

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

Ref: CNO/G/TH/185

24th May 2017

Dear Denis

GNI (UK) Controllable Operating Expenditure 2015-16

Thank you for your recent submission of Actual Controllable and Actual Uncontrollable Operating Expenditure for the 2015-16 Gas Year, dated 19 May 2017. We have reviewed the data submitted and are now in a position to respond to your request for a special operating expenditure review. Our analysis is based solely on Controllable Operating Expenditure. This is in line with the clarification of policy that will be implemented by the modification we propose to make to Condition 2.2.4 (i) of the licence.

Your submission assumes a total Controllable Operating Expenditure Allowance of £2.757m for Gas Year 2015-16 (April 2011 prices). However we refer to our letter of 17 October 2012, copy attached, in which the allowance is set at £3.1661m. It would appear that your figure excludes £0.423m of Capex Reclassified. We stated in our BGE (NI) Determination for the period 2012-17 we would treat capital allowances as operating expenditure, see para 5.18 of our determination published 5th October 2012.

The Controllable Operating Expenditure Allowance for Gas Year 2015-16 is therefore equal to £3.523m (April 2016 prices). This compares to your Actual Controllable Operating Expenditure figure of £3.837m. Actual expenditure is therefore 8.9% above the allowance. This deviation is insufficient to trigger a review of future allowances under Condition 2.2.4 (i) of the licence.

Consequently I am unable, in this instance to grant a special operating expenditure forecast review as requested.

Yours sincerely,



Tanya Hedley
Director of Compliance and Network Operations
For and on behalf of NIAUR