

Ref: HEGMPL/OTM/MKT/2020/42

Date: 27-07-2020

To,

**The Secretary**

**Petroleum and Natural Gas Regulatory Board**

First Floor, World Trade Centre, Babar Road

New Delhi, 110001

**Subject: Suggestions/Comments/Views on Draft PNGRB ((Determination of Natural Gas Pipeline Tariff) Amendment Regulations, 2020**

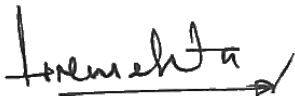
Dear Madam,

This is in reference to the PNGRB Public Notice no. PNGRB/COM/2-NGPL/Tariff (3)/2019 Vol-II dated 29-06-2020 seeking suggestions/comments/views on proposed PNGRB (Determination of Natural Gas Pipeline Tariff) Amendment Regulations, 2020 ("hereinafter referred to as draft Regulations") from the stakeholders.

At the outset, we would like to congratulate the PNGRB for bringing yet another reform and this reform/amendment will ease out the complexity related to the transmission of natural gas in India. H-Energy supports the proposal of integration of natural gas pipelines and unified tariff which will increase the affordability of natural gas and enable expansion of gas markets. Similar to the Government mission of 'One Nation, One Grid, One Price' in power sector, we would like to advocate the same for the natural gas pipeline grid too. In this regard, our observations and views are enclosed as **Annexure I** for kind consideration of the Hon'ble Board.

Thank you.

With regards,



**Hiren Mehta**

**Asst. Vice President - Marketing**

## Annexure I

### ▪ **Integration of Natural Gas Pipelines:**

- We envisage that in order to develop the Country as gas based economy, the integration of pipelines should be implemented for all pipelines (both - Cost Plus and bid out cases) pan India basis irrespective of the entities/kind of authorization given by the PNGRB, as a holistic approach. And as a first right step in that direction, entity wise integration of the pipelines is a logical step. Having said that, PNGRB is requested to consider integration of all pipelines within the specified time period and amend the Regulation to include the same.
- PNGRB is also requested to integrate the spur pipelines so that no separate tariff of spur pipelines will be levied.
- Further, PNGRB is requested to consider an appointment of Independent Transmission System Operator (TSO) for operating the pipeline grid similar to the gas sector in Europe and the power sector in India. This will encourage market forces to enhance competition and bring transparency which will thus benefit the customers.

### ▪ **Capacity Determination of the Integrated Natural Gas System:**

- For effective capacity determination of the integrated natural gas pipeline system, we request the Hon'ble Board that it is necessary to determine the capacity of pipelines individually which are still operating with the provisional capacities, for example DUPL-DPPL, DBNPL, and DBPL, and some other pipelines as mentioned in the draft. In this regard, an affiliate of H-Energy has submitted a request to PNGRB to determine capacity of DUPL-DPPL.
- As regards to Clause No. 3.1 of Part 2 i.e. 'Special Provisions Relating to Determination of Unified Tariff in Respect of Each Integrated Natural Gas Pipeline System'. We suggest considering the total sum of the capacities of all pipelines for the determination of Unified Tariff without any deduction of volumes.
- We request the Hon'ble Board that it is utmost critical to determine the capacity of the integrated pipeline to arrive at the volume of gas that can flow through each pipeline forming the integrated natural gas pipeline system. For determining such capacity it may be required to model the entire integrated pipeline system with the help of the suitable software considering all the injection points, exit points, allowable pressure in the system. We also suggest consulting suitable technical experts for the same.

### ▪ **Unified Tariff:**

- We request the Hon'ble Board to consider one single unified tariff for the integrated natural gas pipeline system instead of two zone tariff concept.

- In case, the Hon'ble Board proceeds with the proposed two zone tariff concept, then we do not support unrestricted freedom to the pipeline entity to decide zone wise tariff. Instead, there needs to be a certain specified parameters/guidelines to determine the tariff of the first and second zone.
- **Other points:**
  - The Hon'ble Board is requested to make applicable tariff effective from the earlier date only in the case of the reduction in the tariff.
  - Subject pertaining to gas swapping also requires to be addressed as how it will work in case of integrated natural gas pipeline system once implemented.
  - We support two zone tariff concept for other pipelines.
  - We support for determining the unified tariff for an integrated natural gas pipeline system, first year of operation will be assumed to be the date of commissioning of the oldest constituent natural gas pipeline for the purpose of the ramp-up under para 6 of Schedule A.
  - For all the stakeholders to be benefited the unified tariff on non-discriminatory basis, the followings may be considered:
    - Inclusion of definition of 'integrated natural gas pipeline system' in Authorization Regulations.
    - Inclusion of the spur line, last mile connecting pipeline etc upto consumer's facility (existing and future) and associated facilities in the definition of integrated natural gas pipeline system.
    - Available contract carrier capacity and common carrier capacity should be published by PNGRB and pipeline entities every month. We understand relevant changes may be required in the Schedules of the PNGRB (Access Code for Common Carrier or Contract Carrier Natural Gas Pipelines) Regulations, 2008
    - The unified tariff should be determined and implemented such a way that pipeline entity should be revenue neutral post implementation of the unified tariff concept.
    - We humbly request the Hon'ble Board to address the long overdue subject of legal unbundling of transmission and marketing businesses.