

**GRM Hospitality And Consultants Private Limited**

Regd. Office: D-25, Kalkaji, New Delhi-110 019

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Secretary

Petroleum & Natural Gas Regulatory Board First Floor,  
World Trade Centre,  
Babar Road, New Delhi - 110 001

June 1, 2020

Madam,

This refers to the PNGRB public notice dated 29<sup>th</sup> April, 2020 seeking public comments on the proposed amendments to the PNGRB (Determination of Natural Gas Pipeline Tariff) Regulations, 2008.

Our comments are given below:

1. While the proposal to amend clause 6 to Schedule A (Annexure 1) by changing the volume divisors would be favourable for the transporters, PNGRB needs to take a holistic view and carefully address the following aspects-
  - a) Achieving balance between the interests of transporters and consumers.
  - b) Creation of further disparities between bid-out and DCF 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.
  - c) Unequal treatment to bid out pipelines as their volume risk cannot be mitigated in the same manner as can be for the DCF cost-plus pipelines through frequent revisions in the regulations pertaining to the volume divisors.
2. The proposal to amend clause 7 of Schedule A (Annexure 1) relating to economic life creates two sets of definition for the same infrastructure, i.e. 25 years for the bid-out pipelines and 30 years for the DCF cost plus pipelines. While this distinction may further accentuate the disparities between the two, 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.
3. The proposal to insert a new clause 11 in Schedule A (Annexure 1) dealing with "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 similar problem as mentioned above in achieving convergence between the two tariff systems and therefore needs to be seriously debated with the stakeholders.
4. On the discussion points as given in Annexure 2 relating to the regulation 12 of the PNGRB (Authorizing Entities to Lay, Build, Operate or Expand Natural Gas Pipeline Regulations, 2008, our comments are as under-
  - a) If provisions of original regulation 12 (prior to its amendment in 2014) of the PNGRB (Authorizing Entities to Lay, Build, Operate or Expand Natural Gas Pipeline) Regulations, 2008 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. In existing pipelines i.e., existing prior to

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the appointed day, this issue would not be relevant as the Board while determining the natural gas pipeline tariff, would ensure this is automatically reflected by re-working the natural gas pipeline tariff during the tariff reviews. Therefore, the rationale for the amendment made in 2014 itself was not understood.

- b) Creating an exception for the Jagdishpur-Haldia-Bokaro-Dhamra-Barauni-Guwahati pipeline 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. 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.
- c) Subject to point b) above, we support the proposal to amend regulation 12 of the PNGRB (Authorizing Entities to Lay, Build, Operate or Expand Natural Gas Pipeline) Regulations, 2008 to restore it to its original position in keeping with the spirit and intent stated above.

Yours faithfully,



Vijay Duggal



Rajiv Bakhshi