

## **Recommendations of Natural Gas Society to PNGRB on NG Pipe line tariff**

With reference to the notification PNGRB/COM/2-NGPL/Tariff (3)/2019 Vol-II Dated 29.04.2020, as a member of Tariff committee, the view points of Natural Gas Society are as under

- a) In regulation 2, in sub-regulation (1) clause d) :“capacity of natural gas pipeline” means the capacity of natural gas pipeline as originally authorized or accepted by the Board

**Recommendation by NGS - Proposed amendment is acceptable**

- b) In regulation 2, in sub-regulation (1) - the following **clause shall be inserted**, namely: -  
“(ea) "Imbalance Management Services" shall have the same meaning as given in the Petroleum and Natural Gas Regulatory Board (Imbalance Management Services) Regulations, 2016;

**Recommendation by NGS - Proposed amendment is acceptable**

- c) for Clause 5, sub clause 8 of Schedule A- Miscellaneous income realizable from a fixed asset included in the capital employed or out of an expense considered as an operating cost, but not including interest income, profit or loss on sale or transfer of any fixed or other asset, shall be netted from operating cost –

**Recommendation by NGS – NGS** proposes that the income to be kept separately and should be adjusted in the tariff only after the IRR value reaches an annualized value of 12% post tax return

- d) for sub clause (1) (a) of clause 6 of Schedule A, substitution of new clause in the clause –“The volumes of natural gas to be considered as divisor in the determination of the unit natural gas pipeline tariff over the economic life of the project shall be computed on a normative or actual basis, whichever is higher”

- e) in clause 6 of Schedule A, following sub-clause 3 shall be inserted,” Notwithstanding anything provided in any regulations, 350 working days shall be considered–

**Recommendation by NGS No comment**

- f) for clause 7 of Schedule A, following clause shall be substituted – “economic life of the pipeline shall be considered as thirty years for the purpose of tariff determination under these regulations” –

**Recommendation by NGS - Proposed amendment is acceptable**

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- g) **for clause 8 of Schedule A**, the following **new sub-clause 1**- shall be substituted - Entity shall submit for the calculations in respect of apportioning of the unit natural gas pipeline tariff over all the tariff zones during the economic life of the project in the form specified under regulation 5, by following the methodology as specified under sub-regulations (a), (b) and (c) regulation 7 of the PNGRB
- h) **for clause 8 of Schedule A**, the following **new sub-clause 2** - In case the entity fails to submit the information within such time, the Board may apportion the unit natural gas pipeline tariff over various tariff zones as per the last zonal tariff apportionment in respect of that pipeline or in any other manner as may be deemed fit by the Board
- i) **for clause 8 of Schedule A**, the following **new sub-clause 3** - No adjustment shall be made by the entity with the customers for any over achievement or under-achievement in the recovery of the natural gas pipeline tariff by the entity due to the volumes actually transported in different tariff zones being different than the volumes considered by the entity for apportioning the unit natural gas pipeline tariff for each of the tariff zone” -

**Recommendation by NGS** - To avoid any delays, and gap between the levelized tariff working and zonal tariff order, board may fix the zonal apportionment of volume considering past and future likely consumption pattern. Any variation in actual zonal volume can be adjusted in the tariff and a provision to review zonal apportionment can be provided on biannual basis to avoid major fluctuations

- j) in schedule A, after clause 10, following clause 11 on “Escalation of tariff - The DCF model for tariff computation shall provide for an annual increase in levelized tariff at the rate of XX%. Accordingly, zonal tariff would also increase year-by-year at the same rate.”

**Recommendation by NGS PNGRB** may fix xx % in line with some industry or national or international indicator like inflation index etc.

### **Suggestions/Comments/Views of stakeholders are invited for discussion during the open house meeting on the following:**

- A. In sub clause (2) (b) of clause 5 in Schedule A –  
Existing clause -“(b)fuel (including the cost of natural gas and the natural gas pipeline tariff not recovered on the volume of system-use natural gas consumed in the natural gas pipeline);”  
**to be replaced by -**  
“(b) **fuel** (including the cost of system-use natural gas and pipeline tariff thereon, relevant to the volumes **considered as divisor** for tariff determination);”

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**Recommendation by NGS** In practice, the fuel cost does not reduce proportionately with reduction in line flow. In order to avoid detailed working out of normative cost of fuel to be worked out for each fraction and used in calculation

- B. In sub clause (2) (b) of clause 5 in Schedule A Suggestions of the stakeholders are sought regarding 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 (except in case of Jagdishpur-Haldia-Bokaro-Dhamra-Barauni-Guwahati pipeline, where the pipeline has already been allowed for capacity expansion based on the acceptance of applicability of Regulation 12 by pipeline entity) and also on whether or not to treat interconnection between two natural gas pipelines as extension/expansion/ tie in.

**Recommendation by NGS** - Extension may be considered if it is more than 50 Km. Interconnection between two natural gas pipelines, not to be treated as extension/expansion

- C) Adjustment of Volume variation - In sub clause (1) and sub clause (2) of clause 10 in Schedule A,

**Recommendation by NGS** - To be allowed for the entire life of the pipeline

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