

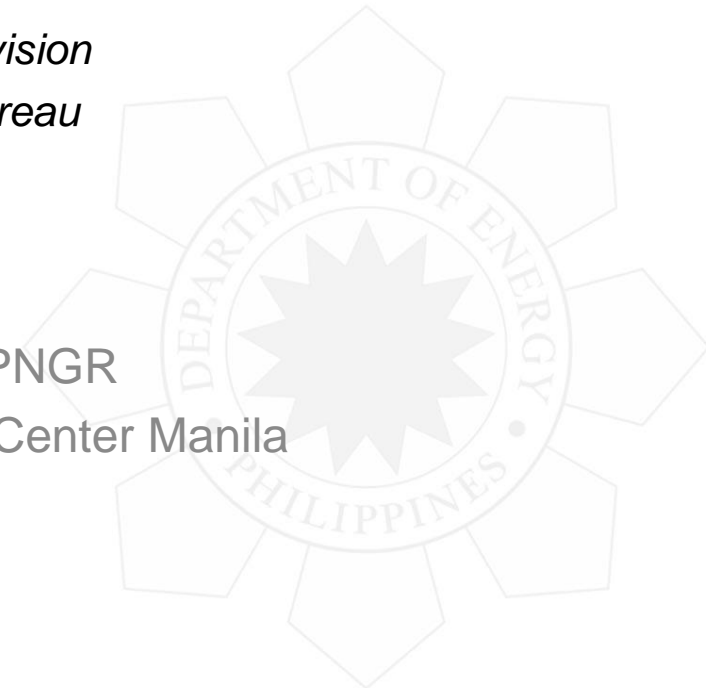
Third Party Access

Ma. Laura L. Saguin

Natural Gas Management Division

Oil Industry Management Bureau

2ND Public Consultation on PNGR
27 October 1997. DOE Convention Center Manila



Current Status of the Natural Gas Industry



414 MW San Gabriel
First Gen/ IPP



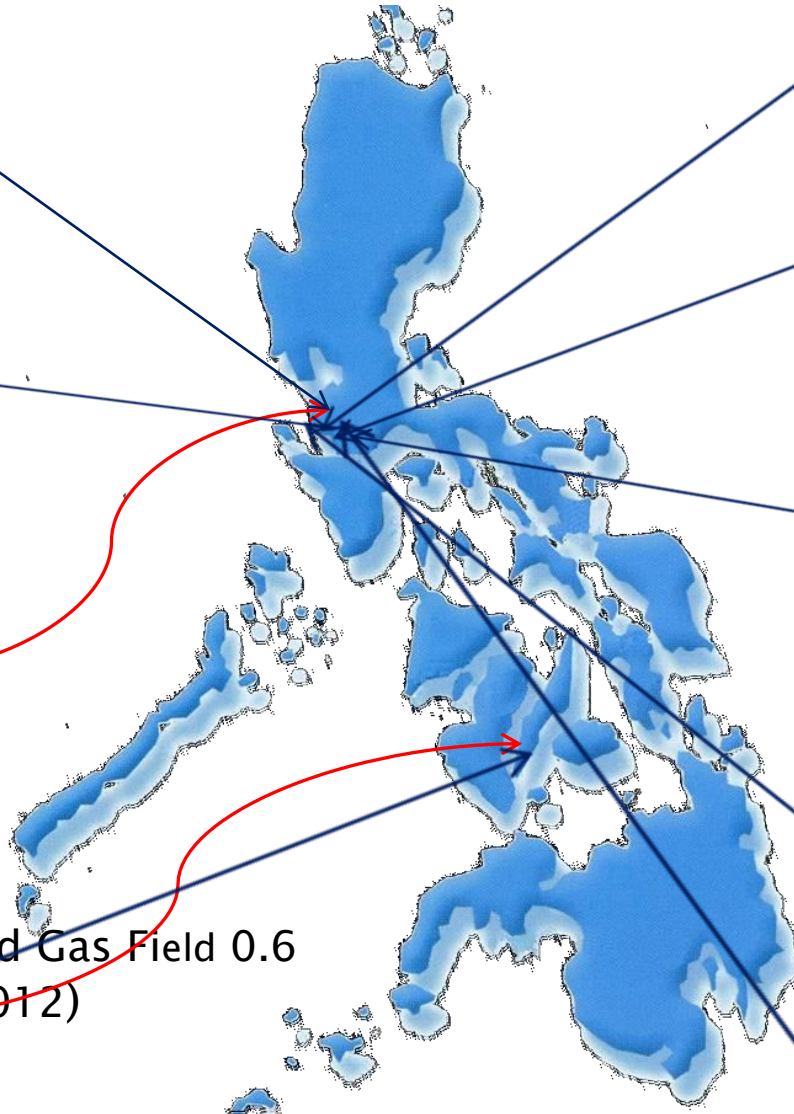
Shell Refinery



Malampaya Gas Field
2.7 TCF (2001)



Libertad Gas Field 0.6
BCF (2012)



97 MW Avion
First Gen/ IPP



560 MW San Lorenzo
First Gen/ IPP



1,000 MW Sta. Rita
First Gen/ IPP



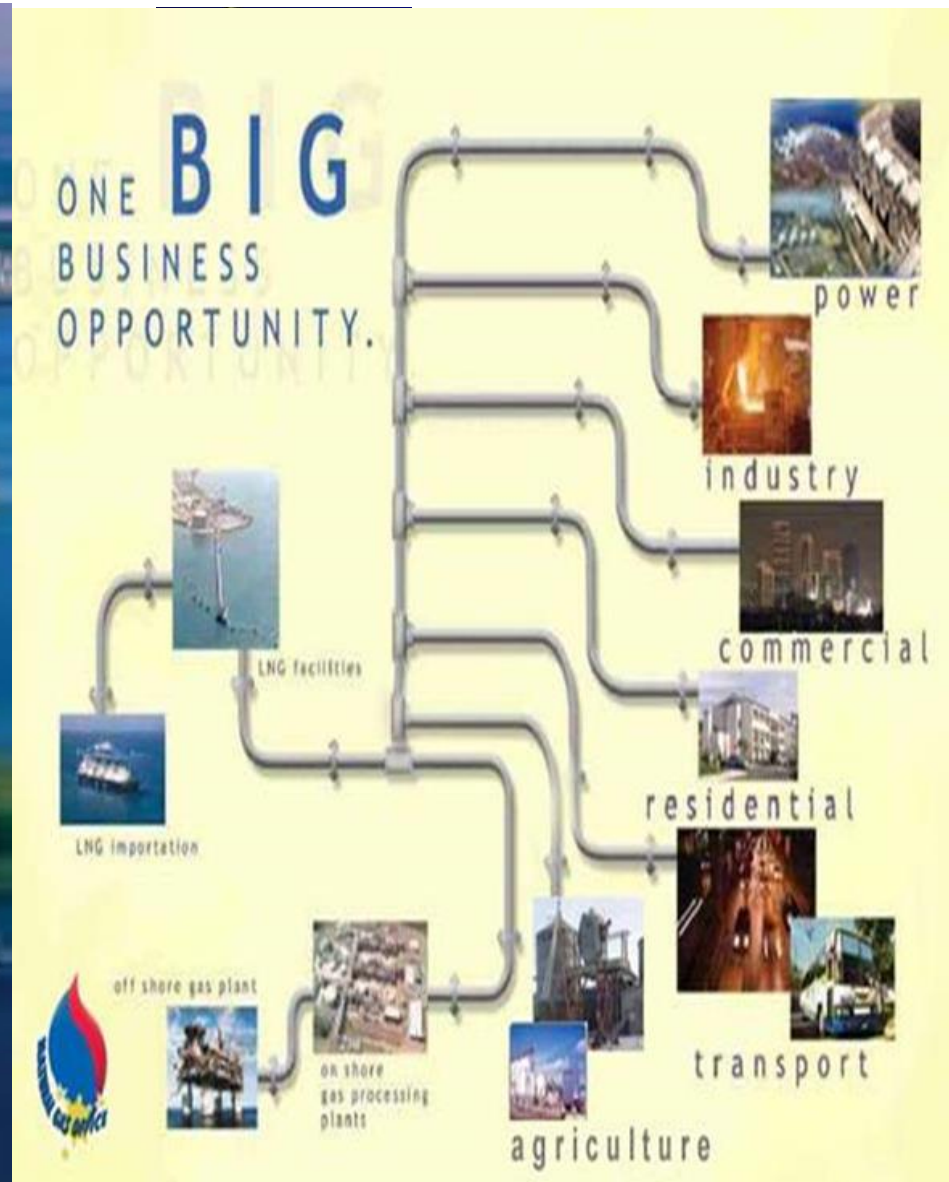
1,200 MW Ilijan Power Plant
NPC IPP(KEPCO)



CNG Bus (2008)



LNG Importation



TPA

What is TPA?

owner of gas import and/or transportation infrastructure, or the owner of the right to use that infrastructure, must make capacity in that infrastructure available to third party users in return for a fee or tariff

PRIMARY RIGHTS

- berth and unload a specified number of LNG tankers on specific berthing slot dates within an Annual Unloading Program;
- use a certain volume of temporary storage capacity;
- nominate LNG for re-gasification and send out into the gas network up to the Customer's maximum delivery capacity; and
- transport LNG/natural gas into the transmission and distribution network up to the Customer's maximum delivery capacity.

SCOPE



Key Principles of Third Party Access (TPA)

- 1 • Encourages competition – drive efficiencies, lowers costs and price to consumer
- 2 • Encourages foreign and local investment in energy supply and infrastructure - otherwise prevented by actions of incumbent monopolistic companies.
- 3 • Promotes diverse and sustainable sources of energy and enhance security of supply; and
- 4 • Introduces safe and measurable standards of service and practices;



Economic considerations of introducing TPA

- The costs of introducing a level playing field attractive to New Entrants should be balanced against the cost to the industry of introducing such changes.
- Legacy arrangements of gas supply and transportation may have legal recourse where large compensation claims may be involved – who pays?
- The administrative burden of introducing a Network Code is a lot more costly than administering bi-lateral arrangements. The software system that supports the physical operation of the Network Code typically costs tens of millions of dollars. Shippers must have duplicate arrangements to ensure continuity of information flows and data compatibility.
- The “give and take” operational differences through measurement, nominations versus actual take and balancing will be shared between all Shippers under a Network Code - and not “written-off” as a “netting-off” exercise under bi-lateral arrangements. There will be unavoidable costs due to the penalty mechanisms in-built in the Network Code.



Promote Competition

**Create more
Industry Players**

**Third
Party
Access**

**Promote
Investment**

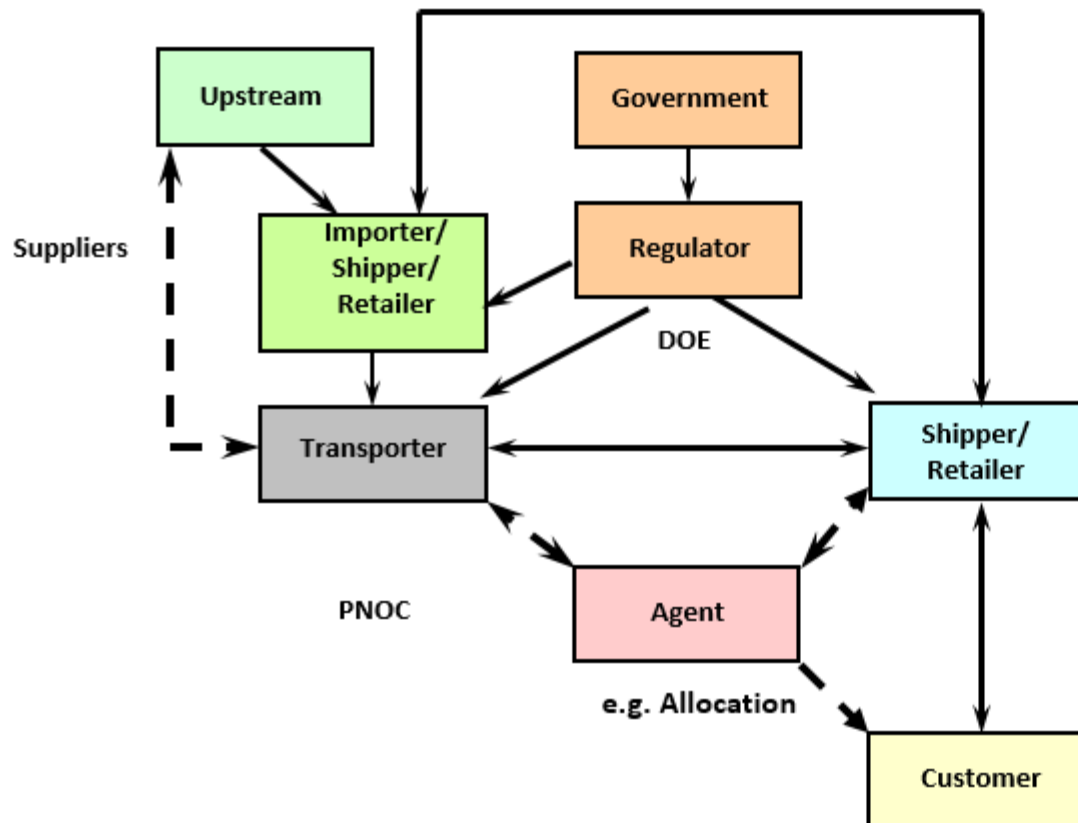
**Reduce
Monopoly**

**Increase
Efficiency**

**Maximize
Capacity
Utilization**



Roles and Responsibilities



Role of Transporter

- A gas Transporter's primary role is to convey gas it receives at the Entry Point on behalf of a Shipper to the Shipper's customer or offtake point,
- The Transporter performs other functions which are required through the terms of its license (if there is one) or appointment.
- In addition, the Transporter may provide a gas blending service and a gas trading facility in the absence of any other market trading.

Role of Shipper

- A Shipper is an Importer, Retailer or large user of gas such as a Power Station.
- The Shipper books and pays for capacity to the Transporter who transports the Shipper's gas to the booked capacity amount under the terms of the bi-lateral Transportation Agreement or Network Code.



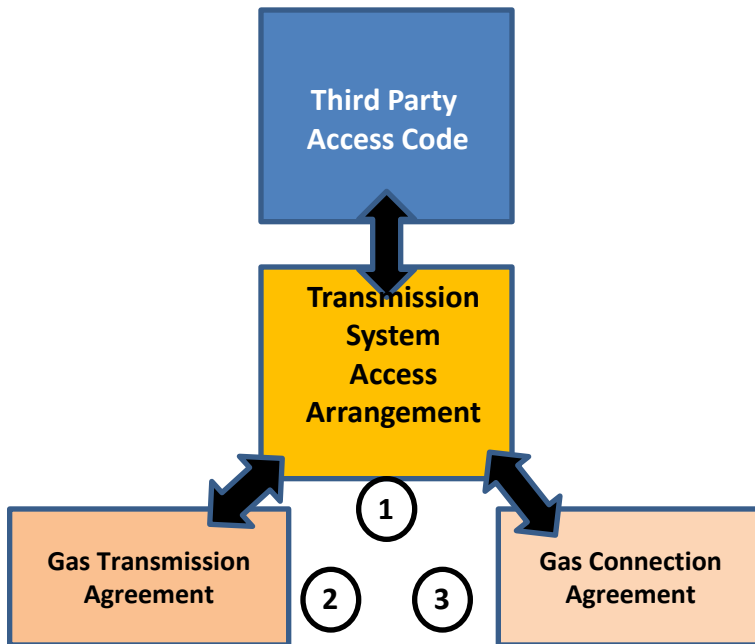
Bi-Lateral Arrangements vs TPA (Network Codes)

- All pre-AccessCode gas transportation arrangements were either a bundled supply (i.e. gas supply and transportation combined) or bespoke bi-lateral transportation contracts.
- The supplier generally takes all risk of gas supply in a bundled supply as they control both the gas sourcing and carriage arrangements. The gas is sold at the customers premises. Gas aggregators would provide this type of service.
- In a bi-lateral arrangement, the gas retailer/wholesaler (the Shipper) negotiates the terms of transportation with the owner/operator of the pipeline – generally known as the Transporter. Gas may be sold at a variety of places – the bi-lateral transportation contract specifies the transit route from A to B. Gas Aggregators or large End Users would engage in this type of arrangement.
- Network Codes were developed for de-regulating large integrated gas transmission and distribution systems. They are designed to provide third party open and non-discriminatory access to a pooled transportation network – *a system where all Shippers are equal.*



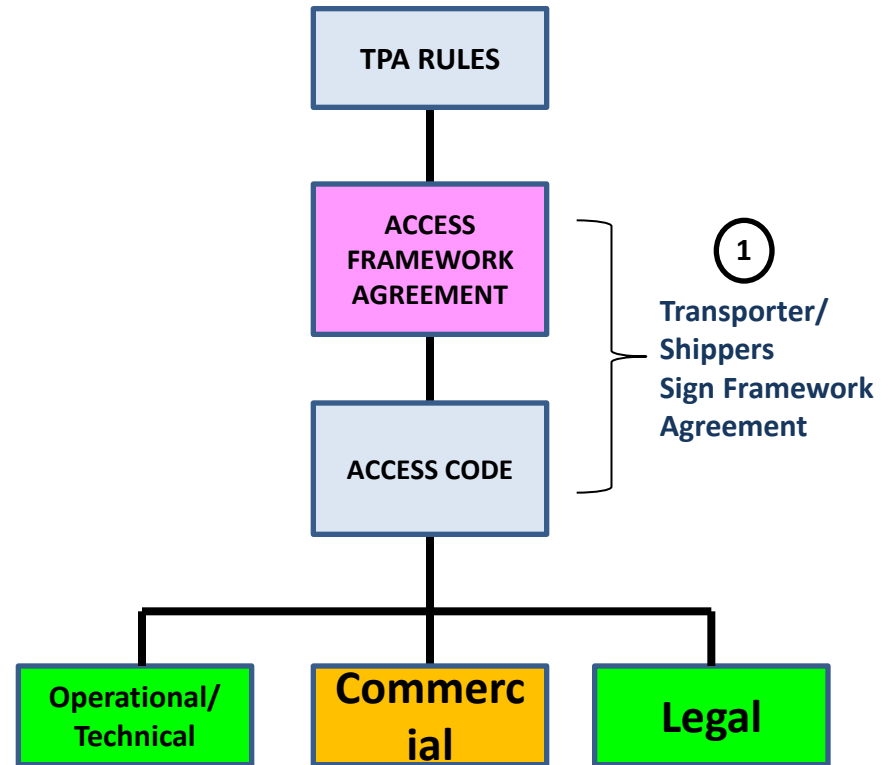
Third Party Access Gas Framework

Malaysia / Thailand



Bi-Lateral Contracts : 3 per Shipper

UK / Singapore

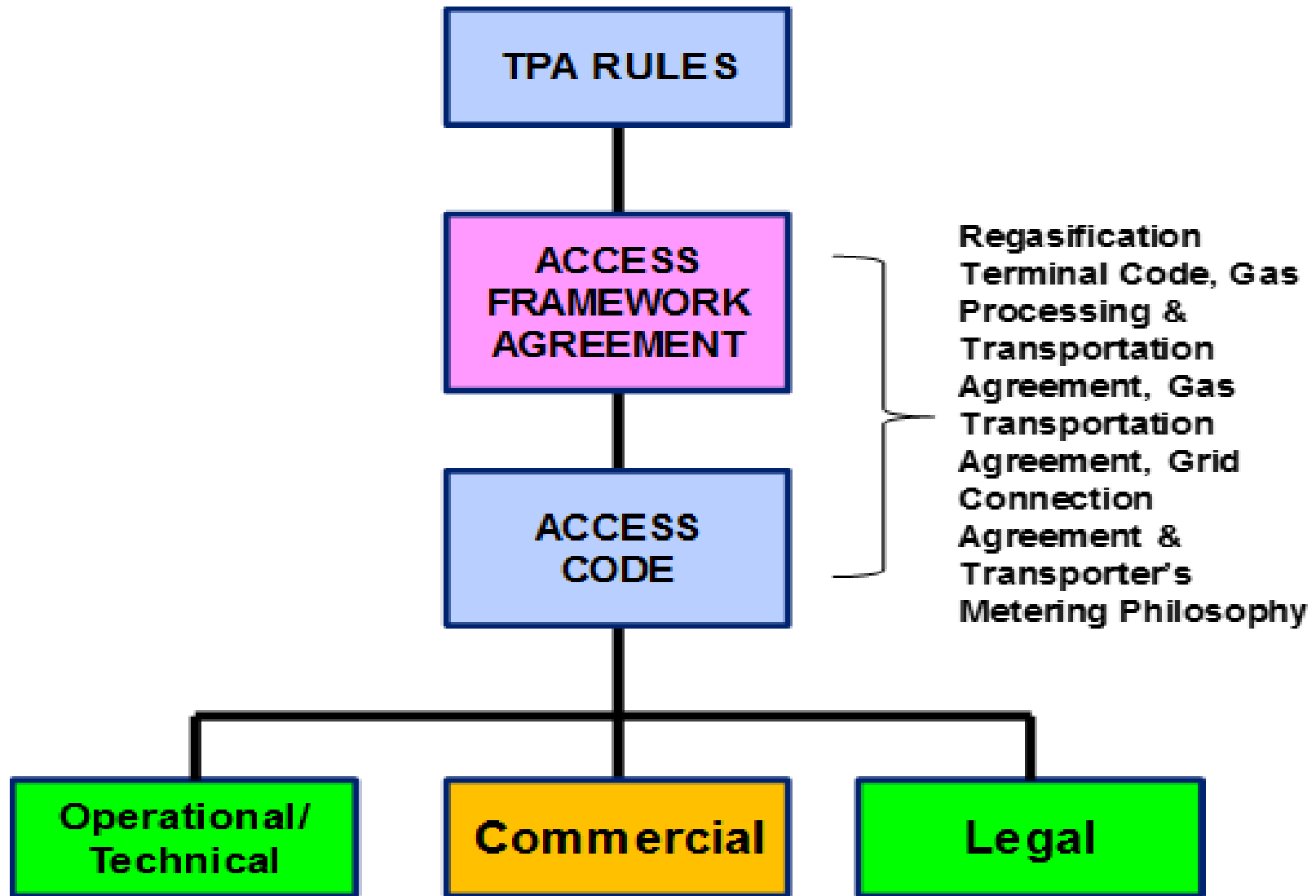


One Contract For All

One Document instead of three!



TPA Framework



Thank You !

