

No: PNGRB/CGD/BID/7/2016-cLARIFICATION

पेट्रोलियम एवं प्राकृतिक गैस विनियामक बोर्ड

**Petroleum and Natural Gas Regulatory Board**

प्रथम-तल, वर्ल्ड ट्रेड सेंटर, बाबर रोड, नयी दिल्ली: 110001

**1<sup>st</sup> Floor, World Trade Centre, Babar Road, New Delhi - 110001**

31<sup>st</sup> August, 2016


To,  
All Prospective Bidders

Subject: Response to Clarifications sought relating to 7<sup>th</sup> Round CGD Bidding

Sir,

With reference to the clarifications sought by prospective bidders related to issues concerning 7<sup>th</sup> round CGD bidding the response to the clarifications sought by prospective bidders are enclosed herewith. These clarifications shall constitute a part of respective Application-Cum-Bid-Document and shall be duly signed and submitted along with the bid documents by authorized signatory of the entity.

Yours faithfully

  
31/8/2016.  
Arvind Kumar

(Additional Adviser)

Encl: As Above

**CLARRIFICATIONS 7TH ROUND OF CGD BIDDING**

<b>S.N.</b>	<b>Issue</b>	<b>Clarification</b>
1	<p>On clarification no (i) of (V) issued on 28.07.16</p> <p>The Sub-Regulation i) of the Regulation 21(2) on extension of a natural gas pipeline in regard to the clarification provides as under :</p> <p>“The entity <b>may</b> extend the authorized length of the natural gas pipeline up to ten per cent. Or 50 kilometer, whoever is lower from the point of origin or the end point in the demand centres outside the existing tariff zone and shall submit to the Board the full particulars, map of all facilities justification for the proposal and seek prior authorization from the Board.....”</p> <p>iii) The above proviso implies that it is at the sole discretion of the mainline operator to provide pipeline connectivity in case the distance between the mainline and the boundary of the GA is beyond 50 Km. The investment risks of the CGD entity therefore increases significantly in the absence of any assurance or mandation that the mainline operator would provide pipeline connectivity to the CGD Network.</p> <p>iv) In addition to the above, we feel that the CGD entity should be permitted to consider either of the two pipeline connectivity considering that the applicable NG Pipeline tariffs would have a major impact on the long term viability of the CGD project.</p>	<p>1. It is clarified that the connectivity to authorized CGD network is to be provided by mainline operator up to 10% or 50 Kms as per the Regulation 21(2) and Regulation 21(3) of the PNGRB (Authorizing Entities to Lay, Build, Operate or Expand Natural Gas Pipelines) Regulations, 2008. In case the distance of the CGD network boundary and tap-off points is more than 50 Kms, CGD entity shall complete the gap by laying a Sub Transmission Pipe Line (STPL) (even, if the point is beyond the boundary of GA) with a permission from PNGRB. However, endeavour should be made by the CGD entity and mainline operators to mutual agree on the same. It is further clarified that STPL can not be used to supply natural gas to any customer outside the authorized GA.</p> <p>2. The STPL laid with reference to above will be taken in to account for the purpose of Minimum Work Program (MWP) for Inch-Km</p> <p>3. STPL will always form part of CGD network and all relevant regulation will be applicable thereto.</p>

On Clarification ii)

The authorization for a sub-transmission pipeline has not been included in the PNGRB ( Authorizing Entities to Lay, Build, Operate or Expand Natural Gas Pipelines) Regulations 2008 and therefore there is no clarity on ;

- f) Whether a sub-transmission pipeline would be a Regulated Pipeline with non-discriminatory third party access allowed after the CGD Network completes 5 years of marketing exclusivity.
- g) The basis of settlement of tariff for usage of sub-transmission pipeline post marketing exclusivity by third party users.
- h) Further, it is our view that the current provisions in the CGD Authorization Regulations limit the activities of the authorized entity of lay, build, operate or expand network of pipelines only with the defined boundary limits of the Geographical Area (GA) and not outside the limits of the GA.
- i) It is also not clear under which Regulatory provisions would a CGD entity seek permission to lay, own and operate a sub-transmission pipeline and the applicable terms & conditions for its operation, access and tariff settlement for third party usage. In this regard , we also feel that a sub-transmission pipeline may not be a dedicated pipeline since its purpose is to bring natural gas for supply to more than one customer within a GA.
- j) PNGRB is also requested to kindly consider that it would be in the interest of the consumers ( in terms of price) & also the CGD entity ( in terms of project viability) that the

	<p>least cost option ( with a lower distance from the mainline) option is reckoned for connecting a CGD Network with a mainline.</p>	
2	<p>We Understand that the designated transmission pipe lines as declared by PNGRB for the GAs of Jaipur, Udaipur, Bhopal, Solapur and Devangari are considered only for the purpose of Regulation 12 of PNGRB (Authorizing Entities to Lay, Build, Operate or Expand Natural Gas pipeline Regulation, 2008) and upon the authorization the entity is permitted to get connectivity from any of the existing/upcoming pipelines near the GA considering techno-economic suitability for viability of the CGD project. Kindly confirm, our understanding is correct.</p>	<p>Provisions for the same is already available in ACBD part-A Section-I (ITB) Clause No- 1.1.3</p>
	<p>Further on declaration of designated pipelines for the GAs of Jaipur, Udaipur &amp; Bhopal and also the response of the query at Sl. No. (v) by PNGRB, we would like to draw your kind attention on the following ambiguities and its implications:</p> <p>a. The distance between the proposed connectivity point from the transmission pipeline to city gate station (CGS) which should be at the periphery of populated area i.e. city for all the three GAs is approximately 110-150 Kms. Since laying of sub-transmission pipeline from trunk pipe to CGS has been kept under the scope of the authorized entity as per the interpretation by transmission pipeline operator for</p>	<p>Clarification given against Sl No 1 shall be applicable here.</p>

<p>Regulation 2(1) (q) of the PNGRB (Technical Standard and Specifications including Safety Standards for City or Local Natural Gas Distribution network Regulations, 2008), the authorized entity will incur huge additional cost adversely affecting viability of the CGD project as such.</p> <p>b. This also leads to time overrun for the project. Moreover, Sub-transmission pipeline being high pressure line should be operated and maintained by the trunk pipeline operator.</p> <p>c. There is no obligation on part of transmission pipeline operator for providing connectivity in time bound manner which results in abnormal delay in commissioning of the project</p> <p>d. Moreover, the trunk pipeline operator is charging hefty amount (Upfront charges, Annual O&amp;M charges, Escalation etc.) in the name of providing connectivity over and above the pipeline tariff charges allowed by Regulations.</p>	
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