From NALIN SAURAV <snalin91@gmail.com>
Sent Sunday, February 16, 2014 8:31 pm
To secretary@pngrb.gov.in
Subject Comments on Public Notice No: PNGRB/CGD/BID/4/2013-1-B dated 16th January, 2014
Attachments Comments on Draft regulations for Round 4 CGD bidding.pdf 84K

Dear Sir,

Please find attached the comments to Public Notice No: PNGRB/CGD/BID/4/2013-1-B dated 16th January, 2014 inviting comments on the amended regulations for CGD bidding

Thanks,
Nalin Saurav
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Dear Sir,

This letter is in reference to Public Notice No: PNGRB/CGD/BID/4/2013-1-B dated 16th January, 2014 inviting comments on the amended regulations for CGD bidding. We would like to put forward our suggestions on the draft guidelines and also some other suggestions on the bidding guidelines for 4th Round of Bidding.

1 Regulation 7 indicates that 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

Suggestion: The Board can explore the possibility of replacing population with number of household for calculation purpose as the targets for connecting domestic consumers would be very high in the Board considers population for defining the target.

Instead, considering number of households will reduce the targets for domestic connection which will be a realistic conversion based on experiences with the operating City Gas Distribution companies. The GAs in the fourth round are larger and they have a substantial rural population. So, it is expected that the conversion would be lesser in the proposed GAs.

If we analyse the conversion to PNG in a city like Delhi, we can come to the conclusion that the target set by PNGRB is very aggressive. Delhi with a population of more than 20 million, highly densely populated and an area of 1500 sq km has only 4,00,000 connections in 15 years of operations which is 4% population in 15 years. A widespread GA like Pune and Raigarh with an area of more than 6000 sq km will see far lesser penetration in initial five years due to widespread houses.

2 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 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 authorization.

Suggestion: Taking into account the size of the proposed GAs in the fourth round of bidding, the product of 1.5 and the area of GA would result in a very large target for the entities. The viability of laying network to meet MWP in rural areas would be very low and would negatively impact the project economics.

While fixing the multiple factor, PNGRB can look at the implementation record of the existing CGDs and then decide on the MWP for the new GAs. Higher MWP will lead to more capital expenditure

which at realistic volumes would translate into a higher network and compression charges. This will limit the scope of competition post the exclusivity period.

If we look at the steel inch km mandated by PNGRB for 2011-12 for Delhi, it was 1100 inch km of steel pipeline. On the other hand for GAs like Raigarh, the operator would have to install more than 9000 sq km of steel and MDPE network. This seems to be a very aggressive network plan considering the low demand in the initial years. These areas are predominantly rural and also the terrain is very rough and undulated. If the operators are forced to quote this in the bidding round, the capex is bound to be high which will lead to increase in network and compression charges for end consumers. Also, it will deter competition post exclusivity period.

3 Clarity on the population numbers in the bid document for Pune and Raigad GA.

Suggestion: The population for the Raigad GA and Pune GA indicated in the bid document is different than the population as per Census 2011. Request the Board to please look into the numbers and issue a clarification regarding the same.