

Separate Management of K for Charge Setting Purposes

Gas TCMF

3rd December 2007

Potential Additional Methodology Process

- ◆ Separate Management of entry and exit 'K' for charging purposes only
- ◆ From the start of the formula year the TO K mechanism amount could be attributed to entry and exit separately for charge setting purposes only.
 - ◆ *K ~ defined within the Licence as the difference between allowed revenue and collected revenue inflated for the average specified interest rate*
- ◆ Calculation would depend on net under or over recovery as different interest rates apply in each case

Separate Calculation of Entry/Exit K

- ◆ The calculation of 'Entry K' and 'Exit K' cannot be calculated separately according to the Licence process as the sum of the components would not equal K.
- ◆ One component would need to be calculated and the other would then represent the remainder of K
- ◆ Net Under-recovery
 - ◆ If one component has over recovered which interest rate is used?
 - ◆ Over?
 - ◆ Under?
 - ◆ No interest rate?
- ◆ Net Over-recovery
 - ◆ If one component has under recovered which interest rate is used?
 - ◆ Over?
 - ◆ Under?
 - ◆ No interest rate?

Way Forward

- ◆ Consider all options and examples for next Gas TCMF