

Ref: HEGMPL/OTM/MKT/2019/39

October 11, 2019

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

Subject: Views on Draft PNGRB (Guiding Principles for Declaring City or Local Natural Gas Distribution Networks as Common Carrier or Contract Carrier) Regulations, 2019 ('draft Regulation')

Dear Madam,

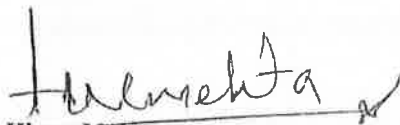
This is with reference to the Public Notice No. PNGRB/AUTH/7-MIS(3)/2015 dated August 22, 2019 soliciting views/comments from all the stakeholders including general public on draft Regulation.

H-Energy welcomes the step taken by the Hon'ble Board in direction of declaring CGD network as common carrier or contract carrier. The said Regulation will ensure open access for all the gas market players to CGD networks on non-discriminatory basis. It will help to encourage fair trade and competition amongst the entities while securing the consumer interests.

In this regard, views of H-Energy are enclosed as **Annexure I** for your kind consideration.

Thank you.

With Regards,



Hiren Mehta
Asst. Vice President - Marketing

Encl: as above

Annexure I

- The scope of the draft Regulation mentions authorizations under Regulation 17 of PNGRB (Authorising Entities to Lay, Build, Operate or Expand City or local Natural Gas Distribution Networks) Regulations, 2008 (hereinafter referred to as 'CGD Authorization Regulation') and Section 16 of the PNGRB Act, 2006. The PNGRB is requested to clarify that the proposed draft Regulation also includes the entities which have been authorized under Regulation 5 and Regulation 18 of CGD Authorization Regulation.
- Regulation 4 of draft Regulation mentions about declaring the whole or part of any city or local natural gas distribution network as common carrier or contract carrier.

Needless to mention, that PNGRB grants exclusivity to entities for an authorized area mainly to facilitate the development of a planned and integrated CGD network with appropriate priorities for end-use of natural gas. As per the PNGRB (Exclusivity for City or Local Natural Gas Distribution Network) Regulations, 2008, during the exclusivity period, an entity is required to fulfill its all service obligations including to reach all charge areas or wards in the authorized area through pipelines of adequate size to meet the demand of the consumers in charge areas or wards. Any entity is granted authorization for an area by PNGRB based on the categories stated in Regulation 2(1)(c) of CGD Authorization Regulation.

When authorization is granted to whole area then upon the completion of exclusivity period from the purview of common carrier or contract carrier for a GA, the Hon'ble Board should consider declaring the whole authorized area of the CGD network as Common Carrier or Contract Carrier at once not parts of the GA.

- The said draft Regulation is allowing only 20% common carrier capacity of CGD network. The 20% common carrier capacity is meaningless and not sufficient for opening the market to encourage gas on gas competition and this will also not offer a market determined price to all customers on CGD network. In order to ensure effective end of market exclusivity period and let all the customers to take benefits of open access on non-discriminatory basis, 100% capacity of the CGD network must be made be available for open access for all gas marketers, including authorized entity.
- Further, the draft regulation has a provision under which authorized CGD entity can use 20% common carrier capacity without any time limit to vacate it even when any third party requires the same and hence, the said provision of the draft regulation is indirectly supporting permanent monopoly of one entity.
- The downstream markets has increased its reliance on short-term and spot purchases, there is need to align the existing Regulations to support capacity booking on Reasonable Endeavor basis. The Hon'ble Board is requested address the same in the proposed Regulation.
- The Regulation should include that the authorized entity webhosts the capacity utilization rate of the CGD network for transparent and fair practice to offer common carrier capacity.

Also, all the CGD entities may develop online portals for the third parties for booking capacity on common carrier basis on the CGD networks.

- Regulation 7(2) of the proposed Regulation states that the contract for transportation of natural gas shall not require the transporter to source natural gas. The said Regulation is not clear, the PNGRB is requested to please clarify the same.
- Regulation 8(2) of the proposed Regulation allows the shipper to have a right to assign or trade the whole or any part of capacity in the open market based on such terms and conditions as may be specified by the Board under the relevant regulations.

We oppose the said provision as the said Regulation 8(2) has the potential to allow any party to take undue advantage by blocking the capacity in the CGD network for unconfined time. This shall result into the restrictive trade practice.

However, in case PNGRB proceeds with the said provision, then the PNGRB is requested to implement the strict compliance on the capacity utilization rate of the blocked capacity by any party so as such provision is not misused with intent to discourage competition. During the periodical review, if it is found that the capacity utilization rate is below 75% of the blocked capacity, then the entity who booked the capacity shall be notified to release of such unutilized blocked capacity.

- The draft Regulation should define that the common carrier capacity can be booked for any tenure less than one year so that concerns of the entity who want to access the network for even for very short durations like upto one day are also addressed.
- The inclusion by PNGRB for the installation of CNG station by any third party supplied by Liquefied Natural Gas in the said Regulation is a welcome step to make CNG available at a competitive rate to the transport segment customers. We further request PNGRB to prescribe the criteria and procedure for registration in such a way that it does not impose any restrictions for any third party to install CNG stations.
- The draft Regulation mentions about '*Petroleum and Natural Gas Regulatory Board (Determination of Common Carrier Network Tariff for City or Local Natural Gas Distribution Networks) Regulations 2019*'. The Hon'ble Board is requested to webhost the same for the public consultation process.
