

राष्ट्रीय केमिकल्स एण्ड
फर्टिलाइजर्स लिमिटेड

(भारत सरकार का उपक्रम)

साथ बढ़ें समृद्धि की ओर

दसवी मंजिल, "प्रियदर्शिनी",
ईस्टर्न एक्सप्रेस हाइवे, सायन,
मुंबई - 400 022.



RASHTRIYA CHEMICALS
AND FERTILIZERS LIMITED

(A Government of India Undertaking)

Let us grow together

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RCF/Corptech /Unified Tariff

25 July 2020

Shri. Pankaj Bhutani,
Joint Secretary,
Petroleum and Natural Gas Regulatory Board
1st Floor, World Trade Centre,
Babar Road,
New Delhi - 110 001.

Dear Sir,

Ref: PNGRB Public Notice with reference no PNGRB/COM/2-NGPL/Tariff(3)/2019 Vol –II
dated 29th June 2020.

Sub: Comments/Views on Draft PNGRB (Determination of Natural Gas Pipeline Tariff),
Amendment Regulation, 2020.

This has reference to the aforesaid paper floated by PNGRB seeking comments on the subject line.

As desired, please find attached herewith our views on the subject matter at ***Annexure-I.***

Soft copy of the reply has also been mailed at secretary@pngrb.gov.in.

Thanking you,

Yours sincerely,

Milind M. Deo
Executive Director (P&PD)

Encl: As above.

Annexure-I

- The proposed amendment includes Unified Tariff for the “Integrated Natural Gas Pipeline System”. The “Unified Tariff” applicability involves integration of 7 pipelines owned by GAIL and 2 pipelines owned by GSPL only as per list mentioned in Schedule B Part 1 of Public notice dated 29.06.2020. However, Gas is likely to reach end user after flowing in network pipelines belonging to several other companies like PIL, IOCL etc. So even if tariff of one network is unified, end users will still pay different tariffs. If it is to be implemented, it should be for all cross country interconnected pipelines of all entities.
- Out of the total customers served by interconnected pipelines, customers located far from currently known gas sources are likely to get benefitted by decrease in tariff. But it would be quiet likely that tariff for the set of customers located near the source would increase.
- **Comments on Escalation in Tariff (Clause 11):** Annual increase in levelised tariff is proposed and hence accordingly year by year Zonal tariff will also increase.
- So even if a gas marketing entity is able to sell cheaper gas, it will be apparently expensive for end user due to increased transmission tariff.

Government of India has introduced Gas pooling w.e.f from 1st June, 2015 to encourage indigenous Urea production. As per this mechanism, all factors comprising gas costs are fully reimbursed by Government of India, one of them, being Gas Transportation Cost. Any upward revision in Gas Transportation Cost will invariably increase cost of Urea manufacturing and thereby enhance subsidy burden on Gol.

Further, the increase in pooled gas price due to increased transmission tariff, also impact the economics of Urea production beyond Re-assessed capacity (RAC). If Urea production is restricted due to economic viability, it will lead to increase in Urea Import and would run contrary to the Gol’s “Make in India” policy.

- **Comments on Part 2, (point 2.3) :** As mentioned in Part 2 (2.3) the Board may , if it deems necessary, determine the subsequent tariff to apply from an earlier date, if a new natural gas pipeline of the same entity is connected to the integrated natural gas pipeline system or any parameter impacting the determination of Unified Tariff undergoes a significant change.

It may be noted that Fertiliser industry is provided subsidy on year to year basis and do not consider retrospective claims on any account. Any such upward revision in tariff with retrospective effect is not acceptable.

- We have lined up Bundled Gas Supply contracts for Non-Urea operations like for manufacturing P&K Fertilizers and Industrial chemicals. Increase in transportation

tariff will put a question mark on viability of their operations. Increase in Gas Transportation Cost will add to the costing of P&K Fertilizers making them more expensive as compared to Urea. This will further worsen imbalanced fertilization scenario. Any step towards increasing the cost of gas supply will have a reverse impact on viability of production and results in becoming uncompetitive. Some of our Chemical plants are already stopped due to unviability. Remaining Chemical plants are running with very thin margin of profitability. Any increase in gas price will end in these products becoming economically unviable. This will lead to stoppage of these plants thus survival of the organization will be at stake.

- The proposed amendment will have significant impact on the pricing of fertilizers and will invariably increase the subsidy burden on Gol . This also impact operation of Chemical plants and survival of the Chemical plants will be at risk.

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