

HMPL/OTM/MKT/2020/57

27-10-2020

To,

**The Secretary**

**Petroleum and Natural Gas Regulatory Board**

First Floor, World Trade Centre, Babar Road

New Delhi, 110001

**Subject: Views/Comments on proposed amendment to PNGRB (Access code for City or Local Natural Gas Distribution Networks) Regulations, 2020**

Dear Madam,

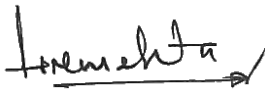
This is in reference to the PNGRB Public Notice no. PNGRB/Auth/1-CGD(16)/2020 dated 06-10-2020 seeking views/comments on the draft PNGRB (Access code for City or Local Natural Gas Distribution Networks) Regulations, 2020 (hereinafter referred to as 'draft Regulations') from the stakeholders.

At the outset, H-Energy welcomes the step taken by the Hon'ble Board to amend the CGD Access Code Regulations. The said Regulation will ensure open access for all the gas market players to CGD networks on non-discriminatory basis while securing the consumer interests.

In this regard, our views/comments are enclosed at **Annexure I** for kind consideration of the Hon'ble Board.

Thank you.

With regards,



**Hiren Mehta**

**Asst. Vice President - Marketing**

## Annexure I

- Regulation 4(2) of the draft Regulations proposes to fix minimum and maximum allowable capacity for open access to third party i.e. at least 20% of capacity of CGD network or maximum quantity of gas that has flowed in the CGD network even for a period of one day in the past whichever is higher.

**We understand that 20% common carrier capacity will not serve the purpose and not sufficient for opening the market to encourage gas on gas competition. Further, this will also not offer a market determined price to all customers on CGD network. Therefore, we suggest the Hon'ble Board to start with at least 50% common carrier capacity and gradually increase upto 100% within specified period.**

In order to ensure effective end of market exclusivity period and let all the customers to take benefits of open access on non-discriminatory basis, 100% capacity of the CGD network must be made be available for open access for all gas marketers, including authorized entity.

- Under the provision of access to third party CNG/LCNG stations specified at Regulation 7 of the draft wherein post declaration of CGD network as a common carrier, any shipper is allowed to install CNG/LCNG Station within the authorised GA and provide access to the shipper. However, in the current form of draft Regulation, Shipper in most cases will be required to set up a Daughter booster CNG stations which will make CNG station economically unviable and thus the CNG sales price will become uncompetitive for Shipper to set up CNG stations.

Further, regarding inability of the authorized entity for installation of additional compressor facilities with 180 days as mentioned in the draft Regulation, the Shipper is allowed to install compressor. However the draft Regulation does not address the issue of areas in GAs wherein pipeline network is not available and may not be viable to lay pipeline due to permission issues and economics.

**Therefore, based on above we are of the view that the Hon'ble Board should allow the interested shipper to set up CNG station through LNG facility and make provision to provide an equivalent volume of gas at possible location under MoP&NG domestic gas allocation policy. This way of setting CNG station in CGD authorised GAs was proposed by the Hon'ble board in the form of draft "PNGRB (Guiding Principles for Declaring City or Local Natural Gas Distribution Networks as Common Carrier or Contract Carrier) Regulations, 2019 vide Public Notice No: PNGRB/AUTH/7-MIS(3)/2015 dated 22-08-2019.**

- Small industrial and CNG customers generally tends to have a variation in consumptions on hourly and daily basis which will make volume imbalance common phenomena in CGD network. The draft Regulations allows only 5% of imbalance and overrun charges which are not workable. Hence we request the Hon'ble Board to kindly consider not

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charging imbalance charges and overrun charges till it does not affect integrity of the CGD network.

- Regulation 4(4) provides that clause pertaining to how an authorized entity can use non-utilized open access capacity for which no booking request has been received for a consecutive period of 90 days.

However, we understand that the draft Regulation does not specify the time limit/process for the authorized entity to vacate such capacity when any Shipper requires such capacity. Hence, we request to include the same in the draft Regulation to make such capacity available to the Shipper in next immediate month when required by any Shipper.

Further, the affiliates of authorised entity should not be allowed to book common carrier capacity in the CGD network as otherwise it may indirectly support monopoly of one group of companies.

- The draft Regulations has mentioned reasonable quantity/ reasonable imbalance/ reasonable notice in various sub-regulations to be agreed between the authorised entity and shipper. We request the Hon'ble Board to please fix the number at such places as leaving it undetermined will lead to huge extent of ambiguity between authorized entity and shipper(s) and eventually open access can be denied on such grounds.
- Clause 6(a) of Schedule-I states the authorised entity shall provide metering facilities at entry point at the cost of shipper or as agreed in the access arrangement. Further, Regulation 10(5) states that the maintenance of the facilities at the entry points and exit points shall respectively be carried out by the shipper and the authorised entity unless otherwise agreed in the access arrangement.

We understand that as per Clause 4(e) of Schedule-I, the authorised entity shall be responsible for the overall management of CGD network and its related services. Given the open access system in CGD, there may be several shippers hence we are unable to understand why cost of metering facilities (*which is part of CGD infrastructure; infrastructure exclusivity lies with the authorized entity*) or obligation of maintenance of facilities should be borne by shipper at its cost when the authorized entity is solely responsible for overall management of CGD network including related services as per aforesaid Regulations.

- Regulation 10(4) states the odorisation facilities will be installed at all exit points which is required for transfer of custody and delivery of natural gas to the shipper. We understand as per the PNGRB (Technical Standards and Specifications including Safety Standards for City or Local Natural Gas Distribution Networks) Regulations, 2008, the odorizing system is required to be located in a separate area at CGS not at exit points.

Further, in the CGD network at the exit point, the measurement equipment and pressure reduction skid is owned by customers and managed by CGD entity at the cost of

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customers and hence, the Hon'ble Board may like to change the same in the draft Regulations.

- We request the Hon'ble Board to consider changing the nomination timing from 10:00 hours to 14:00 hours as provided in Regulation 11. It has been suggested because the shipper is also required to receive Nomination on the same day from customers.
- We support the PNGRB's proposition to ease out the clause pertaining to minimum entry points MDQ and minimum offtake at exit points in Regulation 5(3) i.e. sum of the requested entry points MDQ shall not be less than 500 MMBTU, and the off take at any exit point shall not be less than 50 MMBTU per day.

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