

Subject	Open House Discussion on Proposed Amendment in NGPL Tariff Regulations
Date & Time of Open House	22nd June, 2020 & 11:00 Hrs

A Meeting was held on 22.06.2020, on proposed amendment in Petroleum and Natural Gas Regulatory Board (Determination of Natural Gas Pipeline Tariff) Regulations, 2008 (NGPL Tariff Regulations). The meeting was chaired by Chairperson, wherein Member, PNGRB was also present. List of other participants is attached as **Annexure 1**.

On the proposed amendment in NGPL Tariff Regulations, comments were received from 10 (ten) stakeholders viz. Natural Gas Society (NGS), GAIL (India) Limited (GAIL), Pipeline Infrastructure Limited (PIL), Gujarat State Petroleum Corporation (GSPL), GRM Hospitality and Consultants Private Limited (GRM), FACT, H Energy, Torrent Gas, Swan LNG and Total Adani. PNGRB through a presentation discussed amendment wise comments and subsequently other comments given by stakeholders. However, Torrent Gas submitted their comments but no representative was present during the meeting. Further, representatives from KPMG (consultants for tariff rationalisation study for natural gas pipelines) who had not submitted any comments but were requested to attend the Open House, were present.

The discussions held during the Open House were in the sequence of amendments proposed by PNGRB and suggestions sought from stakeholders on different aspects. The details are as follows: -

- 1. Proposed Change in the definition of Capacity of Natural Gas Pipeline**
 - 1.1.NGS and GSPL supported the amendment.
 - 1.2.PIL suggested that necessary provision may be created in NGPL Authorization/ Tariff regulations to make it self-explanatory with regard to capacity working

for tariff purposes. For this purpose, the capacity stated in authorization/ acceptance letter should be considered as authorized or accepted capacity. It was suggested to replace last six words “as subsequently amended under authorization/ acceptance letter issued by the board”.

It was also suggested that different nomenclature can be used for capacity for the tariff regulations and for the capacity regulations say Tariff Capacity and Access Capacity.

PNGRB’s Comment: PNGRB mentioned that the capacity referred in the proposed amendment is the authorised capacity originally as per the authorisation letter and any amendments to the authorised capacity by way of subsequent authorisation/ amendment. PNGRB asked PIL to suggest suitable language to avoid any ambiguity/ misinterpretation.

1.3.**FACT:** Prima facie it would lead to increase in tariff as the value of the divisors are being reduced, hence not advisable.

1.4.**GAIL:** Delinking the volume divisor from the capacities determined/declared under the PNGRB NGPL Capacity Regulations, 2010 and considering capacity as originally authorized or accepted by the Board under the PNGRB NGPL Authorization Regulations, 2008, is a welcome step. It was suggested that capacity should be separate for tariff determination and access code. However, in some of the pipelines, capacity has already been determined. Therefore, wherever the capacity has been determined, it should continue to be taken for the tariff determination and wherever it has not been determined, it may be taken as per authorisation.

The last line of this proposed amendment “or as subsequently amended under those regulations” may lead to ambiguities. Therefore, in place of the said expression “or as subsequently amended under those regulations”, the expression “or as considered in the tariff orders issued so far” was suggested.

Reasoning: The suggested change would provide continuity to the present capacity figures that have already been considered by PNGRB in the case of all the respective gas pipeline tariff orders issued so far.

2. Insertion of Definition of Imbalance Management Services

2.1.NGS and GSPL supported the proposed amendment.

3. Change in Miscellaneous income clause

3.1.NGS proposed that miscellaneous income to be kept separately and should be adjusted in the tariff only after the IRR value reaches an annualized value of 12% post tax return.

3.2.PIL mentioned that sub clause 8 of clause 5 of Schedule A should be deleted in total and a common adjustment mechanism may be formulated to adjust any increase/decrease in actual revenue vis-à-vis the normative revenue on account of volume as well as other income over the economic life. This is due to the reason that since income from imbalance management services is a business income and is shown along with the transportation income on the Revenue side. PIL is paying other charges considering both income from transportation and imbalance management services together. On one hand PNGRB is already considering normative income which is higher than the actual income including income from imbalance management services. Therefore, it may not be correct to adjust income from imbalance services which is a business income by reducing opex. Once the combined revenue from transportation charges and income from imbalance management services is higher than the normative income, automatically the tariff would be adjusted based on the principle of higher of actual or normative revenues.

3.3.GSPL requested that at the time of netting off the Imbalance Management revenue (for the purposes of Opex), only the DDS revenue should be included and not the Imbalance charges, otherwise it would be disadvantageous to the Transporter.

PNGRB clarified that the said amendment is not intended for Imbalance charges and is proposed to be applicable on DDS revenue only.

3.4.GAIL mentioned that Imbalance Management services are provided by Transporters to Shippers to mitigate their demand fluctuations while also incentivizing Transporters to make use of spare pipeline capacity. Removal of such incentive shall adversely affect Shippers and demotivate transporters from offering such services.

GAIL also stated that DDS income should not be adjusted from opex through Miscellaneous income till 12% return on capital employed is achieved.

4. Amendment in Volume divisor

4.1.PIL mentioned that by the proposed amendment we understand that the proposed volume build up would be applied from the first year of starting of economic life on non-discriminatory basis for all pipelines i.e. in case of PIL pipeline, the proposed volume build up will be considered in place of volumes considered for final tariff of PIL pipeline tariff.

PNGRB clarified that the intention is not to provide for the change retrospectively. Subsequently, PIL submitted that some benefit should be provided to the entities which have been suffering for more than a decade due to underutilised capacity.

4.2.GRM mentioned that changing the volume divisors would be favourable for the transporters, however, PNGRB needs to take a holistic view and carefully address the following aspects:

4.2.1. Achieving a balance between the interests of transporters and consumers needs to be considered. In situation where tariff keeps increasing and exceeds the commodity price, consumers will be disincentivised to take incremental volumes of gas.

4.2.2. Creation of further disparities between bid-out and cost-plus pipelines traversing through common areas which may, in the long-term, act as a deterrent for achieving convergence in these two tariff mechanisms,

4.2.3. PNGRB has an undergoing assignment for tariff rationalisation, which is being undertaken by international consultant. The study will bring out detailed issues. Amendments may accordingly be considered at a later time.

4.3. GSPL submitted that most of the operating pipelines have completed more than 10 years of operation and accordingly there will be no impact on account of the proposed changes, unless the regulations are implemented retrospectively. GSPL mentioned that reforms to the said provision shall also incentivize various pipelines to expand the capacities if the suggested proposed amendment is allowed to the existing pipelines also.

GSPL also suggested that if a cost-plus pipeline is expanding its capacity, the said expanded capacity should also be eligible to ramp up of capacity as proposed above.

4.4. GAIL supported the amendment and mentioned that because on actual basis pipelines did not witness the prescribed normative utilization levels in the first five years of operations and in most cases, the prescribed 5th year utilization level of 75% is also not achieved even after 10 years, resulting in lower returns than the returns as provided in regulations.

GAIL submitted that, ramp-up for cross country pipelines should be given from retrospective date. Furthermore, in case of implementation of project in phases, the proposed ramp-up percentages may be considered from the respective phase-wise commissioning of the pipeline.

GAIL also suggested that, for removal of any ambiguity, an explanation may be suitably added in the proposed amendment, “Explanation: Notwithstanding anything provided in any extant regulation, the aforesaid percentage utilizations will be applied from the date of coming of the pipeline within the purview of tariff regulations (i.e. from 20.11.2008), or from the first year of operation of the pipeline, whichever is later.”

4.5. **H-Energy** requested PNGRB to determine/declare final capacities as per relevant Regulations for some of the important natural gas pipelines which are still operating with provisional capacities/cases where re-determination of capacity is required.

PNGRB clarified that as per the proposed amendment authorised capacity would be the basis for tariff determination and the determination/ declaring final capacities will not be required.

5. Deletion of sub clause (1) (b) and (1) (c) and (1) (d) of clause 6 of Schedule A:

5.1. PIL suggested that policy needs to be such that supports the efforts of transporter to add new sources and should not be detrimental to the pipeline entities.

PIL also suggested that provisions may be added to address the issue of impact on tariff due to addition of new sources.

Only after passing the check as per the example given in comments, accepted/authorized capacity of the pipeline may be modified and the authorization/acceptance letter be amended accordingly. By this we can close the loop of authorize/accepted capacity for the tariff working purposes.

Therefore, PIL suggested that clause 6(1)(d) should be extended for the future as well.

5.2. GSPL suggested that clause on new source connectivity [clause 6(1)(d)] should not be deleted which was included to facilitate providing connectivity to new gas sources as it avoids any increase in design capacity of the underutilised pipeline for tariff purpose. If the above clause is removed, the capacity additions between 01.04.2015 to 31.03.2020 shall also be impacted.

PNGRB clarified that the intent of the proposed amendment is not to remove this clause retrospectively. Therefore, considering the merit of retaining, this may not be removed.

- 5.3. GAIL submitted that clause 6 (1) (b) and (c) of Schedule A may be deleted, however clause 6 (1) (d) may be retained along with extension of five more years i.e. from 01.04.2020 to 31.03.2025.

The dispensation under clause 6(1)(d) has been provided keeping in mind that due to addition of any new source, the actual utilization of the pipeline may not automatically increase. Further, even if actual utilisation increases and same is higher than the normative volumes then in any case such higher volume is considered for tariff determination, and therefore, the interest of consumer remains protected. In view of the above, ideally, it may be appropriate to keep this provision without any time cap as the same is taken care of by extant regulatory provisions as explained above.

Further, if PNGRB is going to consider the design capacity for the tariff, as such there will be no impact of any source addition, therefore, with this understanding GAIL was fine with the proposed amendments.

6. Insertion of clause for considering 350 working days for the tariff determination:

- 6.1. GSPL supported the proposed amendment.
- 6.2. **GAIL:** welcomed the amendment however submitted that 345 working days may be considered in a year for the purpose of tariff determination. In support GAIL mentioned that extant Access Code Regulations provides a planned maintenance of 10 days to the Transporter. Based on equitable principles, 10 days maintenance may also be provided to Shipper/customer in line with industry practices. Therefore, Board may kindly consider revising number of days to 20 days which will align it with the access code regulations.

7. Amendment in clause of Economic Life:

- 7.1.NGS supported the proposed amendment
- 7.2.PIL welcomed this amendment in-principle. It however, submitted that by pipeline we understand that Board means the main trunk pipeline only and not the associated facilities/equipment which can have economic life lesser than the

pipeline and needs to be replaced in normal course of O&M activities of the pipeline which should be allowed to be replaced without any prior approval for smooth operations of the pipelines. Therefore, it was requested that entity may be required to come to the Board only for the change of trunk pipeline. PNGRB noted the same and mentioned that the point was valid and the same will be reviewed to address the concern.

7.3.GRM mentioned that proposed amendment will creates two sets of definition for the same infrastructure, further, the rationale for the same is not understood particularly when there is already a provision that allows extension in the economic life of a pipeline in a block of 10 years at a time.

GRM mentioned that convergence of Cost Plus and Bid-Out Pipeline is the key for any kind of tariff mechanism which is futuristic. Also, amendment in economic life may be considered after recommendation of the international consultant on rationalisation of tariff structure.

PNGRB clarified that the Authorisation Regulations will be aligned in this regard and the rational for the proposed change is to align it with the depreciation charged under the Companies Act.

7.4.GSPL supported the proposed amendment and requested to have clarity with regards to whether "Replacement of Pipeline" also includes replacement due to (a) change in design class (parameters), (b) change in diameter as the same may lead to change in capacity.

7.5.GAIL requested that a separate regulation may be introduced in the NGPL Authorization Regulations specifying the details to be submitted by the entity along with the guidelines for consideration of such replacement requests for facilitating the approval process by the Board.

Furthermore, any minor replacement or in emergency like wash out, etc., say within 10% of the pipeline length etc. or say some minimum kms, may be allowed based on the information/details to be submitted by the entity.

GAIL stated that, Board may frame guidelines in this regard for approval under this regulation to avoid delay in future.

7.6. **H Energy** supported the amendment, however, mentioned that a clarity from the Board may be required regarding the economic life whether it will be counted from the date of authorization or date of commissioning of the pipeline. H-Energy stated that, conversion of two tariff system based on cost plus pipelines and bid out pipelines is required. Old pipelines have different tariff and new pipelines have different. So, conversion is the key in this regard.

8. Timely submission of data for zonal apportionment

8.1. NGS mentioned that to avoid any delays, and gap between the levelized tariff working and zonal tariff order, Board may fix the zonal apportionment of volume considering past and likely future consumption pattern. Further, any variation in actual zonal volume can be adjusted in the tariff and a provision to review zonal apportionment can be provided on biannual basis to avoid major fluctuations.

8.2. PIL suggested that zonal apportionment of the tariff may be done by the Board in consultation with the entity and any over or under recovery should be adjusted during the next review and there should be annual truing up mechanism to address changes in the zonal volumes.

8.3. GSPL requested to provide 30 days for submission of the zonal apportionment as it takes time to take internal approvals. PNGRB clarified that we may not be able to give this much of time and will delay the process of tariff determination. GSPL referring to the PNGRB order dated 19.03.2020, requested to bring clarity in the regulations by way of amendment in regulations on zoning with respect to Point of Injection or Point of Origin. PIL also agreed with GSPL requesting PNGRB to come out with an amendment on the same.

8.4. GSPL also requested Board to allow bid out pipelines to adjust their zonal tariffs while maintaining levelized tariff.

PNGRB also clarified that the intent of the proposed amendment is that in case entity did not give information within time, then Board has the power to determine zonal apportionment of tariff.

8.5.GAIL submitted that zonal apportionment of the levelized tariff by the respective pipeline entity is a key determinant in not only tariff revenue realization but also for ensuring affordability/competitiveness of gas in the relevant market. Accordingly, the present regulations providing for the fixation of said zonal apportionment by the pipeline entity may please be retained.

In any case, entities have generally been submitting the respective zonal apportionments to PNGRB within the specified timelines of the respective tariff orders.

Therefore, it is requested that the proposed amended Clause 8(2) of Schedule – A may please be deleted.

PNGRB clarified that entities may have misunderstood the amendment. Intent of PNGRB is to maintain/ induce discipline regarding submission of data pertaining to zonal apportionment for tariff determination. Only, in case of non-submission of timely data regarding zonal apportionment, PNGRB would independently decide the zonal apportionment.

9. Proposed Amendment for escalation in Tariff:

9.1.NGS suggested that PNGRB may fix certain percentage in line with some industry or national or international indicator like inflation index, etc.

9.2.PIL submitted that it would be appropriate to allow entity to submit the escalation tariff as well as the % of escalation, which PNGRB can review and approve for each network.

PNGRB clarified that it will decide the escalation. Regulation will give maximum ceiling up to which the escalation can be provided. Escalation will be determined based on the entities submission and examination by the Board considering pipeline affordability, etc.

9.3. GRM submitted that escalation in tariff appears to be to ensure “ballooning” of tariff recovery, i.e. lower than intended level in the initial years and a gradually increasing tariff in later years without altering tariff determination for the transporter. If so, the modalities and rationale need to be spelt out explicitly. Nevertheless, this may pose a problem in achieving convergence between the two tariff systems of cost plus and bid out pipelines and therefore needs to be debated with the stakeholders. It was suggested that in order to have transparency some principles may be laid down in the regulations for determining the escalation by the Board.

In this regard, PNGRB mentioned that whether watertight rules are preferred where a fixed percentage is provided (e.g. Inflation) or to consider gas affordability and decide percentage specific to pipeline and periodicity.

9.4. GSPL submitted that intent to have gradual increase in tariff, year on year, shall help consumers only on cost plus pipelines. Proposed amendment in tariff regulations may allow cost plus pipelines to change tariff in near term which may change the competitive position of bid out pipeline’s vis-a-vis cost plus pipelines. However, cost plus pipelines have flexibility in zonal tariff determination.

GSPL requested PNGRB to take wholistic view regarding tariff regulations to ensure that level playing field is maintained while addressing concerns of bid out and cost-plus pipelines, as bid out pipelines have higher degree of business risk. PNGRB clarified that in case of bid out pipelines, they had flexibility to consider the zonal tariff and inflation. Moreover, inflation factor considered than is already lower.

9.5. GAIL supported the amendment and submitted that the pipeline entity may be given the option of applying escalated tariffs wherever considered necessary in view of market affordability consideration, etc. In cases where such option is availed, the Board may like to fix the upper-cap of escalation percentage beyond which the pipeline entity cannot escalate its annual tariffs. This upper-cap may be based on the WPI Data published by Govt. of India.

9.6.H-Energy submitted that impact by way of proposed amendment for change in volume divisor from existing period of five years to ten years and wherein volume divisor is getting reduced, further considering escalation in tariff may lead higher tariff at consumer's end.

Even if a gas marketing entity is able to sell cheaper gas, but by the virtue of transmission tariff, it will be apparently expensive for the end user. Since PNGRB is already giving benefits of reduced volume divisor, inclusion of cost of system-use natural gas and pipeline tariff thereon, escalation in tariff is not essential as it will not be in the interests of consumers. PNGRB mentioned in case it is implemented it will be case by case approach and not water tight rules. Rather, if this is implemented it will reduce the tariff in the near term instead of increasing.

9.7.FACT submitted that in a scenario considering escalation in tariff, the benefit of initial lower tariff would not be received.

PNGRB again clarified that if escalation is introduced, tariff in near term would reduce while tariff at later date would increase as compared to levelized tariff. This would make gas transportation more affordable in earlier years.

10. Proposed Amendment in Fuel Cost

10.1.NGS mentioned that in practice, the fuel cost does not reduce proportionately (non-linear) with reduction in line flow. In order to avoid detail working, normative cost of fuel to be worked out for each fraction and used in calculation.

10.2.PIL welcomed this suggestion and submitted that normative quantity of fuel would be worked out considering the configuration of the pipeline hydraulics /flow of the pipeline and in case actual fuel quantity is higher than the normative quantity, the same may be allowed after prudence check. Pipeline entities provides data to PNGRB for the purpose of capacity assessment where with the help of software SUG can be calculated.

PNGRB desired to know that whether it will be complex process. PIL suggested that it can be worked out based on software and irrespective of whether volumes are linear or not. PNGRB requested GAIL w.r.t. Integrated HVJ and PIL w.r.t. EWPL to provide tables based on x% of capacity utilisation, the normative SUG with respect to different zones to examine this proposed amendment.

PIL also suggested that even Operating expenses should also be considered on normative basis in sync with the volume denominator. PNGRB also requested PIL to provide the details of various expenses with respect to variability to volumes.

PNGRB suggested a curve of expenses versus volumes needs to be created. PIL was requested to provide working of the same.

10.3.GAIL supported the proposed amendment.

10.4. While GSPL also requested Board to consider allowing unaccounted losses which are operational in nature.

11.Suggestion from stakeholders regarding exclusion of provisions of regulation 12 and regulation 21 of PNGRB Authorizing Regulations, 2008 for the purpose of determination of tariff in respect of ‘cost-plus’ natural gas pipelines (**except** in case of Jagdishpur Haldia-Bokaro-Dhamra-Barauni-Guwahati pipeline) and also on whether or not to treat interconnection between two natural gas pipelines as extension/ expansion/ tie-in.

11.1.NGS suggested that extension may be considered if it is more than 50 Km. Interconnection between two natural gas pipelines, should not to be treated as extension /expansion.

11.2.GRM submitted that the rationale for the amendment made in 2014 itself was not understood, as prior to that PNGRB webhosted clarification that the said provisions are not applicable on cost plus pipelines.

In cost plus pipelines this issue would not be relevant as while determining tariff, this is automatically reflected. If provisions of original regulation 12 (prior to its

amendment in 2014) are read sequentially and in a proper context, it was apparent that these provisions were applicable to only new pipelines authorized by the Board after the appointed day through the bid process.

GRM also submitted that creating an exception for the JHBDPL by continuing to apply the extant regulation 12 in their case due to the reason that capacity expansion was agreed by GAIL in full compliance of the regulation would be discriminatory and would create a new class of pipelines and may not be legally tenable. It is reiterated that this would not be in the long-term interest of PNGRB as it would face enormous hurdles while integrating and achieving convergence in multiplicity of tariff regimes. Subject to above, GRM welcomed the support the proposal to amend regulation 12 to restore it to its original position for the bid out pipelines only in keeping with the spirit and intent stated above.

11.3. PIL agreed with GRM and submitted that pipelines which are covered under the tariff regulations, should be excluded from the tariff related provisions provided in other regulations including regulations 12 and 21.

Appropriate changes may be made in the regulations to exclude the interconnectivity between two pipelines from the purview of extension/expansion/tie in provisions. PIL mentioned that even in the access regulations it requires that whenever transport entity requests for interconnection, other pipeline entity has to provide the same otherwise it can complain to PNGRB.

11.4. GSPL while supporting the amendment submitted to delete the provisions of regulation 12 and 21 from Authorisation Regulations for cost plus pipelines.

GSPL mentioned that for transmission of gas from new sources (typically LNG terminals), new capacities are required to be developed (as some of the pipelines are operating at full capacities) and this expansion in pipeline capacity necessitates as the same would lead to development of new gas markets in the Country and help in moving towards a gas-based economy. Since this would

require capex and opex, therefore, its grossing up should be allowed for the tariff determination.

GSPL supports that interconnection between two natural gas pipelines shall not be treated as extension / expansion / tie in for the purposes of tariff determination and mentioned that the extant regulatory provisions deter a pipeline developer from connecting to new gas sources. GSPL suggests that new source connectivity shall not be considered as an expansion/ extension of pipeline network for the purpose of tariff determination.

11.5.GAIL submitted that any cross-reference to its tariff related provisions in the other Regulations, including the said regulation 12 and regulation 21, it may be avoided so as to remove unnecessary ambiguities in this regard.

Further, any Regulation must necessarily have a uniform application and cannot have discriminatory provisions for excluding a particular pipeline by singling it out for JHBDPL as other entity's pipelines may have also been allowed for capacity expansion under Regulation 12.

At present there are no known cases of treatment of inter-connection of two common/contract carrier natural gas pipelines (as provided u/r 11 of Access Code Regulations) as cases of extension/ expansion/ Tie-in line.

11.6.H-Energy submitted that an interconnection point should be considered as tie-in connectivity as such interconnectivity always result in new gas injection point may be from natural gas source or another gas pipeline. Extension or expansion of pipeline is different from tie-in connectivity. Expansion of pipeline is executed when the capacity of the existing network is insufficient to deliver gas supply to market regions. Extension of pipeline is primarily for reaching the desired consumer locations but not changing the authorized capacity.

12. Proposed Amendment for Adjustment of Volume variation

Suggestions of stakeholders were invited on increasing the period of five years to ten years and to make the same available to the entity on a rolling basis over the economic life of the pipeline.

12.1. NGS welcomed and submitted that the adjustment may be allowed for the entire life of the pipeline instead of just 10 years on rolling basis.

12.2. PIL suggested to have simple mechanism of volume adjustments over the economic life without restricting the accumulation of volumes on 10 years rolling basis. At every tariff review, if the cumulative actual volume is higher than the cumulative normative then the benefit of the same would be passed on to the shippers. Alternatively, if in next review the cumulative actual volumes are lower than the normative volumes then the downside would be adjusted with the volume of benefit already passed on to the shippers.

For adjustment of volumes, first year in which higher volume than normative is considered for tariff calculations would be adjusted first, to the extent of higher volumes then the normative and same sequence would be followed for the adjustments of volume.

12.3. GSPL supports the amendment and submitted that it should be allowed for the entire life and our understanding is that it is similar to electricity sector, mechanism for truing up may be deliberated upon for inclusion in tariff regulations. In this regard GSPL mentioned that, under CERC regulations: (a) Tariff is fixed based on sum of capacities allocated to Long Term and Medium-Term open access (b) Tariff is reviewed annually (c) Truing up is allowed and is done annually and (d) Volume risk not loaded on to Transmission Company.

12.4. FACT Ltd submitted that existing clause in the Regulation may please be retained as such without any amendment and the set of periods limited to 5 years as at present. Otherwise the tariff charges will escalate further.

12.5. GAIL submitted that a set-off for the lower actual volumes may not be restricted to 5 or 10 years but should be allowed over the entire economic life of the pipeline.

PNGRB to clarify, gave reference of Income tax rule that carry forward is limited only for 8 years otherwise it becomes difficult to keep a track of the same. GAIL suggested that since tariff is reviewed every 5 years, so for the previous period can always be adjusted in the tariff review and will not be an issue on the same. PIL suggested that it may not be similar to the income tax benefit as the benefit which were passed on to the shippers by way of normative volumes is adjusted when actual volumes are higher.

13. Other Additional Suggestions

13.1. PIL submitted that Board may provide for the provisions in special cases such as in case any directions from Government Authorities in view of the COVID or for any other reasons, where pipeline entity can give such discount based on consent from Board and to get the discounted amount recovered through the adjustment in tariff during the tariff review exercise.

Discounts may be provided which need to be factored in tariff determination and not impact transporter returns. Players in power sector are being offered similar opportunities.

PNGRB stated that in case it gives directive to offer discounts without adjustments will the transporter be willing to consider the same. Shipper will have lower tariff and transporter would have incremental volumes making which may be a win-win situation for both.

PIL mentioned that the pipelines are highly underutilised and not earning reasonable returns therefore contribution from all the sectors will lead to overall development. PIL said that they will take a business call as may be required in future and request PNGRB accordingly.

13.2. PIL submitted that in view of the current COVID-19 situation, it is suggested to provide relaxation for the affected period to be appropriately factored while considering the volume denominator during tariff review.

PIL also requested to introduce a concept under the review mechanism, to adjust the volume of gas which could not be transported due to FM or due to constraints which are beyond the control of both transporter and shipper and impact of such adjustment should be passed on in the tariff prospectively.

In this regard, GSPL also submitted that Force Majeure events such as COVID-19 may be accepted as non-revenue days by Hon'ble Board while computing the tariff.

13.3. Unaccounted Gas

13.3.1. PIL submitted that Unaccounted Gas loss is a globally recognised feature and also recognised in PNGRB access code regulations. The same is due to the difference in the metering of multiple entry / exit points quantities/ measurement differences between the meters, venting of gas during routine maintenance activities, non consideration of the same in the tariff is resulting into unrecoverable cost to the transporter.

The quantity of unaccounted gas may be allowed and can be benchmarked based on some normative value e.g. as a percentage of gas transported by pipeline based on pipeline industry data. (International norm for unaccounted gas is 0.3%)

13.3.2. GAIL submitted that unaccounted gas is a long pending issue and are real expenses and should be allowed. Access code also refers to technical losses which are occurred while operating a pipeline. PNGRB has also done this exercise for the last 10 years. In the process of tariff determination these are still not allowed.

13.3.3. GSPL requested that transmission losses (which includes LUAG) up to a maximum of 0.3% of transported volumes should also be considered as cost.

It is noteworthy that Access Code brought out by PNGRB recognizes Line Losses for gas transmission in pipelines.

13.4. PIL suggested that the method of computation of tariff may be reviewed and a shorter period tariff method be developed wherein each component can be separately monitored by the Board. For example, Cost of Service Method as being followed in Power sector for the transmission of Power.

13.5. GSPL requested to consider Operating expenditure as per Industry benchmarks and provide incentive for the entities operating at lower cost.

PNGRB requested GSPL/other entities to suggest a transparent mechanism to fix the industry standards for Opex and submit a paper to PNGRB.

Stability/Long term continuity in regulations

GSPL submitted that during the course of bidding of cross-country pipelines in 2009-2010, few bidders enquired about the applicable tariff for the spur-line beyond tariff zone of 50 kms and it was clarified that the same would be based on actual distance between spur-line and origination of trunk pipeline.

However, PNGRB vide amendment regulation dated 08.08.2014, amended Regulations 21 (3) of Authorisation Regulations regarding spur-lines to change the reference of admissible tariff to applicable tariff of the tariff zone from which the tap-off for the spur-line is taken. It is critical for bid-out pipelines that regulations affecting revenues are not amended, so that bidden revenues are protected.

In light of the above, GSPL submitted that amendments to tariff determination regulations should be holistic, and need to include cost plus and bid out pipelines. Considering the need for development of a Pan India Gas grid which shall help India achieve its goal of becoming a gas-based economy, it is

suggested that Bid out pipelines shall be allowed to become cost plus after 10 years of operations.

In the end Chairperson asked all PNGRB officials and stakeholders for any further issues or suggestion to be discussed, however, no further issues/comments were raised or discussed.

Meeting concluded with a vote of thanks to the chair.

Participants List

S. No.	Name	Organisation	Designation
1.	Mrs. Vandana Sharma	PNGRB	Secretary
2.	Mr Arvind Kumar	PNGRB	Joint Adviser
3.	Mr. Pankaj Bhutani	PNGRB	Joint Adviser
4.	Mr. K. Kittappa	PNGRB	Joint Adviser
5.	Mr. S. C Gupta	PNGRB	Deputy Adviser
6.	Ms. Harveen kaur	PNGRB	Assistant Adviser
7.	Mr. Ankur Jain	PNGRB	Assistant Adviser
8.	Mr. V.K. Saxena	PNGRB	Senior Consultant
9.	Mr. Aman Anand	PNGRB	Assistant Consultant
10.	Mr. Prateek Gulati	PNGRB	Assistant Consultant
11.	Mr. Sanjay Kumar	GAIL	ED
12.	Mr. Rakesh Kumar Jain	GAIL	ED
13.	Mr. Joy Banerjee	GAIL	CM (Mktg. RA)
14.	Mr. Vipin Chittoda	NGS	Senior Consultant
15.	Mr. S.Sivaramakrishnan	FACT Ltd.	DGM(Mat)
16.	Mr. Rupesh Shah	GSPL	AGM
17.	Mrs. Amrita Modi	GSPL	Sr Manager
18.	Mr. Devendra Agarwal	GSPL	DGM
19.	Mr. E V S Rao	PIL	Head Commercial
20.	Mr Neeraj Pasricha	PIL	Head RA
21.	Mr. Mohit Raj	PIL	GM RA
22.	Mr. Manoj Pandey	PIL	Ops and RA
23.	Mr. Rajat Gupta	PIL	RA
24.	Mr. Rahul Sharma	Swan LNG	Sr VP
25.	Mr. SP Singh	Adani Total	CEO
26.	Mr Anjani Kumar	Adani Total	Head LNG Marketing
27.	Mr. A B Roy	GAIL	DGM(Pricing)
28.	Mr. Rajiv Bakshi	GRM	Sr Consultant
29.	Mr. Vijay Duggal	GRM	Sr Consultant
30.	Mr. Hiren Mehta	H-Energy	AVP
31.	Mr. Nikhil Moghe	KPMG	Partner
32.	Mr. Anurag Gupta	KPMG	Manager
33.	Mrs Tanmeet Thakral	KPMG	Sr Associate
34.	Mr. R Kannan	GAIL	
35.	Mr Rahul Sharma	Swan LNG	
36.	Mr. V Krishnan	GAIL	GM(Pricing)
