MNGL/Mktg/1/2014

7th February, 2014

Recd. on 12/2/14.
-12/2/14

The Secretary,
Petroleum and Natural Gas Regulatory Board
First Floor, World Trade Centre,
Babar Road, New Delhi – 110001

Subject: Comments on PNGRB public notice No: PNGRB/CGD/BID/4/2013-1-B regarding the revision of the Minimum Work Programme (MWP) for PNG domestic connections and Inch-kilometer of steel pipeline per square kilometre as per the proposed draft amendment Regulations

Dear Sir,

We thank you for your public notice No: PNGRB/CGD/BID/4/2013-1-B dated 16th January 2014 for giving us opportunity to file our comments on the draft amendment Regulations on the above. In this connection, further to our letters dated 21st December 2013 and 25th November 2013 and the discussion held during the pre-bid meeting on 17th December 2013, wherein we had expressed that the Minimum Work Programme (MWP) for PNG domestic connections and Inch-kilometer of steel pipeline per square kilometre as per the Regulations are very high and had requested you for reducing the same.

While going through the revised MWP vide the proposed draft amendment Regulations it has been observed that PNGRB have substantially increased the MWP for PNG domestic connections and have done a marginal reduction in the inch-kms of pipeline (both steel and MDPE).

Our point wise reply to the proposed amendments in the PNGRB (Authorising Entities to Lay, Build, Operate or Expand City or Local Natural Gas Distribution Networks) Amendment Regulations, 2014 are as follows:-

S.No	Draft Amendment	MNGL's Comment
1	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 authorisation 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.	PNG domestic connections targets, derived as per the proposed methodology are very unrealistic. PNGRB is already aware of the difficulties faced by the operating CGD entities in achieving the targets for the PNG domestic connections due to the various constrains faced by them which includes gas prices, reluctance in conversion due to LPG policy by MoP&NG, difficulties faced while taking the statutory approvals, etc. We propose that 5% of the total Nos. of household in the respective Geographic Area may be taken as the target to be achieved during the first five years.
2	Inch-kilometer of pipeline – The Board shall work out the target for inch-kilometer of pipeline, for which both steel pipeline and MDPE pipeline shall be considered, as the	We are thankful to PNGRB for including the MDPE pipelines in the inch-kilometer of pipeline target along with steel network.

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	product of 1.5 and the area in square kilometres of the respective Geographical Area, to be achieved by the successful bidder during the first five years from the date of grant of authorisation in Schedule D as under: i. The successful bidder shall achieve twenty percent, fifty per cent., eighty per cent., ninety per cent. and one hundred percent. of this target by the end of first year, second year, third year, fourth year and fifth year respectively covering all the charge areas; and ii. The Board may consider carry forward of the target from one year to another within the period of five years	As per the proposed draft Regulations the target arrived for the Inch-Kilometers will be very difficult to achieve and at the same time will make the CGD business an unviable preposition. There will be requirement of huge capital expenditure to lay the inch- kilometers of the pipelines in the first five years and it would not be practically possible for any CGD entity to achieve the said target. We propose that 0.2 times the product of the area in square kilometers of the respective Geographical Area may be taken as the target to be achieved during the first five years.

We once again reiterate and request you to kindly consider reducing the Minimum Work Programme (MWP) for PNG domestic connections and Inch-kilometer of steel pipeline per square kilometer as stated in the above mentioned table under MNGL's comment.

Based on the working of CGD entities so far, we are confident that our request will be considered favorably and suitable amendments will be incorporated in the Regulations regarding the above.

Thanking you.

Yours sincerely,
For Maharashtra Natural Gas Ltd

C.K. Jain
Director (Commercial)