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Ravindra Agrawal
Group Executive Director
(Gas Business)

GSPL/COMM/2020/
Date: 2.11.2020

The Secretary
Petroleum and Natural Regulatory Board
1st Floor
World Trade Centre
Babar Road
New Delhi – 110001

Subject: Clarification on the Additional Comments submitted by GSPL vide letter dated 27.10.20

Ref: 1) PNGRB email dated 28.10.20
2) Letter no. T/35.3 dated 27th October 2020 from The Fertiliser Association of India

Respected Madam,

We refer to the above letter from The Fertiliser Association of India and the email from PNGRB wherein GSPL has been asked to review its additional comments or alternatively clarify the difference in views of FAI and GSPL in light of the said letter from FAI.

We have reviewed our comments and we would like to clarify the following:

1) Exclusion of Plants on Urja Ganga Network

Upon review of the plants considered by the FAI in its above referred letter, it is observed that the fertiliser plants on the Urja Ganga Network viz. HURL Projects at Barauni, Gorakhpur and Sindri are not considered. The above Fertiliser Units on Urja Ganga Network will have to pay the tariff of HVJ Z4 and Urja Ganga Network Z2. In fact, GAIL's proposal of tariff unification in 2017-2018 was 'initiated' at the time of approval process for Urja Ganga network.

The additional outflow through current tariff mechanism versus the proposed Unified Tariff is as under :

Table 1

#	Unit	Pipeline (Owner)	Tariff Rs/MMBTU	Impact in Rs. (Additional Outflow as per existing Tariff Mechanism)
1	FCI Gorakhpur, UP	Integrated HVJ Z4 + Urja Ganga Network Z1	113.08	-204.5 Crores
2	FCI Barauni, Bihar	Integrated HVJ Z4 + Urja Ganga Network Z2	113.14	-204.7 Crores
3	FCI Sindri, Jharkhand	Integrated HVJ Z4 + Urja Ganga Network Z2	113.14	-204.7 Crores
	Total additional outflow due to additive tariff (Rs.)			**-613.9 Crores**

The above impact (additional outflow) has been calculated by considering the difference between Unified Tariff (assumed at Rs. 56.84/MMBTU) and the additive tariff given in the above table for base demand in these Fertiliser Units.

2) Exclusion of Plants - RFCL Ramagundam

It is also observed from FAI's above referred letter that the RFCL Ramagundam Plant is also excluded from the list. The supply to RFCL Ramagundam is currently done through GAIL's KG Basin Network, PIL (Z1) and GITL's Pipeline (Z2). The additional outflow as per existing additive tariff mechanism in case of RFCL Ramagundam is as under :

Table 2

#	Unit	Pipeline (Owner)	Tariff Rs/MMBTU	Impact in Rs. (Additional Outflow as per existing Tariff Mechanism)
1	RFCL Ramagundam	GAIL KG Basin N/w + PIL (Z1) + GITL (Z2)	87.84	-93.9 Crores*

(* - assumed 2 MMSCMD base demand)

3) Considering the RLNG used by NFCL, Kakinada

Further to the above, NFCL Kakinada, also utilises RLNG in addition RIL KG D6 / ONGC DDW gas. The RLNG is transported to NFCL Kakinada through DUPL-DPPL (Z2) and PIL (Z5) pipelines. The impact (additional outflow) as per existing additive tariff mechanism in case of NFCL Kakinada is as under:

Table 3

#	Unit	Pipeline (Owner)	Tariff Rs/MMBTU	Impact in Rs. (Additional Outflow as per existing Tariff Mechanism)
1	NFCL Kakinada	PIL (Z5) + DUPL-DPPL (Z2)	120	-143.5 Crores*

(* - assumed 1.5 MMSCMD base demand)

Thus it can be seen from Table 1-3 above, that if the fertiliser plants referred above are also considered, the impact (additional outflow) on account of additive tariff itself would be around Rs.851.3 Crores. As enumerated above, Unified Tariff if implemented for all the pipelines (Cost plus and bid out) across India through the currently proposed methodology, would lead to significant savings for the Fertilizer Industry. We believe that in order to evaluate any major policy change, it is pertinent to gauge its impact on current as well as future scenario and accordingly, it is necessary that plants on Urja Ganga network are also duly considered.

4) GAIL's proposal of Unified Pooled Tariff :

GAIL's proposal for Unified Pooled tariff in 2017 highlights the impact of additive tariffs for the customers on DBNPL (DUPL-DPPL Tariff plus HVJ Z4 tariff plus DBNPL Z2 Tariff) and further impact of interconnection of KKMBPL (Kochi to Nangal) wherein the additive tariff worked out to Rs.182/MMBTU (KKMBPL Z2 + DBPL Z3 + DUPL-DPPL Z2 + HVJ Z4 + DBNPL Z2).

Further, in the Public Consultation Document dated 17 October 2018 shared by the Hon'ble Board regarding the tariff for JHBDPL, GAIL had proposed a tariff of Rs. 150.33/MMBTU for Z1 and Rs. 150.49/MMBTU for Z2 to Z5. The fertiliser Units on the Urja Ganga Network (JHBDPL) were thus proposed to be subjected to additive tariff of HVJ and JHBDPL.

However, the Unified Tariff proposed under the draft amendment regulations is much lower than the JHBDPL tariff, thereby benefitting large sections of its customers along JHBDPL and thus help in development of new gas markets. These fertiliser Units would be subjected to a Unified levelised tariff of Rs. 56.84 (tentative) if the current proposal of PNGRB for tariff unification is implemented.

It is also submitted that many gas contracts for fertiliser plants are due for renewal in the year 2021. Currently, as these plants are sourcing RLNG from Dahej, the applicable tariff would be that of GAIL network. However, if domestic gas is available from RIL / ONGC, these plants will also be subjected to additive tariff of GAIL KG Basin Network, DUPL-DPPL, GAIL HVJ, GSPL and PIL depending on their location. This additive tariff would be higher than the currently proposed Unified Tariff. The additional advantage of unified tariff (current proposal) would be the availability of cheaper gas with no additive transportation tariff, i.e. only Unified Tariff to be paid.

We hope the above will clarify the difference in views of GSPL and FAI.

With Best Regards,

Yours sincerely,

Ravindra Agrawal
Group ED (Gas Business)

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Ravindra Agrawal
Group Executive Director
(Gas Business)

GSPL/COMM/2020/
Date: October 27, 2020

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

Subject: Suggestions / Views / Comments of the Stakeholders on the proposed draft amendment to NGPL Tariff Regulations (Unified Tariff)

Ref: PNGRB/COM/2-NGPL/Tariff (3)/2014 Vol-IV (Part-1) (P-1439) dated 29.9.2020

Respected Madam,

We would like to begin by thanking the Board for giving all the stakeholders, including GSPL, sufficient time to voice their views during the Open House held on October 23, 2020.

Participation from stakeholders of all the concerned sectors ensured that a comprehensive picture was presented. The discussions held during the Open House were very fruitful and we believe that such diverse views and specific concerns raised shall enable PNGRB to formulate necessary regulations keeping in mind the interests of all involved.

We are thankful to Chairman, PNGRB for indicating during the Open House that additional comments would be allowed to be submitted. Pursuant to the discussions held during the Open House, GSPL has comments and suggestions that it would like to submit to the Board.

We hope that Hon'ble Board will find our suggestions valuable.

With Best Regards,

Yours Sincerely,

Ravindra Agrawal
Group ED (Gas Business)

Additional points on Unified Tariff Proposal

1. Cost of networks not being utilized

- There are several concerns raised regarding customers being 'subjected to tariff of networks which would not be used' in delivery of gas to their premises. However, in this regard, we would like to draw your kind attention to two points:

  (1) Existence of similar mechanism in current tariff determination process
    a. GAIL integrated tariff of its HVJ, GREP, DVPL-I and DVPL-GREP Upgradation in June 2019 and such integration led to a customer on HVJ (say in Vadodra, Gujarat) being subjected to CAPEX & OPEX of several other of GAIL's network (like Dadri in U.P.), including other North-western region pipelines of GAIL.
      i. Even in this scenario, the customer is being subjected to tariffs of networks not being used for delivery of gas to its premise.
    b. Similar situation would also emerge in case of expansion / extension of pipelines of existing networks

  (2) Existence of similar mechanism in case of entity level tariff unification, as is explained below:
    a. Similar situation would arise even in case of entity level tariff unification, wherein in case of unification of GAIL's pipelines, a customer in Ratnagiri, Maharashtra would end up paying for the cost of East coast network of Jagdishpur-Haldia pipeline.

2. Earlier Unified Tariff Proposal of GAIL

- We would also like to draw your kind attention to the earlier Unification (entity-level) proposed by GAIL in 2017. In the said proposal, GAIL had proposed a Unified / Pooled tariff of Rs. 83/MMBTU (levelised) for all the 7 networks combined.
  - Though such tariff was proposed to be reduced to Rs.57/MMBTU by PNGRB, several stakeholders had raised serious concerns regarding the impact of such higher tariffs combined with their cascading impact since gas would also be sourced from Terminals / Fields not on GAIL network.
  - The current unified tariff proposal is much lower than what GAIL has proposed and at the same time shall address the concerns all the stakeholders and provide level playing field to all players

- Entity level unification would have resulted in change in revenue of pipeline entity, whereas Unified Tariff proposal seeks to make Pipeline entity revenue neutral.

  During the Open House it was mentioned that inclusion of bid out pipelines would result in higher transportation tariff bidding by the entities as their pipelines would be included in NGGS and their tariff would be computed as per Weighted Average Tariff computation for the purpose of Unified tariff. However, in this regard, we would like to state the following:
    a. The bid out pipelines are awarded through bidding process and accordingly, in order to win the pipeline authorization, the entity will have to bid competitive tariff
      i. Assuming that this may be the case where competition is limited, it is no different even today.
    b. In fact, PNGRB reserves the right to cancel the bidding process or retender in case the tariff is found to be unreasonably high

3. Central Govt. on Tariff Design

- Current tariff proposal even meets the Govt of India's view on Tariff Design which was conveyed by MOPNG to PNGRB on 29.08.2014 (*Pt. 4 of Pg 14 of PCP Document 28092017*)
    - The tariff should reflect the real cost of gas transportation incurred by pipeline entities
    - It should be just, equitable and non-discriminatory between different network users in different locations
    - It should be competitive and at the same time should provide level playing field to all gas marketers, regardless of location of gas source and end users
    - It should promote efficient and optimum use of gas pipeline transport system
    - It should promote network expansion across the country and should avoid discrimination between existing and new users
    - It should be transparent, predictable and easy to understand for implementation by considering all possible kinds of gas transportation arrangements, including Swapping, Clubbing and Diversion arrangement.

4. Unified Tariff is beneficial for Fertilizer Sector.

- The Unified tariff proposal shall provide opportunity for fertilizer plants to source natural gas from multiple sources, including Domestic gas from east coast and Rajasthan.
- For Fertiliser Sector, gas cost including transportation cost is pooled and therefore if some Fertiliser Unit pays higher tariff and others pay lower tariff, Fertiliser Sector would remain neutral in case of Unification.

- RIL-BP JV is anticipating to produce 30 MMSCMD of gas and ONGC is anticipating to produce about 15 MMSCMD of gas from their East Coast fields and Vedanta is anticipating to produce about 3-5 MMSCMD and Focus Energy is planning to produce about 5 MMSCMD of gas from respective fields in Rajasthan.
    a. The transportation cost from these gas fields shall be lower, the same is enumerated in **Annexure 1 to this Note.**

- Further, it is worth noting that apart from cheaper gas transportation arrangement, the Fertilizer plants (across India) can significantly gain from sourcing competitively priced gas from Domestic gas sources that shall be available from East Cost and Rajasthan.
    b. In this regard, we understand that the RLNG Contracts entered by the Fertilizer plants have clauses wherein it is provided that RLNG shall be replaced with Domestic gas, as and when the same shall be available.
    c. In view of the same, Fertilizer plants will have the opportunity to source competitively priced domestic gas and benefit from the same.

- It should be noted that, under Fertilizer revival scheme, these fertilizer plants namely (a) Hindustan Urvarak Rasayan Limited (HURL) (Gorakhpur, Barauni and Sindri) (b) Ramagundam Fertilizers and Chemicals Limited (RFCL) have been revived and these Fertilizer plants altogether shall have gas demand of about 10MMSCMD (20-25% of the current fertilizer gas demand).
    d. These fertilizer plants shall benefit from the Unified tariff proposal, the same is enumerated in **Annexure 2 to this Note**.
    e. Further, these new plants can also benefit by sourcing gas at competitive prices from multiple gas sources, including domestic gas fields from East Cost and Rajasthan.

Annexure 1

Domestic Gas Sources	Pre-Unification	Post-Unification
For Transmission of Gas From KG Basin to Fertilizer plants in Gujarat (Kribhco, GNFC, GSFC, IFFCO)	80.15 Rs/MMBTU PIL (Zone-5): + 33.15 Rs/MMBTU GSPL (Zone-1) = **113.3 Rs/MMBTU**	Unified tariff
For Transmission of Gas From KG Basin to Fertilizer plants in Maharashtra (RCF, Deepak Fertilizers)	80.15 Rs/MMBTU PIL (Zone-5) + 49.64 GAIL's HVJ/DVPL (Zone-4) = **120 Rs/MMBTU**	Unified tariff
For Transmission of Gas From KG Basin to UP (IFFCO, IndoGulf, KSFL, TCL)	80.15 Rs/MMBTU PIL (Zone-5) + 49.64 GAIL's HVJ/DVPL (Zone-4) = **129.79 Rs/MMBTU**	Unified tariff
For Transmission of Gas From KG Basin to Punjab (NFL Bhatinda, Nangal)	80.15 Rs/MMBTU PIL (Zone-5) + 49.64 GAIL HVJ/DVPL (Zone-4) + 14.06 GAIL's DBNPL (Zone-2) = **143.85 Rs/MMBTU**	Unified tariff
For Transmission of Gas From Vedanta Gas Field in Rajasthan to Fertilizer plants in Maharashtra (RCF, Deepak Fertilizers)	41.39 MBPL (Zone 2) + 34.84 GSPL (Zone-2) + 39.85 GAIL's DUPL (Zone-2) **=116.08 Rs/MMBTU**	Unified tariff
For Transmission of Gas From Vedanta Gas Field in Rajasthan to Fertilizer plants in Madhya Pradesh (NFL, Vijaypur)	41.39 MBPL (Zone 2) + 34.84 GSPL (Zone-2) + 45.38 GAIL HVJ/DVPL (Zone 3) **=121.62 Rs/MMBTU**	Unified tariff
For Transmission of Gas From Vedanta Gas Field in Rajasthan to Fertilizer plants in Gujarat (Kribhco, GNFC, GSFC, IFFCO)	41.39 MBPL (Zone 2) + 34.84 GSPL (Zone-2) **Rs 76.23 /MMBTU**	Unified tariff

Annexure 2

Customer	Pre-Unification	Post-Unification
RFCL, Ramagundam	16.14 GAIL KG Basin + 65.50 PIL (Zone-1) + 6.26* MBBVPL (Zone-2) = **87.9** Rs/MMBTU	Unified tariff
HURL, Gorakhpur, Barauni and Sindri	49.64 GAIL HVJ/DVPL (Zone-4) + 63.50 GAIL JHBDPL (Zone-2) = **113.14 Rs/MMBTU**	Unified tariff

Note: The tariff has been compared considering the nearest gas sources