



Gujarat State Petronet Ltd.

GSPL Bhavan, E-18, GIDC Electronics Estate,
Nr. K-7 Circle, Sector-26, Gandhinagar - 382028.
Tel.: +91-79-23268500/600
Fax : +91-79-23268506
Website : www.gspcgroup.com



GSPL/COMM/2024
20th February, 2024

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

Sub: Public Notice issued by PNGRB regarding application for laying, building and operating a dedicated pipeline for natural gas from ONGC's Gamnewala GCS Jaisalmer, Rajasthan to M/s Kopek Polyplast, Jaisalmer, Rajasthan under Regulation 19(2) of PNGRB (Authorizing Entities to Lay, Build, Operate or Expand Natural Gas Pipelines) Regulations, 2008

Ref.: PNGRB/Auth/2-NGPL(01)/2023 dated 28.12.2023

Respected Madam,

With reference to above, please find attached herewith GSPL's views at **Annexure-I** for your kind perusal.

Additionally, we would like to participate in the Open House Discussion to be convened by the Board on the aforesaid Public Notice.

Thanking You,

Yours Sincerely


Devendra Agarwal
GM (Commercial)

Annexure-I

GSPL's views on the dedicated pipeline proposal to be laid directly by customer

1. At the outset, GSPL submits that the statutory framework established under the PNGRB Act read with the PNGRB (Authorizing Entities to Lay, Build, Operate or Expand Natural Gas Pipelines) Regulations, 2008 (“**NGPL Authorizing Regulations**”) does not allow for or recognize **customers laying dedicated pipelines to their respective facilities**. In this regard, we also refer to our comments submitted to the Hon’ble Board regarding similar proposals for laying dedicated pipelines from ONGC’s Gamnewala field, vide our letter dated 03.11.2023 (copy **attached** for ready reference).
2. This submission is without prejudice to the writ petition presently pending before the Hon’ble Delhi High Court, *Gujarat State Petronet Limited v PNGRB & Anr.*, WP(C) 5428/2021, which *inter alia* challenges the validity of Regulation 19 of the NGPL Authorizing Regulations.
3. PNGRB may consider permitting development of dedicated pipeline infrastructure **only when there is no authorised entity (natural gas pipeline or CGD network) in proximity, or no common carrier pipeline entity submits interest in developing required infrastructure**. Otherwise, all customers located closer to a source of natural gas would want to develop their own dedicated, captive pipelines, and a common carrier transporter’s customers would be limited to those located at a considerable distance from the source. This would **defeat the underlying principle of development of common carrier infrastructure, and also defeat the policy to develop a viable national gas grid**.
4. Based on various legal precedents, including a recent landmark judgment passed by the Hon’ble Delhi High Court¹, it is to be understood that, “... *It is that selected AE which is then tasked to undertake the creation of the requisite infrastructure in the concerned GA. It is that entity which is required to create the pipeline infrastructure by making the requisite capital expenditure without any State aid.*” This clearly means that the customers are not supposed to lay dedicated pipeline themselves, once there is an entity responsible to lay the infrastructure in that particular region.
5. Further, allowing dedicated pipelines to be developed by customers themselves will result into shifting of volumes from common carrier to dedicated pipeline infrastructure, thereby decreasing the utilization of common carrier pipelines and leading to higher unified tariff for customers on the national gas grid. Even from a consumer’s perspective, a common carrier pipeline connected with multiple sources, including domestic gas sources, is always more reliable than a dedicated pipeline connected to a single source.
6. Under **Regulation 2(f)** of the Authorizing Regulations, a **dedicated pipeline is excluded** and makes it clear that it is a **pipeline laid to a specific customer and not by a specific consumer**.
7. Also, **Para 2.1 of MoPNG’s Policy** for Development of Natural Gas Pipelines and City or Natural Gas Distribution Networks refers to dedicated pipelines as those **laid to supply gas to specific consumers** and further envisages them to originate from regulated pipelines and **not from gas source and neither by a specific customer**.

¹ W.P.(C) 11645/2022 & CM APPL. 34525/2022 AGP City Gas Pvt. Ltd. and Anr. v. PNGRB



8. Development of dedicated pipeline by individual customers would result in the creation of a parallel pipeline network and would **jeopardize the development of a nationwide gas grid**. Further, if said dedicated pipeline is later converted in to a common carrier, then such converted common carrier network, shall severely and adversely affect the utilization and viability of the authorized entity's network as well as investment and render critical infrastructure as infructuous.
9. Under **Regulation 19** of the PNGRB Authorizing Regulations, dedicated pipelines can be **converted into Common Carrier**, thus leading to a case where in future these customers may convert such networks in to common carrier, by **bypassing the competitive bidding** route and jeopardizing the viability of common carrier networks developed by authorized entities for serving the public at large.
 - o It is clear that such proposals are based on only commercial interests of customers and are detrimental not only to the development of trunk transmission infrastructure but also to the gas market on the whole as it has a domino effect across the chain since unviability of trunk transmission network leads to slower pace of infrastructure development which leads to slower pace of gas demand growth leading to reduced investments in the sector.
10. The drawback of allowing laying of dedicated pipelines connected to source by customers directly, **in spite of availability of common carrier nearby**, is **higher tariffs** for markets located **farther away from the source** which would ultimately **adversely affect other downstream customers** on the common carrier's network, like State owned Power Plants / IPPs, CGD companies, fertilizers companies and small industrial customers.
11. Under **s.11(a) PNGRB Act**, the function of the Board is to **protect the interest of consumers by fostering fair trade and competition among entities**. However, the provisions related to dedicated pipelines in Regulation 19 do not promote competition and fair trade in any manner. It has to be also considered that an end consumer seeking to lay a pipeline from a source to its premises: (i) cannot be considered as an entity as it does not intend to nor does it undertake the transportation of natural gas as a business or for making available the infrastructure to others, and (ii) such a pipeline is not a "dedicated" pipeline laid to a consumer but instead is a "captive" pipeline laid by a consumer only for its own commercial purposes, which is not permissible under the PNGRB Act.
12. In conclusion, GSPL would like to request the Board to reconsider any dedicated pipeline proposals to be laid directly by the customers. If PNGRB permits customers to lay dedicated pipelines for themselves, the same would result in unfair trade practices interfering with the rights of the entity authorised to lay the common carrier infrastructure, since it makes common carrier networks, **redundant and underutilized**.

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