

SEA GAS PCA & PCI PIPELINES
STANDARDISATION COST CHARGES

Details of SEA Gas' estimated standardisation costs for the PCA and PCI are set out in Attachment 1.

In determining its Standardisation Cost Charges, SEA Gas has assumed the following:

1. an aggregate of 4 OTSAs in place, on average, over the period from June 2019 to February 2021 (being the remainder of the 3-year standard OTSA term contemplated in the Operational Transportation Services Code from the date that the Standardisation Cost Charges were last reviewed) in respect of the relevant pipelines;
2. average auction volumes of 5TJ/day per OTSA; and
3. net auction proceeds retained by SEA Gas (after accounting for any rebates payable pursuant to Foundation Shipper arrangements) of \$0.0075/GJ.

SEA Gas' Standardisation Cost Charges have been designed to recover the estimated up-front and annual standardisation costs set out in Attachment 1, based on the assumptions listed above. The accompanying worksheet provides SEA Gas' calculation of the Standardisation Cost Charges.

SEA Gas' Standardisation Cost Charges are intended to cover the incremental costs from users no more than once. Accordingly, SEA Gas intends to periodically review its Standardisation Cost Charges as circumstances change, including to ensure that no over-recovery occurs.

SEA Gas has opted to structure its standardisation cost charges as a fixed monthly payment per OTSA. This fixed charge structure has been chosen in preference to a combination of fixed and variable charges to clearly differentiate the Standardisation Cost Charges from revenue that may otherwise be subject to Foundation Shipper rebates (thereby avoiding the need to impose a higher Standardisation Cost Charge in order to achieve the same net revenue to SEA Gas after accounting for rebates).

ATTACHMENT 1

SEA Gas has assessed the impact of the Capacity Trading and Day-ahead Auction reforms on its business from a regulatory, commercial and operational perspective. The estimated costs that have been or are anticipated to be incurred as a result of the introduction of these reforms is as follows:

Estimated Upfront costs

Internal labour costs in the design, development and integration of Day-ahead Auction and Pipeline Capacity Trading obligations	\$235k
External labour costs assisting SEA Gas personnel in the design, development and integration of these obligations and in amendments to existing processes and procedures	\$50k
IT system changes for managing market transactions, processing and pre-processing of data, interfaces and reports, system monitoring and notifications	\$70k
Legal Costs associated with development of standard OTSAs for the PCA and PCI	\$20k
Legal costs associated with the amendment of existing agreements to interface with standard OTSAs	\$20k
Total	\$395k

Estimated Annual costs

Legal support for maintaining agreements	\$10k
IT system support costs	\$10k
Internal labour for managing market transactions	\$130k
Total	\$150k