

## Forecast Postalised Tariff 2017/18 – 2021/22

### Utility Regulator Explanatory Note

August 2017

#### 1 Introduction

Pursuant to condition 2A.4.3.1 (b) of the Gas Conveyance licences granted to GNI (UK), Premier Transmission Limited and Belfast Gas Transmission Limited, the Postalisation System Administrator (“PSA”) has completed its annual calculation of the forecast postalised tariff for 2017/18 and the following four gas years.

This note explains what the inputs for calculating the postalised tariff are based on and explains any differences from the previous year’s forecasts. It should be noted that the forecasts for the gas years 2018/19 to 2021/22 are included for indicative purposes only.

#### 2 Inputs

##### 2.1 Forecast Required Revenues

(i). Premier Transmission Limited (PTL)

The calculation of the PTL Forecast Required Revenue is based upon the existing licence formula where the figures are made up of the repayments on the £107m bond at a rate of 2.461% as well as forecast Operating Expenditure.

The PTL Allowed Revenue is reduced for the forecast payment made by Stranraer.

(ii). Gas Networks Ireland (UK)

The GNI (UK) Allowed Revenue is based on capital expenditure of circa £126m and an allowance for controllable and uncontrollable operating expenditure as part of the GNI(UK) 2017/18-2021/22 Price Control Determination. GNI (UK)’s Capital Expenditure is recovered at a constant real amount at a rate of return of 2.01% (vanilla).

(iii). Belfast Gas Transmission Limited (BGTL)

The BGTL Allowed Revenue is based on the repayment of the £109m bond at a rate of 2.387% plus forecast operating expenditure.

(iv). West Transmission Limited (WTL)

The Forecast Required Revenue requirement is based on West Transmission Limited Licence conditions for the period in advance of the first operational date.

## 2.2 Capacity

The forecast capacity figures for the two power stations and the three distribution markets are based upon the actual and/or forecast peak-day capacity requirements. The forecast entry capacity bookings for each product, both annual and non-annual, are submitted by suppliers using the entry point.

## 2.3 Volumes

Volume figures are based on end customer's best estimate using the number of customers, load factors and electricity generation output assumptions.

## 3 Difference between the forecast 2016/17 Annual Tariff and forecast 2017/18 Annual Tariff

Table 1: Annual Forecast Tariffs

Annual Forecast Tariffs	2016/17	2017/18	Difference
Entry Capacity Charge (£ per kWh/d booked)	0.24082	0.22231	-7.69%
Exit Capacity Charge (£ per kWh/d booked)	0.24082	0.22231	-7.69%
Total Capacity Charge (£ per kWh/d booked)	0.48164	0.44462	-7.69%
Commodity Charge (£ per kWh)	0.000881	0.000866	-1.66%

As can be seen from Table 1 the 2017/18 total capacity tariff has decreased compared to the 2016/17 figure. The main factor driving this change is an increase in the amount of forecast capacity booked as explained in section 3.1 below.

The forecast 2017/18 commodity tariff is also marginally lower than the 2016/17 tariff.

A review of the annual capacity, volumes and forecast required revenues is provided below. The short term capacity tariffs (auction reserve prices) are included in the 2017/18 Forecast Tariff Spreadsheet.

### 3.1 Annual Capacity and Volumes

#### Volumes

Overall the 2017 forecast gas volumes for the gas year 2017/18 have increased by 10.86% compared to volumes forecast for 2016/2017. The forecast demand at Ballylumford power station has increased by 18.15%. There is also a forecast demand increase at Coolkeeragh power station of 28.81%.

Forecast volumes within the distribution sector have decreased by 1.80% compared to 2016/17 figures. There is a forecast decrease in volumes within the Belfast distribution area of 1.56% and also a decrease of 8.39% in the 'Ten Towns' distribution area. Gas to the west was a new distribution area for 16/17 and this has increased by a 0.60% for the gas year 2017/18.

### Capacity

The analysis of the forecast capacity data has been reviewed against previous year's capacity usage, while also accounting for future expansion and an increase in network usage. There has been an overall increase of 7% in the forecast exit capacity figures for 2017/18 compared to 2016/17.

## 3.2 Required Revenues

The total required revenue forecasted for 2017/18 is £53,103,758 (in 2017/18 prices) compared to last year's 2016/17 figure of £48,705,190 (in 2016/17 prices). This is an increase of 9.03%. Table 2 provides a review of the previous years' FRR for comparison.

Table 2: Forecast Required Revenue

Forecast Required Revenue (FRR)	PTL £	BGTL £	GNI(UK) £	WTL £	Total £
<b>FRR 2016/17</b>	23,393,664	7,327,279	17,183,335	800,912	48,705,190
<b>FRR 2017/18</b>	25,375,458	8,278,161	18,935,196	514,943	53,103,758
<b>Increase from FRR 2016/17</b>	1,981,794	950,882	1,751,861	-285,969	4,398,568
<b>% Change from FRR 2016/17</b>	8.47%	12.98%	10.20%	-35.71%	9.03%

PTL's 2017/18 FRR has increased by 8.47% compared to 2016/17.

BGTL's FRR has also increased by 12.98%.

GNI(UK)'s FRR has increased by 10.20% and is in line with their price control determination published on the 1<sup>st</sup> August 2017.

West Transmission Limited's FRR has decreased by 35.71%.

#### 4 Forecast Postalised Tariff for years 2018/19-2021/22

Table 3: Forecast Tariffs GY+1 – GY+4

	2018/19	2019/20	2020/21	2021/22
<b>Entry Capacity Charge (£ per kWh/d booked)</b>	0.228580	0.228080	0.23278	0.24210
<b>Exit Capacity Charge (£ per kWh/d booked)</b>	0.228580	0.228080	0.23278	0.24210
<b>Commodity Charge (£ per kWh)</b>	0.000900	0.000863	0.000935	0.001050

The forecast tariffs for the years 2018/19 to 2021/22 are provided in the Table 3 for indicative purposes only.