

OIL AND GAS REGULATORY AUTHORITY
54- B, Fazal-e-Haq Road, Blue Area,
Islamabad

Sub:- VIEWS OF THE MEMBER (GAS) IN RESPECT OF DETERMINATION OF ESTIMATED REVENUE REQUIREMENT FOR FY 2011-12:

In the meeting of the Authority held on 24.5.2011 in OGRA's committee room, the draft decision for Determination of Estimated Revenue Requirement (DERR) for FY 2011-12 was discussed/finalized. At the out set Member (Gas) brought to the notice of the Authority that the Authority had already allowed the income on account of Meter Manufacturing Profit (MMP), Late Payment Surcharge (LPS), Royalty from JJVL as non operating income and UFG at 7% per the decision on Review of Estimated Revenue Requirement (RERR) for FY 2010-11 in light of the interim decision passed by the hon'ble Lahore High Court in case of SNGPL, and therefore the same treatment be also meted out pending final decision of the hon'ble Court.

2. In view of the above decisions of the Lahore and Sindh High Courts, the Authority may not change its stance while giving decision on DERR for FY 2011-12 as it will be viewed with a pinch of salt by the stake holders as well as by the hon'ble Courts.

3. Member (Gas) noted with the concern that no impact assessment study of UFG has yet been carried out despite laps of a considerable time, results where of were to be presented before the hon'ble Lahore High Court. Further informed that treatment of LPS, MMP, Royalty from JJVL as operating income and UFG at as per targets of OGRA in DERR FY 2011-12 may be viewed as contradiction of the Orders passed by the Honourable High Courts as well as decisions of the Authority taken in case of determination of Final Revenue Requirement for FY 2009-10 of the two gas companies.

4. The Chairman was, however, of the view that the decisions of the High Courts relate to the ERR for FY 2010-2011 and are not applicable to the present year. However, Member (Gas) was of the opinion that since none of the factors mentioned in the orders of the hon'ble High Courts have changed, therefore, the Authority should not give a contra view to that of the High Court. The assessment studies were to be completed by the Authority within a period of 60 days from the decisions dated 2.12.2010 and since the same have not been completed to-date, my dissent indicated in my separate note to the decisions at 2.12.10 may now, therefore, be treated as my official position with reference to the decisions of ERR for FY 2011-2012. The Member (Gas) requested that the Authority should not deviate from the interim Orders passed by the Honourable High Courts and may continue to allow the LPS, MMP, Royalty from JJVL as non- operating income and UFG at 7% in DERR 2011-12 until final orders of hon'ble Courts.

5. For the reasons stated above I cannot agree with the decision of the Authority to the extent of UFG benchmark and treatment of non-operating income. However, I have signed the DERR FY 2011-12 for approving the matters not covered in the instant dissent note.

(MANSOOR MUZAFFAR ALI)
Member (Gas)
27.05.2011

Worthy Chairman, OGRA

Honourable Vice Chairman/Member (Finance)

SED(Gas)/SED(F)/Registrar

PSO to Hon'ble Minister for Petroleum & NR