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PNGRB/
दिनांक: 26/6/19
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Ref. No PIL/PNGRB/PCD

Date: June 25, 2019

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

Sub.: Comments on PNGRB Public Consultation Document (PCD) on the
proposed amendment in PNGRB (Access code for common carrier and
contract carrier natural gas pipeline), Regulations, 2008.

Dear Madam,

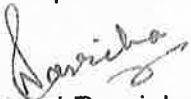
This has reference to PNGRB Public consultation Document PNGRB/M(C)/31-Vol-III
dated 10th June 2019 on the subject matter.

PIL suggestions on the proposed draft is placed as Annexure 1 to this letter, however,
we would like to participate in the open house, to be conducted by PNGRB on the
subject matter, to share our views in detail on the same.

Thanking you

Yours faithfully

For Pipeline Infrastructure Limited


Neeraj Pasricha
Authorised Signatory

Encl: As above

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AA(CA)

Pipeline Infrastructure Limited

(Formerly known as Pipeline Infrastructure Private Limited)

CIN: U60300MH2018PLC308292

Registered Office: Maker Maxity, 4th North Avenue, 2nd Floor, Kala Nagar, BKC, Mumbai, Maharashtra - 400 051, India

Annexure 1

Background: At the time of initial drafting of these regulations, this concept of escrow account was deliberated at length with stakeholders, that imbalance / overrun charges should be retained by the transporter as these are nothing but towards maintaining the discipline in the pipeline and all extra efforts (e.g., extra compression, man hours, etc.) required to maintain the same is being done by transporter. However, at that time it was deliberated that as transporter would be ensured reasonable return therefore retaining this amount also may results in over recovery. You may appreciate that actual scenario turned out to be is totally different, and currently transporters are facing huge under recoveries. Therefore, we may need to view this concept keeping in view the current scenario of under utilisation of pipeline and allow transporters to retain amount received on account of these charges.

Further, concept of claiming of expenses incurred towards contractual obligations or system management due to imbalances from escrow account is practically difficult to work out and certify, in view of the complexities involved.

Key Observation: PNGRB has proposed amendment in sub -regulation (10) of regulation 13 of the Access code mainly pertaining to modalities of maintaining and operating of escrow account for the charges received by the transporter on account of imbalances and overruns during the gas transportation in the transporter's pipeline network. Following are the key observations:

- i. Presently these activities are being done under the Guidelines issued by PNGRB regarding modalities of maintaining and operation of escrow account. It seems that the proposed amendment would supersede the current guidelines issued by PNGRB. However, it is suggested that for clarity, Board may withdraw these guidelines.
- ii. As Board is aware from the last 10 years pipelines in the country are facing huge under recoveries and at times required to take debts for working capital and at the same time collecting imbalance charges and keeping it separately and not able to use. Therefore, it is requested that amount of under recoveries should also be eligible for withdrawal from escrow account and the entities are allowed to use/consume the cumulative amount collected from the customers over the years since notification of the regulations as a one time measure. Further, on an on-going basis, entities may be allowed to retain the accumulated under-recoveries from the amount collected from the customers.

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- iii. To avoid the complexities of taxes, number of transactions and in the interest of ease of doing business, entities may be allowed to withdraw the eligible amount from the imbalance amount collected during the quarter while transferring the money to Board's Escrow account.
- iv. It is suggested that PNGRB may review the process of remitting the penal charges received by entities to PNGRB's escrow account from the tax angle so that there are no issues with tax authorities in future.

Point wise suggestions on the proposed draft regulations are given below:

#	Draft Ref No.	Draft Regulation Description	Comments
1.	3(i)	There shall be established an escrow account to be maintained by the Board.....	<p>Observation –</p> <ol style="list-style-type: none"> 1. It seems the intent is to establish and maintain escrow account by Board. 2. It is not clear whether it will be single escrow account or entity wise escrow account. <p>Suggestion –</p> <ol style="list-style-type: none"> 1. Therefore, to avoid any ambiguity we may rephrase the provision to include Board to establish and maintain escrow account. 2. Bring clarity about the manner in which escrow account will be maintained.



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2	(ii)	The transporter shall raise a The transporter shall deposit the taxes and levies with the concerned authorities	Observation: Intricacies of GST in this transaction need to be looked into. Internal note.
3	(iii)	The transporter shall submit the details of invoice or debit note..... within fifteen days from the date of sending such invoice.....	Observation: Purpose of this provision is to get the information about the invoices raised towards the imbalance and overruns. Board may keep the periodicity of this requirement in synchronization with the obligation of depositing the amounts in escrow account of Board. Suggestions: The proposed provision under sub clause (iii) may be merged with proposed sub clause (v).

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4	(vi)	The transporter shall submit to the Board pipeline wise shipper wise details of such charges recoverable from each shipper... from a Chartered Accountant certifying such details.	<p>Observation: As suggested in point (iii) above, duplication of information may be avoided. Format can be developed in which all the required information can be taken once either quarterly or yearly.</p> <p>Suggestions: This clause may be deleted and one provision can be kept regarding submission of information by entity avoiding the duplication of information.</p>
4	(vii)	The transporter may claim from the escrow account the amount incurred by it towards its contractual obligations with reference to supply or pay and extra efforts to compress gas in However, such claim shall not exceed the amount deposited by him in the escrow account.	<p>Observation:</p> <ol style="list-style-type: none"> 1. Instead claiming the amount from escrow account which may attract taxes, transporter may be allowed to retain the amount recoverable from the escrow account and deposit the balance amount in Board's escrow account. However, details of all such adjustment shall be provided by the transporter to Board along with the CA certificate. 2. Since pipeline operations is an on-going process, any unclaimed amount for withdrawal due to non-availability of funds in escrow account on a given date can be allowed to be set-off against future receipts by the transporter. 3. Further, eligible amount to be withdrawn should be amount deposited in escrow account plus accrued interest, if any on the same. 4. Further, regarding eligibility to withdraw from escrow account, it is submitted that transporter may also be allowed to withdraw the


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			<p>amount to the extent of under recoveries by the transporter. As transporter is making all efforts to run the pipeline and ensuring the discipline in the pipeline by managing imbalance or overruns by the shipper. Transporter always endeavor to ensure the best services to the shippers even if some of the shippers are not maintaining the discipline and during such management lot of efforts and resources are spent which at times difficult to quantify in money terms. But at the same time due to under utilization of the pipeline entity would face financial under recoveries, therefore, in such scenario transporter may be allowed to withdraw amount, to the extent of under recoveries, from the amount received from customers. This would enable some cashflow relief to the transporter without putting any financial burden on the shippers. However, while allowing adjustment of such under recoveries with the amount due towards escrow account Board may disallow under recoveries occurred due to defaults of transporter.</p> <p>Suggestions: Proposed provisions may be suitably modified to cover:</p> <ol style="list-style-type: none"> 1. Transporter can adjust the amount eligible to withdraw from the escrow account while depositing the amount in escrow account. 2. In case amount to be withdrawn is more than the amount available in escrow account, balance amount can be adjusted from the future credits in the escrow account.

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			<p>3. Transporter is eligible to withdraw to the extent of under recoveries from the escrow account.</p> <p>4. Transporter will provide all required details to the Board in support of the amount adjusted from the escrow account.</p> <p>5. Eligible amount will be amount deposited in escrow account along with the accrued interest, if any.</p>
5.	(viii) & (ix)	Such claim may be submitted annually by the transporter to the Board within 60 days.....	Suggestion: In view of suggestions given under (vii) we may modify this provision to allow adjustment of amount eligible to withdraw from escrow account.
6.	Not covered in Draft	Sub- regulation 11 of regulation 13 of access code required transporter to submit audited statement of escrow account on annual basis.	<p>Observation: As per the proposed amendment, escrow account will be maintained by Board therefore this provision may not be relevant.</p> <p>Suggestion: Deletion of Sub- regulation (11) of regulation 13 may also be included in the proposed amendment.</p>

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7.	Not covered in Draft	Sub- regulation 12 of regulation 13 of access code required transporter to submit audited statement of escrow account on annual basis.	<p>Observation: As submitted under point 5 above with regard to sub-regulation 11 of regulation 13, in view of the proposed amendment suitable modification would be required in sub-regulation 12 also.</p>
8.	New Provision		<p>Observation: There is no reference in the proposed amendment about the way Board will maintain this escrow account. Presently, all entities are required to deposit the amount of escrow account in fixed deposit. As transporter's mitigation option on account of financial exposure due to imbalances or over runs are linked to the amount in escrow account, it is important that such amount should be maintained in a clear and transparent manner.</p> <p>Suggestion: It is suggested that an appropriate provision may be incorporated in the amendment regarding the mechanism of maintaining escrow account.</p>
9.	New Provision		<p>Observation:</p> <ol style="list-style-type: none"> As per the proposed draft Board will maintain the escrow account including investing the same in an appropriate manner. However, it is not clear whether Board will maintain entity wise/ pipeline escrow account or common escrow account for all the entities. However, proposed provision under sub-regulation (vii) gives an impression that use of escrow account would be restricted at entity level. Therefore, there needs to be mechanism wherein an entity is


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			<p>informed about the balance available under entity's account in Escrow account maintained by Board.</p> <p>Suggestion: It is suggested to incorporate the provisions in the amendment to cover the mechanism of informing escrow account balance to the entity or alternatively it can be an online mechanism of providing access to entity to get the details of escrow account.</p>