



**COMMENTS ON**  
**DRAFT TPA RULES, 2017**  
**&**  
**DRAFT PAKISTAN GAS NETWORK CODE**

**Sui Northern Gas Pipelines Limited**



# DRAFT THIRD PARTY ACCESS RULES, 2017

# TPA Rules - Definitions



Rule / sub/ rule /Schedule No.	Original Language of the rule / sub rule / Annexure	Suggested language/Change	Rationale for change
<b>Rule, 2(1)(d)</b>	"Capacity allocation" means the maximum daily quantity in MMCF of gas allocated by a <b><u>transporter to a shipper</u></b> .....	"Capacity allocation" means the maximum daily quantity in MMCF of gas allocated by the <b><u>authority to a shipper</u></b> .....	In the earlier TPA rules, 2012 this authority already vests with OGRA and we are of the view that same should continue.
<b>Rule, 2(1)(w)</b>	"shipper" means a person that has an access arrangement with a transporter to utilize the gas pipeline transportation system capacity;	"shipper" means a person <b><u>holding a valid license issued by the authority</u></b> <b><u>and</u></b> has an access arrangement with a transporter to utilize the gas pipeline transportation system capacity;	The change is suggested to make sure that only a licensed shipper enters into an access arrangement with the transporter.

# TPA, Rules – Approvals by the Authority



Rule / sub/ rule /Sched ule No.	Original Language of the rule / sub rule / Annexure	Suggested language/Change	Rationale for change
<b>Rule, 3(1)</b>	No person shall operate as a transporter unless a license has been issued in its favour to undertake such activity by the Authority and which is in force.	No person shall operate as a transporter <b>or shipper</b> unless a license has been issued in its favour to undertake such activity by the Authority and which is in force.	Addition of words “ <b>or shipper</b> ” is suggested to make sure that only licensed shipper should qualify for capacity allocation and enter into an access arrangement with the transporter.



# TPA Rules - Balancing

Rule / Schedule No.	Original Language of the rule / sub rule / Annexure	Suggested language/Change	Rationale for change
Rule, 8(1)	The transporter shall be responsible for physical balance of its gas pipeline transportation system <u>by maintaining the required pressure for all segments of the system</u> . On the transmission system the balancing actions shall be taken on a daily basis while, on the distribution system, the balancing actions shall initially be taken on a fortnightly basis and shall gradually be reduced to a weekly basis or a shorter period of time.	The transporter shall be responsible for physical balance of its gas pipeline transportation system. On the transmission system the balancing actions shall be taken on a daily basis while, on the distribution system, the balancing actions shall initially be taken on a fortnightly basis and shall gradually be reduced to a weekly basis or a shorter period of time.	Underlined red language has been deleted in the suggested language due to the reason that maintaining required pressure, especially in distribution system, in all segments is not possible due to supply demand gap of indigenous gas.
Rule, 8(6)	The transporter shall ensure that it remains financially neutral and shall not unduly gain from its role in system balancing.		It is suggested that a mechanism may be devised in network code for implementation of this sub rule i.e. any SOP or work around etc.

# TPA, Rules – Line pack, System Use Gas and Transportation Losses



Rule / Schedule No.	Original Language of the rule / sub rule / Annexure	Suggested language/change	Rationale for change
Rule, 12	<p>(1) Quantum of line pack, system use gas and transportation loss shall be calculated at the maximum allowable operating pressure of the pipeline and specified in the access arrangement.</p> <p>(2) A shipper shall provide gas for the line pack in proportion to its capacity allocation while the adjustment on account of system use gas and transportation loss shall be made, as agreed in the access arrangement and in accordance with the latest determination thereof by the Authority for the transporter.</p> <p>(3) In case of a dedicated pipeline, the shipper shall provide the required volume of gas for the line pack and which shall be recoverable by the shipper, in kind or monetary terms, as agreed in the access arrangement.</p>	<b>Sub rule (1) is suggested to be deleted.</b>	Since sub rule 2 and 3 sufficiently covers the concept of SUG, TL and Line pack , therefore, sub rule 1 is redundant and creating confusion should therefore be deleted.



# TPA, Rules – Schedule-I (Tariff Methodology)

Rule / Schedule No.	Original Language of the rule / sub rule / Annexure	Suggested language/change	Rationale for change
Schedule I (8)	<p>Transportation charges shall be for recovery of above costs and return as mentioned <u>above, considering entry and exit point; the incremental cost, as the case may be, shall be recovered in full basis</u>;</p> <p>a) Firm service access arrangement shall attract charges for contracted <b>volume</b> handled in MMSCF.</p> <p>(c) A worked example of transportation tariff is made part of this Schedule.</p>	<p>1- A <b>colon ':'</b> should be put after the word <b>"above"</b> in the second line while language afterwards and up to the word <b>"basis"</b> should be deleted.</p> <p>2- In sub point 8(a) word <b>"volume"</b> should be replaced with the words <b>"volume/capacity "</b> while the word <b>"handled"</b> should be deleted.</p> <p>3- After sub point 8(a) a new sub point 8(b) with the following language should be added: <b>(b) Interruptible service access arrangement shall attract charges for volume actually delivered to the shipper in MMCF.</b></p>	<p>1- Deletion of the underlined language in column No. 2 is suggested due to the fact that concept of segment wise tariff has been replaced with the postal tariff while the language suggested for deletion is giving the impression as if the segment wise tariff is applicable.</p> <p>2- Change is suggested to clarify that in case of firm service transportation tariff will be applicable in respect of contracted capacity and not on the actually utilized capacity.</p> <p>3- Sub point (b) is added for clarity in respect of tariff to be charged to interruptible service shippers.</p>

# TPA, Rules – Worked Example



Schedule I  (Worked Example )	WORKED SAMPLE CALCULATION OF TRANSPORTATION TARIFF			For clarity following revised worked example is proposed:			
				WORKED EXAMPLE CALCULATION OF TRANSPORTATION TARIFF			
	Capacity of the segment for TPA..	200	200	Capacity of the transportation system	A	200	MMSCFD
	Shippers' Contracted Capacity.....	100	100	Firm Shipper's contracted capacity	B	100	MMSCFD
	Transportation Tariff..... (Total Operating			Interruptible service shipper's contracted capacity	C	50	MMSCFD
	Cost)/Total volume handled Contracted			Total volume planned to be transported during the year	D	150	MMSCFD
	Capacity			Annual operating cost of the transporter	E	1,500	Million Rs.
				Depreciation component of the transportation cost	F	1,200	Million Rs.
				Return on Assets	G	1,800	Million Rs.
				Transportation Tariff = (operating cost + depreciation + ROA) / Total volume to be transported during the year Transportation Tariff = (1500+1200+1800) Million Rupees /(D*365) MMCF			
			Average transportation tariff for the coming year =	H	82.19	Rs./MCF	
			Annual transportation tariff payable by the firm service shipper	I=(H*B)/1000	3,000	Million Rs.	
			Transportation charges payable by interruptible service shipper in respect volume actually delivered	J=H	82.19	Rs./MCF	
Notes:							
1-The firm service shipper will pay transportation tariff in respect of capacity contracted / booked by it irrespective of the fact that lesser or no gas is made available by it for transportation while the interruptible service shipper will pay the tariff in respect of volume actually delivered to it at its exit point(s).							
2-The transportation tariff as exhibited above is based on the postal tariff principle, however, in case of dedicated pipelines of transmission system used specifically for transportation of gas of a particular shipper, e.g. SSGC transporting SNGPL's RLNG, transportation tariff shall be worked out on distance transported basis and expenses related to that very segment only will become part of the transportation tariff of that segment.							



# TPA, Rules – Schedule II

## FORM FOR DECLARING CAPACITY OF GAS PIPELINE TRANSPORTATION SYSTEM BY TRANSPORTER



Rule / Schedule No.	Original Language of the rule / sub rule / Annexure	Suggested language/change	Rationale for change
<b>Schedule - II (7)</b>	For Distribution system, capacities to the extent <b>of supply</b> mains will be updated.	Words " <b>operationally feasible</b> " should be inserted between the words " <b>of</b> " and " <b>supply</b> ".	Offering capacity of all supply mains for transportation of third party gas is not operationally feasible due to various technical reasons like operating parameters and supply demand gap of indigenous gas etc.

## Schedule - III

### Part A: RLNG quality for entry to transporter gas pipeline transportation system

### Part B: Natural Gas quality for entry to and exit from the transporter gas pipeline transportation system



Rule / Schedule No.	Original Language of the rule / sub rule / Annexure	Suggested language/change	Rationale for change
<b>Schedule - III (Part A and B)</b>			<b>General Comment:</b> 1-Specifications given in TPA rules and those given in network code should be consistent. 2-The specs for exit points should be able to cater for the comingled gas scenario especially in case of continuous depletion of indigenous gases and injection of RLNG into the system. 3-In distribution system, especially for the consumers falling on spaghetti network, specs should be those available in the system at that point.



# DRAFT PAKISTAN GAS NETWORK CODE

# Pakistan Gas Network Code

## Definitions



Article / sub article / Schedule No.	Original Language of the code	Suggested change	Rationale for change
1.1 (Capacity Allocation)			In the earlier TPA rules, 2012 this authority already vests with OGRA and we are of the view that same should continue in the proposed TPA Rules and network code.

# Pakistan Gas Network Code

## Definitions



Article / sub article / Schedule No.	Original Language of the code	Suggested change	Rationale for change
1.1 (retail consumer)	<p><b>“Retail consumer”</b> means any person who purchases or receives gas for consumption and not for delivery or resale, other than resale for vehicular use <u>or self-consumption by the Licensee, in connection with the regulated activities</u>;</p>	The language after the word "use" should be deleted.	The change is suggested for clarity purpose since the existing language appears to be giving the impression as if self consumption also falls in the category of retail consumer.
1.1 (System Exit Agreement)	<p><b>“System Exit Agreement”</b> means an agreement between the transporter and shipper on the withdrawal of gas from the gas pipeline transportation system at an exit point.</p>	Suggested to be deleted.	Since access arrangement and network code which is an integral part of the same covers all the procedures of Exit Point measurement, therefore, system exit agreement is not required.

# Pakistan Gas Network Code

## General



Article / sub article / Schedule No.	Original Language of the code	Suggested change	Rationale for change
3.1 (b)	<p><b>Balancing</b></p> <p>(b) To fulfil the aforementioned requirement and to enable the parties to ascertain the quantity of gas received at the entry point, SUG, LP, TL and system gas delivered at each exit point and the balance quantity of gas left and / or excess delivered a daily and monthly reconciliation of gas will be carried out by the transporter as per this Article.</p>	<p>The words "<b>daily and monthly</b>" may be replaced with the words "<b>monthly or shorter period</b>".</p>	<p>Initially balancing on daily basis will not be possible particularly in distribution system, therefore, concept monthly or shorter period reconciliation is suggested in line with same concept in TPA rules.</p>

# Pakistan Gas Network Code

## Monthly Reconciliation



Article / sub article / Schedule No.	Original Language of the code	Suggested change	Rationale for change
3.8 (a) and (b)			The option of carry forward of the balance quantity of gas, determined as a result of monthly reconciliation, to the next period should also be introduced instead of straight sale and purchase at neutral market price.

# Pakistan Gas Network Code

## General



Article / sub article / Schedule No.	Original Language of the code	Suggested change	Rationale for change
4.1 (d)	On a <b>bi-annual basis</b> , the Authority will approve the transmission shrinkage multiplier and the distribution shrinkage multiplier for each distribution system and these will be published on the transporter's website.	The words " <b>On a bi-annual basis</b> " should be replaced with the words "On annual basis".	Since basic data on actual basis related to SUG and TL for arriving at the shrinkage multiplier will be available with OGRA on annual basis, therefore, this change is suggested. Further TPA Rules also speak of annual determination of SUG and TL.



# Pakistan Gas Network Code

## System Expansion Plan



Article / sub article / Schedule No.	Original Language of the code	Suggested change	Rationale for change
12.1	(a) The transporter shall annually prepare and publish on its website an indicative system expansion plan in respect of each of the next [five (5)] consecutive gas years in accordance with this Article.	Figure and word "five (5)" should be replaced with the word and figure "three (3)".	Period of expansion plan should be reduced from 5 years to 3 years as such a plan will not be practicable.

# Pakistan Gas Network Code

## Dispute Resolution



Article / sub article / Schedule No.	Original Language of the code	Suggested change	Rationale for change
16.4		<p>A new clause with No. 16.4 having following words should be added in respect of theft cases:</p> <p><b>"Notwithstanding the above, cases related to theft of gas shall not be referred to technical expert or arbitration rather such cases, if not settled as per 16.1, shall be dealt with in accordance with the relevant laws for the time being in force."</b></p>	<p>Since special laws have been promulgated for dealing with theft of gas cases, therefore, this additional clause is being suggested.</p>

# Pakistan Gas Network Code

## Transportation Tariff and Commodity Deposits



Article / sub article / Schedule No.	Original Language of the code	Suggested change	Rationale for change
22.1 (c)	<p>(c) The security deposit should at all times be equivalent to the aggregate of:</p> <p>(i) [Estimated usage or distribution charges for two (2) billing periods;</p> <p>(ii) [Three (3) days] estimated capacity charges; and</p> <p>(iii) [Three times the aggregate entry capacity multiplied by the neutral market price]</p> <p>all inclusive of levies and applicable taxes.</p>	<p>This clause should be rephrased as under:</p> <p><b>(c) The security deposit should at all times be equivalent to the aggregate of transportation charges for two (2) billing periods inclusive of levies and applicable taxes.</b></p>	<p>Clause rephrased to bring clarity.</p>

# Pakistan Gas Network Code

## The Tariff



Article / sub article / Schedule No.	Original Language of the code	Suggested change	Rationale for change
25.1 (a)	(a) The tariff payable by the shipper shall be payable monthly in arrears and shall be determined by both the quantity of gas actually delivered by the transporter to the shipper at exit points and the entry capacity and exit capacity registered to the shipper.	<p>This sub clause should be rephrased as under:</p> <p>(a)</p> <p>(i) The tariff payable by the <b>firm service shipper</b> shall be payable monthly in arrears and shall be determined by the capacity registered to the shipper at the Exit Point(s).</p> <p>(ii) The tariff payable by the <b>interruptible service shipper</b> shall be payable monthly in arrears and shall be determined by the quantity of gas actually delivered by the transporter to the shipper at Exit Point(s).</p>	Change is suggested to chalk out tariff mechanism separately for firm and interruptible service shipper.

# Pakistan Gas Network Code Charges



Article / sub article / Schedule No.	Original Language of the code	Suggested change	Rationale for change
25.3 (Charges)	<b>Charges</b> (a) For the purposes of the code: (i) "distribution charges" are charges which apply in respect of the distribution system and comprise distribution capacity charges and distribution usage charges; (ii) "transmission charges" are charges which apply in respect of the transmission system and comprise transmission capacity charges and transmission usage charges; (iii) "transportation charges" are transmission charges and distribution charges; (iv) A "capacity charge" is a transmission entry capacity charge, a transmission exit capacity charge, a distribution entry capacity charge or a distribution exit capacity charge;	Article 25.3 is suggested to be rephrased as under : (a) For the purposes of the code: (i) "distribution charges" are charges which apply in respect of the distribution system; (ii) "transmission charges" are charges which apply in respect of the transmission; (iii) "transportation charges" are transmission charges and distribution charges;	Changes suggested to make it consistent with the Tariff Schedule as set out in the TPA rules where postal tariff mechanism has been proposed.

# Pakistan Gas Network Code Charges



Article / sub article / Schedule No.	Original Language of the code	Suggested change	Rationale for change
25.3 (Charges)	<p>(v) A "transmission usage charge" is a charge made in respect of the use of the transmission system, determined by reference to the quantity of gas treated as withdrawn during a balancing period at an exit point, and the rate shall be expressed in Rs.[•] per MMSCF;</p> <p>(vi) A "distribution usage charge" is a charge made in respect of the use of any distribution network and the rate shall be expressed in Rs. [•] per MMSCF;</p> <p>(vii) A “distribution entry capacity charge” is a charge, associated with a distribution system entry point, in respect of, and determined by reference to the amount of a shipper’s registered capacity in respect of such distribution system exit point, and the rate shall be expressed in Rs. [•] per MMSCF.</p>	Suggested to be deleted.	Changes suggested to make it consistent with the Tariff Schedule as set out in the TPA rules where postal tariff mechanism has been proposed.

# Pakistan Gas Network Code

## Charges



Article / sub article / Schedule No.	Original Language of the code	Suggested change	Rationale for change
25.3 (Charges)	(viii) A “distribution exit capacity charge” is a charge, associated with a distribution system exit point, in respect of, and determined by reference to the amount of a shipper’s registered capacity in respect of such distribution system exit point, and the rate shall be expressed in Rs. [●] per MMSCF.	Suggested to be deleted.	Changes suggested to make it consistent with the Tariff Schedule as set out in the TPA rules where postal tariff mechanism has been proposed.

# Pakistan Gas Network Code Charges



Article / sub article / Schedule No.	Original Language of the code	Suggested change	Rationale for change
25.3 (Charges)	<p>(ix) A “transmission entry capacity charge” is a charge, associated with a transmission entry point, in respect of, and determined by reference to the amount of a shipper’s registered capacity in respect of such transmission entry point, and the rate shall be expressed in Rs. [•] per MMSCF; and</p> <p>(x) A “transmission exit capacity charge” is a charge, associated with a transmission exit point or transmission distribution point, in respect of, and determined by reference to the amount of a shipper’s registered capacity in respect of such system point, and the rate shall be expressed in Rs. [•] per MMSCF.</p>	Suggested to be deleted.	Changes suggested to make it consistent with the Tariff Schedule as set out in the TPA rules where postal tariff mechanism has been proposed.



# Pakistan Gas Network Code

## Calculation of Capacity Charges



Article / sub article / Schedule No.	Original Language of the code	Suggested change	Rationale for change
25.4	<b>Calculation of Capacity Charges</b> (a) The amount of any capacity charge payable by a shipper in respect of a balancing period shall be determined by reference to the amount of the shipper's registered capacity and the capacity charge rate in respect of such registered capacity as set out in the charging statement irrespective of when such capacity charges become due for payment.	This clause should be rephrased as under: <b>Calculation of Transportation Charges</b> (a) (i) The amount of any transportation charge payable by a firm service shipper in respect of a balancing period shall be determined by reference to the amount of the shipper's registered capacity and the transportation charge rate in respect of such registered capacity as set out in the charging statement. (ii) The amount of any transportation charge payable by an interruptible service shipper in respect of a balancing period shall be determined by reference to the quantity of gas actually delivered by the transporter to the shipper at the exit point(s) and the transportation charge rate in respect of such service as set out in the charging statement.	Changes suggested to make it consistent with the Tariff Schedule as set out in the TPA rules where postal tariff mechanism has been proposed.

# Pakistan Gas Network Code

## Calculation of Usage Charges



Article / sub article / Schedule No.	Original Language of the code	Suggested change	Rationale for change
25.5	<b>Calculation of Usage Charges</b> (a) The amount of any usage charge payable by a shipper in respect of a balancing period shall be determined by reference to the shipper withdrawal quantity at each transmission exit point or distribution system exit point [adjusted for shrinkage] for the balancing period and the usage charge rate as set out in the charging statement.	Suggested for deletion.	Deletion is suggested due to the reason that there is only one average transportation tariff as proposed in Schedule I to TPA rules and since shipper will be providing its own gas for SUG, TL and line pack etc. therefore, there will be no utilization charge.

# Pakistan Gas Network Code

## Calculation of Distribution Usage Charges



Article / sub article / Schedule No.	Original Language of the code	Suggested change	Rationale for change
25.6	<b>Calculation of Distribution Usage Charges</b> (a) The amount of any distribution charge payable by a shipper to the transporter in respect of a distribution network shall be determined by reference to the sum of such shipper's shipper withdrawal quantity recorded in that distribution network [adjusted for shrinkage] for each balancing period during the month and the distribution charge rate.	Suggested for deletion.	Same reason as above.

# Pakistan Gas Network Code

## Appendix E: Particulars for Declaring of Capacity of Gas Pipeline Transportation System by Transporter



Article / sub article / Schedule No.	Original Language of the code	Suggested change	Rationale for change
Appendix-E	7. For Distribution system, capacities to the extent <b>of supply</b> mains will be updated subject to system's operational constraints.	Words <b>"operationally feasible"</b> should be inserted between the words <b>"of"</b> and <b>"supply"</b> .	Offering capacity of all supply mains for transportation of third party gas is not operationally feasible due to various technical reasons like operating parameters and supply demand gap of indigenous gas etc.



**THANK YOU**