

IMPLEMENTATION OF GAS CONNECTION MANUAL AND LEASE AGREEMENT BETWEEN GAS MALAYSIA DISTRIBUTION SDN BHD AND CONNECTED PARTIES

FREQUENTLY ASKED QUESTIONS

GENERAL

What is the purpose of Gas Connection Manual (GCM) and Lease Agreement?

The GCM is an agreement for the physical arrangement between Offtaker and Gas Malaysia Distribution Sdn Bhd (GMD) to ensure technical compatibility of the connected facilities for the safe and reliable operation of the gas delivery system. The Lease Agreement is an agreement to formalise the allocation of area to station the Gas Facilities.

What are the differences between these Agreements compared to the Agreement I recently signed with Gas Malaysia Energy and Services Sdn Bhd (GMES)?

Previously, the Gas Supply Agreement between you and Gas Malaysia Berhad (GMB) governed the whole arrangement of your gas supply, including gas purchase, physical connection and the allocation of the area to station the Gas Facilities. Under the Third Party Access (TPA) licensing regime, these functions will be carried out by two wholly-owned subsidiaries of GMB, namely GMES and GMD. Each Agreement serves a different purpose, as follows:

- i. Gas Supply Agreement with GMES – for natural gas purchase arrangement
- ii. Gas Connection Manual with GMD – for physically connected facilities arrangement
- iii. Lease Agreement with GMD – to the allocation of an area in your premises to station the Gas Facilities

Other than the GCM and Lease Agreement, is there any other agreement that I need to sign with GMD?

No, the GCM and Lease Agreement are the only Agreements between you and GMD.

If I change my gas supplier to another Shipper, do I have to terminate the GCM and Lease Agreement?

The GCM and Lease Agreement do not need to be terminated. Regardless of the Shipper that supplies gas to you, the delivery of natural gas to your premises still requires the use of the Gas Facilities.

Can I request a disconnection directly to GMD?

Yes. However, as a gas distributor engaged by your Shipper to deliver gas to you, GMD requires confirmation from your Shipper on such request. It is recommended for you to notify your Shipper of the disconnection request and GMD will act accordingly after receiving the request from your Shipper.

GAS CONNECTION MANUAL

Is there a validity period for the GCM?

No, the GCM will be in force as long you are a natural gas user connected to the Gas Facilities.

The TPA Code does not mention that I need to sign the GCM. For example, under section 2.4.9 (a) (i), TPA Code states that I “shall acknowledge the Gas Connection Manual prepared by the distribution licensee”.

The TPA Code issued by Suruhanjaya Tenaga (ST) serves as a general guideline. During the development of GCM, in order for GMD to carry out its duties as required by its licence, ST agrees for the need to have the GCM treated as an agreement and not a manual.

Under recital (B), GCM stated that “Connected Party has been either granted a private gas license or a retail license”. Do I need to apply for either licence?

Yes. This is a regulatory requirement under the Gas Supply Act 1993. However, exemptions may apply to your category of licence. You are recommended to seek legal advice appropriately.

The TPA Code lists seven obligations of Connected Party but GMD listed 11 requirements in Clause 2.2 of the GCM. Please explain why.

There are five additional obligations, which are listed under Clause 2.2 (f), (h), (i), (j) and (k). These terms have been reviewed and approved by ST to ensure fairness to both parties and to safeguard the Gas Facilities.

As example, Clause 2.2 (f) specifies that the Connected Party shall not enter the Natural Gas Service Station at any time for any reason.

However, Clause 2.3 (c) states that the Distributor shall allow the Connected Party to inspect the Distribution Network located within the Connected Party’s premise where necessary with the Distributor’s consent.

These 2 clauses mean that you should not simply enter into the Natural Gas Service Station. Having said so, you may request to enter the Natural Gas Service Station but with GMD’s consent.

Section 2.4.3 of the TPA Code stated “The GCM to be established between the distribution licensee and each connected party will contain provisions regarding the physical connection, measurement, operational safety and arrangements with regard to the connecting facilities”. However, the GCM issued by GMD contains other terms such as Clause 5 on Disconnection and Clause 8 on Termination, which seem irrelevant. Please explain why.

The additional clauses have been agreed by ST and are required for the arrangement of physical connection and operational safety.

An example scenario where these additional clauses are applicable is if you plan to switch to a fuel source other than natural gas and will not require further use of the Gas Facilities.

In this scenario, you may request for disconnection under Clause 5 on Disconnection. After confirmation by your Shipper, the gas supply will be disconnected. Pursuant to Clause 6 on Termination, as there will be no request for re-connection within 60 days, GMD may terminate the GCM and remove the related Gas Facilities. This will vacate the area in your premises which was previously used to station the Gas Facilities.

Is the termination after 60 days from the date of disconnection negotiable?

Both GMD and Offtakers are required to comply with the terms in the GCM, which have been reviewed and approved by ST to ensure fairness for both parties and the safety of the gas facilities. The termination process will adhere to the period specified in the GCM.

If I wish to do major modification or maintenance of equipment, and will not be using gas for more than 60 days, will GMD terminate the GCM and remove the Gas Facilities?

Your Shipper may request for temporary disconnection in order for you to proceed with the modification or maintenance work. The GCM will not be terminated.

Who will pay for the stamp duty?

The GCM is considered a regulatory document and has no 'Consideration Value'. Thus, there is no requirement to stamp the GCM.

LEASE AGREEMENT

What is the rental rate?

The rental rate is RM10 for 20 years.

What is the basis of RM 10 for the rental rate?

A Nominal Value of RM 10 is used as the consideration value in order for the Lease Agreement to be effective.

Can I increase the rental rate?

The rental rate will be RM 10 for the duration of the lease.

Why is the Lease Period fixed at 20 years? Is this negotiable?

The Lease Period is established based on several factors, including the economic life of the Gas Facilities and the estimated duration of gas supply.

Notwithstanding, the agreement can be terminated by Lessor (refer to Clause 10), terminated by Lessee (refer to Clause 11), or by the termination of GCM. In case you are no longer a natural gas user, you can request for a disconnection. The GCM will be terminated 60 days later, together with the Lease Agreement.

Will I incur any costs under the Lease Agreement?

The Lease Agreement does not specify any other cost to you.

Can I propose another layout plan if the layout plan is not accurate?

Yes.

What if I want to sell the whole factory plant where the leased land is located?

The same process for disconnection and termination as described under the GCM will apply. The Lease Agreement will be terminated together with the GCM.

The land is a leased land and I do not have any right to sub-lease it to GMD. In this case, what other documents need to be prepared by both “Lessor” and “Lessee”?

You shall request a consent from the landowner to sub-lease the land. As far as the Lease Agreement is concerned, the only document between the parties would be the Lease Agreement.

Why is there a difference in remedy period before termination of the agreement, i.e. the Lessor shall give the Lessee a minimum of 60 days remedy period, whereas for termination by Lessee, the remedy period is only 30 days?

Due to the nature of the Lessee's obligations under the agreement, the Lessee is likely to require a longer time to remedy its non-performance. Nonetheless, the Lessee shall at all time act as a prudent network operator and attend all matters diligently.

Who will pay for the stamp duty?

The cost for stamping fees will be borne by GMD.