



Petroleum and Natural Gas Regulatory Board
Tariff Order

Zonal apportionment of Unit Natural Gas Pipeline tariff of High Pressure Gujarat Gas Grid (“HP Gas Grid”) of Gujarat State Petronet Limited (“GSPL”) under the provisions of the Petroleum and Natural Gas Regulatory Board (Determination of Natural Gas Pipeline Tariff) Regulations, 2008.

PNRB/COM/2-NGPL Tariff (9)/2009-Vol.X (E-3844)

Ref No: TO/NGPL/24-25/02

Date : 02/05/2024

1. Background

- 1.1. The Board on 19.04.2024 approved the unit natural gas pipeline tariff of GSPL HP Gas Grid of Gujarat State Petronet Limited (“GSPL”) or (“Entity”) as Rs 18.10/MMBTU, on Gross Calorific Value (GCV) basis w.e.f. 01.05.2024 onwards. In this regard, as per para 9.2 of tariff order no. TO/NGPL/2024-25/01 date 19.04.2024, “The apportionment of levelized tariff over all the tariff zones with calculations will be submitted by GSPL for the Board’s approval within 7 days of the issuance of the tariff order.”
- 1.2. In view of the above, the apportionment of levelized tariff over all the tariff zones with calculations was to be submitted by GSPL for the Board’s approval within 7 days of the issuance of the tariff order i.e. upto 25.04.2024. In absence of any response from GSPL till 26.04.2024, PNRB vide email dated 26.04.2024 once again advised GSPL to submit the zonal apportionment of levelized tariff over all the tariff zones with calculations for PNRB’s approval by end of day 26.04.2024. However, no response has been received till 30.04.2024.

2. Regulatory Provisions on Zonal Tariff apportionment

- 2.1. **As per regulation 2 (1) (i) of the PNRB (Determination of Natural Gas Pipeline Tariff) Regulations, 2008;**
 - (i) "tariff zone" means the zone -
 - (i) of a length of three hundred kilometers each along the route of the natural gas pipeline from the point of injection to the end point:
Provided that the last zone of the natural gas pipeline may be of a length of three hundred kilometers or less:
Provided further that any natural gas pipeline of a length less than three hundred kilometers shall be counted as a zone; and
 - (ii) a corridor along the natural gas pipeline with a width of up to ten percent of the total length of the natural gas pipeline without including the length of the spur lines or fifty kilometers measured from the nearest point on the surface of the natural gas pipeline on

both sides, and includes the point of origin and the end point of the natural gas pipelines, whichever is less, and-

(a) the first tariff zone shall be counted with reference to any zone in which the point of injection of natural gas into the natural gas pipeline falls; and

(b) the subsequent tariff zone or tariff zones, as the case may be, shall be counted separately on either side along the contractual path for delivery of natural gas in the natural gas pipeline;

Provided that natural gas pipeline tariff for transport of natural gas from the same source shall be uniform for all the customers located within the zone:

Provided further that the entity shall supply natural gas to any customer located in the zone subject to the techno-commercial feasibility of laying, building, operating or expanding a new spur line from the natural gas pipeline.

Explanation

For the purposes of this clause, the entity shall submit to the Board information regarding various tariff zones and their sequential numbering in the natural gas pipeline from each point of injection.

2.2. Extant Clause 8 to Schedule A of the NGPL Tariff Regulations provides as under:

“8. Procedure for apportioning of unit natural gas pipeline tariff over the tariff zones.

(1) The entity shall submit for the Board’s approval, the calculations in respect of apportioning of the unit natural gas pipeline tariff over all the tariff zones during the economic life of the project in the form specified in Part II of Attachment 1(i), where X% shall be a single number lower than one hundred per cent and Y% shall be a single number lower than fifty per cent. In case the entity fails to submit the required information within the time determined by the Board for such purpose, the Board may apportion the unit natural gas pipeline tariff over all the tariff zones in the ratio of tariff for various tariff zones during the immediate preceding zonal tariff determination in respect of that pipeline or in any other manner as may be deemed fit by the Board.

(2) No adjustment shall be made by the entity with the customers for any overachievement or under-achievement in the recovery of the natural gas pipeline tariff by the entity due to the volumes actually transported in different tariff zones being different than the volumes considered by the entity for apportioning the unit natural gas pipeline tariff for each of the tariff for zones during-

(a) the period of initial unit natural gas pipeline tariff;

(b) the first five and consecutive years after the end of the initial unit natural gas pipeline tariff; and

(c) the period between any two consecutive tariff reviews.

(3) Notwithstanding anything contained in any regulations, for the purpose of apportioning of the natural gas pipeline tariff over tariff zones in case of natural gas pipeline, the Board may,

by order, consider to have simpler and reduced number of tariff zones after adopting public consultation process in this regard as per the provisions as specified in regulation 4 of these regulations, in a transparent manner.”

- 2.3. Proviso to Regulation 21 (3) of the PNGRB (Authorising Entities to Lay, Build, Operate or Expand Natural Gas Pipelines) Regulations, 2008, inter-alia states, "Provided that if a spur-line is proposed beyond the limits of tariff zone, the admissible tariff shall be applicable tariff of the tariff zone from which the tap-off of the spur line is taken."
- 2.4. The Attachment 1(i) to the PNGRB (Determination of Natural Gas Pipeline Tariff) Regulations, 2008 specifies the basis to be followed for apportionment of the unit natural gas pipeline tariff over natural gas pipeline zones in accordance with the provisions of regulation 5 and clause 8 and 9 of Schedule A to the PNGRB (Determination of Natural Gas Pipeline Tariff) Regulations, 2008.
3. In view of the above and based on the extant regulatory framework, the zonal tariff apportionment equation can briefly be described as follows where Tz represents tariff zone:
 - Tz 1 =tariff for zone one i.e., one number to be indicated for the applicable period;
 - X% = one number towards percentage increase (lower than 100%*) in tariff zone 2 over tariff zone 1;
 - Y% = one number towards percentage increase (lower than 50%*) from tariff zone 3 onwards over the increase in preceding tariff zone;
 - $Tz 2 = Tz 1 + (Tz 1 \times X\%)$
 - $Tz 3 = Tz 2 + (Y\% \times X\% \times Tz 1)$
 - $Tz 4 = Tz 3 + (Y\% \times Y\% \times X\% \times Tz 1)$
 - $Tz 5 = Tz 4 + (Y\% \times Y\% \times Y\% \times X\% \times Tz 1)$
 - $Tz 5 = Tz 4 + (Y\% \times Y\% \times Y\% \times X\% \times Tz 1)$
 - And so on till last tariff zone
4. As may be seen from the above equation, the variables consist of Tz 1, X% or Y% based on which the relative tariffs for zone 2 and thereafter have to be derived under an overall telescopic design in a manner that the resultant average is equal to the levelized tariff determined by the Board.
5. **Details of Zonal tariff apportionments proposed by the Entity:** As per the as per para 9.2 of tariff order no. TO/NGPL/2024-25/01 date 19.04.2024, GSPL has to submit the zonal apportionment within 7 days, however, GSPL has not submitted the zonal apportionment of levelized tariff over all the tariff zones with calculations for PNGRB’s approval.

6. Zonal Tariff apportionment - Methodology followed and Zonal Tariffs Determined

6.1. The methodology followed while determining the zonal tariff apportionments is as follows:

6.1.1. The number of tariff zones and the tariff zone 1 (Tz1) apportionment at the level.

(a) Ensuring that:

- i) a distinct tariff should emerge for each zone;
- ii) an increment in tariff for zone 2 over zone 1 i.e., X % is specified which should be a single number lower than 100%;
- iii) an increment in tariff for zone 3 and onwards over preceding zone i.e., Y % is specified which should be a single number lower than 50%;
- iv) a telescopic tariff design should emerge i.e., tapering off of the increase in tariff with increasing distance; and
- v) Present value of total revenue generation for all the zones put together should result in the same leveled tariff determined by the Board.

6.2. As per sub clause (1) to clause 8 of Schedule A, the entity shall submit for the Board's approval the calculations in respect of apportioning of the unit natural gas pipeline tariff over all the tariff zones during the economic life of the project. In case the entity fails to submit the required information within the time determined by the Board for such purpose, the Board may apportion the unit natural gas pipeline tariff over all the tariff zones in the ratio of tariff for various tariff zones during the immediate preceding zonal tariff determination in respect of that pipeline or in any other manner as may be deemed fit by the Board.

In view of the above, as GSPL has not submitted required information within time determined by the Board, it is proposed that the value of X% and Y% as required in para 2.2 above may be kept similar as per the zonal apportionment done for GSPL HP Gas Grid in Tariff Order TO/09/2018 dated 10.12.2018 i.e. the zonal volume (i.e. the volumes divisor considered for tariff determination in tariff order no. TO/NGPL/2024-25/01 dated 19.04.2024) may be taken in the same ratio for zonal apportionment as considered in previous tariff order TO/09/2018 dated 10.12.2018 for the current zonal apportionment.

6.3. Further, sub clause (2) to clause 8 of Schedule A states that no adjustment shall be made by the entity with the customers for any over-achievement or under-achievement in the recovery of the natural gas pipeline tariff by the entity due to volumes actually transported in different tariff zones being different than the volumes considered by the entity for apportioning the unit natural gas pipeline tariff for each of the tariff zones.

In view of the above regulatory framework, no adjustments has been made by PNGRB for past period(s).

6.4. Based on the above deliberations and assumptions the zonal tariff has been determined and the calculations are as under:

Particular	Volumes Considered (MMSCMD)	Tariff (Rs./MMBTU)	Increment Over Previous Zone	% increment over previous zone	Calculation considering X%=5.09% & Y%=1.50%.
Levelized	31.67	18.10	-	-	-
Zone 1 (A)	20.07	17.77	-	-	-
Zone 2 (B)	11.60	18.67	0.90	5.09%	B = A+A*X%
Zone 3 (C)	0.00	18.69	0.02	0.11%	C = B+A*X%*Y%

6.5. The table below provided a comparison of the determined zonal tariff apportionment vis-à-vis prevailing zonal tariffs:-

In Rs. /MMBTU (on GCV basis)

	Current	Determined
Levelized	34.00	18.10
Zone 1	33.15	17.77
Zone 2	34.84	18.67
Zone 3	34.86	18.69

7. Date of Applicability of Tariff

7.1. As per Clause 9 (4) of Schedule A of the PNGRB NGPL Tariff Regulations, 2008, “The adjustment on account of variation in the provisional initial unit natural gas pipeline tariff, final initial unit of natural gas pipeline tariff and tariff determined under tariff review shall be made in the DCF calculations and the derived tariff shall be charged from the customers on prospective basis till next review, that is, the tariff shall be applicable from the first day of the month, following the month, in which the tariff order (zonal tariff in case of applicability of zonal tariff) is issued by the Board”.

7.2. In this case, as per the Clause 9 (4) of Schedule A of the PNGRB NGPL Tariff Regulations, the approved zonal tariff would be applicable w.e.f. first day of the following month in which tariff order is issued by the Board i.e. from 01.06.2024 onwards. However, as the Unified Tariff has been implemented across the National Gas Grid System (NGGS) w.e.f. 01.04.2023 and as GSPL HP Gas Grid is part of the NGGS, the shippers are being charged the Unified Tariff and the individual pipeline tariff is being used for the purpose for determining the revenue entitlement of the pipeline entities. As the unit natural gas pipeline tariff determined by PNGRB vide TO dated 19.04.2024 is applicable from 01.05.2024 onwards and the invoicing for the gas being transported is being done on fortnightly basis, therefore, the zonal tariff be made applicable from 01.05.2024.

8. **Details of levelized tariff determined and zonal tariff apportionments.**

Tariff order no. TO/NGPL/2024-25/01 determining unit tariff was issued on 19.04.2024. As per para 7 above, the zonal tariff applicable from 01.05.2024 is as follows:

Particulars	Zonal Tariff (Rs. / MMBTU)
Zone 1	17.77
Zone 2	18.67
Zone 3	18.69
Levelized Tariff	18.10

9. **Decision**

- 9.1. The zonal tariff as per para 8, for HP Gas Grid of GSPL shall be applicable from 01.05.2024 on GCV basis.
- 9.2. In terms of para 9.3 of tariff order no. TO/NGPL/2024-25/01 notified by PNGRB on 19.04.2024, PNGRB may verify/audit the information provided for determination of tariff and method of cost allocation, etc. by internal team of PNGRB or by an external agency. Accordingly, zonal tariff as determined above will be subject to revision based on aforesaid verification/audit of the information submitted by the entity.

Sd/-
(Dr. Anil Kumar Jain)
Chairperson

Sd/-
(Gajendra Singh)
Member- I

Sd/-
(Anjani Kumar Tiwari)
Member- II