



पेट्रोलियम एवं प्राकृतिक गैस विनियामक बोर्ड  
Petroleum and Natural Gas Regulatory Board  
प्रथम-तल, वर्ल्ड ट्रेड सेंटर, बाबर रोड, नयी दिल्ली - 110001

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No.: BID/NGPL/11/2018/01/LBPL/02

13.11.2018

To

All Prospective Bidders  
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**Sub:** Pre-bid meeting and clarifications related to Langtala-Bhilwara Natural Gas Pipeline (Bid No.: BID/NGPL/11/2018/01/LBPL)

Sir,

Pursuant to the issues raised during pre-bid meeting of Langtala-Bhilwara Natural Gas Pipeline held on 17.09.2018 at PNGRB, following clarifications are being issued:

S/N	Entity	Query raised	Proposed Clarification
01	FOCUS	Is it necessary to submit the supporting documents for technical qualification for each of the consortium members? Or is it sufficient to submit supporting documents of lead member's as per requirement of technical qualification criteria?	Refer clause 6.0 (f) of ACBD. Each of the qualifying criteria must be singularly met by any of the JV partner except for the net worth, which could be met jointly by the partners and/or parent company in case of the subsidiary/existing JV. Only supporting document of concerned entity on the basis of which qualification is sought needs to be submitted.
02	FOCUS	as per clause 13.1, +/-10% deviations are allowed, what	As mentioned in clause 17.4.5, The bidders are

		percentage of the deviation may be considered while preparing the DFR as a part of Technical Document?	allowed to deviate from the route of the pipeline including originating/termination point of the pipeline up to +/- 5% w.r.t. the indicative route mentioned in the bid document for the purpose of preparation of Feasibility Report. However, the provision of sub-regulation (3) of Regulation 13 of Authorization Regulation as mentioned in the Section 13.1 of ACBD shall be applicable post award of the Authorization.
03	IOCL	The proposed pipeline would connect the onshore fields of M/s FEL at Langtala, which are stated to make available additional gas from 2020 up to 2034. Thus, the source availability is only for appx. 15 years. Considering that the bid could be awarded in 2019, it is suggested that the bidding period may be limited to 15 years, i.e. till 2034.	Tariff & Volume Bid for the pipeline is invited for each year of the economic life of the project for a period of twenty-five years.  However, Year 1 tariff & volume bid as quoted shall be applicable from the 1st year of operation of the pipeline. The quoted tariff after the economic life of the pipeline to be extended by PNGRB for a period, equivalent to the time period between the date of grant of authorization and the starting date of operation of the pipeline, as per the schedule in the bid and extended by the Board, wherever applicable. Hence, the tender conditions will prevail.

04	IOCL	Report of the Reservoir certification carried out through independent agency may be shared with the bidders at the earliest.	The executive summary of in place and recoverable reserves will be shared to the entities on request, who have purchased/will purchase the bid.
05	IOCL	Force Majeure may also include delays on account of RoU notifications and acquisitions.	It will be dealt as per clause 32 of ACBD.
06	IOCL	As per sub-Regulation 9(2) & 10 of GSR 340(E), the authorised entity would be required to submit a copy of transportation agreement of at least fifty percent of the natural gas pipeline volume bid for each of the first five years (with 10% booked on firm basis), within 90 days of grant of authorisation. The present case is a typical case where there is only one supplier (FEL) and hence, it is submitted that in order to adhere to this provision, either FEL may be directed to enter into GTAs with the authorised entity or FEL may be directed to ensure that firm buyers of gas are tendered in terms of their PSC within this period, so that firm buyers-are available for authorised entity to enter into GTAs within the stipulated time frame.	Section 17.2.3 of ACBD, may be referred. It is the bidder's responsibility to obtain all information related to the present gas supply position and existing and future customers, if any falling along the route of the proposed natural gas pipeline. Hence, bidder may consult FEL in this regard and bid accordingly.
07	GIGL	As the proposed pipeline is mainly for the purpose of evacuation of gas produced from RJ- ON/6 block, it is prudent to know the Gas Reserve and Production Profile of the said block which is certified from reputed international reservoir	Refer clarification no.04

		engineering. Request to share/webhost the above as the same is critical for bidding and pipeline economics.	
08	GIGL	Pressure details at entry point i.e. at Langtala may be provided	FEL has confirmed that they have considered compressor in their Field Development Plan for supply of gas from upstream. Compressor will also be installed in the downstream pipeline so that gas is delivered at a pressure of 90 kg/cm <sup>2</sup>
09	GIGL	<p>The FEL gas field production life is about 15 yrs (as per EOI C-Natural Gas availability position), whereas the economic life of the gas pipeline is 25 yrs. In view of the same, the bidders would like to know the PNGRB's view on the commercial implication (including the viability of the pipeline) on the same.</p> <p>Further, Bid Document clause no. 13.5 mentions as, "... <i>the bidders are advised to quote the tariff in such a fashion that the IRR should be positive over the economic life, failing which the bid shall be rejected....</i>" As the 90% - 95% of the gas envisaged to flow through the proposed pipeline will be from FEL gas field which has a field life of only 15 yrs, after which the utilization of the pipeline will be jeopardised. This will impact the IRR of the pipeline. Accordingly, we seek necessary clarifications from the Board in this regard.</p>	Refer clarification no. 03. Further, the bidders may obtain all such information for analysis of its feasibility based on their own perceptions and accordingly participate in the bidding.

10	GIGL	Requested to provide details such as Gas Composition of the proposed Entry Point of the pipeline which is necessary and would help in deciding the design criteria of the pipeline and selection of pipeline material. Further, Focus Energy Limited is required to conform that it would meet that gas quality specification as per PNGRB's Access Code (G.S.R.541 (E) regulations.	The bidder may obtain such information from the concern entities like supplier, shipper, consumer and all quality compliances will be dealt as per provision given in the relevant regulations.
11	GIGL	As the proposed pipeline is mainly for the purpose of evacuation of gas produced from RJ-ON/6 block, where the gas production life is about 15 years, GIGL humble request to consider the development of the said pipeline as dedicated where 12% post tax returns are guaranteed on the quoted capex. The bidding parameter under this mechanism shall be "capital expenditure" of the project.	Tender conditions will prevail.
12	GIGL	The proposed pipeline is of 580 kms and Bid Document clause no. 13.1 mentions as, " <i>it has been decided by the Board to consider the entire pipeline length of 580 KM in maximum two zone with a condition that no additional tariff other than Zone -1 and Zone-2 tariff shall be levied....</i> ". If the proposed pipeline length is more than 600 kms after DERS whether the bidders can bid for such pipeline is 3 tariff Zones. Further, if during the economic	The tender conditions prevail. However, customer connectivity will be dealt as per provision of spur lines in the relevant regulations.

		life of the project, the authorized pipeline entity has to lay pipeline of 30 kms to connect a future customer within the tariff zone, how would the pipeline entity get returns on the customers which come up in further and is 600 + kms away. Would the Board allow the authorized entity to levy dedicated pipeline charges or spur charges from customers which come up in future.	
13	HEPL	Whether the bidding is being carried considering natural Gas pipeline with a capacity of 5 MMSCMD, or this is the floor capacity and it is open to bidders to bid for a pipeline in excess of the capacity of 5 MMSCMD?	The pipeline must have at least 5 MMSCMD capacity for the entire period of economic life starting from year 1 of its operation to year 25. However, the bidder may also propose more than 5 MMSCMD anytime during the period of 25 years.
14	HEPL	Considering that the bid document at Clause 13.4 de-links capacity of the pipeline with the volume quoted in the bid, whether the initial capacity of the pipeline is of any consequence for the purposes of bidding?	No. However, it should comply the provisions of Regulation 5(6)(j) of Authorization Regulation.
15	HEPL	Clause 13.1 refers to allowable variation of +/- 10% in the pipeline route for the purpose of determination of tariff zone while Clause 17.4.5 allows deviation in the pipeline route up to +/- 5% with regard to the indicative route mentioned in the bid document for the purpose of preparation of feasibility report. To ensure clarity and transparency in the	Refer clarification No. 02

		<p>bidding process, it may be advisable for the two clauses to be reconciled to provide the maximum deviation from the indicative route that may allowed to the successful bidder.</p>	
16	HEPL	<p>It is the bidder's responsibility in the bid document to ascertain all information related to existing and future gas supply and demand falling along the route of the proposed pipeline. Clause 13.3 provides for lumpsum provision for providing interconnectivity through spur lines to comply with the provision of the access code regulation. Under Clause 1.1, the spur lines are required to be provided by the entity as per the consumers' requirement.</p> <p>The capex involved in the pipeline has to be worked out having regard, extent of gas supply and demand that is worked out by the bidder while preparing the feasibility report [please see Clause 18.1.1(g)]. However, in the event of any Government policy, the number of off take points, volume of gas and number of consumers may increase significantly alongside the proposed pipeline. For ex, in the event of development of CGD network as a matter of Government policy.</p> <p>Since, such developments of Government policy and / or any other unforeseeable event can</p>	<p>Present tender conditions and relevant regulations will prevail.</p>

		<p>result in increase in the number of spur line and interconnection facilities over what had been envisaged by the bidder in its feasibility report, the cost of such additional spur lines should be allowed to the entity additionally over and above his tariff bid, subject to necessary prudence check by the Hon'ble Board.</p>	
17	HEPL	<p>As per Clause 13.4 of the bid document, the linkage of capacity with volume quoted in the bid "shall not" be criteria for selection or rejection of bid and grant of authorization shall be subject to the collection that the authorized entity shall be required to create minimum 33% additional capacity over and above the volume quoted in the financial bid.</p> <p>The criteria for preparing feasibility report under Clause 18.1.1 requires the bidder to compute as part of its designing of pipeline, the capacity of the pipeline system. Accordingly, note #4 to such clause provides for financial parameters related to the pipeline that has to be provided by the bidder along with financial bid. This includes amongst other things the year wise volume projection and the year wise line capex along with financial analysis and corresponding year wise tariff projection.</p>	<p>Bid evaluation will be done as per regulation 7 of Authorization Regulation.</p> <p>The Board will decide whether the project is economically viable on standalone basis considering various factors being used during project feasibility analysis.</p>

In the absence of any linkage between the pipeline capacity and the volume quoted in the bid, there is a possibility of speculation in the bidding process leading to quotation of higher volumes vis-vis the pipeline capacity to gain weight age in terms of volume of gas-and also justify lower tariff. Since the language of the bid document is mandatory to the extent that the linkage capacity with volume quoted in the bid "shall not be a criteria for selection or rejection of the bid", it needs to be clarified how such speculative bids would be dealt with in the bidding process.

Considering that Clause 13.4 provides for the authorized entity to create minimum 33% additional capacity over and above the volume quoted in the financial bid, it is not clear how the computation of year wise tariff based on the capex, opex and volume projection provided in the feasibility report and the financial bid would be evaluated to satisfy the basis of economic viability provided in Clause 13.5. It is not clear how the additional 33% capacity under Clause 13.4 would be covered and/or considered for the purpose of evaluation of the financial bid.

The Clause 13.5 requires the tariff and volume bid quoted by

	<p>bidder to ensure economic viability of the project on standalone basis. The expression economically viability is vague and open to subjective application by the Hon'ble Board.</p> <p>Further, Clause 13.5 requires the bidders to quote tariff in such a fashion that IRR should be positive over the economic life of the project. It is not clear as to what would constitute an economically viable position in the view of the Hon'ble Board. Even the point 0.001% profitability in terms of IRR would be positive.</p> <p>Unless the Hon'ble Board provides some indications on the parameters to be considered by it to determine whether a project is economically viable and has adequate IRR, there is likelihood of speculative bidding.</p> <p>Therefore, in the interest of transparency and certainty in the bidding process, it is requested that the Hon'ble Board may clarify on the requisite parameters and benchmark in this regard as has been done in the case 9<sup>th</sup> round bidding for CGD network. Further, the Hon'ble Board may clarify how they have ensured economic viability of the project on standalone basis in the case of 9<sup>th</sup> round bidding for CGD network and whether profitability</p>	
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		in terms of IRR has been ensured.	
18	HEPL	The Clause 13.5 requires the tariff and volume bid quoted by bidder to ensure economic viability of the project on standalone basis. This is in line with the Petroleum and Natural Gas Regulatory Board (Affiliate Code of Conduct for Entities Engaged in Marketing of Natural Gas and Laying, Building, Operating, or Expanding Natural Gas Pipeline) Regulations, 2008 which was required to be implemented by 31 <sup>st</sup> March 2017. The Hon'ble Board may clarify if the same has been implemented till date. Further, the Hon'ble Board may clarify the applicability of Clause 13.5 in case the Affiliate Code of Conduct Regulations have not been implemented till date.	Not related to the clarification for bid.
19	HEPL	The bid document requires authentic official document to be produced by the bidder as evidence of the gas source identified by it for the purpose of identifying injection points for the pipeline. However, such official documents may not be available at this stage of bidding. Hence such requirement may be dispensed with.	Bid conditions will prevail.
20	HEPL	Note # 5 provides that the capex considered in DFR must be reasonable and any unreasonable capex may lead to rejection. Such requirements in the bid document is vague as it does not in any manner indicate the parameters /	Refer Clarification No. 17

		<p>factors to be considered by the Hon'ble Board for ascertaining the reasonability or unreasonability of the capex indicated in the DFR. Unless clarity in this regard is provided, it would be difficult for the bidder to ascertain the intent behind note #5, thus resulting in speculative bid.</p> <p>The law is well settled that lack of transparency in the bid document vitiates the bid process. Therefore, it is requested that necessary clarification be issued to indicate the factors that are to be considered by the Hon'ble Board to ascertain the reasonability of capex and any specific parameters based on which such assessment is carried out.</p>	
21	HEPL	<p>The definition of force-majeure does not include any delay on the part of the concerned authority in issuing necessary approvals related to the construction of the pipeline. Similarly, delays on account of any court proceeding affecting the construction process of the pipeline has not been included in the definition of force-majeure. These delays are uncontrollable and unforeseeable in nature and therefore cannot be factored into the construction schedule for the pipeline.</p> <p>Considering the fact that the performance bank guarantee</p>	Tender conditions will prevail.

	<p>furnished by the entity may be invoked on account of failure in achieving the implementation schedule provided by the entity, it becomes necessary for any delay arising out of such eventualities to be included in the force majeure.</p> <p>In the alternative, considering that these delays are un-controllable in nature, the Hon'ble Board may consider a request for extension of the implementation schedule based on such factors to ascertain whether the delay claimed by the entity is genuine or not.</p>	
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The above clarifications shall constitute a part of the Application-Cum-Bid Document and shall be duly signed and submitted along with the bid document by the authorized signatory of the bidder.

Yours faithfully,



13/11/2018

(Arvind Kumar)  
Additional Adviser