



Date: 14.10.2020

To,
The secretary
Petroleum and Natural Gas Regulatory Board
World Trade Center
Babar Road
New Delhi

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

Respected Madam,

In reference to the subject matter above, our views/comments are as follows:

1. In the proposed Regulation, the transportation rate shall be calculated based on the "Cost of Service" methodology considering twelve percent post-tax rate of return on capital employed, where "Cost of Service" is defined as below:

"Cost of Service methodology, a unit rate of compensation is determined based on operating cost + depreciation + return on capital employed consisting of net fixed assets (NFA) and normative working capital (NMC) employed in business"

We request PNGRB to share the actual financial calculations of established CGD networks based on the proposed methodology so that the tariffs can be compared vis-à-vis bid out CGD tariffs in 9th and 10th round.

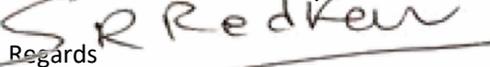
Any major differences in the determined transportation rates and bid out CGD tariffs shall create disparity in the market.

Higher transportation rate shall act as an entry barrier in opening-up the already existing CGD infrastructure after expiry of exclusivity.

2. CGD infrastructure can also be used for supplying of gas to other CGD GAs where cross-country trunk pipeline is at a distance.

In those cases, higher transportation rate of established CGD networks shall make the arrangement unviable.

We believe that in case of unreasonably high CGD and CNG transportation rates for established and depreciated CGD networks, the objective of opening-up the CGD market after expiry of exclusivity shall stand defeated. Therefore, we suggest that either there should be an upper limit, or it should be market driven, so that uniformity can be maintained in the transportation rates among CGD networks across the country.


Regards

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