



# हिन्दुस्तान पेट्रोलियम कॉर्पोरेशन लिमिटेड

(भारत सरकार उपक्रम) रजिस्टर्ड ऑफिस : 17, जमशेदजी टाटा रोड, मुंबई - 400 020.

**HINDUSTAN PETROLEUM CORPORATION LIMITED**

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Ref: MKTG/PL/OPNS/RR

30 Nov, 2018

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

Kind attention: **Ms. Vandana Sharma**

Subject: **Comments/views on draft regulation on PNGRB (Levy of Fee and Other charges) Regulation, 2007**

Madam,

Kindly refer to Public Notice dated 01.11.2018 seeking comments/views on draft regulation on PNGRB (Levy of Fee and Other charges) Regulation, 2007 intending amendment of the Regulation.

We have examined the draft Regulation and wish to bring our following comments, observations and objections to the same and with a request to consider them for suitable modification in the best interest of all stakeholders :

1. The revised fees proposed in regulation 3 of draft regulation are almost double the fees mentioned in PNGRB (Levy of Fee and Other Charges) Regulation, 2007. Also, the fees proposed in draft regulation are much higher than the fees levied by other statutory bodies. A comparison of existing fees, proposed fees and fees levied by various Statutory bodies is attached as **Annexure I**.

Further, PNGRB will appreciate the rationale of levying the "Fees and other charges" is to defray PNGRB's expenses for discharging its function under section 11 of the PNGRB Act, 2006. It has to be minimum amount contributed by various entities based on their relevant earning from commercial use of common carrier. It may be noted that the commercial use of common carrier pipelines is bare minimum and earnings are meager for levying proposed fees and charges. Hence, it is proposed to continue with existing fees/charges as per Regulation.

2. As per regulation 4(1) and 4(2) of PNGRB (Levy of Fees and Other Charges) Regulation, 2007, other charges are levied for the activities covered under



provisions of the Act. Also, PNGRB is discharging its function under section 11 of the PNGRB Act, 2006 for authorizing/regulating common carrier/contract carrier pipeline. However, as per draft regulation 4(1) and 4(2)(B), the annual charges are proposed to be applicable for “natural gas pipeline or petroleum or petroleum product pipeline of any nature”. The other charges should not be applicable for dedicated/captive pipeline and should be applicable only to “common carrier or contract carrier natural gas pipeline or petroleum or petroleum product pipelines” which the Board is regulating.

3. As per regulation 4(2)(b) of PNGRB (Levy of Fees and Other Charges) the charges remitted by an entity during construction period are refunded after commencement of operations. However, in the proposed changes in the regulation 4(2)(B)(a), the refund of the charges collected before commencement of operation is missing. The said provision for refund is required to be reinstated.

Further, under regulation 3(1)(3), fees for authorization of pipeline is being levied. In addition to this, under regulation 8 of PNGRB (Authorizing entity to Lay, Build, Operate or Expand....) Regulation, performance bond of an amount equal to 1% of the project cost is applicable while issuing authorization of the pipeline. Also, under regulation 4(2)(B)(a) of draft Regulation, before commencement of operation, annual charges are proposed to be levied. The above charges are in triplication which are applicable before commencement of operation. Hence, it is proposed to levy only one charge/fee before commencement of operations.

4. The charges proposed under draft regulation 4(B)(b) does not consider NIL/negligible utilization of common carrier pipeline by entities other than the authorized entity. The revenue earned by the authorized entity is negligible and it is a burden for the authorized entity to pay annual charges. Further, as per definition 2(j) in PNGRB (Authorizing entity to Lay, Build, Operate or Expand....) Regulation, the statutory taxes and levies are extra on pipeline tariff and are recovered from consumer through invoice on non-discriminatory basis fortnightly/monthly basis. Proportioning of lump sum minimum amount to customers will be difficult in absence of information of number of customers during the year and transportation volume for the year. Hence, it is proposed to levy the above charges on percentage of turnover only.

Regarding revenue consideration for levy of other charges for common carrier pipelines, we would like to reiterate our submission made vide letter ref. PL/PNGRB/Other Charges/2 dated 17.01.2017 (copy enclosed) that the other



charges shall be levied only on revenue earned through invoices made for third party users for the use of common carrier pipeline and not on its own captive/own use. Also, the proposed minimum fixed charges during operation period in draft regulation may be reviewed and to be charged on percentage of turnover made from third parties. A flat rate of 0.02% on the revenue earned is acceptable to us, which is more than 100% increase over the existing charge.

5. Fees for complaint under section 24 and 25 and modification/review of Board's order under sub-section 1(h) of section 13 of the PNGRB Act, 2006 are proposed under draft regulation 3(1)(9) & 3(1)(6) respectively. Further, a provision for refund of fee may be included in case the complaint/modification/review is allowed and proved to be correct/acceptable during investigation and adjudication by the Board.
6. As per draft regulation 4(3) & Note under 4(B), the other charges are proposed to be paid in advance considering revenue accrued during the previous financial year within a period of two months from beginning of the financial year. The same may be reviewed and the time period for payment of the same may be maintained as per PNGRB letter ref. InfraMonitoring/OtherCharges/1 dated 24.10.2016.
7. Formulation or updating or amending any regulation or standard or specification is improvement to existing system. Levy of fees for the same as per proposed regulation 3(1)(4) is regressive and should not be charged.
8. We assume that the charges proposed under regulation 3(1)(1) are for new entities and not applicable for entities already registered. Further, we request PNGRB to put amended fees/charges, if any, on prospective basis only.

We thank PNGRB for giving us opportunity to submit our comments/views and shall appreciate consideration of our comments/views and reconsider the proposed hike in the fees.

Thanking you,

Very truly yours,

**K Sreenivasa Rao**  
CGM – Pipeline Operations