

Postalisation Reconciliation Gas Year 2005/06

Explanatory Note

January 2007

1.0 Introduction

- 1.1 The 2005/06 Postalisation Reconciliation process for the Northern Ireland Gas Transmission Network has been completed and was circulated by the Postalised System Administrator on 1st December 2006.
- 1.2 This explanatory note summarises the Year End Charges and how they have changed from the Forecast Charges. For clarity, it also illustrates how the reconciliation payments are calculated.

2.0 Year End Charges

- 2.1 The following table compares the actual volumes, capacity and required revenue with the forecast volumes, capacity and required revenue for 2005/06:

	Volumes (kWh)	Capacity (kWh)	Required Revenue (£)
Forecast	19,401,339,251	79,825,667	31,410,092
Actual	18,490,272,463	78,317,804 ¹	29,448,702

- 2.2 As a result of these changes, the Year End Postalised Charges, as calculated in accordance with condition 2A.2.6 of the standard licence conditions, were lower than the Forecast Charges:

	Commodity Charge (£ per kWh)	Capacity Charge (£ per kWh)
Forecast	0.0008095	0.19674
Year End	0.0007963	0.18818
% Change	-1.63	-4.35

- 2.3 The reason why the Year End Charges were lower than the Forecast Charges is because although actual volumes and capacity were lower than forecast, this is offset by the Required Revenue being circa £2million lower than forecast.
- 2.4 It should also be noted that the Year End Charges are not limited to a number of decimal places. The Year End Charges are calculations as opposed to a figure with a limited number of decimal places.

¹ Reason for difference is that less capacity was booked than forecast and some capacity was only booked for 11 of the 12 months.

3.0 Reconciliation Payments

3.1 Each Gas Supplier's reconciliation payment is calculated according to the following formula as set out in condition 2A.2.6.3 of the standard licence conditions:

$$\text{Capacity Reconciliation} = (\text{Year End Capacity Tariff} - \text{Forecast Capacity Tariff}) * \text{Gas Supplier Firm Capacity}$$

$$\text{Commodity Reconciliation} = (\text{Year End Commodity Tariff} - \text{Forecast Commodity Tariff}) * \text{Gas Supplier Annual Exit Quantity}$$

The payment is due from a Gas Supplier if the figure is positive and owed to a Gas Supplier if the figure is negative.

For example, if a Gas Supplier shipped 2,000,000,000 kWh in 05/06 with a capacity booking of 3,000,000 kWh then their commodity and capacity reconciliation for 05/06 would be:

$$\text{Commodity} - (0.0007963 - 0.0008095) * 2,000,000,000 = -£26,400$$

$$\text{Capacity} - (0.18818 - 0.19674) * 3,000,000 = -£25,680$$

This Gas Supplier's reconciliation would therefore be:

$$-26,400 + (-25,680) = -£52,080$$

As this is a negative number, this money would be owed to this Gas Supplier. It is only when the Year End Charges are higher than the Forecast Charges that the reconciliation would be positive and therefore the Gas Supplier would owe money.

It should be noted that the figures used in this section are simply to illustrate the calculation of a reconciliation payment and are not based on any particular shipper.