The Secretary
Petroleum and Natural Gas Regulatory Board (PNGRB)
1st Floor, World Trade Centre
Babar Road
New Delhi-110001

Sub: Final Initial Unit Natural Gas Pipeline Tariff of East West Pipeline Limited under the PNGRB Tariff Regulations 2008.

Ref.: Public Consultation Document Ref. No. PNGRB/M(C)/IV dated 04.05.2018

Dear Madam,

We thank PNGRB for inviting comments from the stakeholders in the process of determining the final tariff for East – West Natural Gas Pipeline (EWPL) of East West Pipeline Limited. GSPL being a transporter itself is affected by any decision taken in determination of tariff, therefore being a stakeholder, we hereby submit our comments which are as follows:

i. Tariff Determination:

It is evident from the Public Consultation Document that as on today PNGRB has declared the capacity of EWPL only for the FY 2010-11 and 2011-12 i.e. 85 MMSCMD and 95 MMSCMD respectively.

It is also evident that PNGRB is in the process of finalizing the initial unit tariff for EWPL and since all other parameters like Capex and Opex are available on actual basis till FY 2016-17, it is only the capacity of the pipeline which is available for FY 2011-12.

   a. In this regard, GSPL submits that PNGRB Tariff Regulation has already considered this aspect since tariff is calculated based on the DCF method, thereby allowing transporter to earn reasonable rate of return over the economic life of the pipeline.

In view of the above, it is submitted that due to non-availability of one parameter, entire process of finalizing the tariff should not be halted since the adjustments can be done in tariff reviews.

ii. Future Capex:

It may be kindly noted that the proposed future capex is to connect EWPL with ONGC Odalveru (Rs. 400 Cr) and PLL LNG Terminal (Rs. 300 Cr), both of which are new source connectivity.

   a. Since new source connectivity shall have an impact on the capacity of the pipeline, expenditure related to new source connectivity and its impact on capacity should be considered simultaneously.
Moreover, with regards to EWPL – PLL LNG terminal connectivity, EWPL under clause 7.3.2 has itself mentioned that EWPL is already connected (directly / indirectly) with RLNG terminal at PLL Dahej. In this regard, it be noted that RGTL’s EWPL has interconnection with GSPL’s High Pressure Gas Grid at Bhadbhut and GAIL’s HVJ-DVPL-GREP at Ankot and GAIL’s DUPL at Maskhal. It be noted that GSPL’s High Pressure Gas Grid and GAIL’s HVJ-DVPL-GREP & DUPL natural gas pipeline already have direct connectivity with PLL Terminal.

Hence, RLNG from PLL Dahej can be injected into EWPL’s pipeline through above interconnection points, thereby leading to capacity utilisation of EWPL without incurring any additional capital expenditure for new source connectivity, along with protecting the interest of consumers.

Accordingly, PNGRB may review considering the Capex of proposed EWPL- PLL Dahej new source connectivity for tariff determination.

iii. Divisor in Tariff Determination:

Further, the latest declared capacity of EWPL is 95 MMSCMD for FY 2011-12. As per the PNGRB Tariff Regulations, from sixth year onwards, minimum 75% of the declared capacity is to be considered in divisor. However, in actual the utilization of EWPL is quite lower than 75%.

It is submitted that there is no protection for the transporter against the lesser utilization of its pipeline due to factors outside of transporters control. Due to the same, transporter does not earn the reasonable return.

In view of the same, the Board may kindly review the regulation pertaining to volume divisor for Tariff Determination, in order to support the pipeline industry.

It is requested that comments may be considered while determining the final tariff for EWPL and subsequently applied in uniform manner for other natural gas pipelines as well.

Best Regards

Yours sincerely,

Manish Seth
GM (Finance)