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Third Party Access to Distribution
Lessons from South Africa

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3rd Party Access to gas infrastructure

*'But there's nothing on earth
half as lonely and drear;
As to stand in the bar of a
pub without beer'*

Dan Sheahan, 1943

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Third Party Access in Gas Distribution

Observations of Third Party Access

Results of the Third Party Access Regime in South Africa

Third Party Access in Gas Distribution



Gas Distribution

- EU <8 bar; US <13.79; SA: 2-15 bar g

3rd
Party
access

- Regulated vs. Negotiated
- Uncommitted Capacity/Common Carrier/Open Access



SA Gas regulation: rTPA

- TPA to uncommitted capacity in gas transmission (>15 Bar g) and storage facilities

Third Party Access in Gas Distribution

- Is TPA an impediment to infrastructure investment?
 - TPA to gas distribution networks is voluntary, and to gas transmission and storage facilities is limited to ‘uncommitted’ capacity;
 - Access must be granted on non-discriminatory terms, with light-handed regulation of tariffs;
 - Gas distribution networks are granted exclusive geographic areas; and
 - Limited gas-to-gas competition

South African gas pipeline network

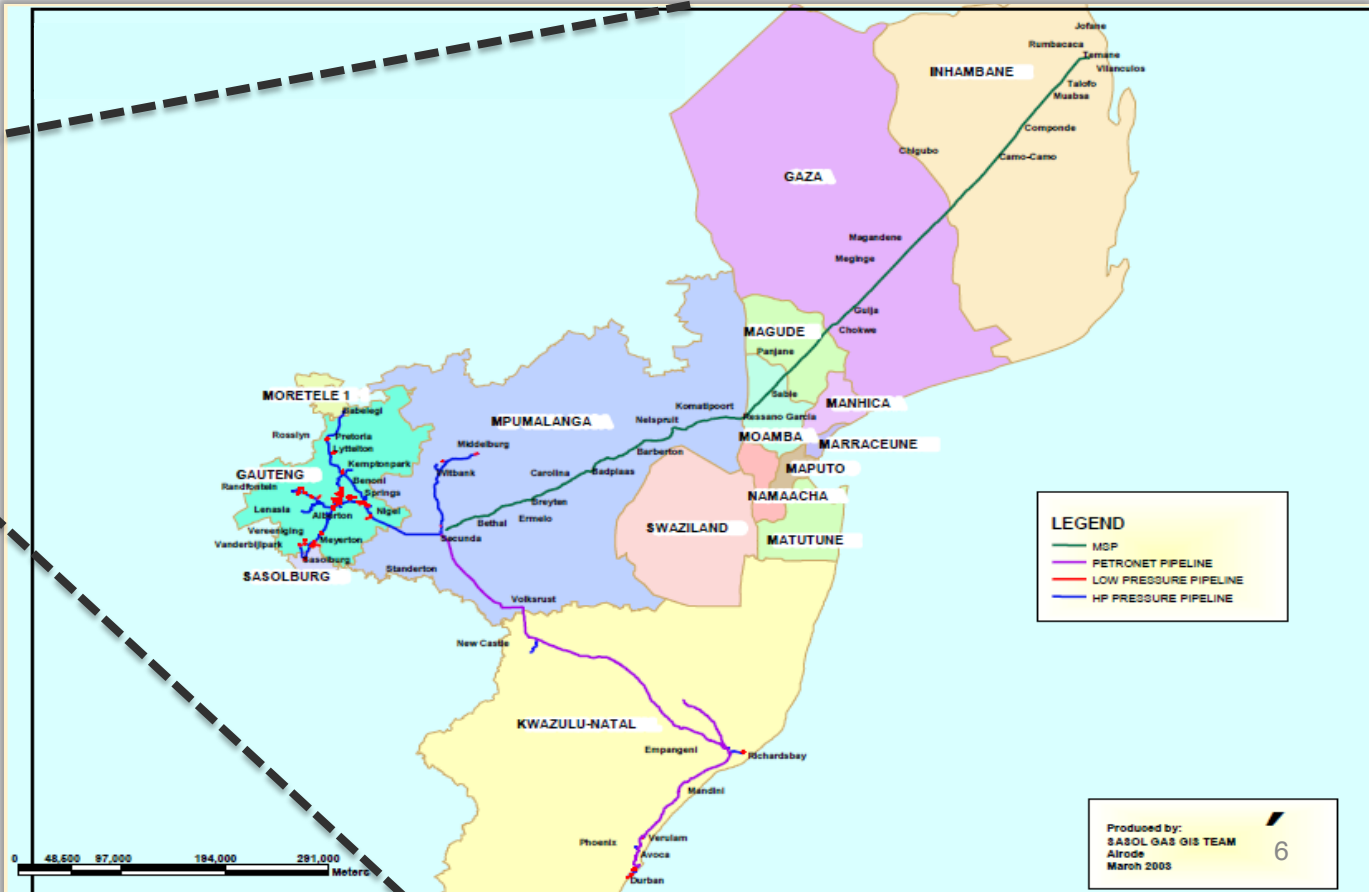


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in South Africa

Observations of Third Party Access

- Context energy sector:
 - Different TPA regimes for different sub-sectors
 - Vertical integration

Barriers to Entry in the Gas Market:

Paucity of gas supply

Limited infrastructure and scarce uncommitted capacity

Large upfront capital costs

Downstream competition from upstream supplier

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**Results of the Third Party Access Regime
in South Africa**

Results of the TPA Regime in South Africa

Electricity

- One successful TPA agreement

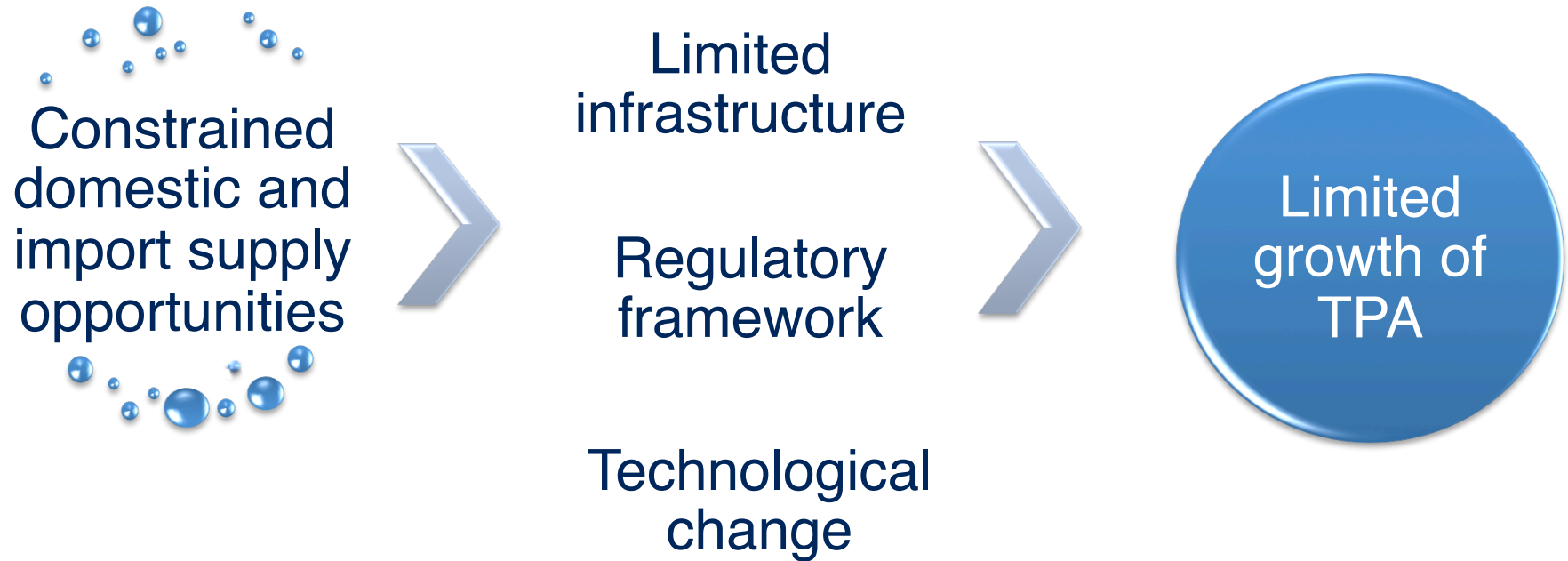
Petroleum pipelines

- No requests, no complaints, no access

Gas

- No requests, no complaints, one legacy arrangement of TPA to gas distribution

Results of the TPA Regime in South Africa



Proposed remedies



Grow gas supplies

- GTP infrastructure, domestic gas exploration



Stimulate infrastructure investment

- Gas infrastructure planning, GTP, market-related returns, regulated tariffs, limited exclusivity period



Improve TPA provisions

- Mandatory, technology-neutral TPA to uncommitted capacity of all facilities; UIOLI; publish available capacity

Conclusions

TPA stagnant in
each industry

Fundamental
problems in
each industry
are not solved
by TPA

TPA provisions
Should be

Well-defined,
enforced and
appropriate for
stage of
development and
market structure

One size does
not fit all

Even 'best
practice'
regulation may
be ineffective



Thank you

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