



NATURAL GAS SOCIETY

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Ref: NGS/PNGRB/PCP-UT/25102017

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

SUBJECT: COMMENTS ON INTEGRATED AUTHORISATION FOR UNIFIED/POOLED TARIFF

Respected Madam/Sir,

PNGRB had solicited views and comments on the unification/integration of natural gas pipelines as one single integrated natural gas pipeline network and/or on other options mentioned at para 10 of the 'Public Consultant Paper' No. Infr/NGPL/Integration/01/17 dated 28th September 2017.

In view of the above, Natural Gas Society (NGS) is submitting the following for your kind consideration:-

1. In-principle, NGS supports the concept of "Unified Pipeline Tariff" for interconnected gas pipelines as this would benefit the industry and country as a whole.
2. Initially the concept of "unified tariff" could be applicable to individual entity and then be extended to unification across all pipelines.



3. This we feel should help to achieve faster spread of gas infrastructure and penetration of gas as also achieve the objective of raising the share of gas in the energy sector.
4. PNGRB in its consultant document has listed out the pros and cons, the two issues needing attention being
 - a. "Additive Tariff" and
 - b. "Tariff increase for some customers".

NGS feels that while this could be an issue in some cases but, overall the larger benefits of unified tariff would more than adequately balance out such exceptions.

Thus NGS will support the concept even if proposed for single entity. Given the fact that GAIL is the single largest gas transporter in India (with almost 70% share), the introduction of unified tariff for even single entity (GAIL) would be advisable as this could be the best precursor to possible unification of all pipelines.

The limited applicability of unified tariff on entity basis initially (before applying it to all pipelines) should make it easier to ultimately work towards unified/pooled pool tariff for all pipelines. It would also provide time to work out the other complexities and issues involved in integrating other pipelines, specially those which have been allotted on a bidding basis.

As we mentioned before, we feel the benefits of unified pipeline would help -

- faster gas infrastructure development and help penetration into newer areas.



- it will enable new pipeline tariff to be lower than it would otherwise have been.
- It will help availability and accessibility to gas in remote areas.
- With the increasing inputs of LNG and the proposed new LNG terminals, unified tariff should also benefit LNG consumers.

5. Need for Special Consideration – City Gas Distribution, etc.

There would, however, be special areas or highly price sensitive sectors which may be impacted by sudden increase in tariff, like CGD sectors (PNG and CNG suppliers and consumers) and it must be ensured that these are not impacted adversely. In any case, for the CGD sector, it would be a very small part of total volume of gas going through pipeline and therefore it should not be difficult to make such provisions.

India is still a developing economy and the City Gas Distribution (CGD) industry is new and full of challenges, therefore, some incentives would need to be given for the overall development of the CGD industry. Provisions for a discount in tariff could be thought of for the CGD sector. In such and similar cases, certain special considerations can be provided as discounts so as not to impact their overall business.

6. Costs and parameters to be considered for tariff calculations.

NGS feels that it may not be prudent to comment on these issues at the current stage. It is more important to discuss the concept of a unified pipeline tariff first for implementation, as these details can always be considered later.



However, it is essential to ensure a minimum of 12% on post tax return on capital over the economic life of the pipeline. Other important parameters which also need to be considered are incorporation of transmission/unaccounted gas losses, volume risk mitigation, etc.

Thanks & regards,

A handwritten signature in blue ink, appearing to read 'Vivek Joshi', written over a horizontal line.

(Vivek Joshi)

Executive Director

