India Gas Solutions Private Limited
(CIN - U40200MH2011PTC224011)

27 October 2020

Ms. Vandana Sharma
Secretary
Petroleum and Natural Gas Regulatory Board
New Delhi - 110001

Dear Ms. Sharma,

Sub.: Comments on the proposed Petroleum and Natural Gas Regulatory Board (Access Code for City or Local Natural Gas Distribution Networks) Regulations, 2020.

We thank you for the opportunity to submit our views on the draft Regulation on (Access code for City or Local Natural Gas Distribution Networks) Regulations 2020 ("Regulation"). We support recent PNGRB initiatives to reform the City or Local Natural Gas Distribution Networks.

These ongoing reforms must be seen in a larger context and require a holistic approach. Thus, even as we reform the city or local distribution networks, we should provide fair, transparent and non-discriminatory access to transmission pipeline infrastructure, institute Independent Transmission System Operator and adopt Unified Tariff regime as envisaged in Determination of Natural Gas Pipeline Tariff Regulations, 2008 ("NGPL Tariff Regulations") issued in September 2020.

Once such a holistic approach is adopted, these reforms would lead to development of a truly competitive gas market and support the government's objective to increase the gas share in the primary energy mix.

Our comments on the proposed Access Code Regulation are provided in 2 sections:

Section 1: Adherence to key principles

Capacity declaration: Given that the open access to infrastructure is after the end of marketing exclusivity period for the authorised entity, the Regulation must provide for 100% open access to capacity. To operationalize this, the Regulation may be designed to begin with 20% open access as proposed, with a provision to reach 100% open access within a stipulated period (e.g. 2-3 years). This will provide end customers freedom to choose their supplier. In addition, Regulation should prevent hoarding of capacity by adopting 'Use it or lose it' principle.

Secondly, to facilitate and ensure seamless functioning, PNGRB should frame common terms for access with flexible durations for booking capacity (fortnight to multi-year) and for both firm and an interruptible type of contracts.

Lastly, to foster competition, authorised entity's utilisation of unused open access capacity should be fungible. The tenure of authorised entity booking the unused open access capacity should not be more than a month at a time. In addition, the framework should prioritise shipper's request to utilize the open access capacity over authorized entity booking at any given point.

Capacity booking: Given that market exclusivity period has ended there should be no pre-conditions or minimum volume restrictions as envisaged under clause 5 (3). Removal of pre-conditions / restrictions will usher true gas-on-gas competition and benefit end consumers in terms of lower prices. In case, of minimum threshold volume a ramp time of minimum six months should be allowed to the shipper to achieve the minimum threshold volume. Also, to remove any incentive for hoarding capacity, allocation of capacity should be on a pro-rata basis rather than highness of the proposed product of volume and duration of capacity booking.

Expansion of availability of natural gas in authorised area whose City or Local Natural Gas Distribution Network has been declared as Common Carrier: The authorised entity should provide interconnection to new infrastructure in a timely manner without discrimination. PNGRB should, as part of minimum service obligation, specify timelines within which new connection should be provided to new customers within a charge area where gas pipeline has been laid. The Regulation must ensure that authorised entity does not show any undue preference towards, or undue discrimination against, or prevents competition in the network.

Provision of Access to third party CNG/L-CNG stations: The compression facilities installed by the Shippers as provided for under section (7) of the proposed Regulation, do not form a part of the regulated asset base of the authorised entity and therefore should be outside the purview of common carrier or contract carrier regulations. Further, given that Shipper is creating its own compression facilities, no compression charges should be levied by the authorised entity.

Also considering the safety and operational requirements, the LNG stations should be allowed to work as LCNG stations, and these should be given an exemption from payment of CGD network and compression charges to encourage penetration of gas.

Charges (overrun, system imbalance, among others): To provide a level playing field, these charges should apply uniformly to all shippers including the authorized entity. To usher in higher degree of transparency, the invoices – raised for shippers and end gas consumers should segregate and provide clear component wise break-up of all the costs.

Specifically, on overrun and system imbalance charges, the authorised entity and the shipper should work together to maintain integrity and discipline in the pipeline. To this end charges should be cost reflective and the threshold levels and charges must not exceed those specified for the transmission systems under the Petroleum and Natural Gas Regulatory Board (Access Code for Common Carrier or Contract Carrier Natural Gas Pipelines) Regulations, 2008 and Modalities of maintaining & operation of Escrow Account under the Petroleum and Natural Gas Regulatory Board (Access Code for Common or Contract Carrier Natural Gas Pipelines) Regulations, 2008.

Section 2: Suggestions on Schedule 1 Access Arrangement Guidelines:

Clause	Suggestions
Clause 3 C (ii): Webhost standard application form	• The access to all CGD networks must be provided on standard terms and conditions. Further application form and standard provisions should include all commercial terms, such that they are transparent, fair and same for all entities. • The authorised entity should complete the entire process within 30 days, given standard terms across all players.
Clause 3 C (iii): Standby letter of credit and last mile connectivity	• Standby letter of credit (SBLC) coverage of 60 days for industrial commercial consumers and 120 days for domestic connections, is excessive and not in line with gas transportation agreements. It should be for a period covering 15 days (invoice frequency -preferred) or a maximum of 30 days (current practice in gas transportation agreements). • Security Deposit for existing connections – last mile connectivity (LMC) will already have been

	provided by an existing customer to authorized entity. Accordingly, this clause should not apply. • Security Deposit for new connection – Given that authorised entity continues to be the owner of infrastructure, the customer should pay LMC charges directly to the authorized entity.
Clause 4 & 8: System integrity, discipline and grid management	• Authorised overrun, proposed at 1.5 times the tariff, should not be charged as shipper is using this capacity post approval and after meeting the volume requirements on the system by the CGD entity or other shippers. • The imbalance and overrun charges to maintain system discipline should be lower than those charged for transmission pipelines. For example, in the UK, the overrun charges on the local distribution grid is lower than those charged on the NTS.
Clause 10: Authorised entity's shortfall charges	• Authorised entity compensation for shortfall should be at par with overrun charges as levied on shipper, with a maximum liability capped at 50% of tariff revenue (as is the case for transmission pipeline). Further any imbalance resulting from shortfall caused by the authorised entity, should be not charged to the shipper.

We shall be happy to discuss further.

Yours sincerely,

Utpal Maru
Chief Commercial Officer