

Ref: HEGMPL/OTM/2017/02

Date: 2nd February, 2017

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

Sub: Comments on Public Consultation Document (PCD) of Final Initial Unit Natural Gas Pipeline Tariff for High Pressure Gujarat Gas Grid Pipeline Network

Dear Madam,

H-Energy Gas Marketing Private Limited, a subsidiary of H-Energy Private Limited, is into the business of marketing and trading of natural gas / RLNG / LNG in India. H-Energy is developing an LNG import terminal at Jaigarh Port in Ratnagiri District of Maharashtra. The project is scheduled for commissioning by Q3-2018. H-Energy intends to supply RLNG in downstream markets from Jaigarh LNG terminal project.

PNGRB has webhosted Public Consultation Document (PCD) with regard to final initial unit natural gas pipeline tariff for High Pressure Gujarat Gas Grid Pipeline Network ('HP network') dated 13th January, 2017 wherein PNGRB has sought views of stakeholders under the provisos of PNGRB (Determination of Natural Gas Pipeline Tariff) Regulations, 2008 ('Tariff Regulations').

In this regard, we would like to submit our following comments:

1. **Proposed Tariff:** GSPL has proposed to increase the present levelized tariff of Rs. 26.58 per MMBTU by approximately 2.25 times to Rs. 59.65 per MMBTU from year 2017-18. This sudden and significant increase in initial tariff will have adverse financial impact on the end consumers. The PCD provides limited data and information, especially relating to zonal apportionment of projected volumes based on various entry/exit points on the HP network, future capex for planned and unplanned projects, connectivities or spur lines, volume divisor etc. Due to this reason, it is not possible to fully understand the tariff computation and the reasons for increase in tariff submitted by GSPL. We therefore request PNGRB to kindly webhost the tariff model in excel sheet submitted by GSPL (as mentioned in sec. 5.3 of the PCD) to enable us to provide comprehensive comments on the tariff proposal. Since the determination of pipeline tariff is a regulated activity, greater transparency in this process will assure all the stakeholders in implementing the approved final initial tariff.

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2. **Zonal Apportionment of Tariff:** The zonal apportionment of tariff proposed in sec. 6.11 is not consistent with actual zonal apportionment in sec. 3.3. We request PNGRB to kindly provide clarity on zonal apportionment of initial tariff.
3. **Future Capex:** GSPL has considered total Future Capex Outgo of Rs. 3401.36 cr from 2016-17. The assumptions under this head have a significant impact on the tariff proposed by GSPL. It is therefore important that the stakeholders are provided with complete information about 10 connectivities and 17 spur lines considered by GSPL under "Projects Under Development". Further, GSPL has considered 50 kms per year under the head Future Capex - Spur Lines. This appears to be significantly higher than the average 14 kms per year in past 3 years. The Future Capex – Other Assets includes 49 projects but no information is provided to stakeholders on the nature of these projects.
4. **Unaccounted Gas Loss:** GSPL has considered 0.3% of the throughput as unaccounted gas loss, as a cost to be recovered through transportation tariff. While we support that reasonable losses may be considered in tariff determination, there is no provision in the Regulations for the same. Hence, until the Regulations are amended, we propose that the unaccounted gas be excluded from the tariff calculations.
5. **Flow from Entry Point - HLPL Mora:** In Schedule- C for HP Gas Pipeline Network webhosted on PNGRB's website, GSPL has considered 0.0 mmscmd flow at maximum capacity from HLPL-Mora Entry Point. At the same time, GSPL has considered 10.0 mmscmd flow from HLPL-Mora in the LP Gas Pipeline network. It is not clear whether (i) RLNG from HLPL-Mora can flow from GSPL's LP network into GSPL's HP network, and (ii) whether the HP network tariff computation assumes any flow from either LP network or HLPL-Mora Entry Point.
6. **Tie-in Connectivity with Gas Sources and Inter-connectivity between Common Carrier Pipelines:** GSPL has not provided any information on capex for planned future Tie-in Connectivity with Gas Sources and Inter-connectivity between Common Carrier Pipelines. Considering the development of new LNG terminals and the requirement of inter-connectivity between common carrier pipelines for access to network by gas suppliers and consumers, it is imperative that GSPL considers appropriate capex for these connectivities.

We request you to kindly consider the above mentioned comments while finalizing the initial tariff for the said pipeline network.

Yours faithfully,



Anupam Rungta

Deputy General Manager – Gas Marketing