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(भारत सरकार का उपक्रम – महारत्न कंपनी)
GAIL (India) Limited
(A Government of India Undertaking - A Maharatna Company)

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GAIL/RA/PNGRB/Imbalance Management/2020/2984

Dated: 09.11.2020

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

Subject: Draft PNGRB (Imbalance Management Services) Second Amendment Regulations, 2020

Respected Madam,

This has reference to the PNGRB Public Notice No. PNGRB/COM/2-NGPL Tariff (2)/2012(P-xxx) dated 17.10.2020 enclosing a the Draft PNGRB (Imbalance Management Services) Second Amendment Regulations, 2020 (**"Draft IMS Amendment Regulations"**), soliciting stakeholders' views on the same.

In respect of the above, the views of GAIL (India) Limited are enclosed as **ANNEXURE-A** for kind consideration please.

Thanking you.

Yours Sincerely

S. Kumar

Kumar Shanker
(CGM-Mktg. RA)

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ANNEXURE-A

Amendments to PNGRB (Imbalance Management Services) Regulations: GAIL's Views

1. At present Deferred Delivery Services (DDS) are being offered by transporters and availed by shippers, which helps in managing imbalances in a planned manner. Additional Imbalance Management Services, including Parking and Lending Services, Netting Services etc., would be further helpful in better management of imbalances and thus would save costs for customers.

2. As per present regulatory framework, given that DDS being a service separate from transportation service, the revenue earned from the same is also treated separately and the transporter is allowed to retain the same, over and above the transportation tariff revenues.

3. As is known, the transportation tariff revenue is directly related to the actual utilization of the pipeline and currently, one of the major concerns of the pipeline entities is the actual utilizations of the pipelines are much lower than the normative volumes being considered by PNGRB, resulting in transporters not being able to realize the allowed 12% returns. Given this situation, it would be important to incentivize pipeline entities by way of such additional Imbalance Management Services (similar to DDS), so that they can partly compensate for their present under-realizations. At the same time, as mentioned above, such services would save the costs for shippers/customers by way of more effective imbalance management.

4. Such additional Imbalance Management Services would entail separate and additional efforts/activities by the pipeline entities for maintaining portfolio, managing pipeline hydraulics, gas balancing, additional nominations/ scheduling and documentations. Hence, earnings on account of these additional services, which are separate from the transportation service, may be allowed to be retained by the pipeline entity over and above the transportation tariff revenues.

5. In Parking and Lending services, it is the commodity which shall be playing a major role. In both these services, the opportunity cost derived by the Shipper shall be much more than the transportation cost. In the event of gas not being taken out or returned beyond the contract timelines, the Transporter has to arrange such gas / replenish such gas volumes in the pipeline to maintain pipeline hydraulics and continuity of transportation services. Hence for such arrangements, cashing out mechanism would be required to be implemented where parked and loaned gas quantities may be settled at the lowest price gas and the highest gas price applicable for the transporter prevailing at that time.

6. As parking and loaning would require commodity settlement, the same would have tax implications which may require further examination keeping the premise of tax neutrality among entities.

7. While the PNGRB Act provides for fixation of transportation rates (i.e. rate for moving each unit of gas) and given that such Additional Imbalance Management Services (including Parking and Lending Services, Netting Services etc.) are services separate from the transportation service, the revenues earned from the same may also be treated separately and the transporters may be allowed to retain the same, over and above the regulated transportation tariff revenues. Accordingly, it is our request that all such additional services may be allowed to be based on operational feasibility and based on mutually agreed terms and conditions between the parties, without the mandatory rate fixation.

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