

Gas Customers Forum Transportation Charges

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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?

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