



**Shell Energy India Private Limited**  
(Formerly known as Hazira LNG Private Limited)

BG House, Lake Boulevard  
Hiranandani Business Park, Powai  
Mumbai - 400 076  
India

Website: [www.shell.in](http://www.shell.in)  
Tel: +91 22 40325321  
Fax: +91 22 40058931

SEI/MC/2020/PNGRB/PCD/04  
19 June 2020

**The Secretary,  
Petroleum & Natural Gas Regulatory Board,  
1st Floor, World Trade Centre,  
Babar Road,  
New Delhi – 110001**

**Subject: Comments on the Proposed Amendments in the PNGRB (Determination of Natural Gas Pipeline Tariff) Regulations, 2008**

Respected Madam,

This has reference to the public notice (Ref: Public Notice No: PNGRB/COM/2-NGPL/Tariff (3)/2019 Vol-II) soliciting views on the proposed amendments in the PNGRB Determination of Natural Gas Pipeline Tariff) Regulations, 2008.

We welcome the proposed amendments which are aimed at supporting the development of transportation pipelines and growth of the gas markets. We have reviewed the proposed amendments and submit our inputs for your consideration.

Volume Divisor:

- The proposed amendment will mitigate the volume risk substantially as it considers a more gradual volume ramp-up over the first ten years of operation, instead of the current provision of five years, to reach the highest normative utilisation percentage for determination of tariff. However, we would like to submit that the well-intentioned amendment may not achieve the intended results as the incremental tariff revenues due to the increase in pipeline tariffs may offset by the reduction in volumes. The proposed normative volume multipliers will result in a steep increase in the tariffs, as high as 50%-80%, depending on the difference between the actual volumes and the existing normative multipliers, and years of operation. Such a steep increase in the tariffs coupled with the impact of pancaking will adversely impact the competitiveness of natural gas vis-à-vis alternative fuels. This may not only result in the contraction of gas demand in the existing markets, but also adversely affect the development of the emerging gas markets. Considering these issues, we request the Board to revise the normative volume multipliers at the time of implementation of the Unified Tariff for all pipelines in the country to minimize the adverse impact.

Escalation in Tariff:

- The proposed amendment recommends an annual increase in the levelized tariff and invited inputs on the percentage of escalation. The current methodology provides for inflation/escalation of capex



and opex in the determination of levelised tariff. The levelized tariff also allows an opportunity to front-load revenue and support pipeline developers in the cash flow management during the initial years of operation/volume ramp-up period. While the proposed annual step-tariff methodology may support the development of gas markets through lower tariffs during the initial years, but the higher tariffs in the outer years may adversely impact the gas demand. So, we request the honorable Board to consider a nominal annual escalation (2%) to strike a balance between the interests of the pipeline developers and gas consumers over the tariff review period.

Exclusion of provisions of regulation 12 and regulation 21 for determination of tariff in respect of 'cost-plus' natural gas pipelines:

- While the Board has proposed to exclude the specified regulations, an alternative methodology is not recommended for determination of the tariff if the tie-in connectivity results in expansion of the pipeline. In such cases, the Board may revise the tariff based on the revised capacity of the pipeline which is required to be determined by the operator annually as per the existing regulation on the determination of capacity.

We request the honorable Board to review and consider the above inputs while finalizing the regulation. We will be happy to provide any further information if required.

Your Sincerely,  
for **SHELL ENERGY INDIA PRIVATE LIMITED**

A handwritten signature in blue ink, appearing to read 'Ashwani Dudeja', with a horizontal line extending to the right.

**ASHWANI DUDEJA**  
**DIRECTOR**