

# SGN Natural Gas Postalised Exit Capacity Charges for the Gas to the West Area

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**SGN**  
Natural Gas

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## 1 Postalised Exit Capacity Charges

Gas Suppliers delivering gas to the SGN Natural Gas Ltd. distribution network are treated as utilising capacity in the Scotland to Northern Ireland Pipeline (SNIP), West Transmission Ltd pipeline and the GNI (UK) transmission pipeline systems. In relation to the utilisation by Gas Suppliers of Exit capacity in these transmission pipeline systems, SGN Natural Gas is responsible for the payment of Postalised Exit Capacity charges in accordance with the terms of Northern Ireland Network Gas Transmission Code (NINGTC).

For the purposes of recovering the Postalised Exit Capacity charge from Gas Suppliers, SGN Natural Gas makes a commodity charge on Gas Suppliers on a monthly basis. SGN Natural Gas forecasts that commodity charge at the start of the gas year using the total volume forecast for the SGN Natural Gas Licence Area used to determine the NI Transmission Networks tariffs. This Postalised Exit Capacity charge is charged to Gas Suppliers on the basis of their monthly distribution commodity and is subject to an annual reconciliation using actual Distribution volumes.

The Postalised Exit Capacity charge payable by Gas Suppliers operating in the SGN Natural Gas licensed area for the period 1st October 2018 to 30th September 2019 is as follows:

	Pence per kWh	Pence per therm
Postalised Exit Capacity Charge	0.0939	2.7518

## 2 Transmission Exit Ratchet

Under the terms of the NINGTC, SGN Natural Gas is also required to pay on behalf of Gas Suppliers any Transmission Exit Ratchet which would apply when the total amount of capacity utilised by Gas Suppliers at the relevant Transmission Exit points exceeds the Postalised Exit Capacity held by SGN Natural Gas on their behalf. As per Section B7.4 of the SGN Natural Gas Distribution Network Code, SGN Natural Gas is permitted to recover these costs from Gas Suppliers using the following methodology:

*Charges associated with the Transmission Exit Ratchet levied on SGN Natural Gas by Gas Market Operator Northern Ireland (GMO NI) will be passed to Gas Suppliers in the month in which they are incurred by SGN Natural Gas. The amount owing by each Gas Supplier will be determined on their percentage of total distribution throughput for the number of months for which the penalty associated with the Ratchet Amount applies.*

## Appendix A - Examples

Detailed below is an example of how the process will apply:

Example Assumptions:

- Ratchet amount = 10,000 kWh
- Exit Capacity Tariff (as published) = £0.28587 per kWh per day
- Month Capacity Ratchet occurs = January
- Number of months Ratchet applicable for = 4 (Oct to Jan)
- Gas Supplier distribution throughput Oct to Jan = 100,000,000 kWh
- Proportion of total throughput attributable to each Gas Supplier Oct to Jan:
  - Gas Supplier 1: 55%
  - Gas Supplier 2: 25%
  - Gas Supplier 3: 20%

### Transmission Exit Ratchet Penalty Calculation:

Therefore the Transmission Exit Ratchet penalty payable by SGN Natural Gas to PTL is:

- Ratchet amount X Transmission Exit Capacity Tariff /12 X Number of months
- Ratchet Charge payable by SGN Natural Gas = 10,000 X 0.28587/12 X 4 = 952.90

The Transmission Exit Ratchet Charge recoverable by SGN Natural Gas from each Gas Supplier is:

- Gas Supplier 1: £741.01 X 55% = £524.10
- Gas Supplier 2: £741.01 X 25% = £238.23
- Gas Supplier 3: £741.01 X 20% = £190.58

### Increased Postalised Exit Capacity for remainder of Gas Year:

SGN Natural Gas will pay GMO NI each month for the Transmission Exit Capacity booking increased by the Ratchet Amount for the remaining months of the gas year. Gas Suppliers will continue to pay SGN Natural Gas for the Transmission Exit Capacity using the Postalised Exit Capacity charge as published prior to the start of the Gas Year. Any additional monies paid by SGN Natural Gas for the Transmission Exit Capacity will be recovered from Gas Suppliers as part of the normal annual reconciliation process.

### **Recalculation of the Postalised Exit Capacity Charge during the Gas Year**

If as a result of the application of Transmission Exit Ratchets, SGN Natural Gas determines that the costs associated with the increase in the Postalised Exit Capacity booking would potentially result in a negative impact on its cash flow of greater than twenty five percent (25%) by Gas Year end, then SGN Natural Gas reserves the right at the Gas Year mid-year point to adjust and re-publish the Postalised Exit Capacity tariff it uses to recover costs from Gas Suppliers. SGN Natural Gas will only undertake such a review of the Postalised Exit Capacity tariff following consultation with the Northern Ireland Authority for Utility Regulation.