



GUJARAT GAS

GGL/C&M/2017-18/032

October 05, 2017

To,
Ms. Vandana Sharma,
Secretary,
Petroleum and Natural Gas Regulatory Board ("**PNGRB/Board**")
1st Floor, World Trade Centre,
Babar Road, New Delhi – 110001

Sub.: Comments on GAIL's Final initial unit natural gas pipeline tariff for its Dahej-Uran-Panvel-Dhabol Natural Gas Pipeline Network ("**DUPL-DPPL**") under the provisions of the Petroleum and Natural Gas Regulatory Board (Determination of Natural Gas Pipeline Tariff) Regulations, 2008

Ref.: PNGRB Public Notice Ref: No. PNGRB/M(C)/108-Vol-II dated September 21, 2017

Dear Madam,

With reference to the abovementioned Public Consultation Document ("**PCD**") webhosted by the PNGRB with regards to the final initial unit natural gas pipeline tariff of M/s GAIL (India) Limited ("**GAIL**") for its Dahej-Uran-Panvel-Dhabol Natural Gas Pipeline Network ("**DUPL-DPPL**"), Gujarat Gas Limited ("**GGL**") would like to place its following observations/ comments for the kind consideration of the Revered Board:

1. **Volume Divisor:** The PNGRB would appreciate the fact that the volume divisor plays a vital role in determination of the natural gas pipeline tariff considering various other tariff components including Capital Expenditure ("**Capex**"), Operating Expenditure ("**Opex**"), etc. In order to justify the volume divisor and to determine the natural gas pipeline tariff it is important that the capacity determination for the said pipeline network is carried out initially and approved by the PNGRB based on which the natural gas pipeline tariff computation exercise can be progressed with.

In the context matter the capacity determination for the said pipeline network needs to be carried out and the same needs to be also webhosted on the PNGRB website for relevant stakeholder perusal. The same has also been clarified by the entity (in the context matter) at various instances.

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Further the Honourable PNGRB would also appreciate the fact that the Capex projected (addition/ deletion) has a potential to increase or reduce the capacity therewith and hence plays a crucial role in the determination exercise.

It is also desirable in the case of natural gas pipeline, unlike a city or local natural gas network to provide the geo-coordinate map for better understanding of the proposed expansion or otherwise of the pipeline for which the tariff is so being determined.

2. **System Use Gas & Unaccounted Gas:** The instant proposal of tariff filing by GAIL includes the System Use Gas (“SUG”) and Unaccounted Gas (“UG”) which is an inherent part of the Opex as visible in innumerable international precedences and global best practices for operating/ running of the natural pipeline, compressors and other associated equipment's. The same is subject to the rider that the same is within the tolerance limit prescribed by the equipment manufacturer and the international best practices.
3. **Inflation rate:** GAIL has considered annual escalation rate of 4.91% annually over actual Opex. Also, as per the country's adopted inflation rates for next 25 years, it may be at 5.2% which may be duly considered by the Hon'ble Board. This shall also help in neutralizing the short term spikes.
4. **Capex projection:** The future Capex/ PD Future Capex projections till the end of the economic life of the project provided by GAIL for its DUPL-DPPL Network needs to be detailed out in the tariff filing in order to assess and validate the pipeline network/ development/ replacement cost/ new tie- in connectivity and the actual impact of the same on the final natural gas pipeline tariff to be so determined and levied on the end customer's. The asset classification would also add value for perusal of the proposal.

As per point no. 3.2 (j) The last mile connectivity details and value added by GAIL in DUPL-DPPL network as submitted to the PNGRB should also be shared in order to validate the Capex associated with it.

In addition to the above, as per point no. 3.4 (h) read along with point no. 4.3 (c)(iii) the list of customers (including prospective customers) being served through DUPL- DPPL networks should also be shared for relevant stakeholder perusal.

As we understand from GAIL's tariff proposal, this pipeline is a new pipeline which has been operational since July 11, 2007. For such a new pipeline the future Capex outgo projections provided till the end of the economic life of the



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project seems to be exorbitant and it would be important to substantiate the same with detailed project expansion/ up-gradation plan. As this is a recently commissioned pipeline the possibility of incurring any Capex associated with replacement cost needs to be ruled out.

5. **Opex projection:** Comparative increase of the Opex as detailed in the final tariff filing over the approved provisional tariff filing needs to be detailed out in order to assess and validate the component.

We trust the Honourable Board finds our observation/ comments useful in assessing the final initial unit natural gas pipeline tariff of GAIL for its DUPL-DPPL Natural Gas Pipeline Network thereby ensuring overall development of the natural gas sector across the country and we would be happy to provide any further clarifications should they be required by the esteemed Board in this regards.

Thanking You,
For Gujarat Gas Limited

Maqsood Shaikh
Senior Vice President- Commercial & Marketing