



**India Gas Solutions Private Limited**  
(CIN - U40200MH2011PTC224011)

9 November 2020

Ms. Vandana Sharma  
Secretary  
Petroleum and Natural Gas Regulatory Board  
New Delhi - 110001

Dear Ms. Sharma,

**Sub.: Comments on the proposed Petroleum and Natural Gas Regulatory Board (Imbalance Management Services) Second Amendment Regulations, 2020.**

We thank you for providing us with the opportunity to submit our views on the draft Regulation on (Imbalance Management Services) Second Amendment Regulations, 2020 ("Regulation").

We welcome the proposed Regulation to govern imbalance management services to be provided by the transporters to the shippers. This is in line regulations in most jurisdictions, where such imbalance management services are mandated to be provided by pipeline operators. These imbalance management services enable shippers to reduce their imbalances in order to avoid penalties.

The aim of the Regulation should be to create enough incentives to shippers to stay in balance and disincentivize penalties becoming source of additional income for pipelines. For example, to incentivize shippers to maintain balance, the regulations in US and UK require that the penalties collected from shippers that create imbalance are shared with the shippers who maintain balance, after deducting costs.

The Regulation must also ensure that imbalance management services offered to shippers to facilitate management of their transportation imbalances, must be provided without undue discrimination or preferences. The charges for these services should be cost-reflective and reasonable with the idea being to provide necessary incentive to shippers to minimize imbalances.

Given the above, we would like to highlight / seek clarification on following issues:

**Parking service:** While the Regulation refers to day-wise plan for receipt and subsequent day-wise re-delivery, the proposed Regulation should also clearly define the specific period for which gas can be parked. We understand, there are global examples, where these are allowed for a minimum of one day, but less than one year.

In addition, it must be ensured that imbalance management services provided by transporters does not impinge on third party access regime and undermine gas on gas competition. Therefore, the pipeline companies must be mandated to offer these services outside of their common carrier capacity.

**Lending service:** The clause envisages lending and return of loaned quantities of natural gas. While this is a welcome concept, PNGRB should share greater details with respect to tax implications, treatment of lending transactions. For example, will lending transactions be treated as sale, among others.

**Reasonability of charges:** Proposed Regulation envisages INR 15 (or ~\$0.2) /MMBTU for parking and lending services which we believe are higher vis-a-vis existing regulation. For example, existing regulation caps deferred delivery service charge at 25% of the applicable transportation tariff for the relevant natural gas pipeline. Considering the highest transportation tariff for most of pipelines, the deferred delivery service charge works out to be lower than the proposed Regulation for majority of the pipelines. We would therefore urge the PNGRB to reduce the proposed parking and lending service charge. In addition, we would also suggest a two-tier approach to such imbalance management charges – a low charge to incentivize shippers to minimize imbalances in their portfolio when the overall system integrity is not compromised, and a higher charge when such imbalance would lead to system integrity issues.

**Trading service:** The clause envisages a service under which more than one shipper offsets their positive and negative imbalances under different gas transportation agreements, resulting into reduction of their total imbalances. To operationalise this service the Regulation should mandate pipelines to disseminate available imbalance information on a real-time basis to provide necessary transparency to shippers. To this end, an online bulletin board / dashboard would be crucial to understand imbalances across systems and enable shippers to offset their imbalances.

Lastly, in addition to proposing standard charges for providing imbalance management services, PNGRB should also frame model operational balancing agreement between pipelines and standard terms and conditions for availing imbalance management services by shippers.

We shall be happy to discuss further.

Yours sincerely,



**Utpal Maru**

Chief Commercial Officer