An Coimisiún um Rialáil Fóntas
Commission for Regulation of Utilities

Gas Networks Ireland Transmission Tariffs and Allowed Revenue 2024/25

Decision Paper

Decision Paper

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CRU Strategic Plan 2022-24

Our Mission

- Protecting the public interest in water, energy and energy safety.

Our Vision

- Safe, secure and sustainable supplies of energy and water, for the benefit of the customer now and in the future.

Our Strategic Priorities

- Ensure Security of Supply
- Drive a Low Carbon Future
- Empower and Protect Customers
- Enable our People and Organisational Capacity

Executive Summary

Each year, the gas network tariffs are reviewed to ensure that Gas Networks Ireland (GNI) only recovers the necessary costs for efficient operation of the network. This paper sets out the transmission network tariffs to apply from 01 October 2024 to 30 September 2025 (gas year 2024/25). The distribution network tariffs are published in a separate paper (CRU202448).

The fifth price control period (PC5) for gas network tariffs, initially set to start in October 2022, was paused due to significant market developments following the Ukraine war. These changes included high and variable market prices, a drive to reduce energy demand, and a push to decrease reliance on Russian gas, all supported by policies such as the REPowerEU. This pause allowed GNI to update its proposals and conduct further analysis to take account of these developments. After a consultation in July 2023, the final PC5 decision was published on 20 December 2023.

As a result of delays to the PC5 decision the tariffs for the tariff years 2022/23 and 2023/24 were set using target revenues based on PC4 revenues and adjusted for key cost drivers, including shrinkage, CO_2 and inflation. In addition, considering the high and volatile wholesale gas prices at the time[1], GNI proposed a number of measures to mitigate against the high increases in consumer bills in 2022/23 and 2023/24. When setting the 2022/23 gas network tariffs[2], the CRU accepted GNI's proposals and accelerated PC4 capex underspends (€17m on distribution and €36m on transmission). These measures helped to offset some of the cost increases that customers faced in 2022/23. For the 2023/24 gas network tariffs[3], based on a GNI proposal, the CRU increased distribution tariffs by inflation only. This mitigation measure reduced GNI's distribution 2023/24 target revenue from €257m to €229m and led to an estimated €28 increase in an average residential gas customer bill, rather than a €54 increase had this measure not been implemented. Combined, these measures have led to significant revenue under-recoveries by GNI's transmission and distribution businesses.

Now that the PC5 decision has been published, the 2024/25 tariffs will be based on 2024/25 PC5 decision revenues. Further, as the revenues used to set 2022/23 and 2023/24 tariffs were effectively placeholders, these revenues should be balanced with the published PC5 decision. In determining the 2024/25 revenues and tariffs, the CRU considered a number of options to address the correction, or K-factor, needed for past placeholders and now in a period of relatively low inflation and wholesale gas prices, the CRU considers this to be an appropriate juncture to

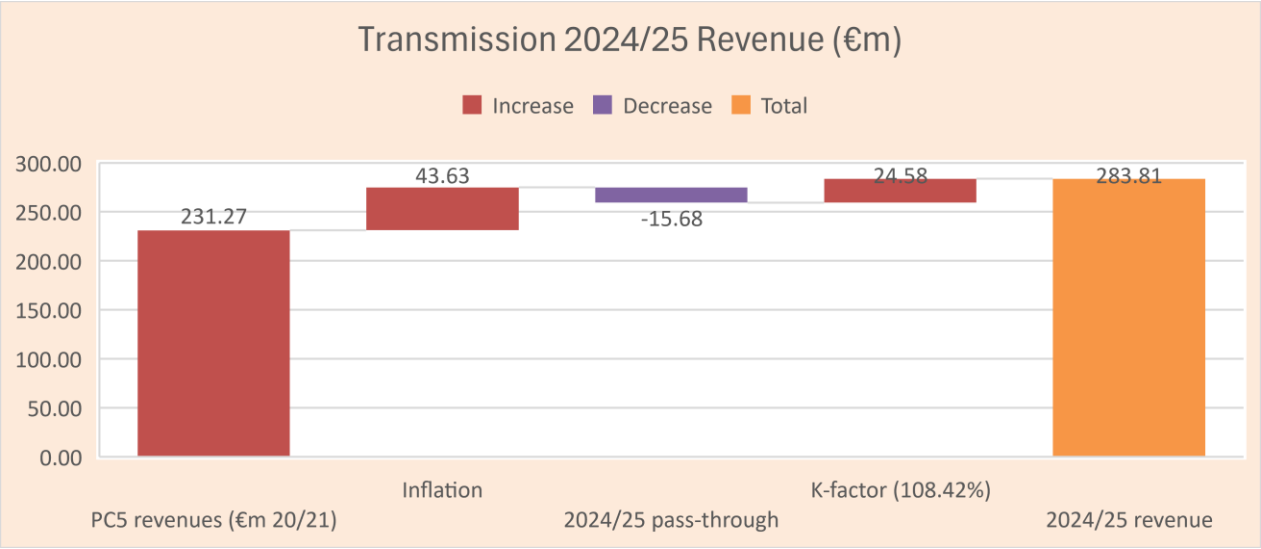
[1] For example, in April 2021 the wholesale price of gas was £0.50 per therm which compared to £2.50 per therm in April 2022. Wholesale gas prices reached up to £5 in early 2022.
[2] Gas Networks Ireland Distribution Tariffs and Allowed Revenue 2022/23 Decision Paper
[3] Gas Networks Ireland Distribution Tariffs and Allowed Revenue 2023/24 Decision Paper

balance the 2022/23 and 2023/24 tariff revenue decisions with the PC5 decision with the aim to clear the existing K-factor, or under-recovery, in the PC5 timeline.

GNI has under-recovered revenue of €83m in its transmission business up to the close out of the 2022/23 tariff year. This consists of an existing under-recovery (i.e. existing K-factor) of €60m and a €23m under-recovery in 2022/23. The existing K-factor was primarily driven by high and volatile wholesale gas prices, while the 2022/23 under-recovery was primarily driven by the measures taken to mitigate against the high increases in consumer bills and the use of PC4 revenues to set 2022/23 tariffs.

To address the outstanding K-factor, the CRU has decided to increase the 105% K-factor rule to 108.42% on transmission when setting the 2024/25 tariffs and for the remainder of the PC5 period[4]. This decision along with adjustments for inflation and forecasted 2024/25 pass-through costs results in the following revenues for 2024/25. (see Section 12551735202.2 for further details on revenue adjustments)

Figure 1: Transmission 2024/25 Revenue



The above revenues combined with the latest demand forecast results in the following transmission tariffs for 2024/25.

[4] The increases in the 105% K-factor rule are based on current forecasts and therefore the increased K-factor percentages may vary depending on actual outturn, as the objective is to clear the K-Factor in PC5 period.

Table 1: Transmission tariffs 2024/25

	Bellanaboy Entry	RNG Entry	Moffat (IP) Entry	Domestic Exit	Gormanston (IP) Exit
Firm[5] capacity - €/peak day MWh	789.955	208.700	417.270	618.899	596.748
Commodity - €/MWh	0.162			0.338	

To illustrate the cost impacts of these tariffs, the cost of transportation from GB (Moffat entry capacity tariff + domestic exit capacity tariff) is provided. This is given as the example as it is the marginal source of gas for Ireland. Generally, Irish wholesale gas prices are set by the GB price of gas plus the cost of transporting gas from GB to Ireland via the interconnectors. For 2024/25 the calculation shows a 2.4% increase on a nominal basis (0.2% in real terms) relative to 2023/24 (see Table 2).

Table 2: Simplified Comparison of the Cost of Transportation for Moffat from 23/24 to 24/24

	Cost of Transportation 2023/24	Cost of Transportation 2024/25	% change between 23/24 and 2024/25 (Nominal)	% change between 23/24 and 2024/25 (Real)
€ (per peak day MWh)	1012.09	1036.17	2.4%	0.2%

In terms of customer bill impact, based on an average consumption figure of 11,000 kWh[6], the CRU estimates the combined transmission and distribution tariffs will result in an increase of €59.75 (or 3.9%) in the average residential gas customer's annual bill. However, GNI has indicated that there is evidence of declining residential gas consumption over the last number of years. While analysis is ongoing, when taking lower residential consumption into account, GNI would estimate an average residential demand of c. 9,500 kWh for the 2024/25 tariff year which would result in an estimated consumer bill increase of €32.94 (or 2.1%).

The increases in consumer bills can be attributed mainly to the adjustment of previous cost-mitigation measures implemented during the tariff-setting process over the past two years. Additionally, the increases are driven by the ongoing requirement to invest in gas network infrastructure, which is essential to maintain reliable and safe gas supplies. This investment also supports Ireland's security of gas supplies and our commitment to a greener future by transitioning towards decarbonisation. For instance, the CRU's approval of biomethane opex allowances under the PC5 decision will allow GNI facilitate biomethane connections to the gas grid to increase the level of renewable gas injected into the grid. The CRU will keep this under review to assess if a change to the average household consumption metric is warranted. As this metric is also used for the calculation of the Estimated Annual Bill by suppliers and calculation of

[5] "Firm" means gas transmission capacity contractually guaranteed as uninterruptible by the transmission system operator.

[6] This is the average annual consumption figure that suppliers are required to use to estimate their estimated annual bills; as per the CRU's Supplier Handbook.

cost comparisons by the accredited price comparison websites, any change will be clearly signalled in advance.

The tariffs outlined in this paper will take effect from 01 October 2024.

Customer Impact Statement

The CRU's mission is to protect the public interest in water, energy and energy safety. Within that brief it is legally responsible for regulating network charges in the natural gas market. The CRU may set the basis for charges for using the gas network. The tariffs set out in this paper are charged to suppliers for the use of Gas Network Ireland's transmission network. The transmission network consists of the larger gas pipes, for example the gas pipes between cities and towns. 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 been completed and the transmission tariffs for 01 October 2024 to 30 September 2025 are published in this paper.

Transmission network tariffs are set to increase by c.2.4% on a nominal basis (0.2% in real terms) when compared to 2023/24 tariffs. As in previous years, the CRU is also publishing, today, the distribution network tariffs. The distribution tariffs are set to increase by c. 26.39%. Based on the annual consumption figure of 11,000 kWh[7] the CRU estimates the combined transmission and distribution tariffs will result in an increase of €59.75 (or 3.9%) in the average residential gas customer's annual bill[8]. However, GNI has indicated that there is evidence of declining residential gas consumption over the last number of years. The lower residential gas consumption has also been highlighted by CRU in its 2022 Energy Monitoring Report (CRU202389), where annual residential gas consumption has fallen 11.4% from 7,723 GWh in 2021 to 6,843 GWh in 2022.

While analysis is ongoing, when taking lower residential consumption into account, GNI would estimate an average residential demand of c. 9,500 kWh for the 2024/25 tariff year which would result in an estimated consumer bill increase of €32.94 (or 2.1%). This is significantly lower than the estimate based on CRU's annual consumption figure of 11,000kWh. Therefore, if the demand trend continues to decline, the CRU's estimated bill impact on an average residential gas customer's annual bill may overstate the increase. Although there's a noticeable decrease in the average gas demand, it remains uncertain whether this decline is the result of lasting changes

[7] This is the average annual consumption figure that suppliers are required to use to estimate their estimated annual bills; as per the CRU's Supplier Handbook.
[8] The percentage increase is based on the EAB of €1530 calculated in May. The EAB calculation was based on standard domestic offerings by all suppliers in April, weighted based on their market share (customer numbers)

like better home insulation, enhanced energy efficiency, and the adoption of intelligent heating systems, or if it's a temporary dip caused by the recent spell of mild winters coupled with the record-high gas prices. The CRU will keep this under review to assess if a change to the average household consumption metric is warranted. As this metric is also used for the calculation of the Estimated Annual Bill by suppliers and calculation of cost comparisons by the accredited price comparison websites, any change will be clearly signalled in advance.

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Glossary of Terms and Abbreviations

Abbreviation or Term	Definition or meaning
Capex	Capital expenditure
Correction Factor (K-factor)	An adjustment of revenue applied to rectify over or under recoveries.
CRU	Commission for Regulation of Utilities
CSO	Central Statistics Office
EAB	Estimated Annual Bill
ESRI	Economic and Social Research Institute
Extra-over items	Work items not included in the Price Control
GNI	Gas Networks Ireland
HICP	Harmonised Index of Consumer Prices
IP	Interconnection Point
NDM	Non-Daily Metered
OTC Derivative	Over-the-counter derivative
Pass-through items	Work items that were included in the Price Control but the costs of which were not certain at the time.
PC4	Price Control 4 (October 2017- September 2022)
PC5	Price Control 5 (October 2022 – September 2027)
RNG	Renewable Natural Gas
RPM	Reference Price Methodology
TAR NC	Tariff Network Codes
VRF	Virtual Reverse Flow

1 Introduction

1.1 The 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 in energy and water. The CRU's mission is to protect the public interest in Water, Energy and Energy Safety. Further information on the CRU's role and relevant legislation can be found on the CRU's website at 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 2024 to 30 September 2025.

The calculation of transmission tariffs is based on the price control (PC5) which established revenues for transmission over the five-year period from October 2022 to September 2027.

1.2 Purpose of this paper

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 2024 to 30 September 2025.

Article 29 of the tariff network code[9] requires that transmission tariffs and a set of accompanying information is published 30 days ahead of the annual yearly capacity auctions. This year, the annual yearly capacity auctions will be held on 01 July 2024.

Although, it is not required under Article 29, the CRU is publishing the distribution tariffs along with the transmission tariffs as the tariffs for both networks are calculated together.

Article 30 of the TAR NC requires certain tariff information to be published ahead of the upcoming tariff period (i.e. gas year 01 October 2024 – 30 September 2025). This includes detail on elements of the CRU's allowed revenue methodology, GNI's Matrix Model, and other additional information all of which is used either directly or indirectly to calculate GNI's allowed

[9] Commission Regulation (EU) 2017/460 - establishing a network code on harmonised transmission tariff structures for gas (europa.eu)

revenue and the transmission tariffs for the 2023/24 gas year. This information will be set out in a separate CRU paper which will be published by 31 August 2024.

1.3 Related Documents

Documents related to this publication are as follows:

- Gas Transmission Tariffs 2023/24 Decision Paper
- Gas Distribution Tariffs 2023/24 Decision Paper
- CRU Transmission Revenue Model 2024/25
- CRU Corrib Linkline Model
- CRU202247 Gas Transmission Tariffs 22_23- Decision Paper
- CRU202248 Gas Distribution Tariffs 22_23 - Decision Paper
- Decision on October 2022 to September 2027 Transmission Revenue for Gas Networks Ireland
- Harmonised Transmission Tariff Methodology for Gas Decision Paper
- Establishing a Network Code on Harmonised Transmission Tariff Structures for Gas

1.4 Structure of the Paper

This decision paper is structured as follows:

- Section 1 provides an introduction and background;
- Section 2 provides a brief explanation of the CRU's tariff setting process;
- Section 3 sets out the transmission tariffs for 2024/25; and
- Section 4 provides an appendix.

2 Tariff Setting Process for 2024/25

2.1 Introduction

In this section, the CRU sets out the allowed revenues for gas year 2024/25 and provides a brief overview of GNI's demand forecasts for the coming gas year. The allowed revenue is combined with the demand forecasts to calculate the network tariffs. The allowed revenues are set to ensure that GNI can operate, maintain and invest in the network effectively.

2.2 Allowed Revenue

2.2.1 Price Control 5

In December 2023, the CRU published its decision paper on the allowed revenue that GNI's transmission business may recover over the five-year period from 01 October 2022 to 30 September 2027 (PC5). This decision paper sets out the initial allowed revenue for each year of the price control period. The allowed revenue is set to ensure that GNI operate, then recovers this allowed revenue on an annual basis through network tariffs, which are set by the CRU. As part of the annual tariff setting process, the CRU analyses any additional revenue requests from GNI (pass-through costs and extra-over items), over/under recoveries in the previous years, inflation adjustments and updated demand projections. A summary of the revenues, along with the adjustments made to achieve the final revenues for 2024/25, is outlined in Table 3. A discussion of these items follows this table.

Table 3: Revenues for 2024/25

Revenue	Transmission €m
PC5 decision revenues (20/21 monies)	231.27
Inflation adjustment %	*18.87%*
Inflation monetary value	43.64
Allowed revenue (2024/25 monies)	274.91
Forecast pass-through costs (e.g. shrinkage, CO_2)	-15.68
K-factor incl. interest	24.58
2024/25 revenue requirements	283.81
% Change in revenue relative to 2023/24 revenues of €290m	*-2.18%*

2.2.2 Inflation

The first step in the adjustments is to inflate the 2024/25 revenues from PC5 (2020/21) to 2024/25 monies. The inflation rates applied by GNI to do this are shown in Table 4. The total inflation adjustment equates to a €43.63m revenue requirement.

Table 4: Inflation Rates

Actual and forecast when setting tariffs from 20/21 monies to 24/25		
HICP Forecast/Outturn	**Year**	**Rate**
HICP Outturn	21/22	6.90%
HICP Outturn	22/23	7.00%
HICP Outturn	23/24	1.70%
HICP Forecast	24/25	2.18%
Total Cumulative	-	**18.87%**

Outturn is CSO's[10] March to March percentage change for the relevant gas year, while forecast inflation takes an average of forecasts from the ESRI[11], Central Bank of Ireland[12] and the Department of Finance[13]. This is a return to the standard approach for forecasting gas year inflation.

In the previous two tariff years the CRU applied conservative inflation adjustments when setting tariffs. In 2022/23 the CRU applied an inflation rate of 2.93% based on the weighted average inflation rates for 2022 & 2023 taken from the Central Bank of Ireland Bulletin Q1 2022. This was lower than the Central Bank of Ireland Bulletin Q2 2022 which was available at the time of setting tariffs. In 2023/24, the CRU applied an inflation rate of 3.29% based on an OTC derivative EUR Inflation Swap Zero Coupon 1Y (as per Bloomberg as of 31 March 2023). This was also lower than other sources available at the time.

2.2.3 Pass-Through Costs and Extra-Over Items

As part of the annual tariff setting process, GNI submits requests for items that are either considered pass-through costs or extra-over items. Pass-throughs are cost items that GNI has no control over or limited control over. As a result, GNI's ability to forecast these costs accurately at the time of the price control is limited. Extra-over items are generally new capex or opex work-items that could not have been reasonably foreseen at the time the price control was set.

Following the review of PC5 forecasts, incorporating the recent market price data for CO_2, wholesale gas, and adjusting for updated demand forecasts, the CRU has decided to reduce GNI's total pass-through costs by €15.68m for 2024/25 tariffs. This includes a €5.21m reduction to GNI's CO_2 pass-through allowance, an €11.40m reduction to GNI's shrinkage[14] pass-through allowance, an increase of €0.60m to the CRU levy and a €0.33m increase to Scottish rates.

[10] CSO's latest March to March HICP https://www.cso.ie/en/releasesandpublications/ep/p-cpi/consumerpriceindexmarch2024/
[11] Quarterly Economic Commentary, Spring 2024 (esri.ie)
[12] Quarterly Bulletin Q1 2024 (centralbank.ie)
[13] Budget 2024 Economic & Fiscal Outlook
[14] Shrinkage gas includes own use gas (OUG) and unaccounted for gas (UAG).

2.2.4 Correction Factor (K-factor)

Due to the delay in the PC5 decision, the tariffs for 2022/23 were set using revenues based on the PC4 decision and adjusted for key cost drivers. In addition, considering the high and volatile wholesale gas prices at the time[15], GNI proposed a number of measures to mitigate against the high increases in consumer bills in 2022/23. When setting the 2022/23 gas network tariffs[16], the CRU accepted GNI's proposals and accelerated a €36m PC4 transmission capex underspend and applied conservative inflation assumptions. These measures helped to offset some of the costs increases that customers faced in 2022/23. However, these measures have been the primary drivers in a €23m under-recovery in GNI's transmission business up to the close out of the 2022/23 tariff year. When combined with the existing €60m K-factor[17], GNI has under-recovered revenue of €83m in its transmission business up to the close out of the 2022/23 tariff year.

With a PC5 decision now published and the relatively low inflation and wholesale price of gas, the CRU considers this an appropriate juncture to balance the 2022/23 tariff revenue with the PC5 decision and address the existing K-factor. To balance the 2022/23 tariff revenue and address the K- factor, the CRU considered four options. One option considered reprofiling the PC5 decision to take account of the revenue used to set the 2022/23 and 2023/24 tariffs. This option involved incorporating the revenues used to set the tariffs for 2022/23 and 2023/24 (i.e. PC4 revenues) into the PC5 revenue model. The PC5 model would then be rerun to distribute the 2022/23 and 2023/24 revenue gap over the final three years of PC5. The other three options used the existing K-factor mechanism as a lever to adjust the 105% rule and return a larger portion of the total €83m under-recovery to GNI. Following a review of options, the CRU decided that the existing K-factor mechanism could be used as a lever to adjust the existing 105% rule. For information, the existing 105% rule is now discussed.

Explanation Box: Existing K-factor Rules As tariffs are calculated in advance, the CRU must use forecast data i.e. forecast inflation, revenues and pass-through costs. However, once actuals are available, we carry out an adjustment to take those into account. This is called a correction factor or K-factor adjustment. The K-factor is for 2 years previous as that is when the actual data is available i.e. when setting the tariffs for 2024/25 the CRU closes out the year 2022/23. The formula for the K-factor is set out in the CRU's decision on Distribution Use of

[15] For example, in April 2021 the wholesale price of gas was £0.50 per therm which compared to £2.50 per therm in April 2022. Wholesale gas prices reached up to £5 in early 2022.
[16] Gas Networks Ireland Distribution Tariffs and Allowed Revenue 2022/23 Decision Paper
[17] See Section 2.2.4 Correction Factor (or K-factor) of Gas Networks Ireland Transmission Tariffs and Allowed Revenue 2023/24 Decision Paper

System Revenue Requirement and Tariff Structure paper (CER/03/170). There are two key rules to the K-factor. These rules were put in place to ensure that tariffs are stable and to ensure that volatility is avoided.

The rules are as follows:

- **Rule 1**: Any over-recovery up to 105% of allowed revenues is returned in the following gas year (e.g. any 2022/23 K-factor >105% is returned in gas year 2025/26 not gas year 2024/25).
- **Rule 2:** Any over or under-recovery of revenue attracts an interest rate of Euribor (interbank lending rate) +2% and any over-recovery in excess of 103% of revenue attracts an interest rate of Euribor +4% (e.g. any 2022/23 K-factor >100% & 103% is returned at Euribor +2% and any 2022/23 K-factor >103% & 105% is returned at Euribor +4%) As per rule 1 any 2022/23 K-factor >105% is credited the following year, with Euribor +4% applied for both years.

The CRU decided to increase the transmission K-factor limit from 105% to 108.42% with the aim to clear the K-factor, or under-recovery, in the PC5 timeline. Given the significant build-up of K-factor owed to GNI, and the current relatively low inflation and wholesale price of gas, the CRU considers it important to aim to clear the K-factor in the PC5 timeline. Although the K-factor rules were put in place to ensure that tariffs are stable and to ensure that volatility is avoided, in our PC5 decision (CRU2023138)[18], the CRU highlighted potential modifications to the 105% rule. The CRU noted that instead of achieving stability, this rule has led to a significant build-up of revenues owed to GNI and may need to be considered in the annual tariff setting process. The decision to increase the K-factor rule provides the CRU with flexibility to, in collaboration with GNI, adjust the K-factor rule in future tariff setting in response to significant market disruptions such as those recently experienced (i.e. extremely high and volatile wholesale gas prices driven geopolitical tensions). This was an important consideration as it will allow the CRU to continue to protect gas consumer interests while ensuring GNI can continue to safely operate and maintain the network, and deliver the necessary network services to consumers.

The CRU decision to increase the K-factor limit from 105% to 108.42% on transmission results in a K-factor of €22.02m (€24.58m including interest) that that can be returned to GNI in setting the 2024/25 tariffs. This reduces the total transmission K-factor from €83m to €61m and aims to have zero K-factor carryover to PC6.The K-factor rule adjustment temporarily moves away from the

[18] See Section 9.3.2 K-factor of Decision on October 2022 to September 2027 Transmission Revenue for Gas Networks Ireland Decision Paper

established K-factor rule but aims to ensure full recovery of K-factors in the PC5 timeline by increasing the K-factor rule for the remainder of the PC5 period[19].

2.2.5 Allowed revenue

The CRU has updated the initial allowed revenue set out in its PC5 decision to allow the additional expenditure set out in section 2.2.2 to section 2.2.4. This results in an allowed revenue of €283.81m for gas year 2024/25, which is a nominal decrease of 2.18% on the 2023/24 allowance.

2.3 Demand Forecasts

In addition to information relating to expenditure, demand forecasts are also estimated through the price control process for each of the five years of the price control period. As part of the annual tariff setting process GNI submits updated demand figures, which are anchored to GNI's draft 2023 Network Development Plan[20] forecasts, that take into consideration the latest forecasts.

In order to establish demand forecasts for 2024/25, GNI has analysed recent trends and then applied these learnings to elements it typically draws from to forecast gas demand for the coming year. The table below represents GNI's transmission network demand forecasts (commodity and capacity) for gas year 2024/25. For context these forecasts are presented alongside GNI's actual demand for 2022/23, the 2023/24 forecast for tariff setting and GNI's most up to date forecast for 2023/24. Highlighting the forecast demands for the upcoming gas year, against the demands forecast when setting the tariffs last year is particularly useful, as higher/lower demand relative to last year will lead to upward/downward pressure for the upcoming year.

Table 5: Transmission Commodity Demand

Commodity Demand (MWh)	22/23 Actual Demand	23/24 Tariff Forecast	23/24 Updated Forecast		24/25 Demand Forecast	Variation vs 22/23	Variation vs 23/24 Tariff	Variation vs 23/24 Update
Entry Commodity	55,805,496	64,621,281	58,217,295		57,724,972	3%	-11%	-1%
Exit Commodity	53,479,796	63,046,964	56,209,616		56,272,272	5%	-11%	0%

For the forthcoming year, total transmission entry commodity forecasts are 3% higher than the actual outturn commodity demand for 2022/23 and 1% lower than the 2023/24 commodity updated forecast. In terms of exit GNI's forecast commodity for 2024/25 is 5% higher than the

[19] The increase in the 105% K-factor rule is based on current forecasts and therefore the increased K-Factor percentages may vary depending on actual outturn, as the objective is to clear the K-Factor in PC5 period.
[20] CRU202425 Draft GNI Network Development Plan 2023

outturn for 2022/23, 11% lower than the 2023/24 forecast used when setting tariffs and less than 1% higher to the 2023/24 updated forecast.

Table 6: Transmission Demand Forecast Summary - MWh

Capacity Demand (MWh)	22/23 Actual Demand	23/24 Tariff Forecast	23/24 Updated Forecast	24/25 Demand Forecast	Variation vs 22/23	Variation vs 23/24 Tariff	Variation vs 23/24 Update
Corrib	38,814	31,245	32,531	30,510	-21%	-2%	-6%
Moffat	189,569	198,487	189,831	184,588	-3%	-7%	-3%
Biogas	166	471	344	501	202%	6%	46%
WA[21] Total Entry Capacity	228,550	230,203	222,705	215,599	-6%	-6%	-3%
WA Total Exit Capacity	277,717	285,586	283,489	276,521	-0%	-3%	-2%

Note: The Entry Capacity is lower than the Exit Capacity as NDM customers are required to book for 1 in 50 at Exit.

GNI's forecasted weighted annualised entry capacity is 6% lower than the actual for 2022/23 and 3% lower than the updated forecast for 2023/24. GNI's forecasted weighted annualised exit capacity is the less than 1% lower than 2022/23 outturn and 2% lower than the updated forecast for 2023/24. A key driver of the lower 2024/25 forecasts when compared to the 2023/24 tariff setting forecast is higher interconnector import.

[21] WA stands for weighted annualised. Shorter-term bookings, which can occur at different times of year (different costs) are adjusted for representation as an equivalent annual amount so that the overall demand can be compared more easily across years.

3 CRU Decision on Transmission Tariffs for 2024/25

3.1 Transmission tariffs for 2024/25

GNI has calculated transmission network tariffs based on the allowed revenue and demands set out in the previous sections. The transmission tariffs which will apply from 01 October 2024 to 30 September 2025, are set out below.

Table 7: Transmission tariffs for 2024/25

	Bellanaboy Entry[22]	RNG Entry	Moffat (IP) Entry	Domestic Exit	Gormanston (IP) Exit
Firm[23] capacity -€/peak day MWh	789.955	208.700	417.270	618.889	596.748
Commodity - €/MWh	0.162			0.388	

To illustrate the cost impacts of these tariffs, the cost of transportation from GB (Moffat entry capacity tariff + domestic exit capacity tariff) is provided. This is given as the example as it is the marginal source of gas for Ireland. Generally, Irish wholesale gas prices are set by the GB price of gas plus the cost of transporting gas from GB to Ireland via the interconnectors. For 2024/25 the calculation shows a 2.4% increase on a nominal basis (0.2% in real terms) relative to 2023/24 (see Table 8).

Table 8: Simplified Comparison of the Cost of Transportation for Moffat from 23/24 to 24/24

	Cost of Transportation 2023/24	Cost of Transportation 2024/25	% change between 23/24 and 2024/25 (Nominal)	% change between 23/24 and 2024/25 (Real)
€ (per peak day MWh)	1012.09	1036.17	2.4%	0.2%

3.2 Impact on a Residential Customer's Bill

Transmission network tariffs are set to increase by c. 2.4% on a nominal basis (0.2% in real terms) when compared to 2023/24 tariffs. As in previous years, the CRU is also publishing, today, the distribution network tariffs[24]. The distribution tariffs are set to increase by c.26.39%.

[22] Bellanaboy entry capacity is composed of two elements; one to remunerate the transmission services revenue of GNI (€ 234.82/MWh) plus a Corrib Linkline Element (€555.14 /MWh), which will remunerate the revenues relating to the Corrib Linkline (Corrib Partners).

[24] Detail of the distribution tariffs can be found in CRU202448, published alongside this paper

Based on annual consumption figure of 11,000 kWh[25] the CRU estimates the combined transmission and distribution tariffs will result in an increase of €59.75 (or 3.9%) in the average residential gas customer's annual bill[26]. To calculate the gas network charge element of the indicative bill, both transmission (capacity & commodity) and distribution (capacity & commodity) tariffs are used. The relevant capacity tariffs for both transmission and distribution are applied against a 'peak day capacity (kWh's)'. The peak day capacity element has been calculated based on an annual consumption estimate of 11, 000 kWh and a load factor of 3 (ref table 11.2 of document 'CER15/057'[27]). The relevant commodity tariffs for both transmission and distribution are applied to the annual consumption estimate of 11,000 kWh. The capacity and commodity charges calculated are then combined to give the 'Gas Network Charge' element of the overall customer bill. It is assumed that the Gas Network Charges are fully passed onto the end customer – but this is ultimately a decision for the supplier themselves to pass these charges on fully.

However, GNI has indicated that there is evidence of declining residential gas consumption over the last number of years. The lower residential gas consumption has also been highlighted by CRU in its 2022 Energy Monitoring Report (CRU202389), where annual residential gas consumption has fallen 11.4% from 7,723 GWh in 2021 to 6,843 GWh in 2022.

While analysis is ongoing, when taking lower residential consumption into account, GNI would estimate an average residential demand of c. 9,500 kWh for the 2024/25 tariff year which would result in an estimated consumer bill increase of €32.94 (or 2.1%). This is significantly lower than the estimate based on CRU's annual consumption figure of 11,000kWh. Therefore, if the demand trend continues to decline, the CRU's estimated bill impact on an average residential gas customer's annual bill may overstate the increase. Although there's a noticeable decrease in the average gas demand, it remains uncertain whether this decline is the result of lasting changes such as better home insulation, enhanced energy efficiency, and the adoption of intelligent heating systems, or if it's a temporary dip caused by the recent spell of mild winters coupled with the record-high gas prices.

[25] This is the average annual consumption figure that suppliers are required to use to estimate their estimated annual bills; as per the CRU's Supplier Handbook.
[26] The percentage increase is based on the EAB of €1530 calculated in May. The EAB calculation was based on standard domestic offerings by all suppliers in April, weighted based on their market share (customer numbers)
[27] Future of Gas Entry Tariff Regime – Draft Decision

3.3 Details of Multipliers

Multipliers and seasonal factors are applied to the reference prices to set the tariffs for non-yearly capacity products. Table 9 below outlines the multiplier and seasonal factor profile for gas year 2024/25. The CRU decided to not to change the profile for gas year 2024/25 as set out in its annual tariff network code Article 28 paper (CRU202453).

Table 9: Seasonal Multipliers

Month	Quarterly %	Monthly %	Daily %
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%
Total	**135.0%**	**150.0%**	**279.44%**

3.4 Virtual Reverse Tariff 2024/25

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 Ireland via Moffat and into Ireland via Gormanston.[28] In accordance with the CRU's TAR NC decision paper, for gas year 2019/20, a new tariff was introduced for VRF, which replaced the previous registration fee approach. The calculation of the VRF tariffs at Moffat and Gormanston are now based on the

[28] 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.

TAR NC principles and requirements for standard interruptible capacity products. Art.16 of TAR NC specifies the calculation of reserve prices for standard interruptible capacity products by applying an adjustment to the reserve prices for the corresponding standard firm capacity products.

Full details on how the CRU sets the VRF tariffs for Moffat and Gormanston and the reasoning for its approach, can be found in section 3.11 of the CRU's TAR NC decision paper (CRU/19/060)[29], in summary:

- The VRF tariffs are based on the Moffat exit point and Gormanston entry point reference prices, as calculated by the Matrix RPM;
- A pro factor of 8% is applied to the Moffat and Gormanston VRF products;
- A risk premium of 10% is applied to both the Moffat and Gormanston VRF products; and
- A market interaction factor of 30% applies to the Moffat VRF product only to bring the price below that of the equivalent forward flow tariff for reasons of cross-border trade.

These inputs result in an A-factor (i.e. overall adjustment) of 6 for Moffat VRF and an A-factor of 2.25 for the Gormanston VRF.

Table 10: Virtual reverse flow (VRF) tariffs for 2024/25

	Gormanston VRF Entry	Moffat VRF Exit
Capacity - €/peak day MWh	160.169	380.776
Commodity - €/MWh	0.162	0.338

3.5 Next Steps

These tariffs will take effect from 01 October 2024. The CRU will continue to engage with GNI and monitor demand and consumptions trends.

Under Article 30 of the Tariff Network Code, a more detailed paper on the transmission network will be published 30 days ahead of the tariff period, however the tariffs will not change. That paper will include:

- Methodology parameters related to technical characteristics of the transmission system;
- Transmission System Operator revenue information;
- Additional information related to tariff evolution; and
- The publication of a simplified transmission tariff model.

[29] Harmonised Transmission Tariff Methodology for Gas | CRU.ie

4 Appendix A

	2024/25 Tariffs €	2023/24 Tariffs €		Forecast 2024/25 Inflation Nominal Variance: %	2.18% Real Variance: %
Exit					
capacity	**618.899**	**612.589**	per peak day MWh	1.03%	-1.1%
commodity	**0.338**	**0.308**	per MWh	9.54%	7.2%
Gormanston Exit					
capacity	**596.748**	**590.387**	per peak day MWh	1.08%	-1.1%
commodity	**0.338**	**0.308**	per MWh	9.54%	7.2%
Moffat Entry					
capacity	**417.270**	**399.503**	per peak day MWh	4.45%	2.2%
commodity	**0.162**	**0.148**	per MWh	9.51%	7.2%
Bellanaboy Entry					
capacity	**789.955**	**804.695**	per peak day MWh	-1.83%	-3.9%
commodity	**0.162**	**0.148**	per MWh	9.51%	7.2%
Biogas Entry					
capacity	**208.700**	**190.933**	per peak day MWh	9.31%	7.0%
commodity	**0.162**	**0.148**	per MWh	9.51%	7.2%
Gormanston VRF Entry					
capacity	**160.169**	**145.600**	per peak day MWh	10.01%	7.7%
commodity	**0.162**	**0.148**	per MWh	9.51%	7.2%
Moffat VRF Exit					
capacity	**380.776**	**377.468**	per peak day MWh	0.88%	-1.3%
commodity	**0.338**	**0.308**	per MWh	9.54%	7.2%
Illustrative Transmission Transportation Costs					
	€	**€**			
Transmission Transportation Cost of UK Gas					
capacity	**1036.169**	**1012.092**	per peak day MWh	2.38%	0.2%
commodity	**0.500**	**0.457**	per MWh	9.53%	7.2%
Transmission Transportation Cost of Bellanaboy Gas					
capacity	**1,408.854**	**1,417.284**	per peak day MWh	-0.59%	-2.7%
commodity	**0.500**	**0.457**	per MWh	9.53%	7.2%
Transmission Transportation Cost of Biogas					
capacity	**827.599**	**803.522**	per peak day MWh	3.00%	0.8%
commodity	**0.500**	**0.457**	per MWh	9.53%	7.2%