

Fwd: Subject: Public Notice dated 29th April 2020 seeking comments / views on the Proposed Amendment to the PNGRB (Determination of Natural Gas Pipeline Tariff) Regulations

From : Ankur Jain <ankur@pngrb.gov.in> Mon, Jun 22, 2020 04:09 PM
Subject : Fwd: Subject: Public Notice dated 29th April 2020 seeking comments / views on the Proposed Amendment to the PNGRB (Determination of Natural Gas Pipeline Tariff) Regulations

From: "Rahul Sharma" <Rahul.Sharma@swanlng.co.in>
To: "Secretary" <secretary@pngrb.gov.in>
Cc: fsru@swanlng.co.in
Sent: Saturday, June 20, 2020 12:25:37 PM
Subject: Subject: Public Notice dated 29th April 2020 seeking comments / views on the Proposed Amendment to the PNGRB (Determination of Natural Gas Pipeline Tariff) Regulations

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

Subject: Public Notice dated 29th April 2020 seeking comments / views on the Proposed Amendment to the PNGRB (Determination of Natural Gas Pipeline Tariff) Regulations.

Dear Sir/Madam,

This is with reference to the Public Notice dated 29.4.2020 on Draft Amendment of Petroleum and Natural Gas Regulatory Board (Determination of Natural Gas Pipeline Tariff) Regulations, 2008 ("Tariff Regulations") wherein views/suggestions are invited regarding exclusion of some of the existing provisions viz :

"exclusion of provisions of regulation 12 and regulation 21 of Petroleum and Natural Gas Regulatory Board (Authorizing Entities to Lay, Build, Operate or Expand Natural Gas Pipelines) Regulations, 2008 for the purpose of determination of tariff in respect of 'cost-plus' natural gas pipelines and also on whether or to treat interconnection between two natural gas pipelines as extension/ expansion/ tie in."

Further, we would like to draw your kind attention that as per Regulation 12 (2) of Authorization Regulations states, inter alia, that *"In case it is proposed to expand the capacity of the natural gas pipeline by more than ten percent of that authorized by the Board.... Board may allow for expansion of the capacity in the natural gas pipeline provided that the entity agrees to a reduction in the unit natural gas pipeline tariff by sharing fifty percent of the proposed incremental tariff revenue..."*

Regulation 21(1)(d)(ii) (Tie In Connectivity) of Authorisation Regulations states that *"...in case the tie-in connectivity is resulting in to expansion of natural gas pipeline, the applicable tariff methodology shall be as provided in regulation 12"*

The above provision results in a adverse impact on the developers of new terminals because the pipeline entity will be impacted in two ways i.e. firstly increase in design capacity leading to sharing of 50% of proposed incremental tariff revenue (beyond Mar 2020) and secondly, expansion in capacity leading to corresponding reduction in tariff. Thereby, directly effecting the viability of new terminals.

The Hon'ble Board had also issued an Amendment in January 2016 wherein Board provided under Clause 6(1)(d) of Schedule A of Tariff Regulations, that *"In case of addition of any new source that comes during 01.04.2015 to 31.03.2020, any increase in design capacity because of this new source shall not be considered in tariff determination for a period from 01.04.2015 to 31.03.2020"*.

The above amendment was introduced to facilitate pipeline connectivity to the new terminals / supply sources so as to facilitate development of new gas markets in the Country.

However the right intent of the above amendment in Regulations to incentivize connectivity to the new sources and thus develop new gas markets was undermined by the existing provisions in Authorisation Regulations viz (a) sharing of revenues in spite of periodic tariff review provisions for non bid-out pipelines and (b) cross referencing of Regulations 12(2) of Authorization Regulations with Regulations 21(1)(d)(ii) of Authorisation Regulations implying that in case of expansion due to tie-in connectivity, same may have an impact on the pipeline tariffs – 50% sharing of incremental revenue and higher volume divisor (no exemption beyond Mar 2020). Further, this will adversely impact the viability of the new upcoming terminals in the country.

Since the Hon'ble Board is already evaluating the possibility of excluding these provisions, we fully support the exclusion of above provisions for the purpose of tariff determination as it will benefit all the new LNG terminals that are coming up in Gujarat and other parts of the Country and expansion of existing pipeline infrastructure yet keeping transportation tariff reasonable.

Our humble submission is that the Gas pipeline network in Gujarat requires expansion to cater to the capacity of upcoming LNG terminals, this may set precedence and in future other terminals planned in Gujarat would have similar new Pipeline / expansion requirement. Therefore, we request you to take cognisance of the matter so as to facilitate pipeline developers and incentivize connectivity with new sources which is essential for the viability of the new LNG Terminals coming up in the country with an aim to develop the gas market.

In view of the above, we request your kind support and cooperation on the matter.

Best regards
Rahul Sharma
Swan LNG Pvt Ltd
