GSPC GAS

GSPC GAS COMPANY LIMITED

GSPC Gas/PNGRB/2013-14/29
Date: 03.02.2014

Received on 10/2/14
10/2/14

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

Sub: Comments on draft amendment regulations for minimum work program for Domestic connections

Ref.: PNGRB Public Notice no. PNGRB/CGD/BID/4/2013-1-B dated 16.01.2014

Dear Sir,

This is with reference to the public notice no. PNGRB/CGD/BID/4/2013-1-B dated 16.01.2014.

During the Pre-Bid meeting held by PNGRB on 17th December, 2013 under 4th round of CGD bidding, potential bidders expressed their concern over high numbers of minimum work program for PNG domestic connections and steel inch kilometers. As asked by PNGRB to submit comments and rationale in this regard, GSPC Gas has submitted suggestion for deriving minimum work program vide ref. GSPC Gas/PNGRB/2013-14/27 dated 09.01.2014.

PNGRB after taking in to consideration the comments / suggestions received from various entities has decided to revise minimum work program and issued a draft amendment Regulations for comments.

In this regard, as per draft Petroleum and Natural Gas Regulatory Board (Authorizing Entities to Lay, Build, Operate or Expand City or Local Natural Gas Distribution Networks) Amendment Regulations, 2014 issued for comments narrates that:

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"In regulation 7 (1),-

For clause (c) the following shall be substituted, namely:-

"(c) Minimum Work Program for infrastructure for PNG domestic connections and inch-kilometer of pipeline to be laid by the successful bidder

Infrastructure for PNG domestic connections – The Board shall work out the target for infrastructure for PNG domestic connections as 5% of the population of the respective Geographical Area, to be achieved by the successful bidder during the first five years from the date of grant of authorization in Schedule D as under:

i. The successful bidder shall achieve fifteen per cent, fifty per cent, seventy per cent and one hundred per cent of this target by the end of second year, third year, fourth year and fifth year respectively; and

ii. The Board may consider carry forward of the target from one year to another within the period of five years. "

As per amendment Regulations notified vide F. No. PNGRB/CGD/REGULATIONS/REVIEW-2011/2012-III dated 21st June, 2013, PNGRB in Regulation 7(1)(c) made amendment for minimum work program for domestic connections to be 15% of the total households (50% tech feasible of total households and 30% target from tech. feasible households) calculated based on number of members in a household as per basic data sheet of particular geographical area and population as per latest census data.

As per draft amendment regulation, domestic connections are computed as 5% of the population. As per given criteria, minimum work program for domestic connections comes 25% of the total households (an average of 5 person per family Household). This criterion is 67% more than notified regulation (15% of total population). Hence, there is increase in domestic customer numbers in minimum work program by 67% rather than decrease as suggested by potential bidders in the pre-bid meeting. This is our understanding of the aforesaid proposed amendment, which may please be clarified otherwise.

In case our understanding is correct, we suggest computing minimum work program for domestic connections as 5% of total households instead of based on population.

As you are aware that natural gas market is sensitive to gas pricing. In current market, as per our experience, PNG is less attractive to the domestic segment. In such scenario, it is very difficult to turn the domestic customers towards usage of PNG. Considering present facts, we would like to emphasize that minimum work program for domestic customers shall be based on provision of connectivity to the domestic customers, i.e. availability of network for PNG, instead of conversion of the domestic customer to PNG

from existing alternate fuel. Network availability is intended that entity is ready to cater PNG, its domestic customer's decision whether to switch over to PNG or not.

We request you to look upon calculation part of the minimum work program for domestic customers and definition of the domestic customer as per availability of connectivity and not as per actual conversion to PNG as suggested above.

Thanking You,

For, **GSPC Gas Company Limited,**

Ahmed

Ahmed Khan
GM-Regulatory Affairs

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