



ONGC Petro additions Limited

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**The Secretary,
Petroleum & Natural Gas Regulatory Board
1st floor, World Trade Centre
Babar Road
New Delhi – 110 001**

Sub: Comments/Views on Amendment of the Petroleum and Natural Gas Regulatory Board (Determination of Natural Gas Pipeline Tariff) Regulations, 2008 (“NGPL Tariff Regulations”)

Ref.: Public Notice No.: PNGRB/COM/2-NGPL/Tariff (3)/2019 Vol-II dated 29.06.2020

Dear Sir/Madam,

This is with reference to the Public notice dated 29.06.2020 wherein tariff regulation amendment i.e. Integrated natural gas pipeline system and unified tariff is proposed. OPaL’s views on the tariff regulation amendment proposed via public notice dated 29.06.2020

1. Firstly we would like to introduce that ONGC Petro additions Limited (OPaL) is a petrochemical complex in Dahej SEZ which produce 1100 KTPA Ethylene, 400 KTPA Propylene. To meet the requirement of steam and power, OPaL has Captive Power plant for which RLNG is consumed.

The strategic location of OPaL was conceptualised to enable it to avail various location benefits like nearby storage ports/jetties and LNG terminals. Many others industries along with OPaL, considers geographical location-based benefits as a factor while planning for setting up their complexes/plants.

Presently, tariff rates considering OPaL’s location is already very high (approx. 12-14% of RLNG Cost). The proposed tariff regulation amendment dated 29.06.2020 would unify tariffs and it may result in users like us to pay exorbitantly high transmission cost (Tariff for 300 Km) whereas in actual we shall be using only few Kilometres of pipeline.

2. The proposal in the above-mentioned reference shall be surely beneficial to customers having their facilities located in East Zone of country which are using same entity’s pipeline for gas transmission from injection point till user’s facility. But this proposal may also lead to results which shall be completely unfair for customers located nearby point of injection. Hence PNGRB is requested to take a holistic approach to address such situation which shall be win-win for nearby and distantly located customers both.

3. Pipeline entities like GAIL and GSPL have wide pipeline networks whereas other entities have limited pipeline network. Considering integration of pipelines of an entity and unified tariffs for the same shall seem beneficial to the pipeline entities having country wide pipeline networks whereas integration for others shall seem to be reducing opportunities due to their limited pipeline network.
4. It can be inferred that the unified tariffs may lead to increase in transmission cost for users located near point of injection. OPaL would like bring to your kind attention that current spot market rates of LNG are around 2-3 USD/MMBTU. Hence in case of increase in transmission rates, it shall lead user to pay more for transmission than Gas price which seems unviable for operations of such users.
5. Also because of current scenario of drastic market disruption caused due to pandemic COVID-19, it is matter of fact that all industries are facing various problems. If the tariff regulations as per the proposal are amended then same may have adverse effect financially.

Also, with reference to public notice dated 29.06.2020 for tariff regulations, we have following comments with respect to points proposed in the amendment:

1. **Integrated Natural Gas Pipeline System:** As per PNGRB proposal, pipelines of an entity shall be integrated and tariff shall be unified for the integrated pipeline of that entity. Also, this tariff rate shall further be apportioned among two zones.
Remarks: It appears that the proposal has been proposed considering the customers who are located far off from injection points. Undoubtedly, it shall be beneficial for users having single entity's pipeline from point of injection till user's facility. But in case of Customers using pipelines of different entities, from point of injection till user end, user shall have to pay escalated tariffs to both entities for respective zones. With the commissioning of KG basins many customers would have two transmission contracts for supplying RLNG till north (EWPL and GAIL/GSPL). This proposed change shall also impact the users having CTs in different entity pipelines adversely.
2. **Two Zone Tariffs:** As per the proposal, there shall be two zones for integrated natural gas pipeline system. First zone shall be within 300 km from the point of injection and remaining shall be second zone. Tariffs for the same shall apportioned by entity and Hon'ble Board.
Remarks: Unified Tariff for Integrated Natural Gas Pipeline seems to be beneficial for end users at locations away from LNG terminals. But in case of users located near LNG terminals i.e. a facility located within few kilometres range such as within 50 Km from point of injection as per the proposal shall have to pay for Zone-1 tariff rate for 300 Km. OPaL also has always been burdened by such imposed tariff rates and raised the same concern to PNGRB in various open house meetings.

OPaL would also like to request Hon'ble Board that they re-consider users using pipeline facilities of few Kilometres and paying for Zone-1 tariffs i.e. 300 Km which seems quite unjust for such pipeline customers. Therefore, we would like to suggest that Unified Tariff Rate system should be such that user will have to pay as per the length of pipeline used and as per actual distance between entry and exit point. This shall result in user paying for actual pipeline consumption; whereas as per PNGRB proposal, user shall have to pay for min. 300 Km distance without considering actual distance between entry and exit point. Also, if the above option seems unviable, we would request the Hon'ble Board to consider the other option i.e. to introduce zones for usage of few kilometres ranges like 0-50Kms and further such that customer shall not have to pay excessively more than their usage.

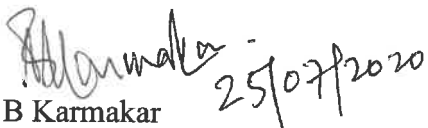
It is reiterated that many suppliers would have finalised the transmission agreements based on the best economic strategy. However imposing such changes by PNGRB shall defeat the purpose of many users and affect them adversely. Hence, we would like to request PNGRB Board to consider tariff rates such that nearby users shall not have to pay hefty tariff charges for gas transmission against usage of only few kilometres of natural gas pipeline.

Summing up the content of the letter we reiterate following:

- a) The tariffs for the users which are near to injection point shall be charged in proportionate basis instead of charging the same tariff as of 0-300 km.
- b) The proposed amendment to be viewed in holistic way considering to create win-win situation for customer who are nearby and distantly located to injection points.

Regards

Yours faithfully,


A B Karmakar
Head of Material Management
ONGC Petro additions Ltd. (OPaL)



