

HEGMPL/OTM/MKT/2020/35
18-06-2020

To,
The Secretary
Petroleum and Natural Gas Regulatory Board
First Floor, World Trade Centre, Babar Road
New Delhi, 110001

Subject: Comments/Views on Draft PNGRB ((Determination of Natural Gas Pipeline Tariff) Amendment Regulations, 2020

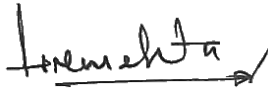
Dear Madam,

This is in reference to PNGRB Public Notice no. PNGRB/COM/2-NGPL/Tariff (3)/2019 Vol-II dated 29-04-2020 seeking comments/views on the draft "PNGRB ((Determination of Natural Gas Pipeline Tariff) Amendment Regulations, 2020" (hereinafter referred to as 'Draft Regulation') from the stakeholders.

In this regard, comments/views of H-Energy are enclosed as **Annexure I** for kind consideration of the Hon'ble Board.

Thank you.

With regards,



Hiren Mehta
Asst. Vice President - Marketing

Annexure I

- We support PNGRB for proposing thirty years as economic life of the pipeline for the purpose of tariff determination which is in line with the Schedule II of the Companies Act 2013. However, the clarity may be useful regarding the economic life will be counted from the date of authorization or date of commissioning of the pipeline. We request PNGRB to please clarify and incorporate the same in the proposed Regulation.
- PNGRB proposes to amend provision pertaining volume divisor for various years of operations as it is an important component while determining the tariff. Having said that, we request PNGRB to determine/declare final capacities as per relevant Regulations for some of the important natural gas pipelines which are still operating with provisional capacities/cases where re-determination of capacity is required.
- With respect to the escalation in tariff, PNGRB has already proposed increasing the period of five years to ten years in adjustment of volume variation wherein volume divisor is getting reduced, earlier which started at 60 percent, shall now be calculated starting at 30 percent which will eventually lead to higher tariff. However including escalation in tariff may be unnecessary as it will lead to much higher tariff at consumer's end. Above both proposals may not go concurrently. Even if a gas marketing entity is able to sell cheaper gas, but by the virtue of transmission tariff, it will be apparently expensive for the end user. Since PNGRB is already giving benefits of reduced volume divisor, inclusion of cost of system-use natural gas and pipeline tariff thereon, relevant to the volumes considered as divisor for tariff determination (which was earlier excluded), escalation in tariff is not essential as it will not be in the interests of consumers.
- The draft Regulation has sought whether or not to treat interconnection between two natural gas pipelines as extension/expansion/tie-in. The extant PNGRB Regulations states:
 - ▲ an interconnection point on pipeline is like **adding an exit point to the existing pipeline**
 - ▲ an extension of pipeline is mainly the **increase in length of pipeline** in either direction for transportation of natural gas from an existing transmission/trunk/sub-transmission/spur pipeline to another geographical area **without increase in authorized capacity** of the pipeline
 - ▲ expansion of pipeline is mainly **increase in the capacity** of existing pipeline **beyond its previously authorized capacity** due to installation of additional facilities.
 - ▲ tie-in connectivity is mainly for transport of natural gas between a common carrier or contract carrier natural gas pipeline and (a) a natural gas source

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or (b) **a new injection point from another common carrier or contract carrier natural gas pipeline.**

As per our understanding, all the above terms are overlapping with each other.

However, as per our view, an interconnection point should be considered as tie-in connectivity as such interconnectivity always result in new gas injection point may be from natural gas source or another gas pipeline.

Extension or expansion of pipeline is different from tie-in connectivity. Expansion of pipeline is executed when the capacity of the existing network is insufficient to deliver gas supply to market regions. Extension of pipeline is primarily for reaching the desired consumer locations but not changing the authorized capacity.
