

3. Payment-settlement relations in the natural gas market



Members of the natural gas market of Ukraine

1) Gas producing enterprises

with the share of the state 50+1 % of shares

- ▶ Ukrneft;
- ▶ Ukgazdobycha;
- ▶ Tchernomorneftegaz
- ▶ .Other gas producing enterprises



2) Owners of gas:

- NAK Neftegaz of Ukraine;
- SJSC Tchernomorneftegaz.

3) Enterprises that transport natural gas through main pipelines:

- DK Ukrtransgaz, NAK Neftegaz of Ukraine;
- SJCS Tchernomorneftegaz.

4) Enterprises that supply and distribute natural gas:

- At regulated tariffs (oblgaz);
- At non-regulated tariffs.

5) End consumers

Consumer categories in Ukraine

- ▶ Population;
- ▶ Organizations that are funded from the state and local budgets;
- ▶ Thermal energy utility;
- ▶ Industry and other economic entities, including religious organizations.



System of settlements of gas supply enterprises with the owner of natural gas, gas transmission and gas distribution enterprises

Funds, which are received for consumed natural gas from **the population and budgetary institutions** to current accounts with the special mode of use of the gas supply enterprise are allocated by the authorized bank (Savings Bank (Sberbank), Ukrgabank) on a daily basis between all settlement participants according to norms of transfer of funds approved by NERC.

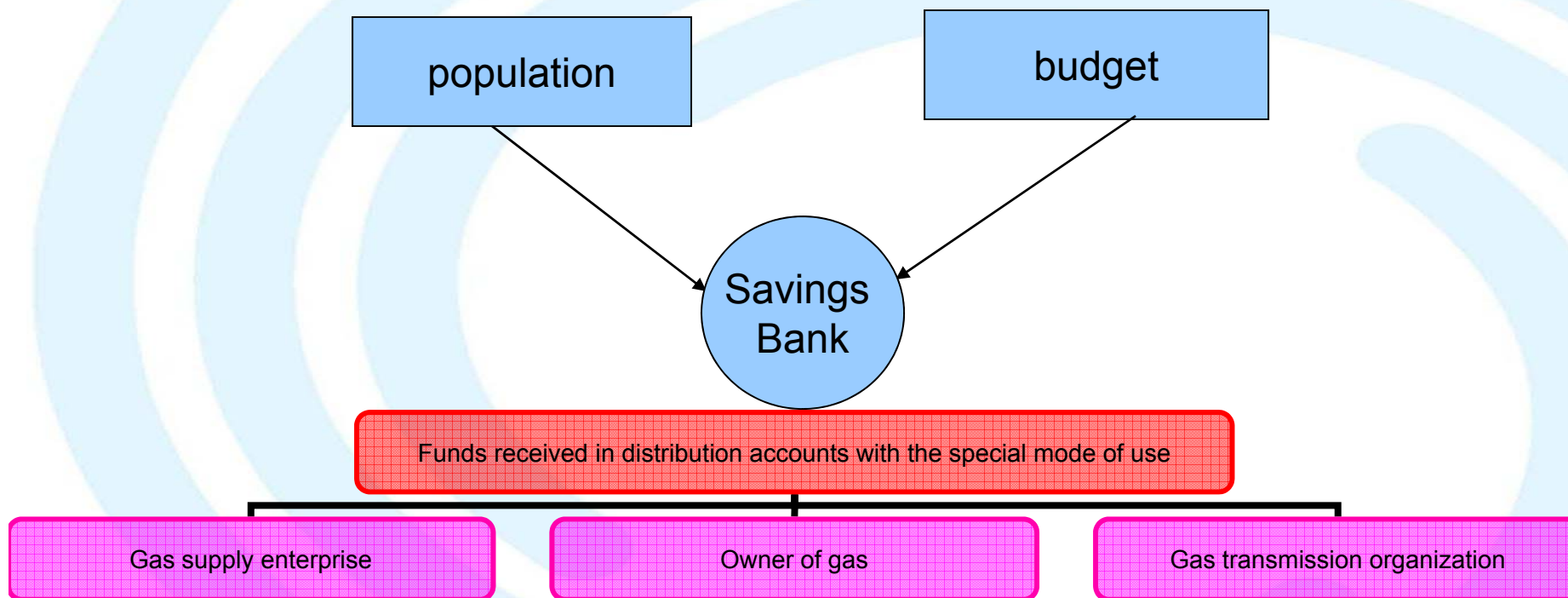
Allocation of funds received for consumed natural gas from **utility heating enterprises, industrial enterprises and other economic entities**, is not regulated by NERC.

Settlements of gas supply enterprises for gas supplied to heating utilities, industrial enterprises and other economic entities with the owner of gas and gas transmission organizations are carried out in accordance with the agreement concluded between them.

Meanwhile, industrial enterprises receive natural gas for prepayment.



Algorithm of allocation of cash received from the population budgetary organizations to current accounts with the special mode of use of the gas supply enterprise



This scheme ensures that participants get 100% settlement for natural gas and services on its transmission through main and distribution pipelines, supply of natural gas which allows to maintain pipelines in the proper state, including carrying out technical re-equipment, capital repairs, replacement, upgrading and reconstruction of gas networks, and to the owner of natural gas – getting the value of natural gas.

Example

calculation of the normative of cash payments received from the population to current accounts

with the special mode of use of the gas supply enterprise

Calculation of the norm of transfer of cash to be accrued to the current account of the gas supply enterprise in the part of payment for provided services on supply of natural gas at the regulated tariff and its transmission through distribution pipelines, according to the formula:

$$H_{ГН} = \frac{(T_{т/п} + T_{п}) \times V + Ц_{Н}}{Ц_{Л1}V_{Л1} + Ц_{Н1}V_{Н1} + Ц_{Л2}V_{Л2} + Ц_{Н2}V_{Н2} + Ц_{Л3}V_{Л3} + Ц_{Н3}V_{Н3} + Ц_{Л4}V_{Л4} + Ц_{Н4}V_{Н4}} \times 100 \%$$

$H_{ГН}$ - normative of transfer of funds from the current account with the special mode of use of the gas supply enterprise to the current account of the gas distribution and gas supply enterprise taking into account the fee in the form of the special mark up to the tariff for natural gas in accordance with requirements of the legislation, in %;

$T_{т/п}$ - tariff for services on transmission of natural gas by distribution pipelines approved by NERC, taking into account the VAT at the rate set by the law, hrn/1000 m³;;

$T_{п}$ - tariff for services on supply of natural gas approved by NERC, taking into consideration VAT at the legally set tax rate, hrn/1000 m³;

$Ц_{Л1}$ – retail price for natural gas used by the population, provided there are gas meters and if the volume of consumption of natural gas does not exceed 2500 m³ per year, hrn/1000 m³;

$Ц_{Н1}$ –retail price for natural gas used by the population, if there are no gas meters and provided the volume of consumption of natural gas does not exceed 2500 m³ per year, hrn/1000 m³;

- Цн2 – retail price for natural gas used by the population, provided there are gas meters and if the volume of consumption of natural gas does not exceed 6000 m³ per year, hrn/1000 m³;
- ▶ Цн2 – retail price for natural gas used by the population, if there are no gas meters and provided the volume of consumption of natural gas does not exceed 6000 m³ per year, hrn/1000 m³;
- ▶ Цн3 – retail price for natural gas used by the population, provided there are gas meters and if the volume of consumption of natural gas does not exceed 12000 m³ per year, hrn/1000 m³;
- ▶ Цн3 – retail price for natural gas used by the population, if there are no gas meters and provided the volume of consumption of natural gas does not exceed 12000 m³ per year, hrn/1000 m³;
- ▶ Цн4 – retail price for natural gas used by the population if there are gas meters, provided the volume of consumption of natural gas exceeds 12000 m³ per year, hrn/1000m³;
- ▶ Цн4 – retail price for natural gas used by the population, if there are no gas meters and provided the volume of consumption of natural gas exceeds 12000 m³ per year, hrn/1000 m³;
- ▶ V – total planned volume of supply of natural gas to the population for the relevant settlement period in accordance with signed agreements, thous. m³;
- ▶ Vл1 - planned volume of supply of natural gas to the population for the relevant settlement period, which is used by the population if there are gas meters, provided the volume of consumption of natural gas does not exceed 2500 m³ per year, thous. m³;
- ▶ Vн1 – planned volume of supply of natural gas to the population for the relevant settlement period, which is used by the population if there are no gas meters, provided the volume of consumption of natural gas does not exceed 2500 m³ per year, thous. m³;
- ▶ Vл2 - planned volume of supply of natural gas to the population for the relevant settlement period, which is used by the population if there are gas meters, provided the volume of consumption of natural gas does not exceed 6000 m³ per year, thous. m³;
- ▶ Vн2 – planned volume of supply of natural gas to the population for the relevant settlement period, which is used by the population if there are no gas meters, provided the volume of consumption of natural gas does not exceed 6000 m³ per year, thous. m³;
- ▶ Vл3 – planned volume of supply of natural gas to the population for the relevant settlement period, which is used by the population if there are gas meters, provided the volume of consumption of natural gas does not exceed 12000 m³ per year, thous. m³;
- ▶ Vн3 – planned volume of supply of natural gas to the population for the relevant settlement period, which is used by the population if there are no gas meters, provided the volume of consumption of natural gas does not exceed 12000 m³ per year, thous. m³;
- ▶ Vл4 - planned volume of supply of natural gas to the population for the relevant settlement period, which is used by the population if there are gas meters, provided the volume of consumption of natural gas exceeds 12000 m³ per year, thous. m³;
- ▶ Vн4 – planned volume of supply of natural gas to the population for the relevant settlement period, which is used by the population if there are no gas meters, provided the volume of consumption of natural gas exceeds 12000 m³ per year, thous. m³;
- ▶ Цн – the amount of fee in the form of the special mark up to the tariff for natural gas sold to the population if there are gas meters, and in case there are not meters calculated in accordance with requirements of the legislation, taking into consideration VAT at the legally set tax rate, hrn/1000 m³.

Calculation of the norm of transfer cash for accrual to current account of the gas transmitting enterprise in the part of payment for provided services on transmission of natural and oil gas through main pipelines is done based on the formula:

$$H_{MH} = \frac{T_{T/M} \times V}{\Pi_{Л1} V_{Л1} + \Pi_{Н1} V_{Н1} + \Pi_{Л2} V_{Л2} + \Pi_{Н2} V_{Н2} + \Pi_{Л3} V_{Л3} + \Pi_{Н3} V_{Н3} + \Pi_{Л4} V_{Л4} + \Pi_{Н4} V_{Н4}} \times 100 \%$$

H_{MH} - normative of transfer of funds from the current account with the special mode of use of the gas supply enterprise to the current account of the gas distribution and gas supply enterprise taking into account the fee in the form of the special mark up to the tariff for natural gas in accordance with requirements of the legislation, in %;

$T_{T/M}$ - tariff for services on transmission of natural gas and oil gas through main pipelines approved by NERC, taking into account the VAT at the rate set by the law, hrn/1000 m³;

Calculation of the norm of transfer of funds to accrue them to the current account with the special mode of use of DK "Gaz Ukrainy" NAK "Neftegaz Ukrainy" or current account with the special mode of use DAT «Tchernomorneftegaz» in the part of payment for natural gas used by the population, according to the formula:

$$\text{НВЛН} = 100 \% - \text{НГН} - \text{НМН},$$

where:

НВЛН - normative of transfer of funds from the current account with the special mode of use of the gas supply enterprise to the current account with the special mode of use DK "Gaz Ukrainy" NAK "Neftegaz Ukrainy" or current account with the special mode of use DAT «Tchernomorneftegaz» in the part of payment for natural gas used by the population, in %.

Example

of calculation of the normative of payment of cash received from budgetary institutions to current accounts with the special mode of use of the gas supply enterprise

Calculation of the normative of payment of cash to accrue it to the current account of the gas supply enterprise in the part of payment for provided services on supply of natural gas at the regulated tariff, and its transportation through distribution pipelines is done based on the formula:

$$H_{r6} = \frac{(T_{т/п} + T_n) \times V16 + (T_n \times V26) + Ц_{н6} \times (V16 + V26)}{Ц16 \times V16 + Ц26 \times V26} \times 100 \%$$

- ▶ Hr6 – normative of transfer of funds from the current account with the special mode of use of the gas supply enterprise to the current account of the gas distribution and gas supply enterprise taking into account the fee in the form of the special mark up taking into account the fee in the form of the special mark up to the tariff for natural gas in accordance with requirements of the legislation, in %;
- ▶ Тт/p - tariff for services for transmission of natural gas through distribution pipelines approved by NERC, taking into account VAT at the rate set by the law, hrn/1000 m3;
- ▶ Тп - tariff for services on supply of natural gas, approved by NERC, taking into consideration VAT at the legally set tax rate, hrn/1000 m3;
- ▶ Ц16 – price for natural gas for budgetary institutions taking into account VAT, fee to the approved tariff for natural gas in the form of special mark up, tariffs for its transmission through main distribution pipelines and supply and expenses on its implementation by NAK "Neftegaz Ukrainy", hrn/1000 m3 ;
- ▶ Ц26 – price for natural gas for budgetary institutions taking into account VAT, the fee to the approved tariff for natural gas in the form of the special mark up, tariff for transmission of natural gas through main pipelines for budgetary institutions, whose own gas pipelines are directly connected to main pipelines, tariff for supply and expenses on its implementation by NAK "Neftegaz Ukrainy", hrn/1000 m3 ;
- ▶ V16 - planned volume of supply of natural gas for budgetary institutions in accordance with signed agreements, thous. m3;
- ▶ V26 - planned volume of supply of natural gas for budgetary institutions, whose own gas pipelines are directly connected to main pipelines in accordance with signed agreements, thous. m3;
- ▶ Цн6 – the amount of the fee in the form of the special mark up to the tariff for natural gas calculated in accordance with requirements of the legislation, taking into account VAT at the rate set by the law, hrn/1000 m3;

Calculation of the normative of payment of cash to accrue it to the current account of the gas supply enterprise in the part of payment for provided services on transmission of natural and oil gas through main pipelines is done according to the formula::

$$H_{M\bar{6}} = \frac{T_{T/M} \times V1\bar{6} + T_{T/M2} \times V2\bar{6}}{I\bar{1}\bar{6} \times V1\bar{6} + I\bar{2}\bar{6} \times V2\bar{6}} \times 100 \%$$

$H_{M\bar{6}}$ - is normative for transfer of funds from the current account with the special mode of use of the gas supply enterprise to the current account of the gas transmission enterprise for provided services on transmission of natural and oil gas through main pipelines, in %;

$T_{T/M}$ – tariff for services on transmission of natural and oil gas through main pipelines, approved by NERC, taking into consideration VAT at the legally set tax rate, hrn/1000 m³;

$T_{T/M2}$ – tariff for services on transmission of natural gas through main pipelines for budget institutions, whose gas pipelines are directly connected to main gas pipeline, approved by NERC, taking into consideration VAT at the legally set tax rate, hrn/1000 m³.

Calculation of the normative of payment of cash to accrue it to the current account with the special mode of use of DK "Gaz Ukrainy" NAK "Neftegaz Ukrainy" in the part of payment for natural gas consumed by budgetary institutions is done according to the formula:

$$\text{НвЛб} = 100 \% - \text{Нгб} - \text{Нмб},$$

where:

НвЛб - is normative for transfer of funds from the current account with the special mode of use of the gas supply enterprise to the current account with the special mode of use of DK "Gaz Ukrainy" NAK "Neftegaz Ukrainy" in the part of payment for natural gas consumed by budgetary institutions, as percentage.

Recalculation of payment for used natural gas

- ▶ Every year, as of January 1, gas supply enterprises make re-calculation of payment for used natural gas and the amount of accrued benefits separately for each consumer depending on the volume of actual use of gas in the previous year and on retail prices differentiated depending on annual volumes of consumption, which were valid in the said year. If based on the results of the previous year actual use of natural gas by the consumer does not correspond to volumes, on the basis of which the price for natural gas was determined, in particular:
 - ▶ If the volume of used natural gas exceeds the volume set in the previous year ($V2 > V1$), the consumer has within three months from the date of re-calculation to pay to the gas supply enterprise the difference, calculation of which is done by the formula
 - ▶ $Bc = (L2 \times V2) - (L1 \times V2)$,
 - ▶ Where $L1$ is a retail price for natural gas set for payment for natural gas in the previous year;
 - ▶ $V1$ – year volume according to which the price was determined in the previous year;
 - ▶ $L2$ – retail price set for payment for natural gas, which is applied to the consumer in accordance with actually used volume during the previous year;
 - ▶ $V2$ – year volume actually used by the consumer during the previous year;
 - ▶ Bc – cost of natural gas that the consumer has to pay based on the results of re-calculation;
 - ▶ Brn – cost of natural gas, which the gas supplier accrued to the personal account of the consumer as future payments;
 - ▶ In case the volume of used natural gas decreases in comparison with the volume set in the previous year ($V2 < V1$), the difference in the cost of gas remains on the personal account of the consumer and is accrued for future payments. Calculation of the cost in this case is done by the formula
 - ▶ $Brn = (L1 \times V2) - (L2 \times V2)$.
- (Decree of the CM of Ukraine of 09.12.1999, No. 2246 “On approval of the Plan of Provision of Gas Supply Services to the Population”)