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Ms. Vandana Sharma
Secretary

Petroleum and Natural Gas Regulatory Board
1st Floor, World Trade Centre
New Delhi - 110001

Dear Madam,

Sub.: Comments on proposal to amend the Petroleum and Natural Gas Regulatory Board (Determination of Natural Gas Pipeline Tariff) Regulations, 2008 (“NGPL Tariff Regulations”)

We thank you for inviting stakeholder comments on the Petroleum and Natural Gas Regulatory Board (Determination of Natural Gas Pipeline Tariff) Regulations, 2008 (“NGPL Tariff Regulations”) amendment.

The proposed amendment is in line with series of concerted efforts undertaken towards facilitation of conducive business environment for development of competitive gas markets.

We believe the new tariff structure should facilitate in creating a single gas market by attracting investment to complete the Gas Grid as well as ensuring equitable access to natural gas across the country by avoiding incidence of additive tariffs. Rationalization of gas pipeline tariff structure by adopting a simplified tariff structure would improve gas affordability across the country and attract investments into the gas infrastructure.

We fully support the objective of a simplified tariff structure and firmly believe development of a truly competitive gas market is a key step in achieving government’s objective to increase gas share in India’s primary energy mix.

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We believe that to fully achieve the larger objectives of Government of India, the following needs to be reviewed and addressed in the proposed amendments:

Imperative to integrate all pipelines: Currently, the proposed amendment envisages pipelines of only two entities to be designated as an “Integrated Natural Gas Pipeline System.” Restricting this amendment to only two entities will result in market distortions as it excludes 28% of the pipeline capacity (mmscmd). In order to truly avoid additive tariff regime, the principle to follow should be to determine unified tariff of all interconnected pipelines irrespective of ownership.

Inadvertently incentivizes LNG over domestic gas supplies and does not provide flexibility to change entry and exit points on network: The majority of gas market is in North and West India and most new production (~40-50 mmscmd by 2022/23) is coming from the East coast (KG Basin). By not including Kakinada to Gujarat pipeline in Integrated Pipeline System, the proposed Unified Tariff regime inadvertently incentivizes LNG over East coast domestic gas resulting in adverse impact on E&P activity and goes against the Prime Minister’s ‘Make in India’ and ‘Atmanirbhar’ vision.

Fails to rationalize pipeline tariff: Leaving out other pipeline entities will lead to wide disparity in pipeline tariffs particularly for the buyers who must rely on other entities in addition to entities covered under the “Integrated Natural Gas Pipeline System” for their gas. The proposed amendment thus does not fully resolve the disadvantages inherent in additive tariff structure. It is only by integrating **all** interconnected pipelines, we achieve rationalized pipeline tariffs which leads to a pan-India development of a gas market.

Creates entry barriers, hampers competition and deter investments: Given the provisions, existing entity can develop a spur line and get the new line integrated in the Natural Gas Pipeline System. More importantly, this amendment affects the tariff competitiveness of the bid out and other pipelines thereby discouraging new investments. It will provide unfair advantage to existing entities and bolster their position which goes against the very objective of promoting competition among all pipeline entities and development of a pan-India competitive gas market.

Last but not the least, fair, transparent and non-discriminatory access to pipeline infrastructure is a must to ensure low price of gas cascades to the consumer: Consumers benefit from more supply side competition. Hence lower prices can be achieved only when all market participants can access pipelines in a fair, transparent and non-discriminatory manner. Consumers should have choice to source gas at most competitive rates from multiple suppliers. It thus becomes imperative to implement, in letter and spirit, the separation of content (merchant) from carriage (transportation) functions into an arms-length, stand-alone entities with legal, management and ownership separation to ensure end-consumers benefits through an equal access to all suppliers.

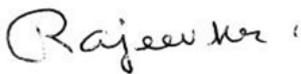
In view of the above and with objective to create a single gas market, efficient flow of natural gas across the country and truly leverage benefits of the gas exchange, it is imperative to integrate all existing interconnected pipelines. Thus, this proposed amendment together with its two-zone tariff concept should be applied to all interconnected pipelines.

Similarly, to enhance competition, the proposed amendment should also provide enabling framework whereby gas can be traded independently of its location in the system. In line with the Regulation (EC) No 715/2009 of the European Parliament and of The Council, '*Pipeline network users should have the freedom to book entry and exit capacity independently, thereby creating gas transport through zones instead of along contractual paths*'. Pipeline users can contract entry and exit capacity separately.

On the topic of determining the capacity of the Integrated Pipeline System, further analysis, modelling and appropriate stakeholder consultation needs to be undertaken, as the proposal of summation of capacity of all constituent pipelines (where quantity of natural gas transported through more than one such pipelines shall be deducted in respect of the second and subsequent pipelines) may not be the appropriate method. For example, congestion is an important consideration - increased flows from one pipeline can reduce flows from another due to downstream congestion.

We believe addressing these central elements will lead to development of a truly competitive gas markets where all stakeholders benefit.

Yours sincerely,



Rajeev Kumar
Director – Regulatory Affairs & Business Development