Received on 14/11/18
at. 5.01 PM

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PNGRB/ 6214
Dt.: 14/11/18

GAIL/ND/RA/JHBDPL/PCD/365711/2018/2227

Date: 12.11.2018

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

L-1881/JA(RKJ)
14/11/18

JA(RKJ)

14/11

14/11/18

DE(TK) 14/11/18

AA(SA)

Respected Madam,

Subject: Public Consultation Document (PCD) on Determination of Provisional Initial Unit Natural Gas Pipeline Tariff for Jagdishpur-Haldia-Bokaro-Dhamra Pipeline (JHBDPL).

This has reference to PCD no.: PNGRB/M(C)/209 webhosted by PNGRB on 17.10.2018 in respect of determining Provisional Initial Unit Natural Gas Pipeline Tariff for JHBDPL wherein it has been mentioned that GAIL to submit its response on comments of other stakeholders to PNGRB by 12.11.2018.

2. In this regard, the response of GAIL on the comments of other stakeholders is enclosed as **Annexure-A**.

Submitted please.

Thanking you,

Yours sincerely,

S. Kumar.

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

Encl: A/a

Annexure-A

GAIL's Response to Public Comments received on

PCD (Ref: PNGRB/M(C)/209) of JHBDPL

1. **M/s GSPL**

   (i) **Volume Divisor:**

   The capacity of JHBDPL, i.e. 16 MMSCMD, is estimated based on PNGRB Capacity Determination Regulations. This capacity is considering sources at Phulpur, Dhamra and the anticipated consumer profile. The assertion linking this capacity with lengths of this pipeline system is incorrect. Comparison with some other pipeline system may not be proper.

   (ii) **Additional Connectivity Future Capex:**

   As per the tariff filing of GAIL for JHBDPL, the proposed Capex of Barauni – Guwahati section is Rs 2,900 Crores is without inflation and the PCD figure of Rs.3277.27 Crores is including inflation @5.02%.

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2. **M/s IOCL**

   (i) **Capex of Branch Lines:**

   A pipeline system consists of pipeline and all other associated facilities viz. Metering, Pig Launcher, SCADA, Telecom, Fire-fighting and associated site development. The associated facilities, terminal size and site development cost varies with the size / volume handled at the terminal. Therefore two pipeline even of similar length would have different cost based on the volume handled at terminal.

   (ii) **Line Pack:**

   The total JHBDPL network was mapped in TG NET software package in line with various assumptions indicated by PNGRB in its Capacity Determination Regulations and simulated. The basis for the quantity of line pack is as per calculation from the TG NET software package.

   (iii) **Unaccounted for Gas (UAG):**

   (a) PNGRB's Access Code Regulations explicitly states that *"Transmission Loss would include the quantity of gas which is unaccounted for due to whatsoever reason including blow downs, venting or releases during regular pipeline operation or due to inaccuracy of custody meter"*. There is no specific regulation in the PNGRB Tariff Regulations which indicates that unaccounted gas should not be considered in tariff determination. Hence, since extant regulatory framework explicitly recognize that certain quantity of gas would remain unaccounted due to blow downs, venting or metering inaccuracies etc., and therefore, unaccounted gas has been included in the tariff calculations submitted by GAIL.

(b) In fact, it is observed that M/s IOCL for its Dadri-Panipat NG Pipeline, had also considered unaccounted gas in their final tariff submission to PNGRB. Keeping in view the industry submissions, it has been GAIL's consistent view that Unaccounted Gas Loss to be considered on a uniform and normative basis for all natural gas pipeline operators.

(iv) Working Days:

There is no extant specific regulation under the Tariff Regulation which states that the number of operating days of a natural gas pipeline shall be considered as 355. Extant regulatory framework, in the context of planned maintenance works for a pipeline facility, has provided for 10 days/year. However that does not automatically imply that there should not be any separate provision for allowing maintenance works of other upstream/downstream facilities connected to a pipeline (LNG facilities, Fertilizer Plants, Power Plants, LPG Plants etc.), which may independently occur 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.

(v) Volume Divisor – Phase wise Capacity:

Sl.9 of Attachment 1(j) of Schedule A of PNGRB Tariff Regulations states that "*Implementation period of the Project in Phases to be provided*". So extant regulatory framework, under Tariff Regulations, provides for consideration of project implementation in phases. Accordingly, GAIL has also made its tariff submission considering the implementation of the project in phases. It is reasonable to consider the Capex/Opex as well as the corresponding volume divisor in a phased manner wherever such phase-wise project implementation is done.

In fact, the PNGRB Final Acceptance letter Ref. No. INFRA/NGPL/124/GAIL/JHBDPL/01/18 dated 29.01.2018 has also acknowledged that the JHBDPL would be implemented in two phases.

(vi) Opex:

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.

(vii) Capacity Determination:

Capacity determination is under the purview of PNGRB and hence it will be declared as per the provisions of the extant Regulations.

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3. M/s H-Energy

(i) Economic Life of Pipeline:

As per Attachment 1(g), 1(h) and 1(i) of Schedule A of PNGRB Tariff Determination Regulations, the economic life of a pipeline system has been considered for 25 years starting from the commissioning of the pipeline.

In PNGRB's Tariff Orders the economic life of pipelines are considered from the date of commissioning of the pipeline system and this is being uniformly followed by PNGRB for all pipelines. The same has been adopted in this tariff filing.

(ii) Capex and Inflation:

(a) Kindly refer to the response given above in 2 (vi).
(b) The figure as per CA certificate is correct and the same may be considered.

(iii) Volume Divisor:

Capacity determination is under the purview of PNGRB and hence it will be declared as per the provisions of the extant Regulations.

(iv) Inflation Rate:

(a) 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.

(b) The disclaimer on the report of Survey of Professional Forecasters on Macroeconomics Indicators published by RBI clearly states that *"The results presented here represent the views of the respondent forecasters and in no way reflect the views or forecasts of the Reserve Bank"*.

(v) Operating Expenses (Opex):

The Opex figures considered are based on GAIL's past experience of operating various cross-country pipelines.

(vi) Line Pack:

The total JHBDPL network was mapped in TG NET software package in line with various assumptions indicated by PNGRB in its Capacity Determination Regulations and simulated. The basis for the quantity of line pack is as per calculation from the TG NET software package. The gas price is based on gas tie-up made by GAIL.

(vii) No of Working Days and UAG:

Kindly refer to response given above in 2 (iv).

(viii) Weighted Average Heat Value:

It is based on the estimated weighted average GCV of natural gas which is likely to be transported through JHBDPL.

4. **<u>M/s EWPL</u>**

The comments provided by M/s. EWPL is in support of the position taken by GAIL on various parameters (like, phase wise Volume Divisor, UAG etc.) for determining the natural gas pipeline tariff to which GAIL agrees.

5. **<u>M/s ONGC</u>**

Connectivity to various CBM blocks namely Bokaro, Jharia, North Karanpura & Raniganj:

Connecting CBM blocks of M/s ONGCL with JHBDPL would come under "Tie-in connectivity" and it will be separately dealt with under the applicable regulatory framework.

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