



February 7, 2017

Secretary
Petroleum & Natural Gas Regulatory Board
World Trade Centre
Barakhamba Lane
New Delhi 110 001

Sub: Final initial unit natural gas pipeline tariff under the provisions of the Petroleum and Natural Gas regulatory Board (Determination of Natural Gas Pipeline tariff) regulations, 2008

Ref: Public Consultation Document No. PNGRB/M(C)/43 – Vol V dated 13.01.2017

Respected Madam,

This has reference to the above.

We submit our following observations on the above mentioned document:

1. CAPEX of Rs. 3401.36 Crs has been projected between from 2016-17 to 2026-27. We notice that this CAPEX is not adding any substantial capacity in the system. While the CAPEX is increasing by approx 75%, addition in capacity is only about 2%. The growth in CAPEX without the growth in capacity is a mismatch which is bound to put a strain on the existing system.
2. It has been mentioned that the company has added on an average 14 Kms of spur lines per year. We notice that it has provided for addition of 50 Kms of Spur Line every Year from 2018-19 to 2026-27. Future projections seems very aggressive which is adding to the CAPEX.
3. Gross Fixed Assets probably includes all the Assets - High Pressure Network assets, Low Pressure Network assets and Other Business Assets. For arriving at the Tariff for HP Network, only the relevant assets related to HP network needs to be considered.
4. We notice that expenditure on "Other Facilities" of Rs. 422.70 Crs has been considered. This requires careful evaluation to understand the nature of the facilities and its relevance to the HP network.
5. Similarly, the OPEX also needs to be segregated for High Pressure Network, Low Pressure Network and Other Business Assets. OPEX for LP Network and Other Business Assets should not be considered while arriving Tariff for HP Network
6. It our view that SUG is part of OPEX and cannot be considered separately.
7. "Line Pack" is provided by the Shipper and therefore cannot be considered as expense by the transmission company.