

Gas Transmission Charging Methodology Statement

Gas Year 2016/17

premier
TRANSMISSION

belfast gas
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west
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1. Introduction

- 1.1. This publication sets out the charging methodology which applies from 1st October 2015 for the use of the Northern Ireland gas transmission network. Capitalised terms have the meaning given to them in either the Network Code or the Licence, however this document does not vary or take precedence over any of the statutory, Licence or Network Code obligations on Transmission System Operators (TSOs).
- 1.2. The requirement to publish the Gas Transmission Charging Methodology Statement is specified in condition 2A.2.1.9 of each TSO's licence. Under this Licence Condition, the TSOs are required to set out the approach to charging in respect of Overrun Charges and VRF Services. Annex 1 is included in this document for the purposes of satisfying the Licence requirement, and was approved by NIAUR on 30th June 2015.
- 1.3. The Northern Ireland gas transmission network has operated a postalised charging regime since 2005. The regime (also known as a 'postage stamp' charging regime) is designed to ensure that the unit price for transporting gas along the transmission network is the same for each Shipper¹, irrespective of where the gas is off-taken for final use.
- 1.4. There are four TSOs in Northern Ireland, each operating a distinct part of the NI transmission network assets, but operating jointly under a Network Operators Agreement. Amongst other things, this enables the application of the postalised charging regime across the whole transmission network.
- 1.5. There is a process of revenue redistribution between the TSOs, facilitated by the Postalised System Administrator ('PSA'), which ensures that each TSO receives its share of revenues received in total, regardless of the amounts that it invoices for.
- 1.6. The NI gas transmission charging regime is therefore set out largely in the common Licence Conditions for the TSOs (Licence section 2A in each of the TSOs Licences, referred to in this document as 'the Licence'). However the terms which contractually enable the TSOs to charge Shippers are contained in their Network Codes. This document has been prepared to clarify how the charging terms in the Network Codes relate to the charging obligations set out in the Licence.
- 1.7. Under the NI regime, Shippers pay both the postalised charges (also known as 'Licence Charges' as these are prescribed by the Licence) and 'Code Charges'.

¹ Shipper is the Network Code term for any party signed up to the Network Code. The Licence refers to Gas Suppliers and also contains some more precise terms for suppliers with certain types of licensing arrangements. All Gas Suppliers are also Shippers, hence the use of the term Shipper in this document, which sets out the arrangements for postalised charging.

- 1.8.** Licence Charges comprise two components: capacity and commodity. Each recovers a proportion (75:25 respectively) of the TSO's required revenue in each Gas Year.
- 1.9.** Shippers pay a postalised capacity charge in respect of capacity held at each of the points where they enter and exit the Northern Ireland (NI) gas network. Shippers also incur a postalised commodity charge based upon their total volumes transported on the NI Network, as allocated at exit.
- 1.10.** Exit capacity products are annual in nature and are booked with the relevant TSO in advance of the Gas Year. Entry capacity products are available as annual, quarterly, monthly, daily and within day and can be booked via the auction platform (PRISMA).
- 1.11.** Shippers are obliged to pay the postalised tariff under their own NI supply licence as well as under the contractual commitment contained in the relevant TSO's Network Code.
- 1.12.** The postalised charging regime is managed on an annual cycle. Forecast Postalised Charges are set, ahead of the Gas Year, based on estimated TSO costs and forecast capacity and commodity quantities for the forthcoming Gas Year. These Forecast Postalised Charges are applied in invoices during the Gas Year. Following the Gas Year, once the TSOs actual costs, and the actual quantities of capacity booked and commodity flowed, are known a reconciliation calculation is carried out in order to determine the 'actual' unit price for the Gas Year, and a reconciliation charge/payment is made after the end of the Gas Year to make up for any differences.
- 1.13.** Code Charges, as the name suggests, are determined by the TSOs under the Network Code. The Codes and the Licence refer to these as 'PS Code Charges' as they are required to be levied across the Postalised System, but the Licence is not prescriptive as to how they should be calculated.
- 1.14.** Code Charges are levied to encourage certain Shipper behaviour. Imbalance Charges are designed to encourage Shippers to maintain a balanced position between their inputs and their outputs. Scheduling Charges are intended to encourage accurate nominations/renominations, and Unauthorised Flow Charges are to discourage Shippers from continuing to offtake gas when directed to reduce/cease offtake in an emergency.
- 1.15.** Although the TSOs invoice for Code Charges, they remain 'revenue neutral' in relation to all Code Charge payments and receipts. Instead any surplus cost/income associated with Code Charges is redistributed to all Shippers on a monthly basis using a 'disbursement' process.
- 1.16.** In part A, this document sets out the process for calculating Forecast Postalised Charges and the associated reconciliation process. It also explains how the reserve prices are set for capacity auctions. Part B describes the Code Charges which may

be levied under the TSOs Network Codes and how these are derived. Part C describes the TSO invoicing process and explains how each of the items which may appear on a Shippers invoice are calculated.

Part A - POSTALISED CHARGES

2. Process for setting Forecast Postalised Charges

The following section describes the process for setting Forecast Postalised Charges each Gas Year.

2.1. Forecast capacity and volumes

2.1.1. Shippers are required to provide forecast entry and exit capacities, and exit volumes, for the following five Gas Years to the TSO that owns the pipeline at each of their points of entry to and exit from the NI gas network.

2.1.2. To facilitate this, each year the TSOs will provide a pro-forma 'Shipper Forecast Information Request' by 1st May. Each Shipper must complete the Shipper Forecast Information Request in respect of a five year period commencing on the 1st October in each Gas Year. This will require at least information in relation to the following;

- a. The amount of entry capacity and VRF exit capacity (by capacity duration) which the Shipper forecasts it will hold;
- b. The amount of exit capacity at each exit point which the Shipper forecasts it will hold;
- c. The quantity of gas which the Shipper forecasts it will flow at each entry point and VRF exit point; and
- d. The quantity of gas which the Shipper forecasts it will flow at each exit point.

2.1.3. A Shipper is required to submit its completed Shipper Forecast Information Request to the TSO no later than the tenth business day in June. By this stage the annual and quarterly auctions for the next Gas Year should have completed² and therefore the annual and quarterly capacity bookings should be confirmed and actual capacities should be provided

2.1.4. Where there is a material change during the Gas Year to the information provided on the submitted Shipper Forecast Information Request, the Shipper should provide a revised form to the appropriate TSO(s) as soon as possible.

2.2. Forecast Required Revenue ('FRR') setting process

2.2.1 The TSOs notify NIAUR of the calculation of their FRR for the next Gas Year and the following four Gas Years by the 15th business day in June. NIAUR then has two weeks to consider the TSO's forecast and provide any comments.

² Subject to the ENTSOG Auction Calendar.

- 2.2.2 No later than the 15th business day in July each TSO provides the PSA with its FRR for the next Gas Year and the following four Gas Years.

3. Calculation of Forecast Postalised Charges

The PSA uses the total forecast capacity, volumes and FRRs to calculate the Forecast Postalised Charges (for the next five Gas Years) in advance of publication by the TSOs by the second business day in August prior to the start of the new Gas Year, Y.

3.1. Calculation of commodity price

- 3.1.1 As detailed in Condition 2A.2.5.2 (a) of the Licence, the forecast commodity price to be applied to gas flowed during the Gas Year is called the “Forecast Postalised Commodity Charge” and is calculated as follows:

Forecast Postalised Commodity Charge = (Total FRR x 25%) / total forecast annual exit volumes of all Shippers.

25% reflects the split of total FRR to be collected by commodity charges.

Total FRR is the sum of the three TSO’s individual FRRs.

3.2. Calculation of capacity price

- 3.2.1 Exit capacity is available as an annual product only and is booked directly with the TSO by 30th April in advance of the Gas Year.
- 3.2.2 Entry capacity is booked via an auction process on PRISMA and is available as yearly, quarterly, monthly and daily products (day ahead and within day).
- 3.2.3 In order to determine the forecast capacity price it is necessary to calculate the “Total Weighted Forecast Capacity” which will be utilised for the forthcoming Gas Year. In order to do this a product multiplier must be applied to the forecast bookings for each product, so that the capacity for each product is on an annual basis, and then these are summed for the entire Gas Year as detailed in Licence Condition 2A.2.5.3 (a) as follows:

Total Weighted Forecast Capacity = \sum (forecast booking for specific product x product multiplier for that product)

The product multipliers for each product are provided in the “Gas Product Multipliers and Time Factors” table published by NIAUR on its website prior to the Gas Year and may be updated from time to time. The product multiplier is one factor which accounts for a time adjustment, multiplier element and seasonal factor.

3.3. Forecast Annual Capacity Price

3.3.1 The Total Weighted Forecast Capacity is then used to calculate a forecast price for the Gas Year for annual (entry and exit) capacity products.

3.3.2 In the Licence, as detailed in Licence Condition 2A.2.5.3(b), this is called the 'Forecast Postalised Annual Capacity Charge' and it is calculated as follows:

Forecast Postalised Annual Capacity Charge = (total FRR x 75% x relevant product multiplier) / Total Weighted Forecast Capacity Booking)

The annual product multiplier will be set equal to one for annual entry and exit capacity.

3.4. Forecast Non Annual Capacity Prices

3.4.1 The Forecast Postalised Annual Capacity Charge is then used as a 'reference price', to determine the reserve price for each of the non annual entry products to be applied in Auctions. Reserve prices for each product are calculated by applying the relevant product multiplier (as detailed in 3.5 this accounts for a time adjustment, multiplier element and seasonal factor). In the Licence, as detailed in Licence Condition 2A.2.5.3 (c), the generic term is called the 'Forecast Postalised Non Annual Capacity Charge' and it is calculated as follows for each non annual product:

Forecast Postalised Non Annual Capacity Charge = Forecast Postalised Annual Capacity Charge x relevant product multiplier

In the Network Code, the Forecast Postalised Non Annual Capacity Charge is called the 'NI Reserve Price'

3.5. Bundled IP Capacity Prices and the Auction Timetable

3.5.1 At the Moffat Interconnection Point, Premier Transmission Limited (PTL) and National Grid jointly offer their respective available firm capacities as bundled products. At the South North IP, GNI (UK) and GNI offer their respective available firm capacities as bundled products.

3.5.2 For bundled IP Capacity the overall auction reserve price (called the 'Starting Price' in the Network Code) is the sum of the relevant NI Reserve Price for the particular capacity product, plus the relevant reserve price of the capacity product as set by the Adjacent Transporter.

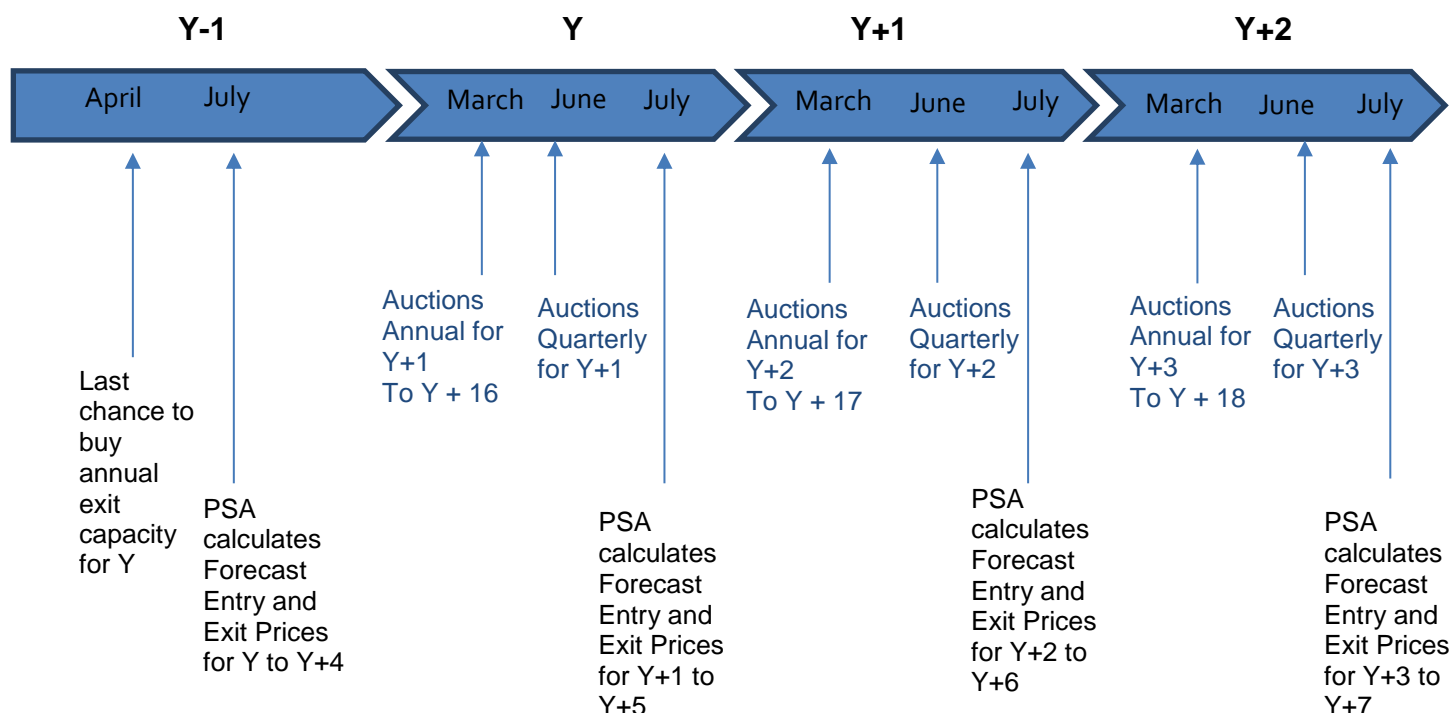
3.5.3 The Auction timetable is as follows:

Auction	Frequency of auctions	Number of products per auction	Capacity Commences	Start of auction (UTC)	Auction reserve price
Annual Yearly	annual	Firm Y1 to Y15 Annual strips	1st October	1st Monday of March	Forecast Postalised Annual Capacity Charge published in Y-1 for Y+1
Annual Quarterly		Firm Q1 to Q4	1st October 1st January 1st April 1st July	1st Monday of June	Forecast Postalised Non Annual Capacity Charge published in Y-1 for Y+1
Rolling Monthly	monthly	Firm Monthly Tranche	1st day of each month	3rd Monday in M-1	Relevant Forecast Postalised Non Annual Capacity Charge for Y
Rolling Day Ahead	daily	Firm daily	Start of the gas day	D-1 15:30	Relevant Forecast Postalised Non Annual Capacity Charge for Y
Interruptible Rolling Day Ahead	daily	Interruptible daily	Start of the gas day	D-1 16:30	Relevant Forecast Postalised Non Annual Capacity Charge for Y
Within Day	hourly	Firm daily	Rest of the gas day	Starts D-1 18:00, and hourly through D	Relevant Forecast Postalised Non Annual Capacity Charge for Y

3.5.4 Given the availability of various IP Capacity products, Shippers should consider their own likely capacity product profile and provide forecasts that represent this as closely as possible to ensure the most accurate forecast tariff.

3.5.5 As noted above the annual and quarterly auctions (the long term auctions) take place in advance of the Gas Year and in advance of the tariff publication for the following Gas Year, therefore the reserve price used in those long term auctions (in Gas Year Y) is the forecast reference price which was published in Y-1 for Gas Year Y+1 (multiplied by the relevant product multiplier in year Y-1).

3.5.6 The following diagram illustrates the timing of auctions and the applicable reserve prices.



3.5.7 Further information on the mechanics of the auctions can be found in the Downloads section of the PRISMA website at the following link –

<https://corporate.prisma-capacity.eu/downloads/>

3.6. Auction Premium

3.6.1 Whilst the prices determined by the charging methodology set the NI Reserve Prices in Auctions, due to the nature of the auction process Shippers may bid, and consequently be liable to pay, over and above the Starting Price.

3.6.2 When an Auction is held, the price ultimately reached by bidders is the 'Clearing Price'. The amount by which the Clearing Price exceeds the Starting Price is the 'Auction Premium'.

3.6.3 Any Auction Premium in respect of Moffat shall be split between the TSO and the Adjacent TSO on a 50:50 basis, or as otherwise agreed between them.

4. Other Capacity-related Licence Charges

4.1. Entry Overrun Charges

4.1.1 At entry, in order to incentivise accurate IP Capacity bookings and help ensure efficient use of the network, the Licence requires that Entry Overrun Charges may be

levied. These charges will be applied where a Shipper is allocated gas in excess of the total amount of IP Capacity it has booked in respect of a given Gas Day.

4.1.2 The amount by which the Shipper's aggregate entry allocation exceeds the aggregate entry capacity held by the Shipper at each entry point will be the 'Overrun Quantity'.

4.1.3 Entry Overrun Charges will be calculated as follows:-

Entry Overrun Charge = 8 x NI Reserve Price for Daily IP Entry Capacity on the Gas Day x Overrun Quantity

4.2. Exit Capacity Ratchet

4.2.1 Similarly at exit, the Licence requires that Exit Ratchet Charges may be applied where a Shipper utilises more Exit Capacity than it has booked. If on a Gas Day, a Shipper is allocated gas in excess of the Exit Capacity it has booked at an Exit Point (a 'Ratchet Month'), it will be charged at appropriate rate, and its Exit Capacity booking will be increased in accordance with the following:-

- a. the amount by which the Shippers' Final Exit Allocation exceeds its' Exit Capacity on any Gas Day in Month M shall be a 'Ratchet Amount';
- b. from the first gas day of the next calendar Month (M+1) the Shippers' (annual) Exit Capacity booking shall be automatically increased by the highest Ratchet Amount in Month M;

4.2.2 A Ratchet Charge will be payable, equivalent to the cost of the annual exit product which would have been payable had the product been booked from the start of the Gas Year, calculated as follows:

Ratchet Charge = highest Ratchet Amount in the Ratchet Month x (Forecast Postalisised Annual Capacity Charge/12) x no of months (including Month M) since the start of the Gas Year

4.3. Interruptible Virtual Reverse Flow pricing

4.3.1 Interruptible VRF IP Exit Capacity will be sold in day ahead auctions in accordance with the timetable shown above. As determined by NIAUR, the capacity tariff for interruptible Virtual Reverse IP Exit Capacity will be 0.0001 pence per day per kWh.

5. Year-End Postalisised Charges

5.1. Annually, following the end of the Gas Year, the TSOs inform the PSA of the actual exit and entry point capacity, exit volumes flowed and each TSO's Actual Required Revenue ('ARR'). These are used to calculate the year end actual commodity and capacity prices in advance of the 1st Business Day in December.

- 5.2.** In order to calculate the 'Year-End Postalised Commodity Charges', Licence Condition 2A.2.6.2 provides the formula which mirrors Condition 2A.2.5.2 (a) for the calculation of the forecast charge, replacing the forecasts with actuals figures
- 5.3.** In order to calculate the 'Year-End Postalised Capacity Charges', Licence Condition 2A.2.6.3 provides the formulae which mirror the formulae for forecast capacity calculations in Condition 2A.2.5.3, replacing the forecasts with actuals figures.

6. Reconciliation process

Following the calculation of these 'actual' Year-End Postalised Charges, the difference in forecast and actual charges for the Gas Year are used to calculate any capacity and commodity reconciliation payments due to or from each Shipper. These reconciliation payments are invoiced by the TSOs in the November following the end of the Gas Year.

6.1. Capacity reconciliation unit charge

- 6.1.1 The first stage of the reconciliation process is the calculation of a reconciliation unit charge. When calculating the reconciliation unit charge to be applied in respect of each capacity product, any Auction Premium collected in relation to that product is included, therefore the unit charge may differ for each capacity product for each time period.
- 6.1.2 The method for calculating each reconciliation unit charge is described below.

Annual Capacity Products (Licence Condition 2A.2.6.4 (a)(i))

- 6.1.3 In relation to IP Entry Capacity, in any given Gas Year Y, the level of Yearly IP Entry Capacity booked for Gas Year Y may be made up of a number of 'tranches' of Yearly IP Entry Capacity purchased in various Auctions in the 15 years prior to Gas Year Y. Each Auction may have had a different NI Reserve Price and Clearing Price, and hence a different Auction Premium.
- 6.1.4 Therefore the following formula must be applied separately to each tranche of Yearly IP Entry Capacity which has been bought by the Shipper to use during the Gas Year Y:

Reconciliation unit charge for annual product sold in Auction in Gas Year (Y-X) for capacity utilised in Gas Year Y = (Year-End Postalised Capacity Charge for Gas Year Y) – (Forecast Postalised Annual Capacity Charge for Gas Year Y as applied during Gas Year Y+ Auction Premium established in Gas Year Y-X)

- 6.1.5 This formula is applied to both Yearly IP Entry Capacity and (annual) Exit Capacity however the Auction Premium term will only apply to IP Entry Capacity.

Non Annual Capacity Products (Licence Condition 2A.2.6.4 (b)(i))

- 6.1.6 The reconciliation unit charge for a Non Annual Capacity Product is calculated for each individual product using the same principles, where the reconciliation unit charge is based on the difference between the forecast and actual charges, but the Auction Premium attracted in the specific Auction in which the capacity was sold must also be added. In general terms then, the non annual reconciliation unit charge is determined as follows:

Reconciliation unit charge for each tranche of Non Annual Capacity Product = (Year-End Postalised Non Annual Capacity Charge) - (Forecast Postalised Non Annual Capacity Charge + Auction Premium established in the Auction in which the tranche was sold)

6.2. Capacity reconciliation payments

- 6.4.1 These reconciliation unit charges are then applied for each Shipper according to their actual capacity products booked to calculate the amount due to/from each Shipper as follows;

Annual products (Licence Condition 2A.2.6.4 (c))

- 6.4.2 The formula below is used to calculate the reconciliation payment for each 'tranche' of Yearly IP Entry Capacity bought by a Shipper for use in Gas Year Y:

Capacity Reconciliation Payment = reconciliation unit charge for capacity tranche sold in Gas Year Y-X for capacity for use in Gas Year Y x quantity of tranche;

where the total Capacity Reconciliation Payment for Yearly IP Entry Capacity is the sum of these amounts for each tranche of Yearly IP Entry Capacity for use in Gas Year Y.

Non Annual products (2A.2.6.4 (d))

- 6.4.3 Similarly, for Non Annual Capacity Products the reconciliation unit charge calculated in respect of each Auction must be applied to the quantities of IP Entry Capacity bought in each Auction. In general terms then, the formula below is used to calculate the reconciliation payment for each individual Non Annual Capacity Product bought in each Auction:

Capacity Reconciliation Payment for Non Annual Capacity = Reconciliation unit charge for Non Annual Capacity Product x quantity of Non Annual Capacity bought;

where the total Capacity Reconciliation Payment for Non Annual Capacity is the sum of these amounts for each quantity of Non Annual Capacity bought for use in Gas Year Y.

6.3. Commodity Reconciliation Payment

- 6.5.1 In order to determine any reconciliation payment due to or from Shippers in relation to commodity charges the following formula from Condition 2A.2.6.4 (e) of the Licence is applied, using the actual commodity volumes for the Gas Year:

Commodity Reconciliation Payment = (Year-End Postalised Commodity Charge – Forecast Postalised Commodity Charge) x total actual exit volumes in the Gas Year

- 6.5.2 Any Commodity Reconciliation Payment due from a Shipper is restricted to a maximum of 15% of the aggregate of the Monthly Postalised Commodity Payments invoiced to the Shipper plus 15% of any Auxiliary Payments invoiced to the Shipper in respect of the Gas Year.

6.4. Entry Overrun Charges treatment at reconciliation

- 6.6.1 The revenue collected from Entry Overrun Charges is effectively additional recovery of revenue by the TSOs over and above the FRRs. There is therefore a mechanism by which this revenue is returned to Shippers based on their proportion of contribution towards total revenue.

- 6.6.2 The total revenue collected via Entry Overrun Charges in a Gas Year is distributed among Shippers, and deducted from any total reconciliation payment due from Shippers at the year end. The proportion of the total entry overrun charges due to a Shipper is calculated based on its share of the total invoiced amounts as follows, in accordance with Licence Condition 2A.2.6.5;

Proportion of the total Entry Overrun Charges due to a Shipper = (total invoice amount for individual Shipper for the Gas Year x total Entry Overrun Charges from all Shippers in the Gas Year / total invoice amount for all Shippers for the Gas Year)

7. Total Reconciliation Payment

- 7.1. As detailed in Licence Condition 2A.2.6.5 the Total Reconciliation Payment is calculated as follows;

7.2. Total Reconciliation Payment = Commodity Reconciliation Payment + Capacity Reconciliation Payment for Annual Capacity + Capacity Reconciliation Payment for Non Annual Capacity – Shipper's share of the total of the Entry Overrun Charges

- 7.3. The Total Reconciliation Payment shall be due from a Shipper if it is a positive value and shall be due to a Shipper if it is a negative value.

Part B – CODE CHARGES

In addition to Licence Charges, Code Charges are levied in accordance with the TSO's Network Code and can be made up of the following charges;

8. Imbalance Charge

- 8.1.** Imbalance charges are calculated in aggregate and therefore arise when the volume a Shipper brings into the NI Network does not equal the amount taken off the NI Network. In determining the Shipper's individual balance position, a Shipper's trade buys count towards its inputs and their trade sells count towards its outputs.
- 8.2.** For each Shipper, a single aggregate Imbalance Tolerance Percentage will be calculated as a weighted average across all the NI Exit Points which the Shipper supplies.
- 8.3.** On any day on which a Shipper has a Positive Imbalance i.e. the volume brought into the network exceeds the volume taken off the network, an amount shall be payable to the Shipper equal to the aggregate of the value of:
- a. the quantity of the Imbalance up to or equal to the Exit Point Tolerance multiplied by the Daily Gas Price; and
 - b. the remaining quantity of the Imbalance exceeding the Exit Point Tolerance multiplied by the lower of:
 - (i) the Daily Gas Price multiplied by 0.7, or
 - (ii) the System Marginal Sell Price on the relevant Day (as defined in the GB Uniform Network Code).
- 8.4.** On any Day on which a Shipper has a Negative Imbalance ie. volume brought into the network is less than the volume taken off the network, it shall pay an amount equal to the aggregate of the value of:
- a. the quantity of the Imbalance up to or equal to the Exit Point Tolerance multiplied by the Daily Gas Price; and
 - b. the remaining quantity of the Imbalance exceeding the Exit Point Tolerance multiplied by the higher of:
 - (i) the Daily Gas Price multiplied by 1.5, or
 - (ii) the System Marginal Buy Price on the relevant Day (as defined in the GB Uniform Network Code).

9. Scheduling Charge

- 9.1.** Scheduling Charges arise when a Shipper's Final Exit Allocation at an Exit Point on any day is more, or less than, the Exit Nominated Quantity in respect of that Exit

Point, by an amount exceeding the Scheduling Tolerance Quantity. Scheduling Charges are levied in respect of Exit Points only.

- 9.2. The difference between the Shipper's Final Exit Allocation and its Exit Nominated Quantity is the Scheduling Difference (SD).
- 9.3. Scheduling Tolerance Percentages are calculated by the TSO in accordance with the Network Code, based on the type of consumers a Shipper is serving.
- 9.4. Scheduling charges are calculated by the TSOs in accordance with the Network Code. and may be described as follows;

$$\text{Scheduling Charge} = (\text{SD} - \text{STQ}) \times (5\% \times \text{Daily Gas Price})$$

where:

SD = difference between the Shipper's Final Exit Allocation and its prevailing Exit Nominated Quantity at the end of the Gas Day in respect of a given Exit Point.

STQ = Shipper's Final Exit Allocation multiplied by the Scheduling Tolerance Percentage

- 9.5. A Shipper's Total Scheduling Charge will be the sum of the Scheduling Charges incurred at each Exit Point, on a Day.

10. Unauthorised Flow Charges

- 10.1. Unauthorised Flow Charges shall be charged at exit in accordance with the TSO Network code. These arise where a Shipper flows gas in respect of an Exit Point where a Flow Order has been issued.
- 10.2. A Flow Order is issued by a TSO to a Shipper in relation to a D-1 Predicted Capacity Shortfall or Day D Capacity Shortfall instructing those Shippers to adjust their Exit Nominations accordingly.
- 10.3. If a Flow Order is issued and a Shippers' Final Exit Allocation in respect of an Exit Point exceeds its Exit Nominated Quantity in respect of that Exit Point by 3% or more the TSO shall impose an unauthorised flow charge.
- 10.4. An "Unauthorised Flow Charge" is calculated in accordance with the following:

"UFC" = the value which shall be calculated for any day in question in respect of Shipper's as follows:

$$(\text{Forecast Postalised Annual Capacity Charge}) / 365 \times 10 \times \text{UF}$$

"UF" = the amount, if any, by which the Final Exit Allocation in respect of an Exit Point for Shippers, in respect of any D-1 Predicted Capacity Shortfall or a Day D Capacity Shortfall and in respect of which the TSO has issued a Flow Order, exceeds its Exit Nominated Quantity in respect of that Exit Point (as it may be

reduced by a Flow Order from time to time) by 3% or more of such Exit Nominated Quantity.

- 10.5.** An Unauthorised Flow Charge may be payable by any Shipper submitting an Exit Nomination in respect of an Exit Point to which a Flow Order relates whether or not the Shipper had submitted an Exit Nomination before the relevant Flow Order was issued.
- 10.6.** Unauthorised Flow Charges are not applied at IP Entry Points since Shippers are usually 'allocated-as-nominated' at these points.

Part C – INVOICING

11. Invoicing Process

Payable Price for IP Capacity

- 11.1. Where an Auction Premium is applicable in any IP Capacity Auction, it is calculated (in Network Code terms) as follows:

$$\text{Auction Premium} = \text{Clearing Price} - \text{Starting Price}$$

- 11.2. This Auction Premium is split between the TSO and the Adjacent TSO, and the relevant share of the premium for NI is then applied to the invoices for IP Capacity in respect of the month/year in which capacity may be used.
- 11.3. However, in respect of Yearly IP Entry Capacity, where capacity may have been bought some years previously, the NI Reserve Price applicable at the time of the Auction is not used in the calculation of the price actually paid for the capacity.
- 11.4. The Network Code (section 12.4) describes the “Payable IP Capacity Price” as the sum of the relevant NI Reserve Price and the applicable share of the Auction Premium. The relevant NI Reserve Price will be the reserve price which is applicable in the year the invoice is raised (i.e. the Forecast Postalised Annual Capacity Charge for Gas Year Y) and the Auction Premium will be the premium determined at the time the capacity was purchased in an auction (Gas Year Y-1 to Y-15).

12. Licence Invoices

- 12.1. Each Shipper is invoiced monthly for Licence Charges by the TSO(s) on whose pipeline they enter and exit the NI gas network. The licence invoices are broken down into the applicable elements of the licence charge.
- 12.2. Each monthly invoice could contain a charge item for all or any of the following items (where the terminology below reflects the terms used in the Network Code):
- a. Monthly Postalised Yearly IP Entry Capacity Payment
 - b. Monthly Postalised Exit Capacity Payment
 - c. Monthly Postalised Quarterly IP Entry Capacity Payment
 - d. Monthly Postalised Monthly IP Entry Capacity Payment
 - e. Monthly Postalised Daily IP Entry Capacity Payment
 - f. Monthly Postalised Interruptible VRF IP Exit Capacity Payment
 - g. IP Entry Capacity Overrun Payment
 - h. Exit Ratchet Payment
 - i. Monthly Postalised Commodity Payment
 - j. Supplemental Payment
 - k. Auxiliary Payment

- l. Debt Payment
- m. Reconciliation Payment payable by the Gas Supplier to the relevant TSO
- n. Reconciliation Payment payable by the relevant TSO to the Gas Supplier
- o. Debt Repayment payable by the relevant TSO to the Gas Supplier
- p. Surrender Payment payable by the relevant TSO to the Gas Supplier;
- q. Buyback Payments payable by TSO to the Gas Supplier; and
- r. Incentive Scheme Payments payable by the relevant TSO to the Gas Supplier

12.3. VAT will be applied to the above items were applicable.

12.4. Licence invoices are raised by the TSOs, ten business days following the end of the consumption month and are due for payment 20 business days following the invoice date.

12.5. Taking each potential item of the invoice in turn, the following sections outline how each invoice charge is calculated on a monthly basis.

12.6. Monthly Postalised Yearly IP Entry Capacity Payment

12.6.1 Charges for Yearly IP Entry Capacity are levied on a monthly basis. The Licence calls this the “Monthly Annual Postalised Capacity Payment”.

12.6.2 When determining the amounts for Yearly IP Entry Capacity to be invoiced each month, any Auction Premium must be considered.

12.6.3 Licence Condition 2A.2.5.4 (b) details how the Monthly Annual Postalised Capacity Payment in relation to each tranche of Yearly IP Entry Capacity product is charged on each monthly invoice, which can be described as follows;

Monthly Annual Postalised Capacity Payment per tranche = ((Forecast Postalised Annual Capacity Charge for Gas Year Y + relevant share of Auction Premium) x Annual IP Entry Capacity quantity for the Gas Year Y)/12

12.6.4 This formula must be applied separately to each tranche of Yearly IP Entry Capacity purchased in Y-1 to Y-15 relating to gas year Y and the sum of these will be the Monthly Annual Postalised Capacity Payment.

12.6.5 The total amount payable for each Yearly IP Entry Capacity product is therefore spread evenly across the gas year in which it is utilised.

12.7. Monthly Postalised Exit Capacity Payment

12.7.1 Licence Condition 2A.2.5.4 (b) is also applied to calculate how the annual exit capacity products are charged on each monthly invoice, however as annual exit

capacity products are not sold via an auction platform, Auction Premium will not apply, and the payment amount will be calculated as follows:

Monthly Annual Postalised Capacity Payment = (Forecast Postalised Annual Capacity Charge x Exit capacity quantity for the Gas Year Y) / 12

12.8. Non Annual capacity

12.8.1 Licence Condition 2A.2.5.4 (c) determines the calculation of the monthly amounts invoiced in relation to Non Annual products. The Licence does not describe a product-specific calculation for each product type. The way in which each Non Annual product type will be charged on a monthly basis is as follows;

Monthly Postalised Quarterly IP Entry Capacity Payment - the payment for quarterly entry capacity products is spread across the three months of consumption as follows;

Monthly Postalised Quarterly IP Entry Capacity Payment = ((Forecast Postalised Non-Annual Capacity Charge + relevant share of Auction Premium) x Quarterly IP Entry Capacity quantity)/3

Monthly Postalised Monthly IP Entry Capacity Payment - for monthly products the payment for Monthly IP Entry Capacity in month M will be as follows;

Monthly Postalised Monthly IP Entry Capacity Payment = ((Forecast Postalised Non-Annual Capacity Charge + relevant share of Auction Premium) x Monthly IP Entry Capacity quantity booked for M

Monthly Postalised Daily IP Entry Capacity Payment – the monthly payment for daily products will be for the total Daily IP Entry Capacity purchased in respect of each day in the month M. The following formula is applied to each daily product and summed to determine the total monthly payment amount for month M;

Monthly Postalised Daily IP Entry Capacity Payment = (Forecast Postalised Non-Annual Capacity Charge + relevant share of Auction Premium) x Daily IP Entry Capacity quantity

12.9. Monthly Postalised Interruptible VRF IP Exit Capacity Payment

12.9.1 Virtual Reverse Flow capacity tariff is 0.0001 pence per day per Kwh.

12.10. IP Entry Capacity Overrun Payment

12.10.1 Any Entry Overrun Charges are included on the Shipper's invoice in relation to the month in which the overrun occurred.

12.11. Exit Ratchet Payment

12.11.1 The retrospective element of any Ratchet Charge (i.e. from the start of the Gas Year to the day the Ratchet Amount is applied) will be applied to the invoice which relates to the month that the Ratchet Charge first arose.

12.11.2 The new revised level of exit capacity will then replace the original exit capacity booking going forward.

12.12. Monthly Postalised Commodity Payment

12.12.1 As detailed in Condition 2A.2.5.2 (b) of the Licence, the Monthly Postalised Commodity Payment is calculated as follows;

Monthly Postalised Exit Commodity Payment= Forecast Postalised Commodity Charge x sum of Shipper exit volumes for each day of the month

12.13. Supplemental Payment

12.13.1 Any sum in addition to aggregate Monthly Postalised Payments which a Shipper is committed to pay on an annual basis.

12.14. Auxiliary payment

12.14.1 An amount, in addition to aggregate Monthly Postalised Payments, which a Shipper is committed to pay on an annual basis under contract in respect of a minimum quantity value. The calculation of this payment is detailed in 2A.2.5.2 of the Licence.

12.15. Debt payment

12.15.1 Any debt payment allocated to a Shipper in the month arising from their failure to pay previous charges.

12.16. Reconciliation Payment payable by the Gas Supplier to TSO

12.16.1 The Total Reconciliation Payment detailed in 7.2 is invoiced by the TSO in November following the end of the gas year.

12.17. Reconciliation Payment payable by TSO to the Gas Supplier

12.17.1 If the Total Reconciliation Payment calculated in 7.2 results in a negative payment then this is a payment due from the TSO to the Gas Supplier and a credit note will be raised by the TSO in November following the end of the gas year.

12.18. Debt Repayment payable by TSO to the Gas Supplier

12.18.1 Debt repayments are due to a Shipper when the net debt position, as determined under Licence Condition 2A.3.4, is negative.

12.19. Surrender Payment by TSO to the Gas Supplier

12.19.1 The details of this payment are outlined in the 'CMP Methodology and OS Scheme Document'.

12.20. Buyback Payments payable by TSO to the Gas Supplier; and

12.20.1 The details of this payment are outlined in the 'CMP Methodology and OS Scheme Document'.

12.21. Incentive Scheme Payment payable by TSO to the Gas Supplier

12.21.1 The details of this payment are outlined in the 'CMP Methodology and OS Scheme Document'.

13. Code Invoices

13.1. Code invoices are issued by PTL, on behalf of all four TSOs, ten business days following the end of the consumption month and are due for payment 20 business days following the invoice date.

13.2. Code invoices may contain a charge item for all or any of the following items;

- a. Code Charges (individually incurred by a Shipper); and
- b. Enhanced Pressure charges
- c. Disbursement Amounts payable to or from the NI Postalised Network Disbursement Bank Account;

13.3. VAT will be applied to the above items were applicable.

13.4. Taking each potential item of the invoice in turn, the following sections outline how each invoice charge is calculated on a monthly basis.

13.5. Enhanced Pressure charges

13.5.1 These charges are payable where a Shipper requests that the TSO makes all gas available for offtake at a pressure exceeding the Minimum Pressure as defined in the TSOs Code.

13.6. Code Charges

13.6.1 Code Charges may comprise Imbalance Charges, Scheduling Charges and Unauthorised Flow Charges incurred by the Shipper during the relevant month as detailed in section 8, 9 and 10. Each charge type will be shown separately on the invoice.

13.7. Disbursement Amounts payable to or from the NI Postalised Network Disbursement Bank Account

13.7.1 As the TSOs remain 'revenue neutral' in relation to all Code Charge payments and receipts, any surplus cost or income associated with Code Charges is redistributed to all Shippers on a monthly basis using a 'disbursement' process.

13.7.2 Where the TSOs need to buy or sell Balancing Gas during a month, the costs/revenues are also handled through the NI Postalised Network Disbursement Bank Account such that all Shippers share in the payment/revenues in proportion to their Throughput. Therefore any Balancing Gas costs/receipts are also included in the calculation of the Disbursement Amount further described below.

13.7.3 For each Shipper PTL calculates a Disbursement Amount for the month which is effectively the net of the Code Charges incurred by all Shippers during the month plus any Balancing Gas costs/receipts due, multiplied by a Disbursement Ratio. The Disbursement Ratio is calculated for each Shipper as follows:

Disbursement Ratio = (Sum of individual Shipper's Aggregate NI Entry Allocations and individual Shipper's Aggregate NI Exit Allocations) divided by the (Sum of all Shippers' Aggregate NI Entry Allocations and all Shippers' Aggregate NI Exit Allocations)

13.7.4 Whether or not a Shippers' Code Charges invoice is payable to or from the TSOs each month will therefore depend on whether the total net Code Charges plus Balancing Gas costs/receipts represent a payment to or from the TSOs, and also on the level of the Code Charges which the Shipper has individually incurred.

14 For more information on this statement please contact:

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ANNEX 1

1. Entry Oerrun Charges

Entry Oerrun Charges will be calculated as follows:-

Entry Oerrun Charge = 8 x NI Reserve Price for Daily IP Entry Capacity on the Gas Day
x Oerrun Quantity

2. Monthly Postalised Interruptible VRF IP Exit Capacity Payment

Virtual Reverse Flow capacity tariff is 0.0001 pence per day per Kwh.

Governance

This Annex 1 is published for the purposes of satisfying Licence Condition 2A.2.1.9 following submission to and approval by NIAUR. This Annex 1 may not be varied or amended by the TSOs other than with the approval of NIAUR.