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9th November 2020

To,
The Secretary,
Petroleum and Natural Gas Regulatory Board (PNGRB),
1st Floor, World Trade Centre,
Babar Road, New Delhi – 110001

Subject: Views/Comments on draft amendments to Petroleum and Natural Gas Regulatory Board (Imbalance Management Services) Regulations.

Respected Madam,

This is with reference to PNGRB's Public Notice Ref. No: PNGRB/COM/2-NGPL Tariff (2)/2012(P-xxx), dated 17th October 2020 seeking views/comments of stakeholders on the proposed draft to Petroleum and Natural Gas Regulatory Board (Imbalance Management Services) Regulations.

1. PIL welcomes this step of PNGRB. Additional Imbalance Services will provide more opportunities to the shippers to manage their imbalances and gas portfolios and mitigate any penal implications.
2. These services will also help in creating short term liquidity in the market and encourage gas trading.
3. Apart from IMS for customers, the transporters with interconnected pipelines may also require an arrangement to support each other through line pack management for operational reasons/other constraints to maintain uninterrupted gas supplies. To address this, transporters may be allowed to enter into a suitable arrangement amongst themselves without any adverse impact under the GTAs with shippers. Necessary enabling provisions may be provided for in Access Code, since the same is also under review
4. Some of our suggestions on the proposed amendments are as below:
 - a. **Parking and Lending Services- Sub regulation 1(a) and (b) of regulation 4 :**
 - i. **Issue:**
 1. Parking and Lending Services can also be used by the gas trader who is not utilizing the capacity in the natural gas pipeline for the normal transmission services.
 2. Shipper definition under the IMS regulation is "means a consumer, a marketer or any entity which utilizes the capacity in the natural gas pipeline".
 3. In the gas transportation services the "*utilization of capacity in the pipeline*" is considered as capacity booked for the normal transmission services for transporting the gas from one point to another. However, gas trader under the Parking services may only park gas for some time till consumer is identified. To

Pipeline Infrastructure Limited

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avoid ambiguity we may clearly specify the gas traders in the Parking Services provisions.

4. Similarly, in case of Parking services used by gas traders who are not having normal GTA and in case any gas is parked but not withdrawn within the agreed period then same needs to be dealt in the parking agreement instead of treating as positive imbalance under the Access code.

ii. **Suggestions :**

1. Suitable clarification through a proviso may be provided to allow use of Parking and Lending services without any GTA .
2. Additional Proviso may be incorporated: Provided further that in case Parking services are used by gas trader not having GTA, for treatment of gas parked and not withdrawn within the agreed period, suitable provision shall be made by the parties under Parking agreement.
3. Additional Proviso may be incorporated: Provided further that in case Lending services are used by gas trader not having GTA, the treatment of gas loaned and not returned within the agreed period shall be agreed by the parties under the Lending agreement.

b. **Netting Services:** Sub regulation 1(c) of regulation 4

i. **Issues:**

1. Under the netting services offsetting of positive and negative imbalances under different Gas Transportation Agreements of the shipper with the transporter is allowed. However, in case shipper is having same type of imbalance i.e. positive or negative under different GTAs which in totality is still within the tolerance limits will not be able to get the benefit of this services.
2. It would be appropriate to cover under the Netting services clubbing of MDQs of shipper having more than one GTA with the transporter to determine the imbalances.
3. This is going to be more relevant with upcoming unification of tariff and emerging gas grid.

ii. **Suggestions:**

1. Following may be added in the netting services :
“. . While providing the netting services, MDQs of GTAs, as agreed by the parties to the agreement, shall be clubbed together to determine the imbalances. In such cases shipper shall pay IMS charges on daily basis till clubbing benefits are enjoyed by the shipper for the quantities exceeding the permissible limit under the respective GTA for the imbalance quantities which got cured on clubbing of GTAs.”

c. **Imbalance Management Service Charges:** in regulation 4 sub-regulation (5), the following sub-regulation shall be substituted, namely: -

i. **Issue:**

1. The proposal of considering 50% of revenue under the miscellaneous income would result in reduction of operating cost and consequently the reduction in tariff of the pipeline.
2. It may be appreciated that most of the pipeline are under-utilized and are not able to earn the allowed return of 12%.

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3. These are newly introduced services which will create liquidity in the market and thereby help in development of the gas market. As incentive to promote these services transporter may be allowed to retain the total imbalance charges over and above the regulated return in line with the provisions under the existing regulations.
- ii. **Suggestions:**
 1. Revenue sharing mechanism as proposed under (vi) in regulation 4 sub-regulation (5), may be deleted.
 2. However, if Board finds it necessary to share such charges, then the 50% charges may be considered under the total revenue. In case the return earned by the entity from the pipeline based on actual revenue including these IMS charges exceeds the allowed returns, then the same can be adjusted in the tariff prospectively.
- d. **Insertion of sub regulation (9) under regulation 4 regarding the OBA :**
 - i. **Issue :**
 1. In case of OBA between two transporters, if any shipper avails IMS like netting/trading, the same would amount to transportation of gas volumes from one network to another. Therefore, in such cases shipper should pay the transportation charges and the IMS charges for such volumes for which IMS services are availed.
 2. It would be appropriate to bring clarity of payment mechanism of such charges in the regulations.
 - ii. **Suggestions:**
 1. This may be added in sub regulation (9) : Such shipper shall pay to the transporters relevant IMS charges. Further, shipper shall also pay the applicable tariff for the contractual path for transporting the volumes from one network to the other network. Tariff shall be paid to the transporter of the network which transported the volumes to the other network. For avoidance of doubt, transportation charges are payable only once to each transporter for the same volume.

PIL would also like to submit and share its views on the proposed amendments in details during the open house, to be conducted by PNGRB on the subject matter.

Thanking you

Yours faithfully,
For Pipeline Infrastructure Limited,

Neeraj Pasricha
Authorised Signatory

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