

Reliance

Industries Limited
Petroleum E & P

Ref. No. RIL/GAS/PNGRB/19/08/01

August 26, 2019

To
Secretary,
Petroleum and Natural Gas Regulatory Board,
1st Floor, World Trade Centre, Babar Road,
New Delhi – 110001.

Sub.: Public Notice dated 2nd August 2019 seeking comments / views on the proposed draft amendment in Tariff Regulations.

Dear Madam,

We thank you giving us an opportunity to present our views on the abovementioned draft amendment in tariff regulations. At principle level, it is submitted that RIL supports the idea of unification / combining tariff provided the same is implemented at national level and applicable for all the pipelines. Our submissions on the earlier proposed unification of tariff is enclosed as Attachment 1 for ready reference.

It seems that the current proposal of combining tariffs of two or more interconnected pipelines would be implemented for pipelines owned by a single entity. We have already submitted that such an idea would not be in consonance with the objectives stated in the above referred public notice. For the development of truly competitive gas market, it is imperative that proposed combining of tariffs is not restricted to single entity but implemented across all possible interconnected pipelines in the country. This would ensure that all the gas customers can freely decide the gas sellers without any tariff restrictions based on distance from the gas source(s).

It is submitted that the current proposal of combining tariff for two or more pipelines would lead to market distortions as explained below;

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1. Integration at entity level will still leave out large gas suppliers and customers connected to other pipeline networks in national grid. For such customers/shippers the tariff will continue to be additive. This would be unfair to such entities and would defeat the objective of providing equitable distribution of natural gas across the country and development of competitive gas market.
2. Large volume of domestic gas is expected in the next 2 years or so from the KG basin on the east coast. Exclusion of the pipelines connecting to these sources would affect equitable distribution of gas which would severely impact growth of gas markets in the country.
3. Further, exclusion of pipelines connecting to domestic sources would only promote use of imported LNG from the west coast which would be on combined tariff as against additive tariffs for domestic gas from east coast. Such regulatory changes which discourage the use of domestic gas would run contrary to the GOI's 'Make in India' policy which promotes domestic production.
4. Out of the total customers served by the interconnected pipelines, customers located far from the currently known gas sources are likely to have decrease the tariff. But, it would be quite likely that tariff for the set of customers located near the source or the customers that utilise only one network would increase. While the idea of averaging of tariff through combining tariffs at national level would be in the overall customer interest, the current proposal, which will be applicable only for a small set of customers pertaining to a part of the nation and for pipelines owned by a single entity, leaving out many customers of pipelines owned by other entities, the same will not be in the stated objective of safeguarding overall interest of customers.
5. The proposal would lead to segmentation of country's network in three categories viz. individual pipelines whose tariff is determined through tariff regulations, combined pipelines having combined network tariff and pipelines having tariff set

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as per the bid. Thus, there will always be disparity in tariff application for all the customers depending which pipelines they utilise. Hence, the proposal would defeat the objective of securing equitable distribution of natural gas.

6. It is submitted that proposed combined tariff of two or more pipelines (authorised as separate pipelines) is against the basic regulatory framework established under PNGRB Act and would require change in policy / regulatory framework. Any policy design or change therefore, should not be entity specific but should be in such a way that it is applied to entire sector on non-discriminatory basis.

In summary, it is submitted that, the Hon'ble Board would appreciate that the effect of pancaking can be considerably reduced only if the country implements unified tariff applicable for all the natural gas pipelines.

We would like to participate in the open house, to be conducted by PNGRB on the subject matter, to share our views in detail on the same.

Thanking you,

Yours faithfully,

For **Reliance Industries Limited**

Amit Mehta
Head - Gas Business

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Ref No: RIL/GAS/PNGRB/17-18/23

November 30th, 2017

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

Received on 30/11/2017
at 3:40 pm
Netaji Park, New Delhi-110001

Kind Attn: Ms. Vandana Sharma

Subject: Comments on the Integrated authorization for unified / pooled tariff

Ref.: PNGRB Public Consultation Paper no. Infr/NGPL/125/Integration/01/17 dated 28th September 2017

Dear Madam,

We have reviewed the Public Consultation Document (PCD) webhosted by PNGRB and would like to submit our comments for your kind consideration as under:

1. We note that the key objectives cited for proposed change of integrated authorization of multiple individual pipelines to single pipeline network for unified / pooled pipeline tariff are to:
 - a. move towards a matured tariff system which provides access to the customers located at geographically disadvantaged locations;
 - b. avoid cascading of transportation tariffs for areas distant from sources of gas to improve competitiveness and enable expansion of natural gas market in new areas & hinterland;
 - c. provide a platform for equitable distribution of natural gas across the country and promote development of competitive gas market.
2. In our view the stated objectives are the steps in the right direction for development of truly competitive gas market. However, in order to ensure that the above objectives are fully achieved, it is imperative that the proposed change of integrated authorization for unified / pooled tariff is not restricted to single entity but implemented across all possible interconnected pipeline networks which are connected with the gas supply sources and demand centers. This would ensure that all the gas customers in the country can freely decide the gas sellers without any tariff restrictions based on distance from the gas source(s).
3. We note that the first option provided in paragraph 10 (i) of PCD envisages the proposed unification / integration of multiple pipelines only for a single entity who owns and operates such pipelines. In our view entity level unification would lead to market distortions as explained below;

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- a. Integration of pipeline at entity level will still leave out large gas suppliers and customers connected to other pipeline networks in national gas grid. For such customers / shippers the pipeline tariff would still continue to be additive. This would be unfair against such entities and thus would defeat the basic intent to provide equitable distribution of natural gas across the country and promote development of competitive gas market.
 - b. Large volumes of domestic gas is expected to be available over next 2-3 years from KG Basin on eastern coast and exclusion of pipelines connecting these sources of domestic gas to the market would affect equitable distribution of domestic gas resources across nation which would severely impair the growth of the gas markets in country.
 - c. Further, exclusion of pipelines connecting domestic gas sources would only promote use of imported LNG from west coast which would be on unified tariff against the additive tariff for domestic gas from east coast. Such regulatory changes which discourages use of domestic gas would run contrary to the Government of India's "Make in India" policy which promotes domestic production.
4. In our submissions, the proposed unification of multiple individual pipelines (authorized as separate pipelines) is against the basic regulatory framework established under PNGRB Act and would require change in policy/ regulatory framework. Any policy design or change therefore, should not be entity or company specific but should be made applicable to entire sector on non-discriminatory basis.
5. Further, in our view benefits of proposed regulatory changes would not reach to the end consumers and would not help development of competitive markets unless this is accompanied by implementation of following critical elements;
- a. Ensuring a truly fair, transparent and non-discriminatory transportation open access for all participants to gas pipelines
 - b. Unbundling of activities of transportation and marketing of gas:
 - i. Existing regulations provides for unbundling of merchant and transportation business into separate entities to ensure end-customers have fair and non -discriminatory transportation access to all the suppliers.
 - ii. One of the reason cited for delay in implementation of the above has been that such unbundling would hamper the development of gas pipeline infrastructure in the country. Proposed move for unification of the pipeline tariff should allay such concerns and therefore to ensure that the benefit of any policies and regulations reach to the end consumers, full unbundling of merchant and transportation functions into separate entities operating at arms-length should also be simultaneously mandated.
 - c. Appropriate mechanism for implementation and monitoring: We further submit that PNGRB should develop appropriate mechanism in consultation with all the stakeholders for design,

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implementation and regular monitoring the progress for the suggested regulatory changes to ensure timely implementation and all the benefits are ensued to the end customers.

6. We are confident that PNGRB will appreciate our views as provided above and shall give due considerations while formulating its guidelines for the integrated authorization for unified / pooled tariff. We will be available for further discussion should the same be required by PNGRB.

Thanking you,

Yours truly,

For Reliance Industries Limited


Amit Mehta

Head - Gases

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