



इंडियन ऑयल कॉर्पोरेशन लिमिटेड
कॉर्पोरेट कार्यालय : स्कोप कॉम्प्लेक्स, कोर-2,
7, इंस्टिट्यूशनल एरिया, लोधी रोड, नई दिल्ली-110 003
Indian Oil Corporation Limited
Corporate Office : SCOPE Complex, Core-2,
7, Institutional Area, Lodhi Road, New Delhi-110 003
Website : www.iocl.com



कॉर्पोरेट कार्यालय
Corporate Office

Ref: CO/BD-Gas/PNGRB/Tariff

16.8.2019

The Secretary,
Petroleum and Natural Gas Regulatory Board
1st Floor, World Trade Centre,
Babar Road, New Delhi – 110 001

**Subject: Submission of comments on the PNGRB's proposed draft amendments in
Tariff Regulations, 2019**

Ref: F.No.- PNGRB/COM/2-NGPL/Tariff (3)/2019, dated: 2.8.2019

Dear Madam,

With reference to the subject PCD web-hosted by PNGRB requesting comments /
views from all stakeholders, IndianOil's views are as under:

1. In 2017 PNGRB had brought out a Public Consultation paper proposing different methodologies for tariff unification of existing pipelines. The approaches suggested were (a) unification at the level of entity (b) unification of tariff for all pipelines which are not bid out and (c) unification of tariff for all pipelines including bid out pipelines. IndianOil had submitted detailed views as to why the proposal for unification of tariff was not beneficial for the overall development of natural gas infrastructure in the country. Similar views were also submitted by many entities. Unification of tariff at the level of entity was opposed by most.
2. The present PCD reflects an approach for combining tariff for two or more interconnected pipelines without specifying the geographical / market basis for the same, which in our opinion would distort the present market in favour of entity whose pipelines tariffs are combined and leave the other incumbents serving the same geography out of competitive markets. For instance, if tariffs of HVJ, DVPL / GREP, CJHPL, DBNPL serving Delhi, NCR, Punjab, Haryana, Rajasthan, and M.P. are combined, the resultant tariff may well become lower than tariffs of alternate pipeline presently serving these markets / pipelines under construction to serve these markets. Thus all other entities would be out priced from the market and development of new pipelines in this region would be infructuous. It may be mentioned here that IndianOil along with BPCL, HPCL and GSPL have awarded EPC contracts for MBPL & BJSPL worth more than Rs 3,500 Cr, which would become unremunerative if the exercise is limited to GAIL's pipelines in this region.

पंजीकृत कार्यालय : जी-9, अली यावर जंग मार्ग, बान्द्रा (पूर्व), मुम्बई-400051, महाराष्ट्र (भारत)

Regd. Office : G-9, All Yavar Jung Marg, Bandra (East), Mumbai-400051, Maharashtra (India)

CIN - L 23201 MH 1959 GOI 011388

3. Any amendment in tariff determination methodology must be guided by factors which will encourage competition, by determining tariffs in non-discriminatory nature. In other words, tariff determination methodology or consequences of such exercise must not benefit any one entity, as will happen, if the tariffs are combined selectively for only a few pipelines serving a market.
4. Such combination of tariffs for selective pipelines serving a common geographical area / market would also adversely impact development of new LNG terminals also that may be dependent on new pipelines that are left out of this exercise. For instance, viability of Dhamra LNG terminal would be affected in case combined tariff of HVJ / GREP & JHBDPL is established and zonal apportionment also negates Regas tariff differential.

5. Impact on Power sector

Majority of Independent Power Producers (IPPs) are located in coastal states like Gujarat, which will have to bear higher tariffs in case tariffs for upstream connected pipelines are also combined. This will have serious impacts on the cost of power produced and in turn viability of the gas based power plants.

6. Impact on CNG and PNG

The implementation of combined transportation tariff for two or more inter-connected natural gas pipelines would result in increase in transportation tariffs for all CGDs being served by the pipeline directly connected from source as tariffs from subsequent pipelines would impact the final combined tariff. Presently most of the CGDs in the country are located in the vicinity of pipeline directly connecting the source. Hence, combined tariff proposal will result in increased cost of public transport and domestic PNG price for almost all CGDs. Small scale industries and MSMEs dependent on CGD entities for their supplies will also have to pay higher tariffs thus impacting their profitability. End consumer will also have to pay higher prices

7. Impact on competitive environment

The proposal for combining transportation tariff for two or more inter-connected natural gas pipelines will have major impact on competitive environment since there will be no impetus for new entities to develop new gas infrastructure like LNG terminals, pipelines etc. in the country unless the assessed tariffs of the new infrastructure are competitive to the combined tariff of feeding pipelines. As this would be unlikely, investment in new pipeline / LNG infrastructure would remain constrained.

8. Impact on IndianOil as a customer

Currently, IndianOil is a major RLNG consumer with substantial consumption for its refineries at Panipat and Mathura. With the implementation of transportation tariff on a combined basis for two or more inter-connected natural gas pipelines, IndianOil stands to end up paying considerably higher transportation cost.

Suggestions for overall improvement / better Implementation to have equal playing field for all.

The proposal to combine transportation tariff for two or more inter-connected natural gas pipelines will also lead to monopolistic practices by the major natural gas infrastructure developer, which can continue to offer bundled contracts to the end consumer and out price all competitors who will need to pay enhanced tariff for majority of their consumers.

- a) Thus our suggestion is that any such exercise should cover all pipelines serving a common geographical market so that choice of any route by the customer does not result in differential tariffs. The exercise should also take into account impact on upstream LNG terminals so as to ensure their viability. This principle should be included in the tariff amendment at this instant.
- b) A far more important reform in ensuring end customer affordability would be by unbundling existing transportation and marketing activities, adoption of entry-exit model of tariff and appointment of a Transmission System Operator (TSO) on the lines undertaken by all the developed economies.
- c) In Sept 2014, PNGRB had web-hosted a consultation paper on 'Structure of Natural Gas Pipeline Tariff' and the industry had submitted detailed comments on the same. The views expressed may also be considered while deliberating on the present proposal.

Thanking you,

Yours sincerely

F. K. Yadav
16/08/2019

Executive Director (Gas)