



**Views/ Comments of GAIL Gas Limited on PNGRB's Draft Regulation on Access code for City or Local Natural Gas Distribution Networks, 2020**

**Annexure - 1**

<b>Clause No.</b>	<b>Page No.</b>	<b>Existing Draft Regulation</b>	<b>GAIL Gas Comments</b>
2(1)(e)	1	<p><b>“CNG exit point”</b> means the point at which the CNG is off taken from a CNG compressor outlet point for delivery to the shipper with proper arrangement for metering at outlet of the CNG compressor by the authorised entity:</p> <p>Provided that the CNG exit point shall terminate at tubing connection or union where compressor exit is connected to dispenser and at filling nozzle in case it is connected to CNG cascade of the shipper or any other point available in the high-pressure pipeline;</p>	<p>“CNG exit point” shall be the point at which the CNG is off taken from a CNG compressor outlet point for delivery to the shipper with proper arrangement for metering at outlet of the CNG compressor by the authorised entity <i>and shall terminate immediately -downstream of metering which shall be within the premises of the CNG Station of the authorised entity..</i></p> <p>Further, CNG Exit point shall be Online /Mother CNG Station where Cascade filling facility is available.</p>
2(1)(k)	2	<p><b>“entry point”</b> means the point at which the natural gas delivered by a shipper is injected into the city or local natural gas distribution network.</p> <p>Entry point may be at CGS, Sub-transmission pipeline (STPL) or any pipeline connecting main trunk pipeline to the CGS.</p>	<p>“entry point” means the point at which the natural gas delivered by a shipper is injected into the city or local natural gas distribution network.</p> <p>Entry point <i>shall be within the geographical boundary of the GA of the authorized entity and</i> may be at CGS, Sub-transmission pipeline (STPL) or any pipeline connecting main trunk pipeline to the CGS.</p>
3(b)(iii)	6	<p>up to compressor exit point in case of CNG stations. However, if CNG compressor is installed by the shipper, then shipper shall receive the gas at CNG Compressor entry point.</p>	<p><i>up to compressor exit point of the authorised entity in case of CNG stations and same shall be metered within the same CNG Station premises of authorised entity. However, if CNG compressor is installed by the shipper, then shipper shall receive the gas at CNG Compressor entry point. Shipper should not be allowed to install CNG Compressor as to the authorized CGD entity has 25 years infrastructure exclusivity allowed by PNGRB during authorisation.</i></p>



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4(1)	6	Authorised entity shall, within 90 days of declaration of its CGD network, as common carrier or contract carrier, determine in accordance with applicable regulations and declare by publishing on its website the entry point capacity, the exit point capacity, the CNG exit point capacity for open access at all entry points and exit points and the capacity at DPRS level for PNG and capacity at mother stations (Cascade filling capacity) for CNG in accordance with the provisions of these regulations: The authorised entity shall similarly declare the aforesaid information as on the end of each calendar month by tenth of the succeeding month	Time period may be allowed <i>upto 180 days</i> .
4(2)	6	The capacity in a CGD network for open access on cumulative basis at all entry points shall be at least twenty percent of the capacity of the CGD network or the maximum quantity of gas that has flowed in the CGD network even for a period of one day in the past whichever is higher. If such open access capacity in the CGD network falls below ten percent, the authorised entity shall increase the capacity of the CGD network so as to restore the open access capacity to at least twenty percent within a period of six months from the date it has fallen below ten percent.	The capacity in a CGD network for open access on cumulative basis at all entry points shall be at least twenty percent of the capacity of the CGD network <i>or the maximum average quantity of gas that has flowed in the CGD network per day for a period of one calendar month in the past</i> whichever is higher. If such open access capacity in the CGD network falls below ten percent, the authorised entity shall increase the capacity of the CGD network so as to restore the open access capacity to at least twenty percent within a period of <i>twelve months</i> from the date it has fallen below ten percent Reason: Laying of infrastructure would require permissions/ procurement of materials/ laying etc.
4(3)	7	The Board may on a suo motu basis and notwithstanding the provisions of sub regulation (2) but after following the due process of public consultation, may by order direct an authorized entity to expand the capacity of the CGD network within such period and on terms and conditions as it may deem fit.	This clause may please be deleted as CGD entity builds required infrastructure based on techno-commercial consideration. Any additional infrastructure without proper techno-economic consideration may lead to infructuous investment.
6(2)	9	i. Post cancellation of exclusivity, if an entity having the qualifying criteria specified in sub-clauses (b), (c) and (e) of sub-regulation (6) of regulation 5 of the Petroleum and Natural Gas Regulatory Board (Authorising Entities to Lay, Build, Operate or Expand City or Local	<i>Infrastructure Exclusivity to the Authorized entity is initially for 25 years. Any new GA/ CA created within an already authorized GA would be contrary to original authorization terms &amp; conditions.</i>



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		<p>Natural Gas Distribution Networks) Regulations, 2008 for the entire authorised area, intends to sell gas to consumers in an area that is not connected to the common carrier CGD network of the relevant authorised area, then such shipper may either supply through cascade/truck mode or may submit an application to the Board for laying the required pipeline or associated facilities together with a performance bank guarantee (PBG) for a value of twenty percent of the PBG submitted by authorised entity for the Geographical Area or Rs. Ten crore whichever is less, subject to a minimum PBG of Rs. One crore. An application under this clause will be submitted with documents to show that the applicant is satisfying the qualifying criteria specified in sub-clauses (b), (c) and (e) of sub-regulation (6) of regulation 5 of the Petroleum and Natural Gas Regulatory Board (Authorising Entities to Lay, Build, Operate or Expand City or Local Natural Gas Distribution Networks) Regulations, 2008.</p>	
7(1)	10	<p>An authorised entity whose CGD network has been declared as a common carrier, shall allow any shipper to install CNG/L-CNG Station within the authorised area of its CGD network and provide access to the shipper. If the online compressor forming part of the authorised entity’s CGD network is unable to meet the requirements of the third party CNG/L-CNG station installed by shipper within the authorised area, then such third-party entity establishing the CNG station may request the authorised entity to install additional compressor facilities to meet the requirements of the third party CNG/L-CNG station(s). If the authorised entity is unable to establish and commence operation of such additional compressor facilities within a period of one hundred and eighty days from the date of request for such additional compressor facilities, then the concerned shipper may install its own compressor facilities which shall also be deemed to be common carrier</p>	<p>A. This clause should be deleted. DPNG business is a capital-intensive segment in a CGD network and margins are very less.</p> <p>B. Multiple challenges are faced by CGD entities for development of CGD network and therefore following points need to be discussed and deliberated:</p> <ul style="list-style-type: none"> <li>• Substantial investment and time is invested by CGD entities to create the CGD network based on the fact that it would have infrastructure exclusivity throughout the economic life i.e. 25 years, and that “network” would include CNG outlets (including all equipment, pipes, network etc.). In CGD business,</li> </ul>



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		or contract carrier and open to use by third parties including the authorised entity.	<p>Domestic PNG segment is highly capital intensive and offers marginal- returns on investments. As a result, to sustain business operations while serving the need of consumers, CGD entities have to balance the economies from other consumer segment, specifically from CNG segment. GoI thrust is more towards creating DPNG infrastructure.</p> <ul style="list-style-type: none"><li>• It takes lot of time for obtaining permission from various authorities for creating CGD network. Due to long gestation period, the authorized entities are only able to reap profit after 8 to 10 years.</li><li>• Huge charges are paid by CGD entities towards permission and restoration charges and significant improvement is to be made in this area. Overall business of the authorized CGD entity shall get affected having huge Capex committed in developing the CGD network not only for CNG stations &amp; Industrial/Commercial customers but also for Domestic customers.</li></ul> <p>C. Any additional infrastructure requirement of CNG shall be provided by authorized entity only and time allowed shall be one year from date of commercial agreement with the shipper.</p>
10(3)	12	The authorised entity shall provide CGD network and CNG compression facility to shipper in consideration of payment of transportation rates for CGD and transportation rate for CNG determined in accordance with	The authorized entity may be allowed to take additional charges for open access in line with Electricity open access charges.



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		Petroleum and Natural Gas Regulatory Board (Determination of Transportation Rate for CGD and Transportation Rate for CNG) Regulations, 2020 to be notified by Board.	
11(4)	13	The authorised entity shall carry out verification, calibration or proving of measuring equipment as per relevant codes and standards.	The <i>authorised entity/ shipper as per the ownership of the installed measuring equipment</i> shall carry out verification, calibration or proving of measuring equipment as per relevant codes and standards.
13	14	<b>13. Charges:</b>	In addition to the charges mentioned in the draft regulation, shipper shall be liable to pay the following additional charges:  (1) Shipper shall pay an appropriate charge to the Authorized entity in line with open access provision for electricity distribution.
16(8)	16	<b>Maintenance of escrow account</b>	Should not be made applicable for Open Access in CGD.
Schedule-I (3.0) a)	22	Shipper will be required to register with authorised entity	There should be a non-refundable registration fee per applicant to take care of the administrative and other overhead charges.
<b>Other Comments</b>			
1	It may be noted that CGD projects are very capital intensive with a long gestation period. In acknowledgement of the same Board has also extended the Market Exclusivity period from initial 5 years to 8 years during 9 <sup>th</sup> & 10 <sup>th</sup> bidding rounds. It is to be appreciated that CGD industry is still in growing phase and we are yet to achieve market maturity. CGD sector needs Board's support and handholding is necessary for growth of the sector. Considering the same it is earnestly felt that Board should consider to extending the Marketing Exclusivity period from existing 5/8 years to 15 years.		
2	It may be noted that CGD has inherent distribution losses on account of third-party damages and leakages. The regulation should provide for sharing of such losses between the authorized entity and shipper.		