



INDRAPRASTHA GAS LIMITED

(A Joint Venture of GAIL (India) Ltd., BPCL & Govt. of NCT of Delhi)

IGL/R&CA/PNGRB/PN/14102001

October 14, 2020

To,

The Secretary,
Petroleum & Natural Gas Regulatory Board
1st Floor, World Trade Centre,
Babar Road,
New Delhi-110 001

Sub: Views/Comments on draft "PNGRB (Determination of Transportation Rate for CGD and Transportation Rate for CNG) Regulations, 2020"

Madam,

This is with reference to Public Notice No: PNGRB/COM/1-CGD Tariff (1)/2015, dated 23.09.2020 seeking Comments on draft "PNGRB (Determination of Transportation Rate for CGD and Transportation Rate for CNG) Regulations, 2020"

In this regard, our comments are mentioned below -

1. The proposed Regulations can come into effect consequent upon the declaration of a CGD network as a Common or Contract Carrier after the period of period of marketing exclusivity is over. However, the CGD entity cannot be declared as Common Carrier ipso facto on the expiry of the Marketing exclusivity period itself. Prior to declaring an entity as a Common or Contract Carrier, there has to be a proper hearing as per Section 22 Sub-Clause 2 of the PNGRB Act, 2006 and after hearing the entity, a declaration is made to this effect.
2. Since the validity of Regulation 5 and Regulation 6 of the PNGRB Exclusivity for City or Local Natural Gas Distribution Network) Regulations, 2008 are sub-judice before the Hon'ble High Court of Delhi, the proposed Regulations cannot be made effective.
3. The Regulations should be effective prospectively and not retrospectively. Any data based on which "Transportation Rate" will be determined should be considered from the date of effectiveness of the Regulation and not prior to it as envisaged under the present Regulations.
4. Notwithstanding and without prejudice to above mentioned comments (S.No 1-3), it is submitted that -

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a. **Regulation 4 (1)**

This activity of determining the transportation rate is taken up for the first time, involving compilation of huge data and elaborate calculations. Thus, the period of 90 days is not sufficient and we request to increase it to at least 180 days, alike the timelines provided for subsequent years.

b. **Regulation 4 (3)**

Section 52 (6) of the PNGRB, Act, entitles the Board only to seek information from the entities and the Board shall maintain confidentiality with regard to information and record received from any entity. Therefore, to webhost details of calculation of Transportation Rate and such sensitive information in public domain, is not as per the provisions of the Act, as only the Board is authorized in terms of the Act to seek such documents and is to maintain confidentiality. Under no law there is any requirement to webhost the sensitive information by which the commercial and sensitive information associates with it is known to the competitions. This Clause for web hosting may be removed.

c. **Regulation 4 (4)**

The provision for complaint after webhosting the transportation rate is not correct. It would lead to an uncertainty on the viability of the business of the authorized entity. There is a certain likelihood for the misuse of this provision. Alternatively, it is suggested that PNGRB may review the rates prior to the entity's webhosting the same.

d. **Regulation 7(2)**

It is requested to provide more clarity to understand this provision.

e. **Schedule –Methodology for determination of Transportation Rate for CGD and Transportation Rate for CNG**

- Taking normative values would lead to imbalances in the actual costs incurred by the entity vis-a-vis calculated transportation rates. However, without prejudice to the above, the normative values should allow the variations in infrastructure set up to build redundancy in the CGD network (CNG and PNG) for ensuring reliability of gas supplies at all times.
- The terms “reasonable” and “justified” are not defined in the regulations.

f. **Schedule S.No. 1 – Cost and Financial Data**

- There should be a provision to add inflation on the past data considered for calculating the transportation rate for the 1st year.(e.g., WPI).
- Also, determined transportation rates should be allowed for certification by any practicing Chartered Accountant.



g. **Schedule S.No 2 - Methodology for determination of transportation rate for CGD and CNG.**

The post-tax rate of return of fourteen percent should be allowed, as mentioned in the Concept Paper.

h. **Schedule S.No 3(1) - Computation of Net Fixed Assets and Normative Working Capital.**

There is always a time lag in the process of incurring actual expenditure, installation and commissioning of the capital item. Also, we need to maintain the inventory for the capital equipment to ensure their timely commissioning. Therefore, CWIP for a certain period, viz., 15 days should be included in calculating the transportation rates.

i. **Schedule S.No 3(3) - Computation of Net Fixed Assets and Normative Working Capital.**

Each Geographical area has uniqueness in terms of terrain, road conditions, population density, households density, lanes, power situation, types of houses and other infrastructure facilities, other demographic situations, etc. Therefore, optimization, reasonableness, or best practices, appropriateness of pipeline design and operating philosophy cannot be generalized across the CGD sector. Non comparable values should not be taken for calculation of transportation rate.

j. **Schedule S.No 4(2)(viii)(a) - Operating Cost**

• Generally, useful life is considered as 25 years in the CGD industry and the same should be considered in this clause.

• Residual value to be considered in the range of 0-5%

k. **Schedule S.No 4(2)(viii)(b) - Operating Cost**

Residual value to be considered in the range of 0-5%

l. **Attachment 2. S.No 3**

Fixed asset declared as commissioned but not deployed in operations of the CGD network should be included as they may be non-operational due to varied reasons but already deployed for CGD operations.

Thanking you,

Yours Sincerely,

For Indraprastha Gas Limited

Amit Mathur

General Manager

(Regulatory & Corporate Affairs/IA&RM)