



Sabarmati Gas Ltd.
(A Joint Venture of GSPC & BPCL)

SGL/PNGRB/2020-21/02

Date: 27-10-2020

To,
The secretary,
Petroleum & Natural Gas Regulatory Board,
1st Floor, World trade Center,
Babar Road, New Delhi-110001

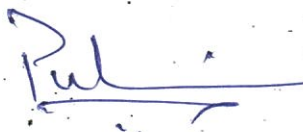
Subject: Comments pursuant to Public Notice No: PNGRB/Auth/1-CGD(16)/2020 dated 06.10.2020 – Draft Regulations titled PNGRB (Access Code for City or Local Natural Gas Distribution Networks) Regulations, 2020 (“Access Code”).

Respected Madam,

This has reference to the Public Notice No: PNGRB/Auth/1-CGD(16)/2020 dated 06.10.2020 inviting comments on the Draft Access Code Regulation. On behalf of Sabarmati Gas Limited, kindly consider the following aspects in this regard:

- A. We request that in cases where the Hon'ble Board decides any CGD Network to be declared as a common carrier, the quantum of capacity in the relevant CGD Network to be offered as open access will also be required to be determined on case to case basis rather than applying a minimum 20% rule for all CGD Networks that are declared common carrier. This is required in light of the fact that economic situation in various geographic areas would be different and the quantum of open access should depend on prevalent market conditions in each of the GAs.
- B. In any case, the provision in proposed Regulation 4(2) to the effect that the open access capacity shall be higher of 20% of the network capacity or maximum gas flow in past requires serious reconsideration since the same can result into effectively the entire capacity in the CGD Network being treated as open access capacity.
- C. Further, the requirement in the said proposed Regulation 4(2) to expand the network capacity so as to ensure minimum 20% open access capacity would result into being a counter-productive provision where the CGD entities may have to keep on undertaking infructuous investments even when there is no sufficient economic case for an expansion in the given GA.

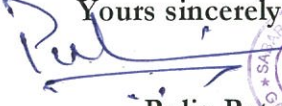
- D. The concept of allowing development of CNG / L-CNG stations by any entity other than the in the authorized entity in its authorized GA as contained in Regulation 7 requires serious re-consideration since the same is completely contrary to the provisions of the PNGRB Act. Under the PNGRB Act, the CNG Stations are part of the "CGD Network" and consequently forms part of "infrastructure exclusivity" and therefore any Regulation allowing development of CNG Stations in authorized GA by any entity other than the authorized entity will be ultra-vires the PNGRB Act. It is submitted that development of CNG Stations has no relation with end of marketing exclusivity and any allowance to develop CNG Stations by unauthorized entities can only be thought of once infrastructure exclusivity has ended.
- E. The Hon'ble Board will also appreciate that after open access, the authorized entity is bound to lose out on its industrial customers since that is the segment that will be targeted by shippers. In such a scenario, the authorized entity would face situation of default or take or pay liabilities under its long term gas sourcing / transportation arrangements if the volumes lost on account of industrial customers could not be diverted even for establishing new CNG Stations. The Hon'ble Board would also appreciate that apart from legal difficulties, the opening up of the entire GA for development of CNG Stations by any third party would cause illegitimate and irreversible loss to the authorized entity.
- F. Further, allowing any third party to develop CNG Stations in authorized GA would effectively mean that such third party may very well have a cascade filled in from any suitable mother CNG Station (whether of its own or of any entity, which may not necessarily be the authorized entity) and then sale at its own CNG Station in the authorized GA thereby completely evading any need to either pay network tariff to authorized entity or compression charges etc.
- G. This assumption would also be valid in cases where the third party shipper may serve industrial customers in the authorized GA through cascades and have the decompression facility at the premises of the customer if required.
- H. Therefore, the Hon'ble Board may kindly make suitable provisions disallowing such practices so as to protect the infrastructure exclusivity of the authorized entities in its true sense.
- I. Open access concept would also bring in the practices where the shippers would be at tremendous advantageous position since they can choose to only target lucrative industrial customers in the GA (or maximum CNG Stations if allowed by the Board despite being contrary to PNGRB Act) while the other businesses and obligations of serving domestic and commercial customers would be left to the authorized entity. To avoid such a situation, the Hon'ble Board may lay down provisions requiring that the shippers would be able to serve industrial customers in proportion to the domestic and commercial customers served by such shippers in the given GA.
- J. It is proposed that the Hon'ble Board should open the network for six months and then review the status and take further decision considering fair trade practice and on the feedback of various issues faced by all the stakeholders involved in open carrier system.




K. The Board may also consider disallowing supplier/shipper from marketing domestically produced gas including gas from marginal field at APM rate for Industrial and commercial customers in authorized entities' GA.

Our other specific comments are as per Annexure – A to this letter.

We request the Hon'ble Board to kindly consider the same.

Yours sincerely,

Pulin Patel
CFO



Annexure – A

Comments on the Draft Access Code Regulations

Proposed Regulations	Comments
<p>Regulation 2. Definitions, (c) “allocated capacity” means the scheduled maximum daily capacity in MMBTU at entry point agreed between the authorised entity and the shipper for delivery at exit point or CNG exit point</p>	<p>There can be only one entry and exit capacity. The capacity of authorized entities pipeline cannot be bifurcated into two exit points or CNG exit points. Even for NG pipelines there is no separate capacity for CNG. This is without prejudice to our submission that development of CNG Stations by third party shippers / entities cannot at all be allowed before expiry of infrastructure exclusivity.</p>
<p>Regulation 2. Definitions, (e) “CNG exit point” 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: 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 should be high pressure cascade filling point. No dispenser facilities should be treated as exit point for CNG segment. This is without prejudice to our submission that development of CNG Stations by third party shippers / entities cannot at all be allowed before expiry of infrastructure exclusivity.</p>
<p>Regulation 2. Definitions, (g) “CNG exit point maximum daily quantity or “CNG exit point MDQ” means the maximum quantity of natural gas available for open access, measured in kilogram (kg), which can be off-taken by the shipper at the relevant CNG exit point in a day.</p>	<p>The definition should be replaced as “exit point maximum daily quantity MDQ” means the maximum quantity of natural gas available for open access; measured in kilogram (kg) or SCM, which can be off-taken by the shipper at the relevant exit point in a day. This is without prejudice to our submission that development of CNG Stations by third party shippers / entities cannot at all be allowed before expiry of infrastructure exclusivity.</p>
<p>Regulation 2. Definitions, (ze) “shipper” means a consumer or a marketer or any other entity who intends to utilize the capacity in the CGD Network</p>	<p>Shipper should be marketer of gas with minimum network as required for CGD network authorization as prescribed in regulation 6 of regulation for Authorizing entities to lay, build, operate or expand city or local natural gas distribution network.</p>
<p>Regulation 2. Definitions, (t) “lost and unaccounted for gas” or “LUAG” means the quantity of natural gas which is unaccounted for whatsoever reason including, but not</p>	<p>Line damage should be included in LUAG.</p>

<p>limited to blow downs, venting or release during regular operation or maintenance of the city or local natural gas distribution network and mismatch of meter readings at the entry and exit point</p>	
<p>Regulation 3(b)(iii) 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>Clarification is sought on type of compressor shipper can install. This is without prejudice to our submission that development of CNG Stations by third party shippers / entities cannot at all be allowed before expiry of infrastructure exclusivity.</p>
<p>Regulation 4 Capacity declaration</p>	<ol style="list-style-type: none"> 1. Capacity for declaration as common carrier should be decided on case to case basis. 2. Downstream Capacity DPRS level is subjective, as the pipeline caters to multiple customer and free capacity can't be ascertained and maintained at uniform level. 3. Further, augmentation by authorized entity within six month is very difficult to given the time taken to plan demand, route finalization, procurement of materials and receiving permissions. 4. Right of first use of common carrier capacity should be with authorized entity as per Section 21 of the PNGRB Act.
<p>Regulation 6, Expansion of Availability of Natural Gas in Authorised Area whose City or Local Natural Gas Distribution Network has been Declared as Common Carrier</p>	<p>The criteria of "pipelines of adequate size to meet the demand of the consumers in these charge areas or wards" very subjective. First right of Catering to any new demand center coming after end of exclusivity from purview of common carrier should rest with authorized entity. Any area should not be carved out of authorization during network exclusivity.</p>
<p>Regulation 7, Provision of Access to third party CNG/L-CNG stations</p>	<p>CNG are integral part of network exclusivity and any new entity should not be allowed to establish new online CNG/L-CNG stations. Installation of new CNG to cater demand from shipper should be mutually decided by shipper and authorized entity based on terms and condition of access code.</p>
<p>Regulation 13, Charges (g)</p>	<p>Ship or Pay, Transport or Pay charges should be made mandatory by Hon'ble Board any ambiguity in accessing service of transportation by shipper would lead to legal challenges.</p>