

**Email****anand.aman@pngrb.gov.in**

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**FW: Views/comments on the draft 'PNGRB (Determination of Transportation Rate for CGD and Transportation Rate for CNG) Regulations, 2020'**

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**From :** Pankaj Bhutani <bhutani.p@pngrb.gov.in>

Thu, Oct 15, 2020 04:23 PM

**Subject :** FW: Views/comments on the draft 'PNGRB (Determination of Transportation Rate for CGD and Transportation Rate for CNG) Regulations, 2020'**To :** Aman Anand <anand.aman@pngrb.gov.in>**Cc :** Vineet Kumar <vineet.saxena@pngrb.gov.in>

-----Original Message-----

From: Secretary &lt;secretary@pngrb.gov.in&gt;

Sent: 15 October 2020 16:17

To: Pankaj Bhutani &lt;bhutani.p@pngrb.gov.in&gt;

Cc: Vineet Kumar &lt;vineet.saxena@pngrb.gov.in&gt;

Subject: Fwd: Views/comments on the draft 'PNGRB (Determination of Transportation Rate for CGD and Transportation Rate for CNG) Regulations, 2020'

----- Forwarded Message -----

From: "Nitin tiwari" &lt;Nitin.tiwari@antiquelimited.com&gt;

To: "Secretary" &lt;secretary@pngrb.gov.in&gt;

Sent: Thursday, October 15, 2020 3:26:42 PM

Subject: Views/comments on the draft 'PNGRB (Determination of Transportation Rate for CGD and Transportation Rate for CNG) Regulations, 2020'

Respected Ma'am/ Sir,

Subject: Views/comments on the draft 'PNGRB (Determination of Transportation Rate for CGD and Transportation Rate for CNG) Regulations, 2020'

In respect to aforementioned subject, we wish to submit our views; you are kindly requested to take note of the same.

1) Application of Tariff Regulations

The draft regulations have provisions applicable only to

- \* Entities granted authorization under Regulation 17, and Regulation 18 of the PNGB (Authorizing Entities to Lay, Build, Operate or Expand City or Local Natural Gas Distribution Network) Regulations, 2008)

- \* Entities granted authorization under Section 42 of the Act

The notification otherwise is silent on the entities which have been granted authorization under the Bid rounds 3 and 8 and have bid for INR 0.01/mmbtu as network tariff. Kindly note several such areas authorized under Bid round

1 to 5 could be looking at end of marketing exclusivity and therefore could come under the purview of common carrier/Access code. Application of common carrier guideline and access code in such areas could lead to abysmally low tariff realization for authorized entity, hurting its economic interests. In our opinion the Board needs to look into the same and suitably resolve the conundrum.

2) Normative Post tax Rate of Return

"The transportation rate shall be calculated based on the "Cost of Service" (COS) methodology considering a normative post-tax rate of return of twelve percent on capital employed"

Board has suggested a lower normative post tax rate of return of 12% (vs 14% earlier) for CGD infrastructure, aligning the same with rate of return applicable to Natural Gas Pipelines. We find the lowering of rate of return punitive, kindly note following points in respect to the same

1) In our opinion planning and laying a CGD network is far more complicated and cost intensive exercise (in context of volume carried) given, unlike trunk Natural gas pipelines, CGD network is deployed in congested cities, with inherent multiple regulatory and operational challenges

2) The CGD entities have not been candidates for any form of Government subsidy for laying /operating the CGD infrastructure and depend exclusively on their own cash flows for development of infrastructure

3) A 'Low' and 'fixed' normative rate of return does not take into account the variation in cost of capital (equity and debt) for an entity laying the CGD infrastructure. In addition low normative return in face of high cost of capital could disincentive infrastructure creation

4) Under the proposed regulation, given the compliance requirements, the administrative cost for an authorized entity are likely to increase, which are otherwise might not be directly linked to operation of network, and hence possibly not admissible in calculation of normative return

3) Computation of Net Fixed Assets and Normative Working Capital "capital expenditure on last mile connectivity (LMC) in case of domestic consumers shall be netted off against the refundable security deposit collected by the CGD entity under the provisions of sub-regulation (1) of regulation 14 of the Petroleum and Natural Gas Regulatory Board (Authorizing Entities for Laying, Building, Operating or Expanding City or Local Natural Gas Distribution Networks) Regulations, 2008. The balance amount shall be considered in the calculation of transportation rate for CGD"

If the 'security deposit' is refundable, in our opinion it would be imprudent to net off the same. More so, when in case of 'portability' of a domestic consumer to competitor/shipper, the authorized entity would need to refund the deposit, on termination of services.

Thanks and Regards

Nitin Tiwari | VP-Equities,

Antique Stock Broking Limited

21st floor, Naman Midtown, A wing,

Senapati Bapat Marg,

Prabhadevi, Mumbai 400 013

T +91 22 4031 3434 | M +91 9920021940

Website: [www.itigroup.co.in](http://www.itigroup.co.in) <<http://www.itigroup.co.in/>>

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