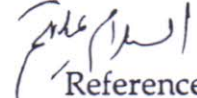




No. OGRA-10-11(8)/2016  
June 2, 2017

Managing Director,  
Sui Northern Gas Pipeline Limited,  
21-Kashmir Road, Gas House, Lahore.

Subject: DETERMINATION OF RE-GASIFIED LIQUEFIED NATURAL GAS (RLNG) FOR THE MONTH OF JULY 2016 TO DECEMBER 2016.

Dear Sir,   
Reference SNGPL letters No. RA-LNG-006-17 and RA-LNG-041-16 dated February 17, 2017 and November 14, 2016 respectively, on the above subject wherein, it has been requested to review the end consumer RLNG price computation on the basis of available RLNG quantity with SNGPL, instead of the current practice of monetizing the adjustment of some components as a certain percentage of DES price.

2. SNGPL's contention has been reviewed in the light of policy guidelines of Federal Government that require the entire ring fenced cost to be recovered from RLNG consumers. Accordingly, SNGPL contention has been analyzed through simulations which reveals as under;

- (i) Losses on account of retainage, transmission and distribution and compression are volumetric losses, these are not monetized. The cost on this account has to be adjusted however the same cannot be misconstrued as delivery volume in lieu of the cost. These volume losses factually reduces the RLNG volume to be delivered as well as swell the cost of RLNG.
- (ii) The method of adjustment suggested by SNGPL results into excessive recovery of RLNG price since Retainage has to be valued at the DES price as against SNGPL proposal of charging at total RLNG price.
- (iii) Compression fuel is due to transmission of gas (RLNG as well as indigenous gas) and the same is part of cost of service. Accordingly, it is appropriate to continue the existing practice and GIC/compression fuel cost may be allocated fairly in cost of service as a ring fenced activity.

3. In view of above and after thorough analysis it has been determined that T & D losses and Retainage shall be adjusted at volume delivered.



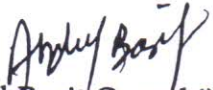


(آئل اینڈ گیس ریگولیٹری اتھارٹی) OIL & GAS REGULATORY AUTHORITY  
"SAY NO TO CORRUPTION"

4. In view of above, RLNG actual prices for the months from July 2016 to December 2016 have been determined and attached herewith as Annex-I.

Regards,

Yours truly,

  
(Abdul Basit Qureshi)  
Registrar

o/c

Cc to:

1. Managing Director, SSGCL, St-4-B, Block 14, Sir Shah Suleman Road, Gulshan-e-Iqbal, Karachi.
2. Pakistan State Oil Limited, PSO House, Khayaban-e-Iqbal, Clifton, Karachi.

*Annex 1*

Computation of RLNG Price

Quantitative Data (MMBtu)												Actual												Provisional	
i	ii	iii	iv	v	vi	vii	viii	2016						2017						ix	x				
								1	2	3	4	5	6	7	8	9	10	11	12			13	14	15	16
	No of Cargos	12819068	96,143	12720641	96,143	12801257	96,009	12932770	96,996	13000484	97,504	13041648	97,812	13169127	98,400	13200000									
	Quantity Received (MMBtu)	96,143	12,722,925	12,652,236	12,705,248	12,705,248	12,835,774	12,835,774	12,902,980	12,902,980	12,943,836	12,943,836	12,943,836	12,943,836	12,943,836	12,943,836	144,000	144,000							
	Retainage @0.75%	721,077	95,391	95,281	95,391	95,391	95,391	95,391	95,391	95,391	95,391	95,391	95,391	95,391	95,391	95,391	108,000	108,000							
	Quantity Delivered at Terminal	12,722,925	12,722,925	12,652,236	12,705,248	12,705,248	12,835,774	12,835,774	12,902,980	12,902,980	12,943,836	12,943,836	12,943,836	12,943,836	12,943,836	12,943,836	133,200	133,200							
	Transmission losses @ 0.17%, T&D losses @ 9.21%	21,629	1,171,781	21,463	1,162,784	21,599	1,170,153	21,821	1,182,175	21,935	1,188,364	22,005	1,192,127	22,005	1,192,127	22,005	32,395	32,395							
	% age unit lost till delivery point	0.92%	9.89%	0.92%	9.89%	0.92%	9.89%	0.92%	9.89%	0.92%	9.89%	0.92%	9.89%	0.92%	9.89%	0.92%	9.89%	9.89%							

RLNG Price Computation (US \$/MMBtu)

i	LNG Price (DES)	6.4591	6.4591	6.6016	6.6016	6.5800	6.5800	6.4584	6.4584	6.6734	6.6734	6.6775	6.6775	7.3703	7.3703
ii	PSO's other imports related actual costs	0.0417	0.0417	0.0419	0.0419	0.0419	0.0419	0.0421	0.0421	0.0422	0.0422	0.0423	0.0423	0.0438	0.0438
iii	PSO margin	0.1615	0.1615	0.1650	0.1650	0.1645	0.1645	0.1615	0.1615	0.1668	0.1668	0.1669	0.1669	0.1843	0.1843
iv	Terminal Charges	0.5900	0.5900	0.6100	0.6100	0.6000	0.6000	0.5900	0.5900	0.5500	0.5500	0.6000	0.6000	0.6000	0.6000
v	RLNG Cost	7.2523	7.2523	7.4186	7.4186	7.2964	7.2964	7.2520	7.2520	7.4325	7.4325	7.4866	7.4866	8.1984	8.1984
vi	Volume on account of Retainage, T/T&D losses adjusted for recovery through RLNG; volume delivered	0.0672	0.7961	0.0688	0.8143	0.0685	0.8108	0.0672	0.7960	0.0689	0.8158	0.0694	0.8218	0.0760	0.8999
vii	LSA Management Fee	0.0250	0.0250	0.0250	0.0250	0.0250	0.0250	0.0250	0.0250	0.0250	0.0250	0.0250	0.0250	0.0250	0.0250
viii	Cost of supply	0.8193	0.8193	0.8199	0.8199	0.8197	0.8197	0.8182	0.8182	0.8179	0.8179	0.8179	0.8179	0.8174	0.8174
	RLNG Cost	8.0716	8.0716	8.2435	8.2435	8.1214	8.1214	8.0692	8.0692	8.2494	8.2494	8.3126	8.3126	9.0158	9.0158
	Actual Price	8.0716	8.0716	8.2435	8.2435	8.1214	8.1214	8.0692	8.0692	8.2494	8.2494	8.3126	8.3126	9.0158	9.0158

- i PSO has provided the actual LNG DES prices for the months from July 2016 to December 2016 as per supplier invoices.
- ii Actual PSO Import Related Cost has also been provided for the months from July 2016 to December 2016.
- iii Actual PSO margin has been determined @ 2.5% of Actual DES price in accordance with ECC decision dated 14.6.2016.
- iv Actual Terminal Charges as per LSA/ECC decision provided by PSO/SSGCL.
- v RLNG Cost includes PSO's other imports related actual costs, PSO margin and Terminal Charges.
- vi The volume in respect of Retainage, T/T&D losses adjusted for recovery through RLNG quantity delivered. For distribution T&D losses @ 9.21% is applicable.
- vii SSGCL Margin for LSA Management @0.025 \$ / MMBTU as per ECC decision dated 14.6.2016.
- viii Average cost of supply for FY 2016-17 has been taken on provisional basis which shall be finalized after FRR FY 2016-17.

The above prices have been computed on the basis of data provided by M/s PSO. The parties (SNGPL, SSGCL & PSO) shall scrutinize the same on the basis of evidences before making payments as per their mutual agreements.