To 
Secretary, 
PNGRB, 1st Floor, 
World Trade Centre, 
Barakhamba Road, Babar Lane, 
New Delhi – 110001

Respected Madam,

Subject: PNGRB Public Consultation Document (PCD) on Tariff Review of Kochi-Koottanad-Bangalore-Mangalore Natural Gas Pipeline (KKBMPL)

This has reference to the PNGRB PCD Ref. No.: PNGRB/COM/2-NGPL Tariff (3)/2013 P-297 dated 16.07.2019 on Tariff Review of the subject pipeline soliciting GAIL’s response on the comments of other stakeholders.

In this regard, the response of GAIL is enclosed as ANNEXURE –A.

Submitted please.

Thanking you,

Yours sincerely,

S. Kumar
Chief General Manager (Mktg.-RA)
Email: kumarshanker@gail.co.in

Encl: A/a
ANNEXURE-A

GAIL’s Response to Public Comments Received on

PCD Ref. : PNGRB/COM/2-NGPL Tariff (3)/2013 P-297 dated 16.07.19 on KKBMP/L Tariff Review

1. M/s IOCL:

(i) **Clause 4.2.1 - Actual Capex Outgo:** Variation in Capex outgo for the period from 2009-10 to 2013-14 is due to interest during construction (IDC) component. In line with the provisions under clause no. 4 of Attachment 2 to Schedule A of the PNGRB Tariff Regulations and the subsequent amendment dated 08.01.2016, GAIL has submitted Capex outgo with IDC.

(ii) **Clause 4.2.2- Future Capex**

*Project Execution Capex:* The KKBMP/L project has been witnessing significant challenges in terms of land/ROU acquisitions. Accordingly, projections are higher vis-à-vis earlier tariff order mainly on account of land/RoU compensation and related factors.

*Future O&M capex:* Future O&M capex on account of technology upgradation is mainly due to upgradation of flow computers that were already purchased earlier.

*LMC Capex:* Projection of PD future capex for LMCs is based on the past actual average expenditure incurred on LMCs and this basis has been accepted by PNGRB in earlier tariff orders also.

(iii) **Clause 4.3.2 : Future Opex**

*Projected Opex* on account of future pay revisions till the end of economic life have been included based on past experience.

The inflation rate has been considered based on long term compounded annual growth rate (CAGR) for wholesale price index (WPI) as published by Government of India.

*Non-recurring O&M Opex* Projections for non-recurring O&M Opex are mainly on account of certain non-recurring R&M expenditures that may be incurred during the economic life of the pipeline so as to comply with pipeline system integrity requirement.

(iv) **Clause 4.5: Volume Divisor:** Volume divisor has been submitted as per clause No. 6 of Schedule A of Tariff Regulation and its subsequent amendment dated 08.01.2016.

(v) **Clause 4.9: Terminal Value:** In accordance with the regulatory provisions, the terminal value has been calculated based on the economic life considered for the tariff filing.
2. **M/s H-Energy:**

   (i) **Actual CAPEX Outgo:** KKBMPPL project faced execution challenges due to land/RoU issues and certain pipeline assets were transferred to other pipeline projects and accordingly, due to shifting of capex, there were corresponding de-capitalizations in FY 2014-15 & 2015-16. Common Corporate Capex allocation is based on the methodology already adopted and considered by PNGRB for the final tariff determination the Integrated HVJ system.

   (i) **Future Capex:** It is clarified that the actual Capex of Rs. 2,400.55 Cr. mentioned in the PCD includes CWIP capex of Rs. 2,094.72 Cr. for Phase-II also. Hence it is incorrect to attribute Rs. 2,400.55 Cr. towards laying the 44 kms of pipeline in Phase-I alone and accordingly work-out as though Rs 54.54 Cr is the average per-km cost of laying the Phase –I of the pipeline project.

   (ii) **PD Capex:** Last Mile Connectivities (LMCs) are connectivities to potential customers which are envisaged throughout the entire economic life of the pipeline. Projection of PD future capex for LMCs is based on the past actual average expenditure incurred on LMCs and this basis has been accepted by PNGRB in earlier tariff orders also.

   (iii) **Unaccounted Gas:** As the Extant regulatory framework (Access Code) recognizes “Transmission Loss” as certain quantity of gas that would remain unaccounted due to operational/ metering inaccuracy reasons, it has been the request from industry, including GAIL, that Unaccounted Gas Loss may be considered on a uniform and normative basis for all pipeline operators. Hence, unaccounted gas, at a normative basis of 0.3% has been claimed in the tariff calculations.

   (iv) **No. of Working Days:** Extant regulatory framework, in the context of planned maintenance works for a pipeline facility, has provided for 10 days/year. However other upstream/downstream facilities connected to a pipeline (LNG facilities, Fertilizer Plants, Power Plants, LPG Plants etc.) do require planned/unplanned maintenance which independently occurs as per their respective maintenance schedules. In fact, various downstream customers (viz. fertilizer plants, refineries) connected to GAIL’s pipelines have taken annual planned shutdown ranging from 20 days to even 55 days. In view of the same, and in line with past practices, a reasonable 20 days (10 days for pipeline and 10 days for all other connected facilities) has been considered by GAIL as totally allowable maintenance period (i.e. 345 Working Days in a year) in the tariff calculations.

3. **M/s GSPL:**

   **Volume Divisor:** M/s GSPL has supported the principle of considering phase-wise capacity build-up of pipeline projects in volume divisor computation, and in this regard, GAIL agrees with the same.

4. **M/s PIL**

   **Clause 4.4 Unaccounted Gas:** The comments provided support the submission made by GAIL in respect of Unaccounted Gas and GAIL agrees with the same.

   **Clause 4.11 Zonal Apportionment:** PNGRB may like to suitably consider the suggestion for seeking zonal apportionment from the entity once tariff review exercise is completed by the Board and accordingly the issuing both the levelized and zonal tariffs simultaneously under one tariff order.

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