



INDRAPRASTHA GAS LIMITED

(A Joint Venture of GAIL (India) Ltd., BPCL & Govt. of NCT of Delhi)

IGL/R&CA/PNGRB/PN/101901

October 11, 2019

To,

The Secretary,
Petroleum & Natural Gas Regulatory Board
1st Floor, World Trade Centre,
Babar Road,
New Delhi-110 001

Sub: Comments on Public Notice : Draft "Petroleum and Natural Gas Regulatory Board (Guiding Principles for Declaring City or Local Natural Gas Distribution Networks as Common Carrier or Contract Carrier) Regulations, 2019"

Madam,

This is with reference to comments sought by PNGRB on draft "Petroleum and Natural Gas Regulatory Board (Guiding Principles for Declaring City or Local Natural Gas Distribution Networks as Common Carrier or Contract Carrier) Regulations, 2019".

In this regard, we would like to submit the following comments -

1. Section 20 of PNGRB Act provides for the following -
 - a) The Board to lay down the guiding principles for declaring a Common Carrier, Contract Carrier, CGD Network before declaring them as a Common Carrier.
 - b) There cannot be any en masse fixation of time-period for exclusivity and has to be done on case-to-case basis after giving an entity a hearing and detailed order being passed thereafter.
2. The entire legality of this issue is pending before Delhi High Court in Writ Petition number 9374/2015. Therefore, any changes in the Regulations at this stage will be premature.
3. The proposed Regulations envisage the draft guiding principles that the Board will follow for the purpose stated in point 1 (a). However, upon perusal of the Regulations it appears to be only the scheme to be followed by the Board rather than setting out the guiding principles.
4. Regulation 8 is not in the nature of principles and is in continuation of post declaration scenarios contained in Regulation 7. This Regulation 8(2) is contrary to the scheme of the PNGRB Act, as the Act does not recognize the words "assign" or "trade whole or any part of the assigned capacity". The term "trade" is not defined in the Act or in the Regulations. Section 21 (3) of the PNGRB Act, only recognizes the payments of transportation tariff

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by shipper to the authorized entity for using its network. There is no other mention in the Act regarding "Assigning" or "Trading".

Apart from being contrary to the Act, it also defeats the basic purpose of fair play and consumer interest as mentioned in the Act.

5. With regard to Regulation 9, it does not specify any guiding principle or basis on which the authorized entity would allot the capacity to a particular applicant from the number of application received by it.
6. With regard to Regulation 11, the scope of this Clause is beyond the PNGRB Act, as the Act does not envisage any entity other than the authorized entity to lay, build, operate or expand in a particular Geographical Area. Allowing a non-authorized entity to lay down pipelines is contrary to infrastructure exclusivity. Further, by this it would authorize some other entity indirectly, which is contrary to the intent of the present Regulation meant for only laying the guiding principles.
7. With regard to Regulation 12, this provision allows third parties to setup CNG Stations in the area of an authorized entity. By the definition of "CGD Network", the CNG stations are part of the CGD Network. Therefore, setting up of CNG Station is within the exclusive domain of an authorized entity only. This proposed Regulation is therefore contrary to the scheme of the Act and the Authorization Regulation.
8. The Regulation 13 is not a guiding principle and is rather an amendment to the Access Code Regulation. If at all any amendment has to be done in the Access Code Regulation, the same should be done in that Regulation itself and not by way of introducing a Section in a new Regulation. Therefore, introduction of the Regulation 13 is not appropriate in the proposed Regulations.

Moreover, the Exclusivity Regulations and the Access Code Regulations are subjudice and any reliance on those Regulations and/or any amendments in those Regulations in some other draft Regulation be avoided at this point of time as otherwise, it is bad in law.

Other submissions:-

- i. Upon perusal of the Regulations, there is an observation that while the authorized entity is under so many obligations as envisaged in various Regulations, the shipper while enjoying the market of the authorized entity has no service obligations as per the PNGRB Regulations. The third party seeking access to the network of authorized entity should be obligated to fulfil the service obligations as per the PNGRB Regulations applicable on authorized entity. Otherwise, this would create an unfair and uneven playing field.
- ii. There may arise a situation where multiple parties may seek capacity booking in Common Carrier network. Therefore, the Board may specify a standard time period for which a capacity be booked by the third parties to avoid booking for small periods by these entities. It should not be the choice and will of the shipper.
- iii. There can be a possibility of reduction in volume offtake by shipper(s) considering the marketing dynamics and in such a scenario; there is no mechanism for recovery of

investment made in creating added capacity. Regulations should ensure the return on investment made by an authorized entity to lay network for creating additional capacity.

- iv. An authorized entity has a mandate to meet the targets fixed by various authorities from time to time, which requires expansion of its infrastructure in the Authorized GA. However, any shipper may seek capacity booking for that particular area, leaving the authorized entity without any scope for recovery on its high capital investment in the absence of marketing exclusivity.
- v. The Preamble of the PNGRB Act, states that the interests of both the consumers as well as the entities has to be taken into consideration by the Board. The draft Regulations seems not taking care of the interest of the entities in the entirety.

The Board may consider the above submission, so that the authorized entities get a fair treatment along with the consumer interest.

Thanking you,

Yours Sincerely,

For Indraprastha Gas Limited



Amit Mathur

Additional General Manager
(Regulatory & Corporate Affairs/IA&RM)

