

Case No. OGRA-6(2)-1(TT)/2023

IN THE MATTER OF  
SUI NORTHERN GAS PIPELINES LIMITED  
DETERMINATION OF TRANSPORTATION TARIFF OF TRANSMISSION AND  
DISTRIBUTION SYSTEM, FY 2022-23

UNDER

OGRA GAS (THIRD PARTY ACCESS) RULES, 2018 AND  
PAKISTAN GAS NETWORK CODE

DECISION

December 9, 2024

Before:

Mr. Masroor Khan, Chairman

Mr. Zain-ul-Abideen Qureshi, Member (Oil)

Mr. Mohammad Naeem Ghouri, Member (Finance)



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Plot No. 37 & 39, Mauve Area, G-10/4, Islamabad

پلاٹ نمبر 37 & 39، ماؤ ایریا، جی ٹین فور، اسلام آباد



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**Determination of Transportation Tariff for FY 2022-23**  
**Based on Rule 2(1)(cc), Rule 3(3), Schedule-I of TPA Rules 2018 &**  
**Article 25.6(a) and 25.6 (b) of Pakistan Gas Network Code**



**1. Background**

- 1.1. Sui Northern Gas Pipelines Limited (the petitioner) is OGRA's licensee for the regulated activities of construction and operation of gas transmission and distribution pipelines and sale of natural gas. The petitioner is also engaged in transportation and sale of RLNG in the light of Federal Government's policy guidelines.
- 1.2. The petitioner has filed the petition on June 22, 2023 based on Review of Estimated Revenue Requirement (RERR) for determination of transportation tariff for FY 2022-23 (the said year) under OGRA Gas Third Party Access Rules, 2018 (TPA Rules) read with Pakistan Gas Network Code (PGNC). The petitioner has submitted that tariff working for both Transmission and Distribution system is based on Rule 2(1)(cc), Rule 3(3), Schedule-I of TPA Rules and worked examples as provided in Article 25.6(a) and 25.6(b) of PGNC.
- 1.3. The petitioner later requested to make necessary amendment in Article 25.6(a) & (b) of PGNC worked example in the light of OGRA Gas (TPA) Rules, 2018 and in line with RLNG cost of service mechanism wherein actual throughput volume are used to determine cost of service. The proposals submitted by the petitioner were jointly reviewed by the Code Modification Panel (CMP) comprising of transporters as well as shippers. The Authority keeping into consideration input/comments of each member of Panel approved the amendment under Article 21 of the PGNC and communicated revised calculations of tariff worked examples in case of transmission and distribution networks based on throughput capacity through letter dated May 20, 2024.
- 1.4. Subsequently, the petitioner submitted revised petition (the Petition) on August 02, 2024 on the basis of latest determination of the Authority for the said year i.e Final Revenue Requirement (FRR) for the said year incorporating the impact of decision per para 1.3 above. The petitioner's submission is summarized below:

**Table 1: Transportation Tariff of Transmission & Distribution Network per the Petition**

Description	Transmission	Distribution
Throughput volume of Transmission & Distribution network (MMCFD)	1,721	921
<b>Fixed components:</b>	(Rs. in million)	
i) Operating cost	12,114	14,249
ii) Depreciation component of the transportation cost	3,509	12,508
iii) Return on Assets	10,310	18,450
<b>Total Fixed Cost</b>	<b>25,933</b>	<b>45,207</b>
<b>Variable components:</b>		
i) Stores and spares consumed	494	583
ii) Repair and maintenance cost	361	1,297
iii) Fuel and power	279	372
iv) Any other cost of similar nature	-	-
<b>Total Variable Cost</b>	<b>1,134</b>	<b>2,252</b>
	<b>Rs./MCF</b>	
Average capacity charge	41.29	134.54
Average utilization charge	1.81	6.70
<b>Total</b>	<b>43.10</b>	<b>141.24</b>

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1.5. The Authority, published notices for public hearings on September 03, 2024 in the leading newspapers, for seeking comments/interventions. Subsequently, the Authority received intervention requests from Mr. Ghiyas Abdullah Paracha, Chief Executive Officer, Universal Gas Distribution Company Limited (UGDCL) and was accepted by it.

## 2. Salient Features of the Petition

2.1. The salient features of the petition are as under:

- 2.1.1. Aggregate throughput capacity of transmission & distribution network has been calculated based on the actual volumes of indigenous & RLNG after adjustment on account of retainage, gas internally consumed and UFG gas losses. Accordingly, the capacity of transmission & distribution network system has been claimed at 1721 MMCFD & 921 MMCFD respectively.
- 2.1.2. T&D costs of Rs. 29,749 million per FRR have been segregated into transmission & distribution activity. Depreciation to Rs. 16,017 million has also been claimed as per the Authority determination for the said year.
- 2.1.3. Net fixed assets of natural gas and RLNG segments have also been separated in terms of regulated activities viz; transmission & distribution as per FRR decision. Accordingly, rate of return has been claimed at 16.60% of net operating fixed assets.

## 3. Proceedings and Public Interventions

3.1. Public hearings for the latest petition were held on September 20, 27 & October 02, 2024 at Karachi, Lahore and Peshawar respectively. The petitioner and the following interveners/participants attended the hearing:

### *Intervenors / Participants:*

- 1) Mr. Ghayas Abdullah Paracha, Chairman, All Pakistan CNG Association & CEO UGDC
- 2) Abdul Sami Khan, Chairman CNG Dealers Association of Pakistan, and Chairman Pakistan Petroleum Dealers Association
- 3) Malik Khuda Baksh, Chairman, CNG Owners Association
- 4) Mr. Fazal Moqem Khan, Chairman, President Sarhad Chamber of Commerce & Industry
- 5) Mr. Amin Rajput, DMD, SSGCL
- 6) Mr. Menhaj Khan Mehsod, All Pakistan CNG Association
- 7) Mr. Ghalib Khan, Member (Legal), All Pakistan CNG Association
- 8) Mr. Saeed Khan, Pakistan Petroleum Dealers Association
- 9) Mr. Nisar Ahmed, UGDCL
- 10) Mr. Shoaib Khan, Taif CNG, Peshawar
- 11) Iftikhar Ahmed, Chairman, Cooperative Association
- 12) Muhammad Farooq, Chairman, Pakistan Restaurants & Hotel Association.

3.2. The petitioner made submissions in detail with the help of a multimedia presentation explaining the basis of its petition and offered reasons on the key issues and queries referred in public hearing as well as the advertisement. The main points of the petitioner are summarized below:

3.2.1. It was stated that transportation tariff for transmission and distribution is based on Authority determinations while using actual throughput volumes, in line with TPA Rules and PGNC.



- 3.2.2. It was submitted that operating costs have been segregated into Transmission and Distribution activities, as per OGRA earlier determinations, while excluding sales components.
- 3.2.3. It was explained that surplus pipeline capacity is regularly updated/announced on petitioner website for facilitation of prospective shippers.
- 3.2.4. The petitioner clarified that increase is due to calculation of the transportation tariff on throughput capacity as per provisions of Pakistan Gas Network Code and TPA Rules, 2018.
- 3.2.5. It was clarified that only those operating cost components which are directly attributable to their gas transportation activities have been included in computation while excluding other irrelevant components i.e. selling components.
- 3.2.6. It was stated that postal stamp tariff for gas transportation is currently being used upto consumers destination without any distance and geographical location differences, in line with TPA rules. As a way forward, it was suggested and proposed that distance-based transportation tariff upto consumers should be introduced to move toward fair charging of tariff.
- 3.3. The substantive points made by the interveners and participants during public hearing are summarized below:
- 3.3.1. The intervenors appreciated the market liberalization initiative taken by OGRA under TPA regime as the same have opened new business avenues for potential shippers.
- 3.3.2. It was suggested that composite (uniform postal rate tariff) be introduced for both Suis' shippers for better future planning by the industry.
- 3.3.3. It was demanded that alternative consumer should be approached for sale of surplus RLNG volume available in the system owing to low off takes from power sector.
- 3.3.4. It was requested to end UFG disallowance disparity for both transmission and distribution as natural gas consumption volumes in Transmission are more than Distribution. It was also emphasized to curtail UFG loss further by sui companies to bring efficiency in Natural Gas Transmission & Distribution activities. It was demanded not to pass on UFG impact to shipper.
- 3.3.5. It was also demanded that transportation tariff should be same for private sector and public sector consumers. This would bring level playing field for all stakeholders and encourage private shipper.
- 3.3.6. It was urged that private sector should be facilitated for provision of gas to KPK. It was also appraised that investment in textile sector is diminishing due to gas loadshedding.
- 3.3.7. It was requested to provide details of operating expenses used for computation of transportation tariff. Further, it was requested to provide financial impact of throughput volumes and its impact on consumers.
- 3.3.8. It was appraised by the petitioner that any increase in transportation tariff will bring increase in SNGPL's operating income. The same shall be eventually offered under their Revenue Requirement to offsetting price revision.
- 3.3.9. It was demanded that the petitioner should allow only those operating cost components which are directly attributable to their gas transportation activities while excluding other irrelevant components i.e. selling components.

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3.3.10. It was demanded that the petitioner be advised to provide pipeline spare capacity as actual current utilized capacity of pipeline is not readily available on its website.

#### **4. Authority's Jurisdiction & Determination Process**

- 4.1. The Authority examined, in depth, the petition in light of relevant legal provisions. The process was followed in true letter and spirit. Public notices were issued and all stakeholders were provided full opportunity to intervene/comment upon issues, in writing and at public hearing.
- 4.2. The Authority gives full consideration to observations and comments of all stakeholders while determining transportation tariff in respect of transmission & distribution activity.
- 4.3. The overall function of transportation tariff determination as well as its scheme is explicitly provided in the legal framework as defined in TPA Rules read with PGNC & the subsequent amendment issued from time to time and the petitioner's license for regulated activities. Therefore, all legal instruments including tariff regime for regulated natural gas sector are to be read together to understand the mechanism established to carry out the function. Transportation tariff for services consist of fixed (capacity) and variable (throughput) charges according to type of service to be provided by the transporter.
- 4.4. The Authority shall determine the transportation tariff in respect of transmission network and distribution network while allowing prudent, relevant and fairly allocated costs of service. The costs as allowed by the Authority as part of FRR for the said year shall become part of the instant determination. Accordingly, the petitioner, in the light of decision in respect of FRR for the said year, submitted the tariff application, segregated on the basis of fair allocation in respect of transmission & distribution activity. Such tariff shall be calculated at a postal stamp uniform rate, on annual basis in accordance with TPA Rules and PGNC.
- 4.5. Accordingly, the Authority, in the light of mechanism stipulated in TPA Rules and PGNC, shall set the transportation tariff based on fair allocation in such manner which shall be coherent with the prevalent circumstances and shall strike a balance among divergent interests of various stakeholders and provide level playing field to all stakeholders.

#### **5. Capacity for Transportation & Distribution network**

- 5.1. The capacity calculations submitted by the petitioner on the basis of throughput volume net-off GIC & UFG is as follows;

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**Table 2: Capacity of Transmission & Distribution Network per the Petition**

Description	Reference	As per Petition		
		Indigenous	RLNG	Total
<b>Transmission</b>				
Net Gas Received in Transmission System		357,791	275,509	633,300
Gas Used in operations of Transmission System (GIC etc)		(1,537)	(2,400)	(3,937)
Loss in Transmission System		(768)	(590)	(1,358)
Energy Equivalence Volume related to PFC consumers		(10,156)	10,156	-
RLNG Stock Additional sale of LNG or Vice versa		38,024	(38,024)	-
<b>Total Throughput Volume in Transmission System</b>	<b>A</b>	<b>383,354</b>	<b>244,651</b>	<b>628,005</b>
<b>No. of Days</b>	<b>B</b>			<b>365</b>
<b>Per day throughput volume in Transmission- MMCFD</b>	<b>C=A/B</b>			<b>1,721</b>
Gas sold to PFC consumers at Transmission Network	<b>D</b>	76,793	168,864	245,657
<b>Distribution</b>				
Distribution Input	<b>E=A-D</b>	306,561	75,787	382,348
Gas carried for PPL		(119)		(119)
Gas carried/consumed for Pak Arab		(14,317)		(14,317)
Gas carried for POL		(111)		(111)
GIC (in Distribution System)		(548)		(548)
UFG in Distribution System		(25,536)	(5,694)	(31,230)
Energy Equivalence Volume related to PFC consumers		(3,873)	3,873	
RLNG Stock Additional sale of LNG or Vice versa		19,217	(19,217)	
<b>Total Throughput Volume in Distribution System</b>	<b>F</b>	<b>281,274</b>	<b>54,749</b>	<b>336,023</b>
<b>No. of Days</b>	<b>G</b>			<b>365</b>
<b>Per day throughput volume in Distribution- MMCFD</b>	<b>H=F/G</b>			<b>921</b>

- 5.2. The petitioner has submitted that cost of service for indigenous gas consumers is determined on actual throughput volume, therefore, equitable treatment needs to be allowed in case of computation for transportation tariff for the shippers using company's network. Accordingly, upon request of the petitioner, Code Modification Panel, comprising of transporters and shippers, reviewed the matter in detail and concluded its recommendations, followed by approval of the Authority vide letter No. OGRA-9(357)/2014 dated May 20, 2024. Accordingly, the petitioner has submitted its calculation for transportation tariff based on actual throughput volumes in line with TPA Rules and the subsequent amendment made under PGNC code. Thus, for the sake of fair allocation of cost of service, in line with requirement of Point No. 3 of Schedule-1 of TPA Rules, 2018, volumes on account of GIC & UFG has been excluded from the pipeline network capacity after completing the due process, as stipulated in PGNC/ TPA Rules.
- 5.3. The petitioner has further informed that existing transportation assets have been developed/financed at the cost of the indigenous gas consumers and therefore, any transportation income derived while undertaking the regulated activity on behalf of third-party shipper is offered as an operating income, thereby reducing the prices for natural gas consumers. As such, the petitioner has no loss/ profitability and the entire benefit is passed onto natural gas consumers.
- 5.4. The Authority notes that the petitioner has excluded third-party volume handled in its distribution network for calculation of per day throughput volume in distribution system. The Authority does not agree with stance of the petitioner as the volume is being transported as per access agreement with third-party and pipeline capacity is being utilized in this

arrangement. Furthermore, it is observed that the net gas received in transmission system under indigenous gas also includes 10,072 MMCF of Liberty Daharki Power Limited and 32,188 MMCF of Engro Fertilizer, although these volumes are purchased and sold by the petitioner however, the same do not enter its system, therefore, should not be included in net gas received in transmission system.

5.5. Accordingly, the throughput volume in respect of transmission and distribution as calculated by the Authority is provided below:

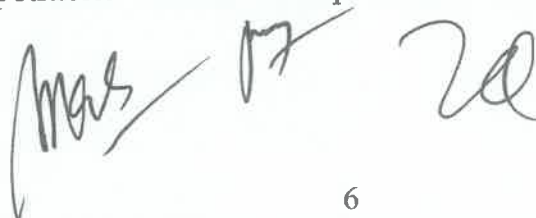
**Table 3: Capacity of Transmission & Distribution Network allowed**

Description	Reference	As Calculated		
		Indigenous	RLNG	Total
<b>Transmission</b>				
Net Gas Received in Transmission System		315,531	275,509	591,040
Gas Used in operations of Transmission System (GIC etc)		(1,537)	(2,400)	(3,937)
Loss in Transmission System		(768)	(590)	(1,358)
Energy Equivalence Volume related to PFC consumers		(10,156)	10,156	-
RLNG Stock Additional sale of LNG or Vice versa		38,024	(38,024)	-
<b>Total Throughput Volume in Transmission System</b>	<b>A</b>	<b>341,094</b>	<b>244,651</b>	<b>585,745</b>
<b>No. of Days</b>	<b>B</b>			<b>365</b>
<b>Per day throughput volume in Transmission- MMCFD</b>	<b>C=A/B</b>			<b>1,605</b>
Gas sold to PFC consumers at Transmission Network	D	34,533	168,864	203,397
<b>Distribution</b>				
Distribution Input	E=A-D	306,561	75,787	382,348
Gas carried for PPL				-
Gas carried/consumed for Pak Arab				-
Gas carried for POL				-
GIC (in Distribution System)		(548)		(548)
UFG in Distribution System		(25,536)	(5,694)	(31,230)
Energy Equivalence Volume related to PFC consumers		(3,873)	3,873	
RLNG Stock Additional sale of LNG or Vice versa		19,217	(19,217)	
<b>Total Throughput Volume in Distribution System</b>	<b>F</b>	<b>295,821</b>	<b>54,749</b>	<b>350,570</b>
<b>No. of Days</b>	<b>G</b>			<b>365</b>
<b>Per day throughput volume in Distribution- MMCFD</b>	<b>H=F/G</b>			<b>960</b>

5.6. In view thereof, the Authority decides to take capacity of transmission system @ 1,605 MMCFD and capacity of Distribution system @ 960 MMCFD for calculation of Transportation tariff.

## 6. Fixed Assets

6.1. The petitioner in respect of total fixed assets of Rs. 173,252 million (i.e. comprising of both natural gas and RLNG segments) has confirmed that assets have been prudently segregated into transmission at Rs. 62,108 million & distribution networks at Rs. 111,144 million respectively in accordance with decisions of the Authority taken at FRR for the said year. Accordingly, the petitioner claimed its depreciation & ROA under transportation tariff, as tabulated below;







**Table 4: Assets Claimed per the Petition**

Description	Rupees in million		
	Transmission	Distribution	Total
Opening Assets	75,695	127,201	202,897
Closing Assets	80,777	135,093	215,870
<b>Avg Assets</b>	<b>78,236</b>	<b>131,147</b>	<b>209,384</b>
Deferred Credit Opening	15,552	18,896	34,448
Deferred Credit Closing	16,704	21,110	37,815
<b>Avg Deferred Credit</b>	<b>16,128</b>	<b>20,003</b>	<b>36,131</b>
<b>Average Net Operating Fixed Assets</b>	<b>62,108</b>	<b>111,144</b>	<b>173,252</b>
<b>ROA @ 16.60%</b>	<b>10,310</b>	<b>18,450</b>	<b>28,760</b>
Depreciation (net of capital allocation)	3,509	12,508	16,017

6.2. In view of above, the Authority accepts the same and adopts the asset's balance as claimed by the petitioner.

## 7. Transmission & Distribution (T&D) Costs

7.1. The petitioner, based on FRR, has requested to include Rs. 12,114 million and Rs. 14,249 million as fixed costs in terms of transmission and distribution activities respectively. The petitioner has also claimed Rs. 1,134 million & Rs. 2,252 million as variable costs component against transmission & distribution activities respectively. Break up of T&D costs is summarized below:

**Table 5: T&D Cost claimed per the Petition**

Description	(Rs. in million)		
	DFRR FY 2022-23	Transmission Function	Distribution Function
Stores & spares consumed	1,077	494	583
Repairs & maintenance of system	1,658	361	1,297
Fuel & Power	651	279	372
<b>Total Variable costs</b>	<b>3,386</b>	<b>1,134</b>	<b>2,252</b>
Net HR Cost (incl. impact of IAS-19)	20,508	9,485	11,023
Stationery, telegrams and postage	324	192	132
Rent, rates, royalty, electricity and telephones	811	239	572
Travelling expenses	157	92	65
Transport expenses	1,300	575	725
Insurance	236	98	138
ISO 14001 & OHSAS Certification	11	6	6
Advertisement & publicity	221	0	221
Protective clothing & Supplies	75	23	53
Security expenses	1,928	1,542	386
UFG Control Activities	1,126	-	1,126
Outsourcing of Call Centre	22	-	22
<b>Gross Operating Cost</b>	<b>26,719</b>	<b>12,252</b>	<b>14,467</b>
Less Allocation to CWIP	(356)	(138)	(218)
<b>Fixed costs</b>	<b>26,363</b>	<b>12,114</b>	<b>14,249</b>

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7.2. In view of the above, the Authority, based on the fair allocation undertaken by the petitioner, decides to include operating costs in term of transmission and distribution activity and allows as per the table above.

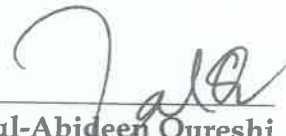
## 8. Determination

8.1. The Authority, based on the decisions made in preceding paras above, determines the transportation tariff in respect of transmission & distribution activity separately as per the table below;

**Table 6: Transportation Tariff Allowed**

Description	Transmission	Distribution
Throughput volume of Transmission & Distribution network (MMCFD)	1,605	960
<b>Fixed components:</b>		
(Rs. in million)		
i) Operating cost	12,114	14,249
ii) Depreciation component of the transportation cost	3,509	12,508
iii) Return on Assets	10,310	18,450
<b>Total Fixed Cost</b>	<b>25,933</b>	<b>45,207</b>
<b>Variable components:</b>		
i) Stores and spares consumed	494	583
ii) Repair and maintenance cost	361	1,297
iii) Fuel and power	279	372
iv) Any other cost of similar nature	-	-
<b>Total Variable Cost</b>	<b>1,134</b>	<b>2,252</b>
Description	Rs./MCF	
Average capacity charge	44.27	128.95
Average utilization charge	1.94	6.42
<b>Total</b>	<b>46.21</b>	<b>135.38</b>

  
Mohammad Naeem Ghouri  
Member (Finance)

  
Zain-ul-Abideen Qureshi  
Member (Oil)

  
Masroor Khan  
(Chairman)

Islamabad, December 9, 2024

  
Senior Registrar  
Oil & Gas Regulatory Authority  
Islamabad