

2751/2019/10/10/Secy.

Subject: **PNGRB Public Notice release dt 22.08.19 - Guiding Principles for declaring CGD as common carrier or contract Carrier**

To: "secretary@pngrb.gov.in" <secretary@pngrb.gov.in>

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Date: 12/10/19 01:14 AM

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Respected Ma'am,

Reference PNGRB Public Notice No: PNGRB/AUTH/7-MIS(3)/2015 dated 22/08/2019 asking comments on Guiding Principles for Declaring CGD Network as Common Carrier or Contract Carrier.

Our comments on the same are given as under please:

Permissions of various Central and State authorities for CGD activities like pipeline laying and setting up CNG stations is time consuming. Thus creation of CGD infrastructure on field takes much more time than originally envisaged. Also the activities are majorly linear in nature with one leading to another. Any delay in one segment causes unnecessary delay in project timelines. CGD companies have limited resources in terms of manpower, money and material and break even period for investments is quite high because of O&M and Third party damages. Thus we submit, **marketing exclusivity period should be extended to a similar period as physical exclusivity to ensure that CGDs who have invested heavily in the network are not subject to run as sick companies** while independent marketing companies or unauthorised CGD companies leverage on the profitable segments like CNG and Industrial customers. This has the effect of making an outsider company gain by bleeding the local CGD resulting in poor or even loss of employment at local GA level.

Clause 12 in draft Guiding Principles states that "Upon the expiry of marketing exclusivity, CNG stations shall not be considered as being covered by the infrastructure exclusivity that may continue to vest with the authorized entity under the provisions of regulation 5 of the Petroleum and Natural Gas Regulatory Board (Exclusivity for City or Local Natural Gas Distribution Network) Regulations, 2008". It is worthwhile to mention that **capital intensive Steel network being laid in the CGD is primarily to charge online CNG stations** and thus the above proposal runs contrary to the business models and ethics only resulting in huge capex and losses to the CGD company. The above heavy Capex is made with the assumption of 25 years physical exclusivity and any change in this infrastructure exclusivity will make the CGD companies economically unviable.

The primary objective of the CGD company is to provide DPNG and CNG for the general public at large and the MWP by PNGRB during the earlier bidding rounds also defined DPNG connections and Infrastructure creation as key measures. GOI also allocates APM Gas for the above two social segments of household and transport. Opening opportunities for Marketing companies and alien CGD companies in developing GAs, will cause **poaching on CNG & Industrial customers which are profitable leaving the DPNG segment for CGD company which is capital intensive with low return**. Thus the authorized CGD company shall lose while the Third party marketing company shall profit at its expense. Adequate Physical and Marketing exclusivity should be accorded to authorised CGDs who have invested crores of rupees in their respective Gas, so that they reap the benefits of their hard work, time and investment. Else CGD companies who have recently entered into the CGD arena will be wiped away by older and bigger CGD companies resulting in near monopoly and economic disparity.

It may be ensured that CGD companies focus on the GAs awarded to them initially for physical exclusivity period and not compete with other entities. Not regulating them will lead to poaching by larger CGDs into areas not authorised to them while ignoring to expand beyond commitment in less profitable DPNG segment within their GA. **We are not averse to the idea of open market and competition but request that adequate exclusivity period be accorded to the authorised CGDs so that they are financially robust**

and capable to take on the challenges of the market. We seek intervention of the Board to provide level playing field to all the entities in the CGD arena so that all are able to stand up to the market challenges with their own uniqueness and strength truly reflective of the GA awarded to them.

We are confident that PNGRB shall look into the above comments favourably and safeguard the interests of smaller CGD companies like ours. HNGPL has been awarded the challenging GA of District Haridwar, which has potential to generate employment for the local populace and also remain profitable if the business interests are duly safeguarded from financially much stronger and more resourceful CGDs and Marketing companies.

Regards,
Paranjay Joshi
Chief Manager
Haridwar Natural Gas P Ltd
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