

PETROLEUM AND NATURAL GAS REGULATORY BOARD
NOTIFICATION

G.S.R. ---- (E) — In exercise of the powers conferred by clause (t) of sub-section (2) of section 61 of the Petroleum and Natural Gas Regulatory Board Act, 2006 (19 of 2006), the Petroleum and Natural Gas Regulatory Board hereby makes the following regulations, namely: —

1. Short title and commencement:

- (1) These regulations may be called the Petroleum and Natural Gas Regulatory Board (Determination of Transportation Rate for CGD and Transportation Rate for CNG) Regulations, 2020.
- (2) They shall come into force on the date of their publication in the Official Gazette.

2. Definitions:

(1) In these regulations, unless the context otherwise requires -

- (a) "Act" means the Petroleum and Natural Gas Regulatory Board Act, 2006 (19 of 2006);
- (b) "authorised entity" shall have the meaning as defined in the Act;
- (c) "Board" means the Petroleum and Natural Gas Regulatory Board;
- (d) "entity" shall have the meaning as defined in the Act;
- (e) "transportation rate for CGD" shall have the meaning as defined in clause (ic) of sub-regulation (1) of regulation 2 of Petroleum and Natural Gas Regulatory Board (Authorising Entities to Lay, Build, Operate or Expand City or Local Natural Gas Distribution Networks) Regulations, 2008;
- (f) "transportation rate for CNG" shall have the meaning as defined in clause (id) of sub-regulation (1) of regulation 2 of Petroleum and Natural Gas Regulatory Board (Authorising Entities to Lay, Build, Operate or Expand City or Local Natural Gas Distribution Networks) Regulations, 2008;

- (2) Words and expressions used and not defined in these regulations, but defined in the Act or in the rules or other regulations made thereunder, shall have the meanings respectively assigned to them in the Act, such rules or regulations.

3. Application:

These regulations shall apply, immediately at the end of the period of exclusivity from the purview of common or contract carrier pursuant to regulation 12 of Petroleum and Natural Gas Regulatory Board (Authorising Entities to Lay, Build, Operate or Expand City or Local Natural Gas Distribution Networks) Regulations, 2008 to:

- (1) an entity whose authorisation granted by the Central Government has been accepted under regulation 17 of the Petroleum and Natural Gas Regulatory Board (Authorising Entities to Lay, Build, Operate or Expand City or Local Natural Gas Distribution Network) Regulations, 2008,
- (2) an entity which has been authorised under regulation 18 of the Petroleum and Natural Gas Regulatory Board (Authorising Entities to Lay, Build, Operate or Expand City or Local Natural Gas Distribution Network) Regulations, 2008, and
- (3) an entity which has been authorised under section 16 of the Act in pursuance of the policy directive issued by the Central Government under section 42 of the Act;

Provided that these regulations shall apply, immediately on the date of their publication in the Official Gazette, to an entity which has not been granted exclusivity from the purview of common or contract carrier.

4. Determination of transportation rate for CGD and transportation rate for CNG and web-hosting of information:

- (1) An authorised entity to which these regulations apply shall, within 90 days of the these regulations coming into force or within 90 days of declaring a CGD network as a common carrier or contract carrier whichever is later, determine in accordance with the provisions specified in the schedule, the transportation rate for CGD and transportation rate for CNG, which rates shall be applicable for the period in accordance with sub clause (1) of para 6 of the Schedule.

- (2) An authorised entity to which these regulations apply shall, within 180 days of the close of every subsequent financial year, determine in accordance with the provisions specified in the schedule, the transportation rate for CGD and transportation rate for CNG, which rates shall be applicable for the period in accordance with sub clause (1) of para 6 of the Schedule.
- (3) The authorised entity referred to in regulation (1) or sub-regulation (2) shall, within the period as specified in sub-regulation (1) or sub-regulation (2) as the case may be, web-host on its web-site such rates as determined by it along with interactive spreadsheet calculation model including formulae and the duly filled in forms as specified in attachment 1 to the schedule.
- (4) Any entity not satisfied with the rates determined under sub-regulation (1) or sub-regulation (2) or the web-hosting of such rates or information pursuant to sub-regulation (3), may file a complaint to the Board. The Board may examine the complaint under the extant provisions of the Act and the relevant regulations made thereunder and pass such order as it may deem fit. Pending Board's decision on the complaint, the rates so determined under sub-regulation (1) or sub-regulation (2) as the case may be, shall apply.
- (5) Unless otherwise ordered by the Board, the financial adjustment on account of change in the transportation rate for CGD or transportation rate for CNG shall be carried out while determining the transportation rate for CGD or transportation rate for CNG for the year subsequent to Board's order.

5. Defaults:

Without prejudice to applicability of other provisions of the Act or rules and regulations made thereunder or any other law which may be apply, any default in complying with the provisions of these regulations shall be punishable under section 28 of the Act.

6. Miscellaneous:

If any question arises as to the interpretation of these regulations, the same shall be decided by the Board.

7. Repeal:

- (1) Petroleum and Natural Gas Regulatory Board (Determination of Network Tariff for City or Local Natural Gas Distribution Networks and Compression Charge for CNG) Regulations, 2008 shall stand repealed.
- (2) Notwithstanding the repeal under sub-regulation (1), anything done or any action taken or purported to have been done or taken, shall, insofar as it is not inconsistent with the provisions of these regulations, be deemed to have been done or taken under the corresponding provisions of these regulations.
- (3) Sub-regulation (2) shall not be held to prejudice the general application of section 6 of the General Clauses Act, 1897 (10 of 1897) with regard to the effect of repeal of the repealed regulations.

Schedule

[See regulation 4]

Methodology for determination of Transportation Rate for CGD and Transportation Rate for CNG

The authorised entity to which these regulations apply shall determine the transportation rate for CGD and transportation rate for CNG in a CGD network based on the principles specified in this schedule and attachments thereto, by considering the rate of return specified in para 2 of this schedule, on normative level of capital employed plus the normative level of operating expenses on that CGD network.

The expression “normative level” shall be with reference to a level, which is both reasonable and justified in terms of incurrence of capital and operating expenditure required for laying, building, operating or expanding that CGD network.

1. Cost and Financial Data:

The entity to which these regulations apply shall determine the weighted average transportation rate considering all technical, operating, financial and cost data of the CGD network based on the audited annual accounts and other technical data and details, for the latest available three preceding financial years. Determination of such rates shall be certified by statutory auditors of the authorised entity laying, building, operating or expanding that CGD network, in the format specified in attachment 1(h) to this schedule.

The authorised entity shall prepare separate financial and cost statements in respect of each GA to which these regulations apply and get the same audited by its statutory auditors. The authorised entity shall maintain technical and quantitative data required for determination of the rates separately for each CGD network and also for each activity of the authorised entity. Booking, apportionment and allocation of indirect capital and revenue costs to different CGD networks and activities shall be carried out in fair and reasonable manner, which shall be clearly stated by way of detailed notes.

2. Methodology for determination of transportation rate for CGD and CNG:

The transportation rate shall be calculated based on the “Cost of Service” (COS) methodology¹ considering a normative post-tax rate of return of twelve percent on capital employed arrived at in the manner specified in para 3 below.

The pre-tax rate of return on capital employed shall be computed by grossing-up twelve percent by the nominal applicable rate of income tax for corporate assesses as per the provisions of the Income tax Act, 1961 (43 of 1961).

Explanation- For removal of doubt, it is clarified that in case more than one nominal rates of income tax are available as an option to the authorised entity under the law relating to income tax, the lowest of such nominal rates of income tax shall be considered for the purpose of grossing-up the post-tax rate of return of twelve percent for computing pre-tax rate of return on capital employed.

3. Computation of Net Fixed Assets and Normative Working Capital.

(1) The Net Fixed Assets in a CGD Network shall be determined separately for –

- (a) the common infrastructure in the CGD network (i.e., consisting of the pipeline from the tap-off point in the natural gas pipeline up to the city gate station, if any, city gate station, city gate distribution network consisting of pipelines, district regulatory station and distribution related equipment and facilities, but excluding CNG compression and dispensation related equipment and facilities) as specified in Attachment 1(c) and 1(d) for determination of the transportation rate for CGD Network;
- (b) CNG compressors and equipment between inlet valve to discharge flange, as specified in Attachment 1(b), required for compression of natural gas into CNG

¹ In Cost of Service methodology, a unit rate of compensation is determined based on operating cost + depreciation + return on capital employed consisting of net fixed assets (NFA) and normative working capital (NWC) employed in a business.

for dispensation in the CNG stations in the CGD network for determination of the transportation rate of CNG.

(c) treatment of an investment in the fixed asset shall be as per the basis indicated in Attachment 2.

(d) capital expenditure on last mile connectivity (LMC) in case of domestic consumers shall be netted off against the refundable security deposit collected by the CGD entity under the provisions of sub-regulation (1) of regulation 14 of the Petroleum and Natural Gas Regulatory Board (Authorizing Entities for Laying, Building, Operating or Expanding City or Local Natural Gas Distribution Networks) Regulations, 2008. The balance amount shall be considered in the calculation of transportation rate for CGD.

(2) The Net Fixed Assets shall be equal to the Gross Fixed Assets less accumulated depreciation.

(3) The Gross Fixed Assets shall be equal to their actual historical cost of acquisition (including the cost of any subsequent replacement or improvement or modification but excluding the component of interest cost on loans capitalised) or that normatively assessed by the Board, whichever is lower, as per the following basis and principles² that may be considered as required to create an efficient and robust CGD infrastructure, namely:-

a) capital costs in similar projects following the best project management principles and practices, which might have been incurred at the time when the CGD network was laid, built or expanded;

b) appropriateness of the pipeline design and the operating philosophy with regards to maximum allowable operating pressure;

² The basis and principles identified here are not exhaustive and may vary depending upon the specific CGD network under consideration.

- c) optimisation of the equipment and facilities (online compressors for CNG compressors, metering systems, SCADA, fire-fighting, etc.) required based on an assessment of the appropriate available technology;
- d) design parameters of the equipment, like, compressors for CNG;
- e) assessment of costs of major equipment in the CGD network - pipelines, online compressors, laying or building costs, project management consultancy, pre-operative expenditure, etc.;

(4) Normative Working Capital shall be equal to thirty days of normative operating cost (excluding depreciation) and eighteen days' transportation rate receivables.

4. Operating costs.

Operating costs³ required in the operation and maintenance of -

- 1) common infrastructure in the CGD network; and
- 2) compressor facilities for compressing natural gas into CNG

shall be computed separately for sub-clause 1) in the determination of transportation rate for CGD and for sub-clause clause 2) in the determination of transportation rate for CNG, on an actual basis or based on a normative assessment by the Board, whichever is lower, over the following functional cost heads, namely: -

- (i) consumables;
- (ii) utilities (power, fuel and water);

³ Operating costs are those which are necessary for a proper upkeep and maintenance of a tangible asset created for operation of the CGD network (including compressors for CNG) and does not include any financial cost, like, interest on loans, bad-debts, expenditure incurred in raising or servicing of capital/ debenture/ bond/ debt, exchange variation on revenue account due to any financing or on interest cost on any borrowing, sales promotion expenses, advertisement expenses (except for inviting tenders), but includes normal bank charges, bank guarantee charges, LC charges, application fee and bank charges for bid bond and performance bond required as per the terms of authorisation.

- (iii) salaries and wages;
- (iv) repairs and maintenance;
- (v) insurance premia on fixed assets (excluding on the value of loss of profit) and on line-pack volume;
- (vi) administrative overheads (to the extent not classifiable under sub-clause (i) to (v), related and also commensurate to the level of operations);
- (vii) other expenses (to the extent not classifiable under sub-clause (i) to (vi), related and also commensurate to the level of operations);
- (viii) depreciation on fixed assets to the extent pertaining to assets other than pipelines and compressors shall be as per the Audited Books of Accounts and for other fixed assets (i.e., Pipelines and Compressors) depreciation shall be computed based on the useful life as given below-
 - a) for pipelines, where depreciation shall be calculated based on useful life of 30 years on SLM basis with residual value of 5%. Where depreciation is calculated for the life other than 30 years, it shall be re-casted while determining the transportation rates.
 - b) for CNG Compressors, where depreciation shall be calculated based on useful life of 10 years on SLM basis with residual value of 5%. Where depreciation is calculated for the life other than 10 years, it shall be re-casted while determining the transportation rates.
- (ix) miscellaneous income (realisable from a fixed asset or out of an expense considered as an operating cost, but does not include interest income, profit or loss on sale or transfer of any fixed or other asset or revenue income realised from transportation rates for CGD and CNG out of the usage of the facilities in the CGD network), if any, shall be netted from the operating cost.

Note: Since the cost of land beyond the land for siting CNG compressor as per approved drawings (based on minimum statutory separation distance) and 15%

additional land for related equipment and facilities is not considered in return on capital employed for determination of transportation rate for CNG, any land rentals or land lease charges for land beyond the land for siting CNG compressor as per approved drawings (based on minimum statutory separation distance) and 15% additional land for related equipment and facilities shall not be considered as an operating cost for the determination of the transportation rate for CNG.

5. Volumes to be considered in determination of transportation rate for CGD and CNG.

- (1) The volumes to be used as divisor for the purpose of determination of the unit transportation rate for CGD shall be equal to the actual volume of natural gas (including the volume of natural gas transported by pipelines till the CNG compressor) transported in the CGD network during the corresponding period.
- (2) The volumes to be used as divisor for the purpose of determination of the unit transportation rate for CNG shall be equal to actual volume of natural gas compressed as CNG during the corresponding period.

6. Review period for transportation rate for CGD and transportation rate for CNG.

- (1) In case the initial determination of such rates was made and web-hosted during 1st October to the following 31st March, such rates shall be applicable from the date of determination up to the following 30th September; whereas if such rates were determined and webhosted on or after 1st April but on or before the following 30th September, such rates shall be applicable up to 30th September of succeeding year. Thereafter the transportation rate for CGD and transportation rate for CNG shall be determined every year latest by 30th September and shall be applicable from 1st October till 30th September of the next year.
- (2) Notwithstanding anything contrary elsewhere in these regulations, the Board may direct the authorised entity to determine the rates anytime including but not limiting to the following circumstances, and the authorised entity if so directed shall carry out the direction of the Board:

- i) changes in the applicable nominal rate of income tax used for grossing-up the rate of return on capital employed;
- ii) any unforeseen change in the parameters relating to regulatory asset base, operating costs, volumes used in the determination of the transportation rate for CGD and CNG;

ATTACHMENT 1

[See regulation 4]

YEAR WISE FIXED ASSETS AND DEPRECIATION - SUMMARY

Sl.No	Total Cost	Gross Block at the start of the year (INR)	Addition /deletion during the year (INR)	Gross Block at the end of the year (INR)	Accumulated Depreciation at the start of the year (INR)	Depreciation during the year (INR)	Accumulated Depreciation at the end of the year (INR)	Net Block at the start of year (INR)	Net Block at the end of year (INR)	Average Net Block for the year (INR)
(1)	(2)	(3)	(4)	(5) = (3)+(4)	(6)	(7)	(8) =(6)+(7)	(9)=(3)-(6)	(10)=(5)-(8)	(11)= ((9)+(10))/2
a	City Gate Station [As per Attachment1(a)]									
b	Online Compressors for CNG [as per Attachment 1(b)]									
c	City Gas Distribution [as per Attachment 1(c)]									
	TOTAL									
d	Common Assets (Full details to be given in a separate statement) *									
e	Non-Regulated Assets (Full details to be given in a separate statement)									
f	Total reconciled with Balance Sheet									

Notes:

1. Difference in depreciation as per the books of accounts and that as per the basis provided in these regulations to be reconciled separately.
2. (*) Basis of Allocation of Common Assets between various CGD networks, regulated and non-regulated activities and within regulated activities for transportation rate of CGD and transportation rate for CNG shall be shown along-with detailed calculations.

Attachment 1(a)

[see regulation 4]

YEAR WISE FIXED ASSETS AND DEPRECIATION - CITY GATE STATION

Sl. No	Type of Assets (Depreciation rate wise)	Rate of Depreciation (%)	Gross Block at the start of the year (INR)	Gross Block addition/ deletion during the year (INR)	Gross Block at the end of the year (INR)	Accumulated Depreciation at the start of the year (INR)	Depreciation during the year (INR)	Accumulated Depreciation at the end of the year (INR)	Net Block at the start of the year (INR)	Net Block at the end of year (INR)	Average Net Block for the year (INR)
(1)	(2)	(3)	(4)	(5)	(6)= (4)+(5)	(7)	(8)	(9)=(7)+(8)	(10)= (4)-(7)	(11)= (6)-(9)	(12)= ((10)+(11))/ 2
A	Land										
1	Cost of Land (for siting the CGS only)										
	Area (in Sq Meter/ Feet)										
	Rate of Land (Per Sq Meter/ Feet)										
	Sub-total -A										
B	Building										
C	Plant & Machinery										
D	All Related Assets										
E	Total (A + B + C + D)										

Notes:

1. Accumulated depreciation and depreciation for the current financial year on assets other than land shall be calculated based on the audited annual accounts.
2. Full details shall be given for each asset in separate sheets.

Notes:

1. Compressor facilities to be considered shall include the online compressor and equipment between inlet valve to discharge flange.
2. Facilities beyond the discharge valve of the online compressor for CNG, booster compressors in CNG stations and land beyond the land for siting online compressor as per approved drawings (based on minimum statutory separation distance) and 15% additional land for related equipment and facilities shall not be considered for return on capital employed in the determination of transportation rate for CNG.
3. The above cost is to be considered for return on capital employed in the determination of transportation rate for CNG.
4. Accumulated depreciation and depreciation for the current financial year on compressors shall be calculated considering economic life of 10 years on SLM basis with residual value of 5%.
5. Accumulated depreciation and depreciation for the current financial year on assets other than land and compressors shall be calculated based on the audited annual accounts.
6. Full details shall be given for each asset in separate sheets.

Attachment 1 (c)

[see regulation 4]

YEAR WISE FIXED ASSETS AND DEPRECIATION- CITY GAS DISTRIBUTION

Sl. No	Type of Assets (Depreciation rate wise)	Rate of Depreciation (%)	Gross Block at the start of the year (INR)	Gross Block addition/ deletion during the year (INR)	Gross Block at the end of the year (INR)	Accumulated Depreciation at the start of the year (INR)	Depreciation during the year (INR)	Accumulated Depreciation at the end of the year (INR)	Net Block at the start of the year (INR)	Net Block at the end of year (INR)	Average Net Block for the year (INR)
(1)	(2)	(3)	(4)	(5)	(6)=(4)+(5)	(7)	(8)	(9)=(7)+(8)	(10)= (4)-(7)	(11)= (6)-(9)	(12)= ((10)+(11))/2
A	Equipment										
1	Pipelines										
2	Cathodic Protection										
3	SCADA										
4	OFC, Telecom and Tele-supervisory system										
5	All Related Assets (details to be given)										
	Sub-total - A										
B	Right of way/ Right of use										
C	Land										
D	Line Pack										
E	All Related Assets (details to be given)										
	Total (A+B+C+D+E)										

Note:

1. Pipelines include pipelines for transportation of natural gas to Online Compressor for CNG.
2. Accumulated Depreciation on Pipelines to be calculated considering economic life of 30 years on SLM basis with residual value of 5%.

Attachment 1(d)
[See regulation 4]

Format of Year-wise Operating Cost

Sr.No.	Description of cost elements	Rs
A	Variable Cost	
1	Consumables	
	Fuel (quantity and rate)	
2	Utilities (quantity and rate)	
	Power	
	Water	
	Any other Expenses (to be specified)	
	Sub Total	
B	Fixed / Semi Variable Cost	
1	Salary and Wages	
2	General Administration	
3	Repairs and Maintenance	
4	Any other expenses (to be specified)	
	Sub Total	
C	Insurance	
	Total (A+B+C)	
D	Miscellaneous Income D	
E	Operating Cost (A+B+C-D)	

Note

1. Above Operating cost to be provided for CGD (including City Gate station) and online compressor for CNG separately.
2. For each item of operating cost, detailed assumptions and calculation to be attached
3. Provide basis of allocation / apportionment of costs over CGD (including City Gate station) and online compressor for CNG for each element of cost.

Attachment 1(e)
[see regulation 4]

**Details of Volumes of Natural Gas Transported in Pipeline in the CGD Network in SCM or in Kg
as applicable for CGD and Online Compressor for CNG respectively**

Sl. No.		Year 1	Year 2	Year 3	Total for 3 Years
1	CNG (KG)				
2	CNG (SCM)				
3	CNG (MMBtu)				
4	PNG- Residential (SCM)				
5	PNG- Residential (MMBtu)				
6	PNG- Commercial (SCM)				
7	PNG- Commercial (MMBtu)				
8	PNG- Industrial (SCM)				
9	PNG- Industrial (MMBtu)				
10	Total Volumes (SCM) (2+4+6+8)				
11	Total Volumes (MMBtu) (3+5+7+9)				

Note: Volumes Reconciliation with Audited Accounts to be provided separately.

Attachment 1(f)

[see regulation 4] Calculations for Transportation Rate of CGD

Particular	Year 1	Year 2	Year3	Total for 3 years
Average Net Block (A) (Column 12 of Attachment 1(a), 1(c))				
Working Capital (B)				
Capital Employed (C)= (A+B)				
Return D = (C* Project Rate of Return)				
Depreciation during the Year (E) (Column 8 Of Attachment 1(a), 1(c))				
Operating Expenditure (F) (Attachment 1(d))				
Cost of Service (G) =(D+E+F)				
Annual Volume (in MMBTU) (H) § (Sl. No. 11 of Attachment 1(e))				
Transportation Rate (INR/ MMBTU) (G/H)				

(\$) including supply of natural gas by pipeline to online compressors for compressing into CNG.

Reconciliation of Current and Previous Transportation Rate of CGD

Particulars	INR	Reasons /Remarks
Transportation Rate (INR/ MMBTU) for the current period		
Details for positive variation in Transportation Rate		
1.		
2.		
Details for negative variation in Transportation Rate		
1.		
2.....		
Transportation Rate (INR/ MMBTU) for the previous period		

Attachment 1(g)

[see regulation 4]

Calculations for Transportation Rate of CNG

Particular	Year 1	Year 2	Year3	Total for 3 years
Average Net Block (A) (Column 12 of Attachment 1(b))				
Working Capital (B)				
Capital Employed (C)= (A+B)				
Return D = (C* Project Rate of Return)				
Depreciation during the Year (E) ` ((Column 8 of Attachment 1(b))				
Operating Expenditure (F) (Attachment 1(d))				
Cost of Service (G)= (D+E+F)				
Annual Volume (in Kilogram) (H)# (Sl. No. 1 of Attachment 1(e))				
Transportation Rate (INR/Kilogram) (G/H)				

(#) Supply of natural gas to online compressors for CNG

Note:

For removal of doubt, it is clarified that any entity using the CGD network for transportation of its gas as well as using online compressor facilities for compressing its gas for its CNG station(s) shall have to pay both transportation rate for CGD as well as transportation rate for CNG.

Reconciliation of Current and Previous Transportation Rate of CNG

Particulars	INR	Reasons /Remarks	
Transportation Rate (INR/ KG) for the current period			
Details for positive variation in Transportation Rate			
1.			
2.....			
Details for negative variation in Transportation Rate			
1.			
2.....			
Transportation Rate (INR/KG) for the previous period			

Attachment 1 (h)

[see regulation 4]

Format of Auditor's Certificate

1. I/ we certify that I/ we have examined the books of accounts and cost accounts of ----- Limited [insert the name of the authorised entity] which is the authorised entity to lay, build, operate or expand city or local natural gas distribution network of ----- [insert the exact name and unique id. of the geographical area] in respect of ----- financial years and technical and quantitative data required for determination of the Transportation Rate for CGD and Transportation Rate for CNG to the extent not available in the books of accounts has been produced before us which we have reviewed. We certify that Format nos. 1 and 1(a) to 1(g) attached herewith have been correctly drawn from such books of accounts, cost accounts, and technical and quantitative data and are in accordance with the provisions of the Petroleum and Natural Gas Regulatory Board (Determination of Transportation rate for CGD and Transportation rate for CNG) Regulations, 2020.

2. Based on our examination and review as stated in para 1 above, we certify that the calculations for unit Weighted Average Annual Transportation Rate for CGD of Rs....per MMBTU and Transportation Rate for CNG of Rs.../Kg as per the format given in Attachment 1 (g) to Schedule of the Petroleum and Natural Gas Regulatory Board (Determination of Transportation rate for CGD and Transportation rate for CNG) Regulations, 2020 are-

- (i) based on the financial, cost, technical and quantitative data extracted from the audited accounts, cost accounts, technical and quantitative data of the company for the period ; and
- (ii) in compliance with the provisions of the Petroleum and Natural Gas Regulatory Board (Determination of Transportation rate for CGD and Transportation rate for CNG) Regulations, 2020.

3. I/ We further certify that the basis of booking, apportionment and allocation of capital and operating cost to various activities of the company, to various CGD networks

and to CGD and CNG activities within a CGD network is fair, consistent and in accordance with sound principles of cost accounting.

Sign with Seal

Name of Chartered Accountant/ Partner of CA Firm

Membership No.

FRN Details

Date:

Attachment 2

[see regulation 4]

Definition of a fixed asset and treatment in the determination of transportation rates for CGD and CNG

The basis of considering fixed assets in a CGD network (including compressors and related equipments) shall be as per the following norms:-

- 1) A fixed asset in a CGD network is a tangible asset having a useful operating life of more than one year and is integral to the generation of revenues through network tariff and compression charge for CNG. Investment in securities, goodwill, current assets, accumulated loss not written-off, work-in-progress, etc. are not fixed assets.
- 2) Any change in the historical cost of the fixed asset due to revaluation or capitalisation of losses shall not be considered. The fixed assets considered at the time of initial fixation of transportation rates for CGD and CNG shall constitute the opening Regulatory Asset Base (RAB) which shall be frozen and only the cost incurred in additions, improvements, modification, replacement of any fixed asset or deletions thereof shall be considered for updating the RAB. Details of additions and deletions year-wise have to be provided in the formats specified under Attachment-1.
- 3) Fixed asset declared as commissioned but not deployed in operations of the CGD network shall not be considered.
- 4) Treatment of line-pack volume in pipelines in a CGD network shall be as per the procedure indicated below:-
 - a) Assessment of the volume of natural gas required as Line pack in the pipelines as and when commissioned in the CGD network shall be as specified in the relevant regulations for technical standards and specifications, including safety standards.

- b) The line pack value of natural gas in pipelines in a CGD network shall be considered as a non-depreciating fixed asset and shall remain fixed over the economic life of the project.

The value of the line-pack volume shall be derived by multiplying the volume of line-pack by the average cost of natural gas at the CGS station at the time of commissioning of the pipeline(s) in the CGD network.