Q & A | L MANSINGH

"We cannot regulate gas prices"

years after it was first constituted, the Petroleum and Natural Regulatory Board (PNGRB) continues to move ahead in a hy manner — it is inviting bids for 2,800 km of cross-country lines and 1,200 km of spurlines next week; it is in the process of g tariffs for the Mukesh Ambani-owned Reliance Gas sportation India Limited (RGTIL) pipeline; and will bid out nd eight to ten geographical areas for city-gas distribution every th for another two to three years. And yet, the powers given to it imited. It can regulate the tariff charged for transporting city for instance, but cannot regulate the overall cost of gas to umers — in some of the recent bids it has got, city-gas suppliers bid a zero tariff for carrying the gas. Its Chairman L Mansingh e at length on several of these issues to **Sunil Jain,** *including the roversy over whether his Board was suitably empowered to take ions in a host of areas.* **Excerpts of the conversation:**

Photo: SANJAY SHARMA

: the non-notification of ion 16 of the Petroleum and ral Gas Regulatory Board RB) Act mean you have no ers to regulate over lines and city-gas projects?

government says we have all owers that are needed and takeholder has questioned powers — Gail had got an on saying we had no power t too is participating in our ng process.

ut there is an issue in the that the petroleum ministry nues to take decisions on 80 ent of the gas produced in the try today — this is the inistered Price Mechanism 4) gas. To give a related nple, if the Controller of tal Issues had not been abol- l when Sebi was set up, its tioning would have been affected, wouldn't it? Interestingly, the first para of the government affidavit in the High Court said we had all powers but the second para took this away — it said we could process applications for pipelines and city-gas projects but could not decide on them!

Some of the bids you're getting for city-gas projects have a zero value for pipeline tariffs. But who's going to ensure the overall gas price for the consumer is not high?

We have the power to do this under Section 11 F of the PNGRB Act. But for us to use this power, the government has to notify products and put them in this section. So far this hasn't been done. Logically, the government could have at least notified those products which are not subsidised as heavily as LPG and kerosene are — products like naphtha, furnace oil.

But don't worry too much about city-gas pricing. Though we can regulate only the pipeline tariff which is a small part of overall costs, a natural ceiling on prices is the price of subsidised LPG for households. And after the initial problems, all existing city-gas projects will be subject to our regulations, so this will get sorted out. In addition to the pre-existing projects, we've identified 330 more areas and will put up eight to ten for bidding each month for the next two to three years.

Isn't there the danger of cartelisation in the case of these city-gas projects? Some bidders never bid against each other in city-gas projects.

We have decided that we will accept single bids unless there is clear evidence of collusion. There will be four months of scrutiny which is plenty of time for objections to be made and examined.

The government authorised nine cross-country pipelines before you came into being and the RGTIL pipeline was also in existence before you came up. How will you deal with their tariffs since their costs are a given — in the case of RGTIL it was hiked many times in comparison with the initial estimates.

Under our Act, all new pipelines have to be competitively bid for. In fact, after the government pre-empted us by approving nine pipelines, I didn't think we'd get the kind of response we've got. There are already five Expressions of Interest we've got for new pipelines and these will be bid out in the next one week — the total trunk length of these pipelines is 2,800 km and there are another 1,200 km or so of spurlines.

> "Our powers are restricted to regulating pipeline tariffs which are typically a fraction of the overall tariff — till gas is notified under Sec 11F, we can't regulate its consumer price"

But this includes parallel pipelines from Kakinada. Why don't we have single pipelines which everyone can access? Why does each producer want to have its own pipeline to carry its product — what happened to the common carrier principle?

The Gail and GSPL pipeline proposals did have a parallel route for 700-odd km — both opposed each other's proposals on this very ground and RGTIL opposed both saying it could serve the market they were going to serve by building spur lines! We have a pipeline advisory committee that helps us. My view is that it is not a good idea to correlate supply with what looks like demand very closely — once the gas is there, the demand will just shoot up and all demand-supply correlation exercises become infructuous. So it's important to be a bit liberal while granting permissions. But we don't want parallel pipelines, so the Gail/GSPL projects will be combined and bid out and this will not be parallel to RGTIL. (Under the PNGRB way of functioning, companies wanting to set up pipelines can propose them and, after PNGRB has vetted their Expressions of Interest, the proposals are opened up to public bidding.)

How are you going to fix tariffs for already authorised pipelines? The capex is a given, so even if it is gold-plated, you can do nothing. Will you do benchmarking?

We debated this extensively and found that globally tariffs differ widely depending upon terrain. So while we will try and ensure the tariff is reasonable, there cannot be any benchmarking. The Hazira-Vijaipur-Jagadishpur (HVJ) pipeline, for instance, was built on relatively flat ground, RGTIL's East-West is different terrain. We've hired a consultant who will take a first look at the tariff's reasonableness, then we'll examine his report.

We'll have consultants for each pipeline, and so will be in a position to compare their reports ... We've got the affiliate code of conduct in place as well — the pipeline tariff has to be quoted separately and has to be offered to everyone. It will take us six months or so to fix the tariffs of the existing pipelines. The tariffs will be reviewed after the first year, and then after every five years. If the tariffs we fix are lower than those being currently charged by various pipelines, the money will have to be refunded to consumers. Of the nine pipelines authorised by the government in the period between the passage of the PNGRB Act and the notification of the Board, four haven't even started work — we're taking legal opinion on whether we can bid these pipelines out.

But are you going to ask why pipeline costs have gone up so dramatically? In the case of RTGIL, its tariffs are far higher than what Gail had said it would charge if it was allowed to develop the pipeline.

We have asked companies to give us the documentation to show they've been approved of by the government — this has not been provided. In several city gas projects, for instance, the letters of approval provided to us have a date that is after the Board was constituted! We have also asked the government to give us the details of the approvals and the cost of various cross-country pipeline projects that it approved.