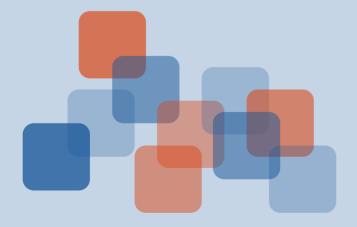


#### Gas Customers Forum Transportation Charges

**Beverley Grubb** 



### Structure of DN Transportation Charges

Charges post 1 April 2007	Proportion of revenue recovered from:			
	LDZ System Charges	Customer Charges	Total	
	%	%	%	
Capacity	35	30	65	
Commodity	35	0	35	
Total	70	30	100	



# The Changes

- Restructure the LDZ system charges target capacity/commodity split from 50:50 to 95:5
- Introduce partial (47.4%) capacity charges for Interruptible supply points
- Implementation date 1 October 2008



### Structure of DN Transportation Charges

Charges post 1 October 2008	Proportion of revenue recovered from:			
	LDZ System Charges	Customer Charges	Total	
	%	%	%	
Capacity	66.5	30	96.5	
Commodity	3.5	0	3.5	
Total	70	30	100	



## Why Change the Cap/Com Split

- Improve Cost Reflectivity
- Improve the stability of transportation charges
- Facilitate competition



## **Cost Reflectivity**

- Analysis of the costs reflected in the LDZ system charges shows that only about 5% of these costs vary with throughput
- 95% of these costs are either capacity related or indirect and do not vary with throughput
- Therefore appropriate to reflect these proportions in the charging structure



## More Stable Charges

- Main source of instability of the transportation charges within price control periods has been the difficulty of forecasting throughput volumes
- Removing the dependence of revenue on volumes will give a more stable income stream and therefore less need to change the level of charges
- More stable and predictable charges should facilitate competition



## **Capacity Charges for Interruptibles**

- Interruptibles currently receive discounts of approx 50% of the LDZ system charges
- If they continued to pay no capacity charges then under the 95:5 capacity commodity split they would pay only 5% of the LDZ system charges
- Therefore interruptibles will pay 47.4% of the new capacity charges so as to maintain the discount they receive at its current level, on average



## LDZ System Charges for Interruptibles

- Interruptibles will pay:
- LDZ Commodity Charge 5%
- LDZ Capacity Charge:
  - $0.474 \times 95\% = 45\%$
  - Total % of LDZ system charge paid = 50%



## **Capacity Charges for Interruptibles**

- This is an interim measure which applies between 1 October 2008 and 1 October 2011
- The amount paid will be based on SOQ, so may be advisable to review nominated SOQs.
- From 1 October 2011 all loads will pay firm charges



#### Failure to Interrupt

- When Interruption is called, sites must cease taking gas. Following a period of Interruption, all sites are checked to determine any Failure To Interrupt occurrences.
- If a Site fails to comply with the request, then the Shipper will face financial penalties
- Transporters offer no dispensation for charges on the basis of :
  - Plant failure
  - Alternative fuel supply shortage
  - Incorrect contact numbers



## **Next Steps**

- 3 May DNs publish Indicative Charges for 1 October
- 1 August DNs publish notice of 1 October Charges
- 1 October New Charges Implemented





#### **Questions?**

#### **Beverley Grubb**

