

**IOCL's views on PCD by PNGRB for tariff review of  
GAIL's DBNPL & CJHPL**

**Ref: PNGRB/COM/2-NGPL/Tariff (3)/2010, dated: 2.8.2019**

With reference to the subject PCD web-hosted by PNGRB requesting comments / views from all stakeholders, IndianOil's views are as under:

Out of the two options given, Option-I proposes separate tariffs for the pipelines while Option-II proposes combined tariff for Integrated HVJ, DBNPL and CJHPL. It is submitted that the pipelines - HVJ-GREP-DVPL (HVJ) & DVPL/GREP Upgradation (HVJ Upgradation) were two parallel pipelines and latter was built due to capacity constraint in the former. The premise in combining tariffs for these two pipelines was that they were complimentary networks and infrastructure was equally shared since GREP was implemented to accommodate increased gas demand on the same route. On the basis of this ground, both these were treated as an integrated HVJ network and combined tariffs determined accordingly.

As against above, GAIL's DBNPL and CJHPL are separate pipeline projects constructed at different timelines than that of HVJ & HVJ Upgradation and further serve separate geographical areas and different customers. Hence, principally tariffs of all these pipelines cannot be combined with HVJ integrated network.

Further implementation of Option-II will affect IndianOil in following ways:

**1. Impact on IndianOil's gas business**

IndianOil as a marketer will face challenges as some of the major customers of IndianOil on Integrated HVJ will need to pay enhanced tariff of Rs 21.95 per mmbtu. [i.e. Rs 63.06 (proposed combined levelized tariff of HVJ, DBNPL and CJHPL) - Rs 41.11 (existing levelized tariff Integrated HVJ)]. Acceptance of the said proposal will put the transporter in a position to offer a bundled price anything less than Rs 63/- to such customers after cross subsidizing, which will jeopardise IndianOil's considerable current business on Integrated HVJ Pipeline network.

Combined tariff of Integrated HVJ, DBNPL and CJHPL would also affect viability of Mehsana-Bhatinda Pipeline (MBPL) and Bhatinda-Jammu-Srinagar Pipeline (BJSPL). The proposed combined levelized tariff of Integrated HVJ, DBNPL and CJHPL is Rs. 63.06/mmbtu with gas supplies from Dahej / Hazira LNG Terminals to the market in northern India (Delhi, Punjab & Haryana) would always be lower of total tariff of Rs. 76.66/mmbtu (Rs. 34.86/mmbtu for GSPL high pressure network, zone-3 + Rs. 41.80/mmbtu for MBPL, zone-3) with gas supplies from Dahej / Mundra LNG Terminal.

## 2. Impact on IndianOil as a customer

Currently, IndianOil is a major RLNG consumer with substantial consumption for its refineries at Panipat and Mathura. With the implementation of transportation tariff on a combined basis for two or more inter-connected natural gas pipelines, IndianOil stands to end up paying considerably higher transportation cost.

Hence, we submit that the proposed Option-II (Combined tariff for Integrated HVJ, DBNPL and CJHPL) is detrimental to our interests and should not be implemented.

### **Our comments are on option-I are given below:**

#### 1) Clause No. 2.2.1 (Actual Capex Outgo including CWIP from 01.10.2008 to 2018-19)

##### ➤ DBNPL

Actual Capex outgo for the period 2008-09 to 2014-15 is in variation with the approved figures under last tariff order TO/06/2016 dated 29.07.2016.

##### ➤ CJHPL

Actual Capex outgo for the period 2008-09 to 2014-15 is in variation with the approved figures under last tariff order TO/05/2016 dated 28.07.2016.

#### 2) Clause No. 2.2.2 (Future Capex)

##### ➤ DBNPL

PD Capex and long timelines for the proposed new customers may be reviewed. The future capex figures under LMC may be reviewed in light of minimal capex incurred in recent years. Significant increase in O&M Capex projections vis-à-vis last tariff order is observed.

##### ➤ CJHPL

The future capex figures under LMC may be reviewed in light of minimal capex incurred in recent years. Significant increase in O&M Capex projections vis-à-vis last tariff order is observed.

#### 3) Clause No. 2.3.1 (Actual Opex)

##### ➤ DBNPL

Actual Common Corporate Opex for the period 2009-10 to 2014-15 is in variation with the approved figures under last tariff order TO/06/2016 dated 29.07.2016.

##### ➤ CJHPL

Actual Common Corporate Opex for the period 2009-10 to 2014-15 is in variation with the approved figures under last tariff order TO/05/2016 dated 28.07.2016.

4) Clause No. 2.3.2 (Future Opex)

➤ DBNPL & CJHPL

Significant additional OPEX on account of two future pay revisions have been included, which may be considered in future tariff reviews on actual incurrence.

Inflation rate of 4.58% has been considered as against 4.5% considered by PNGRB for other pipelines.

Consideration of replacement/upgradation of assets under O&M Opex may be reviewed.

5) Clause 2.5 (Volume Divisor)

As per sub-clause (1) of clause 6 of Schedule A of PNGRB Tariff Regulations, the volumes of natural gas to be considered as divisor in the determination of the unit natural gas pipeline tariff over the economic life of the project shall be computed on a normative or actual basis, whichever is higher.

➤ DBNPL

Based on the authorized provisional capacity of DBNPL i.e. 31 MMSCMD including a common carrier capacity of 7.75 MMSCMD, volume divisor calculated as per the above regulations may be considered as below while tariff determination:

<b>Financial Year</b>	<b>GAIL's consideration</b>	<b>As per PNGRB ruling dated 29.07.2016</b>
2009-10	3.38	13.95
2010-11	3.51	14.49
2011-12	4.07	16.82
2012-13	15.21	19.14
2013-14	17.09	21.47
2014-15	19.29	23.25
2015-16	21.05	23.25
2016-17	22.81	23.25
2017-18 (onwards)	23.25	23.25

➤ CJHPL

In view of PNGRB's approval for resizing leading to reduction in capacity of the pipeline from 35 MMSCMD to 12 MMSCMD, effect of increased tariff due to applicability of reduced capacity in volume divisor from 1<sup>st</sup> year of operation may be reviewed.

Based on the authorized provisional capacity of CJHPL i.e. 35 MMSCMD/12 MMSCMD including a common carrier capacity of 7.75 MMSCMD/3 MMSCMD, volume divisor calculated as per the above regulations may be considered as below while tariff determination:

<b>Financial Year</b>	<b>GAIL's consideration</b>	<b>As per PNGRB ruling dated 28.07.2016 upto 2018-19 and with reduced capacity from 2019-20</b>
2009-10	3.61	15.75
2010-11	3.62	15.79
2011-12	4.22	18.41
2012-13	4.83	21.04
2013-14	5.93	23.66
2014-15	6.86	26.25
2015-16	6.99	26.25
2016-17	7.11	26.25
2017-18	7.24	26.25
2018-19	7.28	26.25
2019-20	7.28	9.00
2020-21	7.80	9.00
2021-22	8.4	9.00
2022-23	8.57	9.00
2023-24	8.74	9.00
2024-25	8.91	9.00
2015-26 (onwards)	9.00	9.00

6) Clause 2.8 (Line Pack)

➤ DBNPL & CJHPL

Consideration of line pack quantity beyond FY 2018-19 may be reviewed. Gas prices considered in calculation of line pack value over the economic life may also be reviewed.

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