI</b>	Gas Networks Ireland
<b>Pass-through items</b>	Work items that were included in the Price Control but the costs of which were not certain at the time of the Price Control.
<b>Price Control</b>	A 5 - yearly review of GNI's allowed revenues.
<b>VRF</b>	Virtual Reverse Flow

# 1 Introduction

## 1.1 Commission for Regulation of Utilities

The Commission for Regulation of Utilities (CRU) is Ireland's independent energy and water regulator. The CRU was established in 1999 and now has a wide range of economic, customer protection and safety responsibilities. The CRU's mission is to regulate water, energy and energy safety in the public interest.

Further information on the CRU's role and relevant legislation can be found on the CRU's website at [www.cru.ie](http://www.cru.ie).

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 2019 to 30 September 2020.

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 Code<sup>4</sup>, 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 1 July 2019 for the 2019/20 gas year which commences on 1 October 2019.

## 1.3 Related Documents

- Decision on October 2017 to September 2022 transmission revenue for GNI (CRU/17/260)
- Gas Networks Ireland Distribution Tariffs 2019/20 (CRU19062)

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

## 2 Setting the tariffs for 2019/20

### 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 for which, at the time of the Price Control, exact expenditure was not finalised. The CRU has decided to allow GNI an allowance of **€0.2m** for CO<sub>2</sub> and **€1.39m** for rates.

Extra-over items are items that were not foreseen at the time of the Price Control. GNI did not seek any transmission extra-over items for 2019/20.

### 2.3 Correction Factor (K-factor)

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

The transmission correction factor for 2019/20 tariffs is a **€21m** give-back. This over-recovery relates to a 2017/18 allowed revenue variance (**€15.51m**), pass-through costs (**€3.38m**), inflation (**€0.81m**) and interest costs (**€1.01m**). It should be noted that any over-recovery in excess of 105% of allowed revenues is returned in the following gas year i.e. any 17/18 k-factor > 105% is returned in gas year 2020/2021 and not gas year 2019/20. As this k-factor give-back exceeds the 105% rule, €9.2m will be returned in 2019/20 and the remainder will be returned in 2020/21. This is to ensure that the tariffs are stable and that volatility is avoided.

### 2.4 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.7%** when compared with 18/19 tariff demands.

#### **2.4.1 Exit Forecasts**

GNI anticipate weighted Exit capacity to increase by **c.4%** when compared to 18/19 tariff demands forecasts. Exit commodity is forecast to be **c.7%** higher than 18/19 tariff demand forecasts.

This is due mainly to higher electricity demand; the latest forecast outages have also been applied. Large Daily Metered (LDM) and Daily Metered (DM) forecast bookings are expected to be higher than 18/19 tariff levels as a result of increased economic activity. Non-Daily Metered forecasts are ahead but the capacity is behind 18/19 tariff levels due to a lower 1 in 50<sup>5</sup>.<sup>6</sup>

#### **2.4.2 Entry Forecasts**

Due to increasing transmission Exit capacity demand, the weighted Entry capacity demands for the 2019/20 tariff year are forecast to increase by **c.1%** from 2018/19 levels. Based on the latest profiles, Corrib is behind by **-16%** which has resulted in Moffat being ahead by **c.34%**<sup>7</sup>.

Entry commodity demands for the 2019/20 tariff year are forecast to be **c.7%** higher than 2018/19 tariff demands. Similarly, this is driven by higher Exit demands.

### **2.5 Tariff Network Code**

In line with Article 29 of the Tariff Network Code<sup>8</sup>, this section includes the accompanying information which the CRU is required to publish along with the transmission reserve prices.

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<sup>5</sup> The draft 1 in 50 has decreased in 2019/20 compared with the 2018/19 tariff demands.

<sup>6</sup> A '1 in 50' peak day is a severe winter peak day that is statistically only likely to occur once every 50 years.

<sup>7</sup> Based on latest Corrib profile.

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

### 2.5.1 Details of Multipliers and Seasonal Factors

Multipliers and seasonal factors are applied to the reference prices to set the tariffs for non-yearly capacity products. The table below outlines the short-term multipliers which were updated as part of the CRU's Decision on the Harmonised Tariff Methodology for Gas<sup>9</sup>.

<b>Month</b>	<b>Quarterly %</b>	<b>Monthly %</b>	<b>Daily %</b>
October	38.43%	12.81%	0.64%
November		12.81%	0.64%
December		17.08%	1.14%
January	80.69%	29.89%	1.99%
February		34.16%	2.28%
March		25.62%	1.71%
April	13.27%	12.81%	0.64%
May		0.97%	0.05%
June		0.97%	0.05%
July	2.61%	0.97%	0.05%
August		0.97%	0.05%
September		0.97%	0.05%
<i>Total</i>	<i>135.0%</i>	<i>150.0%</i>	<i>279.44%</i>

### 2.5.2 Virtual Reverse Flow Tariffs

Virtual Reverse Flow (VRF) is a 'reverse flow' service offered on a virtual interruptible basis, at the Interconnection Points, to enable Shippers to virtually flow gas from the Republic of Ireland (ROI) via Moffat and into ROI via Gormanston.<sup>10</sup> To date, the CRU has applied an interim charge for use of the VRF service. As part of the CRU's Decision on the Harmonised Transmission Tariff Methodology for Gas, tariffs have been set for the Moffat and Gormanstown VRF products based on the principles and requirements for standard interruptible capacity products set out in the European Tariff Network Code (EU 2017/460). The Gormanston VRF Entry tariff and the Moffat VRF Exit tariff that will prevail from 01 October 2019 to 30 September 2020 are set out in the Table 2.1 below.

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<sup>9</sup> Reference for paper: CRU19060

<sup>10</sup> For example, if there is a total nomination of 100 units of gas for delivery from GB to ROI and a gas shipper in Ireland wishes to virtually transport 10 units of gas from ROI to GB, these 10 units are netted off the 100 units, resulting in the delivery of 90 units into the ROI gas network.

**Table 2.1: VRF Tariffs 2019/20**

		<b>Gormanston VRF Entry</b>	<b>Moffat VRF Exit</b>
		€	€
<b>Interruptible</b>	Capacity per peak day MWh	65.110	250.044
	Commodity Per MWh	0.103	0.216

### 2.5.3 Renewable Natural Gas (RNG) transmission entry point tariff

As part of the CRU's Decision on the Harmonised Tariff Methodology for Gas, a single transmission entry tariff has been set for renewable natural gas, based on one 'notional entry point' that is derived from the average of three geographically dispersed locations in counties Cork, Galway and Meath. The renewable natural gas tariff that will prevail from 01 October 2019 to 30 September 2020 is set out in Table 2.3 below.

**Table 2.3 Biogas Tariff 2019/20**

		<b>Renewable Natural Gas Entry</b>
		€
<b>Interruptible</b>	Capacity per peak day MWh	92.775
	Commodity Per MWh	0.103

## 3 CRU Decision on Transmission Tariffs for 2019/20

Previous sections outlined the elements affecting the Transmission tariffs that will apply from 01 October 2019 to 30 September 2020. The CRU hereby directs GNI to implement the following tariffs from 01 October 2019 to 30 September 2020, based on an allowed revenue of **€176.65m**.

With these updated tariffs, the transportation cost of UK gas to Rol will decrease in nominal terms by **c.6.5%**. This is as a result of stronger demands at Exit and greater flows through Moffat. Transportation costs from Bellanaboy have fallen by **c.4%**.

**Table 3.1 Transmission Tariffs 2019/20**

		Bellanaboy	Inch Production	Moffat	Exit
		€	€	€	€
<b>Firm<sup>11</sup></b>	Capacity per peak day MWh	619.442 <sup>12</sup>	105.557	301.345	367.658
	Commodity Per MWh	0.103			0.216

### 3.1.1 Interconnection Point Tariffs

In addition, and as per CER/15/140 (per Decision 10), a Postalised Exit tariff does not apply to Interconnection Points. The GNI Matrix model produces the Exit tariff for Gormanston interconnection point, which is detailed in Table 3.2 below. Please note that for Moffat, the other Interconnection point on the Irish System, no flows are physically possible exiting the

<sup>11</sup> "Firm" means gas transmission capacity contractually guaranteed as uninterruptible by the transmission system operator.

<sup>12</sup> This is composed of two elements; one to remunerate the Allowed Revenue of GNI (€118.89) plus a Corrib Linkline Element (€500.55), which will remunerate the revenues relating to the Corrib Linkline (Corrib Partners).

system into Great Britain (GB). As such, no exit tariff applies. However, and as discussed previously, there is a tariff for virtual reverse flow into GB at this interconnection point.

**Table 3.2: Gormanston Tariffs**

<b>Firm</b>	Gormanston Exit Capacity	€ per peak day/MWh	345.34
	Gormanston Exit Commodity	€ per MWh	0.216

### 3.1 Next Steps

It should be noted that, under Article 30 of the Tariff Network Code, a more detailed paper on the transmission will be published 30 days ahead of the tariff period, however the tariffs will not change. That paper 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 2019/20**

<b>GNI Transmission Tariffs for 2019/20</b>			<b>Published Tariffs</b>				
2019/20_T_V7.0 Tariffs			2015/16 Tariffs	2016/17 Tariffs	2017/18 Tariffs	018/19 Tariffs	% Change
€			€	€	€	€	Nominal
			from 2018/1				
<b>Exit</b>							
capacity	<b>367.658</b>	per peak day MWh	430.882	428.352	402.080	389.884	-5.7%
commodity	<b>0.216</b>	per MWh	0.267	0.256	0.238	0.235	-8.4%
<b>Moffat Entry</b>							
capacity	<b>301.345</b>	per peak day MWh	367.786	360.253	359.183	325.979	-7.6%
commodity	<b>0.103</b>	per MWh	0.118	0.123	0.114	0.113	-8.6%
<b>Bellanaboy Entry</b>							
capacity	<b>619.442</b>	per peak day MWh	617.996	610.463	658.431	630.428	-1.7%
commodity	<b>0.103</b>	per MWh	0.118	0.123	0.114	0.113	-8.6%
<b>Inch Storage Entry</b>							
capacity		per peak day MWh	53.058	53.058	53.027	53.027	-100.0%
commodity		per MWh	0.118	0.123	0.114	0.113	-100.0%
<b>Inch Production Entry</b>							
capacity	<b>105.557</b>	per peak day MWh	164.186	156.653	156.656	123.452	-14.5%
commodity	<b>0.103</b>	per MWh	0.118	0.123	0.114	0.113	-8.6%
<b>BioGas Entry</b>							
capacity	<b>92.775</b>	per peak day MWh					N/A
commodity	<b>0.103</b>	per MWh					N/A
<b>Gormanston VRF Entry</b>							
capacity	<b>65.110</b>	per peak day MWh					N/A
commodity	<b>0.103</b>	per MWh					N/A
<b>Moffat VRF Exit</b>							
capacity	<b>250.044</b>	per peak day MWh					N/A
commodity	<b>0.216</b>	per MWh					N/A
<b>Illustrative Transmission Transportation Costs</b>							
€			€	€	€	€	
<b>Transmission Transportation Cost of UK Gas</b>							
capacity	<b>669.003</b>	per peak day MWh	798.668	788.605	761.263	715.864	-6.5%
commodity	<b>0.319</b>	per MWh	0.385	0.379	0.352	0.348	-8.4%
<b>Transmission Transportation Cost of Bellanaboy Gas</b>							
capacity	<b>987.099</b>	per peak day MWh	1048.878	1038.815	1060.511	1020.312	-3.3%
commodity	<b>0.319</b>	per MWh	0.385	0.379	0.352	0.348	-8.4%
<b>Transmission Transportation Cost of Inch Production Gas</b>							
capacity	<b>473.214</b>	per peak day MWh	595.068	585.006	558.736	513.337	-7.8%
commodity	<b>0.319</b>	per MWh	0.385	0.379	0.352	0.348	-8.4%