Virtual Reverse Flow Tariff for Moffat and SNP Exit for Gas Year 2014/15

A. Background

Decision Paper CER/11/190 established the tariff regime that will be put in place regarding virtual reverse flow on the Moffat interconnector.

Decision Paper CER/12/116 referenced the requirement to establish a similar tariff regime for a virtual reverse flow at the Relevant Point on the SNP. CER stated that the methodology to determine this would be calculated in a manner similar to the tariff for reverse flow at the Moffat Entry Point.

B. Methodology

To ensure cost reflectivity and transparency the proposed tariff would reflect the actual costs of establishing the tariff regime. The following methodology was used;

(Total Implementation Costs/10years + OPEX per gas year)/ expected Number of Shippers= Registration Fee.

Decision Paper CER/11/190 stated that this tariff would be reviewed as necessary.

This total implementation cost was calculated at €177,000 for VRF at Moffat.
The implementation cost for VRF on the SNP was €80,000.

CER estimates that there is expected to be 1 shipper using each of these products in the year ahead. CER has been advised that there has been no additional Opex relating to either product.

Inflation has been applied[1] to the VRF Registration Fees. The implementation costs for the Moffat VRF have been inflated from 10/11 monies to 14/15. The implementation costs for SNP VRF were incurred later and as such have been inflated from 11/12 monies to 14/15.

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[1] CSO HICP inflation has been applied, in line with the chosen index for tariff setting purposes

The Table below shows the Virtual Reverse Flow Registration Fee at Moffat.

	€
Total Implementation Cost	177,000
Cost per Annum	17,700
Operating Expenditure	0
Total Number of Shippers	1
Inflation	3.74%
Registration Fee for Moffat Virtual Reverse Flow	18,362

The Table below shows the Virtual Reverse Flow Registration Fee on the SNP.

	€
Total Implementation Cost	80,000
Cost per Annum	8,000
Operating Expenditure	0
Total Number of Shippers	1
Inflation	1.50%
Registration Fee for SNP Virtual Reverse Flow	**8,120**

Please note;

a. The capacity and commodity charges for reverse flows will be set to zero.

b. As the reverse flow tariff applies to a day ahead product and is therefore interruptible it should be noted that a refund may be due if the product was interrupted. However as the capacity and commodity charges are both set to zero the applicable interruptible refund would also be zero.

c. Please note that all Gaslink Code of Operations related charges (e.g., overrun charges, failure to interrupt charges, scheduling charges) that are calculated with reference to a capacity tariff level or a commodity tariff level, will be calculated using the full Moffat Entry Capacity and Entry Commodity charge as appropriate at the Moffat virtual exit point and the SNP virtual entry point.

d. The Network Code on Gas Transmission Tariffs will require harmonisation amongst Member States on the pricing of interruptible products, including Virtual Reverse Flow. The CER will consider these requirements in setting the VRF tariff in 2015/16.