



A Maharatna Company

एनटीपीसी लिमिटेड

भारत सरकार का उद्यम

NTPC Limited

A Govt. of India Enterprise

(Formerly National Thermal Power Corporation Ltd.)

केन्द्रीय कार्यालय ई.ओ.सी. / Corporate Centre EOC

एम. प्रसन्न कुमार

कार्यकारी निदेशक (केन्द्रीय ईंधन प्रबंधन एवं परिवहन)
एवं निदेशक, सी.एन.यू.पी.एल (पी.) लि.

M. PRASANNA KUMAR

Executive Director (Corp. Fuel Mgmt & Transportation)
& Director, CNUPL (P) Ltd.

Ref No: NTPC/EOC/Office of ED(FM&FT)/100

Date: 24th July, 2020

Ms. Vandana Sharma

Secretary, PNGRB,
1st Floor, World Trade Centre,
Babar Road,

New Delhi - 110001

Madam,

SUB:Comments on PNGRB's Public consultation papers on the proposed draft amendments to the regulations on determination of Natural gas pipeline tariff

This is in reference to PNGRB's public consultation papers on the subject with reference nos. PNGRB/COM/2-NGPL/Tariff (3)/2019 Vol-II dated 29.04.2020 and 29.06.2020.

Please find attached NTPC's comments on the draft amendments (Annexure-I) for kind consideration.

It is requested that NTPC may be invited to participate in the open house scheduled for discussion on the comments/suggestions/views of the stakeholders.

Thanking you,

Yours sincerely,

(M Prasanna Kumar)

ईओसी एनेक्सी भवन, ए-8ए, सेक्टर-24, नोएडा (उ०प्र०) पिन : 201301

EOC ANNEXE Building, A-8A, Sector-24, NOIDA-201301 (U.P.)

TEL. Off. : 0120-2410874, E-mail : prasannakumar@ntpc.co.in | Website : www.ntpc.co.in

पंजीकृत कार्यालय - एन टी पी सी भवन, स्कोप कम्प्लेक्स, 7, इन्स्टीट्यूशनल एरिया, लोधी रोड, नई दिल्ली-110003

REGD. OFFICE : NTPC BHAVAN, SCOPE COMPLEX, 7, INSTITUTIONAL AREA, LODHI ROAD, NEW DELHI-110003

Annexure-I

The following are the observations/comments of NTPC on the proposed draft amendments to the regulations on determination of natural gas pipeline tariff:

- (i) Gas based power plants in the power sector have been anchor customers for Domestic gas/RLNG right since inception of trunk pipelines like HVJ systems in the country. There is around 21,000 MW Gas based capacity connected to the main pipeline grid, which includes 5,600 MW of NTPC group. Gas power plants assume the importance being environment friendly and in meeting balancing / peaking requirement of the grid due to its high ramp up/down characteristics. This is vital when Renewable penetration in the Indian grid is increasing significantly. As per the policies/ regulations, Gas power plants are to operate under 'Merit Order Dispatch' principle, which highlights the competitiveness of Delivered price of gas at burner tip. The market price of power in the Power Exchange- IEX is quite competitive i.e. between Rs 2.50 to 3.00/kWh and hence, Delivered gas price (Commodity price + Transportation + taxes) at power plant burner tip has to be reasonable viz. around 4 to 5 US\$/MMBtu for making gas based generation viable.
- (ii) In year 2019, PNGRB notified integrated tariff for GAIL's HVJ and DVPL/GREP Upgradation pipelines. The integrated tariff for the two pipelines is more than HVJ pipeline. With notification of integrated tariff, transportation charges for NTPC's NCR gas stations (Zone-4) increased from Rs 27.70/MMBtu to Rs 49.64/MMBtu, i.e. an increase of 79%. This increase in transportation tariff has increased the delivered cost of gas to these stations.
- (iii) In the proposed draft amendment, Entity-level Unified Tariff for integrated pipeline system connecting seven pipelines of GAIL has been proposed. Similarly, 2 pipelines of GSPL have been proposed for unified tariff. In the 29th April, 20 draft documents of PNGRB, relaxation in volume divisor has been proposed, which will increase the pipeline tariff especially for recently commissioned/ new pipelines. Moreover, with the proposed integration the pipelines, the Unified tariff for GAIL is likely increase further significantly as compared to the existing tariff of HVJ pipelines and this may make the delivered cost of gas unviable for power generation. The customers on the old pipelines, which are having depreciated assets, will be cross-subsidizing the customers on the new pipelines and bear the burden of underutilization of some of the new pipelines.
- (iv) It is understood that GAIL is establishing new pipelines like Jagdishpur-Haldia-Bokaro-Dhamra after establishing viability through financial support of Gol, establishment of 3 fertilizer plants and number of CGD projects and upcoming LNG regasification terminal at Dhamra. After commissioning of the terminal targeted in 2022, gas can be injected from that side. Thus, it may not be appropriate to integrate underutilized/ new pipelines with HVJ-DVPL system. Further, as the Draft regulation proposed entity level integration to reduce the tariff of new customers in new pipelines, it does not help the existing customers in the HVJ-DVPL pipeline to source the new domestic gas from KG basin area,

as the additive aspect of contractual path of 2 or 3 pipeline systems of different entities will still remain. This will make the gas costlier.

- (v) Further, it is proposed that CAPEX and OPEX norms for the nominated pipelines may be notified by PNGRB. This will encourage the transporters to operate within the norms and will help optimize the transportation tariff. It may be noted that CERC (Central Electricity Regulatory Commission) in its tariff regulations for the nominated power plants on cost-plus basis, elaborates extensively regarding the various norms for CAPEX, OPEX and Financial parameters. These norms are reviewed during the notification of tariff regulation every five years. This has brought in efficiency in operation of the power plants. PNGRB may kindly consider similar norms to be established for the cost-plus pipelines.

To conclude, it may be appreciated that Delivered gas price (Commodity price + Transportation + taxes) at power plant burner tip has to be reasonable viz. around 4 to 5 US\$/MMBtu for viability of the power plants. The LNG prices at present is competitive. The existing under-utilised Gas plants in the gas grid in the country can be effectively utilized if the Transportation tariff of the pipeline is designed in a reasonable and transparent manner.
