KRPEL/PNGRB/CGD/ REGULATIONS/25012018

To,
The Secretary,
Petroleum and Natural Gas Regulatory Board,
1st Floor, World Trade Centre, Babar Road, New Delhi – 110 001.
Tel: 011-23457700, Fax: 011-23709151.
Email: secretary@pngrb.gov.in

Sub: Public Notice reg the amendment to the Petroleum and Natural Gas Regulatory Board (Authorizing Entities to Lay, Build, Operate, or Expand City or Local Natural Gas Distribution Networks) Regulations, 2008—Comments / Views regarding

Ref: Public Notice No: Infra/CGD/Bidding Criteria dated 16 Jan 2018

Dear Sir,

With reference to the above Public Notice reg the amendment to the Petroleum and Natural Gas Regulatory Board (Authorizing Entities to Lay, Build, Operate, or Expand City or Local Natural Gas Distribution Networks) Regulations, 2008, Requesting for Comments or Views.

We are hereby sending our views and comments:

1. Para 5 (criteria for selection of entity for expression of interest route )
   a. Sub para (6) clause (b) sub clause i, ii, iii, --- hydrocarbon steel pipeline length to be reduced to 50 km. --- qualifying criterion of 300 km hydrocarbon steel pipeline will limit it to mostly PSU companies, thus limiting the entry of private players in CGD
   b. Sub para (6) clause (b) sub clause i --- to include---“entity has been either authorized by PNGRB to lay or has on it’s own in the past...................”
   c. Sub para (6) clause (c) sub clause i --- to include “entity has been either authorized by PNGRB or supplying gas to an industrial customer through a pipeline or on it’s own........”
   d. Sub para (6) clause (e) ---- minimum networth of the entity should be able to include net worth of promoters of entity and promoter companies of the entity.
      Reason: most often bids are submitted on newly formed companies or smaller companies within a business group which (may not have the required net worth BUT on being the successful bidder) will receive the financial support from the promoters / promoter companies to execute the CGD work.
   e. Sub para (6) clause (g) --- the entity should have a firm HOA with a gas supplier / pipeline operator in that geography of proposed CGD network.
   f. Sub para (6) clause (i) ---- if penalty is levied under CGD, then only this should be applicable.

2. Para 12 (exclusivity period)
   a. Marketing exclusivity should not be allowed to the CGD entity (which is already assured the 25 yrs infrastructure exclusivity). Only a free gas marketing possibility will increase the number of players in the market who will source cheaper gas and will provide better service to the consumer.
      Reason 1: since reasonable transportation rate for CNG & transportation rate for CGD are already assured to the entity along with escalation, the marketing
exclusivity is not required to be given to the same entity. The minimum rates mentioned in the draft document (INR 25/MMBtu & INR 1.5/Kg and mentioned as INR 3/Kg in schedule C) are very viable rates for the capex required for the CGD infrastructure.

Reason 2: the experience of the earlier CGD authorizations indicate that infrastructure and marketing exclusivity in the hands of the same entity has not helped a faster penetration of CGD.

Reason 3: Many DSF fields, isolated fields and marginal fields are currently producing gas in various geographies and these entities have marketing freedom for this gas and hence would be able to provide gas directly and at more competitive rates to the customer using the infrastructure of the authorized CGD entity. Incase these gas producers want to market their gas to the customers located in the vicinity, the authorized entity has to wither lay the pipeline infrastructure or allow the gas producer / marketer to lay his own infrastructure.

Reason 4: the current draft CGD regulations also permit CGD distribution via LNG supplies by tank truck or tank wagons and CNG by cascades (para 5 clause 1 sub clause (a) ) this increase the possibility of many gas supply players who may like to market gas by the above means. The more gas marketing companies the better will be the consumer benefitted.

Reason 5: the CGD entity is anyway at liberty to market its gas alongside any other entity which may like to market its gas using the CGD infrastructure. The CGD Company should provide access of the pipeline and other infrastructure to another desirous entity within 90 days of submission of request.

Reason 6: what happens to a gas consumer who would like to bring his own gas as LNG in truck and use in his own premises?

3. Para 17 (entity authorized by central govt for laying, building, operating or expanding CGD network before the appointed day)
   a. Marketing exclusivity should not be provided for these entities also.

4. Para 18 (entity not authorized by central govt for laying, building, operating or expanding CGD network before the appointed day)
   a. Marketing exclusivity should not be provided for these entities also

5. Schedule A (basis for defining authorized area for laying, operating or expanding CGD networks.)
   a. For the LNG supplies by tank trucks or tank wagons and CNG by cascades --- GA should be authorized based only on natural gas availability and NOT on pipeline connectivity or geographic contiguity. It is a misnomer that such area shall not have an economic viability to have an independent CGD network on its own.

6. Schedule K (methodology for computation of net worth)
   a. SL 4 --- other entities to include promoters of bidding company

Thanking you,

Yours truly,

Govardhan L
Manager (Projects)
MGL/Comm/2018/04/01

February 02, 2018

To,
Secretary,
Petroleum & Natural Gas Regulatory Board
1st Floor, World Trade Centre,
Babar Road,
New Delhi – 110001

Kind Attention: Ms. Vandana Sharma

Subject: Comments on Public Notice No: Infra/CGD/Bidding Criteria dated 16.01.2018

Dear Madam,

This is with reference to the Public Notice No: Infra/CGD/Bidding Criteria dated 16.01.2018 webhosted on PNGRB website requesting stakeholders to submit views/comments on the Draft CGD Authorization Regulations on existing PNGRB Regulations GSR 196 (E) for Authorizing Entities to Lay, Build, Operate or Expand City or Local Natural Gas Distribution Networks.

In this regard, please find attached herewith MGL’s comments/views on the subject at Annexure-I for kind consideration of the PNGRB.

In case you need any further information on the subject, we request you to please let us know so that we can provide you the same.

With regards,

Yours sincerely,

(Rajesh Wagle)
Senior Vice President-Commercial

Encl: a/a
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<th>S.No.</th>
<th>Particulars</th>
<th>MGL’s Comments/Views</th>
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<tr>
<td>1</td>
<td>Bidding criteria</td>
<td>• Additional weightage may be marked for players having proven track record of developing CGD infrastructure (Step up marks based upon experience of operating CNG stations, domestic connections etc. may be given).</td>
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<td>• PNGRB may provide benchmark to be referred for arriving at number of domestic connections to be quoted by the bidders (e.g. Household number of GA as per Census 2011 may be kept as a ceiling) to avoid submission of irrationally high domestic connection numbers</td>
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<td>• PNGRB may provide clarity on type of CNG station (Online/DBS) to be quoted for bidding.</td>
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<td>2</td>
<td>Bidding Evaluation</td>
<td>• PNGRB may provide clarity on deciding successful bidder in case there is still tie in the Number of CNG stations</td>
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<td>3</td>
<td>Access to Third Party</td>
<td>• Third Party may be mandated to serve all the market segments especially Domestic PNG to avoid cherry-picking of customers and at terms and conditions as per Industry norms.</td>
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<td>4</td>
<td>Connectivity</td>
<td>• Multiple tap-off locations/points to be provided by Pipeline entity without any additional connectivity/tap-off charges to avoid infructuous investments</td>
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<td>• Pipeline entity to have accountability to provide connectivity/access within proposed timelines to ensure timely rollout of CGD network</td>
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<td>5</td>
<td>Reach to Charge Areas</td>
<td>• Connectivity by Virtual pipeline mode (CNG/LNG by Tankers/ cascades etc.) may also be allowed to reach all the charge areas</td>
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