

**LOK SABHA**

**STARRED QUESTION NO. 62**

**TO BE ANSWERED ON 23.07.2018**

Price/Tariff Formula for LNG

\*62. SHRI KUNDARIYA MOHAN BHAI KALYANJI BHAI:

Will the Minister of PETROLEUM AND NATURAL GAS पेट्रोलियम और प्राकृतिक गैस मंत्री be pleased to state:

- (a) the details of present price/tariff fixation formula being followed by the Petroleum and Natural Gas Regulatory Board (PNGRB) and Gujarat Gas Ltd. for Liquefied Natural Gas (LNG) from the terminal to the end user along with the date on which the same came into force;
- (b) the details of price/tariff fixation formula followed in the past for the purpose;
- (c) the details of criteria and tenure laid down/set for revision of the said tariff formula;
- (d) whether the Government proposes to consider deregulating the LNG distribution sector from terminal to end users in Gujarat allowing other Public Sector Undertakings to make it more competitive on the lines of sectors like telecom and electricity for the benefit of the end users; and
- (e) if so, the details thereof and if not, the reasons therefor?

**ANSWER**

**MINISTER OF PETROLEUM AND NATURAL GAS (SHRI DHARMENDRA PRADHAN)**

(a) to (e) : A statement is laid on the Table of the House.

**STATEMENT REFERRED IN REPLY TO PARTS (a) to (e) OF THE LOK SABHA STARRED QUESTION NO. \*62 ASKED BY SHRI KUNDARIYA MOHAN BHAI KALYANJI BHAI TO BE ANSWERED ON JULY 23, 2018**

(a) Liquefied Natural Gas (LNG) is being imported under open general license on the terms and conditions mutually agreed upon between the buyers and sellers and it is being traded in the country on market based mechanism. As provided under Section 22 of Petroleum and Natural Gas Regulatory Board (PNGRB) Act, 2006, through notified regulations dated 20.11.2008, PNGRB is fixing transportation tariff for transportation of re-gasified LNG through transmission trunk pipelines from terminal to end users connected to such trunk pipelines. Gujarat Gas Ltd is a local distribution entity authorized by PNGRB to lay, build, operate or expand City or local natural gas distribution networks in various Geographical Areas in various states including Gujarat. The provisions of the PNGRB Act, 2006 provides for fixation of the Maximum Retail Price (MRP) for the sale of natural gas to its retail consumers.

(b) Prior to PNGRB, Tariff commission/committees constituted by Ministry were determining tariff for trunk pipeline and few entities were fixing negotiated pipeline tariffs. PNGRB was formed in 2007, and also fixes the transportation tariff for trunk natural gas pipelines.

(c) The details of criteria and tenure laid down/set for revision of the set transmission pipeline tariff formula as per Clause 9 of *Schedule A* of Petroleum and Natural Gas Regulatory Board (Determination of Natural Gas Pipeline Tariff) Regulations, 2008, dated 20.11.2008 is at **Annexure-I.**

(d) & (e) At present, there is no pipeline in the country to transport LNG in liquid form from the LNG terminal to end user directly. The LNG after regasification is being transported in the gaseous state through the trunk gas pipelines from terminals to end consumers of such pipeline. PNGRB has notified the relevant regulations to transport the natural gas which includes re-gasified LNG through trunk gas pipelines on common carrier or contract carrier principle at the regulated tariff fixed by PNGRB. Further, the provisions of the PNGRB Act also provide to transport the natural gas including re-gasified LNG through city gas distribution pipelines on common carrier or contract carrier principle after the end of exclusivity period.

ANNEXURE REFERRED IN REPLY TO PART (c) OF LOK SABHA STARRED QUESTION NO. 62 TO BE ANSWERED ON 23.07.2018 REGARDING PRICE/TARIFF FORMULA FOR LNG

**Clause 9 of Schedule A of Petroleum and Natural Gas Regulatory Board (Determination of Natural Gas Pipeline Tariff) Regulations, 2008, dated 20.11.2008**

- (1) The unit natural gas pipeline tariff shall be determined for the natural gas pipeline over its economic life and levelized during-
  - (a) The period applicable for the initial unit natural gas pipeline tariff;
  - (b) The period of five consecutive years after the end of the initial unit natural gas pipeline tariff; and
  - (c) The period between any two consecutive tariff reviews.
- (2) The initial unit natural gas pipeline tariff including its apportioning over all tariff zones shall be determined based on provisional computations.
- (3) The final computations in respect of the initial unit natural gas pipeline tariff shall be made considering the adjustments required for –
  - (a) The actual capital and operating costs or that normatively assessed by the Board, whichever is lower as specified under clause 4 and clause 5;
  - (b) Volume consideration as per item (a) of sub-clause (1) of clause 6; and
  - (c) Volume conversion into its energy equivalence as per item (b) of sub-clause (2) of clause 6.
- (4) The entity shall adjust with the customers, the difference between the natural gas pipeline tariff recovered based on the provisional computation under sub-clause (2) and that recoverable as per the final computation under sub-clause (3);
- (5) The final unit natural gas pipeline tariff as specified under sub-clause (3) shall apply for the period upto the first tariff review until the time the same is revised by the Board;
- (6) The entity shall submit for Board's approval the data for determination of the unit natural gas pipeline tariff after the notification of these regulations in the form and time frame specified under regulation 5 alongwith the provisional computations of the initial unit natural gas pipeline tariff including the apportioning of the same over all tariff zones;

Provided that the final computations of the initial unit natural gas pipeline tariff including apportioning of the same over all tariff zones shall be submitted three months before the last date of the period applicable for the initial unit natural gas pipeline tariff.

(7) The entity shall submit computation of the unit natural gas pipeline tariff including apportioning of the same over all tariff zones in the form specified under regulation 5 at the time of each tariff review within three months of the –

(a) End of the last year of the five consecutive years after the initial unit natural gas pipeline tariff; or

(b) End of the preceding tariff review period:

Provided that the computation shall consider the actual cost, financial and operational data or that normatively assessed by the Board, whichever is lesser as per clauses 4 and 5 in respect of the period specified under sub-clause (a) or (b), as the case may be.

(8) Adjustments on account of the following variations during the five consecutive years after the initial unit natural gas pipeline tariff or any tariff review shall be made in the DCF calculations on a prospective basis by considering the remaining period of the economic life of the project, namely:-

(a) The variations on account of the actual performance with respect to the capital and operating costs which when compared with the normative parameters identified under clauses 4 and 5;

(b) The variations in respect of the volumes under Explanation to sub-item (ii) of sub-clause (1) of clause 6 and;

(c) The variations in the energy equivalence under sub-clause (2) to clause 6.

(9) The Board may, after on its own or on the entity's request, carry out a review of the unit natural gas pipeline tariff any time between two tariff reviews, as the case may be, considering-

(i) Applicable nominal rate of income tax used for grossing-up the rate of return on capital employed;

(ii) Sudden change in any parameter used in the determination of the unit natural gas pipeline tariff.

(10) The provisional and final initial unit natural gas pipeline tariff, unit natural gas pipeline tariff for the period of five consecutive financial years after the initial unit natural gas pipeline tariff fixed after any tariff review thereafter shall continue to apply till the time the same is revised by the Board.