



हिन्दुस्तान पेट्रोलियम कॉर्पोरेशन लिमिटेड

(भारत सरकार का उपक्रम) रजिस्टर्ड ऑफिस : 17, जमशेदजी टाटा रोड, मुंबई - 400 020.

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26th Jul 2020

To,
The Secretary,
Petroleum and Natural Gas Regulatory Board
1st Floor, World Trade Centre
Babar Road, New Delhi - 110001

Sub.: **Comments on Public Notice Ref: PNGRB/COM/2-NGPL/Tariff (3)/2019 Vol-II dated 29th June, 2020**

Dear Madam,

This is with reference to subject Public Notice, soliciting views from stakeholders on proposed amendment of the Petroleum and Natural Gas Regulatory Board (Determination of Natural Gas Pipeline Tariff) Regulations, 2008 ("NGPL Tariff Regulations").

In respect of *integrated natural gas pipeline system*, we would like to submit as follows;

- As per the proposed regulation, only GSPL Networks and select GAIL pipelines have been considered for unification at entity level. These pipelines are connected with few gas source / LNG import terminals in India whereas, there are number of indigenous gas fields / sources, LNG import Terminals which are left out and not connected to this proposed integrated natural gas pipeline system. It is suggested that, all the gas sources including all the existing / upcoming LNG import Terminals are connected to have an integrated natural gas pipeline system on pan India basis. This will facilitate in development of gas market across the country.
- One of the objective of PNGRB Act is to promote competitive markets. However, the proposed regulations of integrating networks for entities which are involved in gas marketing (either directly or thru their affiliates) would result in providing undue advantages to such players. Therefore, post-unification of proposed pipelines, gas market would be dominated by such limited players and would work against the objective of promoting competitive market scenario.
- As per the proposed tariff determination methodology, it is likely that, unified tariff for GAIL's integrated Network would be higher than current tariff being paid by most of the shippers which are using GAIL network. Further in the event, shipper need to use other pipeline(s) in addition to the proposed integrated natural gas pipeline system that would increase resultant tariff even higher. Due to

this additive tariff, new gas based infrastructures, gas consumption centres would not be in level playing field for homogenous penetration of natural gas across country.

- As mentioned above, unless all the pipelines (cost Plus and bid out) in India are integrated, customers would be required to pay additive tariffs, if gas flows through pipelines operated by different entities. Hence, PNGRB's proposal to evaluate if two zone system should be considered for other pipelines in the country which are not currently under consideration for integrated network, will not yield the required relief to the customers from burden of additive tariff.

View above, it is submitted that, Board should consider to create integrated natural gas pipeline system on pan India basis inclusive of all cost-plus pipelines and bid out Pipelines covering all the entities. After implementation of integrated natural gas pipeline system across country, two zone system may be considered such that, shipper doesn't pay additive tariff even if gas is being transported through different pipelines which are operated by different operators. Further, the entire unification should not result in any increase of revenue for any pipeline operator and should be revenue neutral for those operators.

In respect of proposed methodology for ***Determination of Unified Tariff in respect of Integrated Natural Gas Pipeline System*** we would like to submit as follows;

- Board has proposed that, *“capacity of the integrated natural gas pipeline system to be considered for the purpose of determination of the Unified Tariff shall be the summation of the capacities of constituent natural gas pipelines provided that the actual quantity of natural gas transported through more than one such pipelines shall be deducted in respect of the second and subsequent pipelines.”*

This formulation looks unreasonable as generally there is inverse relation between volume and tariff, higher the volume, lower the tariff. Owing to the proposed methodology, the pipeline tariff will increase. Hence it is proposed that, for the purpose of determination of the Unified Tariff, sum total capacities of all the constituent natural gas pipelines as approved by PNGRB should be considered.

- PNGRB has proposed two Zone system and apportionment of tariff in these two zones. However, in addition to the condition stipulated in the proposed regulation we propose that, there should be a cap on the tariff applicability in Zone 2 over Zone 1, either on percentage basis or through any other methodology.
- Board has proposed that, *“The Net Fixed Assets of the constituent natural gas pipelines of the integrated natural gas pipeline system as on the date of determination of the first Unified Tariff shall be considered for determination of the Unified Tariff. The discounted cash flow (DCF) would be computed for a period of 25 years from such date. The net financial impact of the difference between the assumptions made in the past tariff determinations of the constituent pipelines and the actual data till the date of application of first Unified Tariff shall be adjusted in the DCF working of the first Unified Tariff”.*

In this regard we would like to submit that, under the proposed Integrated Natural Gas Pipeline System, many of the pipelines are in operation for several years and the pipeline asset(s) have been depreciated. These pipelines continue to be in service and earning revenue for the pipeline operator. In such a

scenario, it is suggested that, adjustment of financial impact towards assumptions made for past tariff determinations and the actual data till date should not be considered.

- In addition to above, Board has released Petroleum and Natural Gas Regulatory Board (Determination of Natural Gas Pipeline Tariff) Amendment Regulations, 2020 whereby under Regulation 2 (d) it has been proposed to lower pipeline utilisation levels spread over 10 years (i.e. 30/ 35/ 40/ 45/ 50/ 60/ 70/ 80/ 90/ 100 %) against existing utilisation levels spread over 5 years (i.e. 60/70/80/90/100 %) for computation of volume divisor for natural gas pipeline tariff computation.

It may be noted that, GAIL's Integrated Pipeline Network and GSPL's integrated pipeline network are under operation for more than 10 years. Apparently, the proposed amendment in Regulation 2(d), will provide these entities for adjustment towards year wise multipliers proposed by PNGRB for 10 years for determining the unified tariff. Owing to this the pipeline tariff of unified network of GAIL and GSPL is likely to increase substantially. This will be detrimental to the interests of shippers/customers.

Due to this steep increase in tariffs, it will not only adversely impact the competitiveness of natural gas vis-à-vis alternative fuels but will also result in the decline of gas demand in the existing markets. Thereby affecting development of the upcoming/new gas markets.

View above, it is suggested for continuation of the existing norms of five years for consideration of normative volume multipliers.

We look forward for your kind consideration on above.

Thanking you.

Very truly yours



Vijay Raj Saxena
General Manager – Gas Marketing