

Denis Twomey
Commercial Finance Manager
GNI (UK) Ltd
PO Box 51
Gasworks Road
Cork

14th May 2018

Our Ref – CNO/G/TH/368

Dear Denis,

RE: GNI (UK) 2016/17 Operating Allowance

Thank you for your letter received on 20th March 2018 confirming the actual operating expenditure for the period of 2016/17. This letter relates to your previous correspondence dated 9th June 2017 and the Utility Regulator's (the UR's) response dated 20th July 2017.

Your letter of 20th March 2018 requested a special operating expenditure forecast review be carried out by the UR under Condition 2.2.4 (i) of your licence. Further information entitled "Northern Ireland Repex Investment 2016/17" was also provided on 9th April 2018. GNI (UK) has requested an allowance for additional operational expenditure to be included in the 18/19 FRR calculation. The UR has reviewed the information and this letter sets out the UR's decision on GNI (UK)'s proposals for revised operational and replacement expenditure.

Actual Controllable Operating Expenditure (excluding Replacement Expenditure)

The UR has reviewed the proposals and based on the evidence provided, is not convinced that the allowance given in the GT12 price control was insufficient. As such, no additional allowance will be provided.

Replacement Expenditure

The UR has reviewed the replacement expenditure proposals and our decision is set out in Table 1 below.

Table 1: Replacement Expenditure Decision – March 2016 Prices

Initiative	Estimate	UR Decision
Meter Refurbishment	£111,397	£-
Uninterrupted Power Supply (UPS) Replacements	£26,614	£-
Station Control Systems (DCS) replacements	£460,205	£202,000
Marker post replacements	£65,641	£-
Cathodic protection refurbishment	£26,503	£-
Total	£690,360	£202,000

The UR notes that in relation to the line item “Station Control Systems (DCS) replacements”, an allowance of £25k (October 2013 prices) was provided in the 2016/2017 FRR for preparatory work which was to be submitted to the UR by the end of 2017. Evidence of such preparatory work was not received by the UR. The allowance requested for this project in your letter of 20th March 2018 is £460,205 in total for DCS replacements at Carrickfergus and Coolkeeragh. The document “Northern Ireland Repex Investment 2016/17” sets out that only one DCS replacement is complete at Carrickfergus, with Coolkeeragh due for replacement in June 2018, i.e. outside of the GT12 price control period.

Having considered the above matters, the UR does acknowledge that there is a level of need and urgency around this particular project. As such, in this instance, the UR will provide an allowance of £202k. This is reflective of the allowance provided for the DCS replacement at Gormanston in the GT17 final determination and takes into account the allowance already provided for preparatory work adjusted to March 2016 prices. The allowance will be included in the FRR for 2018/19 and should be adjusted for RPI in line with the licence.

The decision to provide an additional allowance in this instance is exceptional and solely related to the line item entitled “Station Control Systems replacements” which the UR considers is justified. No further allowance will be provided in relation to this project.

In relation to the other projects identified by GNI (UK) as replacement expenditure, the UR is satisfied that these areas of work have been given sufficient allowances in the GT12 price control. Therefore, the UR will not provide an allowance for any of the other replacement expenditure projects.

Actual Uncontrollable Operating Expenditure

The Actual Uncontrollable Operating Expenditure is not within the scope of the review under Condition 2.2.4 (i) and will be adjusted in line with the licence.

This decision relates to the GT12 price control period and does not set a precedent for the GT17 price control period.

Yours sincerely

Signed 

Name: Tanya Hedley

Authorised by and on behalf of the Northern Ireland Authority for Utility Regulation