

Respected Madam,

This is with reference to Public Notice No: PNGRB/Auth/1-CGD (16)/2020, dated 06.10.2020, seeking Comments on draft “PNGRB (Access code for City or Local Natural Gas Distribution Networks) Regulations, 2020.” In this regard, our comments are mentioned below -

A. General Comments –

- 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 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 may be 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 till the pendency of the case.
- 3) The Preamble of the PNGRB Act, states that the interests of both the consumers as well as the entities has to be taken into consideration by the Board. The draft Regulations seems not taking care of the interest of the entities in the entirety. The draft regulations encourages “cherry picking” of the customer segments by the shipper and there is a likelihood of an attempt to impair the existing network of the authorized entity. The existing draft regulation shall lead to making the overall CGD development project as economically unviable for the Authorized Entity by making it the supplier of first and last resort for PNG domestic segment only.
- 4) The scope of draft regulation is beyond the PNGRB Act, as the Act does not envisage any entity other than the authorized entity to lay, build, operate or expand in a particular Geographical Area. Allowing a non-authorized entity to lay down pipelines is contrary to infrastructure exclusivity. Further, by this it would authorize some other entity indirectly, which is contrary to the intent of the present Regulation meant for only laying the guiding principles.
- 5) The draft regulations has provision that allows third parties to setup CNG/LCNG Stations in the area of an authorized entity. By the definition of “CGD Network”, the CNG stations are part of the CGD Network. Therefore, setting up of CNG Station is within the exclusive domain of an authorized entity only. This proposed Regulation is therefore contrary to the scheme of the Act and the Authorization Regulation.

- 6) The draft regulation should deal with allowing shipper to access to existing CGD network. However, the draft regulations are also dealing with infrastructure exclusivity, authorization, creation of infrastructure for the shipper, etc. Such unrelated provisions may be avoided in the regulations meant for facilitating Access to the existing CGD network.
- 7) There can be a possibility of reduction in volume offtake by shipper(s) considering the marketing dynamics and in such a scenario; there is no mechanism for recovery of investment made in creating added capacity. Regulations should ensure the return on investment made by an authorized entity to lay network for creating additional capacity.
- 8) An authorized entity has a mandate to meet the targets fixed by various authorities from time to time, which requires expansion of its infrastructure in the Authorized GA. However, any shipper may seek capacity booking for that particular area, leaving the authorized entity without any scope for recovery on its high capital investment in the absence of marketing exclusivity

B. Comments of Specific Regulations –

Notwithstanding and without prejudice to above mentioned comments at S.No A (1) to (8), comments of specific regulations are -

	Regulation/ Clause No.	Draft Regulation, 2020	IGL Comments
1	Reg 2(1)(e)- Definition of “CNG exit point”	<ul style="list-style-type: none"> • “CNG exit point” means the point at which the CNG is off taken from a CNG compressor outlet point for delivery to the shipper with proper arrangement for metering at outlet of the CNG compressor by the authorised entity: <p>Provided that the CNG exit point shall terminate at tubing connection or union where compressor exit is connected to dispenser and at filling nozzle in case it is connected to CNG cascade of the shipper or any other point available in the high pressure pipeline;</p>	<ul style="list-style-type: none"> • As per our understanding, CNG exit point would be only at the mother stations of the Authorized entity. • Therefore, please clarify how the compressor exit point will be connected to the dispenser of the shipper or any other point available on the high-pressure pipeline.

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2 .	Reg 2(1)(n)- Definition of “exit point”	<ul style="list-style-type: none"> “exit point” means the point at which the natural gas is off taken from city or local natural gas distribution network by the shipper as agreed between the authorised entity and the shipper in the access arrangement and such exit point shall be at all the metering stations, CNG exit point and all such other points mutually agreed between the shipper and authorised entity in the access arrangement: - Provided that- (i) for domestic piped natural gas (PNG), the exit point shall be the suraksha hose of the individual consumer; (ii) any new exit point shall be decided mutually on technical and safety ground. 	<ul style="list-style-type: none"> The Board is requested to retain the earlier clause “...for domestic piped natural gas (PNG), the exit point shall be the concerned DPRS. This point shall be considered for aggregating the offtake for domestic use of gas.” The Board may clarify the methodology to determine the exit point capacity at suraksha hose of the individual PNG Domestic connection.
3 .	Reg 2(1)(ze) – Definition of “shipper”	<ul style="list-style-type: none"> “shipper” means a consumer or a marketer or any other entity who intends to utilize the capacity in the CGD Network; 	<ul style="list-style-type: none"> The definition of consumer to be clarified. The purpose for using the capacity of Authorised entity CGD Network to be specified by the shipper.
4 .	Reg 3(b)(iii)	<ul style="list-style-type: none"> (b) the development of the infrastructure shall be governed by the Petroleum and Natural Gas Regulatory Board (Authorising Entities to Lay, Build, Operate or Expand City or Local Natural Gas Distribution Networks) Regulations, 2008 and the shippers shall get their gas transported or 	<ul style="list-style-type: none"> As per our understanding, CNG exit point would be only at the mother stations of the Authorized entity. Also, existing online CNG stations have to be necessarily an integral part of Authorised CGD entity’s network and therefore can by no means be considered as the exit point.

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		<p>delivered by the authorised entity-</p> <p>i. up to the suraksha hose connecting to the burner of the domestic connections;</p> <p>ii. up to the metering point in case of commercial and industrial connections;</p> <p>iii. up to compressor exit point in case of CNG stations. However, if CNG compressor is installed by the shipper, then shipper shall receive the gas at CNG Compressor entry point.</p>	<ul style="list-style-type: none"> • Refer S.No A (3) • CNG compressor is an integral part of Authorised entity's CGD infrastructure and exclusivity. • CNG entry point has no basis to be part of these Regulations - Refer S.No A (6)
5 .	Reg. 3(b) Provided further, Proviso no. (iii)	<ul style="list-style-type: none"> • Compressor exit point shall include the filling nozzle and CNG measurement facilities. 	<ul style="list-style-type: none"> • Compressor exit point should be rephrased as CNG exit point at Mother stations of the Authorised Entity
6 .	Reg 4(1)- Capacity Declaration	<ul style="list-style-type: none"> • Authorised entity shall, within 90 days of declaration of its CGD network, as common carrier or contract carrier, determine in accordance with applicable regulations and declare by publishing on its website the entry point capacity, the exit point capacity, the CNG exit point capacity for open access at all entry points and exit points and the capacity at DPRS level for PNG and capacity at 	<ul style="list-style-type: none"> • Since this is a massive exercise that shall be carried out for the first time after the notification of the new proposed regulations, hence it is requested that a time period of at least 180 days should be provided for determining and declaration of capacity.

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		mother stations (Cascade filling capacity) for CNG	
7	Reg 4(2)- Capacity Declaration	<ul style="list-style-type: none"> The capacity in a CGD network for open access on cumulative basis at all entry points shall be at least twenty percent of the capacity of the CGD network or the maximum quantity of gas that has flowed in the CGD network even for a period of one day in the past whichever is higher. If such open access capacity in the CGD network falls below ten percent, the authorised entity shall increase the capacity of the CGD network so as to restore the open access capacity to at least twenty percent within a period of six months from the date it has fallen below ten percent. 	<ul style="list-style-type: none"> Highest capacity on a day should not be considered as it could be because of exceptional circumstances and it is not advisable to continuously run the network under such stress limits. Thus, aberrations should be excluded for calculations and the capacity for open access should be calculated on the avg. quantity flow, excluding outliers. The time period of six months provided for expansion of capacity is very less. The laying of network requires several approvals, tendering and contract management. Thus a period of 24 months should be allowed to enhance the open access capacity from ten to twenty percent.
8	Reg 4(3)- Capacity Declaration	<ul style="list-style-type: none"> The Board may on a suo motu basis and notwithstanding the provisions of sub regulation (2) but after following the due process of public consultation, may by order direct an authorised entity to expand the capacity of the CGD network within such period and on terms and conditions as it may deem fit. 	<ul style="list-style-type: none"> The Board may discuss with the authorized entity prior to taking any action of public consultation process.
9	Reg 4(4)	<ul style="list-style-type: none"> An authorised entity shall not utilise open access capacity in its CGD network for own requirement except with 	<ul style="list-style-type: none"> CGD entity should be allowed to use extra capacity rather than wait for 90 consecutive days otherwise it may create unnecessary cushion in the

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		respect to such part of extra capacity for which booking has not been received from any shipper for a consecutive period of ninety days.	<p>system at Authorized Entity's cost, especially considering that some shippers might book quantities for very short durations.</p> <ul style="list-style-type: none"> • There should be a penalty payable by the shipper for non-utilisation of booked capacity.
1 1 .	Reg 5(1)- Capacity booking	<ul style="list-style-type: none"> • The authorised entity shall, within 21 days of declaration of its city or local natural gas distribution network as common carrier or contract carrier, publish information in the format specified in Schedule-II on its website and a short advertisement referring to such publication on the website in a national daily and a vernacular daily newspaper, seeking capacity booking for the entry points and exit points capacity on its CGD network and thereafter take similar action within twenty one days of when extra capacity is available in its CGD network. 	<ul style="list-style-type: none"> • The time period of 21 days for such a vast exercise is very less. • For clarity purpose, the exercise for seeking capacity booking from Shippers should be initiated only after successful completion of 90 days block period (as defined in Reg 4(1)) during which the Authorized Entity shall be doing the needful w.r.t determination of spare capacities both at entry and exit points.
1 2 .	Reg 5(3)- Capacity booking	<ul style="list-style-type: none"> • The sum of the requested entry points MDQ shall not be less than 500 MMBTU, and the off take at any exit point shall not be less than 50 MMBTU per day. 	<ul style="list-style-type: none"> • PNGRB has deleted the earlier clause mentioned for mandatory supply by the shipper to Domestic segment. – Refer S.No A (3) • For Non Domestic category – (a)The “entry points” may be replaced as “any entry point” and the off take at any entry point and exit point should be at least doubled to 1000 MMBTU and 100 MMBTU respectively

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			<p>(to avoid fly by night operators to ensure system discipline/integrity)</p> <p>(b) Also, under normal circumstances, the summation of exit points quantities should be equivalent to entry point nominations until and unless shipper is trying to cure the previous imbalance quantities.</p> <p>(c) Likewise, for fixing of minimum gas quantity to be booked at entry and exit points, it is suggested that some minimum period, say one Fortnight, should be defined for booking the capacities as each time the Authorized Entity is required to follow a set of rules/guidelines to ensure smooth transportation of gas.</p> <ul style="list-style-type: none"> • This clause should be amended suitably for PNG Domestic segment to avoid cherry picking.
1 3 .	Reg 5(6)	<ul style="list-style-type: none"> • The authorised entity shall publish information on entry points capacity, exit points capacity and CNG exit points capacity on the city or local natural gas distribution network of an authorised area, on its website by 15th of each month for the succeeding month on a continuous basis 	<ul style="list-style-type: none"> • The monthly declaration of capacity will not be feasible for a large network. The declaration of capacity should be done on a six monthly basis.
1 2 .	Reg 6(1)- Expansion of availability	<ul style="list-style-type: none"> • authorised entities are required to reach all charge areas or wards in the authorised area through pipelines of adequate size to meet the demand of the 	<ul style="list-style-type: none"> • The mandate for the entity is to reach all the charge areas (not ward). Bringing a new provision as a penal action of ending infrastructure exclusivity cannot be introduced

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	of Natural gas	consumers in these charge areas or wards. In case authorised entity fails to meet the requirement as per the provisions of the exclusivity Regulations, Board shall cancel the infrastructure exclusivity either for the full area or part area as the case may be.	<ul style="list-style-type: none"> Refer S.No. A (3), A(4) and A(6) As per the proposed regulation, a consumer situated at far- flung area may request for supply of natural gas and the CGD entity would be at an obligation to lay infrastructure despite it being economically unviable due to non-feasible area/low or uncertain demand, etc.
14	Reg 6(2)	<ul style="list-style-type: none"> Post cancellation of exclusivity, if an entity having the qualifying criteria specified in sub-clauses (b), (c) and (e) of sub-regulation (6) of regulation 5 of the Petroleum and Natural Gas Regulatory Board (Authorising Entities to Lay, Build, Operate or Expand City or Local Natural Gas Distribution Networks) Regulations, 2008 for the entire authorised area, intends to sell gas to consumers in an area that is not connected to the common carrier CGD network of the relevant authorised area, then such shipper may either supply through cascade/truck mode or may submit an application to the Board for laying the required pipeline or associated facilities..... 	<ul style="list-style-type: none"> Refer S.No. A(2),A(3), A (4), A(5) and A(6),\ These provisions should not form a part of the proposed Access Code Regulations.
15	Reg 7(1)- Provision of Access to	<ul style="list-style-type: none"> An authorised entity whose CGD network has been declared as a common carrier, shall allow any shipper to install CNG/L- 	<ul style="list-style-type: none"> As per our understanding, CNG exit points are at Mother Stations of the authorized entity.

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	third party CNG/L-CNG stations	CNG Station within the authorised area of its CGD network and provide access to the shipper. If the online compressor forming part of the authorised entity's CGD network is unable to meet the requirements of the third party CNG/L-CNG station installed by shipper within the authorised area, then such third party entity establishing the CNG station may request the authorised entity to install additional compressor facilities to meet the requirements of the third party CNG/L-CNG station(s). If the authorised entity is unable to establish and commence operation of such additional compressor facilities within a period of one hundred and eighty days from the date of request for such additional compressor facilities, then the concerned shipper may install its own compressor facilities which shall also be deemed to be common carrier or contract carrier and open to use by third parties including the authorised entity.	<ul style="list-style-type: none"> • There cannot be an infringement to the entity's existing online CNG stations as it would mean impairing the existing CGD network and thus not protecting the interest of the entity (not as per PNGRB ACT). • Therefore, installation of additional compressor at CNG station of third party is beyond the scope of the present regulations and over and above the requirement of building 20% additional capacity in the network. • Allowing setting up of LCNG station by the third party will impede the interest and investment of the authorized entity. • Refer S.No. A (3),(4),(5),(6) and (8)
1 6	Reg 8(4)- Obligations of shippers and authorized entity &	<ul style="list-style-type: none"> • Authorised Entity (AE) shall act as supplier of last resort for the domestic customers in case of any default by any shipper. 	<ul style="list-style-type: none"> • This provision should be strengthened further by including penal action against the defaulting shipper and also allowing authorized entity to have a monetary security / guarantee from the shipper.

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	Schedule- I point no. 4(f)		
1 7 .	Reg 8(9)	<ul style="list-style-type: none"> In case of PNG domestic connection, shipper shall be responsible for meter reading and shall pay the meter reading charges to the authorized entity [in case the meter reading is carried out by the AE on behalf of the shipper.] 	<ul style="list-style-type: none"> Meter Reading in case of PNG Domestic connections should be in the scope of the Shipper. This will also avoid any dispute with the customer because of issues related to billing arising out of meter reading or vice versa.
1 8 .	Reg 10(1)-	<ul style="list-style-type: none"> The shipper shall arrange to deliver natural gas at the entry points. The authorised entity shall provide facilities for transfer of custody and delivery of natural gas at the entry points at the cost of the shipper including measuring equipment: Provided that the shipper may install its check meter at the entry points at its own cost in case it desires so. 	<ul style="list-style-type: none"> Clarity is required on how the Shipper's contribution towards entry point facilities shall be calculated if the entry point, say for example CGS is being used both for Authorized Entity's own gas requirement and Shipper's gas requirement.
1 9 .	Reg 10(4)-	<ul style="list-style-type: none"> The authorised entity shall provide at its own cost facilities, including measuring equipment, pressure reduction and control facilities, odorisation facilities, gas chromatography or any other system as agreed between the authorised entity and the shipper, required for transfer of custody and delivery of natural gas to the shipper at all the exit points. Provided that the shipper may install its check meter at the exit 	<ul style="list-style-type: none"> The odorisation facilities and gas chromatography are the facilities linked to entry points and should not be linked to exit points. Hence the clause may suitably be amended. Also, as in case of entry points, the cost towards measuring equipment and pressure reduction control facilities at exit points should be borne by the shipper.

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		points at its own cost in case it desires so.	
20	Reg 12 (b) Gas Management System	<ul style="list-style-type: none"> • Authorised entity may secure the establishment and operations of a web-based, gas management system (GMS) which provides for an electronic transfer of information between authorised entity and shipper..... 	<ul style="list-style-type: none"> • Time Period for implementation of Gas Management System is not mentioned. • It is suggested that for implementation of GMS, 1 year time period should be allowed
21	Reg. 13(1)g	<ul style="list-style-type: none"> • The shipper shall pay to the authorised entity the following charges for using its CGD network or compression facility, namely: 	<ul style="list-style-type: none"> • As per the regulation, since all the charges are to be paid by shipper to the Authorized Entity, clarity is required on Transport or Pay charges. Moreover Ship or Pay and Transport or Pay terms need to be defined categorically.
22	Reg. 18 & 19	<ul style="list-style-type: none"> • System Use Gas (SUG), Lost and Unaccounted for Gas (LUAG), Line pack 	<ul style="list-style-type: none"> • Starting from entry point(s) to exit points there are hundreds of customers in CGD network covering all segments. It has been experienced that in CGD industry as a whole, the entry point quantity shall always be lesser than the summation of exit point quantity as there are various stages/processes/phenomenon involved wherein the gas gets consumed/utilized/vent off in the entire CGD value chain. Since, there is no control of CGD entity on this, it is suggested that the Authorised Entity should be allowed to recover the SUG, LUAG & LP, if any, from the Shipper in proportionate to the quantity of gas transported for Shipper from CGD network through Applicable Transportation rate for CNG/CGD. However, to

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			encourage the efficiency, it is proposed to cap such allowance to certain percentage.
2 3 .	Reg. 20 (2)	<ul style="list-style-type: none"> The planned maintenance shut down period for any customer, in all the segments, except domestic PNG, shall not exceed the cumulative period of ten days in any calendar year. The service obligations specified in the Petroleum and Natural Gas Regulatory Board (Authorising Entities to Lay, Build, Operate or Expand City or Local Natural Gas Distribution Networks) Regulations, 2008 and other relevant regulations shall prevail in respect of domestic PNG customers. 	<ul style="list-style-type: none"> It is proposed that the Planned Maintenance shall be capped to 20 days and not 10 days in a Calendar Year as there may be some exigencies that may take more time Authorised entity shall not be liable for any disruptions caused beyond its control. In Case of CNG exit points, in exceptional circumstances if the planned maintenance exceeds 20 days, Authorized Entity shall endeavour to provide alternate transport arrangements to the shipper by shifting the Exit point for interim period.
2 4 .	Schedule I, Reg 6 (d)	<ul style="list-style-type: none"> Entity owning the measuring instrument shall be responsible for the operation and maintenance of all measuring equipment in accordance with the code of practice for metering of the authorised entity and complying with technical standards. However, in case of entry point and in case of industrial and commercial customers, wherein the cost of measuring equipment is borne by the shipper, the authorised entity shall charge for the installation, operation and maintenance (including necessary replacements if any) of the measurement facility as per mutual agreement. 	<ul style="list-style-type: none"> Clarity is required, in case any existing I&C customer in Authorized Entity's CGD network takes gas from the Shipper route whether Authorized Entity shall take the cost towards measuring equipment from the shipper as the same is to be borne by the Shipper as per Schedule I Clause 6 (d).

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2 5 .	Schedule I, Reg. 8(4)c	•	<ul style="list-style-type: none"> • Imbalance rate should be charged based on Highest or Lowest priced gas in the CGD pipeline network during the fortnight rather than on a given day because the Gas quantity invoicing from CGD gas supplier is also done on fortnight basis and average gas cost is calculated based on the fortnight invoice. Moreover, daily reference of gas price (considering variety of gas types flowing in the system) for calculating the imbalance charges would be a cumbersome process. • The Entry point i.e. CGS for CGD entity as well as for the Shipper will be common and the gas will be received on priority order basis, which is a established norm in gas industry. Since the imbalances in the system on account of shipper is going to affect the Authorized Entity's own gas quantities off take on daily basis (which has financial implications on Authorized Entity), it is proposed that charges on account of imbalances, overrun etc. shall be retained at Authorized Entity end and not in escrow account.
2 6 .	Schedule I, Reg.10	<ul style="list-style-type: none"> • Authorised entity's shortfall charges • The authorised entity shall pay adequate compensation to the shipper in case the authorised entity is unable to provide capacity up to eighty percent of the nominated quantity 	<ul style="list-style-type: none"> • There should not be any shortfall charges as such a scenario may be a rare incident.

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		calculated on a monthly basis unless there is a planned maintenance, breakdown, system or network failure, third party damage, force majeure or any emergency or any other issues as specified in the access arrangement between the shipper and the authorised entity.	

The Board may consider the above submission, so that the interest of authorized entities are protected along with the customer interest.

Thanks & Regards,

Amit Mathur

General Manager

(Regulatory & Corporate Affairs / Internal Audit & Risk Management)



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