



Gas
Networks
Ireland

VRF Workshop

Developing an Interim VRF Tariff

3rd May 2017

Cork

Introduction

- Simple annual registration charge currently in place for VRF
 - No usage nor capacity tariffs apply at present
- Need to develop a long term VRF Charge in line with EU Tariff Network Code
 - Would be based on a capacity tariff, priced against probability of interruption
 - To be in place for 2019 to be compliant
- Significant work to develop and implement appropriate pricing structure
 - Stakeholders keen to have a discussion on the Tariff structure (and opposing views are evident within industry)
 - Identification of Options
 - Consult with CER & Industry
 - Implement of any new charge – system and billing implications
- Interim Options have been identified which could be in place for Oct '17

Options for Interim VRF Tariff

- 3 key options available for an interim VRF tariff:
 - a) Based on the continued use of a registration fee (involving an increase of the existing registration fee)
 - b) Introduction of a Unit Based / Commodity price for VRF
 - c) A combination of both
- Needs to be easily implementable and transparent
- Option selected will require an implementation assessment

Option 1: Registration Fee

- Simple charge based on VRF development costs
- Billed on a once off annual basis
- Varies dependant on the number of Shippers anticipated
- Considered to be 'unfair' on Shippers who pay the regulated Tariff at the Entry
- Total Revenue for 16/17 c. €36k – five registered Shippers (c. €7k per Shipper)
- Propose for 17/18 to increase the charge to recover full remaining costs of c. €260k
- Assuming five Shippers Registration Fee would be c. €52k per Shipper
- Revenue projected c. €260k for 17/18

Option 2: Apply a Unit or Commodity Tariff

- All gas allocated as VRF would pay a commodity Tariff as part of monthly billing
- Would be same commodity price as paid by forward flow gas
- Simple to understand and transparent
- Moffat Commodity Unit Charge Considered
- c. €548k for Apr '16 to Mar '17
- Revenue treated as Tx Revenue
- Perhaps a good step to transition

	VRF	Moffat Tariff	Charge
	kWh	c/kWh	Ex VAT
Apr-16	244,146,016	0.011776	€28,751
May-16	201,788,662	0.011776	€23,763
Jun-16	435,489,848	0.011776	€51,283
Jul-16	819,059,597	0.011776	€96,452
Aug-16	440,068,500	0.011776	€51,822
Sep-16	492,728,224	0.011776	€58,024
Oct-16	643,741,077	0.012305	€79,212
Nov-16	398,794,171	0.012305	€49,072
Dec-16	351,736,573	0.012305	€43,281
Jan-17	213,952,019	0.012305	€26,327
Feb-17	192,698,286	0.012305	€23,712
Mar-17	131,587,296	0.012305	€16,192
Totals	4,565,790,269		€547,890

Option 3: Could Apply Both Charges

- Apply the unit charge based on the Moffat Commodity Charge - c. €550k p/a
- Apply a Registration fee of €52k – c. €260k p/a
- Both these charges to apply for 17/18 and 18/19
- Full Compliance with TAR NC in 19/20



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Developing an Enduring VRF Tariff

Longer Term issues for Industry consideration

- The enduring VRF tariff structure will need to be compliant with the EU Tariff network code
- VRF as an interruptible product and should have an interruptible tariff related to the firm price and the probability of interruption
- Key Factors to be discussed/considered:
 - How probability of interruption is to be calculated, and frequency of updates
 - The duration of the VRF product – daily?
 - Would seasonal based pricing apply? – winter/summer multipliers?
 - VRF priced as a percentage of the forward flow entry tariff at Moffat
 - daily, monthly, annual
 - The development of the required systems for billing etc.
 - Treatment of the cost of developing the support systems