



Order

Zonal tariff apportionment of the “Provisional” initial unit natural gas pipeline tariff for the East-West Pipeline (EWPL) of Reliance Gas Transportation & Infrastructure Ltd (RGTIL) & the HVJ-GREP-DVPL Pipeline (including DVPL/GREP upgradation) of GAIL (India) Ltd under the provisions of the Petroleum and Natural Gas Regulatory Board (Determination of Natural Gas Pipeline Tariff) Regulations, 2008

No: TO/03/2010

Dated: 09th June 2010

1. Background

- 1.1. The Board vide its tariff orders no: TO/01/2010 and TO/02/2010 dated 19.4.2010 had determined the provisional initial unit natural gas pipeline tariff on a levelized basis for the EWPL of RGTIL at Rs 52.23/mmbtu and for the HVJ-GREP-DVPL and the DVPL/GREP upgradation pipelines of GAIL (India) Limited at Rs 25.46/mmbtu and Rs 53.65/mmbtu respectively.
- 1.2. However, since the zonal tariff apportionments proposed by the entities were not in consonance with the provisions of the Regulations, they were advised to re-submit the apportionment over all the tariff zones along with the detailed calculations for Board’s approval.

2. Provisions of regulations on Zonal Tariff apportionment

The PNGRB (Determination of Natural Gas Pipeline Tariff) Regulations, 2008 provide for:

- (a) Concept of tariff zone of 300 km's each;
- (b) The tariff apportionment based on equation consisting of tariff for zone 1 (Tz1), X% and Y% as variables; and
- (c) Over-achievement/Under-achievement in the recovery of the tariff in any zone due to variations in the actual vis-à-vis the volumes taken for apportionment by the entity to be on the account of the entity.

3. Zonal tariff apportionments proposed by RGTIL and GAIL

3.1. The details of the zonal tariff apportionments proposed by RGTIL and GAIL are as follows:

<u>Particulars</u>	Rate in Rs/MMBTU (GCV)		
	EWPL	HVJ-GREP-DVPL	DVPL/GREP Upgradation
Zone 1	15.00	19.83	42.46
Zone 2	42.00	22.48	48.14
Zone 3	53.69	25.10	53.76
Zone 4	58.75	27.70	59.32
Zone 5	60.94	-	-
Levelized Tariff	52.23	25.46	53.65
X %	180.00%	13.36%	13.36%
Y %	43.30%	99.00%	99.00%

3.2. RGTIL have submitted the zonal apportionments for the EWPL over five tariff zones. GAIL has submitted the zonal apportionments for the HVJ-GREP-DVPL as well as the DVPL/GREP upgradation over four tariff zones stating that creation of fifth tariff zone in the HVJ-GREP-DVPL is technically not feasible due to bi-directional gas flow in the Auraiya-Dadri section.

4. Evaluation of Zonal Tariff apportionment

4.1. The Board has examined the apportionment proposed by the entities in the light of the relevant provisions of the regulations. The Board has also taken into account the overall intent of the regulations to provide flexibility to the entities in the tariff recovery since any over-achievement or under-achievement in the tariff recovery from a particular zone in on the account of the entity. Besides, the entities are better equipped in terms of customer profiles, demand assessments and other customer and market related data.

4.2. The Board has tried to ensure while approving the zone-wise apportionment of the levelized tariff that:

- (a)* a distinct tariff should emerge for each zone;
- (b)* an increment in tariff for zone 2 over zone 1 i.e., X % is specified;
- (c)* a Y % is specified which should be a single number lower than 100%;
- (d)* a telescopic tariff design should emerge i.e., tapering off of the increase in tariff with increasing distance; and
- (e)* total revenue generation for all the zones put together should result in the same levelized tariff determined by the Board.

5. Applicable date

5.1. The regulations specify that the initial unit natural gas pipeline tariff shall be applicable from the date of commissioning of the natural gas pipeline or the date of coming of the natural gas pipeline within the purview of the regulations.


5.2. In the case of the HVJ-GREP-DVPL which was an existing operating pipeline prior to the notification of the relevant regulations, the applicable

date shall be the date of notification of the PNGRB (Determination of Natural Gas Pipeline Tariff Regulations) 2008 i.e., 20th November, 2008.

- 5.3. In the case of the EWPL, the date of commissioning of the natural gas pipeline for applicability of the initial unit natural gas pipeline tariff would be deemed to be the date of commencement of commercial transportation operations i.e., 1st April 2009 even though as per books of accounts the pipeline was commissioned in the preceding financial year.
- 5.4. In the case of the DVPL/GREP upgradation, the date of commissioning of the natural gas pipeline for applicability of the initial unit natural gas pipeline tariff would be deemed to be the date of commencement of commercial transportation operations i.e., 1st April 2010 even though as per books of accounts the pipeline was commissioned in the preceding financial year.

6. Decision

- 6.1. The apportionment of the levelized tariffs over all the tariff zones as given in para 3.1 above is approved and would be made effective from the applicable date.
- 6.2. The difference between the zonal tariff already charged by the entities and that approved by the Board as above shall be adjusted retrospectively with the customers for the relevant periods.


(K Rajeswara Rao)

Officer on Special Duty (R)
For and On Behalf of the Board