KUALA LUMPUR 2012 WORLD GAS CONFERENCE

25th world gas conference

"Gas: Sustaining Future Global Growth"

Access to Competition in Gas Market

Thailand case

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Energy Regulatory Commissioner of Thailand

6 June 2012

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Outline

- Role and Responsibility of ERC
- Thailand's Gas Industry Structure
- Thailand's gas market at glance

Role and Responsibility of ERC

Energy Industry Act 2007

Policy Maker | Regulator | Operator

Role & Responsibility

- Regulate energy industry operation
- Issue licenses for energy industry operations
- Establish measures to ensure the security & reliability of the power system
- Establish criteria for determining energy tariffs
- Issue/establish customer and quality of service standards
- Issue regulations/criteria for the contributions to and uses of the Power Development Fund

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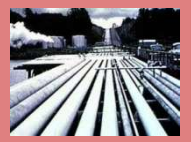
ERC Scope of Work

1 Number of licenses

Electricity

Generation	Transmission	Distribution	Retail	System Operator
				
258	5	58	55	1

Natural Gas

Supply& Wholesale	Transmission	Retail& Distribution	LNG terminal
			
1	1	3	1

- Reliability of energy system
- Energy Tariffs
- Standard and safety
- Quality of Service
- Energy Operation Efficiency
- Competition
- Consumer Protection

Thailand's Gas Industry Structure

Supply & Wholesale

78%

Gulf

20%

Import

2%

LNG

4,470 mmscf/d

Gas Separation Plant

Transportation

Pipeline

Distribution & Retail

Distribution and Retail

Customer

Electricity 60%

Industry 13%

NGV 6%

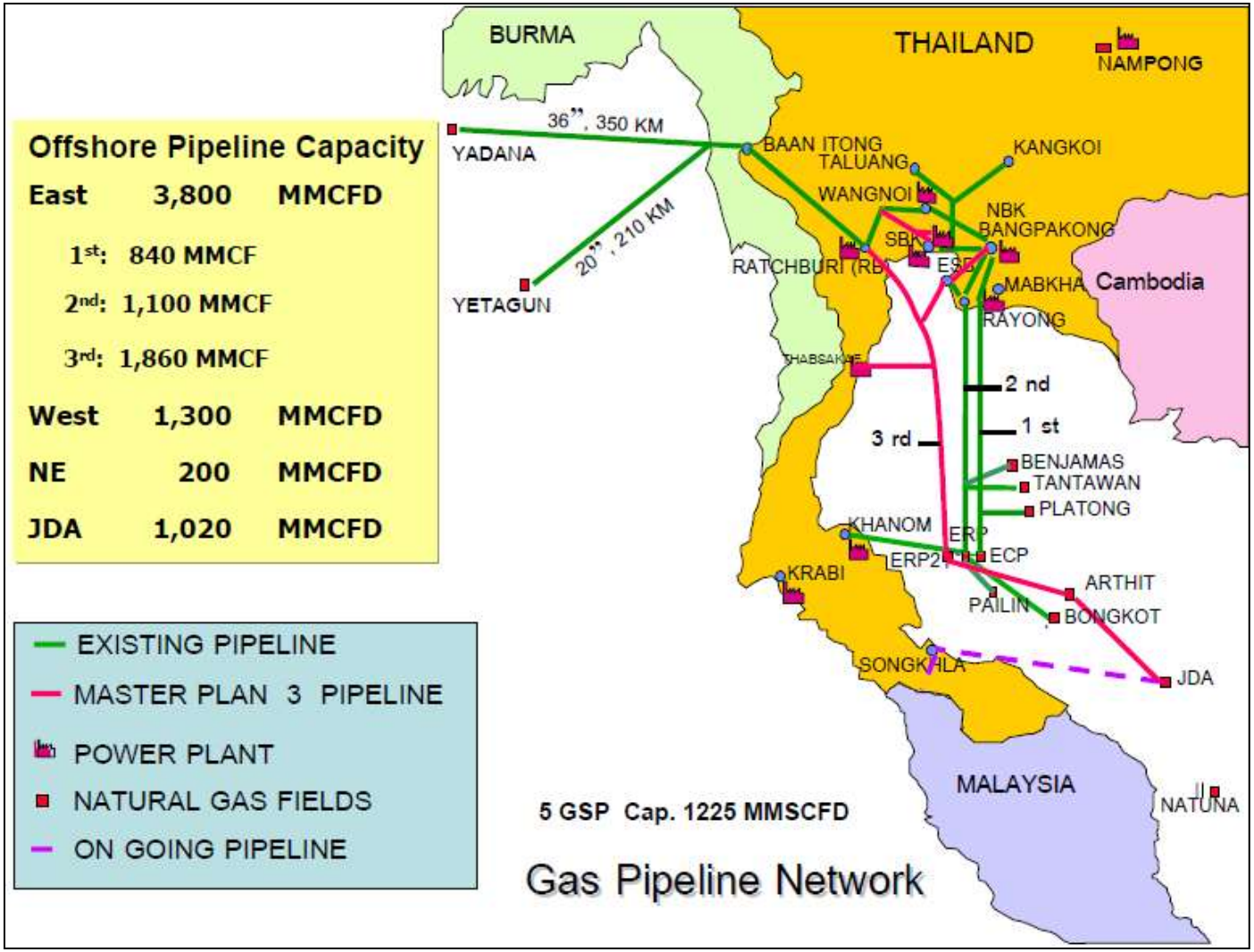
LNG Terminal

PTT (Gas Procurement)

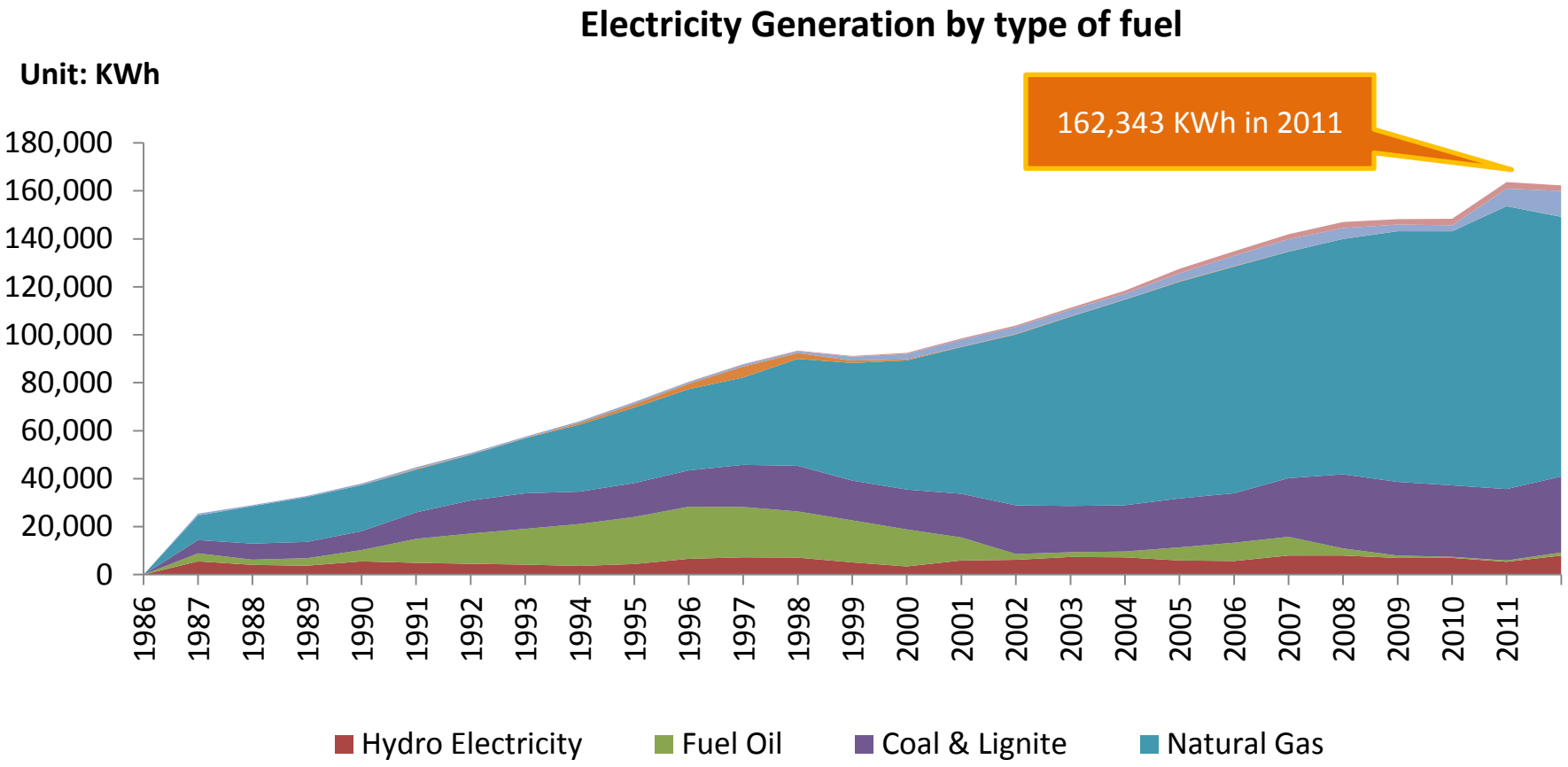
PTT
(Gas Transmission)

PTT
(Natural Gas Distribution)

Pipeline Gas Supply to Thailand



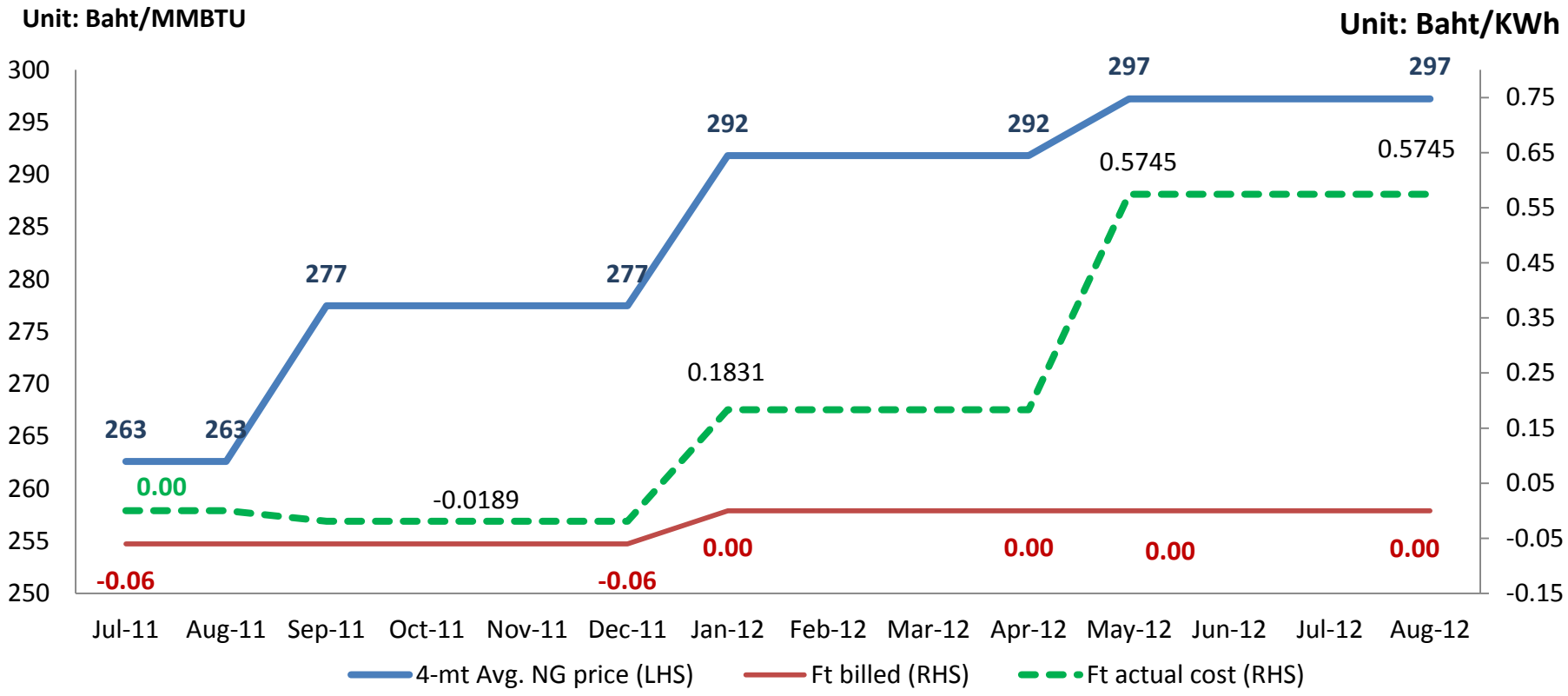
Natural Gas is a mainstay of Thailand's primary energy



Source: Energy Planning and Policy Office (EPPO), Ministry of Energy, as of January 2012)

Higher electricity bills and natural gas prices

Avg. 4 month natural gas price vs. electricity tariff (only fuel adjustment mechanism (Ft))

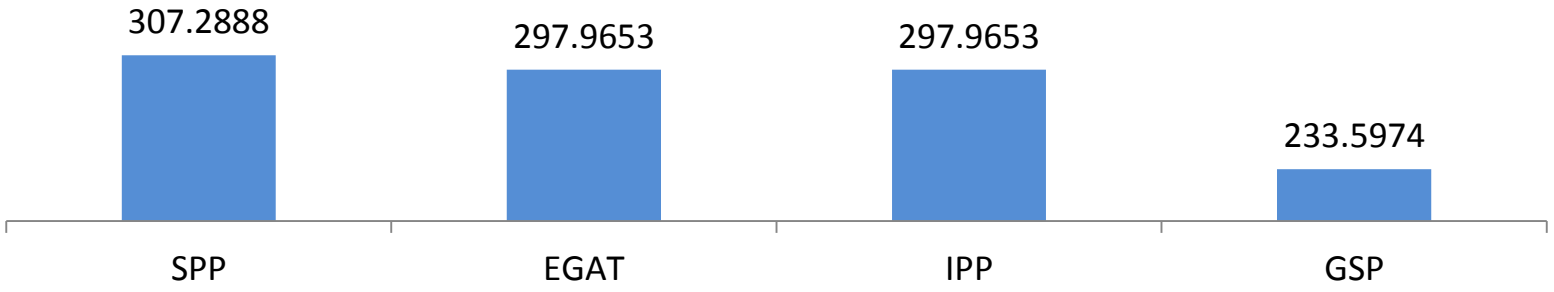


Source: Office of The Energy Regulatory Commission (OERC)

Thailand's Natural Gas price calculation policy

P = WH + (S1+S2) + T	
P	means natural gas price, Baht per million BTU
WH	means average gas price sent into gas system , Baht per million BTU
S1+S2	means remuneration for gas supply and distribution including contractual risks, Baht per million BTU
T	means gas transmission price, Baht per million BTU

Source: National Energy Policy Council (NEPC)

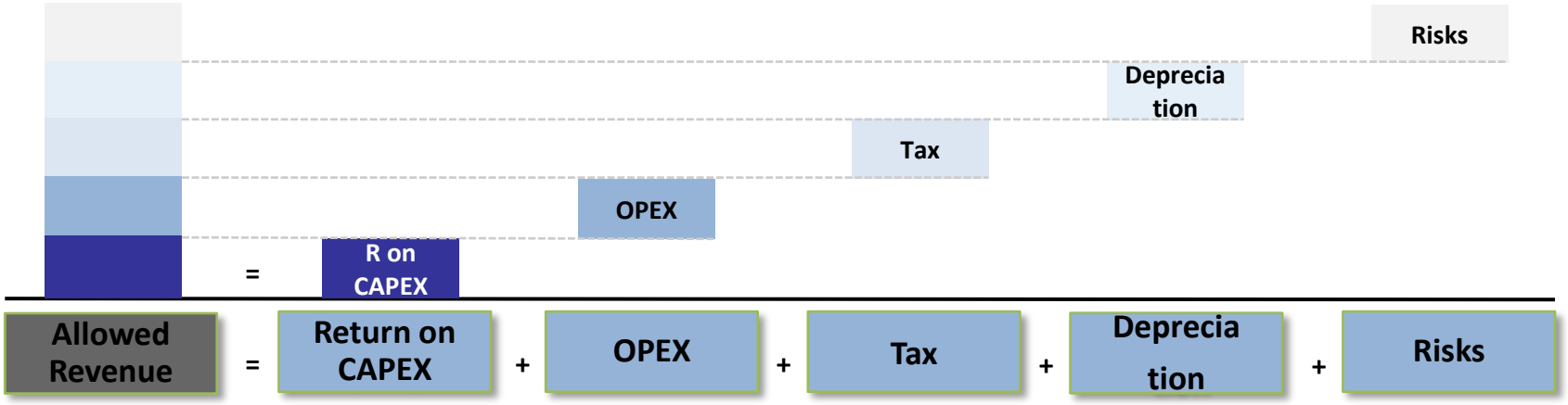


Customers	Wellhead gas(WH)	Supply(S1+S2)	Transmission(T)	P = WH+S+T
SPP	274	11.476	21.8128	**307.2888**
EGAT	274	2.1525	21.8128	**297.9653**
IPP	274	2.1525	21.8128	**297.9653**
GSP	220	3.8500	9.7474	**233.5974**

Source: Office of The Energy Regulatory Commission (OERC)

New gas tariffs will soon to be implemented on the basis of “incentive regulation”

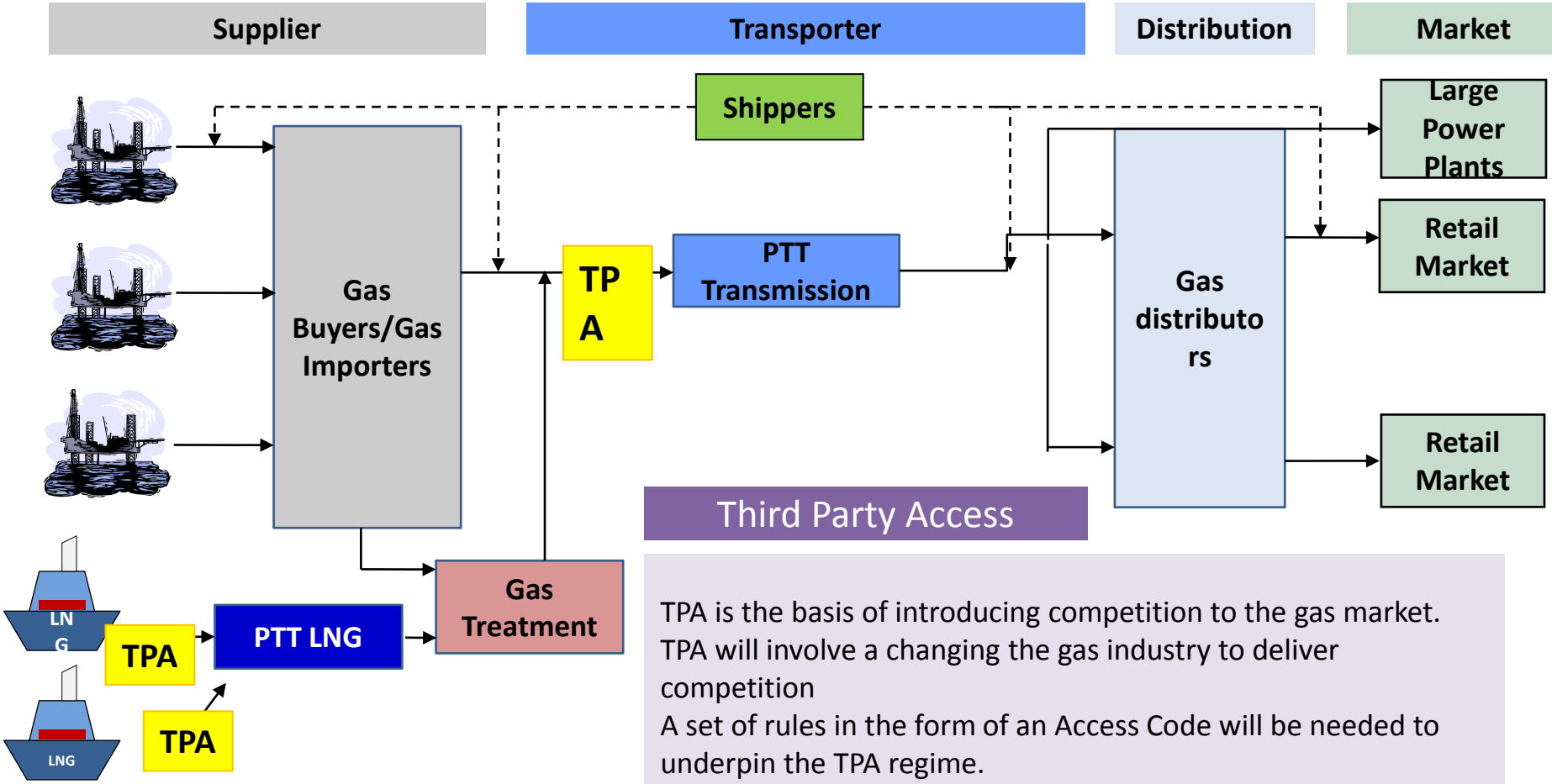
Building Blocks



Conceptual of incentive regulation

- Transparency increased since each component of costs is separated
- Separation of the regulated assets and the non-regulated assets as well as by type of licenses
- Risk allocation takes into consideration the idea of pass though or the responsibility of the licensees
- Efficiency improvement will be taken into account to incentivize the “Monopolist” to keep improving efficiency

TPA in gas transmission and LNG terminals will be implemented next



Third Party Access

TPA is the basis of introducing competition to the gas market.
TPA will involve a changing the gas industry to deliver competition
A set of rules in the form of an Access Code will be needed to underpin the TPA regime.
Legislation and legal instruments are needed to implement TPA.
ERC performs a central role in the introduction and monitoring of TPA.
Time should be taken to implement full-scheme of TPA

Development plan of Gas regulation

	2012-2013	2013-2014	planned
Account Unbundling	**Fair and Transparent tariffs**	**Gas Access Codes**	**Amendment to Current Legislation**
Account separation by regulated business and non-regulated business as well as by type of licenses **Done**	Tariffs are needed to be set based on cost reflection, appropriate return on investment and efficient operation	▪ Codes will need to be drafted to implement TPA in transmission and LNG terminals ▪ Roles of involved person are needed to be set	Related legislation needed to be revised to support competition

Thank you for your attention

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