IEA Brasil Gas Workshop 2019

Natural Gas Market Reforms & Regulations
Ballancing Regime and Hub Pricing

Superintendence of Infraestructure and Transportation - SIM

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anp
Agência Nacional
do Petróleo,
Gás Natural e Biocombustíveis

Balancing regime and hub price development

Regime de Balanceamento e formação de preço em hubs

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New Gas Market(Novo Mercado de Gás)

- New Gas Market seting a “Market Design”, aiming a liquid, diversified and competitive natural gas market

- The transition is already being implemented with the open-season for Bolívia-Brasil Pipeline capacity offering (entry and exit regime)

Stages of development of gas-to-gas competition

Non-competitive market	Deregulated/Developing market	Competitive market
Monopoly	**Wholesale market competition**	**Full retail competition**
- Monopoly rights on gas transmission and distribution - Supply obligation - Regulation of gas prices	- Third-party access - Unbundling of transport and marketing functions - Competition in gas supply to large end users and local distributors - No price controls on gas sales - Regulation of access including use-of-system charge	- Third-party access - Full unbundling - Competition in gas supply to all end users - No price controls on gas sales - Regulation of access including use-of-system charge

Increasing competition

Source: Adapted from OECD/IEA, "*Gas Pricing and Regulation - China's Challenges and IEA Experience*", 2012

Natural Gas Market Transition

Requires a New Market Design

- Separation of transport from competitive activities
- Unbundling in transport (OU, ISO, ITO)
- Entry and Exit capacity booking
- Transportation tariffs approved by ANP
- Coordination of transporters on Transportation System
- Network Codes
- Transparency of the offering and contracting of services

Market Design (depends on new legislation and regulations)

- Gas Release Programs
  - Capacity Release

Energy/Competition Policy

Market Areas

➢Market Area

Delimitation of the transport system where access to the Transportation Capacity at Entry and Exit Points occurs independently, with the free flow of gas

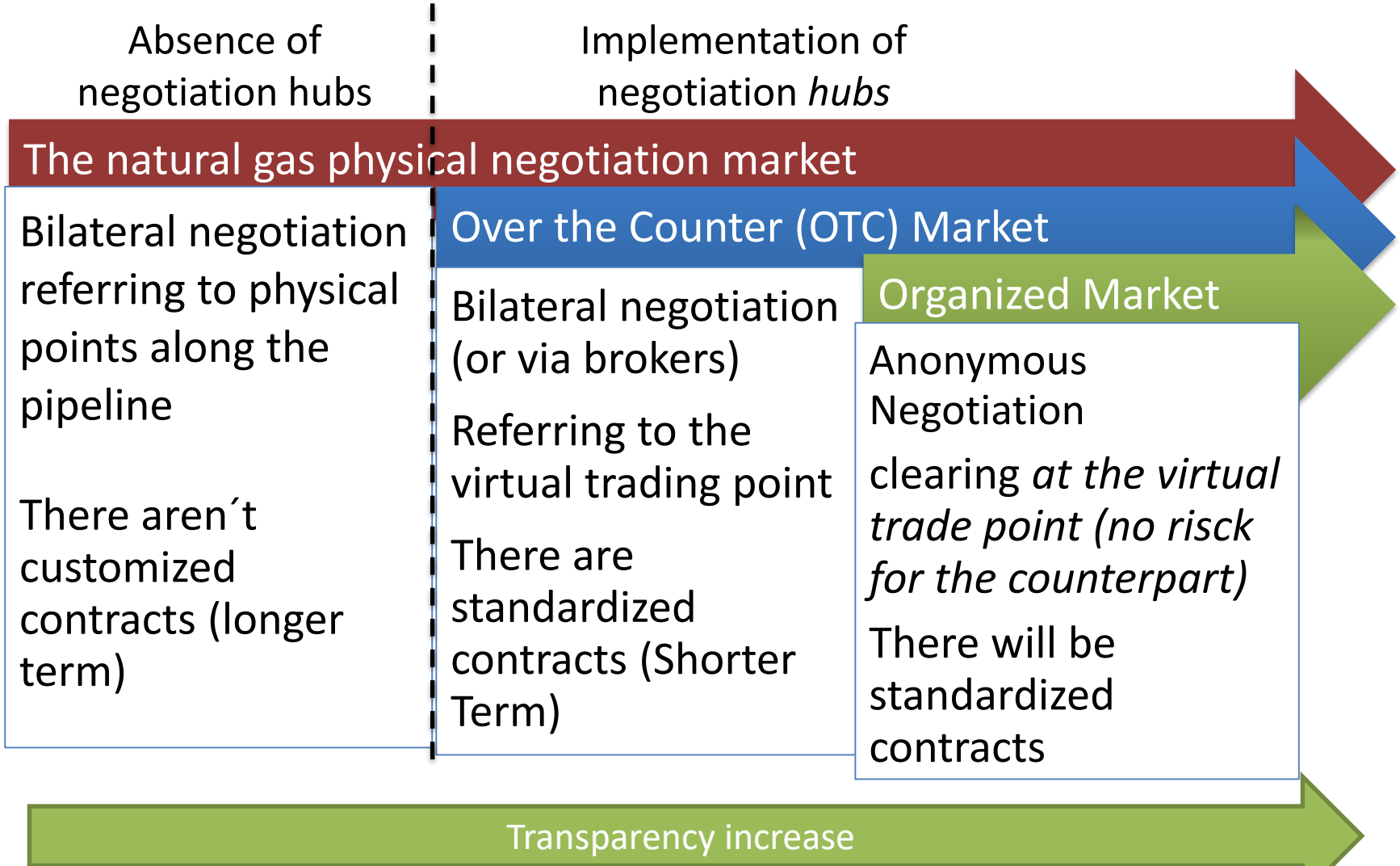
➢Virtual Trading Point / Market Hub

Reference to the market where buyers and sellers meet for gas exchanges, resulting in a market price

Market areas enables the formation of virtual trading points

Routes for the Market

The usage of standardized buying and selling contracts is not mandatory for the natural gas physical negotiation market.



Main drivers and obstacles to the development of the gas market

Lack of competitive forces → More suppliers and free consumers are needed

Lack of a comprehensive legislation → New draft bill sets “market design”

Lack of market driven gas price mechanisms → Trade hubs and exchanges

Lack of third party access →
- Contractual congestion management
- Essential Facilities Doctrine
- Shorter term transportation contracts

Lack of transportation infrastructure →
- authorization of new pipelines
- Ten year network develop. plan

Thank you!

Superintendência de Infraestrutura e Movimentação – SIM