PETROLEUM AND NATURAL GAS REGULATORY BOARD

1st Floor, World trade Centre, Babar Lane, Barakhamba Road, New Delhi-110001
Tel No: 011- 23457700/23457744/23457751

Ref.: Infra/PL/Bid/Round-3/2011/01 Date: 14.03.2011

To
All Prospective Bidders

Sub: Clarifications related to Bid No.: BID/NGPL/03/2010/1/SPPL

Dear Sir,

Pursuant to the some issues related to the bids invited for development of Surat-Pardip natural gas pipeline raised by one of the prospective bidder, following clarifications are being issued:

S/N	Issue/Query	Clarification
1	**Equity percentage of the entity that has a JV or consortium:** According to the Regulation 5(6)(b), it is described that entity has a joint venture with another entity(with at least eleven percent equity holding by that entity). From our understanding, no matter what kind of entity formed, entity should have at least 11% of equity. In case however, that entity has a joint venture with another joint venture which has several entities, do all entities have to hold 11% of equity respectively? To the contrary, entity formed as JV which belongs to another JV has to hold 11% of equity? **Raised By: M/s Korea Gas Corporation**	As per sub-regulation 5(6)(b)(ii), an entity is technically capable of laying and building natural gas pipeline if entity has a joint venture with another entity (with at least 11% equity holding by that entity) which in the past has either laid and built a hydrocarbon pipeline of a length not less than 300 Kms on a cumulative basis or a city or local natural gas distribution network. **Illustration:** Suppose, *(i) Entity A is a bidder (singular entity or a JV)and* *(ii) There is another entity B* which in the past has either laid and built a hydrocarbon pipeline of a length not less than 300 Kms on a cumulative basis or a city or local natural gas distribution network. ***Now, entity A shall qualify under this clause if A has a JV with entity B (with at least 11% equity holding in the JV). This is irrespective of the constitution of B i.e. whether B is a singular entity or a JV, entity B must hold at least 11% equity in a JV with A.***
2	**Meaning of Equity:** If entity, successfully awarded for the project, borrows the money from the Bank by all means, entity shall get money	Equity capital shall be considered as subscribed and paid-up capital of the shareholders.

	(as debt) from the bank as well money (as asset, reserves) that entity already has. In this regard, Does equity mean all that money including debt from the banks and money already entity has? Otherwise, is it just money entity has had without money from the banks **Raised By: M/s Korea Gas Corporation**	

The above clarifications shall constitute a part of respective Application-Cum-Bid Document and shall be duly signed and submitted along with bid document by the authorized signatory of the bidder.

(Ratan P. Watal)
Secretary, PNGRB

Petroleum & Natural Gas Regulatory Board, India

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Tel No: 011- 23457700/23457744/23457751

Ref.: Infra/PL/Bid/Round-3/2011/01 Date: 28.02.2011

To
All Prospective Bidders

Sub: Pre-Bid Meeting & Clarifications related to Bid No.: BID/NGPL/03/2010/1/SPPL

Dear Sir,

Pursuant to the various issues raised during the pre-bid meeting held in the office of PNGRB New Delhi on 21.01.2011 related to the bids invited for development of Surat-Pardip natural gas pipeline, following clarifications are being issued:

S/N	Issue	Clarification
1	Whether each of the eligibility criteria under sub-regulation 5(6)(b) & 5(6)(c) has to be met by the bidder? **Raised By: M/s DSC Limited**	The bidder shall have to qualify under any one of the eligibility criteria of sub-regulation 5(6)(b) and sub-regulation 5(6(c) respectively.
2	With respect to sub-regulation 5(6)(b), if a bidder does not have experience of construction but has experience of overall supervision of the construction, does he meet the eligibility criteria? **Raised By: M/s DSC Limited**	For the purpose of sub-regulation 5(6)(b)(i), any entity who is the owner of a hydrocarbon pipeline of a length not less than 300 Kms or a CGD network, and having the experience of supervising the construction of the same shall be also eligible.
3	Would PNGRB help the successful bidder in the sourcing of gas or allocation of gas? **Raised By: M/s Kazstroy and M/s L&T**	It is the responsibility of the successful bidder to secure gas supply arrangements from the gas suppliers. However, Schedule-D issued by PNGRB may also facilitate the successful bidder in securing gas for the project.
4	Can sourcing of gas be done from both sides of the pipeline? **Raised By: M/s L&T**	Gas injection can be done from both the sides of the pipelines as well as from intermediate points also. Accordingly the bidder has to design the pipeline for bi-directional flow.
5	Would PNGRB facilitate the authorized entity in securing RoU acquisition and Environmental clearance? **Raised By: M/s NCC**	It is the responsibility of the authorized entity to acquire Right of Use, Environmental Clearance as also other necessary clearances/approvals under applicable laws. However, Schedule-D issued by PNGRB

	Infrastructure Holding (P) Ltd.	may also facilitate the authorized entity in getting the same. Also, PNGRB is making efforts with Central Government and different State Governments for Single Window Clearance for natural gas pipeline projects.
6	Would PNGRB help the successful bidder in carrying out the market demand survey before submitting the bid considering the security concerns by issuing an authority letter? **Raised By: M/s JSC Eurocore**	The copy of the application-cum-bid document issued to the bidder is sufficient document for the stated purpose. Market demand assessment shall be the responsibility of the bidder.
7	PNGRB to clarify the bidding rejection criteria applicable for technical bids submitted by the bidders. **Raised By: M/s GAIL (India) Limited**	Minimum eligibility criteria for a bidder has been provided in the sub-regulation 5(6) from Clause no. (a) to Clause no. (j). It was further clarified that the bid not fulfilling the requirements of any criteria under clauses 5(6)(a) to 5(6)(j)shall be summarily rejected. *In addition to failure to meet the Minimum Eligibility Criteria, rejection of the bid may take place owing to the reasons as listed in various provisions of the application-cum-bid document.*
8	Is it possible to submit financial bid after selection of technical bid? **Raised By: M/s JSC Eurocore**	Technical bid and Financial bid are to be submitted at the same time before the due date of bid submission.
9	In case of a foreign bidder/JV partner, whether certificate is required from the concerned Embassy for documents like experience certificate/degree from recognized Institute etc? **Raised By: M/s Soma Enterprise & M/s JSC Eurocore**	The conditions for Indian and Foreign bidders are same. The winning bidder shall have to get registered under Companies Act, 1956 in India.
10	PNGRB to clarify the requirement of bi-directional flow in Clause No. 17.4.3 of Application-Cum-Bid document. In case of bi-directional flow, list of authentic documents to be furnished for injecting gas from Paradip? PNGRB requested to define bi-directional pipeline-whether it is a commercial arrangement or a technical arrangement? **Raised By: M/s GAIL (India)**	As the bid is being invited for pipeline project with the economic life of at least 25 years, PNGRB is fully aware of the rapid changing gas supply scenario in India. In view of the above, the proposed pipeline project is required to be designed in such a way that the pipeline system at all times can operate with gas injection from any point in the system. For the purpose of clause no. 17.4.3, the bidder has to submit the documents as detailed out in clarification no. (19) below.

	Limited	
11	PNGRB to clarify whether the volume number bid includes the common carrier capacity or not? **Raised By: M/s Welspun** PNGRB to clarify the relevant provisions of the Regulations which states that the bidder has to quote volume equal to the sum of contract and own use excluding 25% common carrier. Why can't a bidder include common carrier volume in the volume quoted in the bid? **Raised By: M/s GAIL (India) Limited**	*Yes.* Grant of authorization shall be subject to the condition that the authorized entity shall be required to create minimum 33% additional capacity over and above the volume quoted in the financial bid. As the bidder has no control over the common carrier volume and since the volume number to bid is the volume committed by the bidder, the common carrier volume cannot be committed by the bidder.
12	PNGRB to clarify whether the pre-tax IRR indicated in Annexure-14 is Project IRR or Equity IRR? **Raised By: GSPL**	*The bidder has to indicate the pre-tax project IRR in Annexure-14.*
13	PNGRB to clarify on the clause No. 34 of Application-cum-Bid document regarding restructuring of authorized entity w.r.t. status of lead partner. **Raised By: GSPL**	*Clause No. 34 is hereby amended and may be now read as:* *"Any restructuring/ reconstitution of the authorized entity within the first three years of grant of authorization shall be permitted only if the initial JV partners/ entity retain not less than 50% equity stake post reconstitution on a cumulative basis.* ***In all cases of such reconstitution, the lead partner of the original consortium/ JV shall compulsorily hold higher or equal stake than any other partner and shall be declared upfront****".*
14	In view of ongoing legal impasse w.r.t. Special Leave Petition filed by PNGRB in Hon'ble Supreme Court, the bidders are uncertain, hence PNGRB requested to review the bid submission time and communicate the same in advance. **Raised By: M/s Welspun and M/s GSPL**	PNGRB has moved the Apex court in this regard. The Central Government has also moved the Apex Court for enabling the Board to carry out its responsibilities. It is expected that there would be an early resolution of this legal impasse. However, bid submission time shall be reviewed at suitable time before the bid submission time and shall be communicated to all the bidders in advance.
15	As there is no cap on PF1 i.e. percentage increase in tariff for Zone-1, the bidder quoting extremely low tariff in Zone-1	*Provisions of the existing Regulations shall be applicable.*

	and extremely high numbers in PF1 will distort the rational sense of the bid. Also, this situation will result into subsidization of Zone-1 customer against the customer of other Zones. PNGRB requested to restrict the maximum allowed number for PF1 similar to restriction put in case of PF2 under regulation 7(c). **Raised By: M/s Welspun Infratech Ltd.** GSPL suggested that instead of percentage increase, absolute numbers may be asked to provide in the financial bid for each year in Zone-2.	
16	As a bidding strategy, a bidder may quote low tariff in initial years and ramp up the tariff significantly faster in the forthcoming years, which will distort the basic intention of the regulator to achieve the most economical tariff for the consumer. Hence, PNGRB requested to restrict the YoY increase in tariff for Zone-1, **Raised By: M/s Welspun Infratech Ltd.**	*Provisions of the existing Regulations shall be applicable.*
17	PNGRB to clarify whether the volume bid number quoted is the maximum volume in the particular year, average volume or the minimum volume. In case, if it is average then whether it is average of operating days or the total days in a year. **Raised By: M/s Welspun Infratech Ltd.**	Volume bid number quoted is the average volume of operating days in a year as per the Access Code Regulations.
18	As per Clause No. 17.4.2 of Application-cum-Bid document, the developer has to maintain a minimum delivery pressure of 45 Kg/cm2. PNGRB to clarify if it is allowed to have a dedicated compressor to achieve this pressure. **Raised By: M/s Welspun**	The bidder is free to design the pipeline system as long as the same is in line with the provisions of PNGRB (Technical Standard and Specifications including Safety Standards for the Natural Gas Pipelines) Regulations, 2009. For the purpose of capacity determination, the bidder has been given flexibility to consider required delivery pressure of 45 Kg/cm2 at terminal

	Infratech Ltd.	point(s). Within tariff corridor, bidder shall not be allowed to levy additional charge from the transportation tariff quoted. Hence, the bidders are advised to incorporate all such costs involved towards pipeline, interconnectivity and dedicated compressors etc. if any.
19	Against clause no. 17.4.3 of Application-cum-Bid document, the bidder is to provide authentic official document for evidence of Gas Source. PNGRB requested to elaborate the definition of official document to be furnished. Also, PNGRB requested to provide guidelines for considering the volume that can be considered from existing producing domestic gas and RLNG which is expected to flow from this pipeline. **Raised By: M/s Welspun Infratech Ltd.**	For evidence of domestic Gas Source, official documents in public domain shall be considered like Press Note issued by Government of India, presentations by DGH etc. For future R-LNG terminal, public announcements/ press note by relevant Statutory Authorities shall be considered by PNGRB. The bidder shall submit list of conventional E&P blocks or CBM blocks awarded till date and the LNG terminals operating or planned which could contribute volume for such pipeline.
20	PNGRB to clarify the status of spur-lines beyond 50 Kms tariff corridor and additional charges that can be levied from such consumers. As PNGRB has mandated only trunk pipeline, why does a bidder need to give details of the spur-lines within or outside tariff corridor? **Raised By: M/s GAIL (India) Limited**	As the capacity of the trunk pipeline shall be utilized through the spur-lines emanating from the trunk pipeline, the bidder need to submit the details of all projected demand centres and connectivity through spur-lines. The bidder need to incorporate cost in the tariff for all such spur-lines including future spur-lines in the 50 Kms tariff corridor which have not been anticipated now. Spur-lines assumed by the bidder in the vicinity of the tariff corridor boundary up to 150 Kms shall be considered by PNGRB at the time of bid submission and the bidder need to incorporate cost in the tariff. Such spur-lines have to be necessarily constructed by the authorized entity. Gas volumes which can be evacuated by the spurs should be within the pipeline system capacity. **However, the authorized entity shall be required to take separate specific approval**

		from PNGRB within the provisions of the Regulations for the spur-lines beyond 50 Kms tariff corridor but not considered at the time of bid submission.

The above clarifications shall constitute a part of respective Application-Cum-Bid Document and shall be duly signed and submitted along with bid document by the authorized signatory of the bidder.

Ratan P Watal

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Secretary, PNGRB