



# PETROLEUM AND NATURAL GAS REGULATORY BOARD

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Ref.: Infra/PL/Bid/PPL/RKPL/2012/01

Date: 29.05.2012

To

All Prospective Bidders

**Sub: Clarifications related to Rewari-Kanpur Petroleum and Petroleum Products Pipeline (Bid No.: BID/PPL/01/2011/1/RKPL)**

Dear Sir,

Pursuant to the various issues raised by the prospective bidders related to the bids invited for development of Rewari-Kanpur Petroleum and Petroleum Products Pipeline, following clarifications are being issued:

S/N	Query	Clarification
1	Whether construction of storage tank with tank truck and loading facility etc. at Kanpur Dehat (termination point of Rewari – Kanpur Pipeline) are in the scope of the work of bidder?  <b>Query raised by-&gt; M/s GAIL</b>	Regulation 2(i) of the PNGRB (Authorizing Entities to Lay, Build, Operate or Expand Petroleum and Petroleum Products Pipelines) Regulations, 2010 may be referred to.
2	In terms of Schedule-J, clause (g) of PNGRB (Authorizing Entities to Lay, Build, Operate or Expand Petroleum and Petroleum Products Pipelines) Regulations, 2010, the entity shall provide connectivity to the consumer, if technically feasible within a tariff zone. PNGRB is requested to clarify the concept and definition of "Tariff Zone" for this bid-out pipeline.  <b>Query raised by-&gt; M/s GAIL</b>	"Tariff Zone" has no relevance with respect to the tariff of the petroleum and petroleum products pipeline as the tariff bids sought for the purpose of bidding are distance-based entry and exit methodology.  Accordingly, suitable amendments of the notified Regulations in this regard shall be made by PNGRB.  Regarding Service obligations and Consumer connectivity, provisions of Regulation 21 shall be the governing Regulations.
3	At present, the draft regulations for Access Code and T4S are yet to be placed in public domain. In this situation there could be difference in	Proposed Regulations on the Access Code for petroleum and petroleum products pipeline are aimed to facilitate the access in common or contract carrier pipeline for

	<p>the technical offer made by different bidders. This aspect needs clarification. Furthermore, in case such regulations are prepared, finalized and notified after the submission of bid by bidder for proposed pipeline which may necessitate incurrence of additional expenditure to ensure compliance with these future regulations, then its need to be clarified that how return on such expenditure can be recovered?</p> <p><b>Query raised by-&gt; M/s GAIL</b></p>	<p>which compensation shall be inclusive in the tariff for transportation. Proposed Regulations on the Technical Standards and Specifications including Safety Standards for petroleum and petroleum products pipeline are taking care of the existing and applicable codes and standards being followed by the Industry e.g. API, CCOE &amp; OISD codes. Hence, the prospective bidders have to take into account the cost towards compliance of the proposed Regulations while submitting the bids. However, no separate compensation other than tariff shall be allowed to be recovered by the authorized entity for the transportation of petroleum and petroleum products through the proposed pipeline.</p>
4	<p>In terms of clause no. 6 at page no. 4 &amp; clause no. 34 at page no 28 of Application cum Bid Documents, it may please be clarified that what should be the minimum stake of the lead partner in JV/consortium?</p> <p><b>Query raised by-&gt; M/s GAIL</b></p>	<p>Clause no. 6 of the application-cum-bid document provides the conditionality for submitting the bid i.e. permitted usage of the application-cum-bid document purchased by one entity for submission of the bid.</p> <p>Clause no. 34.0 of the application-cum-bid document provides the minimum stake of the lead partner in case of the restructuring of the authorized entity (whether sole entity, JV or Consortium) within the first three years of grant of authorization.</p>
5	<p>In terms of regulation 7 (1) (c) of authorization regulations, other biddable parameter is pipeline capacity (MMTPA) to be created for transportation of petroleum and petroleum products. Instant case pipeline is emanating from Mundra-Delhi Pipeline (MDPL) own and operated by HPCL. As per Acceptance of Authorization, issued on 24.04.12 by PNGRB for MDPL, system capacity is 5.0 MMTPA with 1.0 MMTPA common carrier capacity available on an open access basis. As per EOI submitted by HPCL, availability of petroleum products is</p>	<p>System capacity of the proposed pipeline is a biddable parameter as per Regulation 7(1)(c) of the PNGRB (Authorizing Entities to Lay, Build, Operate or Expand Petroleum and Petroleum Products Pipelines) Regulations, 2010.</p> <p>However, for the general information to all the bidders, M/s HPCL has submitted an application u/r 18(1) of the PNGRB (Authorizing Entities to Lay, Build, Operate or Expand Petroleum and Petroleum Products Pipelines) Regulations, 2010 for its Ramanmandi - Bahadurgarh pipeline for which pipeline throughput projections are provided as 3.96 MMTPA in year 2011-2012</p>

	<p>from MDPL and HMEL-GGSRL (Bathinda) Refinery production available ex Bahadurgarh subject to logistic. In the EOI application capacity of Ramanmandi-Bahadurgarh pipeline is 4.71 MMT. From the above, available quantity of petroleum products for proposed RKPL is not clear at Originating point (Rewari). Same may be please clarified by the Board.</p> <p><b>Query raised by-&gt; M/s GAIL</b></p>	<p>and 4.71 MMTPA in year 2021-22.</p> <p>As per clause no. 17.2.3 of the application-cum-bid document, <i>"It is the bidder's responsibility to obtain all information related to the present Petroleum and Petroleum Products supply position and existing and future customers, if any falling along the route of the proposed Petroleum and Petroleum Products pipeline"</i>.</p>
6	<p>Clarification on the line fill has been given with a "may" condition. This can be inferred as optional investment by the bidding entity. As the line-fill value will be of considerable investment, PNGRB may confirm on whether the quoted rates should be with or without line-fill investment?</p> <p><b>Query raised by-&gt; M/s HPCL</b></p>	<p>The bidders are advised to consider all relevant financial parameters including line-fill value at the time of quoting tariff. No separate compensation other than tariff shall be allowed to be recovered by the authorized entity for the transportation of petroleum and petroleum products through the proposed pipeline.</p>
7	<p>As per regulation 2 (e) of authorization regulations "economic life of petroleum, petroleum products pipeline shall be a period of twenty five years commencing from the date of grant of authorization to the entity by the Board." Whereas, as per regulation 7 (1) (a) and (b) of authorization regulations fixed and variable unit pipeline tariff shall be bid for each of the ten years. After ten years the Board shall review and fix tariff on prospective basis. It is important to clarify the basis for fixation of tariff, after ten years for remaining fifteen years to ensure predictability.</p> <p><b>Query raised by-&gt; M/s GAIL</b></p>	<p>The methodology for tariff fixation to be adopted by PNGRB after 10 years in case of bid out pipelines cannot be assumed at present, as the same will depend on several factors governing at that time. Section 22 (1) and 22(2) of the PNGRB Act, 2006 provides the provisions regarding fixation of transportation tariff including the manner of determining such tariffs. Further, Section 22(2) of the PNGRB Act, 2006 mandates that the consumer interest is safeguarded and at the same time ensures recovery of cost of transportation in a reasonable manner.</p> <p>Keeping above these mandates and other relevant provisions of the said Act, any Regulation for determining the transportation tariff petroleum and petroleum products pipeline shall be laid down after following detailed and wide public consultation process.</p>
8	<p>All bidders should be aware of the methodology PNGRB plans to use for computing the tariff for balance 15 years of the operating period.</p>	

<p>Without the knowledge of the same, the risk/return on the investment being made by bidders cannot be ascertained. The absence of this vital information is creating difficulty in submitting a competitive bid. PNGRB is therefore once again to declare the tariff computation methodology for Year 11 onward before the bid submission date.</p> <p><b>Query raised by-&gt; M/s ECIL</b></p>	
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The above clarifications shall constitute a part of the Application-Cum-Bid Document and shall be duly signed and submitted along with the bid document by the authorized signatory of the bidder.

*Ratan Phatal*  
(Ratan P. Watal)  
Secretary