

SN 04157



गेल (इंडिया) लिमिटेड

(भारत सरकार का उपक्रम - महारत्न कंपनी)

GAIL (India) Limited

(A Government of India Undertaking - A Maharatna Company)

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GAIL/ND/RA/LNG/350382/2018/2045

11.05.2018

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

Sub: Draft PNGRB Regulations for Registration for Establishing or Operating LNG Terminals

Respected Madam,

This has reference to the PNGRB Public Notice dated 28.03.2018 on the captioned subject, enclosing the draft PNGRB Regulations for Registration for Establishing or Operating LNG Terminals, soliciting views from stakeholders on the same.

In respect of the above, please find the views of GAIL (India) Limited enclosed as **ANNEXURE-A**, for kind consideration please.

Thanking you,

Yours sincerely,


(Manoj Jain)

Executive Director (Gas Mktg.)
E-mail: manojjain@gail.co.in

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Draft PNGRB Regulations for Registration for Establishing or Operating LNG Terminals**Views of GAIL (India) Limited****1. Regulatory Position:-**

- (i) PNGRB Act provides that PNGRB may make "Regulations", inter-alia, consistent with the "Rules" made by the Central Government under the provisions of the Act (Ref: Sec 61(1) of the Act);
- (ii) The Central Government, vide notification dated 30.10.2012, has made Rules under the provisions of the PNGRB Act, namely, PNGRB (Eligibility Conditions for Registration of Liquefied Natural Gas Terminal) Rules, 2012;
- (iii) Pursuant to the said Rules which already have come into force w.e.f. 30.10.2012, the subject Draft Regulations has been made by PNGRB.

2. Condition to Provide Open Access to LNG Terminal as a pre-condition to obtain Certificate of Registration from PNGRB to Establish or Operate LNG Terminal(s) in the country:-

- (i) Central Government, vide the said Rules dated 30.10.2012, has, inter-alia, prescribed under the Rule 3(a) that LNG Terminal shall "*Offer at all times, after registration, 20 per cent of its short term (less than 5 year contract) uncommitted re-gasification capacity or 0.5 Million Metric Tonnes Per Annum (MTPA), whichever is higher, as common carrier capacity*";
- (ii) In the preamble of the said Rules, Central Government has stated "*There is a need to ensure a balance between freedoms to operate such LNG Terminals and equitable access and transparency in their operations in larger public interest so as to foster higher availability of liquefied natural gas in the country*";
- (iii) Consistent with the above, the Draft PNGRB Sub-Regulation 3(1)(a) has also specified exactly the same condition as already prescribed by the Central Government under the said Rule 3(a), as a pre-condition to obtain Certificate of Registration from PNGRB to Establish or Operate LNG Terminal(s) in the country. GAIL is in agreement of the same.
- (iv) Furthermore, since the expression "*uncommitted re-gasification capacity*" has been used in the draft sub-regulation 3(1)(a), it may be better to use and define the same expression rather than the expression "*un-committed capacity*" under sub-regulation 2(2).

3. Tariffs for Accessing LNG Terminal:-

- (i) In the preamble of the said Rules, Central Government has stated that "*To protect consumer interests, liquefied natural gas terminals **must be subject to commercial transparency** and committed to provide additional capacity to any consumer who desires to import gas into the country **at publicized tariffs***";
- (ii) Consistent with the above prescription already made by the Central Government, the Draft PNGRB Regulation also needs to specify corresponding condition for providing access to LNG Terminal(s) at publicized tariffs, which also needs to be subject to commercial transparency. In this regard, in line with the extant practice being adopted for natural gas pipelines, it would be desirable that the tariffs are non-discriminatory with respect to own requirement and third party usage.

4. Equitable Access to LNG Terminals:-

Furthermore, consistent with the Government objective of ensuring transparency and equitable access to common carrier capacity in LNG Terminals, similar to the already notified Access Code Regulations for Common Carrier or Contract Carrier Natural Gas Pipelines and Petroleum Product Pipelines, relevant Access Code Regulations may be framed for LNG Terminals also for uniform adoption by the industry. A reference in this regard may also be made in the subject regulations.

5. Suspension or Termination of Certificate of Registration:-

- (i) The draft sub-regulation 8(1) envisages suspension of certificate of registration for one month in the first instance in case of any default in fulfilment of any of the eligibility condition mentioned in regulation 3 (which includes conditions pertaining to providing open access also). Suspension of certificate of registration may imply suspension of operations of the terminal also.
- (ii) In this regard it may be mentioned that suspension of operations may result in avoidable supply disruptions to other downstream stakeholders. It may happen that suspension of cryogenic operations for a temporary period may also lead to some irreversible harm to certain facilities/operations.
- (iii) In any case, in case of non-rectification of any deviation/shortfall w.r.t. any of the T4S provisions, then sub-regulation 8(2) of the PNGRB (Technical Standards and Specifications including Safety Standards for Liquefied Natural Gas Facilities) Regulations, 2018, provides for various penal actions, including the provision for termination of operations of the terminal.
- (iv) Therefore it may be better to have suitable financial penal provisions in the first instance in case of non-fulfilment of any of the any of the eligibility condition mentioned in regulation 3 of the subject Regulations.

PNGRB may kindly consider the above while framing the Final Regulations in this regard
