Ref no: HEGMPL/OTM/2018/02

27th July, 2018

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

Sub: Comments on PCD – Provisional initial unit natural gas pipeline tariff under the provisions of the PNGRB (Determination of Natural Gas Pipeline Tariff) Regulations, 2008 for Hazira - Ankleshwar Natural Gas Pipeline Network

Dear Madam,

This is reference to PCD no. PNGRB/M(C)/45-Vol-II dated 13th July, 2018 on provisional initial unit natural gas pipeline tariff under the provisions of the PNGRB (Determination of Natural Gas Pipeline Tariff) Regulations, 2008 (hereinafter referred as 'Tariff Regulations') for Hazira - Ankleshwar Natural Gas Pipeline Network of Gujarat Gas Limited.

In this regard, we would like to submit our following comments/observations:

1. Capex:

   The actual capex outflow (Rs 231.75 Cr) considered by entity from 01.04.2013 to 31.03.2017 is on a much higher side as compared to the future capex projection (Rs. 0.45 Cr) claimed by the entity from 01.04.2017 to 30.04.2024.

   The Hon’ble Board may like to review that how amalgamation process has increased the capex for the said pipeline which has resulted in claim of higher tariff as a result the increase in tariff will eventually burden the end consumers. This tremendous difference in capex has neither been supported by corresponding increase in capacity and/or volume of pipeline in question nor has data been certified by CA.

   Further, there are few assets block whose costs have increased manifold times after revaluation which are unjustified. The Hon’ble Board may like to reassess the same.

   The PCD also mentions about the submission of capex data on best judgment basis, variations in annual report and audited trial balance. Before considering this actual capex data for tariff calculation, cautious approach may be followed before arriving at the actual capex figure of the pipeline.
2. **OPEX:**

The actual opex (Rs 57.96 Cr) considered by entity from 01.04.2013 to 31.03.2017 is less than the future opex projection (Rs. 167.75 Cr) claimed by the entity from 01.04.2017 to 30.04.2024. The change in opex has not been supported by any submissions, the Hon’ble Board may like to verify the same.

3. **Volume Divisor:**

The entity has considered 4.05 to 4.18 mmmscmd as volume divisor from 01.04.2013 to 31.03.2017 and 3.15 mmmscmd from 01.04.2017 to 30.04.2024.

It is observed that the entity has considered 3.15 mmmscmd from FY 01.04.2017 to 30.04.2024 which is not as per the Clause 6 of Schedule A of the Tariff Regulations.

Further, it is not evident that how the entity has considered/calculated firmed up contract capacity and common carrier use as 0 (zero) mmmscmd from FY 2017 onwards. We understand that entity may not be in position to inform about common carrier capacity which shall be booked in future but it is inexplicable that the entity has stated long term firmed up contract capacity also as nil. The Hon’ble Board may like to review the same.

4. **Price of Gas used for calculation:**

For calculation of line pack, the weighted average cost of gas (Rs per SCM) has been considered as Rs 20.736 per SCM for year 2012 which increases to Rs 43.070 SCM within one year time. Further the same calculation has been considered for arriving link pack value for year 2024.

The Hon’ble Board may like to review the genesis of arriving at the weighted average cost of gas which gets doubled within a year time (2012-2013) and same remains valid for year 2024.

5. **Line Pack**

For calculating the line pack value in terminal year 2024, the entity has considered the total line pack volume and the weighted average cost of gas for 2013 as the deciding year for arriving at the line pack value for year 2024. This infers that the entity is not envisaging any capex addition beyond the year 2013. The Hon’ble Board may like to verify the same.
6. Unaccounted Gas Claimed as System Use Gas

The entity has claimed unaccounted gas as System Use Gas (SUG). It may be noted that the extant Tariff Regulations provides provision to consider system-use natural gas consumed in the natural gas pipeline as a fuel to operate the pipeline itself.

Further, in precedent cases, the Ld. Board has excluded unaccounted gas which has been claimed under O&M activities. Hence SUG which is consumed only in operating the compressors should be taken in account while calculating the tariff.

7. Inflation rate:

The inflation rate considered by the entity has not been disclosed in the PCD.

We request the Ld. Board to kindly consider the above mentioned comments while finalizing the tariff for the said pipeline network.

Thank you.

Yours faithfully,

Hiren Mehta
General Manager - Marketing
To,
The Secretary,
Petroleum and Natural Gas Regulatory Board,
1st Floor, World Trade Centre,
Babar Road, New Delhi – 110001

Subject: Public Consultation Documents in respect of tariff fixation for Gujarat Gas Limited (GGL)’s Hazira-Ankleshwar Natural Gas Pipeline and ONGC’s Uran-Trombay Natural Gas Pipeline

Respected Madam,

This has reference to PNGRB Public Consultation Document (PCD) Ref: No. PNGRB/M(C)/45-Vol II dated 13.07.2018 in respect of tariff fixation for Gujarat Gas Limited (GGL)’s Hazira-Ankleshwar Natural Gas Pipeline and PCD Ref: No. PNGRB/M(C)/74-Vol II dated 13.07.2018 in respect of tariff fixation for ONGC’s Uran-Trombay Natural Gas Pipeline, soliciting comments from stakeholders on the same.

In respect of the above, the views of GAIL (India) Limited are enclosed as ANNEXURE-A (GGL’s Hazira-Ankleshwar Natural Gas Pipeline) and ANNEXURE-B (ONGC’s Uran-Trombay Natural Gas Pipeline).

Submitted for kind consideration please.

Thanking you,

Yours sincerely,

(Kumar Shanker)
Chief General Manager (Mktg.-RA)
E-mail: kumarshanker@gail.co.in

Encl: A/a
ANNEXURE-A

GAIL's views: Public Consultation Document for GGL's Hazira - Ankleshwar NG Pipeline

1. **Capex Impact:**

(i) In respect of impact on CAPEX after amalgamation of the four (04) companies into Gujarat Gas Limited, it is observed that the CAPEX has significantly increased after amalgamation.

(ii) Sub-clause (3) to clause 4 of Schedule A of PNGRB (Determination of Natural Gas Pipeline Tariff) Regulations, 2008 specifies that *gross fixed assets shall be equal to their actual cost of acquisition*. Further, clause (2) of Attachment 2 to Schedule A of PNGRB (Determination of Natural Gas Pipeline Tariff) Regulations, 2008 specifies that *any change in historical cost of the fixed asset due to revaluation or capital losses shall not be considered.*

The impact due to revaluation of CAPEX may be considered accordingly.

2. **Line Pack:**

The Board may like to examine the reason for increase in Line Pack value as the same has not been provided in the PCD.

3. **Tax Rate:**

The present Income Tax Rate of 34.944% may be considered for grossing up the 12% Post-Tax Return for future period.

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