



GNPC/DCE/CSBD/EXC/22/Vol.1/007

20th April, 2022

**THE EXECUTIVE SECRETARY
PUBLIC UTILITIES REGULATORY COMMISSION
53 LIBERATION ROAD
ACCRA**



Dear Sir,

RE: SUBMISSION OF PROPOSAL FOR MAJOR TARIFF REVIEW (2021 – 2026) – UPDATED INFORMATION

Reference is made to our meeting held on 12th April, 2022 on the above subject at Alisa Hotel.

Following our initial submission and the clarifications required, we hereby submit the following in response to your request at the meeting

- Copy of Amendment and Restatement Agreement relating to GSA between GNPC (seller) and Genser Energy Ltd (buyer)
- Copy of VRA Facility User Agreement between GNPC and VRA
- Copy of Gas Management Services contract with West Coast Company Ghana Ltd
- Details of pricing methodology for LNG
- Regarding your question on whether GNGC had paid GNPC for the offshore gas gathering pipeline, we would like to state that no payment has been received by GNPC from GNGC for that purpose. GNPC spent an amount of US\$37.91 million in the construction of the 14km offshore pipeline. GNPC proposes to PURC to include the pipeline cost in the tariff asset base, and determine a tariff component to be received by GNPC to allow GNPC recover the investment.

We look forward to your kind consideration of GNPC's submissions to ensure full cost recovery for the sustainable development of Ghana's gas sector.

Yours faithfully,

**JOSEPH DADZIE
DEPUTY CHIEF EXECUTIVE (CSBD)
FOR: CHIEF EXECUTIVE**

Encl:

Update of GNPC's Submission on Gas Price for Multi-Year (2021-2026) Tariff Determination



GAS PRICING FOR SUSTAINABLE MARKET IN GHANA



UPDATE OF GNPC'S SUBMISSION TO PURC FOR MULTI- YEAR TARIFF PERIOD 2022-2026

ALISA HOTEL

APRIL 12, 2022

OUTLINE OF PRESENTATION

01



COST REFLECTIVE GAS PRICING APPROACH

02



2022 GAS COSTS - GNPC PERSPECTIVE

03



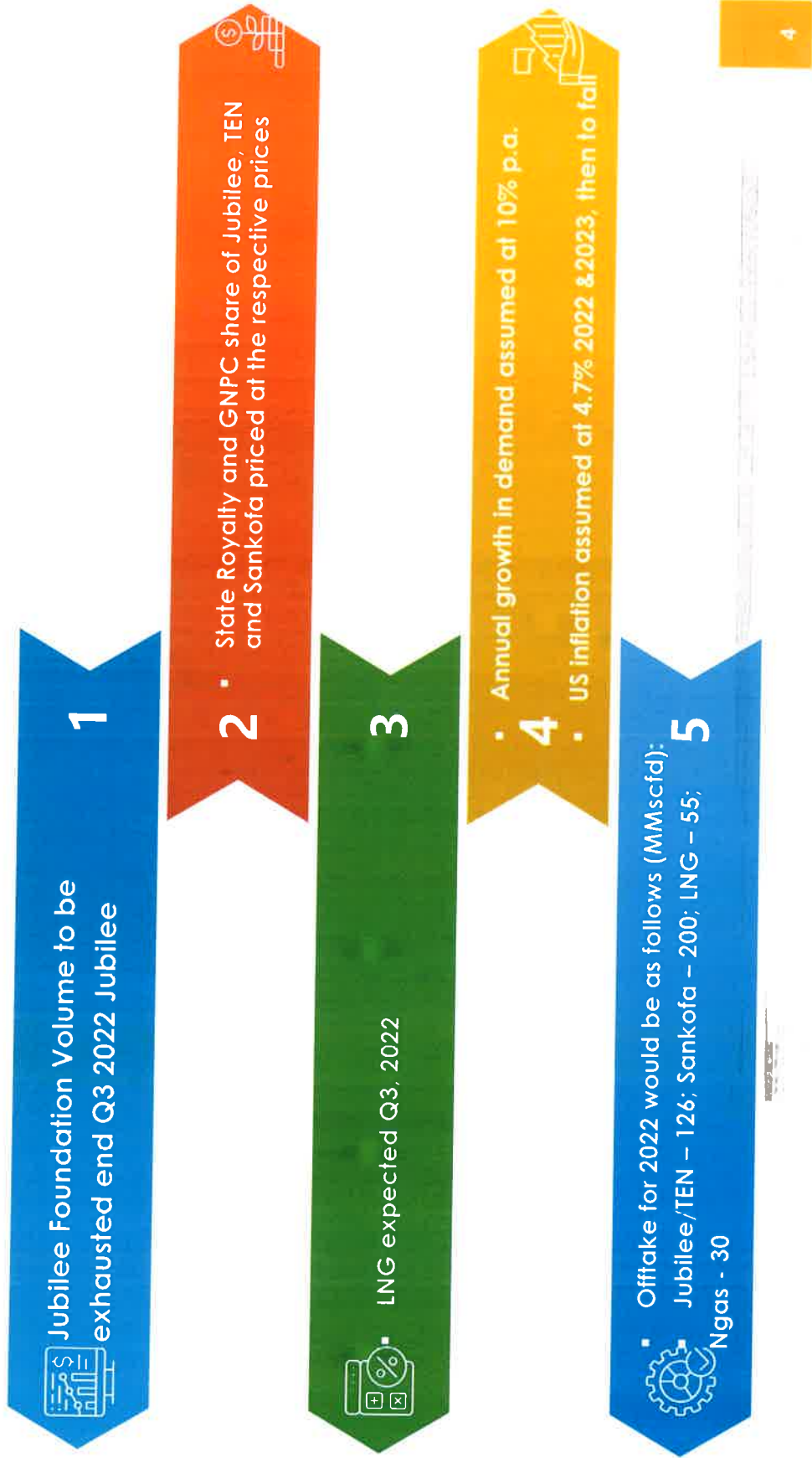
MULTI-YEAR GAS COMMODITY COSTS

COST REFLECTIVE GAS PRICING

GAS PRICING TO ENSURE COST RECOVERY

- $WACOG = \text{Gas Commodity Costs (GCC)} + \text{Regulated Service Charges (RC)}$
- Where:
 - **GCC** is Weighted Average Commodity Cost (**WACC**) incurred by from gas sellers including weighted aggregate service costs (**WASC**)
 - i.e., from Jubilee , TEN, Sankofa, LNG (**WACC**)
 - Aggregate Service Costs incurred to deliver gas to consumers.
 - WAGP transmission Cost (reverse flow)
 - Gas Management Services Cost
 - VRA Gas Interconnection Cost (VGIF)
 - Western (Prestea)- Kumasi Pipeline Cost
 - Gas Intermediation Service Charge
- **Regulated Costs (RC)**
 - GNGC Processing +Transmission + PURC Regulatory Levy

KEY ASSUMPTIONS



2022 GAS COMMODITY COST: GCC (\$/MMBtu)

GCC = WACC+ WASC = \$ 7.9143

Jubilee: 116mmscfd, 28%:
\$2.2647

TEN: 10mmscfd, 2%: \$0.6198

Sankofa: 200mmscfd, 49%:
\$8.7200

Lng: 55mmscfd, 13%: \$7.7000

Ngas: 30mmscfd, 7% : \$7.5803

\$6.5206



WAGP
: \$2.4248

Gas Management
: \$0.0843

Western-Kumasi Pipeline:

\$1.7817

Gas Intermediation Serv.
Charge:

\$0.0860

VGIF:

\$0.0150

\$1.3937



•Processing charge

•Transmission service charge

•Regulatory Levy

GAS COMMODITY COST - 5 YEAR LOOK AHEAD

GAS COMMODITY COSTS: 2022 - 2026 (\$/MMBTU)

Item	2022	2023	2024	2025	2026
WACC	6.5206	7.3848	7.7344	8.0212	8.3148
WASC	1.3937	1.2930	1.2090	1.1310	1.0557
GCC	7.9143	8.6778	8.9434	9.1521	9.3706

EXPECTED GAS OFFTAKE & COMMITMENTS

	2022	2023	2024	2025	2026
Expected Gas Offtake (MMscfd)	410	449	496	542	598
Sankofa	200	170	173	180	198
Jubilee	116	112	112	112	112
TEN	9.4	12.6	13	13	13
LNG	55	125	148	187	225
N-Gas	30	30	50	50	50
GNPC Gas Offtake Commitment	359	430	480	530	530
Sankofa	180	180	180	180	180
Jubilee	116	112	112	112	112
TEN	9.4	12.6	13	13	13
LNG	54	125	175	225	225

MULTI-YEAR BREAKDOWN OF GAS COMMODITY COSTS

Summary Results	2022	2023	2024	2025	2026
Weighted Average Commodity Cost	6.5206	7.3848	7.7344	8.0212	8.3148
Weighted Aggregate GNPC Service Cost	1.3937	1.2930	1.2090	1.1310	1.0557
Intermediation Service Cost	0.0855	0.0855	0.0855	0.0855	0.0855
Gas Management Service Cost	0.0659	0.0673	0.0657	0.0668	0.0686
WAGP Transmission Cost - (T'di-Tema)	2.4248	2.5388	2.6581	2.7378	2.7926
VGIF Service Cost	0.0150	0.0150	0.0150	0.0150	0.0150
West-Kumasi Pipeline Financing Cost	1.7817	1.7817	1.7817	1.7817	1.7817

CONCLUSIONS

- GNPC commends PURC for the Multi-year tariff programme
- The gas landscape is changing; no more free gas; cost is rising
- It's important to maintain cost-reflective pricing
- Quarterly adjustments are key to keep up with costs
- For the effective operations of the Cash Waterfall Mechanism, maintaining market foreign exchange rate is key



Thank you
Any Questions?

