

PETROLEUM AND NATURAL GAS REGULATORY BOARD

1. These guidelines shall be called "Petroleum and Natural Gas Regulatory Board (Protection of Consumer Interest in respect of Dedicated Pipelines for Natural Gas) Guidelines 2010".
2. These guidelines are being issued in the interests of the consumers receiving supplies of natural gas by dedicated pipelines in furtherance of the mandate prescribed under section 11 (a) of the Act which requires the Board to protect the interest of consumers by fostering fair trade and competition amongst the entities.

3. Definitions.

(1) In these guidelines, unless the context otherwise requires,-

(a) "Act" means the Petroleum and Natural Gas Regulatory Board Act, 2006;

(b) "Board" means the Petroleum and Natural Gas Regulatory Board established under sub-section (1) of section 3 of the Act;

(c) "dedicated pipeline for natural gas" means a pipeline as specified under regulation 2 (f) (i) of the Petroleum and Natural Gas Regulatory Board (Authorizing Entities to Lay, Build, Operate or Expand Natural Gas Pipelines) Regulations, 2008;

(2) Words and expressions used and not defined in these guidelines, but defined in the Act or in the rules or regulations made there under, shall have the meanings respectively assigned to them in the Act or in the rules or regulations, as the case may be.

4. Applicability.

These guidelines shall apply to a dedicated natural gas pipeline coming under the purview of regulation 19 of the Petroleum and Natural Gas Regulatory Board (Authorizing Entities to Lay, Build, Operate or Expand Natural Gas Pipelines) Regulations, 2008.

5. Objectives for issuing these guidelines.

(a) Section 2 (j) of the Act defines "common carrier" as such pipelines for transportation of petroleum, petroleum products and natural gas by more than one entity as the Board may declare or authorize from time to time on a nondiscriminatory open access basis under sub-section (3) of section 20, but does not include pipelines laid to supply- (i) petroleum products or natural gas to a specific consumer; or (ii) crude oil.

(b) The functions of the Board pertaining to "common or contract carrier" given in section 11 (c), (d) and (e) of the Act relate to authorization, access and tariff determination thereof. But:

- i. Section 1 (4) of the Act states that it applies to refining, processing, storage, transportation, distribution, marketing and sale of petroleum, petroleum products and natural gas excluding production of crude oil and natural gas.
- ii. Section 11 (a) of the Act confers a wide mandate to the Board wherein the Board shall protect the interest of consumers by fostering fair trade and competition amongst the entities

(c) From a conjoint reading of the above provisions of the Act, it is evident that the legislative intent is clearly in favour of regulatory oversight when wider issues of consumers interests are involved even in case of dedicated pipelines. In

particular, a huge demand-supply gap, the monopolistic / dominant position of the marketers / transporters and the absence of a competitive gas market have created a situation where the Board necessarily has to play a pro-active role to carry out the legislative mandate under section 11 (a) of the Act to protect the legitimate interests of consumers.

(d) Of late, the Board has started receiving a large number of complaints from consumers drawing supplies of natural gas from dedicated pipelines alleging primarily that transporters:

- i. are charging exorbitant transportation charges in respect of dedicated pipelines.
- ii. do not let the consumers exercise their choice for laying and operating the pipelines themselves.

(e) Establishing guidelines that will serve as a benchmark is essential for facilitating fair trade and competition in furtherance with the mandate prescribed under section 11 (a) of the Act in the interests of the consumers.

6. Details of the guidelines.

(a) The laying, building, operating or expanding of a dedicated pipeline would be solely dependent on the choice to be exercised by the consumers either by themselves or by an entity laying, building, operating or expanding a common or contract carrier pipeline or by a third party entity, subject to compliance with the provisions of the PNGRB (Technical Standards and Specifications including Safety Standards for Natural Gas Pipelines) Regulations, 2009.

(b) In case the dedicated pipeline is maintained by a third party entity or by an entity laying, building, operating or expanding a common or contract carrier pipeline, then such entity will ensure determination of reasonable level of tariff for

dedicated pipelines by following a transparent process which shall *inter alia* facilitate access of consumers to the basis for arriving at the determined tariffs.

- (c) The methodology for arriving at the reasonable level of tariff shall ensure that the tariff shall not exceed the level as calculated in accordance with the provisions of the PNGRB (Determination of Natural Gas Pipeline Tariff) Regulations, 2008.

Provided that in case the estimated life of source of the dedicated pipeline is shorter than the economic life of the pipeline envisaged under the provisions of the PNGRB (Determination of Natural Gas Pipeline Tariff) Regulations, 2008, then the tariff shall be suitably moderated to account for such shorter period.

Provided further that if the life of the source is further extended from that earlier estimated during tariff fixation and no further investments are made, then only reasonable operation/maintenance expenditure and compensation for residual value of the asset shall be allowed through the tariff during such further period.

- (d) The entity shall establish an effective complaint handling system in accordance with the provisions specified in Regulation 11 of the Petroleum and Natural Gas Regulatory Board (code of Practice for Quality of Service for City or Local Natural Gas Distribution Networks) Regulations, 2010.

- (e) All contracts or agreements executed with the consumers drawing supplies from dedicated pipelines shall be suitably modified to ensure consonance with these Guidelines.

7. Miscellaneous.

If any dispute arises with regards to the implementation of any of the provisions of these guidelines, the decision of the Board shall be final.