



**STANDING COMMITTEE ON  
PETROLEUM & NATURAL GAS**

**(2013-14)**

**FIFTEENTH LOK SABHA**

**MINISTRY OF PETROLEUM & NATURAL GAS**

**CITY GAS DISTRIBUTION PROJECTS**

*[Action Taken by the Government on the recommendations contained in the Thirteenth Report (Fifteenth Lok Sabha) of the Standing Committee on Petroleum and Natural Gas (2011-12)]*

**TWENTIETH REPORT**



**LOK SABHA SECRETARIAT  
NEW DELHI**

*December, 2013/ Agrahayana, 1935 (Saka)*

(i)

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*Presented to Lok Sabha on 10.12.2013*

*Laid in Rajya Sabha on 10.12.2013*

**LOK SABHA SECRETARIAT  
NEW DELHI**

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## **INTRODUCTION**

I, the Acting Chairman, Standing Committee on Petroleum & Natural Gas having been authorised by the Committee to submit the Report on their behalf, present this Twentieth Report on Action Taken by the Government on the recommendations contained in the Thirteenth Report (Fifteenth Lok Sabha) of the Committee on 'City Gas Distribution Projects'.

2. The Thirteenth Report of the Standing Committee on Petroleum & Natural Gas was presented to Hon'ble Speaker on 26.7.2012 and was thereafter presented to Lok Sabha on 9.8.2012. The Action Taken Replies of the Government to all the recommendations contained in the Thirteenth Report were received on 2<sup>nd</sup> April, 2013.

3. The Standing Committee on Petroleum & Natural Gas (2013-14) considered and adopted the Report at their sitting held on 20 August, 2013 with the undersigned in the Chair, having been elected under Rule 258(3) of the Rules of Procedure and Conduct of Business in Lok Sabha for that sitting. I was authorized by the Committee under proviso to Rule 277(3) of the Rules of Procedure and Conduct of Business in Lok Sabha to sign and present this Report on their behalf.

4. An analysis of the action taken by the Government on the recommendations contained in the Thirteenth Report (Fifteenth Lok Sabha) of the Standing Committee on Petroleum & Natural Gas is given in Annexure-II.

6. The Committee place on record their appreciation for the valuable assistance rendered to them by the officers of the Lok Sabha Secretariat attached to the Committee.

New Delhi;  
December, 2013  
*Agrahayana, 1935 (Saka)*

**P.L.PUNIA,**  
*Acting Chairman,*  
*Standing Committee on*  
*Petroleum & Natural Gas.*

## CHAPTER I

### REPORT

This Report of the Standing Committee on Petroleum & Natural Gas deals with the action taken by the Government on the Recommendations contained in the Thirteenth Report (Fifteenth Lok Sabha) of the Standing Committee on Petroleum and Natural Gas (2011-12) on 'City Gas Distribution Projects', which was presented to Lok Sabha on 9.8.2012.

2. Action Taken Notes have been received from the Government in respect of all the 18 Recommendations /Observations contained in the Report. These have been categorized as follows:-

- (i) Recommendations/Observations that have been accepted by the Government:- SI.Nos.1,2,4,5,8,10,11,12,14,15,16,17 and 18 (Total 13)  
**(Chapter- II)**
- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies SI. Nos.- Nil  
**(Chapter-III)**
- (iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee:- SI.No. 6,7, 9 and 13 (Total 4)  
**(Chapter-IV)**
- (iv) Recommendations/Observations in respect of which final replies of the Government are still awaited: - SI.Nos. 3 (Total 1)  
**(Chapter-V)**

3. The Committee desire that the Action Taken Notes on the Recommendations/Observations contained in Chapter-I of this Report and Final Replies in respect of the recommendations for which interim replies have been furnished by the Government (included in Chapter-V), should be furnished expeditiously.

4. The Committee will now deal with the action taken by the Government on some of their recommendations.

**Recommendation No.3****Demand and Availability of Gas**

5. The Committee note that against the demand of 279.43 MMSCMD of gas in 2011-12 by various sectors only 166.17 MMSCMD was available. To meet the shortfall, besides increasing domestic production through intensified exploration efforts and developing alternate sources of gas, it is envisaged to bring gas from gas surplus countries through transnational pipelines and import through LNG. The Committee has been informed that govt. is pursuing two transnational pipeline Project viz. TAPI (Turkmenistan - Afghanistan - Pakistan - India) and IPI (Iran - Pakistan India) having gas transporting capacities of 90 and 60 MMSCMD respectively. The Committee have been informed that for TAPI pipeline project, Gas Sale Purchase Agreement have been settled and bilateral negotiations are on with Turkmenistan for Gas pricing and with Pakistan and Afghanistan for finalizing transit fee. While expressing satisfaction over the developments in this project, the Committee desire that the government should maintain the pace of progress for early start of the project.

In case of IPI pipeline, the various issues relating to delivery point, structure of project in Pakistan, transportation tariff and transit fee have been discussed in bilateral talk with Pakistan in April- 2008. Further during the visit of Deputy Minister of Oil of Iran in November 2009 it was agreed to hold the next joint working group meeting at the earliest for discussion of IPI project. However, since then there has been no progress on the project. Noting that these projects would bring significant amount of gas in the country which will considerably ease the availability of the gas in the country, the Committee recommend for vigorously pursuing for the speedy settlement of the remaining issues, and for earliest start of these projects.

6. In response, the Ministry of Petroleum and Natural Gas has submitted the following:-

“The Government is pursuing transnational gas pipelines such as the Turkmenistan-Afghanistan-Pakistan-India (TAPI) Gas Pipeline Project and the Iran-Pakistan-India (IPI) Gas Pipeline.

On 11<sup>th</sup> December, 2010 the four countries involved in the TAPI Gas pipeline project, signed an Inter-Governmental Agreement along with a Gas Pipeline Framework Agreement in Ashgabat, Turkmenistan. To accelerate the project, parties have formed the Minister level Steering Committee and Technical Working Group (TWG).

To settle various issues related to the Gas Sale Purchase Agreement (GSPA), bilateral and multilateral meetings have been held among the four countries and their gas companies participating in the Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline project. Regarding security & safety of the pipeline, suitable provisions have been made in the Inter-Governmental Agreement (IGA) and Gas Pipeline Framework Agreement (GPFA) signed by the Governments of Turkmenistan, Afghanistan, Pakistan and India in December 2010. On 23<sup>rd</sup> May, 2012 GAIL (India) Ltd. and Pakistan's Inter State Gas Systems signed their respective General Sales Purchase Agreements (GSPA) with Turkmenistan's state gas company Turkmen Gaz which envisages Turkmen gas being delivered to India and Pakistan via Afghanistan in 2018. Turkmenistan and Afghanistan have also signed a MoU for cooperation in the gas sector, leaving the signing of a bilateral GSPA till negotiations on gas prices are concluded. The TAPI Road shows were held at Singapore, New York and London, 14 companies (7 International Oil Companies and 7 financiers) participated in the Road shows. No International Pipeline Company participated in the event. International Oil Companies expressed their desire to associate in the integrated project including equity investment in the upstream gas fields, bringing their own equity gas through TAPI pipeline. Financers expressed their willingness to finance the project with or without the participation of International Oil Companies. In view of no international oil company enhancing interest in the TAPI project without an upstream stake in Turkmenistan, the Steering Committee meeting held after the road shows recommended formation of a Special Purpose Vehicle, i.e., TAPI Limited with participation of one company from each of the four countries. The Special Purpose Vehicle was envisaged to carry forward pre-project activities and to find an appropriate consortium lead for the project.

The Government has since approved the proposal "Formation of SPV (TAPI Limited) for the TAPI Pipeline Project and to permit GAIL India Ltd. to join the SPV".

**Iran-Pakistan-India (IPI) Gas Pipeline Project** has been under discussion with the Governments of Iran and Pakistan. 60 MMSCMD of gas is proposed to be supplied in Phase-I, to be shared equally between India and Pakistan. In Phase-II 90 MMSCMD of gas is envisaged to be supplied. Several rounds of discussions have taken place, involving the India-Pakistan-Iran Joint Working Group (JWG), India-Pakistan JWG and the India-Iran Special JWG. The matter has also been discussed at the Ministerial level. Several critical issues, viz., the delivery point of Iranian gas, the project structure including project finance, guarantees related to safety of the pipeline and security of supply, pricing of gas, location of international seat of arbitration, etc are yet to be resolved".



7. The Committee from the Ministry's reply observe that TAPI project is progressing well and proposal has been initiated for formation of SPV (TAPI Ltd.) to carry forward pre-project activities and to find an appropriate consortium for the project. However the Committee are disappointed to note that IPI project has not progressed much due to various critical issues remaining unresolved. Given the significance of these projects, the Committee desire that MoP&NG should diligently pursue these international pipeline projects and must strive for removal of all stumbling blocks in their implementation.

### Recommendation No. 6

#### Gas Allocation to CGD Sector

8. The Priority for gas allocation is being decided by Empowered Group of Ministers (EGoM) under gas Utilization Policy 2008, as per the demand and importance of the sector. The City Gas segments has been placed at 4<sup>th</sup> position of this priority list after Fertilizer, LPG and Power Sectors. The Committee note that CGD received about 4% i.e. 5.34 MMSCMD of natural gas out of 120 MMSCMD produced in the country during 2010-11. The Committee feel that taking into account the low requirement of natural gas by CGD network compared to other sectors like fertilizer and power which consume 75% of the total gas production coupled with large benefits that accrue from use of CGD, this sector should be given higher priority so that it get assured supply of gas.

The Committee further note the total demand of CGD sector of 15.83 MMSCMD, about 45% i.e. 6.227 MMSCMD was met through imported RLNG. Taking into consideration the rapid growth of CGD at 39.4% in 201011, with another 201 cities expected to be covered by 2015, the demand of natural gas is expected to escalate in future. The Committee, therefore, desire that the quantum of gas allocation to CGD sector should increase considerably in tune with the growth of the sector.

9. The Ministry of Petroleum and Natural Gas submitted the following reply in this regard:

“CGD occupies fourth position in the allocation priority. Accordingly,CGD sector has so far been allocated 11.71 Million Standard Cubic Meters per Day (MMSCMD) of domestic natural gas (9.26 MMSCMD on firm basis and 2.45 MMSCMD on fall-back basis). During the year 2011-12, CGD sector consumed 7.53 MMSCMD of domestic natural gas and around 8 MMSCMD of RLNG. The gas is allocated as per the availability and gas allocation policy”.

10. The Committee note that in response to their recommendations for increased gas allocation to CGD sector, the Ministry has informed that gas for CGD sector occupies fourth position in the priority and is allocated as per the availability and gas allocation policy. The reply is however, silent on action taken/proposed by MoP&NG to seek increased gas allocation for CGD projects given the low requirement of gas for the sector and large benefits that accrue therefrom. The Committee, therefore, reiterate their recommendation of giving increased allocation to CGD sector and urge Ministry to take up the issue at appropriate level as large number of people will be directly benefited as also the subsidy on domestic LPG can be contained.

#### **Recommendation No.7**

##### **Gas Allocation to Entities**

11. The Committee note that the total APM gas allocated under the gas Utilization policy for CGD sector was around 5.34 MMSCMD in 2010-11 which in turn was allotted to the 21 entities. Rest of the requirement of gas was met by entities through imported RLNG.

The Committee note that the percentage of APM gas allotted to the gas entities varies from 0% to 100%. While IGL and MGL were allotted 78% of its requirement from APM gas, other entities like GGCL were allotted less than 10%. It appears to the Committee that there is no specific criteria being followed in allocation of gas to these gas entities. The Committee desire that there should be a rationale in allocating gas to entities and recommend Ministry to evolve the criteria for this purpose as more entities may seek allocation once CGD network is expanded to more cities as per Vision 2015.

12. In response, the Ministry of Petroleum and Natural Gas has submitted the following:

“The domestic gas is allocated to the entities based on availability of gas and gas utilisation policy and readiness to consume gas in a transparent manner. As per current gas allocation policy, CGD for transport and domestic sector occupies forth priority after, fertilizer, LPG and power sector. All allocations are being made in accordance with this policy. So far around 9.46 MMSCMD gas has been allocated on firm basis and 2.35 MMSCMD on fall back basis to various CGD entities including IGL & MGL based on the availability, demand and readiness to consume from time to time”.

13. While observing that the absence of specific guidelines regarding the percentage of APM gas to be allotted to the gas entities engaged in CGD network was leading to inequitable distribution of APM gas among the CGD entities, the Committee had therefore, desired the Ministry to evolve a fixed criteria for this purpose.

The Action Taken reply furnished by MoP&NG have not replied to the specific recommendations of the Committee and merely mentioned that allocation to these entities are based on the criteria of the availability of gas and gas utilization policy and readiness of entities to consume gas from time to time. The Committee are not satisfied with the reply as it has failed to show any guidelines being followed in APM gas allocation to CGD entities. Hence the Committee reiterate that Ministry should come out with specific guidelines on the issue for equitable allocation of APM gas to different CGD entities keeping in view the huge planned expansion of CGD network in coming year.

### **Recommendation No.9**

#### **Regulation of PNG/CNG prices**

14. The Committee note that the prices of PNG/CNG are being fixed by entities operating the CGD Projects and do not seek approval from PNGRB or Government while fixing / revising their prices.

The Committee further note that PNGRB being the regulator of the hydro-carbon sector has been mandated under Section 11 (f) PNGRB Act to monitor prices of notified petroleum, petroleum products and natural gas and take corrective action in cases of Restrictive Trade Practices. However, as informed by the Ministry, under Section 2(zc) of the Act CNG/PNG have not been notified Section 11 (f) is not currently applicable.

The Committee feel that CNG being an important fuel in the transportation sector and PNG for domestic, commercial and industrial customers, any revision of prices in CNG/PNG will have spillover effect to the other sectors of the economy. The Committee also observe that CNG / PNG are supplied by single entity in the cities. In the absence of competition, the entity should not take advantage and revise prices arbitrarily. Therefore, the Committee are of the view that regulation of gas prices is desirable as on the lines of other sectors namely Power.

The Committee are of the strong view that PNGRB being the regulator of the

sector should be entrusted with the fixing or regulating the prices of *CNG/PNG* being sold in different cities by various entities. The Committee therefore recommend that Ministry should take immediate steps to notify Section 11 (f) of PNGRB Act so as to empower the natural gas sector to fix or approve pricing of *PNG/CNG*.

15. The Ministry of Petroleum and Natural Gas submitted the following reply in this regard:

“The retail price of CNG in any city is fixed by the concerned City Gas Distribution (CGD) Company operating CGD network in the respective city. The CGD entities use a varying mix of domestic gas, and imported RLNG under long term/ spot purchase. The price of CNG is a function of the weighted average of the price of gas (domestic gas/ RLNG/ Spot LNG), operating expenses, various Central, State and local taxes and levies. There is no proposal for Amendment in Section 11 (f) of PNGRB Act”.

**16. As CNG/PNG do not come under notified petroleum products category, the Committee had recommended that Section 11(f) of PNGRB Act be notified so as to empower PNGRB to regulate gas prices and to have supervision over the power enjoyed by CGD companies in fixing retail prices of CNG/PNG.**

In its reply, the Ministry has tersely stated that the price of CNG is fixed by concerned CGD companies and there is no proposal for amendment of sec (11)(f) without replying to the concerns of the Committee on the need for regulating gas pricing and making it more transparent. The Committee find it surprising that retail prices of CNG/PNG have been left at the discretion of the companies operating entirely in a non competitive market, without even having any need for approval whatsoever. Further when PNGRB Act has enabling provisions for monitoring prices of natural gas by PNGRB, but for reasons not explained, the same has not been notified rendering the provision to remain only on paper. The Committee strongly object to the lackadaisical attitude of MoP&NG in this regard and reiterate its recommendation for notifying Section 11(f) of PNGRB Act so as to bring the price regulation of CNG/PNG to safeguard the interest of consumer.

**Recommendation No.13**

**PNG Coverage in Delhi/NCR region**

17. The Committee note that in the NCR region CGD network is being handled by IGL, a joint venture of GAIL, BPCL and Delhi State govt. The Committee also note that PNGRB has divided Delhi into 70 charge areas corresponding to 70 assembly constituencies. However, IGL network is present in only 55 charge areas in Delhi region and IGL plans to cover all 70 charge areas in 2012-13. While expressing unhappiness that though IGL had started operation in Delhi as early as in 1998, the entire Delhi region is still not connected by IGL network, the Committee recommend that all the remaining 15 charge areas in Delhi should be expeditiously covered. The Committee further desire that in NCR regions PNGRB should finalize the charge areas at the earliest to enable IGL to expand the service to households in these areas.

The Committee also further note that 2.63 lakh connections have been released in Delhi which is about covering 33% of the household. The Committee are constrained to observe that the progress achieved in the last 15 years is very modest as more than 67 % of the household still remain uncovered by PNG connections. The Committee, therefore, recommend that the Ministry/ IGL should quicken the expansion of household connection to uncovered areas in Delhi and strive to achieve 100% connection in areas where IGL Network is already in place.

18. In response, the Ministry of Petroleum and Natural Gas has submitted the following

PNGRB has divided Geographical Area (GAs) of NCT of Delhi into 70 Charges Areas (CAs) corresponding to 70 constituencies of Delhi State Legislature for expansion of IGL network into all parts of city. IGL's total pipeline network in Delhi currently exists in 61 CAs. IGL's MDPE pipeline network currently covers 50 CAs and at this stage work pipeline has been laid and gas charging is in progress in another 2 CAs where the process of providing connections is expected to commence shortly. Simultaneously, IGL has been expanding its PNG services into newer colonies/areas in these CAs. The progress of spread into balance CAs has been affected due to delay in getting permissions from authorities and due to difficulties encountered in determining technically feasible route of pipelines. Work is expected to be started in balance charges areas in FY 2013-14 subject to technical feasibility and availability of permission from concerned land owning agencies.

Further, expansion of PNG network into any area/colony is undertaken with an objective to offer PNG connections, subject to technical feasibility, to all the residents of the area. Since availing a PNG connection is voluntary on

the part of residents of such areas where PNG services are available, regular registration campaigns are undertaken to increase the penetration of PNG in covered areas. Besides the regular campaign, customers are also offered various options of approaching IGL through customer portal, e-mail, call centre etc to register their request for PNG connections and not all units or an area/colony of residential units are technically feasible on safety grounds. The drive to increase this number is a continuous process. Further IGL is working to extend its PNG network into all technically feasible areas of NCT of Delhi by 2017—18.

IGL has provided 3.65 Lakh PNG connections in NCT of Delhi till February 1, 2013 and it is planned to provide another approximate 65000 domestic connection in FY 2012-13 & 2013-14.

**19. The Committee observe from the Action Taken reply that CGD coverage to uncovered charge areas of NCT Delhi is progressing slowly due to delay in getting permission from authorities and difficulties encountered in determining technically feasible routes. It has been further stated that IGL is working to extend its PNG network to all technically feasible areas of NCT Delhi by 2017-18. The Committee express their dissatisfaction over the slow pace of the progress achieved in the project. As main pipeline network is already in place in Delhi, the inordinate delay in covering whole of the city by PNG connections is not acceptable. The Committee, therefore, reiterate that IGL should quicken the expansion of PNG connections to all the uncovered area in Delhi NCT within a definite time frame.**

**CHAPTER II****RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN  
ACCEPTED BY THE GOVERNMENT****Recommendation No.1****CGD Coverage**

The Committee note that use of natural gas as fuel for city energy purposes has considerable advantage over traditional fuels as it is cleaner, more efficient, convenient and safe. The Government is promoting City Gas Distribution (CGD) projects in a phased manner which comprises providing piped natural gas (PNG) to domestic, commercial and industrial consumers and compressed natural gas (CNG) to transport sector. It is currently operational in 77 cities and Government has formulated Vision 2015 which envisages CGD network to cover another 201 cities by 2015.

The Committee also note that the infrastructure for the project namely the trunk and other pipelines will be traversing through the major cities of the country. The Committee are of the opinion that instead of limiting the CGD project to 201 cities as per VISION 2015, the people living in small towns and thickly populated villages which are on the route of the pipelines should also be extended the benefits of the project. This in the Committee's view will make the inclusive and equitable growth a reality for the rural households. The Committee desire that suitable incentives be given by the Government to the entities and the consumers in the rural areas to opt for PNG and CNG for their requirements

The Committee further note that use of CNG for transportation and PNG for household in cities envisages replacing use of liquid fuels and thereby saving on subsidies being given to diesel and domestic LPG cylinders. As the price of CNG/PNG is lower than the price of petrol, subsidized diesel and LPG, the consumers will also benefit from lower costs. Also the cleaner environment is additional benefit. Since the gains could be manifold, the Committee recommend that the Ministry should conduct a study to arrive at a cost benefit analysis of the CGD project. The Committee further desire that a similar study for use of CNG/PNG piped gas in rural area may also be conducted taking into account the price advantage to farmers and environmental benefits that will accrue there from by avoidance of felling of trees and use of unclean fuel.

**REPLY OF THE GOVERNMENT**

Based on the Expressions of interest (EOI) submitted to the Board and on

Suo Moto basis depending on the natural gas pipeline connectivity/ availability, PNGRB has envisaged a roll out plan of CGD network development in several Geographical Area (GAs) covering more than 300 cities/towns in various States. Depending upon the natural gas pipeline connectivity/ availability, PNGRB includes GAs in bidding rounds for grant of authorization for development of CGD networks. In order to ensure that the rural areas also get benefits of CNG and PNG, PNGRB has been considering the entire district, which includes rural areas also, as the GA for development of CGD network based on the requests made by various State Governments.

PNGRB grants authorization for development of CGD networks through competitive bidding process as per the provisions of the Petroleum and Natural Gas Regulatory Board Act, 2006 and the Regulations notified there under. Based on the past experience, PNGRB has undertaken the process of review of the bidding criteria. Moreover, before taking part in the bidding process, the entities are expected to conduct feasibility study of the CGD project in the GAs under bidding before and then they participate in the bidding. The viability of a CGD project depends on the demand potential available in four segments such as industrial, commercial, domestic and transport sectors. The Government has noted the suggestion for conducting studies and it would consult Ministry of Environment & Forest on the studies from environment perspective and decide accordingly. It may be noted that expansion of the CGD network is dependent on availability of natural gas, specially domestic gas, which is constrained at present. CGD networks are at priority 4 under the current gas utilization policy, with fertilizers (Urea) at priority 1, LPG at priority 2 and power at priority 3.

**Ministry of Petroleum & Natural Gas  
O.M. No. L-15016/5/2012-GP Dated-02.04.2013**

**Recommendation No.2**

**Notification of Section 16 of PNGRB Act**

The Committee note that the PNGRB Act, 2006 notified on 1.10.2007 inter alia provides legal framework for development of CGD network. However Section 16 of the Act pertaining to authorization for laying, building etc. of pipeline was not notified with the Act. The Committee are unable to understand the reason for not notifying a crucial section which led to unnecessary court cases questioning the functioning of PNGRB and challenging the authorization given by the Board to the entities. This



resulted in stalling of bidding process for allocation of CGD projects. The Committee have now been informed that Section 16 have been notified on 12.7. 2010 and the Hon'ble Supreme Court vide order dated 12.5.2011 allowed the Board to grant authorization. While expressing strong disapproval on the delay on the part of the Ministry, the Committee desire that the PNGRB should now quicken the pace of authorization and award licenses on priority.

The Committee are unhappy that the Ministry and the PNGRB are at loggerheads on various issues thereby affecting the implementation of CGD Projects. In this connection, the Committee would also like the Ministry and PNGRB to work in a constructive way for timely implementation of CGD projects rather being antagonistic for achieving same objectives.

### **Reply of the Government**

With the notification of Section 16 by MOP&NG, the issue of PNGRB not having power to grant authorization has got resolved and the Board had also commenced the CGD bidding process. However, the Board has had to withhold the bidding process due to several representation received about irrational bidding because of which, it has undertaken the process of review of bidding criteria and will resume the bidding process after this process is completed.

**Ministry of Petroleum & Natural Gas**  
**O.M. No. L-15016/5/2012-GP Dated-02.04.2013**

### **Recommendation No.4**

#### **LNG Regasification Capacity**

The Committee have been given to understand that consequent to Government decision of putting LNG under Open General License, the import of LNG is being pursued diligently to give necessary fillip to the gas supply. The Committee observe that present LNG regasification capacity of country stands at 13.6 MMTPA, comprising of 10 MMTPA at Dahej and 3.6 MMTPA at Hazira of Petronet LNG Limited (PLL). Government has set a target to augment this capacity to the level of 50 MMTPA by the year 2016-17, by undertaking successive capacity additions in the existing LNG terminals capacities of Hazira and Dahej and also by installing new terminals at Kochi, Ennore, Mundra and at the eastern coast. The Committee while expressing satisfaction over the proposed targets, recommend that Government should closely monitor the progress to ensure adherence to the planned target.

**Reply of the Government**

The Government has notified the PNGRB (Eligibility conditions for registration of LNG Terminal) Rules 2012 under section 15 (1) and 60 (2)(e) of the PNGRB Act vide notification dated 30 October, 2012. The PNGRB shall now be able to register entities desirous of establishing or operating a LNG terminal satisfying specified eligibility conditions and monitor the same. A copy of the notification dated 30 October, 2012 is attached as Annexure-I.

**Ministry of Petroleum & Natural Gas  
O.M. No. L-15016/5/2012-GP Dated-02.04.2013**

**Recommendation No.5**

**LNG Import**

The Committee note that to meet the shortfall in the domestic supply of natural gas, LNG is being imported from different countries through long term contracts or by spot LNG purchases. However, there occurs considerable difference in the prices of gas when purchased under these two modes. The Committee note that the Government has long term contract to supply LNG at \$7.49 per MMBTU, while for spot purchases the entities are paying around \$14 per MMBTU. The Committee, therefore desire the Government to seriously strive to secure long term LNG contracts by locating potential suppliers which will not only reduce the outgo of foreign exchange, but also result in assured supply of gas.

**Reply of the Government**

As on date the available regasification capacity is 13.6 MMTPA (10 MMTPA at Dahej terminal of Petronet LNG Limited (PLL) and 3.6 MMTPA of Hazira LNG Pvt. Ltd. (HLPL), Hazira). The regasification capacity of Dahej terminal of PLL is expected to reach 15 MMTPA by 2015-16 and that of HLPL Hazira to 5 MMTPA by 2015-16. PLL is also adding 5 MMTPA regasification capacity at its upcoming Kochi Terminal. The Dabhol LNG Terminal has been commissioned with an initial regasification capacity of 1.2 MMTPA which will subsequently increase to 5 MMTPA. PLL has entered into a 20 year contract with Mobil Australia Resources Company Pvt. Ltd. (a subsidiary of Exxon Mobil) from its Gorgon project in Australia for supply of 1.44 MMTPA of natural gas, to commence from 2014. GAIL has entered into medium term contract with Marubeni for 0.25 MMTPA of LNG and supplies have already commenced. In addition, GAIL has signed a long term agreement with Sabine Pass Liquefaction LLP for supply of 3.5 MMTPA LNG from Sabine Pass terminal on FoB basis. The commencement of the supply is expected to start from 2016-17. Further, Oil Companies, such as GAIL (India) Ltd., Indian Oil Corporation Ltd., (IOCL), GSPC

and PLL have entered into an agreement with Gazprom Marketing & Trading Singapore (GM & TS) for long term LNG supplies. Based on demand-supply the companies continue to scan the RLNG market and enter into import deals, both short & long term.

**Ministry of Petroleum & Natural Gas**  
**O.M. No. L-15016/5/2012-GP Dated-02.04.2013**

**Recommendation No.8**

**Pricing of PNG/CNG**

The Committee note that the gas entities source their gas requirement from APM gas allocated to them and through imports. The percentage of APM gas and RLNG in the total consumption determines the price of natural gas charged by entities to its customers. The Committee have been informed that the landed cost of APM gas is Rs 8.70 per SCM while the landed cost of RLNG is Rs 22.77 to 36.75 per SCM.

The Committee note that IGL gets 78% of its requirement from APM gas and sources 17% of its requirements by R-LNG imports. The retail price charged by IGL to domestic household in Delhi is under two slabs namely Rs 22 per SCM upto consumption of 30 scm in two months and Rs 34 for above this consumption. As against this, GSPL Gas which operates in Surat, Bharuch and Ankhaleshwar sources 100% of its requirements through import of R-LNG and charges Rs 17.495 per scm from its customers.

The Committee fail to understand as to how IGL which is allotted 78% of its gas requirements from APM Gas which is much cheaper as compared to RLNG charges a higher price from its customers as compared to GSPL which meets its entire requirements through Imports. On the same count, the Committee are also not convinced of the reasoning by IGL for differential pricing of PNG charged by them. The Committee therefore would like to be apprised in the variation of prices by the two entities and justification for differential pricing by IGL in Delhi.

The Committee understand that Ministry is considering a report on uniform pricing of gas submitted by GAIL and holding consultations with various stakeholders. The committee desire that Ministry should move forward on this issue at the earliest.

**Reply of the Government**

IGL has a firm APM allocation of 2.0 mmscmd for natural gas in Delhi, out of which 1.9 mmscmd i.e. 95% is for supply as CNG to the transport sector. Only 0.1 mmscmd is available to IGL for supply as domestic PNG, which forms only 5% of total firm APM allocation for Delhi.

As of July 2012, nearly 71% of IGL's overall gas requirement of 3.76 mmscmd was met through APM, while the balance 29% was met through imported RLNG. The APM allocation to IGL towards domestic PNG in Delhi is only 0.1 mmscmd, which forms only 2.6% of IGL's overall gas requirement of 3.76 mmscmd.

Based on consumption pattern, it is estimated that the daily average PNG consumption per household for an average family size is approximately 0.5 scm. Over the period, the total cost to serve domestic PNG customers including the gas cost has increased substantially due to depreciation of Rupee vis-vis US dollar and addition of new domestic PNG customers resulting in increase in volumes with firm APM allocation for domestic PNG in Delhi remaining constant at 0.1 mmscmd.

As regards the report of the Inter-ministerial committee to formulate a policy for pooling of natural gas & devise pool operating guidelines to make the policy operational, the scheme of pooling has not been implemented due to several operational difficulties.

**Ministry of Petroleum & Natural Gas  
O.M. No. L-15016/5/2012-GP Dated-02.04.2013**

**Recommendation No.10**

**Declared Goods Status to Natural Gas**

The Committee note that the Central & State taxes alongwith Octroi are levied to arrive at the retail price of CNG/ PNG. There is however a large variation in state taxes on CNG/ PNG . This is highlighted by the price of CNG at Delhi and Noida which is supplied by the same entity viz. IGL. Due to difference in VAT (Delhi – 0%, U.P. 13.5%) the price at two places is Rs. 32 per K.G. and Rs.35.9 per K.G. respectively.

The Committee observe that to remove this disparity, MoP&NG had separately taken up the matter with Ministry of Finance for granting declared goods status to Natural Gas, The Committee desire that the Ministry should vigorously pursue with the Government to get the Declared Goods Status for Natural Gas and Committee be apprised of the progress.

The Committee further note that CGD sector does not get tax holiday under Section 80 I-A of Income Tax Act. 1961 . The Committee feel that CGD projects should be treated as an important infrastructure project and In order to give fillip to investments in this sector, they recommend that MOPNG may take up with Ministry Of Finance to get the benefit of tax holiday under Section 80 I-A of Income Tax Act 1961 .

### **Reply of the Government**

The MoP&NG has supported Declared Goods status to PNG/RLNG due to their importance in the economic development of the country and also due to its being clean and safe source of energy. Ministry of Finance, Department of Revenue has informed MoP&NG that revenue forgone has been climbing significantly as a result of various exemptions, deductions and other tax incentives in the direct tax legislation. Under the scheme of the Income Tax Act, incentives for businesses have been largely profit-linked. This has had the effect of eroding the tax base. Profit-linked deductions are inherently inefficient, resulting in revenue loss and are also liable to misuse. Therefore, profit-linked deductions are being phased out. It is the stated policy of the Government to have a moderate tax regime and at the same time phase-out profit-linked deduction in the direct tax legislation to ensure that all sectors contribute to direct taxes. Accordingly, an attempt has been made to weed out profit linked deductions or allow them to sunset and also not to extend the nature or scope of these deductions in the legislation. Therefore, in the light of the policy of the government in respect of profit linked deductions, it is not feasible to extend the scope of profit linked deductions under Section 80 IA to include City Gas Distribution Projects, as infrastructure facility for availing tax holiday under the section.

**Ministry of Petroleum & Natural Gas  
O.M. No. L-15016/5/2012-GP Dated-02.04.2013**

### **Recommendation No.11**

#### **Laying of Infrastructure**

The Committee find that gas trunk pipelines are being laid across the country under National Gas Grid project to transport gas and spur lines from these trunk pipelines are being drawn to take gas to customer's household. As per PNGRB data for the year (2010-11) the country is having pipeline infrastructure of 11,404 kms. with carrying capacity of 288 MMSCMD. The upcoming network includes 14 trunk pipelines under operation of GAIL, RGTIL and GSPL which will increase the length to 14,531 kms and designed capacity to 425.55 MMSCMD..

The Committee have been given to understand that work on these pipelines is going as per schedule except in the Haldia- Jagdishpur Pipeline authorized to GAIL. The Committee are unhappy to note that there has not been much progress in this pipeline , though it was approved in July 2009 with completion schedule of 36 months . The roadblock is the Kakinada-Haldia Pipeline stretch authorized to RGTIL which is the gas conveying segment for transporting gas from KG-D6 field to Haldia-Jagdishpur line. The work on this line has not started yet as according to the Ministry, RGTIL has cited insufficiency of gas from KG-D6 basin to feed this pipeline.

The Committee are of the strong view that National Gas Grid is central to development of gas distribution networks in the country and it is essential that the completion schedule of these trunk pipelines should be strictly adhered to. The laying of infrastructure or any part thereof should not be linked to availability of gas as the same can be sourced from international market too. The Committee expresses their unhappiness on the delay on the part of RGTIL which has delayed the laying of important trunk pipeline thus adversely affecting the national gas grid, In this connection, the Committee have also been informed by PNGRB that in letters of approval to RGTIL, the implementation schedule was indicated as 36 months from the date of first notification granting Right of Use (ROU) under Petroleum Mineral Pipelines Act, 1962 which has made the implementation of these pipelines open-ended. While holding the Ministry responsible for this, the Committee recommend that Government should ensure completion of this pipeline in a time bound manner.

### **Reply of the Government**

The authorization of the following four natural gas pipelines of Reliance Gas Transportation Infrastructure Limited (RGTIL) have been rescinded with effect from 24.09.2012 for non-submission of Bank Guarantee and non completion of pipeline projects within the stipulated period:

1. Chennai- Bangalore – Mangalore Pipeline.
2. Chennai – Tuticorin Pipeline.
3. Kakinada – Basudebpur – Howrah Pipeline.
4. Kakinada – Chennai Pipeline.

2 In regard to Jagdishpur-Haldia natural gas pipeline, authorization for which was granted by MOP&NG to GAIL, GAIL has not yet requested MOP&NG for ROU notification under Section 3(l) of the Petroleum Minerals Pipeline Act, 1962. Delay in setting up fertilizer plants along this route has added to uncertainty regarding this pipeline.

**Recommendation No. 12**

**PNG Network**

The Committee are happy to note that under the CGD network 18,27,802 PNG connection, have been released in 10 states till 1<sup>st</sup> April, 2012. The largest number of benefitted consumers are in state of Gujarat having 9,45,258 connections released so far. However, large part of the country specially southern and eastern regions are not covered in the CGD network, where programme of gas distribution, through pipelines has still to take off. The Committee desire that the remaining states be also taken into the ambit of this facility by expediting the laying of trunk pipelines proposed under National Gas Grid so that CGD projects in the various states can also be implemented.

**Reply of the Government**

The Petroleum & Natural Gas Regulatory Board (PNGRB) established under the Petroleum and Natural Gas Regulatory Board Act 2006, grants authorization for City and Local Area Natural Gas Distribution Networks in accordance with the provisions of the said Act and the PNGRB (Authorizing Entities to Lay, Build, Operate or Expand City or Local Natural Gas Distribution Network) Regulations, 2008. PNGRB has envisaged a roll out plan of CGD network development through competitive bidding in more than 300 possible Geographical Areas (GA) in the country including 26 GAs in Gujarat over the next five years, on the basis of Expressions of Interest (EOI) invited by the Board or on suo moto basis. The development of City Gas Distribution network in a GA is based on, inter alia, the availability of natural gas through transmission pipelines in its vicinity. The authorized CGD entities issue PNG connections as a part of the CGD Network development in the respective GAs.

**Ministry of Petroleum & Natural Gas  
O.M. No. L-15016/5/2012-GP Dated-02.04.2013**

**Recommendation No. 14**

**Blocking of LPG connections**

The Committee find that till 1<sup>st</sup> April, 2012 City Gas Distribution Companies have released 18,27,802 PNG connections in 10 states and corresponding to this only 8,89,269 LPG connections, have been blocked by downstream oil companies. The huge backlog is reportedly being attributed to the lack of coordination between different companies involved in the process, namely the CGD entity releasing PNG connections and OMCs, who had distributed LPG connections to the consumer. The Committee are surprised that this important aspect had remained unattended and only recently that

MoP&NG has taken steps which include conducting regular meetings with OMCs and CGD entities for exchange of data on PNG connections released. The Committee note that due to steps taken by the Ministry there have been significant improvement in blocking of LPG connections whereby 2 lakh connections have been surrendered between November 2011 and April 2012. The Committee recommend that the steps taken by MoP&NG should be followed up regularly for early clearance of the remaining backlog.

### **Reply of the Government**

As per available information City Gas Distribution (CGD) Companies have released 21,53,267 PNG connections in the 10 States of the country as on 01.02.2013. The number of LPG connections blocked against these connections are 11,10,895.

In order to clear the remaining backlog of LPG connections, number of advertisement/ notices have been published by OMC's in the newspapers for larger public awareness exhorting persons who have obtained PNG connections to keep their LPG connections in safe custody. The safe custody provision allows them to avail the connection incase of their shifting/ transfer to a place which does not have PNG distribution network. Also, the PNG customers can transfer the LPG connection to their kin residing at a place not having PNG distribution and not already in possession of an LPG connection.

**Ministry of Petroleum & Natural Gas**  
**O.M. No. L-15016/5/2012-GP Dated-02.04.2013**

### **Recommendation No. 15**

#### **Clearances for laying CGD network**

The Committee note that City Gas Distribution entities engaged in laying of pipeline network, require clearances from various authorities before starting any pipeline laying/digging work. The Committee have been informed that these clearances are to be obtained from various State Governments, local civic authorities including municipal corporation, PWD, power companies and railways etc. The whole process usually takes several months and results in cost and time overruns on the projects. The Committee, however, are happy to note that PNGRB has taken slew of measures like creation of facility of single window clearance mechanism, creation of pipeline corridors, nomination of senior officer as the nodal officer, etc. to effectively handle the situation. Considering the benefits of simplified clearance process, the Committee strongly recommend Ministry / PNGRB to pursue the matter with adequate diligence with the respective State Governments to reduce delays in completing such works.



**Reply of the Government**

PNGRB has been emphasizing with the State Governments the need for notifying single window mechanism for avoiding delays in obtaining various approvals in implementation of CGD networks and pipeline projects by the authorized entities. The Board would continue to have meetings with the respective State Governments from time to time and impress the same upon them.

**Ministry of Petroleum & Natural Gas  
O.M. No. L-15016/5/2012-GP Dated-02.04.2013**

**Recommendation No.16**

**CNG Network**

The Committee note that presently there are 724 CNG Stations operating in 9 states of the country. While Delhi (216) and Mumbai (144) have adequate number of CNG Stations, most of the other cities where CGD is operational have very few CNG stations. The Committee feel, with sparse network of CNG Stations the people in these cities have not been able to get the full benefit of CNG for their requirement.

The Committee have been informed that existing petrol/diesel outlets are suitable for dispensing CNG and the same infrastructure could be utilized. In view of the above, the Committee recommend that Government should advise CGD entities / OMC'S to utilize the available infrastructure to increase the number of CNG stations so as to meet the demand in these cities.

**Reply of the Government**

CNG forms part of the City Gas Distribution (CGD) network. PNGRB grants authorization for development of CGD networks in specified Geographical Area (GAs) through competitive bidding process. The authorized entities set up CNG stations at different locations within the respective authorized areas based on techno-economic feasibility. While the authorized entities set up CNG stations within the respective authorized GAs as per their own commercial decisions, they have been setting up CNG dispensing facilities at retail outlets of the Oil Marketing Companies also. As requested by various State Governments, PNGRB has been considering entire district as a GA in the bidding rounds so that rural areas and all the roads including highways are also covered with CGD network/CNG Stations.

**Ministry of Petroleum & Natural Gas  
O.M. No. L-15016/5/2012-GP Dated-02.04.2013**

**Recommendation No.17**

**CNG Stations on highways**

The Committee note that there is an acute shortage of CNG stations along the highways causing hardships to commuters using CNG Vehicles on these highways. This situation cannot be remedied till the licenses are awarded to entities to operate CNG stations in the highways. However Committee are given to understand about GAIL's willingness to set up and operate CNG stations in these highways. The request of GAIL has not been agreed to by PNGRB since according to them the authorization rights without the right to set up CNG stations would appear less lucrative to the bidders and hence may feel reluctant to bid for these areas in future. As informed by the then Chairman PNGRB ,to remove this stalemate, Government is offering bigger geographical blocks covering also the highways and some guidelines pertaining to this are also in pipeline. The Committee recommend the PNGRB to expedite the issue of guidelines on highways to set up more CNG stations which will greatly address the grievances of commuters.

**Reply of the Government**

CNG forms part of the City Gas Distribution (CGD) network. PNGRB grants authorization for development of CGD networks in specified Geographical Area (GAs) through competitive bidding process. The authorized entities set up CNG stations at different locations within the respective authorized areas based on techno-economic feasibility. While the authorized entities set up CNG stations within the respective authorized GAs as per their own commercial decisions, they have been setting up CNG dispensing facilities at retails outlets of the Oil Marketing Companies also. As requested by various State Governments, PNGRB has been considering entire district as a GA in the bidding rounds so that rural areas and all the roads including highways are also covered with CGD network/CNG Stations. GAIL has recently submitted an approach paper/proposal for allowing setting up of CNG dispensing stations enroute natural gas pipelines, which is being examined and a decision in this regard would be taken by the PNGRB soon.

**Ministry of Petroleum & Natural Gas  
O.M. No. L-15016/5/2012-GP Dated-02.04.2013**

**Recommendation No.18**

**Functioning of PNGRB**

The Committee observe that clause (g) of sub Section (2) of Section 61 of Petroleum and Natural Gas Regulatory Board Act, 2006 empowers board to levy fee and other charges in accordance with notified regulations. But due to lack of clarity of the provision, the board is in dilemma regarding the utilization of funds generated by levying of fee and other charges and hence facing financial constraints. However, the Committee have been informed that PNGRB has requested Ministry of Petroleum and Natural Gas to clarify whether board can utilize the revenue so generated for meeting expenditure in addition to the fund received from Government as grant-in-aid. The Committee therefore, desire MOPNG to clarify regarding the utilization of funds and wish to be apprised of the same.

The Committee further note that one of the main bottlenecks being faced by PNGRB in way of gaining stability and establishing itself as an efficient oil/gas regulator is the problem of getting the required manpower with appropriate background and experience. The PNGRB has stated that Board has not been given flexibility and autonomy to decide the number and nature of the manpower and their compensation packages. The attempts of PNGRB have therefore, not attracted the persons with appropriate professional background and experience. Taking into account the rapid growth of the sector with another 201 cities to be covered by 2015, the Committee strongly urge Government to take remedial measures.

**Reply of the Government**

As per Section 10(2) of the PNGRB Act, 2006, the Board can determine the number, nature and categories of the officers and employees only with the approval of the Central Government. Further, as per Section 10(3) of the said Act, the Central Government prescribes the salaries and allowances payable to and the other terms and conditions of service of the Secretary, other officers and employees of the Board. The recommendations of the Committee are noted.

**Ministry of Petroleum & Natural Gas  
O.M. No. L-15016/5/2012-GP Dated-02.04.2013**

**CHAPTER III**

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE  
TO PURSUE

**NIL**

**CHAPTER IV**

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES  
OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

**Recommendation No.6**

**Gas Allocation to CGD Sector**

The Priority for gas allocation is being decided by Empowered Group of Ministers (EGoM) under gas Utilization Policy 2008, as per the demand and importance of the sector. The City Gas segments has been placed at 4<sup>th</sup> position of this priority list after Fertilizer, LPG and Power Sectors. The Committee note that CGO received about 4% i.e. 5.34 MMSCMD of natural gas out of 120 MMSCMD produced in the country during 2010-11. The Committee feel that taking into account the low requirement of natural gas by CGO network compared to other sectors like fertilizer and power which consume 75% of the total gas production coupled with large benefits that accrue from use of CGO, this sector should be given higher priority so that it get assured supply of gas.

The Committee further note the total demand of CGO sector of 15.83 MMSCMD, about 45% i.e. 6.227 MMSCMD was met through imported RLNG. Taking into consideration the rapid growth of CGO at 39.4% in 201011, with another 201 cities expected to be covered by 2015, the demand of natural gas is expected to escalate in future. The Committee, therefore, desire that the quantum of gas allocation to CGD sector should increase considerably in tune with the growth of the sector.

**Reply of the Government**

CGD occupies fourth position in the allocation priority. Accordingly,CGD sector has so far been allocated 11.71 Million Standard Cubic Meters per Day (MMSCMD) of domestic natural gas (9.26 MMSCMD on firm basis and 2.45 MMSCMD on fall-back basis). During the year 2011-12, CGD sector consumed 7.53 MMSCMD of domestic natural gas and around 8 MMSCMD of RLNG. The gas is allocated as per the availability and gas allocation policy.

**Ministry of Petroleum & Natural Gas**  
**O.M. No. L-15016/5/2012-GP Dated-02.04.2013**  
**Comments of the Committee**

(Please see Para No. 10 of Chapter-I)

**Recommendation No.7**

**Gas Allocation to Entities**

The Committee note that the total APM gas allocated under the gas Utilization policy for CGO sector was around 5.34 MMSCMD in 2010-11 which in turn was allotted to the 21 entities. Rest of the requirement of gas was met by entities through imported RLNG.

The Committee note that the percentage of APM gas allotted to the gas entities varies from 0% to 100%. While IGL and MGL were allotted 78% of its requirement from APM gas, other entities like GGCL were allotted less than 10%. It appears to the Committee that there is no specific criteria being followed in allocation of gas to these gas entities. The Committee desire that there should be a rationale in allocating gas to entities and recommend Ministry to evolve the criteria for this purpose as more entities may seek allocation once CGD network is expanded to more cities as per Vision 2015.

**Reply of the Government**

The domestic gas is allocated to the entities based on availability of gas and gas utilisation policy and readiness to consume gas in a transparent manner. As per current gas allocation policy, CGD for transport and domestic sector occupies forth priority after, fertilizer, LPG and power sector. All allocations are being made in accordance with this policy. So far around 9.46 MMSCMD gas has been allocated on firm basis and 2.35 MMSCMD on fall back basis to various CGD entities including IGL & MGL based on the availability, demand and readiness to consume from time to time.

**Ministry of Petroleum & Natural Gas  
O.M. No. L-15016/5/2012-GP Dated-02.04.2013  
Comments of the Committee**

(Please see Para No. 13 of Chapter-I)

**Recommendation No.9**

**Regulation of PNG/CNG prices**

The Committee note that the prices of PNG/CNG are being fixed by entities operating the CGO Projects and do not seek approval from PNGRB or Government while fixing / revising their prices.

The Committee further note that PNGRB being the regulator of the hydro-carbon sector has been mandated under Section 11 (f) PNGRB Act to monitor prices of notified petroleum, petroleum products and natural gas and take corrective action in cases of Restrictive Trade Practices. However, as informed by

the Ministry, under Section 2(zc) of the Act CNG/PNG do not come under notified petroleum products and hence Section 11 (f) is not currently applicable.

The Committee feel that CNG being an important fuel in the transportation sector and PNG for domestic, commercial and industrial customers, any revision of prices in CNG/PNG will have spillover effect to the other sectors of the economy.

The Committee also observe that in the cities CNG / PNG are supplied by single entity. In the absence of competition, the entity should not take advantage and revise prices arbitrarily. Therefore, the Committee are of the view that regulation of prices is desirable as on the lines of other sectors namely Power.

The Committee are of the strong view that PNGRB being the regulator of the sector should be entrusted with the fixing or regulating the prices of CNG/PNG being sold in different cities by various entities. The Committee therefore recommend that Ministry should take immediate steps to amend PNGRB Act in respect of Section 11 (f) so as to empower it to fix or approve pricing of PNG/CNG.

### **Reply of the Government**

The retail price of CNG in any city is fixed by the concerned City Gas Distribution (CGD) Company operating CGD network in the respective city. The CGD entities use a varying mix of domestic gas, and imported RLNG under long term/ spot purchase. The price of CNG is a function of the weighted average of the price of gas (domestic gas/ RLNG/ Spot LNG), operating expenses, various Central, State and local taxes and levies. There is no proposal for Amendment in Section 11 (f) of PNGRB Act.

**Ministry of Petroleum & Natural Gas  
O.M. No. L-15016/5/2012-GP Dated-02.04.2013**

### **Comments of the Committee**

(Please see Para No. 16 of Chapter-I)

### **Recommendation No.13**

#### **PNG Coverage in Delhi/NCR region**

The Committee note that in the NCR region CGD network is being handled by IGL, a joint venture of GAIL, BPCL and Delhi State govt. The Committee also note that PNGRB has divided Delhi into 70 charge areas corresponding to 70 assembly constituencies. However, IGL network is present in only 55 charge areas in Delhi region and IGL plans to cover all 70 charge areas in 2012-13. While expressing unhappiness that though IGL had started operation in Delhi as early as in 1998, the entire Delhi region is still not connected by IGL network, the Committee recommend that all the remaining 15 charge areas in Delhi should be

expeditiously covered. The Committee further desire that in NCR regions PNGRB should finalize the charge areas at the earliest to enable IGL to expand the service to households in these areas.

The Committee also further note that 2.63 lakh connections have been released in Delhi which is about covering 33% of the household. The Committee are constrained to observe that the progress achieved in the last 15 years is very modest as more than 67 % of the household still remain uncovered by PNG connections. The Committee, therefore, recommend that the Ministry/ IGL should quicken the expansion of household connection to uncovered areas in Delhi and strive to achieve 100% connection in areas where IGL Network is already in place.

### **Reply of the Government**

PNGRB has divided Geographical Area (GAs) of NCT of Delhi into 70 Charges Areas (CAs) corresponding to 70 constituencies of Delhi State Legislature for expansion of IGL network into all parts of city. IGL's total pipeline network in Delhi currently exists in 61 CAs. IGL's MDPE pipeline network currently covers 50 CAs and at this stage work pipeline has been laid and gas charging is in progress in another 2 CAs where the process of providing connections is expected to commence shortly. Simultaneously, IGL has been expanding its PNG services into newer colonies/areas in these CAs. The progress of spread into balance CAs has been affected due to delay in getting permissions from authorities and due to difficulties encountered in determining technically feasible route of pipelines. Work is expected to be started in balance charges areas in FY 2013-14 subject to technical feasibility and availability of permission from concerned land owning agencies.

Further, expansion of PNG network into any area/colony is undertaken with an objective to offer PNG connections, subject to technical feasibility, to all the residents of the area. Since availing a PNG connection is voluntary on the part of residents of such areas where PNG services are available, regular registration campaigns are undertaken to increase the penetration of PNG in covered areas. Besides the regular campaign, customers are also offered various options of approaching IGL through customer portal, e-mail, call centre etc to register their request for PNG connections and not all units or an area/colony of residential units are technically feasible on safety grounds. The drive to increase this number is a continuous process. Further IGL is working to extend its PNG network into all technically feasible areas of NCT of Delhi by 2017—18.

IGL has provided 3.65 Lakh PNG connections in NCT of Delhi till February 1, 2013 and it is planned to provide another approximate 65000 domestic connection in FY 2012-13 & 2013-14.

**Ministry of Petroleum & Natural Gas**  
**O.M. No. L-15016/5/2012-GP Dated-02.04.2013**  
**Comments of the Committee**

(Please see Para No. 19 of Chapter-I)



**CHAPTER V**

**RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH  
FINAL REPLIES OF THE GOVERNMENT ARE STILL AWAITED**

**Recommendation No.3**

**Demand and Availability of Gas**

The Committee note that against the demand of 279.43 MMSCMD of gas in 2011-12 by various sectors only 166.17 MMSCMD was available. To meet the shortfall, besides increasing domestic production through intensified exploration efforts and developing alternate sources of gas, it is envisaged to bring gas from gas surplus countries through transnational pipelines and import through LNG. The Committee has been informed that govt. is pursuing two transnational pipeline Project viz. TAPI (Turkmenistan - Afghanistan - Pakistan - India) and IPI (Iran - Pakistan India) having gas transporting capacities of 90 and 60 MMSCMD respectively. The Committee have been informed that for TAPI pipeline project, Gas Sale Purchase Agreement have been settled and bilateral negotiations are on with Turkmenistan for Gas pricing and with Pakistan and Afghanistan for finalizing transit fee. While expressing satisfaction over the developments in this project, the Committee desire that the government should maintain the pace of progress for early start of the project.

In case of IPI pipeline, the various issues relating to delivery point, structure of project in Pakistan, transportation tariff and transit fee have been discussed in bilateral talk with Pakistan in April- 2008. Further during the visit of Deputy Minister of Oil of Iran in November 2009 it was agreed to hold the next joint working group meeting at the earliest for discussion of IPI project. However, since then there has been no progress on the project. Noting that these projects would bring significant amount of gas in the country which will considerably ease the availability of the gas in the country, the Committee recommend for vigorously pursuing for the speedy settlement of the remaining issues, and for earliest start of these projects.

**Reply of the Government**

The Government is pursuing transnational gas pipelines such as the Turkmenistan-Afghanistan-Pakistan-India (TAPI) Gas Pipeline Project and the Iran-Pakistan-India (IPI) Gas Pipeline.

On 11<sup>th</sup> December, 2010 the four countries involved in the TAPI Gas pipeline project, signed an Inter-Governmental Agreement along with a Gas Pipeline Framework Agreement in Ashgabat, Turkmenistan. To accelerate the project, parties have formed the Minister level Steering Committee and Technical Working Group (TWG).

To settle various issues related to the Gas Sale Purchase Agreement (GSPA), bilateral and multilateral meetings have been held among the four countries and their gas companies participating in the Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline project. Regarding security & safety of the pipeline, suitable provisions have been made in the Inter-Governmental Agreement (IGA) and Gas Pipeline Framework Agreement (GPFA) signed by the Governments of Turkmenistan, Afghanistan, Pakistan and India in December 2010. On 23<sup>rd</sup> May, 2012 GAIL (India) Ltd. and Pakistan's Inter State Gas Systems signed their respective General Sales Purchase Agreements (GSPA) with Turkmenistan's state gas company Turkmen Gaz which envisages Turkmen gas being delivered to India and Pakistan via Afghanistan in 2018. Turkmenistan and Afghanistan have also signed a MoU for cooperation in the gas sector, leaving the signing of a bilateral GSPA till negotiations on gas prices are concluded. The TAPI Road shows were held at Singapore, New York and London, 14 companies (7 International Oil Companies and 7 financiers) participated in the Road shows. No International Pipeline Company participated in the event. International Oil Companies expressed their desire to associate in the integrated project including equity investment in the upstream gas fields, bringing their own equity gas through TAPI pipeline. Financers expressed their willingness to finance the project with or without the participation of International Oil Companies.

In view of no international oil company enhancing interest in the TAPI project without an upstream stake in Turkmenistan, the Steering Committee meeting held after the road shows recommended formation of a Special Purpose Vehicle, i.e., TAPI Limited with participation of one company from each of the four countries. The Special Purpose Vehicle was envisaged to carry forward pre-project activities and to find an appropriate consortium lead for the project.

The Government has since approved the proposal "Formation of SPV (TAPI Limited) for the TAPI Pipeline Project and to permit GAIL India Ltd. to join the SPV".

**Iran-Pakistan-India (IPI) Gas Pipeline Project** has been under discussion with the Governments of Iran and Pakistan. 60 MMSCMD of gas is proposed to be supplied in Phase-I, to be shared equally between India and Pakistan. In Phase-II 90 MMSCMD of gas is envisaged to be supplied. Several rounds of discussions have taken place, involving the India-Pakistan-Iran Joint Working Group (JWG), India-Pakistan JWG and the India-Iran Special JWG. The matter has also been discussed at the Ministerial level. Several critical issues, viz., the delivery point of Iranian gas, the project structure including project finance, guarantees related to safety of the pipeline and security of supply, pricing of gas, location of international seat of arbitration, etc are yet to be resolved.

**Ministry of Petroleum & Natural Gas  
O.M. No. L-15016/5/2012-GP Dated-02.04.2013  
Comments of the Committee**

(Please see Para No. 7 of Chapter-I)

**New Delhi;  
5 December, 2012  
14 Agrahayana, 1935 (Saka)**

**P.L.PUNIA,  
Acting Chairman,  
Standing Committee on  
Petroleum & Natural Gas.**



# भारत का राजपत्र The Gazette of India

असाधारण

EXTRAORDINARY

भाग II—खण्ड 3—उप-खण्ड (i)

PART II—Section 3—Sub-section (i)

प्राधिकार से प्रकाशित

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NEW DELHI, WEDNESDAY, OCTOBER 31, 2012/KARTIKA 9, 1934

पेट्रोलियम और प्राकृतिक गैस मंत्रालय

अधिसूचना

नई दिल्ली, 30 अक्टूबर, 2012

**सा.का.नि. 805(अ).**—देश में और ऊर्जा की बढ़ती हुई आवश्यकता तथा प्राकृतिक गैस पर्यावरणीय अनुकूल ईंधन की मांग सीमित घरेलू गैस उत्पादन के कारण तरल प्राकृतिक गैस टर्मिनलों के विस्तार को आवश्यक बनाती है ;

और उपभोक्ता हितों के संरक्षण के लिए तरलीकृत प्राकृतिक गैस टर्मिनलों को अनिवार्य रूप से वाणिज्यिक पारदर्शिता के अधीन और किसी उपभोक्ता जो देश में प्रचारित टैरिफ पर गैस आयात करने की वांछ रखता है, को अतिरिक्त सक्षमता का प्रतिबंध करने के लिए प्रतिबद्ध होना चाहिए ;

और ऐसे तरलीकृत प्राकृतिक गैस टर्मिनलों का प्रचालन करने की स्वतंत्रता तथा बृहत्तर लोकहित में उनके प्रचालन में साम्य पहुंच तथा पारदर्शिता के बीच संतुलन का सुनिश्चय करने की आवश्यकता है जिससे देश में तरलीकृत प्राकृतिक गैस की उपलब्धता का पोषण किया जा सके ;

और पेट्रोलियम और प्राकृतिक गैस विनियामक बोर्ड अधिनियम, 2006 (2006 का 19) की धारा 11 का खंड (क) तरलीकृत प्राकृतिक गैस टर्मिनलों की स्थापना या प्रचालन की वांछ रखने वाले निकायों के बीच

न्यायोचित व्यापार और प्रतिस्पर्धा के पोषण के माध्यम से उपभोक्ताओं के हित का संरक्षण करने का आदेश देता है ;

और उक्त अधिनियम की धारा 15 की उपधारा (1) यह परिकल्पना करती है कि तरलीकृत प्राकृतिक गैस टर्मिनलों की स्थापना या प्रचालन करने की वांछा रखने वाले निकायों को, पेट्रोलियम और प्राकृतिक गैस विनियामक बोर्ड को उक्त अधिनियम के अधीन उनके रजिस्ट्रीकरण के लिए आवेदन करने से पूर्व, पात्रता शर्तों को पूरा करने की आवश्यकता है ;

अतः, अब उक्त अधिनियम की धारा 60 की उपधारा (2) के खंड (ङ) के साथ पठित धारा 15 की उपधारा (1) द्वारा प्रदत्त शक्तियों का प्रयोग करते हुए केन्द्रीय सरकार निम्नलिखित नियम बनाती है, अर्थात् :-

**1. संक्षिप्त नाम, लागू होना और प्रारंभ -** (1) इन नियमों का संक्षिप्त नाम पेट्रोलियम और प्राकृतिक गैस विनियामक बोर्ड (तरलीकृत प्राकृतिक गैस टर्मिनल के रजिस्ट्रीकरण के लिए पात्रता शर्तों) नियम, 2012 है ।

(2) ये नियम उनके राजपत्र में प्रकाशन की तारीख को प्रवृत्त होंगे ।

**2. परिभाषाएं -** इन नियमों के जब तक कि संदर्भ से अन्यथा अपेक्षित न हो,-

(क) "अधिनियम" से पेट्रोलियम और प्राकृतिक गैस विनियामक बोर्ड अधिनियम, 2006 अभिप्रेत है ;

(ख) "बोर्ड" से अधिनियम की धारा 2 के खंड (च) में परिभाषित और धारा 3 की उपधारा (1) के अधीन स्थापित पेट्रोलियम और प्राकृतिक गैस विनियामक बोर्ड अभिप्रेत है ;

(ग) सभी अन्य शब्द और पद जो इन नियमों में प्रयुक्त हैं और परिभाषित नहीं हैं किन्तु अधिनियम में परिभाषित हैं, का क्रमशः वही अर्थ होगा जो उनका अधिनियम में है ।

**3. रजिस्ट्रीकरण के लिए पात्रता शर्तें -** (1) अधिनियम की धारा 3 की उपधारा (1) के अधीन पेट्रोलियम और प्राकृतिक गैस विनियामक बोर्ड की स्थापना की तारीख के पश्चात् किसी तरलीकृत प्राकृतिक गैस टर्मिनल की स्थापना या प्रचालन की वांछा रखने वाला कोई निकाय रजिस्ट्रीकरण के लिए

बोर्ड को आवेदन करने के लिए केवल निम्नलिखित शर्तों को पूरा करने पर ही पात्र होगा, अर्थात् :-

(क) रजिस्ट्रीकरण के पश्चात् सभी समय अपनी अप्रतिबद्ध पुनः गैसीकरण क्षमता (पांच वर्ष से कम संविदा) का बीस प्रतिशत या प्रतिवर्ष 0.5 मिलियन मिट्रिक टन प्रतिवर्ष (एमएमटीपीए), इनमें से जो भी उच्चतर हो, का सामान्य वाहन क्षमता के रूप में प्रस्ताव ;

(ख) पेट्रोलियम, पेट्रोलियम उत्पादों और प्राकृतिक गैस जैसा कि बोर्ड द्वारा प्रवृत्त विनियमों द्वारा विहित किया गया है जिसके अंतर्गत वे विनियम भी हैं जो तेल उद्योग सुरक्षा निदेशालय द्वारा विहित किए गए हैं, से संबंधित सुरक्षा मानकों सहित तकनीकी मानकों और विशिष्टियों का पालन ;

(ग) पेट्रोलियम और प्राकृतिक गैस विनियामक बोर्ड को, तरलीकृत प्राकृतिक गैस टर्मिनल की प्राक्कलित परियोजना लागत के एक प्रतिशत के बराबर या पच्चीस करोड़, जो भी कम हो, रकम की बैंक प्रतिभूति प्रस्तुत करना ।

[सं. एल-12018/6/2009-जीपी-II]

अरुणोदय गोस्वामी, अवर सचिव

MINISTRY OF PETROLEUM AND NATURAL GAS

NOTIFICATION

New Delhi, the 30th October, 2012

G.S.R. 805(E).—Whereas the growing energy needs and demand for natural gas green fuel in the country necessitates the expansion of liquefied natural gas terminals in view of the limited domestic gas productions;

And whereas 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 publicised tariffs;**

And whereas there is a need to ensure a balance between freedoms to operate such **liquefied natural gas 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;

And whereas clause (a) of section 11 of the Petroleum and Natural Gas Regulatory Board Act, 2006 (19 of 2006) mandates to protect the interest of the consumers by fostering fair trade and competition among the entities desirous of establishing or operating the **liquefied natural gas terminals**;

And whereas sub-section (1) of section 15 of the said Act envisages that the entities, desirous of establishing or operating **liquefied natural gas terminals**, need to fulfill the eligibility conditions **before** making an application to the Petroleum and Natural Gas Regulatory Board for their registration under the said Act;

Now, therefore, in exercise of the powers conferred by sub-section (1) of section 15 read with clause (e) of sub-section (2) of section 60 of the said Act, the Central Government hereby makes the following rules, namely:-

1. **Short title, application and commencement** :- (1) These rules may be called the Petroleum and Natural Gas Regulatory Board (Eligibility Conditions for Registration of Liquefied Natural Gas Terminal) Rules, 2012.

(2) These rules shall come into force on the date of their publication in the Official Gazette.

2. **Definitions** . - In these rules, unless the context otherwise requires,

(a) "Act" means the Petroleum and Natural Gas Regulatory Board Act, 2006;

(b) "Board" means the Petroleum and Natural Gas Regulatory Board defined in clause (f) of section 2 and established under sub-section (1) of section 3 of the Act;

- (c) all other words and expressions used in these rules and not defined, but defined in the Act, shall have the same meanings, respectively, assigned to them in the Act.

3. **Eligibility conditions for registration.**- (1) Any entity desirous of establishing or operating a **liquefied natural gas terminal after the date of establishment of the Petroleum and Natural Gas Regulatory Board under sub-section (1) of section 3 of the Act, shall be eligible to make an application for registration to the Board, only on fulfillment of the following conditions, namely:-**

- (a) 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 (MMTPA), whichever is higher, as common carrier capacity;
- (b) adhere to the technical standards and specifications including safety standards in activities relating to petroleum, petroleum products and natural gas, as prescribed by the Board by regulations, which are in force, including those prescribed by the Oil Industry Safety Directorate;
- (c) furnish a bank guarantee to the Petroleum and Natural Gas Regulatory Board for an amount equal to 1 per cent of the estimated project cost of the **liquefied natural gas terminal** or Rs. 25 crore, whichever is less.

[No. L-12018/6/2009-GP-II]

ARUNODAY GOSWAMI, Under Secy.

4191 GI/12-2



**MINUTES  
STANDING COMMITTEE ON PETROLEUM & NATURAL GAS  
(2012-13)**

**SIXTEENTH SITTING  
(20.08.2013)**

The Committee sat on Thursday the 20<sup>th</sup> August, 2013 from 1500 hrs. to 1645 hrs. in Committee Room 'C', Parliament House Annexe, New Delhi.

**PRESENT**

**Shri P.L. Punia - Acting Chairman**

**MEMBERS**

**LOK SABHA**

- 2 Shri Sudarshan Bhagat
- 3 Shri Baliram Jhadhav
- 4 Shri Somabhai G. Koli Patel
- 5 Shri Rao Saheb Danve Patil
- 6 Shri Dhananjay Singh

**RAJYA SABHA**

- 7 Shri Mansukh L. Mandaviya
- 8 Shri Sabir Ali
- 9 Shri Tapan Kumar Sen
- 10 Dr. Prabha Thakur

**SECRETARIAT**

1. Shri A.K.Singh - Joint Secretary
2. Smt. Anita Jain - Director
3. Shri H. Ram Prakash - Deputy Secretary

**Representatives of the Ministry of Petroleum & Natural Gas**

1. Shri Vivek Rae - Secretary
2. Shri Rajive Kumar - Additional Secretary
3. Shri Giridhar Aramane - Joint Secretary
4. Shri R.N. Choubey - DG, DGH

**Representatives of Public Sector Organisations/Other agencies.**

1. Shri Sudhir Vasudeva - CMD, ONGC
2. Shri S.K.Srivastava - CMD, OIL
3. Shri B. C. Tripathy - CMD, GAIL

2. In the absence of the Chairman, the Committee chose Shri P.L. Punia to chair the sitting under rule 258(3) of the Rules of Procedure and Conduct of Business in Lok Sabha.

3. At the outset, Hon'ble Chairman welcomed the Members. The Committee then considered the draft action taken Report on the subject 'City Gas distribution Projects' and adopted the same without any modifications. The Committee also authorised the Chairman to present/lay the above report in both the Houses of Parliament.

4. \*\*\*\*\*

5. \*\*\*\*\*

6. \*\*\*\*\*

7. \*\*\*\*\*

8. Verbatim record of the proceedings of the sitting has been kept.

***The Committee then adjourned.***

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***\*Matter not related to the subject.***

**Annexure III****(Vide Para 4 of the Introduction)**

*ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE THIRTEENTH REPORT (FIFTEENTH LOK SABHA) OF THE STANDING COMMITTEE ON PETROLEUM AND NATURAL GAS (2011-12) ON 'CITY GAS DISTRIBUTION PROJECTS'.*

I	<u>Total No. of Recommendations</u>	18
II	Recommendations/Observations which have been accepted by the Government  (Vide Recommendations at Sl. Nos. 1,2,4,5,8,10,11,12,14,15,16,17 and 18 ) Percentage to Total	13   72%
III	Recommendations/Observations which the Committee do not desire to pursue in view of Government's Reply  (Vide Recommendations at Sl. Nos. NIL)  Percentage of Total	Nil   Nil
IV	Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee  (Vide Recommendations at Sl. Nos.6,7.9 and 13)  Percentage of Total	4   22%
V	Recommendations/Observations in respect of which final replies of the Government are still awaited  (Vide Recommendation at Sl. Nos. 3)  Percentage of Total	1   6%