



# **Oil & Gas Regulatory Authority**



**Annual Report  
2012-13**





# *Mission Statement*

*Safeguard public interest through efficient and  
effective regulation in the midstream and  
downstream petroleum sector*





## The Authority



Mir Kamal Marri  
Member Finance

Saeed Ahmad Khan  
Chairman

Sabar Hussain  
Vice Chairman / Member Oil

Mansoor Muzaffar Ali  
Member Gas

## Senior Officers



### Left to Right:

Syed Anis Haider Hamdani (Joint Executive Director), Malik Mazhar Makhdoom (Joint Executive Director), Lt.Col. (R) Farrukh Nadeem (Executive Director), Noor-ul-Haq (Senior Executive Director), Muhammad Yasin (Executive Director), Shahzad Iqbal (Executive Director), Anwar Ali Sheikh (Executive Director), Zain-ul-Abideen Qureshi (Executive Director), Misbah Yaqoob (Executive Director), Imran Akhtar (Joint Executive Director), Muhammad Murtaza Ch. (Joint Executive Director)



The image shows the front cover of a report. The background is a textured gold color, resembling a fine mesh or woven fabric. A horizontal band of solid yellow color runs across the middle. On this yellow band, the title "Report on Conduct of OGRA Affairs" is printed in a black, serif font. The text is centered and arranged in two lines. The yellow band has a slight 3D effect, with the edges appearing to curl up slightly, giving it the look of a piece of paper or a folder flap.

# Report on Conduct of OGRA Affairs





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<b>ACPL</b>	Attock Cement Pakistan Limited
<b>AIT</b>	Abadan Institute of Technology
<b>AJK</b>	Azad Jammu & Kashmir
<b>API</b>	American Petroleum Institute
<b>APL</b>	Attock Petroleum Ltd
<b>ARL</b>	Attock Refinery Limited
<b>BBL</b>	Barrels
<b>BBTU</b>	Billion British Thermal Unit
<b>BGFIP</b>	Badin Gas Field Integration Project
<b>BLS</b>	Basic Life Support
<b>BoD</b>	Board of Directors
<b>BOPL</b>	Byco Oil Pakistan Limited
<b>BTCPPL</b>	Bakri Trading Company Pakistan Private Limited
<b>BTU</b>	British Thermal Unit
<b>BTU/Scf</b>	British Thermal Unit / Standard Cubic Feet
<b>CIE</b>	Chief Inspector Explosives
<b>CNG</b>	Compressed Natural Gas
<b>CP</b>	Contract Price
<b>CPGCL</b>	Central Power Generation Company Limited
<b>CPI</b>	Consumer Price Index
<b>CPL</b>	Chevron Pakistan Limited
<b>CRPR</b>	Complaint Resolution Procedure Regulations
<b>DCO</b>	District Coordination Officer
<b>DERR</b>	Determination of Estimated Revenue Requirement
<b>DHDS</b>	Diesel Hydro De-Sulphurization
<b>DWP</b>	Development Working Party
<b>E-10</b>	Ethanol Blended Gasoline
<b>ECC</b>	Economic Coordination Committee
<b>ECNEC</b>	Executive Committee of National Economic Council
<b>ECPL</b>	Engro Chemicals Pakistan Limited
<b>ERR</b>	Estimated Revenue Requirement
<b>FATA</b>	Federal Administered Tribal Areas

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<b>FFCL</b>	Fauji Fertilizer Company Limited
<b>FFM</b>	Four Fertilizer Manufacturer
<b>Fig</b>	Figure
<b>FOB</b>	Free on Board/Freight on Board
<b>FRR</b>	Final Revenue Requirement
<b>FY</b>	Fiscal Year/Financial Year
<b>GDS</b>	Gas Development Surcharge
<b>GIDC</b>	Gas Infrastructure Development Cess
<b>GoP</b>	Government of Pakistan
<b>GSA</b>	Gas Sale Agreement
<b>GSPA</b>	Gas Sale Purchase Agreement
<b>HDD</b>	Horizontal Direction Drilling
<b>HDIP</b>	Hydrocarbon Development Institute of Pakistan
<b>HOBC</b>	High Octane Blending Component
<b>HOCPL</b>	Horizon Oil Company Private Limited
<b>HPL</b>	Hascol Private Limited
<b>HR</b>	Human Resource
<b>HSD</b>	High Speed Diesel
<b>HSFO</b>	High Sulfur Fuel Oil
<b>IA</b>	Implementation Agreement
<b>IFEM</b>	Inland Freight Equalization Margin
<b>ILBP</b>	Indus Left Bank Pipeline
<b>IPP</b>	Independent Power Producers / Import Parity Price
<b>IRBP</b>	Indus Right Bank Pipeline
<b>IT</b>	Information Technology
<b>JIMCO</b>	Joint Installation of Marketing Companies
<b>JJVL</b>	Jamshoro Joint Venture Limited
<b>JP</b>	Jet Propellant (Aviation Fuel)
<b>KERO</b>	Kerosene Oil
<b>KESC</b>	Karachi Electric Supply Company
<b>Kg</b>	Kilogram
<b>Km</b>	Kilometer

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<b>LAN</b>	Local Area Network
<b>LDO</b>	Light Diesel Oil
<b>LHC</b>	Lahore High Court
<b>LNG</b>	Liquefied Natural Gas
<b>LPG</b>	Liquefied Petroleum Gas
<b>LPPL</b>	Laguardia Petroleum Private Limited
<b>LPS</b>	Late Payment Surcharge
<b>MGCL</b>	Mari Gas Company Limited
<b>MMBTU</b>	Million British Thermal Unit
<b>MMcfd</b>	Million Cubic Feet per Day
<b>MMP</b>	Meter Manufacturing Profit
<b>MOGAS</b>	Motor Gasoline
<b>MoU</b>	Memorandum of Understanding
<b>MP&amp;NR</b>	Ministry of Petroleum & Natural Resources
<b>MS</b>	Motor Spirit
<b>MT</b>	Metric Ton
<b>MW</b>	Mega Watt
<b>NFPA</b>	National Fire Protection Association
<b>NGEP</b>	Natural Gas Efficiency Project
<b>NGLR</b>	Natural Gas Licensing Rules
<b>NGRA</b>	Natural Gas Regulatory Authority
<b>NRL</b>	National Refinery Limited
<b>O&amp;M</b>	Operation & Maintenance
<b>OGDCL</b>	Oil and Gas Development Company Limited
<b>OGRA</b>	Oil and Gas Regulatory Authority
<b>OMC</b>	Oil Marketing Company
<b>OOTPL</b>	Overseas Oil Trading Private Limited
<b>PARCO</b>	Pak-Arab Refinery Company
<b>PC-I</b>	Planning Commission Form-I
<b>PDC</b>	Price Differential Claim
<b>PEPCO</b>	Pakistan Electric Power Company
<b>PL</b>	Petroleum Levy

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<b>POL</b>	Petroleum Oil Lubricant / Pakistan Oil Field Limited
<b>PPL</b>	Pakistan Petroleum Ltd
<b>PPPL</b>	Petrosin Petroleum Private Limited
<b>PRL</b>	Pakistan Refinery Limited
<b>PSO</b>	Pakistan State Oil
<b>QPL</b>	Quetta Pipe Line
<b>RCD</b>	Regional Cooperation for Development
<b>RERR</b>	Review of Estimated Revenue Requirement
<b>RLNG</b>	Re-gasified Liquid Natural Gas
<b>ROW</b>	Right of Way
<b>RR</b>	Revenue Requirement
<b>Rs.</b>	Rupees
<b>SCN</b>	Show Cause Notice
<b>SHC</b>	Sindh High Court
<b>SKO</b>	Superior Kerosene Oil
<b>SMS</b>	Sales Meter Station
<b>SNGPL</b>	Sui Northern Gas Pipelines Ltd
<b>SOP</b>	Standard Operating Procedures
<b>SPL</b>	Shell Pakistan Limited
<b>SRO</b>	Statutory Regulatory Order
<b>SSGCL</b>	Sui Southern Gas Company Ltd
<b>TPI</b>	Third Party Inspector
<b>TPPL</b>	Total Parco Pakistan Limited
<b>UET</b>	University of Engineering & Technology
<b>UFG</b>	Unaccounted for Gas
<b>US\$</b>	US Dollar
<b>USA</b>	United States of America
<b>USSR</b>	Union of Soviet Socialist Republics
<b>WACOG</b>	Weighted Average Cost of Gas
<b>WAPDA</b>	Water and Power Development Authority
<b>WOP</b>	White Oil Pipeline
<b>ZQPL</b>	Zarghun Quetta Pipeline





# Chairman's Review





## 1. CHAIRMAN'S REVIEW

*“Effective regulatory governance is an essential prerequisite to sustainable public service performance. Organizations that operate with integrity at all times will maintain the trust of their stakeholders.”*

This has been another successful year for OGRA and I am proud of presenting the 11<sup>th</sup> Annual Report of OGRA's Performance for the year ended on June 30, 2013, in pursuance of Section 20 (1)(a) of the OGRA Ordinance, 2002.



During fiscal year 2012-13, OGRA has been quite successful in achieving its objectives to foster competition with increased private investment and ownership in the midstream and downstream petroleum industry and protect the public interest by providing effective and efficient regulations. The report highlights the important and considerable efforts of OGRA to implement the government's reform agenda in the oil and gas sectors.

OGRA remained fully engaged in determination of revenue requirements / prescribed prices of gas utilities and expeditious resolution of complaints. Activities carried out also include the grant of licences for construction of storage & filling plants & production / extraction facilities of Liquefied Petroleum Gas (LPG), construction of LPG auto-refueling stations, grant of permission to establish Oil Marketing Companies (OMCs), registration of lube oil blending/reclamation plants and lube oil importers, enforcement of ordinance, rules, regulations & licence conditions on the operations of licensees.

One of the main functions of the Authority is the determination of revenue requirements of natural gas utilities which are entitled to a minimum return of 17.5% in case of Sui Northern Gas Pipelines Ltd (SNGPL) and 17% in case of Sui Southern Gas Company Ltd (SSGCL) on their net operating fixed assets before tax and financial charges. During the year under review, the Authority decided eight petitions of revenue requirement of the two gas utilities. These decisions were made after in-depth scrutiny of the capital and operating expenditure based on prudence, optimization, improved service to customers and safeguarding public interest. The Authority provided full opportunity to all stakeholders to express their viewpoint which were given due consideration before taking the decisions.

The Authority issued eighty one well-head gas price notifications for forty four gas fields and twenty three notifications of ex-depot sale price of petroleum products. The Authority also issued four notifications of prescribed prices for both the gas utilities SSGCL and SNGPL during FY 2012-13. In accordance with the provisions of the OGRA Ordinance, 2002, the Authority notified the sale prices of natural gas for each

category of consumers as per advice of the Federal Government. The differential between the prescribed prices and sale prices is paid by the gas companies as Gas Development Surcharge (GDS) to the government.

High Unaccounted for Gas (UFG) levels of SSGCL and SNGPL have been a major concern for the Authority as 1% UFG of both the companies at an average price of gas in FY 2012-13 translated to revenue loss of about Rs. 3.55 billion per year. OGRA has fixed targets in respect of UFG and human resource cost to improve operational efficiency of the companies. During FY 2012-13, an estimated additional burden of approximately Rs. 16,586 million on gas consumers was avoided as the companies absorbed it from their own profit.

The Authority has always emphasized that the gas companies should bring UFG to the level of benchmarks defined by the Authority so that unnecessary burden may not be passed on to the consumers and financial health of company may improve. SSGCL brought the Natural Gas Efficiency Project (NGEP) in revenue requirement of preceding year with the projected expenditure of Rs. 3.57 billion in FY 2012-13 (Rs. 30 billion spread over five years). The company stated that they will be able to increase the rehabilitation of deteriorating pipelines from present 500 Km per year to over 1,350 Km in FY 2012-13. World Bank agreed to provide retroactive financing of upto US\$ 20 million on project expenditure incurred after November 01 2011. The Authority in its Determination of Estimated Revenue Requirement 2013-14 has allowed Rs. 3,262 million for NGEP being an ECNEC (Executive Committee of National Economic Council) approved project.

Similarly, SNGPL in its Estimated Revenue Requirement 2013-14 has projected capitalization of Rs. 1,197 million for UFG reduction project for the said year. The company has been allowed Rs. 792 million under the head of “Distribution Development” and Rs. 405 million under the head of “Measuring and Regulating Assets”. Expenditure under this head relates to UFG control activities which have been allowed with a view of gas scarcity and ever rising UFG. In view of aforementioned measures by SNGPL, the Authority has allowed capital addition of Rs. 1,197 million on account of UFG reduction project for the said year.

Another important aspect of OGRA's functions is the redressal of consumers' complaints against the Oil & Gas Companies, Licensees of LPG and CNG. These complaints are dealt in accordance with the Complaint Resolution Procedure Regulations (CRPR), 2003. Expeditious resolution of public complaints against the Oil, Gas, CNG and LPG companies, improving quality of service and compliance of performance and service standards by the licensees are Authority's priorities and there is growing satisfaction in the public about OGRA's system. A separate department for complaint redressal receives public complaints and processes the same to provide quick and effective relief to the consumers. During FY 2012-13, OGRA

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received 5,254 complaints and 5,427 were resolved (includes 173 carry forward complaints of the previous year). On the intervention of OGRA, gas utility companies provided 909 gas connections and relief amounting to Rs. 112 million to consumers in gas billing.

OGRA granted approval of SSGCL/SNGPL's projects related to expansion in the transmission and distribution network with some deletions and disallowances where prudence of investments was not established in the light of design parameters or the assumptions on which the project was based.

The regulatory functions of LPG were transferred from Ministry of Petroleum & Natural Resources (MP&NR) to OGRA on March 15, 2003 and since then OGRA has been regulating the sector in accordance with the OGRA Ordinance, 2002, LPG (Production & Distribution) Rules, 2001 and the policies of the Federal Government received from time to time. During FY 2012-13, one licence for construction of LPG storage and filling plants was issued. OGRA has also issued twenty five licences for construction of LPG auto-refueling stations and one licence for storage and refueling of LPG at LPG auto-refueling stations. In addition, OGRA has also issued two licences for construction of LPG production / extraction facilities. During the year, an investment of Rs. 1.35 billion has been made in the LPG supply infrastructure whereas total investment in the sector till date, is estimated at about Rs. 17.2 billion.

The Federal Government enforced the provisions of sub-section (3) of Section 23; (a) and (b) of sub-section (3) of Section 44 of the OGRA Ordinance, 2002 with effect from March 15, 2006 empowering the Authority to regulate midstream and downstream oil sector in the country under the existing Pakistan Petroleum (Refining, Blending and Marketing) Rules, 1971.

During the year, OGRA granted three companies the permission to establish Oil Marketing Companies (OMCs). Fifteen applicants requested for registration of their Lube Oil Blending/Reclamation Plants in accordance with Rule 16 of the Pakistan Petroleum (Refining, Blending and Marketing) Rules 1971. The Authority, registered eight plants whereas rest of the applications are under process. In addition, OGRA has so far registered fifty six lube oil importers, of which thirty eight were registered during FY 2012-13.

OGRA aims to protect and safeguard the interests of all the stakeholders in line with the OGRA's endeavors to ensure delivery of quality products in correct quantity and at notified prices to the public. In order to achieve this objective, Enforcement Department was created in October, 2009 for effective enforcement of prevailing rules, regulations, standards, licence conditions and monitoring the operations of licensees to provide safe, reliable and efficient services to the consumers. During FY 2012-13, 1,457 inspections were carried out in the midstream and downstream petroleum sector and a fine of Rs. 30.06 million had been imposed after issuance of 84 warnings and 566 show cause notices to the violators.

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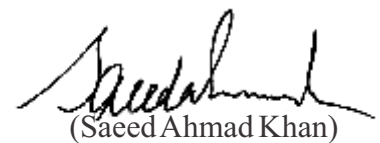
I would like to pay tribute to our employees, the most valuable resource of the organization, whose commitment and hard work during the last 11 years enabled us to pursue our objectives. Dedication and team work towards duty and focus to achieve set targets is cultivated in OGRA's work culture. Our people take their job assignments seriously and with passion to excel on all fronts, not just for their own career development but for the fulfillment of the organization's objectives. Employees of OGRA deserve appreciation for their exceptional spirit of cooperation and professionalism in discharge of their responsibilities that has helped the organization meet challenges with success. While getting output from team I believe:

**“A pat on the back and a sympathetic ear are valuable gifts, you can give it to those, you work and live with. Times of crises only increase their value.”**

Corporate responsibility is critical to the future success and sustainability of our organisation. We also need to ensure that we are focusing our attention on the issues and areas that are most material to us, and that are most important to our stakeholders. In order to face the challenging conditions prevalent in Pakistan, especially in the Energy Sector, we need to put in our collaborated efforts for a prosperous sustainable future, both at organizational and national levels. Due to its relentless pursuit of quality and efficiency in the regulatory sphere, OGRA has earned a respectable repute of being an impartial and effective regulator.

As an organization, OGRA is committed to a strategy of creating value and growth, while contributing to the Energy Sector of Pakistan.

Today, as the Chairman OGRA, I am committed to preserving the original principles upon which the OGRA was established, and now succeeds. It is vital to have consistency between short-term organizational goals and actions and long-term strategy. For OGRA to excel, it needs to develop into a transparent body. Transparency is rewarding because it builds stronger motivation among the people working in and with OGRA.



(Saeed Ahmad Khan)

Chairman

Islamabad  
December 23, 2013





# Profile of the Authority



## 2. PROFILE OF THE AUTHORITY

### 2.1 Composition

The Authority, established under the Oil and Gas Regulatory Authority Ordinance, 2002, comprises Chairman, Member Oil, Member Finance and Member Gas. The incumbents are selected by the Federal Government through open competition and appointed on tenure basis. The qualifications and other terms & conditions of their appointment, as provided in the Ordinance, are:-

- a) The Chairman shall be an eminent professional of known integrity and competence with a minimum of twenty years of related experience in law, business, engineering, finance, accounting, economics, petroleum technology, public administration or management
- b) The Member Oil shall be a person who holds an appropriate degree in the relevant field and is an experienced, eminent professional of known integrity and competence with a minimum of twenty years of related experience in the field of oil, including the transportation thereof
- c) The Member Gas shall be a person who holds an appropriate degree in the relevant field and is an experienced, eminent professional of known integrity and competence with a minimum of twenty years of related experience in the field of natural gas, including the transmission and distribution thereof
- d) The Member Finance shall be a person who holds an appropriate degree in the relevant field and is an experienced, eminent professional of known integrity and competence with a minimum of twenty years of related experience in the field of corporate finance or accounting
- e) The Chairman shall be appointed by the Federal Government for an initial term of four years and shall be eligible for reappointment for a similar term
- f) The Member Oil and Member Gas shall be appointed by the Federal Government for an initial term of three years and shall be eligible for reappointment for another term of four years
- g) The Member Finance shall be appointed by the Federal Government for an initial term of two years and shall be eligible for reappointment for another term of four years
- h) The Chairman and other Members shall retire on attaining the age of sixty five years



## 2.1.1 Chairman

### Mr. Saeed Ahmad Khan

Mr. Saeed Ahmad Khan joined as Chairman OGRA on April 16, 2012. He has thirty four years experience in Finance, Management and General Administration. He holds a Masters Degree in Public Administration from Rockefeller College of Public Affairs and Policy (SUNY-Albany), USA and also MS in Zoology from University of the Punjab. Saeed Ahmad Khan has attended a number of professional courses/seminars at home and abroad and represented Government of Pakistan in national and international conferences/summits/fora. He served as Federal Secretary, Ministry of Information Technology, Ministry of Overseas Pakistanis, Statistics & Economic Division, Chairman, Trading Corporation of Pakistan, Additional Secretary, Cabinet Division (Economic Committees/Regulatory Authorities), Executive Director, National Institute of Population Studies, Additional Secretary, Ministry of Finance, Senior Member, Prime Minister Inspection Commission /Chief Coordinator, Federal Relief Commission. He has also held various senior positions in Government of Punjab/Balochistan.

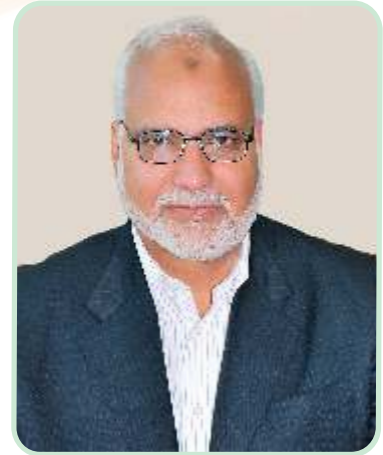




### 2.1.2 Vice Chairman / Member (Oil)

#### Mr. Sabar Hussain

Mr. Sabar Hussain joined OGRA as Member Oil on July 4, 2011 and afterwards assumed the charge of Acting Chairman/Vice Chairman on August 29, 2011. Currently, he is working as Vice Chairman /Member Oil. He holds M.Sc. degree in petro-chemical engineering from Gubkin Institute of Oil and Gas, Moscow, USSR. He has served in the Ministry of Petroleum and Natural Resources, Government of Pakistan, for more than thirty years in various positions including upstream and downstream petroleum sector as well as new and renewable energy resources. He has attended various courses including petroleum-economics and management from USA, Canada and petroleum refineries-economics from Indonesia. He has also attended a number of national/international meetings, short-term courses on petroleum management, skills development and leadership in oil & gas sector, etc. He was on the Board of Directors of PARCO, Pirkoh Gas Company Limited, Pakistan Refinery Limited, Pakistan State Oil and Total-PARCO. He was actively involved in policy formulation, planning and implementation of various upstream and downstream oil sector projects.



### 2.1.3 Member (Finance)

#### **Mir Kamal Marri**

Mir Kamal Marri was appointed as Member Finance on May 15, 2009. He holds Bachelor's degree in Petroleum and Gas Engineering from University of Engineering and Technology, Lahore and Master in Business Administration from Drexel University, Philadelphia USA. He has to his credit over twenty years exposure in senior management position in the field of finance, management, budgeting, planning, capital markets and human resource development. He had played an important role in the planning, restructuring and reform of state owned entities and also prepared strategic framework/ privatization road map of SSGCL, OGDCL, PPL, NRL & PSO. He had been involved in the restructuring and privatization of mining sector. He had also managed various development projects pertaining to oil and gas exploration. He has a unique blend of exposure of both the public as well as private sector.



### 2.1.4 Member (Gas)

#### **Mr. Mansoor Muzaffar Ali**

Mr. Mansoor Muzaffar Ali joined OGRA as Member Gas on August 30, 2010. Mr. Mansoor holds Bachelor's Degree in Natural Gas Engineering on RCD scholarship from Abadan Institute of Oil Technology, Iran, (AIT). Prior to joining AIT, he was doing Mechanical Engineering in UET, Lahore. Subsequently, he has done postgraduate fellowship in Nuclear Engineering from Center for Nuclear Studies Quaid-i-Azam University, Islamabad. He has also accomplished a Mid-Career Professional Course on Petroleum Management at Boston, USA in 1987. Mr. Mansoor, Ex-Director General (Gas), has a diversified work experience of more than thirty years in the Directorate General Gas, Ministry of Petroleum and Natural Resources, during which he has also worked briefly in the upstream sector with M/s Orient Petroleum International as Manager Joint Ventures. Mr. Mansoor has remained on the Board of Directors of M/s Sui Northern Gas Pipelines Limited & M/s Sui Southern Gas Company Limited as a nominee of Government of Pakistan. He has also represented the fraternity of Petroleum and Gas Engineers at the Chamber of Engineers of the Pakistan Engineering Council.



## 2.2 Powers and Functions

The Powers & Functions of the Authority as embodied in the Ordinance are as under:-

Exclusive power to grant, amend or revoke licences for regulated activities and enforce compliance of licence conditions to promote efficiency, cost effectiveness, best practices, high safety and service standards etc. The regulated activities are:

### ❖ Natural Gas

- Construction or operation of pipelines or storage facilities or other installations
- Transmission
- Distribution
- Sale

### ❖ Oil

- Construction or operation of refinery, pipelines, storage facilities, blending facilities and installations
- Marketing and storage of refined oil products

### ❖ Liquefied Petroleum Gas (LPG)

- Construction or operation of pipelines, production or processing facilities, storage facilities and installations
- Transporting, filling, marketing and distribution

### ❖ Compressed Natural Gas (CNG)

- Construction or operation of installations including testing or storage facilities
- Transporting, filling, marketing and distribution

### ❖ Liquefied Natural Gas (LNG)

- Construction or operation of production and processing facilities
- Construction or operation of installation including testing or storage facilities
- Transporting, filling, marketing and distribution

Exclusive power to employ officers, staff, experts, consultants, advisors and other employees on such terms and conditions as it may deem fit

Exclusive powers to decide upon all matters in its jurisdiction

Develop and enforce performance and service standards

Determine in consultation with the Federal Government and the licensees, a reasonable rate of return to the natural gas licensees

Prescribe procedures and standards for investment programmes of the gas utilities and oversee their capital expenditure to ensure prudence

Determine the revenue requirement of gas utilities covering the cost of gas, transmission and distribution cost and the prescribed return

Resolution of complaints and disputes between a person and a licensee or between licensees

Enforce standards and specifications for refined oil products as notified by the Federal Government

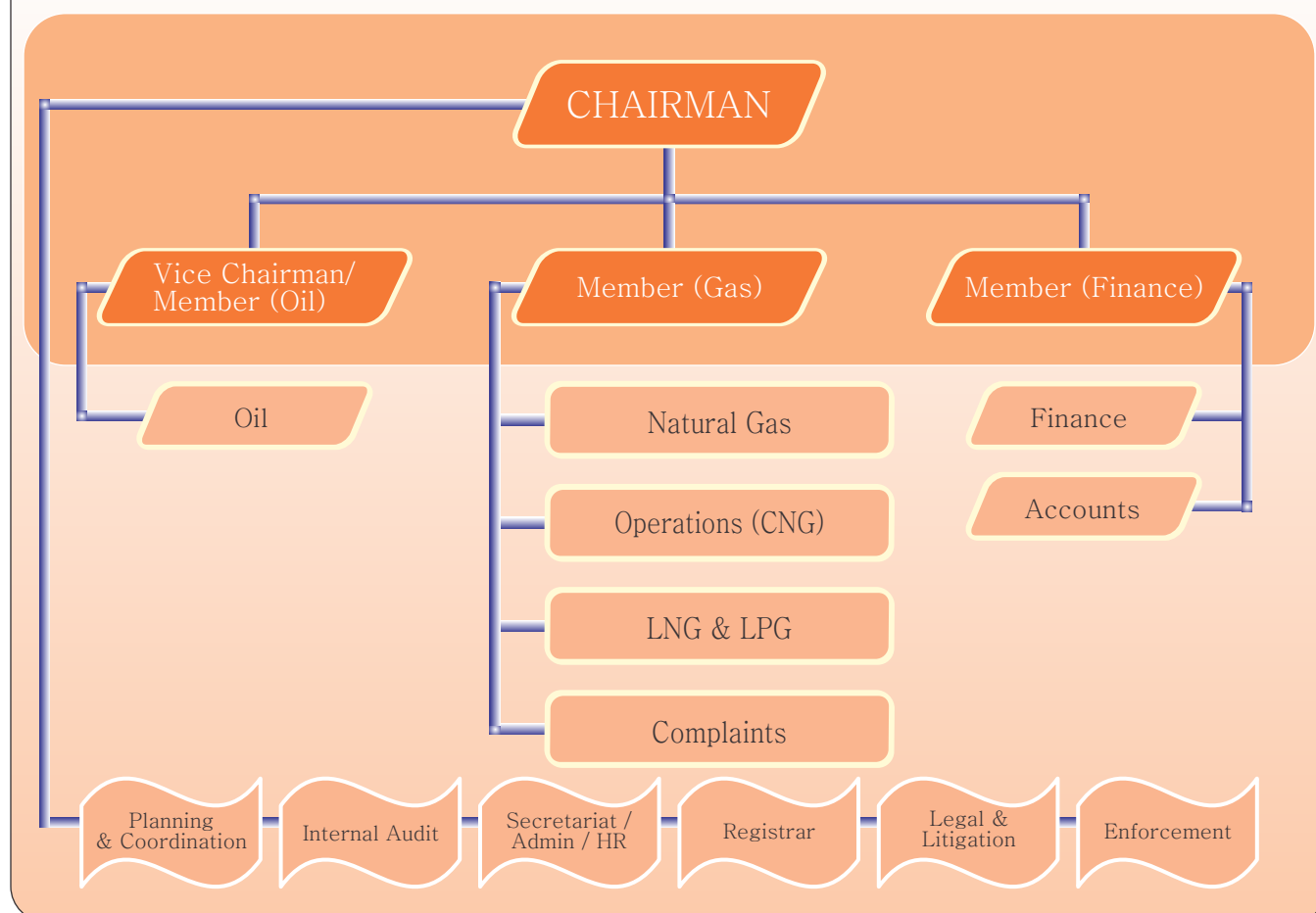
Implement policy guidelines of the Federal Government, issued under Section 21 of the OGRA Ordinance subject to their being consistent with the provisions of the Ordinance

## 2.3 Organizational Structure

### 2.3.1 Organogram

The Authority is organized as reflected by **Fig. 2.1**.

**Fig. 2.1: Organizational Structure**



## 2.3.2 The Human Capital

The Authority believes that quality of its human capital determines the quality of its performance. Hence, it attaches utmost importance to human resource management. OGRA's human resource strategy is focused at developing an organizational culture that puts its employees first. It is based on core values, encourages creativity and enhances professionalism. With this strategic focus the Authority works to achieve excellence in HR practices, based on progressive thinking on the subject.

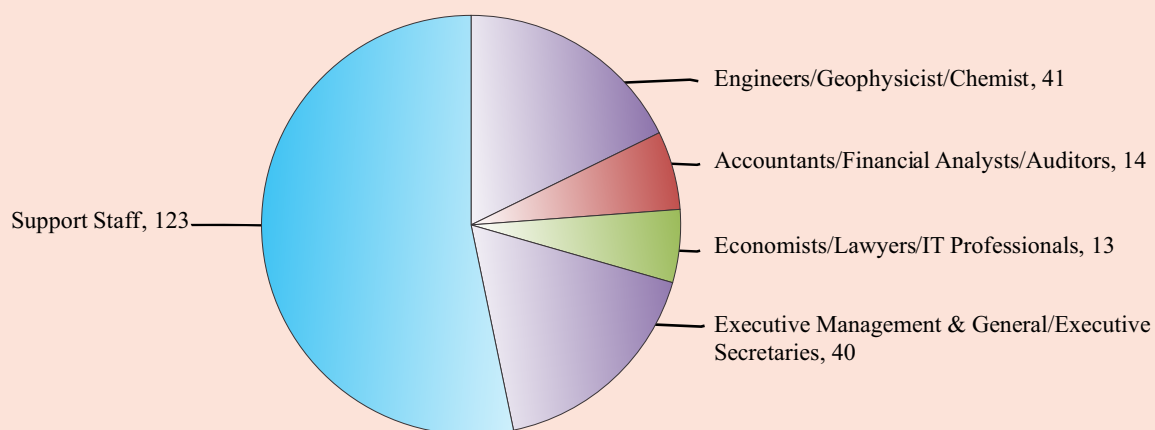
The OGRA's team of professionals believes in the following core values for achieving synergy between all its employees:

### Values of HR Management at OGRA

- Positive Response to Change
- Continuous Improvement
- Open Communication
- Personal and Professional Development
- Team Productivity

OGRA is a lean organization with a fine blend of representation both from public and private sector. It has a flat structure where emphasis is on establishing an optimal work environment for obtaining sustained high work productivity, continuous improvement and organizational renewal. All departments of OGRA are in essence dynamic teams of highly motivated experts. The human resource at OGRA is a combination of both technical & non-technical professionals. Discipline-wise break up of employees is given in **Fig. 2.2**.

**Fig. 2.2: Employees Discipline-Wise**



OGRA believes in attracting and retaining the best potential. The Authority proactively develops and maintains policies and procedures that allow the organization to recruit and retain high quality employees and develop them through continuous motivation, broad-based training and attractive rewards.

Appointments in OGRA are made on merit through a transparent and competitive process while observing provincial quotas. The employment of all employees is done strictly on “as required” basis on the terms and conditions stipulated in OGRA Service Regulations notified under the OGRA Ordinance.

The compensation policy and performance based rewards provide the required impetus for growth. The system establishes a strong link between the employees and the organization. The market based salaries and attractive terminal benefits provide great incentive to the employees. The synergy, so achieved promotes the culture of OGRA as a highly dynamic and professional body.

Since regulation by an independent regulator is comparatively a new concept in Pakistan, there is an acute shortage of experts in this field. Therefore, the employees are also provided adequate opportunities to benefit from the experience of other regulators from different countries all over the world. Education, training and career development in OGRA play an important role in enhancing the professional competence of employees enabling them to effectively meet the new challenges.

OGRA believes in organizational excellence by developing and inspiring the true potential of its human capital and providing opportunities for their growth, well being and enrichment.

### **2.3.3 Capacity Building**

Capacity building is a coordinated process of deliberate interventions to (i) upgrade skills (ii) improves procedures and (iii) strengthen organizations. It refers to the investment in people, institutions and practices that enable to achieve development objectives.

OGRA is dynamic organization committed to making the most effective use of the talent, skills and abilities of its workforce and helping all employees maximize their contribution to improve OGRA performance. To demonstrate its commitment, it has formalized its training programs through the allocation of specific budget resources and through the policy statement: “Opportunities for training will be based on an assessment of employees' development needs and will be provided to each employee.” OGRA is cognizant of the importance to invest in human capital. It realizes the 'quality of people' is key factor that separates good from the best. It therefore encourages training & development of its employees in management as well as technical/regulatory matters not only to equip them with the latest skills & knowledge but also to expose



them to the international best regulatory practices and techniques in energy sector.

In order to inculcate the requisite expertise, OGRA provides extensive training opportunities to its staff through its own funds. During the year under review, OGRA's nominated two officers for Degree Programme of Masters of Sciences in Energy Management at a local University. OGRA also arranged customized training programme on Basic Life Support (BLS) & Fire Safety at its premises which was attended by 52 officers / officials. 109 officials attended local training courses / seminars / conferences / workshops which provided them an opportunity to learn requisite skills. One senior officer attended national energy conference as a "Guest Speaker" and presented a paper on energy sector.

## **2.3.4 IT Orientation**

There is need to ensure that information technology is embedded into the culture of an organization with knowledge spread throughout, rather than solely concentrated at an operational level. OGRA's IT policy is inspired by this thought. All officials in OGRA have dedicated computers and are connected to Local Area Network (LAN) to share resources like printers, scanners, heavy duty network printers etc. OGRA building has dedicated Fiber Optic Internet links. For efficient communication OGRA internet email facility is provided to all officers. The Authority is continuously striving to reduce paper usage and achieving efficiency through more intense use of information technology.

OGRA maintains web portal 'www.ogra.org.pk' which has been designed using latest and secure web development tools. It is user friendly and being updated regularly. Anyone can access it and reach the OGRA Ordinance, Rules and Regulations, Decisions, Press releases, Oil price notifications, Gas & well-head pricing notifications, LPG price notifications & licences, List of provisional & operational CNG stations, Enforcement press release & news, Tender notices, Job announcements, etc., etc. OGRA's website is ranking amongst the most frequented in the country as so far 4.5 million visits were recorded, which proves its popularity and usefulness. OGRA's desire to implement licenced accounting software in order to provide better services and utilization of resources efficiently. This project is for the development and implementation of a new financial accounting system in OGRA after a thorough study of the functions and processes.





# Process





## 3. PROCESS

### 3.1 The Authority's Regulatory Decision Making Process

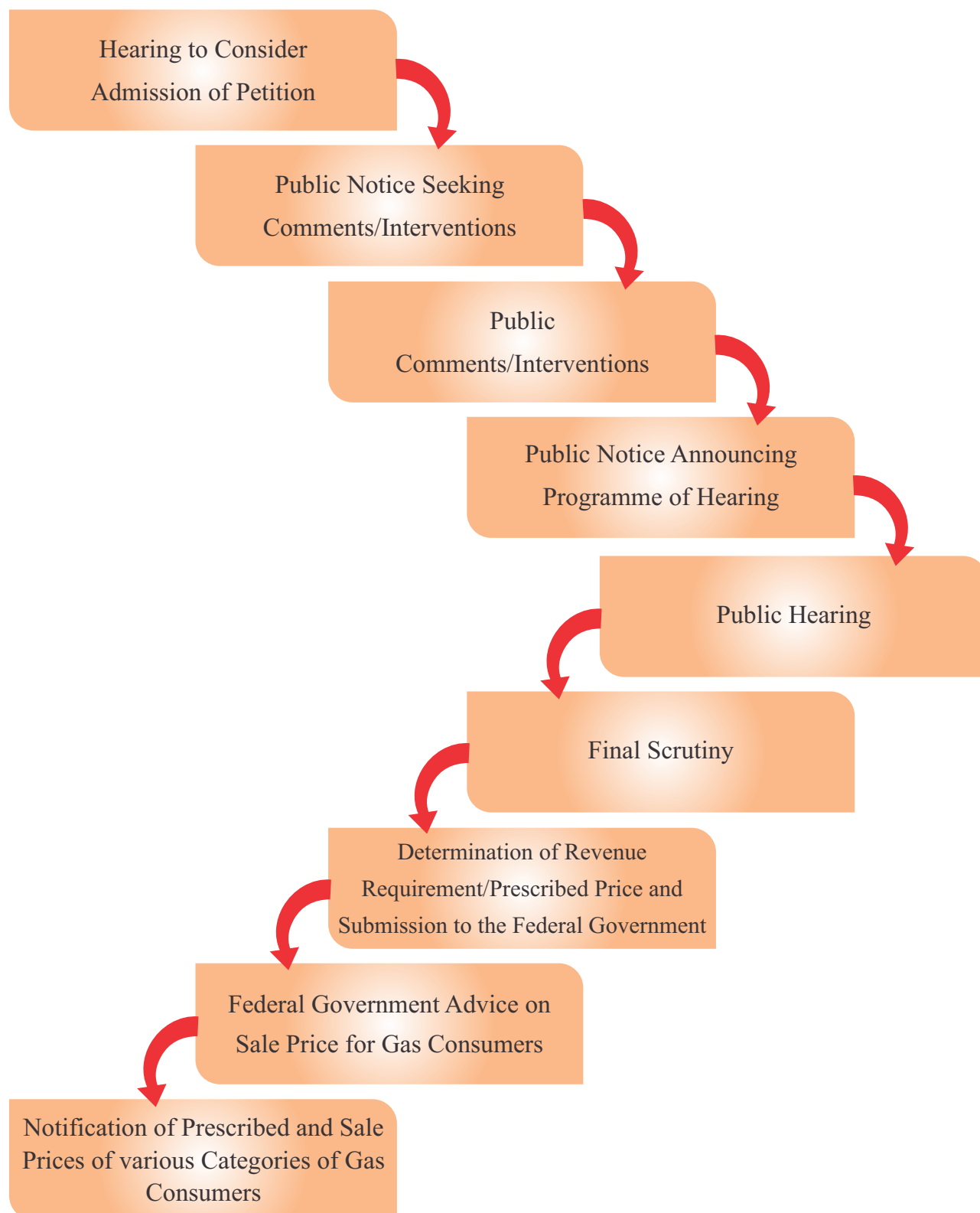
The regulatory framework is quasi-judicial for issuance of licences, tariff setting and maintenance of proper standards and quality of services by the licensees. Therefore, the Authority is vested under the Ordinance and Rules with the power of delivering decisions. The Authority exercises the power of original jurisdiction in case of petitions filed for grant of licences for various types of regulated activities, and setting of tariff which include determination of estimated and final revenue requirement of natural gas transmission and distribution licensees at the beginning and the end of each financial year respectively, and also of review during the year. In addition to natural gas, the Authority is empowered to grant licences for Oil, CNG, LPG and LNG related regulated activities. The Authority is also vested under the law with the appellate power against the decisions of its delegates and power to review its own decisions.

All petitions are examined in light of relevant rules, which, inter-alia, involve interactive process of consultation with all stakeholders including consumers through public hearings. This provides the general public an opportunity to put across its point of view on the cost and quality of service provided by the utility companies. This enables the Authority to have the benefit of a wider range of information and all shades of opinion, which it evaluates before reaching a decision. To give a bird's eye view of the process, **Fig. 3.1** shows the steps involved in determination of revenue requirement of a gas company from receipt of petition to notification of prescribed and sale prices.



Authority in Public Hearing

**Fig. 3.1: The Process of Determination of Revenue Requirement, Notification of Prescribed and Consumer Gas Prices**







# Performance



## 4. PERFORMANCE

### 4.1 Formulations of Rules & Regulations

Section 41 & 42 of the OGRA Ordinance, 2002 require the Authority to formulate Rules and Regulations respectively to carry out the Authority's functions as provided in the Ordinance. The rules are to be approved and notified by the Federal Government, whereas, the regulations are to be approved and notified by the Authority itself. Rules and Regulations are fundamental instruments to achieve the set objectives and OGRA's exclusive responsibilities under the OGRA Ordinance, 2002. These Rules were protected under the Provision of the OGRA Ordinance. Since its inception in March 2002, the Authority has put in place a comprehensive regulatory framework as described in (**Appendix-I**). The Authority has worked on the following rules during FY 2012-13:

#### 4.1.1 Rules Drafted under Process with the Federal Government – (2012-13)

- Natural Gas Theft Control Rules, 2011
- The Pakistan Oil (Refining, Blending, Transportation, Storage and Marketing) Licensing Rules, 2005
- OGRA (Fines and Recovery) Rules, 2009

### 4.2 Natural Gas Sector

#### 4.2.1 Licences Issued

OGRA issued licences for Transmission, Distribution, Sale and Storage of Natural Gas and for Construction of LNG Import Terminal as given in (**Appendix-II**).

#### 4.2.2 Determination of Revenue Requirement (RR) of Gas Utilities and Gas Tariff

OGRA determines revenue requirement / prescribed prices of natural gas utilities for various categories of retail consumers, for carrying out regulated activities of transmission, distribution and sale of natural gas under Section 8 of the OGRA Ordinance, 2002. According to the existing tariff regime, the revenue requirement consists of the following major components:

- (i) Cost of gas paid to the gas producers (approx. over 80% of prescribed price)
- (ii) Transmission and distribution cost including depreciation



- (iii) Prescribed return per Government's policy decision, which currently is 17.5% in case of Sui Northern Gas Pipelines Limited and 17% in case of Sui Southern Gas Company Limited of the value of their average net operating fixed assets

The cost of gas, which constitutes bulk of the revenue requirement of the gas utilities, is linked with international prices of Crude Oil and High Sulphur Fuel Oil (HSFO) according to the Gas Pricing Agreements between the Federal Government and the gas producers. Any change in cost of gas is, therefore, practically a pass through amount, which is closely monitored by OGRA and its impact on revenue requirement is assessed on frequent basis.

The Authority scrutinizes main head of accounts with major focus on operating revenues, operating cost and assets base. Detailed analysis of each item of operating expenditure and revenue is carried out in terms of rationality and prudence. Only justified and reasonable operating expenditures and revenues are included as part of revenue requirement computations. The evaluation of addition to fixed assets is carried out to establish prudence of investment. In this whole process, need assessment and cost effectiveness is ensured to protect consumers from unnecessary burden as all approved cost is reflected in the tariff.

The gas utility companies submit their petitions for determination of Estimated Revenue Requirement (ERR) to the Authority for each financial year by December 01 of the preceding year in accordance with the OGRA Ordinance, 2002 and the Natural Gas Tariff Rules, 2002. These petitions are scrutinized, processed and decided in accordance with the rules and in light of comments and suggestions of all the stakeholders and general public. Later, determination of Final Revenue Requirement (FRR) is carried out at the end of the financial year on the basis of auditor's initialed accounts. The companies may also file motion for review against any decision of the Authority, within thirty days, under the relevant provisions of law.

The Authority has also directed SSGCL & SNGPL to submit review petitions to the Authority for revision in cost of gas on the basis of actual and anticipated changes in international prices of Crude Oil and HSFO in October every year, with a view to ensure the half yearly review, in any case. The Authority has decided the following eight (08) petitions in respect of SSGCL and SNGPL during the financial year 2012-13:

### **SSGCL**

FRR for FY 2011-12

Review of ERR for FY 2012-13

ERR for FY 2013-14

Motion for Review of FRR for FY 2011-12

## SNGPL

FRR for FY 2011-12

Review of ERR for FY 2012-13

ERR for FY 2013-14

Motion for Review of FRR for FY 2011-12

The process of determination of revenue requirements is transparent and ensures effective participation of consumers and general public. This interaction process provides all stakeholders an opportunity to put across their point of view on the cost and quality of service provided by the utility companies. This enables the Authority to have the benefit of a wider range of information and all shades of opinion, which it evaluates before reaching a decision.

The Authority, while fully conscious of its duty to balance the divergent interest of the stakeholders, attaches primary importance to protecting consumers' interest who, by and large are voiceless, remaining however, within the Government's policy framework and providing incentives to entities to perform optimally.

### 4.2.2.1 Sui Southern Gas Company Limited

#### 4.2.2.1.1 Final Revenue Requirement (FRR) for FY 2011-12

The Authority determined FRR of SSGCL for FY 2011-12 at Rs. 134,902 million against the demand of Rs. 138,014 million in its decision of February 01, 2013. The Authority decided FRR in light of Sindh High

**Table 4.1: OGRA's Determination of FRR of SSGCL for FY 2011-12**

*(Rs. Million)*

Particulars	SSGCL Request	OGRA Determination	Difference
Sales Volume (BBTU)	343,761	343,761	-
Cost of Gas	117,885	117,885	-
Transmission & Distribution Cost and Others	11,479	10,776	(703)
UFG Disallowance	(2,084)	(4,469)	(2,385)
Depreciation	3,578	3,578	-
Return on Net Operating Assets	6,880	6,880	-
Additional Revenue Required for Air-Mix LPG Projects	275	251	(24)
<b>Total Revenue Requirement</b>	<b>138,014</b>	<b>134,902</b>	<b>(3,112)</b>
<b>Total Revenue Available</b>	<b>131,581</b>	<b>131,581</b>	<b>-</b>
<b>Surplus/(Shortage)</b>	<b>(6,433)</b>	<b>(3,321)</b>	<b>3,112</b>
<b>Average Prescribed Price (Rs./MMBTU)</b>	<b>390.59</b>	<b>381.53</b>	<b>(9.05)</b>



Court's (SHC) Stay Order granted to SSGCL in respect of RERR for FY 2011-12. In this regard, UFG was determined at 7% and operating incomes including Late Payment Surcharge (LPS), Meter Manufacturing Profit (MMP), Royalty from Jamshoro Joint Venture Limited (JJVL) and income from sale of gas condensate were treated as non-operating. **Table 4.1** shows comparison of OGRA's determination with SSGCL's request in respect of various components of requirement for the same year.

## 4.2.2.1.2 Review of Estimated Revenue Requirement (RERR) for FY 2012-13

The Authority determined the revised estimated revenue requirement of SSGCL for FY 2012-13 at Rs.160,470 million, in pursuance of SHC Stay Order granted in respect of DERR FY 2012-13 with regard to determination of UFG at 7% and treatment of operating incomes including LPS, MMP, Royalty from JJVL and income from sale of gas condensate as non-operating. In determination of RERR, changes in prices of crude & HSFO in the international market, devaluation of Pak rupee against US dollar and other relevant factors were also accounted for. **Table 4.2** shows comparison of SSGCL request in various components of estimated revenue requirement.

**Table 4.2: OGRA's Determination of RERR of SSGCL for FY 2012-13**

(Rs. Million)

Particulars	SSGCL Request	OGRA Determination	Difference
Sales Volume (BBTU)	368,972	368,972	-
Cost of Gas	136,092	136,092	-
Transmission & Distribution Cost and Others	10,187	10,044	(143)
UFG Disallowance	(2,365)	(2,365)	-
Depreciation	4,128	4,075	(53)
Return on Net Operating Assets	10,492	10,446	(46)
Prior Adjustment	-	2,000	2,000
Additional Revenue Required for Air-Mix LPG Projects	204	179	(25)
<b>Total Revenue Requirement</b>	<b>158,737</b>	<b>160,470</b>	<b>1,733</b>
<b>Total Revenue Available</b>	<b>154,888</b>	<b>155,133</b>	<b>245</b>
<b>Surplus/(Shortage)</b>	<b>(3,849)</b>	<b>(5,337)</b>	<b>(1,488)</b>
<b>Average Prescribed Price (Rs./MMBTU)</b>	<b>418.83</b>	<b>422.86</b>	<b>4.03</b>

## 4.2.2.1.3 Motion for Review of Final Revenue Requirement (FRR) for FY 2011-12

The Authority had determined the FRR of SSGCL for FY 2011-12 at Rs. 134, 902 million. SSGCL, being aggrieved of certain disallowances made by the Authority submitted a motion for review, seeking a further increase of Rs. 3.87 per MMBTU (Rs. 917 million) in revenue requirement. The Authority, after due

examination, allowed an additional amount of Rs. 800 million on provisional basis, through its Order dated June 18, 2013, consequential impact of which will be adjusted in FRR for FY 2012-13.

## 4.2.2.1.4 Estimated Revenue Requirement (ERR) of SSGCL for FY 2013-14

The Authority in its determination of June 01, 2013 determined the ERR of SSGCL for FY 2013-14 at Rs.169,415 million against Rs.178,419 million demanded by the petitioner. **Table 4.3** summarizes the OGRA's determination in comparison to SSGCL request in various components of revenue requirement.

**Table 4.3: OGRA's Determination of ERR of SSGCL for FY 2013-14**

(Rs. Million)

Particulars	SSGCL Request	OGRA Determination	Difference
Sales Volume (BBTU)	379,465	379,465	-
Cost of Gas	148,569	145,840	(2,729)
Transmission & Distribution Cost and Others	14,040	12,703	(1,337)
UFG Disallowance	(2,429)	(6,004)	(3,575)
Depreciation	5,291	4,953	(338)
Return on Net Operating Assets	12,669	11,858	(811)
Additional Revenue Required for Air-Mix LPG Projects	278	65	(213)
<b>Total Revenue Requirement</b>	<b>178,419</b>	<b>169,415</b>	<b>(9,004)</b>
<b>Total Revenue Available</b>	<b>166,442</b>	<b>174,015</b>	<b>7,573</b>
<b>Surplus/(Shortage)</b>	<b>(11,977)</b>	<b>4,600</b>	<b>16,577</b>
<b>Average Prescribed Price (Rs./MMBTU)</b>	<b>456.94</b>	<b>413.25</b>	<b>(43.69)</b>



Public Hearing for Determination of SSGCL's ERR for FY 2013-14 at Karachi

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SSGCL challenged the Authority's decision of DERR FY 2013-14 dated June 01, 2013 in SHC and prayed that it may be allowed the same treatment with respect to UFG benchmark and operating revenues such as MMP, LPS, Royalty from JJVL and sale of gas condensate as provided in FRR FY 2009-10.

The SHC, has granted interim relief to SSGCL in DERR FY 2013-14 by relaxing UFG benchmark to 7% and treating aforementioned operating revenues as non-operating. The said SHC decision was implemented by the Authority and additional revenue of Rs. 8,190 million was provided to SSGCL through increase in prescribed prices. The revised revenue requirement in light of SHC Order is given below in **Table 4.4**.

**Table 4.4: OGRA's Determination of DERR Per Court Orders**

(Rs. Million)

Particulars	OGRA Determination	As per Court Order	Difference
Sales Volume (BBTU)	379,465	379,465	-
Cost of Gas	145,840	145,840	-
Transmission & Distribution Cost and Others	12,703	11,558	(1,145)
UFG Disallowance	(6,004)	(2,392)	3,612
Depreciation	4,953	4,953	-
Return on Net Operating Assets	11,858	11,802	(56)
Additional Revenue Required for Air-Mix LPG Projects	65	65	-
<b>Total Revenue Requirement</b>	<b>169,415</b>	<b>171,826</b>	<b>2,411</b>
<b>Total Revenue Available</b>	<b>174,015</b>	<b>168,236</b>	<b>(5,779)</b>
<b>Surplus/(Shortage)</b>	<b>4,600</b>	<b>(3,590)</b>	<b>(8,190)</b>
<b>Average Prescribed Price (Rs./MMBTU)</b>	<b>413.25</b>	<b>434.83</b>	<b>21.58</b>

## 4.2.2.2 Sui Northern Gas Pipelines Limited

### 4.2.2.2.1 Final Revenue Requirement (FRR) for FY 2011-12

OGRA determined FRR for FY 2011-12 at Rs. 220,490 million against the petitioner's request of Rs.226,947 million through its decision of February 01, 2013. The Authority decided FRR in light of LHC Stay Order granted to SNGPL in respect of RERR FY 2011-12 for determination of UFG at 7% and treating LPS as non-operating income. **Table 4.5** shows comparison of OGRA's determination with SNGPL's request in respect of various components of estimated revenue requirement for the same year.

### 4.2.2.2.2 Review of Estimated Revenue Requirement (RERR) for FY 2012-13

The Authority determined the revised estimated revenue requirement of SNGPL for FY 2012-13 at

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Rs.243,219 million. The revised estimates are based on the changes in prices of Crude & HSFO in the international market and devaluation of Pak rupee against US dollar and some other components of revenue requirement. **Table 4.6** shows comparison of SNGPL request in various components of estimated revenue requirement.

**Table 4.5: OGRA's Determination of FRR of SNGPL for FY 2011-12**

(Rs. Million)

Particulars	SNGPL Request	OGRA Determination	Difference
Sales Volume (BBTU)	558,175	558,175	-
Cost of Gas	194,157	194,157	-
Transmission & Distribution Cost and Others	16,318	13,783	(2,535)
UFG Disallowance	(2,347)	(6,269)	(3,922)
Depreciation	8,265	8,265	-
Return on Net Operating Assets	10,554	10,554	-
<b>Total Revenue Requirement</b>	<b>226,947</b>	<b>220,490</b>	<b>(6,457)</b>
<b>Total Revenue Available</b>	<b>224,731</b>	<b>224,903</b>	<b>172</b>
<b>Surplus/(Shortage)</b>	<b>(2,216)</b>	<b>4,413</b>	<b>6,629</b>
<b>Average Prescribed Price (Rs./MMBTU)</b>	<b>400.02</b>	<b>388.15</b>	<b>(11.88)</b>

**Table 4.6: OGRA's Determination of RERR of SNGPL for FY 2012-13**

(Rs. Million)

Particulars	SNGPL Request	OGRA Determination	Difference
Sales Volume (BBTU)	587,893	587,893	-
Cost of Gas	219,158	219,158	-
Transmission & Distribution Cost and Others	17,314	15,521	(1,793)
UFG Disallowance	(7,111)	(14,221)	(7,110)
Depreciation	11,631	11,617	(14)
Return on Net Operating Assets	11,181	11,144	(37)
<b>Total Revenue Requirement</b>	<b>252,173</b>	<b>243,219</b>	<b>(8,954)</b>
<b>Total Revenue Available</b>	<b>231,473</b>	<b>233,698</b>	<b>2,225</b>
<b>Surplus/(Shortage)</b>	<b>(20,700)</b>	<b>(9,521)</b>	<b>11,179</b>
<b>Average Prescribed Price (Rs./MMBTU)</b>	<b>421.91</b>	<b>402.89</b>	<b>(19.02)</b>

## 4.2.2.2.3 Motion for Review of FRR for FY 2011-12

The Authority had determined the Final Revenue Requirement of SNGPL for FY 2011-12 at Rs. 220,490



million. SNGPL, being aggrieved of certain disallowances made by the Authority submitted a motion for review, seeking a further increase of Rs. 318 million in revenue requirement. The Authority, after due examination, allowed an additional amount of Rs. 318 million on account of non-operating income and cost of reinstated employees on provisional basis, through its Order dated April 13, 2013, consequential impact of which will be adjusted in FRR for FY 2012-13.

## 4.2.2.2.4 Estimated Revenue Requirement (ERR) of SNGPL for FY 2013-14

OGRA in its decision of June 01, 2013 determined ERR of SNGPL at Rs. 264,734 million against the request of Rs. 289,913 million for FY 2013-14. **Table 4.7** summarizes the OGRA's determination in comparison to SNGPL request in various components of revenue requirement.

**Table 4.7: OGRA's Determination of ERR of SNGPL for FY 2013-14**

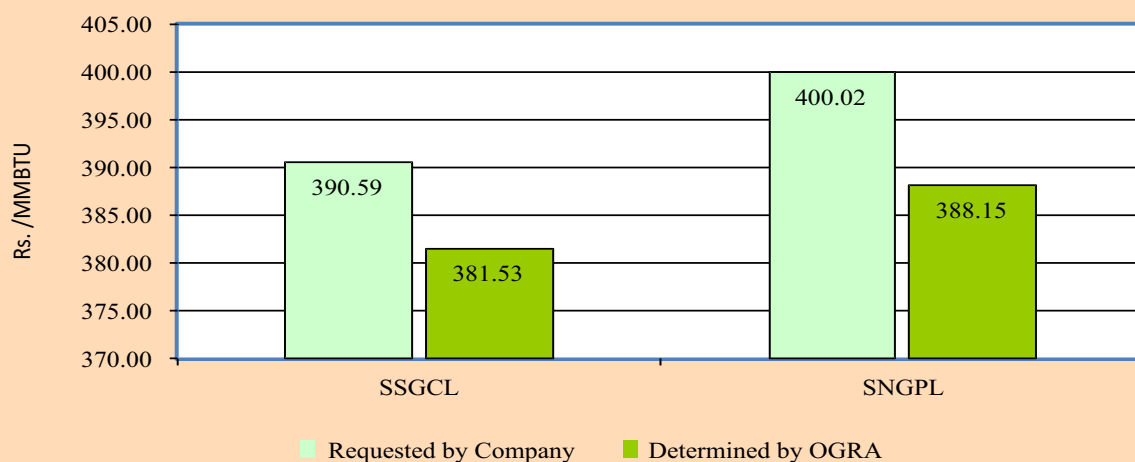
(Rs. Million)

Particulars	SNGPL Request	OGRA Determination	Difference
Sales Volume (BBTU)	615,679	615,679	-
Cost of Gas	238,400	234,014	(4,386)
Transmission & Distribution Cost and Others	26,620	16,297	(10,323)
UFG Disallowance	(4,760)	(10,513)	(5,753)
Depreciation	14,396	13,060	(1,336)
Return on Net Operating Assets	15,257	11,876	(3,381)
<b>Total Revenue Requirement</b>	<b>289,913</b>	<b>264,734</b>	<b>(25,179)</b>
<b>Total Revenue Available</b>	<b>256,769</b>	<b>259,367</b>	<b>2,598</b>
<b>Surplus/(Shortage)</b>	<b>(33,144)</b>	<b>(5,367)</b>	<b>27,777</b>
<b>Average Prescribed Price (Rs./MMBTU)</b>	<b>463.59</b>	<b>418.47</b>	<b>(45.12)</b>

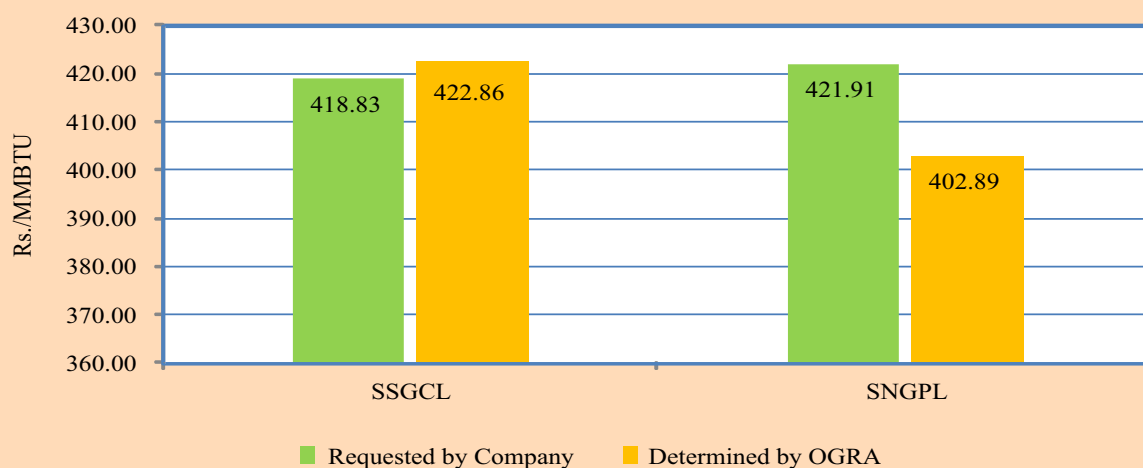




**Fig. 4.1: Average Prescribed Price of SSGCL & SNGPL for FRR in FY 2011 -12**



**Fig. 4.2: Average Prescribed Price of SSGCL & SNGPL for RERR in FY 2012 -13**



**Fig. 4.3: Average Prescribed Price of SSGCL & SNGPL for ERR in FY 2013 -14**



## 4.2.2.3 Historical Analysis

### 4.2.2.3.1 Summary of Revenue Requirements

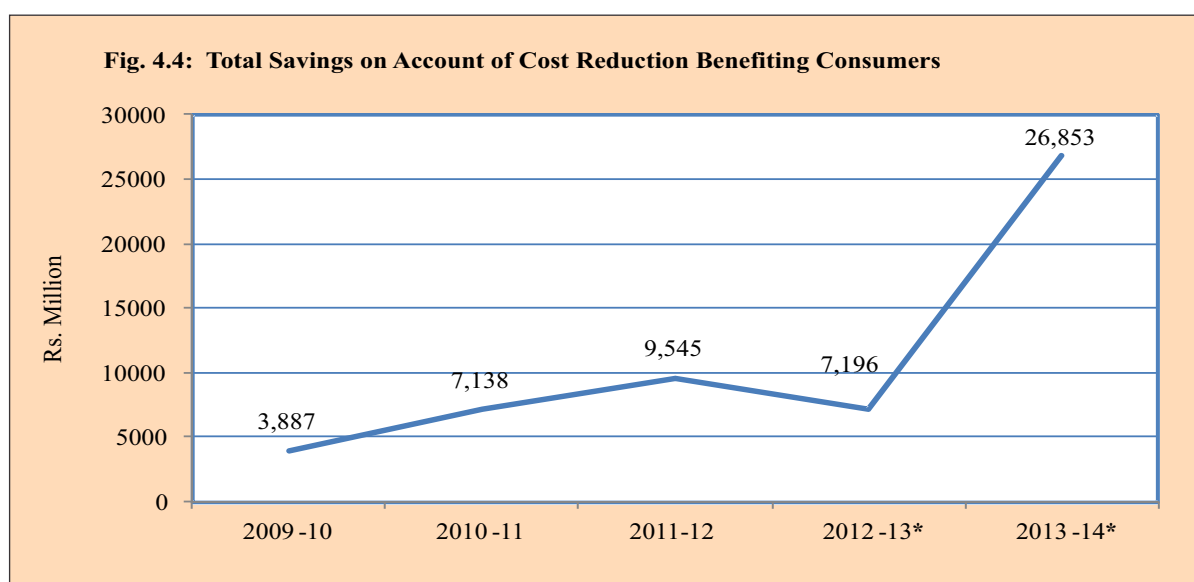
The determinations of the Authority are based on the principle of allowing only prudent and justified operating & capital expenditure and with a view to increase operational efficiency combined with better quality service to consumers. These measures have resulted in actual cost reduction of about Rs. 54,619 million during FY 2009-10 to FY 2013-14, benefit of which has been passed on to the consumers and Government. Summarized position of both the gas utilities is given in **Table 4.8** and **Fig. 4.4**. **Table 4.9** & **Table 4.10** show behavior of SSGCL & SNGPL's cost items per MMBTU and other major elements of the revenue requirements. **Figs. 4.5 & 4.6** show trend of main components of revenue requirement of SSGCL & SNGPL respectively.

**Table 4.8: Summary of Cost Reduction Benefiting Consumers**

(Rs. Million)

Description	2009-10		2010-11		2011-12		2012-13*		2013-14*	
	SNGPL	SSGCL	SNGPL	SSGCL	SNGPL	SSGCL	SNGPL	SSGCL	SNGPL	SSGCL
Demanded	33,891	17,857	26,944	17,750	32,790	19,854	33,015	22,441	51,513	29,571
Allowed	31,070	16,791	21,865	15,691	26,333	16,766	24,061	24,199	30,720	23,511
SNGPL	-	2,821	-	5,079	-	6,457	-	8,954	-	20,793
SSGCL	-	1,066	-	2,059	-	3,088	-	(1,758)	-	6,060
Total Savings	3,887		7,138		9,545		7,196		26,853	
Grand Total										54,619

\*Estimates



\*Estimates

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**Table 4.9: Summary of Revenue Requirement – Historical Comparison – SSGCL**

(Rs. / MMBTU)

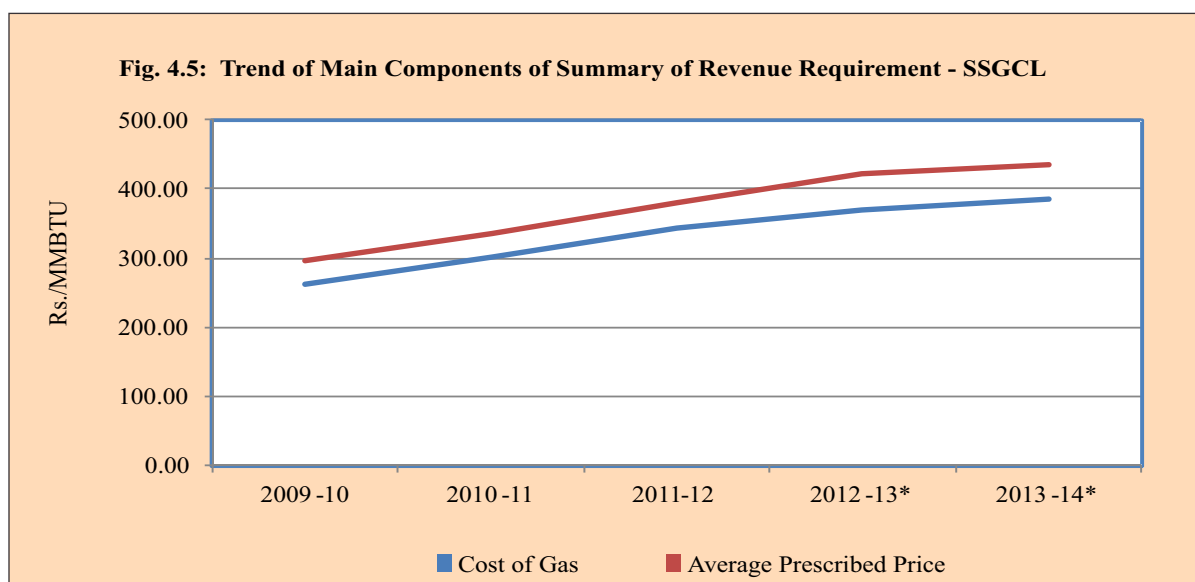
Particulars	2009-10	2010-11	2011-12	2012-13*	2013-14*
	Actual	Actual	Actual	Estimates	Estimates
Volume (BBTU)	362,379	340,331	343,761	368,972	379,465
Cost of Gas	263.27	302.63	342.93	368.84	384.33
T&D Cost and Depreciation	31.35	28.19	28.76	31.86	37.21
Return on Assets	14.98	17.91	20.01	28.31	31.10
Other Income	(12.32)	(12.21)	(10.90)	(12.05)	(17.98)
Additional RR for LPG Air Mix	0.10	0.29	0.73	0.49	0.17
Shortfall of Previous Year	-	-	-	5.42	-
<b>Average Prescribed Price (Rs./MMBTU)</b>	<b>297.40</b>	<b>336.82</b>	<b>381.53</b>	<b>422.87</b>	<b>434.83</b>

\*Per Court's Order

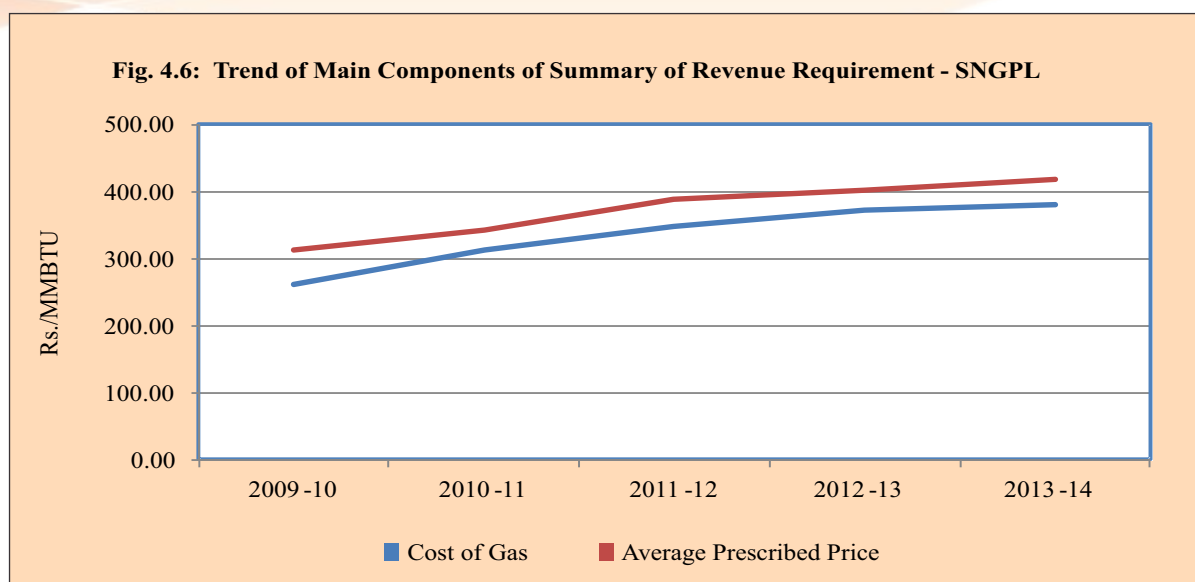
**Table 4.10: Summary of Revenue Requirement – Historical Comparison – SNGPL**

(Rs. / MMBTU)

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
	Actual	Actual	Actual	Estimates	Estimates
Volume (BBTU)	547,863	547,502	558,175	587,893	615,676
Cost of Gas	261.62	311.41	347.84	372.79	380.09
T&D Cost and Depreciation	22.36	21.98	28.27	21.97	30.61
Return on Assets	16.24	17.96	18.91	18.96	19.29
Other Income	(5.75)	(7.72)	(6.87)	(10.82)	(11.51)
Shortfall of Previous Years	18.12	-	-	-	-
<b>Average Prescribed Price (Rs./MMBTU)</b>	<b>312.58</b>	<b>343.63</b>	<b>388.15</b>	<b>402.89</b>	<b>418.48</b>



\*Per Court's Orders



## 4.2.2.4 Efficiency Benchmark

### 4.2.2.4.1 Unaccounted for Gas (UFG) / Benchmark

UFG means the difference between the total volume of gas purchased by the licensee during a financial year and volume of metered gas supplied to its consumers excluding metered gas used for licensee's self consumption.

High UFG levels of both the gas utility companies have been a major area of concern for the simple reason that this is waste of gas, which is avoidable to a great extent. It is pertinent to mention that one percent UFG of the two gas utilities at an average price of gas in FY 2012-13 translated to revenue loss of Rs. 3.55 billion per year. This loss reflects gas companies' performance and adds to the cost of gas for the consumers.

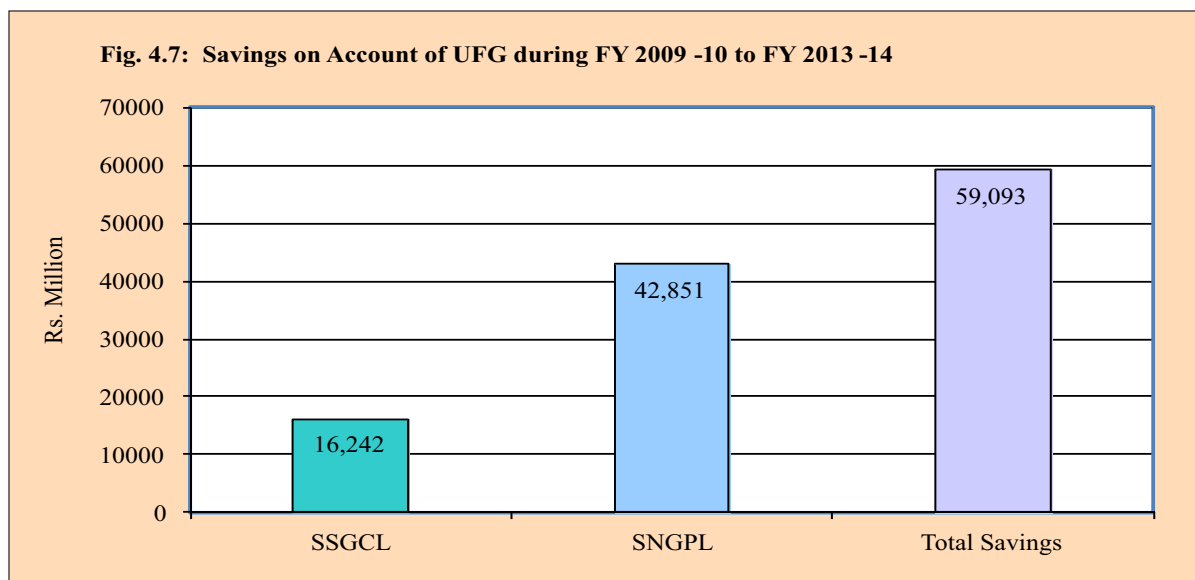
Ever since its inception, OGRA has taken effective measures to bring down high UFG levels of the two gas utilities, most importantly the enforcement of UFG benchmark. In light of the research covering prevalent international standards/practices and also the ground realities and operational constraints in the country and in consultation with both the utilities, OGRA started setting benchmark from FY 2003-04. Later, the utilities have been given targets to reduce UFG levels to 4% by FY 2011-12. The Authority set the target of 4.50% for FY 2012-13 and FY 2013-14. UFG benchmarks have resulted in saving of Rs. 59,093 million to the consumers during FY 2009-10 to FY 2013-14. The details of savings by both the gas utilities are given in **Table 4.11** and **Fig. 4.7**. In order to ascertain authenticity of UFG levels reported by the licensees, the Authority carries out UFG audit through independent auditors.

**Table 4.11: Savings on Account of UFG**

						(Rs. Million)
Company	2009-10	2010-11	2011-12	2012-13**	2013-14**	Total
SNGPL	4,670	7,178*	6,269*	14,221	10,513	42,851
SSGCL	934	2,470*	4,469*	2,365*	6,004*	16,242
<b>Total Savings</b>	<b>5,604</b>	<b>9,648</b>	<b>10,738</b>	<b>16,586</b>	<b>16,517</b>	<b>59,093</b>

\* Based on 7% as per LHC and SHC Stay Orders

\*\*Estimates



#### 4.2.2.4.2 UFG Reduction Plan of SSGCL & SNGPL

The Authority always emphasized the gas companies to bring UFG reduction plans so that unnecessary burden may not be passed on to the consumers and financial health of company may be improved. Both companies have come up with UFG reduction plans in ERR for FY 2013-14, which are discussed hereunder:-

##### 4.2.2.4.2.1 SSGCL's Natural Gas Efficiency Project (NGEP)

SSGCL brought the NGEP in revenue requirement of preceding year with the projected expenditure of Rs.3.57 billion in FY 2012-13 (Rs 30 billion spread over five years). The company stated that they will be able to increase the rehabilitation of deteriorating pipelines from present 500 Km per year to over 1,350 Km in FY 2012-13. World Bank agreed to provide retroactive financing of upto US\$ 20 million on project expenditure incurred after November 01, 2011. The Authority in its DERR 2013-14 has allocated /approved Rs. 3,262 million for NGEP. The details are at **Table 4.12**.



**Table 4.12: SSGCL's Natural Gas Efficiency Project***(Rs. Million)*

Category	Amount Demanded by SSGCL	Amount Approved by OGRA
Training & Pilot Project	265	100
Repair & Maintenance	1,067	1,067
Plant & Machinery	181	181
<b>NGEP related Vehicles</b>		
Vehicles	173	173
<b>NGEP related Gas Distribution System</b>		
Rehabilitation of Mains	3,126	712
Rehabilitation of Services	64	40
High Accuracy Meters (replacement)	677	677
Cathodic Protection Equipment	312	312
<b>Sub-Total</b>	<b>4,179</b>	<b>1,741</b>
<b>Grand-Total</b>	<b>5,865</b>	<b>3,262</b>

#### 4.2.2.4.2.2 SNGPL's UFG Control Plan

SNGPL in its ERR for FY 2013-14 has projected capitalization of Rs. 1,197 million for UFG reduction project for the said year. The company has allocated Rs. 792 million under the head of “Distribution Development” and Rs. 405 million under the head of “Measuring and Regulating Assets”. Expenditure under this head relates to UFG control activities which are undertaken aggressively keeping in view scarcity of gas and ever rising UFG. SNGPL has chalked out a pilot project of industrial vigilance which has been successfully implemented in all designated regions. The progress of pilot project is regularly monitored by the UFG committee of the Board of Directors (BoD) of SNGPL.

In the current scenario of energy shortage, each and every molecule of natural gas bears premium value. The Authority, therefore, stressed to undertake concerted efforts and reduce UFG by controlling theft, which is a major part of UFG and very much under the control of SNGPL. In view of above, the Authority allowed capital addition of Rs. 1,197 million on account of UFG reduction project for the said year.

#### 4.2.2.4.3 Human Resource Cost Benchmark

The Authority has also introduced Human Resource (HR) cost benchmark, which has helped to curtail the expenditure within reasonable limits. Savings or excess in HR cost has been shared equally between the companies and consumers. A brief account of savings / excess on HR benchmark for FY 2011-12 & FY 2012-13 is given in **Table 4.13**.

**Table 4.13: HR Cost**

(Rs. Million)

Description	SNGPL		SSGCL	
	2011-12	2012-13*	2011-12	2012-13*
Actual Cost	7,597	9,095	7,780	8,128
Benchmark Cost	8,550	8,180	7,861	6,785
Excess/(Saving) over Benchmark	(953)	915	(81)	1,343

\*Estimates

The HR cost benchmark was first introduced on experimental basis for a period of three years i.e. FY 2005 - 06 to FY 2007-08. The same benchmark was extended by the Authority for the next three years, starting from FY 2008-09 to FY 2010-11. This benchmark was set to cover both dimensions of HR cost i.e. increase in cost due to inflation and increase owing to extension in operating activities/parameters. The indexation mechanism to operating factors was rationalized to provide adequate funding to offset the lawful increase in HR cost on annual basis. The HR cost for FY 2012-13 has been provisionally determined and will be fixed after conducting a comprehensive study for determination of reasonable HR cost benchmark.

#### 4.2.2.5 Determinations and Notification of Well-Head Gas Prices

Section 6 (2) (w) of the OGRA Ordinance, 2002 read with the Natural Gas (Well-Head Price) Regulations 2009, empowers the Authority to determine the well-head gas prices for the producers of natural gas in accordance with the relevant agreements or contracts, and notify the same in the official gazette. The Authority accordingly issued eighty one well-head gas price notifications during FY 2012-13 for forty four gas fields (**Appendix-III**).

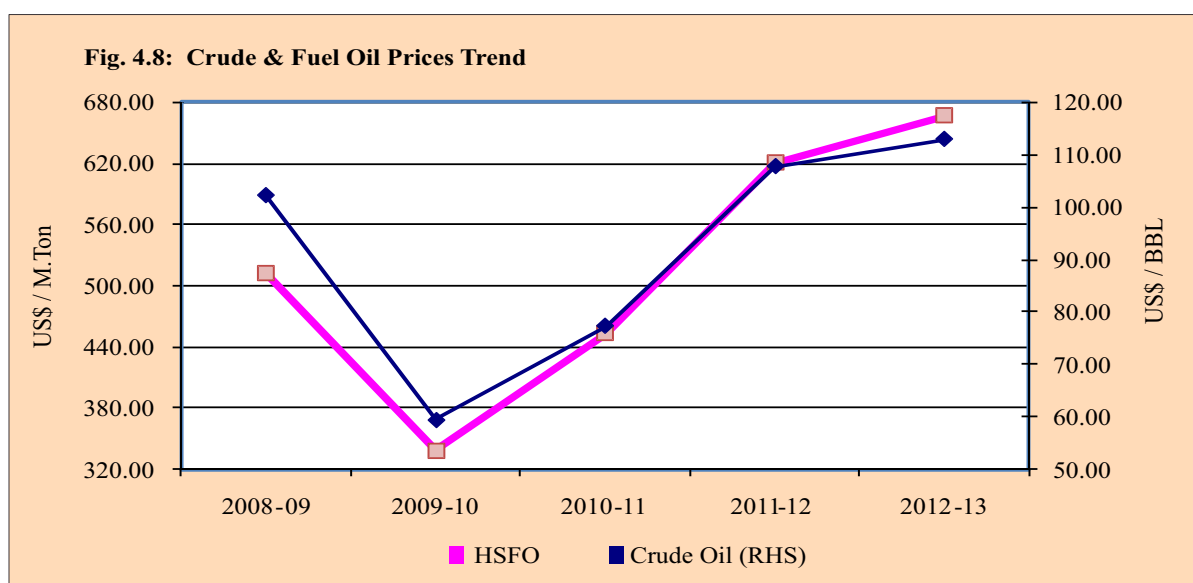
#### 4.2.2.6 Weighted Average Cost of Gas (WACOG)

The cost of gas is a major part of the prescribed price of gas, retainable by two gas utilities. Under the existing pricing agreements, the cost of gas (well-head price) of producers is indexed to the international price of crude oil / fuel oil.

The price of crude / fuel oil in international market is steadily rising since FY 2009-10. Fluctuations in supply and demand and geo-political uncertainty particularly in the Middle East have resulted rise in crude and fuel oil prices by 17% and 27% respectively during the year as compared to last year as evident from **Table 4.14**. The trend in FOB prices of crude and fuel oil in international market over the last few years is also shown in **Fig. 4.8**. Consequently, prescribed prices of the gas utilities have also been increased during this time period.

**Table 4.14: Basket of Crude & Furnace Oil Imported into Pakistan**

Description	2008-09	2009-10	2010-11	2011-12	2012-13
Average Crude Oil Price (\$/BBL)	102.36	59.53	77.23	107.79	112.95
Increase / (Decrease) in Crude Oil Price (\$/BBL)	-	(42.83)	17.70	30.56	5.16
Average HSFO Price (\$/M.Ton)	513.06	338.93	453.44	620.56	666.28
Increase / (Decrease) in HSFO Price (\$/M.Ton)	-	(174.13)	114.51	167.12	45.72



The gas prices differ for different gas fields, therefore, the cost of input gas into SSGCL and SNGPL systems also differs substantially causing a significant variation on the prescribed prices. The GoP, as a policy, has always maintained uniform consumer prices of gas all over the country and resultantly, it issued a policy guideline under Section 21 of the OGRA Ordinance, 2002, on June 18, 2003, that the cost of gas of SSGCL and SNGPL should be worked out on an overall weighted average basis to keep this major input cost uniform for both the utilities.

To implement this policy guideline, the two gas companies have signed an agreement, with the approval of OGRA, for making adjustments of the cost of gas paid to the producers on the basis of WACOG. For FY 2012-13, OGRA estimated the WACOG at the beginning of the year at Rs. 322.37 per MMBTU as against the Rs. 307.34 per MMBTU for FY 2011-12, owing to significant rise in prices of crude oil and HSFO in the international market. The same was determined as part of ERR of both the companies. Later on, in review petitions, WACOG was further increased to Rs. 331.15 per MMBTU due to changes in the prices of crude/fuel oil in international market and the impact of depreciation of Pak rupee against US dollar.

## 4.2.2.7 Notification of Prescribed and Sale Prices (Natural Gas Sector)

Under the OGRA Ordinance, 2002, the Authority is required to notify the prescribed prices for each category of consumers for natural gas of both the gas companies in order to enable each licensee to achieve the revenue requirement as determined by the Authority. During the year under review, the Authority issued four notifications of prescribed prices for both the gas utilities i.e. SNGPL and SSGCL.

Pursuant to the provision of the OGRA Ordinance, GoP advises the sale prices for various categories of consumers, after adjustment of Gas Development Surcharge in the prescribed prices determined by the Authority. However, GoP advised two sale prices for various categories of consumer effective July 01, 2012 and January 01, 2013 during FY 2012-13. The category-wise breakup is placed at (**Appendix –IV**).

## 4.2.2.8 Compressed Natural Gas

OGRA is obligated to determine and notify the CNG consumer price under Rule 13 of CNG (Production & Marketing) Rules, 1992 which inter-alia provides as under;

*“The Authority shall determine and notify the sale price in accordance with the policy guidelines issued by the Federal Govt., from time to time”.*

Accordingly, OGRA has been determining and notifying the CNG consumer price since August, 2009 in accordance with the policy guidelines of the Federal Govt. which contains cost components and specific pricing parameters to compute the same.

The initial policy guidelines of the Federal Government provided in August, 2009, were referring the pricing parameters agreed in MoU signed between Federal Govt. and CNG Associations on August 25, 2008, as under;

- (i) *“All cost parameters including rate of return as agreed through MoU dated 25.08.2008 signed between GoP and CNG associations, will be taken as benchmark for fixation of CNG consumer price.”*
- (ii) *“Cost of gas/compression cost be adjusted at actual and the escalable components be indexed with CPI.”*

In October 2012, Honorable Supreme Court of Pakistan took notice of revision in CNG prices on weekly basis and held the proceedings in this regard while Ministry of Petroleum & Natural Resources suspended



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the applicable policy guidelines and considered to review the same.

In December, 2012, Federal Government issued policy guidelines, approved by the ECC of the Cabinet, which inter-alia states that the sale price of CNG shall be determined / fixed on the basis of the following components:-

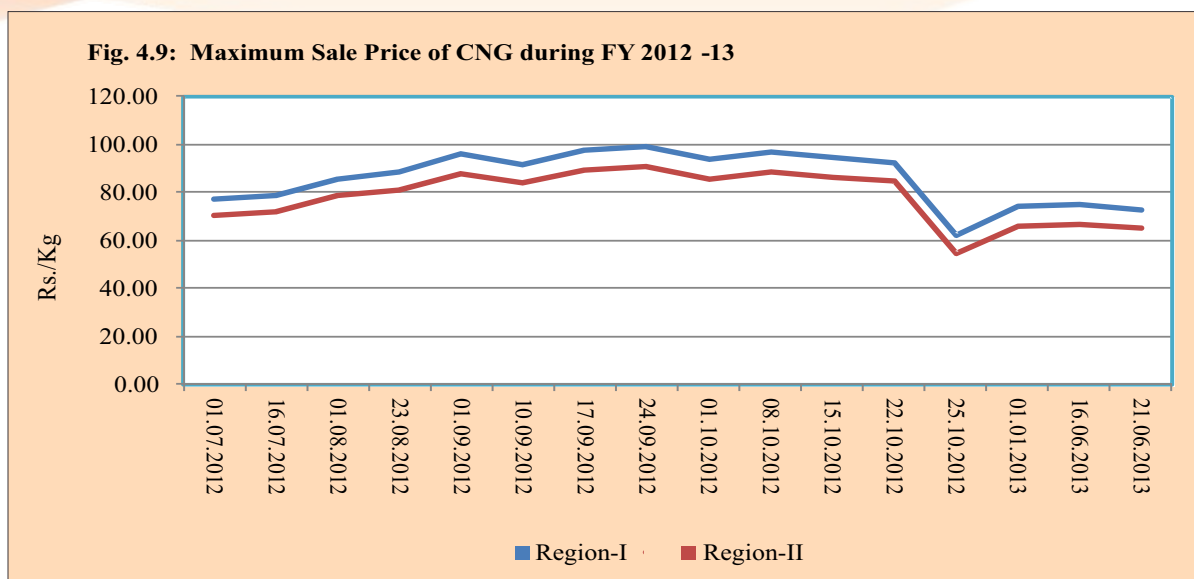
- a. Cost of Gas as Selling Price +
- b. Value Added Cost for Compression/Electricity Cost +
- c. Operating Expense for CNG Station Owner +
- d. Margin for CNG Station Owner (Equal to Margin Allowed on One Liter of Petrol as Determined/Notified by the Government from time to time) +
- e. GIDC (Gas Infrastructure Development Cess at Rates Notified by MP&NR) +
- f. Sales Tax (Applicable under the Law) =
- g. Maximum CNG Sale Price to Consumers

Accordingly, OGRA notified the maximum sale price of CNG effective January 01, 2013. The maximum sale price notified by OGRA during FY 2012-13 is given in **Table 4.15 & Fig. 4.9**.

**Table 4.15: Maximum Sale Price of CNG**

*(Rupees per Kg)*

Price Effective	Region I	Region II
	Khyber Pakhtunkhwa, Balochistan & Potohar Region (Rawalpindi, Islamabad & Gujarkhan) @1040 BTU	Sindh & Punjab (Excluding Potohar Region) @ 950 BTU
01.07.2012	77.36	70.63
16.07.2012	78.65	71.92
01.08.2012	85.67	78.26
23.08.2012	88.61	80.94
01.09.2012	95.72	87.44
10.09.2012	91.45	83.55
17.09.2012	97.69	89.25
24.09.2012	99.28	90.70
01.10.2012	93.79	85.68
08.10.2012	96.58	88.22
15.10.2012	94.66	86.48
22.10.2012	92.54	84.54
25.10.2012	61.64	54.16
01.01.2013	74.44	65.78
16.06.2013	74.90	66.18
21.06.2013	72.93	64.90



## 4.2.3. Approval of Agreements

The Authority under provisions of the NGLR, 2002 approves following gas supply contracts:-

- Gas supply contract of a quantity greater than 10 MMcfd of natural gas executed between licensee and consumer
- Gas supply contract of natural gas executed between licensee and producer

The following agreements / contracts were approved / considered during FY 2012-13:

### (a) 3<sup>rd</sup> Supplemental Agreement for Purchase and Sale of Gas between Mari Gas Company Ltd & Engro Fertilizer Limited (Plant – II) for 42 MMcfd of Gas for Extension of Five Years

The initial Gas Sale and Purchase Agreement (GSPA) was executed between both parties on 21-11-1991 for a period of 20 years from the first delivery date i.e. 01-06-1993 for supply of 42 MMcfd gas of 700 Btu/Scf, having CO<sub>2</sub> content 6-10 Mol percent. 103 MMcfd gas was allocated to Engro with 46 MMcfd for Engro Plant-I, 42 for Engro Plant-II and 15 MMcfd for balancing modernization and replacement. Subsequently a supplemental agreement for consolidated billing was made between parties on 15-01-1993. The Authority on 18-02-2013 has approved 3<sup>rd</sup> Supplemental Agreement under Rule 20 (ix) of the NGRA Licensing Rules, 2002 subject to condition that integrity of the network with respect to safety measures should be ensured in view

of high concentration of CO<sub>2</sub> in the gas stream.

**(b) Initial Term Sheet Executed between MGCL and SNGPL for Supply of 44 MMcfd Gas from Mari Deepwell to PEPCO**

OGRA on 11-03-2013 approved the above agreement between MGCL and SNGPL for supply of 44 MMcfd gas, under Rule 20 (x) of the NGRA Licensing Rules, 2002 subject to condition that the companies will take necessary safety measures to maintain their pipeline integrity.

**(c) Extension of Dhullian Gas Sale and Purchase Agreement between POL & SNGPL (Amendment No. 1 to Dhullian Gas Sale Agreement (GSA))**

The Authority on 18-04-2013 approved the extension in Dhullian Gas Sale and Purchase Agreement dated 03-11-2007 between POL and SNGPL (amendment No. 1 to Dhullian GSA), under Rule 20 (x) of the NGRA Licensing Rules, 2002 subject to the condition that specifications of commingled gas will be in accordance with OGRA's approved specifications of natural gas and integrity of the network with respect to safety measures shall be ensured.

**(d) Gas Sales and Purchase Agreement for Rehman Extended Well Test Production between SSGCL and Polish Oil and Gas Company and Pakistan Petroleum Limited for Supply of 13 MMcfd Natural Gas**

OGRA approved the above agreement on 18-04-2013 for supply of 13 MMcfd natural gas, under Rule 20 (x) of the NGRA Licensing Rules, 2002, subject to condition that specification of commingled gas will be in accordance with OGRA's approved specification of natural gas and integrity of the network with respect to safety measures should be ensured.

#### **4.2.4 Major Projects of SNGPL and SSGCL**

Gas companies, under the provisions of rules and terms & conditions of their licences, obtain prior permission of the Authority for undertaking extension in their transmission and distribution network to cater demand of domestic, commercial and industrial sectors. Based on the same, new projects for transmission and distribution of natural gas are envisaged by the companies / licensees and placed before the Authority for approval. The projects are approved by the Authority, if found prudent, feasible, delivering maximum benefits to the consumers. Brief detail of the infrastructure development projects of SSGCL and SNGPL approved during FY 2012-13 is as follow:-

## 4.2.4.1 Transmission Projects of SNGPL

The following two major transmission projects of SNGPL were considered during FY 2012-13:-

### (i) Development of Pipeline Infrastructure (42" dia, 153 Km long) for upcoming LNG Imports, Iran Gas and Anticipated Indigenous Supplies in Two Phases (Phase I & II)

#### Salient Features (Phase-I)

<b>Project Detail</b>	Laying of an additional 42", 84.20 Km loopline in Sawan-Qadirpur segment
<b>Purpose</b>	SNGPL has to increase their present capacity of pipeline system (370 to 473 MMcfd) to cater for deliveries from SSGCL
<b>Project Cost</b>	Capital Cost Rs. 15,379 million, Annual O&M Cost Rs. 35.86 million

#### Salient Features (Phase-II)

<b>Project Detail</b>	Laying of additional 42", 69.10 Km loopline:- - Sawan-SV2 25.12 Km - QV2-AC1X 43.18 Km
<b>Purpose</b>	SNGPL has to increase their capacity of pipeline system for acceptance of 709 MMcfd additional supplies from SSGCL
<b>Project Cost</b>	Capital Cost Rs. 10,652 million, Annual O&M Cost Rs. 166.52 million

The Authority observed that addition of gas in the prevailing situation of severe gas shortage is important in order to revitalize every sector particularly the industry & fertilizer. The Authority, therefore, in principle allowed the capital expenditure under this head in its Determination of ERR for FY 2013-14 of SNGPL. However, adjustment under this head will be considered at the time of total revenue requirement, keeping in view the pace of work executed at that time and mode of finances arranged for the same.

### (ii) SNGPL's Northern Area Expansion Plan and Augmentation of Existing Kohat Dakhni-FC1-Gali

SNGPL has projected Rs. 5,166 million for the above project to receive 160 MMcfd additional gas from Northern sources of the country which is likely to be available during the said year. The said project comprises:

- Installation / Relocation of Online Compression Facilities

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- 24" dia / 144.81 Km Pipeline for different Segments from Kohat – Dakhni - FC1 – Gali
- 10" dia / 38 Km Daudkhel - Mianwali Pipeline for System Augmentation

The existing network at this segment is already overloaded and incapacitated to transmit further gas supplies expected from this area. The proposed capitalization shall facilitate to share the existing load and provide additional capacity to transmit additional gas supplies.

The Authority, keeping in view the prevailing energy crises / gas shortage in the country, conveyed approval of Rs. 5,166 million in November, 2012 for the said project under the head of capital expenditure for the said year.

### 4.2.4.2 Distribution Projects of SNGPL

The Authority in SNGPL's DERR 2013-14 approved an amount of Rs. 3,120 million, the details of which are given in the **Table 4.16**.

**Table 4.16: Distribution Projects of SNGPL**

<i>(Rs. Million)</i>			
Sr. No.	Description	Amount Projected by SNGPL	Amount Allowed by OGRA
1.	Laying of Distribution Mains	10,414	823
2.	Laying of Distribution Mains on Cost Sharing Basis	984	984
3.	System Rehabilitation	246	246
4.	UFG Reduction Project (Distribution Development)	792	792
5.	Cathodic Protection (C.P.) System	225	225
6.	Spares of Meters and Regulators	50	50
<b>Total</b>		<b>12,711</b>	<b>3,120</b>

Considering the scenario that the country is passing through acute shortage of natural gas, therefore, all new development schemes were pended till the receipt of policy guideline from the Federal Government (w.r.t. MP&NR's moratorium dated October 4, 2011).

### 4.2.4.3 Transmission Projects of SSGCL

SSGCL has projected an amount of Rs. 4,877 million in its ERR of FY 2013-14, on account of additions to transmission network. The details of which are given in **Table 4.17**.



**Table 4.17: Transmission Projects of SSGCL**

Sr. No	Transmission Projects	Rs. Million
i.	12" dia x 64 Km Zarghun-Quetta Pipeline	1,349.0
ii.	6"× 14 Km Nur/Bagla Gas Field	10.0
iii.	6" dia x 22 Km Sajawal Gas Field Integration Project	10.0
iv.	24" dia × 33 Km Masu to Tando Adam Loopline	1,624.0
v.	8" dia × 85 Km Pipeline from Jhal Magsi to Shori	878.0
vi.	16" dia ILBP Rehabilitation & Intelligent Pigging	131.0
vii.	16" dia ×344 Km QPL Rehabilitation & Intelligent Pigging	267.0
viii.	18" dia Badin Gas Field Integration Project (BGFIP) Intelligent Pigging	41.0
ix.	Construction of Sub-merge Crossings	107.0
x	Up-gradation of Sales Meter Stations	135.0
xi.	6" dia × 8 Km HQ-1 to Kandra Power Plant Medium Pressure Pipeline	125.0
xii.	Up-gradation of Metering & Regulation for Quetta Pipeline at HQ-Skp	100.0
xiii.	Up-gradation and Re-location of Regulation on 18" & 20" IRBP at ACPL	100.0

**(i) 12" dia × 64 Km Zarghun - Quetta Pipeline (ZQPL)**

The said pipeline is required to supply additional gas to Quetta that would help maintain persistent gas supply pressure, especially during winter season and utilize precious gas reserves available at Zarghun gas field. SSGCL has informed that based on simulation studies, 12" dia x 64 Km long pipeline with designed capacity of 25 MMcfd gas from Zarghun gas field to SSGC's existing Quetta distribution system has been planned.

The Authority, keeping in view the severe energy crisis, provisionally allowed Rs. 1,349 million on account of ZQPL for the said year. The Authority further directed SSGCL to complete the said project on war footing basis, within the stipulated time period, so that significant gas supplies can be entered into the system.

**(ii) SSGCL's laying of 6"× 14 Km Nur / Bagla Gas Field**

This project involves laying of 6" dia x 14 Km pipeline from gas field to Golarchi Valve Assembly on 18" dia Badin pipeline to receive 8 -10 MMcfd gas from Nur Bagla Gas Field. It is estimated that cost of project is Rs. 233 million expected to be commissioned during FY 2012-13 at a cost of Rs. 223 million and left over works of Rs. 10 million will be completed in

FY 2013-14. The Authority decided to allow Rs.10 million for this project in the SSGC's ERR for FY 2013-14.

**(iii) 6" dia x 22 Km Sajawal Gas Field Integration Project**

SSGCL requested for approval of Authority for laying of 6" dia × 22 Km pipeline from Sajawal Gas Field to Golarchi Valve Assembly on 18" dia Badin pipeline for 10 MMcfd gas from Sajawal field. The Authority considered the laying of said pipeline segment essential and prudent and approved the same.

**(iv) SSGCL's 24" dia × 33 Km Masu to Tando Adam Loopline**

SSGCL requested OGRA's permission for the transmission pipeline from Masu to Tando Adam Valve Assembly is required for RLNG with projected cost of Rs. 1,624 million for the said year. The petitioner has pleaded that GoP is aggressively pursuing gas import projects to pave the ever rising demand supply gap that is causing unrest and massive riots in the country. OGRA has also issued licences to LNG/RLNG developers and has allocated network capacities in order to receive additional volume of gas in the system.

The Authority observed that addition of gas in this aggravated situation is important in order to revitalize every sector particularly the industry & fertilizer. The Authority, therefore, in principle allowed the capital expenditure under this head for the said year.

Final adjustment under this head, however, will be considered at the time of total revenue requirement keeping in view the pace of work executed at that time and mode of finance arranged for the same. The Authority, however, is of the considered view that financing of such project should be met from the GIDC account which has been established exclusively for such purposes.

**(v) 8" dia x 85 Km Pipeline from Jhal Magsi to Shori**

This system of pipeline will integrate Jhal Magsi field to QPL system at Shori for supply of 15 MMcfd gas, with the capital cost of Rs. 878 million. The Authority, considered the said system project and pended the same, since SSGCL could not materialize on the already approved amount of Rs. 803 million (during the preceding year), due to law and order situation in the area.

### **(vi) SSGCL's 16" dia ILBP Rehabilitation & Intelligent Pigging**

The Authority in 2005 approved SSGCL's project of intelligent pigging on 16" diameter × 558 Km ILBP main line. Initially rehabilitation was completed and pipeline was made piggable. Thereafter pigging from HQ-2 to KT (179 Km) has been completed.

The Intelligent Pigging from Sui (MP-00) to HQ-2 (MP-168) along with the portion of ILBP from RS-3 to HQ-3 section was approved by the Authority in SSGCL's ERR for FY 2012 - 13, with total cost of Rs. 131 million. However, SSGC could not capitalize any amount on this project. Keeping in view the previous progress, the Authority decided to pend the said projects in the SSGC's ERR for FY 2013-14.

### **(vii) SSGC's 16" dia x 344 Km QPL Rehabilitation & Intelligent Pigging**

The Authority has already approved the above project in its earlier determinations. However, SSGC could not capitalize any amount on this project. Keeping in view the previous progress, the Authority decided to pend the said projects in the SSGC's ERR for FY 2013-14.

### **(viii) SSGCL's 18" dia Badin Gas Field Integration Project (BGFIP) Intelligent Pigging**

The pipeline was commissioned in 1988 and SSGCL ensured that throughput and efficiency of the pipeline will be increased after pigging. The same was approved by the Authority in the previous SSGCL's ERR for FY 2012-13 with total cost of Rs. 40.5 million. However, SSGC could not capitalize any amount on this project. Keeping in view the previous progress, the Authority decided to pend the said projects in the SSGC's ERR for FY 2013-14.

### **(ix) Construction of Sub-merge Crossings**

SSGCL submitted that most of terrorist incidents of transmission pipeline blow-off occurred on overhead pipeline crossings on canal in paddy growing areas, where pipeline are not easily approachable by field staff. Till June 2011, twenty nine overhead crossings have already been submerged. The company identified eleven crossings to be submerged at an estimated cost of Rs. 107 million during the said year. Keeping in view these facts, the Authority allowed Rs. 53 million i.e. 50% of the projected amount for the said year.

**(x) Up-gradation of Sales Meter Stations (SMSs)**

SSGCL projected to complete work on Sales Meter Stations up-gradation at Larkana, Nawabshah and Dhabeji at an estimated cost of Rs. 135 million during the said year. The work could not be completed in FY 2012-13 due to budget constraints. The Authority, keeping in view the addition of consumers and importance of such up-gradation provisionally allowed Rs. 103 million, out of projected Rs. 135 million.

**(xi) 6" dia x 8 Km HQ - 1 to Kandra Power Plant Medium Pressure Pipeline**

SSGCL projected Rs. 125 million to lay 8 Km pipeline from HQ -1 to Kandra Power Plant (IPP) to supply low BTU gas to this new 120 MW power project. It has been observed that cost per Km has been projected on higher side for the said pipeline. The Authority, keeping in view the above provisionally allowed Rs. 100 million, for the pipeline project for the said year.

**(xii/xiii) Up-Gradation of Metering & Regulation for Quetta Pipeline at HQ-Skp and on 18" & 20" IRBP at ACPL**

The Authority, keeping in view the energy crisis and viability of the above gas transmission projects, provisionally allowed Rs. 1,826 million for the said year.

## 4.2.4.4 Distribution Projects of SSGCL

The company was allowed Rs. 5,506 million for the distribution development in respect of its ERR 2013 - 14. The details of which are given in **Table 4.18**.

**Table 4.18: Distribution Projects of SSGCL**

		<i>(Rs. Million)</i>	
S.No	Description	Amount Projected by SSGCL	Amount Approved by OGRA
1.	Laying of Distribution Mains including Services-Existing Areas including NGEF	4,838	2,080
2.	New Towns & Villages	2,005	363
3.	Installation of New Connections (Meters)	623	595
4.	Replacement / Repair of Existing / Old Meters	381	375
5.	8" dia x 14 Km Supply Main Sanghar	125	72
6.	12" dia x 31 Km Palijani to Tando Allahyar Supply Main	446	282

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7.	20" dia x 5 Km Landhi (Future Colony) Main - C Stations Main Loop	139	-
8.	Protective Work at Hari Nala, Nut Nala, Sukhan Nadi, Malir Nadi Nado Nala	32	32
9.	16" dia x 20 Km Augmentation from Quetta to Mastung	77	77
10.	Rehabilitation of Flood Affected Gas Distribution System	18	18
11.	Smart Metering	250	250
12.	Construction of CMSs and TBSs and TRSs	373	373
13.	High Accuracy Meters – NGEP	677	677
14.	Cathodic Protection – NGEP	312	312
<b>Total</b>		<b>10,296</b>	<b>5,506</b>

**(i) Construction of Metalled Road on Unapproachable Right of Way (ROW) on the Transmission Pipeline Network**

The company is under obligation to patrol the transmission pipeline right of way to observe factors affecting the safe operation of the transmission pipeline, including encroachments and to take steps to control the same. As of June 30, 2013, the year-wise achievement of SSGCL is as follow: -

**Table 4.19: Construction of Metalled Road by SSGCL**

<b>Fiscal Year</b>	<b>Kms Covered</b>	<b>Cost (Rs. Million)</b>
2004-05	-	26.5
2005-06	23	92.7
2006-07	52	111.776
2007-08	62	155.411
2008-09	106 (Earth filling)	59.031
2009-10	17	55.958
2010-11	71	131.251
2011-12	8.5	3.703
2012-13	59 Km Earth Filling	Nil*
<b>Total</b>	<b>225</b>	<b>636.330</b>

\*No work carried during this FY (Tenders were invited on 15th Oct, 2013. Evaluation still under Management approval)

**(ii) Construction of Submerged Crossings in Place of Existing Overhead Pipeline Crossings for Safety against Terrorist Threat**

In order to avoid terrorist activities, SSGCL has been replacing the overhead transmission pipelines with the submerged crossings under canal bed and water channels to bring maximum security to the pipelines. Since then, SSGCL has regularly being allowed considerable amount in the determination



of revenue requirement. From FY 2005-06 to FY 2011-12, twenty-nine submerged crossings have been carried out and cost incurred is Rs. 205.673 million. During FY 2012-13, no work has been carried out, as the acquisition of additional land for the operation of HDD machines is still in process.

#### **4.2.5 Applications for Storage, Compression and Transportation / Transmission Licences**

Two separate requests, from private parties (i.e. M/s Mahar Gas and M/s E-Gas Company) for grant of licences for using flare gas, are currently under consideration of OGRA. Applicants are interested to compress the flare gas and then transport it to their prospective consumers. In this regard, Federal Government has been approached for the policy guidelines on the matter. Further processing shall be done after receipt of the same.

#### **4.2.6 Application for Capacity Allocation in SSGC & SNGPL's Pipeline System**

##### **(a) FFM (Four Fertilizer Manufacturers Consortium / JV)**

FFM, which consists of Pak Arab Fertilizer Ltd., Engro Fertilizers Ltd., Dawood Hercules Fertilizer Ltd. and Agritech Ltd., have requested OGRA for allocation of 202 MMscfd in SNGPL and SSGC's pipeline transportation system under the OGRA Natural Gas Regulated Third Party Access Rules, 2012. In this regard, the concerned stakeholders and MP&NR have been consulted and the request of M/s FFM Consortium is currently under consideration of OGRA.

##### **(b) Westen Power Company Ltd**

Westen Power Company Ltd. has requested OGRA for allocation of 2 MMscfd Gas from “Hilani Well” in SNGPL pipeline transportation system under the OGRA Natural Gas Regulated Third Party Access Rules, 2012. In this regard, the concerned stakeholders and MP&NR have been consulted and the request of Westen Power Company Ltd. is currently under consideration of OGRA.

#### **4.2.7 Addition of Assets / Natural Gas Network**

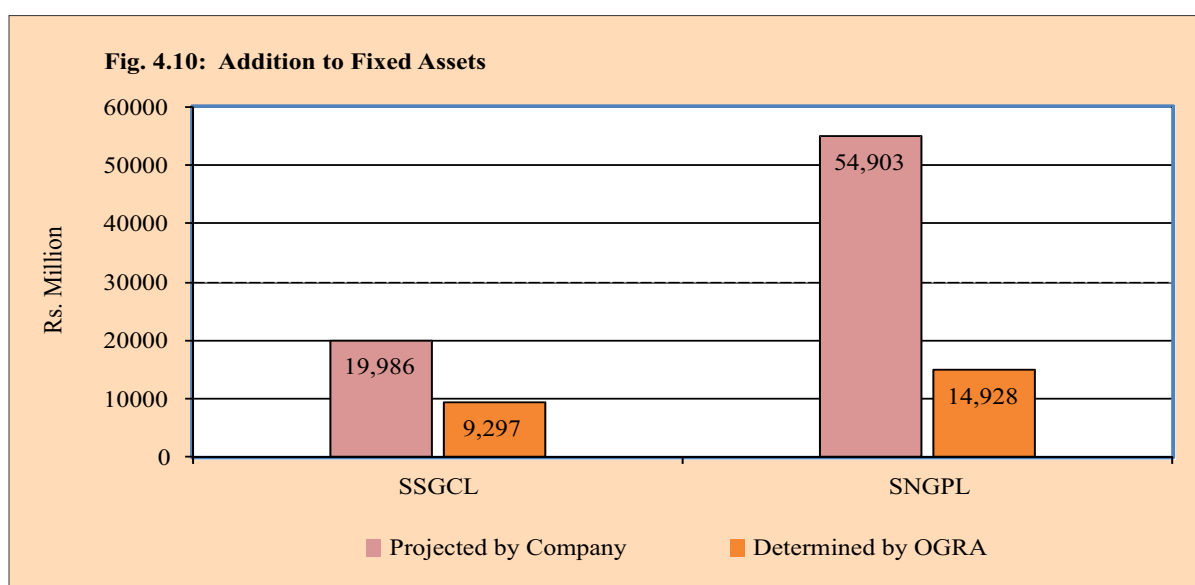
The companies are obligated under Rule 4 (2) of Natural Gas Tariff Rules to submit petition, containing projections/estimates with reference to addition in assets pertaining to the infrastructure development projects, for the determination of Estimated Revenue Requirement to the Authority.

The petition is thoroughly scrutinized and determination is passed by the Authority as per Section 8 (1) of the

OGRA Ordinance, 2002, allowing only the prudent projects, and imposing cuts on the investments where felt necessary.

## 4.2.7.1 Increase in Assets

During FY 2012-13, SSGCL and SNGPL requested for an increase in assets valuing Rs. 19,986 million and Rs. 54,903 million respectively as per its estimated revenue requirement petition for 2013-14. As per the Determination, OGRA allowed a sum of Rs. 9,297 million and Rs. 14,928 million respectively to the companies, which is shown in the **Fig. 4.10**.



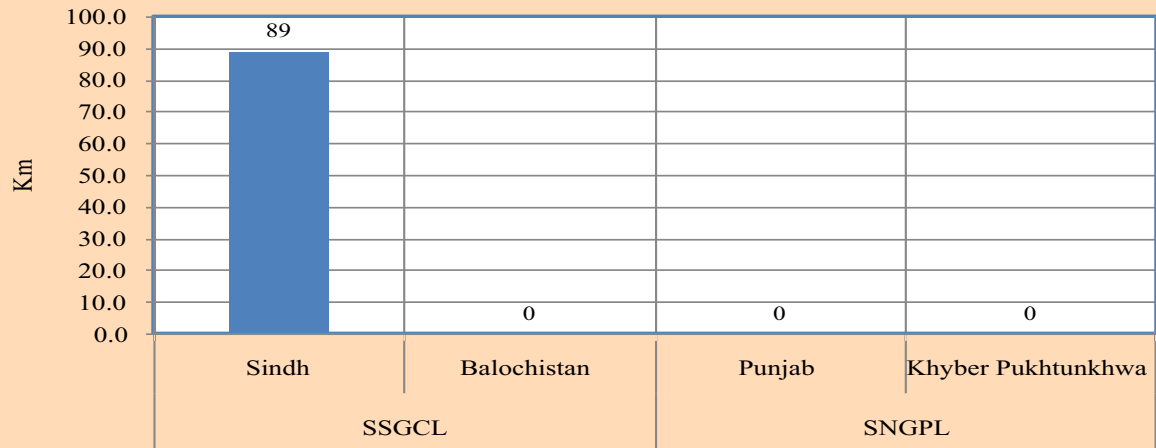
## 4.2.7.2 Addition in Transmission & Distribution Network

SSGCL expanded its transmission network by 89 Km, whereas SNGPL did not make any addition to its transmission network as shown in **Fig. 4.11**. SSGCL and SNGPL expanded its distribution network by 1,455 Km and 4,333 Km respectively during FY 2012-13. **Fig. 4.12** shows province-wise break-up of increase in distribution network of SSGCL and SNGPL.

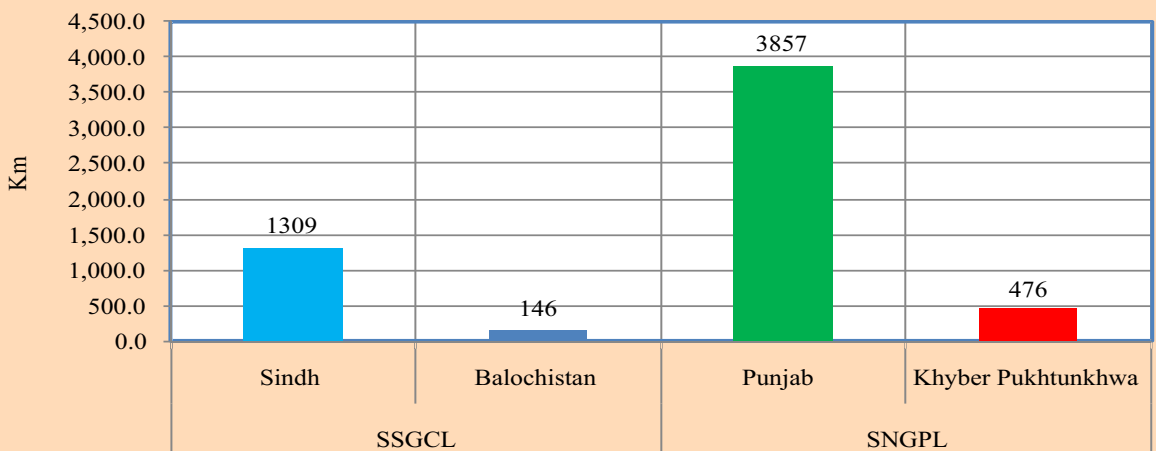
## 4.2.7.3 Towns & Villages Connected

During FY 2012-13, SSGCL and SNGPL have connected 348 & 321 new towns and villages respectively to their network. Province-wise break-up of new towns and villages for SSGCL and SNGPL is given in **Fig. 4.13**.

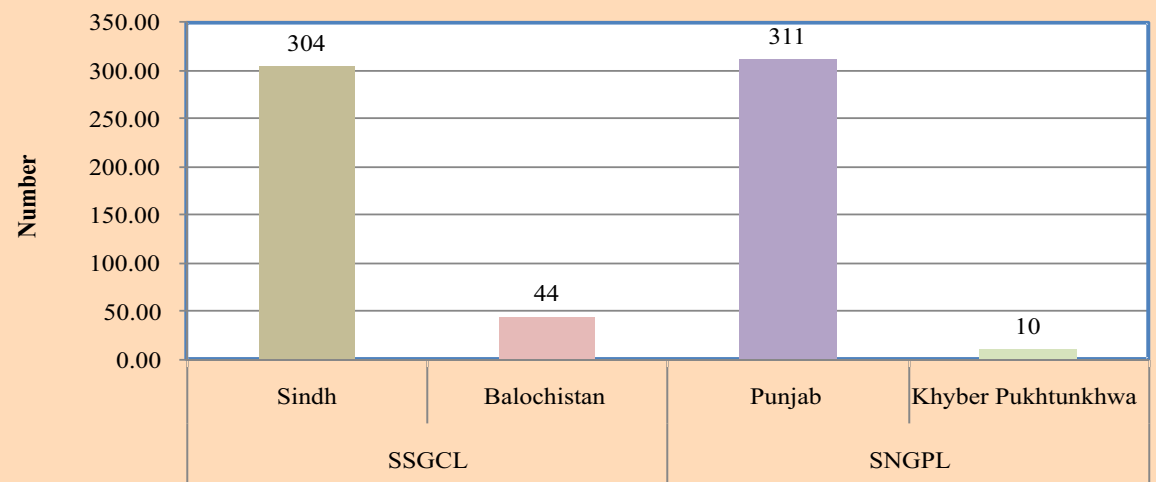
**Fig. 4.11: Addition to Transmission Network**



**Fig. 4.12: Addition to Distribution Network**

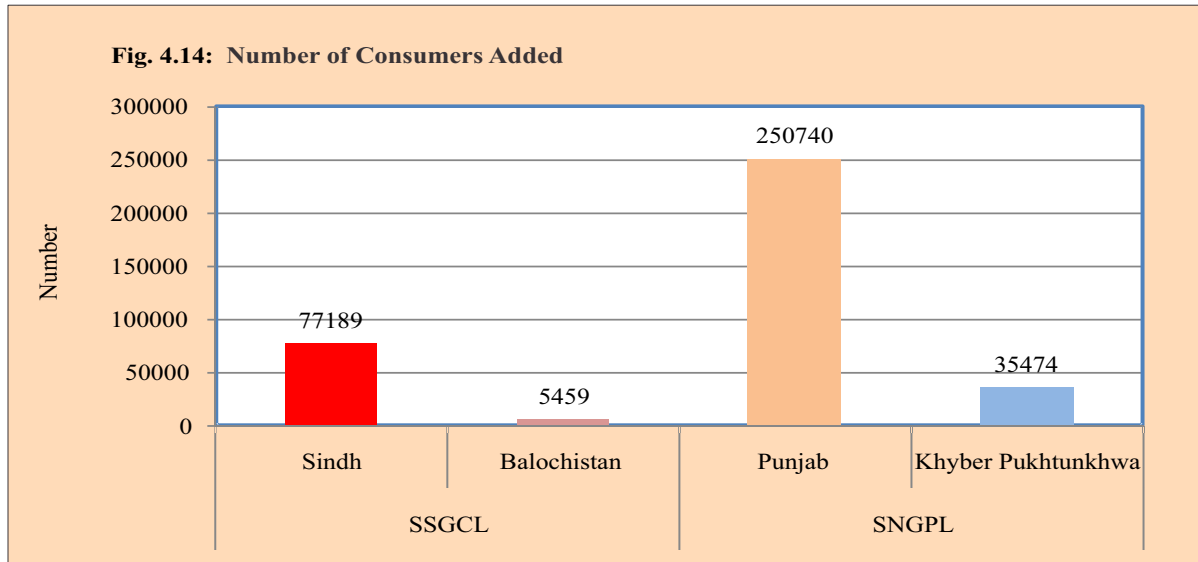


**Fig. 4.13: Towns and Villages Connected**



## 4.2.7.4 Number of Consumers Added

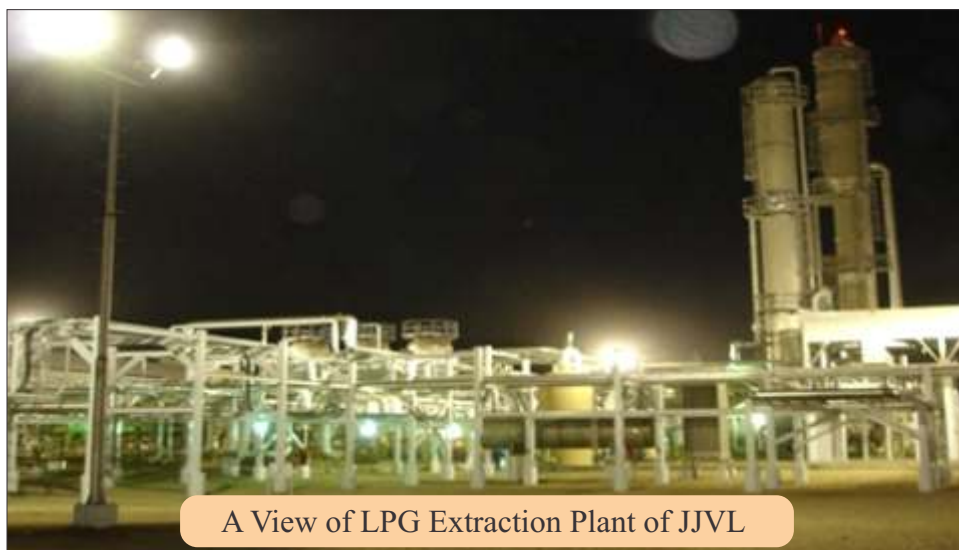
During FY 2012-13, SSGCL has added 82648 and SNGPL 286214 consumers to their network. **Fig. 4.14** shows increase in the number of consumers in their respective regions of operations.



## 4.3 Liquefied Petroleum Gas (LPG)

### 4.3.1 Regulation

The Oil & Gas Regulatory Authority is empowered to regulate the LPG sector under the OGRA Ordinance, 2002 and LPG (Production & Distribution) Rules, 2001 with effect from 15<sup>th</sup> March, 2003. Since then



OGRA has been regulating the sector in accordance with LPG (Production & Distribution) Rules, 2001 and the policies of the Federal Government.

Salient regulatory functions of OGRA related to LPG sector are hereunder:

- Grant of licence for construction and operation of LPG production, storage & filling plants, LPG air-mix plants and auto-refueling stations
- Grant of production licence for production/extraction of LPG from oil/gas fields and refineries
- Grant of marketing licence for sale and distribution of LPG
- Periodic inspection of LPG works and facilities to ensure their conformity with the laid-down standards
- Monitoring supply of mandatory quota of LPG to Northern Areas, FATA, Hilly areas, AJK and Balochistan
- Determination of reasonable prices and monitoring as per applicable policy. Presently Lahore High Court, Lahore has stayed OGRA's determination of reasonable prices.
- Action against unauthorized activities like illegal decanting of LPG, etc
- Redressal of consumer complaints and resolution of disputes between or among the licensees

## 4.3.2 LPG Licences and Operating Rules

The Authority is empowered for issuing licences for construction and operation of LPG production, storage & filling facilities, LPG air-mix plants and refueling stations under the LPG (Production and Distribution)





Rules, 2001. The licence is granted in two stages. Firstly, a licence is granted for one year for the construction of the LPG facilities followed by operational licence for marketing and storage activities for 15 years after completion of works to the satisfaction of Authority.

### 4.3.3 Licensing Procedure

Any company as defined in LPG rules can apply for grant of a licence to the Authority on the prescribed Form / Proforma available free of cost from OGRA's office as well as on its website ([www.ogra.org.pk](http://www.ogra.org.pk)) along with other related documents, as required under the rules. The licensed LPG marketing companies, licensed oil marketing companies and automobile original equipment manufactures are only eligible for grant of licence for construction of LPG auto-refueling stations. The required application Form is available on OGRA's website.



View of LPG Storage Tanks Meyal (POL)

OGRA has simplified the procedure for grant of LPG licence and the same is granted on fast track basis once the requirements are met / complied. During FY 2012-13, one licence for construction of LPG storage and filling plants was issued. In addition, OGRA has also issued 25 licences for construction of LPG auto-refueling stations and one licence for storage and refueling of LPG at LPG auto-refueling stations during FY 2012-13. In addition, OGRA has also issued two licences for construction of LPG production / extraction facilities to M/s MOL and M/s Byco Oil Pakistan.

### 4.3.4 LPG (Production & Distribution) Policy Guidelines, 2013

Federal Government had issued the LPG (Production & Distribution) Policy Guidelines, 2013, which

contain the following additional provisions when compared with LPG Policy, 2006 and LPG Rules, 2001:

- (a) CNG stations / petrol pumps are also allowed to setup LPG auto-refueling stations subject to meeting LPG Auto-Gas Rules and inspection of HDIP or any other party authorized by OGRA
- (b) The LPG auto-refueling licensee will be at liberty to purchase LPG from any licensed LPG company / source
- (c) To ensure that cartels are not formed and high consumer price of LPG is not charged, MP&NR & OGRA will determine the quantity of LPG to be imported to meet the gap between demand and supply. This quantity will be imported by the public sector Sui companies. Besides, the private sector companies can also import LPG to meet the demand.
- (d) Any party having valid OGRA licence can import LPG after paying applicable government dues
- (e) With a view to ensure adequate supplies of LPG in remote, rural and hilly areas i.e. AJK, FATA and Northern Areas and to halt deforestation, all local LPG producers in Punjab and Khyber Pakhtunkhwa will supply 7% of their production to marketing companies having distribution network in the above areas for exclusive marketing in said areas. Similarly, all local LPG producers in Sindh and Balochistan will supply 7% of their production to marketing companies having distribution network in Balochistan for exclusive marketing in that Province.

With the insertion of above provisions in LPG Policy, 2013, the investors in LPG sector have felt comfort and private investment is coming in LPG sector, particularly LPG auto-refueling stations, are being setup in the country in large numbers. With the insertion of Provision 3.6 (vii) in the LPG Policy, 2013 the consumers in AJK, FATA, Northern Areas and Balochistan shall have easy access to LPG at reasonable rates.

### 4.3.5 Regulatory Enforcement

In order to ensure safe, reliable and cost effective supply to consumers, OGRA took following steps in light of LPG (Production & Distribution) Rules, 2001 and the Federal Government policies:

- All LPG marketing companies were directed to ensure that the distributors'/dealers premises meet the requirements / guidelines of NFPA-58 Standard as given in the LPG (Production and Distribution) Rules, 2001. A list of minimum safety requirements to be met/complied with at the distributors' premises was also issued. In addition, Provincial Governments were also requested to ensure compliance of minimum requirements through respective DCO and

taking necessary action against the defaulters in their areas to ensure public safety.

- To ensure compliance of safety standards throughout LPG supply chain, and to protect public lives and property, OGRA has pre-qualified 27 authorized manufacturers of LPG equipment. The purpose to pre-qualify manufacturers of LPG equipment is to eradicate manufacturing, sale, and use of sub-standard/spurious LPG equipment manufacturers, thereby, avoiding any un-toward incident, endangering public lives and property. Details of these authorized manufacturers have been placed on OGRA's website.
- The authorized manufacturers of LPG storage tanks/bullets/bowzers/cylinders, cylinder valves/LPG dispensers and LPG conversion kits have been pre-qualified by the Authority based on their experience / expertise, capability, documentation and thorough inspections by an independent committee / designated third party inspectors. OGRA has also formulated criteria for registration of foreign manufacturers of LPG equipment and the same has also been placed on OGRA's website. All LPG licensees have been advised to get their equipment manufactured only from OGRA's authorized manufacturers in order to be ensured that LPG equipment have been manufactured as per desired standards.
- In order to stop/minimize the illegal decanting of LPG, marketing companies have been encouraged to promote the usage of small sized LPG cylinders in their distribution network
- Action against the illegal decanting of LPG continued through the Provincial Governments and public awareness campaign launched in the print media to curb such malpractices
- Enforcement of laid-down technical/safety standards
- All LPG marketing companies were directed to ensure that all of their LPG cylinders fulfill the requirements of LPG standards (NFPA-58/ DOT), as specified in LPG Rules, 2001. The companies were also advised to closely monitor the activities of their distributors' so as to ensure that their distributors only distribute company's branded cylinders
- LPG supplies were monitored to ensure uninterrupted supplies to consumers
- All LPG marketing companies were monitored to ensure compliance in respect of supply of mandatory quota of LPG according to GoP policy for AJK, FATA and Northern Areas. The quantities of LPG supplied to these areas by LPG marketing companies were regularly

forwarded to the concerned Provincial Governments in order to confirm the actual distribution of LPG quantities in the specified areas



- About 5 complaints of the consumers / public pertaining to LPG sector were received during FY 2012-13 and appropriate actions were taken to address the complaints
- Show Cause Notices were issued to a number of companies which were found violating LPG Rules, 2001
- To ensure safety throughout the LPG supply chain, OGRA carried out inspections of the storage and filling plants of LPG marketing companies
- Penalties were also imposed upon those companies which were found in violation of LPG Rules, 2001
- Checklist of technical parameters for third party inspection for LPG storage and filling plants and LPG auto-refueling stations is provided at the stage of issuance of licence for construction so that the requisite facilities are completed in accordance with the applicable standards.

### 4.3.6 Investment in the LPG Sector

Due to augmented investment and future expansion plans of the LPG marketing companies, significant investment in LPG supply and distribution infrastructure has been witnessed. OGRA has made noteworthy



contribution in national economic progress and created an environment for additional investment especially in auto sector which will not only result in creation of infrastructure in LPG sector all over the country but will also provide jobs to hundreds of unemployed people. OGRA is playing its vital regulatory role to increase private investment in midstream and downstream petroleum industry. During fiscal year 2012-13, an investment of Rs. 1.35 billion has been made in the LPG supply infrastructure whereas total investment in the sector till date, is estimated at about Rs. 17.2 billion.

### 4.3.7 Suggestions / Recommendations

- ▶ LPG supply through cylinders, at cost of only Rs. 3000/- per consumer be promoted in new towns/villages/areas in place of natural gas. Supply of LPG as domestic fuel be made mandatory to replace natural gas in new areas and locations. This will help in lessen/overcome the energy crisis. The country like Saudi Arabia is not affording the gas supply through pipeline and provide only LPG to the consumers through cylinders
- ▶ LPG share in total energy mix may be increased as it can easily be imported through ships and bowzers and does not require huge investment in infrastructure. All new towns/villages/areas be provided LPG cylinders. Public sector companies like OGDCL, PPL, PARCO etc. may be allowed to develop storages and import substantial quantities of LPG. The price differential between local and imported LPG may be removed to allow free flow of imports.

## 4.4 Compressed Natural Gas (CNG)

### 4.4.1 Regulation

In 1992, the Government of Pakistan introduced Compressed Natural Gas as an alternative fuel for automobiles to reduce environmental degradation and save foreign exchange. The CNG (Production & Marketing) Rules, 1992 alongwith Standard Code of Practice were framed to regulate construction as well as operational phases of CNG refueling stations. The Oil & Gas Regulatory Authority is empowered to regulate the CNG sector under the OGRA Ordinance, 2002 and CNG (Production & Marketing) Rules, 1992.

### 4.4.2 Moratorium

#### i. Ban on New Provisional Licences

The Federal Government imposed a ban on issuance of new provisional licences for establishment



of CNG stations on 6-2-2008. However, the GoP lifted the ban regarding issuance of CNG provisional licences for establishment of CNG stations for the Province of the Balochistan with effect from 8-8-2008 but later on in October 2011, the ban was also extended on Balochistan as well and till date the ban on issuance of new CNG provisional licences is in force.

### ii. **Present Licensing Policy**

No existing CNG provisional licences in the country including province of Balochistan have been converted into CNG marketing licences during the FY 2012-13.

#### **4.4.3 Regulatory Enforcement**

More than 3,500 CNG stations are operational in the country. A dedicated Enforcement Department is operational in OGRA to enforce and maintain the Standard Code of Practice of CNG (Production & Marketing) Rules, 1992 in respect of safe operation of CNG stations. Annual safety inspection as per Rule-10 of CNG Rules is conducted through the designated Third Party Inspectors to ensure compliance to the Standard Code of Practice. Violators are imposed penalty as applicable Rules.

### **4.5 Mid and Downstream Oil Sector**

#### **4.5.1 Regulation**

The Federal Government enforced the provisions of sub-section (3) of Section 23; and (a) and (b) of sub-



Night View of a Refinery's Reformer Unit

section (3) of Section 44 of the OGRA Ordinance, 2002 with effect from 15<sup>th</sup> March 2006, empowering the Authority to regulate midstream and downstream oil sector in the country under the existing Pakistan Petroleum (Refining, Blending and Marketing) Rules, 1971.

### 4.5.2 Powers and Functions

In view of the above mentioned notification, the powers and functions conferred under the OGRA Ordinance / Pakistan Petroleum (Refining, Blending and Marketing ) Rules, 1971 mainly pertain to the following areas:-

- Grant of licences to construct or operate any refinery, construct or operate any pipeline for oil, construct or operate any oil testing facility, oil storage facility (other than storage associated with a refinery) or oil blending facility, construct or operate any installation relating to oil, undertake storage of oil or undertake marketing of refined oil products
- In consultation with the licensees, specify and review the standards for the equipment and the materials to be used in undertaking regulated activity
- Promote effective competition and efficiency in the activities within the jurisdiction of the Authority
- Resolve complaints and other claims against licensees for contravention of the provisions of the OGRA Ordinance, rules and regulations



View of a Refinery

- Enforce standards and specifications for refined oil products as specified by the Federal Government

## 4.5.3 OGRA's Activities in the Oil Sector

The details of the activities carried out by the Authority to regulate the midstream and downstream oil sectors are as under:-

### 4.5.3.1 Formulation of New Draft Rules

The new draft rules viz Pakistan Oil (Refining, Blending, Transportation, Storage and Marketing) Rules, 2009 developed by the Authority for regulating the oil sector, have been sent to Federal Government for its approval/notification, after incorporating the comments and feedback from oil industry and Ministry of Petroleum and Natural Resources.

### 4.5.3.2 Enforcement of Technical Standards

In order to ensure compliance with the notified technical standards, OGRA inspected the relocated refinery of Byco Oil Pakistan Limited (BOPL) at Hub, Balochistan through an independent Third Party Inspector (TPI). In addition, different TPIs on behalf of OGRA undertook the inspection of Oil Storage Infrastructure developed by Oil Marketing Companies (OMCs): Bakri Trading Co. Pakistan Pvt. Ltd. (BTCPPL) and Overseas Oil Trading Co. Pvt. Ltd. (OOTPL) at Machike, while that of Hascol Petroleum Limited (HPL) at Shikarpur.



Cross Country Pipeline

## 4.5.3.3. Quality Assurance

In line with section 6 (2) (x) of the OGRA Ordinance, OGRA ensures that quality of the POL products that reach consumers meet the GoP approved specifications. For this purpose, OGRA conducts quality testing of POL products through Hydrocarbon Development Institute of Pakistan (HDIP) as follows:-

- Imported Cargoes (before off-loading)
- OMCs' Depots/Terminals (on bi-annual basis)
- Blending/Reclamation Plants (on quarterly basis)

OMCs also carry out their own inspection exercises/POL product testing at their respective retail outlets on regular basis and submit quarterly report to OGRA. During the year, OMCs conducted around 30,000 quality checks on retail outlets through their mobile quality checking vans.

Additionally, the Authority has enforced through HDIP, the monitoring and quality testing of the imported petroleum products on vessels (before off-loading) as per GoP policy guidelines. On this front, around 177 quality checks were performed on the imported cargoes. This year also witnessed the start of quality checks of imported lube oil through HDIP and a total of 52 quality checks were performed of the imported lubricants. Similarly, 365 quality checks/inspections were carried out at 203 lube blending plants, and 06 quality checks/inspections were carried out at retail outlets of E-10.



Oil Storage Terminal



## 4.5.3.4 Permission to Establish Oil Marketing Companies

During the year, OGRA granted three companies the permission to establish OMCs: Petrosin Petroleum Pvt. Ltd. (PPPL), Horizon Oil Company Pvt. Ltd. (HOCPL) and LaGuardia Petroleum Private Limited (LPPL). In addition, the status of marketing permission to BTCPL was changed to a permanent permission, as the company constructed the required storage infrastructure equivalent to its 20 days petroleum products' sales.

## 4.5.3.5 Registration of Lube Oil Blending/Reclamation Plants

During the year, 15 applicants requested for registration of their Lube Oil Blending/Reclamation plants in accordance with Rule 16 of the Pakistan Petroleum (Refining, Blending and Marketing) Rules 1971. The Authority, registered 08 plants after certifying through HDIP, the conformity of the plants with the mandatory technical requirements given in the aforementioned rules, whereas rest of the applications are under process.



## 4.5.3.6 Registration of Lube Oil Importers

OGRA began registration of lube oil importers after formulation of a regulatory framework and prescribed criteria in response to amendment in the Import Policy Order, 2009 (vide SRO No. 1119 (I)/2011) issued on December 28, 2011. According to the amendment, import of automotive engine oils of quality level (API) SC/CC and above and automotive gear oils of (API) GL-4 and above shall be imported by commercial importers, lubricants blending companies, lube/oil marketing companies and refineries having valid registration with OGRA under the rules. So far, OGRA has registered 56 importers, of which 38 were



registered during FY 2012-13.

## 4.5.4 Oil Pricing

OGRA was mandated by the Federal Government vide Cabinet's decision No. 41/03/2006, dated March 02, 2006, to fix prices of petroleum products w.e.f. April 01, 2006, in accordance with the Government's prescribed formula, under Section 6 (2) (r) (relating to power and functions of OGRA) and Section 21 (2) (b) (relating to policy guidelines) of the OGRA Ordinance, 2002.

The Federal Government w.e.f. June 01, 2011, has deregulated the prices of petroleum products of MS, HOBC, LDO, JP1, JP4 & JP8. As a result, refineries and OMCs fix and announce their ex-refinery prices and ex-depot prices of the said petroleum products. Furthermore, Federal Government deregulated ex-refinery price of HSD with effect from September 17, 2012 in pursuance of ECC decision of September 04, 2012. The ECC of the Cabinet vide its decision dated August 08, 2012 approved adjustment of petroleum product prices on weekly basis which the Federal Government implemented from September 10, 2012. The Federal Government, however, decided to notify the prices of petroleum products on monthly basis from October 22, 2012 onwards. Prior to the adjustment of prices on weekly basis, the prices were notified on fortnightly basis.

### 4.5.4.1 OGRA Role under Deregulation

- OGRA only computes & notifies ex-refinery price of SKO including ex-depot prices of SKO & E-10
- OGRA will continue to compute & notify Inland Freight Equalization Margin (IFEM) for all products
- Transparent and effective supply allocation of refineries products to provide level playing field to all OMCs
- Monitoring the pricing of petroleum products under the deregulated scenario, necessary intervention is carried out, as and when required
- OGRA to submit quarterly report on pricing of petroleum products indicating the trend in international market and petroleum products pricing announced by OMCs/refineries along with their analysis/findings and suggestions, if any, on

regular basis to ECC

## 4.5.4.2 ECC Approved Pricing Parameters

Brief description of the ECC approved parameters under price deregulation is as follows:

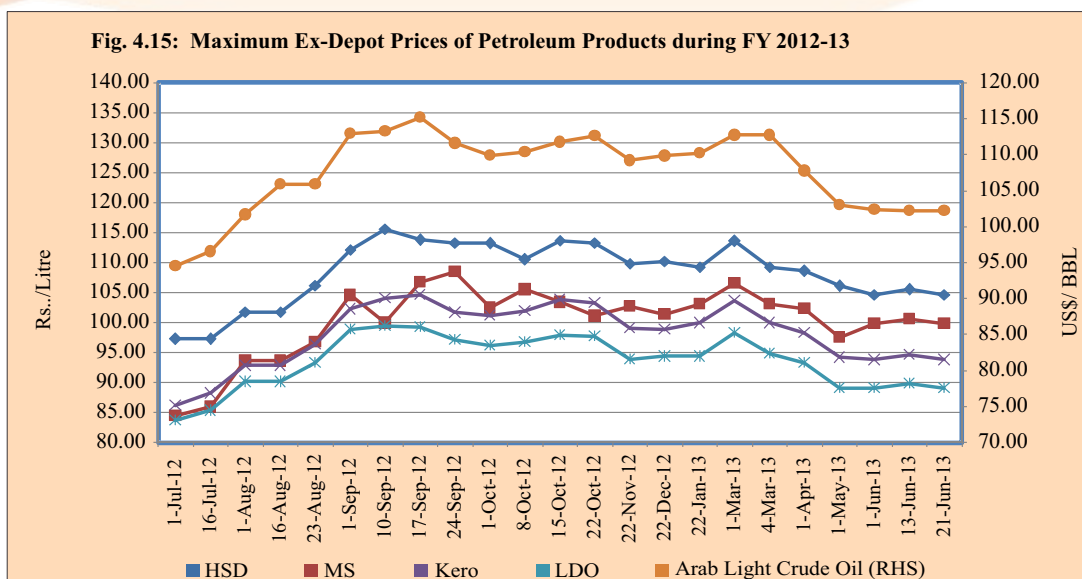
- Ex-refinery price of POL products (HOBC, LDO, JP1, JP4 & JP8) cannot be more than the PSO average actual import prices of the previous fortnight excluding PSO import incidentals
- For Ex-refinery formula of HSD & MS, PSO actual import incidentals excluding ocean losses are to be adopted (ECC meeting dated August 16, 2011 & September 04, 2012)
- For imported products, OMCs are allowed to include actual incidentals, if any, in the calculation of import price
- In case of non-availability of PSO import prices, the refineries will fix their ex-refinery price as per existing Import Parity Pricing Formula

## 4.5.4.3 Ex-Refinery/Ex-Depot Formula

- Ex-refinery import parity price/PSO weighted average cost of purchases
- Inland Freight Equalization Margin
- Distribution Margin
- Dealer Commission
- Petroleum Levy (PL) as fixed and notified by MP&NR
- General Sales Tax @ 16% of depot price on the amount including all above elements

The Federal Government decides to increase/decrease/maintain the consumer prices by making adjustment in PL through its notification issued under Petroleum Products (Petroleum Levy) Ordinance, 1961 (XXV of 1961). Accordingly, OGRA/OMCs issued petroleum products price notifications for the period July, 2012 to June, 2013, duly incorporating the said amendments. The comparative price trend of ex-depot sale prices of petroleum products notified by OGRA with Arab Light Crude Oil during FY 2012-13 is shown in **Fig. 4.15**. International petroleum prices showed increasing trend during FY 2012-13 and easing down at the end. A

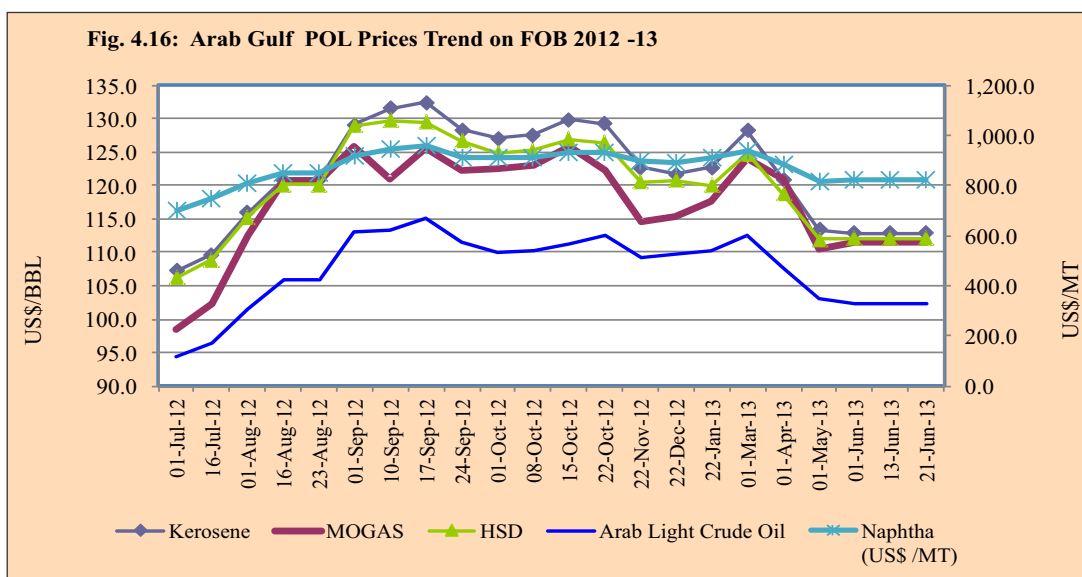
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HSD ex-depot is notified by OMC's on cost competition basis

POL prices effective June 01, 2011 were notified by OMCs/Refineries except Kero whose price was notified by OGRA.

graphical representation of changes in Arab Gulf petroleum products prices is given in **Fig. 4.16**.



The increase in local POL prices, at various occasions, was, however, curtailed vis-à-vis rise in international oil prices, increases due to reduction in Petroleum Levy (PL) rates (**Appendix-V**).

## 4.5.4.4 Inland Freight Equalization Margin

Inland Freight Equalization is an integral part of oil pricing formula. Federal Government has transferred the management of IFEM, including its computation, to OGRA w.e.f September 01, 2008.

IFEM mechanism is used to equalize prices of HSD, LDO, MS, SKO at 16 depots. Secondary transportation cost from depot to retail outlets is deregulated and the dealers have been allowed to recover it from the retail consumer by including it in the pump / retail price. Furthermore, secondary freight in special areas is also picked up through IFEM mechanism to provide relief to the consumers of those areas. Federal Government in pursuance of ECC decision of August 07, 2012, removed HOBC from IFEM w.e.f September 24, 2012.

### 4.5.4.4.1 IFEM Management

OGRA is managing the computation and determination of IFEM through two committees comprising of Oil Industry, namely IFEM Committee and Cartage Committee. IFEM committee provides a forum for computing IFEM and cartage committee computes the cartage rates as per the Government approved formula.

IFEM mechanism is used to equalize prices of fuel products at 16 depots spread throughout the country despite disparity in transportation costs. IFEM has three components, listed below:

- Actual transportation cost on the movement of petroleum products to 16 storage depots, spread throughout Pakistan, as per movement plan of Oil Marketing Companies.
- PARCO Price Differential Claim (PDC), which is computed on the basis of differential of its Import Parity Price (IPP) under its Implementation Agreement (IA) and the ex-refinery price of ARL, NRL & PRL. After deregulation, PARCO is allowed to recover PDC on HSD and Kerosene oil only. Furthermore, w.e.f August 16, 2011 PARCO has also allowed the recovery of Diesel Hydro De-Sulphurization (DHDS) price differential, crude transportation and PDC backlog through IFEM mechanism.
- ARL is allowed to recover its Southern crude transportation cost differential including Adhi and Dhurnal fields in the North from the IFEM.

IFEM effective during the period under consideration is placed at (**Appendix-VI**).

## 4.5.4.4.2 Improving IFEM Mechanism

OGRA after transfer of management of IFEM has taken the following steps to improve the efficiency of the mechanism while ensuring smooth supplies.

- White Oil Pipeline (WOP) access has now been extended to APL, Byco, Hascol, OOTCL and TPPL etc which was previously used by Pakistan State Oil (PSO), Shell Pakistan Limited (SPL) and Chevron Pakistan Limited (CPL) to move white product up country, owing to OGRA's relentless efforts. This has resulted in provision of level playing field to the smaller OMCs (new entrants) and reducing GoP guarantee. It is now obligatory on all OMCs to move HSD through WOP only, which is resulting in considerable freight savings.
- To check the misuse of IFEM, OGRA has started physical reporting of tank lorries at Juglot and Tarrujabba w.e.f June 1, 2010. As a result, the dumping of petroleum products in these areas has been curtailed and the benefit in terms of reduced transportation cost has started to pass on to the consumers. Keeping in view its effectiveness, OGRA has extended physical reporting to Machike, Chakpirana, Sihala, Gatti (Faisalabad), Vehari, Quetta, Shikarpur, Sahiwal, Kotlajam, Faqirabad, Shershah and Mehmoodkot (JIMCO).
- In order to further curtail malpractices in secondary freight of special areas, OGRA has made it mandatory for OMCs to install trackers on the all tank lorries operating in special areas of AJK, Gilgit-Baltistan and Balochistan.

## 5. COMPLAINTS RESOLUTION

### 5.1 Complaints Resolution Procedure/Performance

OGRA deals with the complaints against the licensees and their dealers in accordance with the Complaint Resolution Procedure Regulations, 2003 (CRPR). It entertains the consumer complaints without any fee and with almost no formalities. The consumers are not required to come to OGRA for filing the complaints. They can file the same through e-mail, fax and normal post.

OGRA is protecting the consumers (weakest stakeholders) from mistreatment and exploitation of the utilities. Utilities are being persuaded to improve their system, provide gas connections in stipulated time,



improve bill collection and efficiency, avoid inaccurate meter reading and late delivery of bills.

In conformity with CRPR, the Authority has Designated officers for handling complaints with specific jurisdiction. The Designated officers resolve most complaint through correspondence i.e. obtain the comments / report on the complaints from licensee and counter comments from the complainant and issue their decision / judgment in writing. Any party (the complainant or licensee) if aggrieved with the decision of the Designated officer, may file an appeal before the Authority under section 12 of the OGRA Ordinance, 2002 and the Authority decides the appeal providing an opportunity of hearing to the parties.

During FY 2012-13, Complaints Department received 5,254 complaints in respect of Gas, CNG, LPG and Oil from all over the country and resolved 5,427 (includes 173 carry forward complaints of previous year) for matters mainly pertaining to delay in provision of gas connection, excessive / estimated billing due to sticky meter, late delivery of gas bills, low pressure of gas and waiver of LPS etc. The utility companies issued 635 proposal letters and provided 909 gas connections to consumers. On intervention of OGRA, SSGCL and SNGPL gave relief amounting to Rs. 112 million to consumers in 1,127 cases during FY 2012-13.

## **6. ENFORCEMENT**

### **6.1 Need for Enforcement Department**

OGRA aims to protect and safeguard the interests of all stakeholders. Regulation of LPG, CNG, Oil and Natural Gas sectors is directly related to public interest/safety and lack of dedicated Enforcement Department was affecting the quality of service. For effective monitoring and enforcement of prevailing rules, regulations, standards and terms & conditions of licence and in line with the OGRA's endeavors to ensure the delivery of quality products in the correct quantity and at notified prices to the public, it became indispensable to establish stringent and pragmatic dedicated Enforcement Department responsible primarily for following activities:

- Arrange surprise and unannounced inspections on regular basis
- Constitute the inspection teams in collaboration with third party inspectors as well as licensees for conducting the inspection/monitoring
- The inspection teams to conduct the inspection of the concerned site with professionalism, impartiality and transparency
- Monitoring of the quality checks and maintenance of the standards
- To take necessary action against all violators, as per provisions of the Ordinance and Rules

including issuance of Show Cause Notices (SCNs), imposition of fine/penalty and disconnections etc

## **6.2 Activities Performed by Enforcement Department**

Enforcement Department was created in October, 2009, for effective enforcement and monitoring to provide safe reliable and efficient services by the licensees to the consumers. Such random inspections by officers of OGRA are helpful in getting first hand information of the said sectors, enabling to perform its obligations in a more practical way and better enforcement of rules, regulations and standards. OGRA's initiative has proved to be a deterrent for others and an indication that rules and regulations are to be fully adhered, thus benefiting the consumers in general. Presence of a strong regulator in the field has sent a powerful message. From big units like oil marketing companies to small entities like LPG distributors are being brought in the competitive regulatory environment. The various activities performed by the Department are summarized hereunder:-

### **6.2.1 Oil Sector**

OGRA's Enforcement Department has endeavored to develop an efficient & effective mechanism to check and control the malpractices in oil sector. In accordance with the GoP's Policy for pricing of petroleum products, the product prices of retail outlets (as informed by the OMCs to OGRA for their respective Outlets) are revised / updated on OGRA's website on monthly / fortnightly basis. It is observed that the retailers of different OMCs tend to charge prices of petroleum products higher than the officially notified prices from the consumers. This happens particularly in remote locations due to lack of monitoring / vigilance of the OMCs on their retailers. In order to curb the menace of profiteering / overcharging by the retailers, OGRA, through its effective "Enforcement Set-up", has started conducting surprise inspections at the OMC's retail outlets.

It is also observed that whenever there is a speculation of price change of petroleum products, the OMCs / Retailers tend to hoard / withhold the POL stock, for inventory gain. OGRA has taken cognizance of this issue and has started to depute its teams for inspections ahead of the notification of POL prices. Such inspections have been conducted at the outlets, located in remote / rural and backward areas as well as big metropolitans in all the provinces of the country. Considering the position that there are more than 6,500 OMCs retail outlets operating in the country, OGRA has also assigned the tasks of conducting inspections at OMCs outlets to its authorized third party inspectors.

The purpose is to increase the frequency of inspections and to cover all regions of the country. Such inspections shall continue to take place in addition to OGRA's inspections through its Enforcement

Department. Inspections of OMCs outlets to check and control less filling and adulteration of petroleum products have also been started. These inspections are carried out by utilizing Mobile Quality Testing Units / Vans of the OMCs and recently inspections were undertaken in Hyderabad, MirpurKhas, Larkana, Sukker, Faisalabad, Gujranwala, Sargodha, Sheikhpura, Wazirabad and Sialkot.

During the current fiscal year, 667 petrol pumps have been inspected, of which 356 were found overcharging / stock deficient. Consequently, the violating companies / outlets were served show cause notices and subsequently penalized (if found guilty) in accordance with the provisions of the OGRA Ordinance, 2002 and applicable rules / regulations. Approximately, Rs. 23.65 million was imposed on the OMCs during fiscal year 2012-13.

### **6.2.2 LPG Sector**

The business of LPG in the country is de-regulated with respect to price and allocation of LPG to an extent. Allocation of LPG from producers to marketing companies is de-regulated, whereby, producers themselves dispose of LPG keeping in view commercial interest and broad policy outlines. OGRA does not fix the prices both at producer as well as consumer level. The producer prices are presently linked with Saudi Aramco Contract Price (CP) while the consumer prices are determined by the market forces under cost competition mechanism. However, OGRA regularly monitors the consumer price of each LPG marketing company and if the prices are found unreasonably high due to cartelization or otherwise then OGRA intervenes, under the rules, and determine maximum reasonable consumer prices of LPG marketing companies.

In order to protect consumers from exploitation of LPG marketing companies and black marketing by their distributors the Authority enforces certain minimum parameters pertaining to retail consumer price, safety and operational guidelines at distributors premises as well as storage & filling plants. In view of the above, the Enforcement Department conducts following activities in the LPG sector:

- (i) Surprise inspection of LPG storage and filling plants to ensure compliance with applicable safety standards, check and eradicate illegal cross-filling, inter-company un-authorized bulk trade of LPG and correct measurement of LPG in cylinders.
- (ii) Surprise inspection of the premises/sale points of authorized distributors of LPG marketing companies; in order to:-
  - Ensure compliance with minimum safety and operational requirements
  - Check and eradicate decanting of LPG from cylinder to cylinder, cross filling,

- hoarding and black marketing
- Ensure sale of LPG at company's announced and notified consumer price
- Ensure correct measurement of LPG
- Ensure availability and supply of LPG to far-flung LPG starved hilly areas as per policy provisions

During fiscal year 2012-13, inspection of 40 authorized distributors of various LPG companies and filling plants has been conducted out of which 2 SCNs were served to the companies whose distributors were violating laws/rules/instructions of the Authority. Those companies who could not defend allegations against their distributors have been fined Rs. 0.575 million.

### 6.2.3 CNG Sector

CNG is an important part of energy sector. It is catering the need of almost 30% of total transport in the country. It is fueling approximately 3.1 million vehicles and there are nearly 3,500 operational CNG stations, spread all over the country. At present, Pakistan tops the list among the CNG user countries. Safety is an important issue in the CNG sector. Surprise inspections of CNG stations are now being conducted by OGRA to primarily check the following:

- Dispensing pressure
- Refueling procedure as per CNG Rules, 1992 including checking of the vehicle cylinders
- Measurement accuracy
- Price charged from consumers

This has forced CNG stations to observe rules, regulations, directions of the Authority and standard code of practice. During fiscal year 2012-13, 750 CNG stations have been inspected and fine amounting to Rs.5.835 million has been imposed, after issuance of SCNs on violating CNG stations.

In view of the increasing CNG fire related accidents in the country, a task force was constituted by the Ministry of Interior under the leadership of Chairman OGRA, with Ministry of Petroleum and Natural Resources, Chief Inspector Explosives (CIE) & Hydro Carbon Development Institute of Pakistan and Transport Authorities as its members. Standard Operating Procedures (SOPs) to mitigate accidents have been prepared and forwarded to MP&NR and all other stakeholders for implementation. OGRA is also in process of amendment in CNG Rules, 1992 for effective implementation of Task Force recommendations. It

is stated that CNG stations and CNG associations have been directed in light of Task Force recommendations to ensure public safety and follow refueling procedure as prescribed in CNG Rules, 1992. In this regard, inspection were conducted and violating CNG stations were served SCNs and subsequently penalized in form of temporary gas disconnection, for non - observance of Authority's instructions / directions, in letter and spirit.

## 6.2.4 Natural Gas Sector

The ambit of OGRA with reference to enforcement in natural gas sector is to check adherence to relevant provisions of the OGRA Ordinance, NGRA (Licensing) Rules, Licence Conditions, Performance & Service Standards and Procedure for dealing with gas theft cases by natural gas transmission and distribution companies.

## 6.2.5 Complaints

OGRA also handles various complaints relating to CNG, LPG and Oil sectors. Illegal activities like decanting, operation of dabba stations etc. are referred to the District Authorities. Whereas the complaints relating to the various violations like cross filling, overcharging, less filling, shortage of stocks etc. by the licensees / authorized dealers are added in the complaints database and physical verification is done when the inspection teams are deputed in the said areas. In case of an urgent requirement, immediate inspection by OGRA team or third party inspectors is done.

## 6.2.6 Brief Summary

Since the inception of the Enforcement Department, total outlets / stations / distributor premises inspected as well as actions taken on the violators from fiscal year 2009-10 to 2012-13 is as follow:-

### Achievements (2009-10)

Sector	Inspections	Show Cause Notices	Warnings	Fine Imposed (Rs. Million)
CNG	146	19	47	0.735
LPG	50	39	0	1.51
OIL	401	271	92	6.0
GAS	0	0	0	0.0
<b>Total</b>	<b>597</b>	<b>329</b>	<b>139</b>	<b>8.245</b>



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## Achievements (2010-11)

Sector	Inspections	Show Cause Notices	Warnings	Fine Imposed (Rs. Million)
CNG	365	196	1	6.575
LPG	247	135	29	7.035
OIL	729	396	8	20.35
GAS	11	0	2	0.0
<b>Total</b>	<b>1,352</b>	<b>727</b>	<b>40</b>	<b>33.96</b>

## Achievements (2011-2012)

Sector	Inspections	Show Cause Notices	Warnings	Fine Imposed (Rs. Million)
CNG	294	83	81	1.52
LPG	99	39	2	0.75
OIL	721	390	9	11.8
GAS	42	4	0	0.525
<b>Total</b>	<b>1156</b>	<b>516</b>	<b>92</b>	<b>14.595</b>

## Achievements (2012-2013)

Sector	Inspections	Show Cause Notices	Warnings	Fine Imposed (Rs. Million)
CNG	750	208	81	5.835
LPG	40	2	0	0.575
OIL	667	356	3	23.65
GAS	0	0	0	0.0
<b>Total</b>	<b>1,457</b>	<b>566</b>	<b>84</b>	<b>30.06</b>

## Overall Achievements (2009-2013)

Sector	Inspections	Show Cause Notices	Warnings	Fine Imposed (Rs. Million)
CNG	1555	506	210	14.665
LPG	436	215	31	9.87
OIL	2518	1413	112	61.8
GAS	53	4	2	0.525
<b>Total</b>	<b>4562</b>	<b>2138</b>	<b>355</b>	<b>86.860</b>

It is pertinent to highlight that such malpractices / violations, particularly hoarding / stock deficiency of petroleum products and price overcharging by the OMCs / retailers / distributors, were going on unchecked in the past. Creation of an institutionalized enforcement set up, for the first time, and the punitive actions taken by OGRA has helped a lot in deterring such offenders. The Enforcement Department evaluates the outcome of its exercises and amends its strategy accordingly.







# Anticipated Developments Next Year





## **7. ANTICIPATED DEVELOPMENTS NEXT YEAR**

### **7.1 Regulatory Framework**

#### **7.1.1 Rules Drafted under Process with the Federal Government – (2012-13)**

- Natural Gas Theft Control Rules, 2011
- The Pakistan Oil (Refining, Blending, Transportation, Storage and Marketing) Licensing Rules, 2005
- OGRA (Fines and Recovery) Rules, 2009

### **7.2 Determination of Revenue Requirement**

Determination of the revenue requirement of natural gas utilities is one of the more important functions of the Authority. The Authority shall make the following determinations of both the gas utilities during the next financial year:

- Final revenue requirement for FY 2012-13 based on the actual audited results
- Review of estimated revenue requirement for FY 2013-14 after incorporating the actual changes in well-head prices of natural gas and other relevant factors
- Estimated revenue requirement for FY 2014 -15
- The process of determination and notification of well-head prices of natural gas under Section 6 (2) (w) and prescribed prices of gas companies, consumer prices under Section (8) of OGRA Ordinance will continue
- OGRA will determine and notify the maximum sale price of CNG to be charged by a licensee from the consumer under Rule 13 of CNG (Production & Marketing) Rules, 1992 as and when required

### **7.3 Petroleum Product Pricing**

- The process of notification of oil prices on monthly basis will continue
- The deregulation of POL pricing will continue and IFEM management will be carried out coupled with enhanced number of depots to curtail abrupt shortages in different parts of the country
- OGRA will be notifying Kerosene ex-refinery prices including ex-depot price of



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Kerosene & E-10 Gasoline. OGRA will closely monitor the petroleum product prices in accordance with the Federal Government laid down criteria after deregulation in public interest. OGRA will effectively manage the supply allocation for refineries to ensure level playing field for the oil marketing companies

## **7.4 Licensing**

### **7.4.1 Natural Gas / LNG**

OGRA will continue to process applications for licences under NGRA (Licensing) Rules, 2002 and LNG Rules, 2007 during FY 2013-14. The Licensing of Government's LNG import project after receiving approval of ECC is expected to be inline during FY 2013-14.

### **7.4.2 Gas Sale Agreements**

Approval of Gas Sales Agreements between Producers and Licensees and Gas Supply Contracts between Licensees and the Consumers shall be processed as and when required.

### **7.4.3 LPG**

A rapid growth of LPG auto-refueling stations is anticipated in near future. LPG marketing companies and OMC's are applying for a number of LPG refueling stations in light of LPG policy and regulatory framework for use of LPG in automobiles. Further, it is expected that 7-10 companies will be granted licences for marketing of LPG once satisfactory inspection of their LPG facilities is completed. It is also anticipated that one production / extraction licence would be issued during next year. Due to gas supplies constraints, the LPG is the best choice for new towns / areas of the country.

## **7.5 Midstream and Downstream Oil Sector**

- Single Buoy Mooring System (combined project of Byco Pakistan Limited & Coastal Refinery Limited expected to be commissioned in the next year.
- New Depots are expected to be completed / operational by certain OMCs as per their commitment to develop backup storage infrastructure (i.e. 20 days of sales).
- Registrations of new lube oil blending plants and persons selling imported lubricants are expected to be undertaken.

## 7.6 Future Vision of Enforcement

In addition to the inspections, Enforcement Department is planning to include more activities which will further strengthen the role of the regulator to facilitate consumers. Some of the sector-wise future planning is summarized hereunder:-

### CNG

- Checking validation of Storage Cylinders
- Ensure that non-tested cylinders are not filled
- Enforcement of Task Force recommendations

### Petrol Pumps

- Inspection of quality checks at OMCs retail outlets
- Checking of illegal import / supply of Lube Oil
- Checking of stocks at POL Depots / Installations to ascertain whether available stocks meet 20 days sales cover / demand or otherwise

### LPG

- Surprise visits of manufacturing facilities of authorized manufactures of LPG cylinders and equipments
- Verification of LPG specifications at plants / terminals / premises

### Natural Gas

- Inspection of Regional Offices of SNGPL & SSGCL to ensure non-discrimination in the provision of gas connections to domestic consumers and check unnecessary delays in the provision of gas facility to redress grievances of applicants / complainants
- Visit of Complaint Centres / Customer Service Centres to verify compliance of performance and service standards
- Verify actions taken by gas companies to reduce UFG

## 7.7 Complaints

Redressal of complaints shall continue in accordance with OGRA's Complaint Resolution Procedure Regulations, 2003 in the same spirit as for current year.

### **7.8 Capacity Building's Future Aspects:**

Staff development and training is vital and ongoing need of every progressive organization. All grades of personnel need continuous and updated and latest knowledge in their relevant fields on variety of technical and occupational issues. OGRA will continue to send its officers to the various training programs in addition to the opportunity of participation in various foreign training. Contracts for conducting institutional development studies will also be awarded to the individual consultant / firms on need basis

### **7.9 OGRA Building Project**

At present, OGRA office is located in rented space. For permanent housing of OGRA office & to meet future expansion needs, it is envisaged that a building be constructed. The Development Working Party (DWP) of the Project has approved PC-I based on the lowest cost. Subsequently, Budget Committee has also approved the budget required for FY 2012-13. As soon as other formalities are completed, physical work at site will start.





# Appendices







## Regulatory Framework

### Rules, Notified and Adopted

Sr. No.	Rules	Notification/Adoption Date
i	Natural Gas (Licensing) Rules, 2002 <sup>o</sup>	February 26, 2002
ii	Natural Gas (Tariff) Rules, 2002	November 23, 2002
iii	Compressed Natural Gas (Production and Marketing) Rules, 1992*	March 15, 2003
iv	Liquefied Petroleum Gas (Production and Distribution) Rules, 2001*	March 15, 2003
v	Budget Committee Rules, 2004	December 30, 2004
vi	Pakistan Petroleum (Refining, Blending & Marketing) Rules, 1971*	March 15, 2006
vii	Liquefied Natural Gas (LNG) Rules, 2007	May 26, 2007
viii	Natural Gas Well-Head Price Rules, 2009	April 8, 2009
ix	OGRA Natural Gas (Regulated Third Party Access) Rules, 2012	April 24, 2012

*Note<sup>o</sup> : Inherited from Natural Gas Regulatory Authority*

*Note\* : Rules No. (iii), (iv) and (vi) notified by the Ministry of Petroleum and Natural Resources, are adopted under Section 44(3) of the Ordinance*

### Regulations/Technical Standards Notified

Sr. No.	Regulations	Notification Date
i.	Complaint Resolution Procedure (Natural Gas, CNG and LPG) Regulations (CRPR), 2003	September 3, 2003
ii.	Performance and Service Standards for Gas Utilities	September 3, 2003
iii.	Natural Gas Uniform Accounting Regulations, 2003	February 17, 2004
iv.	Natural Gas Transmission (Technical Standards) Regulations, 2004	August 5, 2004
v.	Natural Gas Distribution (Technical Standards) Regulations, 2004	August 5, 2004
vi.	OGRA Financial Regulations, 2005	January 11, 2005
vii.	OGRA Service Regulations, 2005	January 31, 2005
viii.	Oil Transportation (Pipeline) Technical Standards	July 2, 2009
ix.	Technical Standards for Petroleum Industry (Retail Outlet)	July 2, 2009
x.	Technical Standards for Petroleum Industry (Depots for Storage of Petroleum Products)	July 2, 2009
xi.	Standard Technical Specification for Equipment and Materials used in Natural Gas Transmission Network, 2009	July 29, 2009
xii.	Standard Technical Specification for Equipment and Materials used in Natural Gas Distribution Network, 2009	July 29, 2009
xiii.	Technical Standards for Oil Refineries	Sept 24, 2009
xiv.	Technical Standards for Petroleum Industry (Road Transport Vehicles, Containers and Equipment used for the Transportation of Petroleum Products)	Oct 19, 2009

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## Amendments in Rules, Regulations and Standards

Sr. No.	Rules	Notification Date
i.	Amendment in CRPR incorporating oil	November 17, 2006
ii.	Amendments in LPG (Production & Distribution) Rules, 2001	March 10, 2007
iii.	Amendment in LPG Rules, 2001 (Appendix V )	October 17, 2008
iv.	Amendment in CNG Rules, 1992 (Rule 2)	October 21, 2008
v.	Amendment in OGRA Ordinance, 2002 (Section 43C)	February 17, 2009
vi.	Amendment in CNG Rules, 1992 (Rule 2)	April 04, 2009
vii.	Amendment in OGRA Service Regulations, 2005	May 11, 2012

## Safe Operations of Regulated Activities

### OGRA prescribes/enforces the following:

- Performance and Service standards and other operating conditions.
- Standards for equipments and materials to be used in undertaking regulated activities.
- Technical standards for transmission and distribution of natural gas.
- Standards and specifications for refined oil products.
- CNG and LPG Rules.
- Codes of Technical Standards for construction of terminals/storages.

### OGRA carries out regularly the following:

- Testing of quality of petroleum products.
- Site visits and inspections.

## Natural Gas/LNG Licences Issued by OGRA

Sr. No	Company	Type of Licence	Date of Issue
i.	Sui Northern Gas Pipelines Limited	Transmission, Distribution and Sale of Natural Gas in the province of Punjab, KPK and AJK, FATA & some parts of Sindh	September 3, 2003
ii.	Sui Southern Gas Company Limited	Transmission, Distribution and Sale of Natural Gas in the province of Sindh and Balochistan	September 3, 2003
iii.	Mari Gas Company Limited (MGCL)	Sale of Natural Gas to Fauji Fertilizer Company Limited (FFCL), Engro Chemicals Pakistan Limited (ECPL) and Central Power Generation Company Limited (CPGCL)	August 11, 2004
iv.	Pakistan Petroleum Limited (PPL)	Sale of Natural Gas to Central Power Generation Company Limited	November 23, 2004
v.	Oil & Gas Development Company Limited (OGDCL)	Transmissions and Sale of Natural Gas to Uch Power	December 30, 2004
vi.	OGDCL	Sale of Natural Gas to Fauji Kabirwala Power Company Limited	December 30, 2004
vii.	OGDCL	Sale of Natural Gas to Altern Energy	December 30, 2004
viii.	Fauji Fertilizer Company Limited	Transmission of Natural Gas	April 7, 2005
ix.	Engro Chemicals Pakistan Limited	Transmission of Natural Gas	April 7, 2005
x.	Central Power Generation Company Limited	Transmission of Natural Gas	April 7, 2005
xi.	Fatima Fertilizer Company Limited	Transmission of Natural Gas	April 16, 2007
xii.	Foundation Power Company Limited	Transmission of Natural Gas	August 27, 2007
xiii.	Star Power Generation Company Limited	Transmission of Natural Gas	January 30, 2008
xiv.	Sui Northern Gas Pipelines Limited	Gas Storage Facility at Lilla Town-Punjab	April 30, 2008
xv.	Pakistan Gasport Limited	Construction of LNG Import Terminal	October 03, 2011
xvi.	Global Energy Infrastructure Limited	Construction of LNG Import Terminal	October 03, 2011
xvii.	Engro Corporation Limited	Construction of LNG Import Terminal	October 03, 2011
xviii.	Fauji Oil Terminal & Distribution Company Limited	Provisional Licence	December 23, 2011
xix.	Daewoo Ship Building and Marine Engineering Co, Limited,	Conditional Licence for Construction of LNG Import Terminal	March 16, 2012

## Field-wise Well Head Gas Prices

Sr. No	Field Name	Units	Price Effective 01-07-2012	Price Effective 01-01-2013
1.	Adhi	Rs.per MMBTU	139.39	143.24
2.	Bhit	\$ per MMBTU	4.9656	4.7809
3.	Badin Deep fields	\$ per MMBTU	4.5265	-
4.	Badin (HoA)	\$ per MMBTU	4.5265	-
5.	Badin Compression	Rs.per MMBTU	208.15	-
6.	Badin (Golarchi & Non)	Rs.per MMBTU	918.79	-
7.	Bhadra	\$ per MMBTU	4.9656	4.7809
8.	Bobli	Rs.per MMBTU	647.04	596.06
9.	Chachar	\$ per MMBTU	2.2633	2.177
10.	Chanda	\$ per MMBTU	2.7564	2.7701
11.	Dakhani	Rs.per MMBTU	139.66	143.52
12.	Dhodak	Rs.per MMBTU	279.03	286.76
13.	Dhurnal	Rs.per MMBTU	24.95	25.57
14.	Hala (Adam X-1)	\$ per MMBTU	2.6632	-
15.	Haseeb	\$ per MMBTU	2.2198	2.2309
16.	Kandkot	Rs.per MMBTU	224.06	221.65
17.	Kadanwari	\$ per MMBTU	8.5004	8.5004
18.	Khipro Mirpurkhas Block	\$ per MMBTU	2.6632	2.5791
19.	Koonj-1A	\$ per MMBTU	3.2139	3.2299
20.	Loti	Rs.per MMBTU	131.22	134.85
21.	Makori	\$ per MMBTU	2.7564	2.7701
22.	Mamikhel	\$ per MMBTU	2.7064	2.7201
23.	Meyal / Dhulian	Rs.per MMBTU	122.78	126.17
24.	Miano	\$ per MMBTU	4.6233	4.4512
25.	Mari	Rs.per MMBTU	77.56	77.56
26.	Maramzai	\$ per MMBTU	2.7064	2.7201
27.	Manzalai	\$ per MMBTU	2.8604	2.8747
28.	Nandpur Panjpir	Rs.per MMBTU	353.44	363.23
29.	Norai Jagir	\$ per MMBTU	2.5663	2.5791

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30.	Pariwali	\$ per MMBTU	4.9658	-
31.	Pasaki	\$ per MMBTU	2.5663	2.5791
32.	Pindori	\$ per MMBTU	4.9658	-
33.	Pirkoh	Rs.per MMBTU	131.22	134.85
34.	Qadir Pur	Rs per MMBTU	255.89	293.57
35.	Ratana	Rs.per MMBTU	368.20	382.28
36.	Sadkal	Rs.per MMBTU	928.00	868.41
37.	Sari Hundi	Rs.per MMBTU	916.64	844.42
38.	Sawan	\$ per MMBTU	4.6233	4.4512
39.	Sui	Rs.per MMBTU	214.06	211.65
40.	UCH	\$ per MMBTU	3.9223	3.9223
41.	Zamzama SSGCL	\$ per MMBTU	4.5333	4.3612
42.	Zamzama SNGPL	\$ per MMBTU	4.5358	4.3637
43.	Zamzama Wapda/Guddu	\$ per MMBTU	4.5763	4.4042
44.	Zamzama - Phase - II	\$ per MMBTU	4.6233	4.4512



## Consumer Gas Tariff Schedule 2012-13

1 Sui Northern Gas Pipelines Ltd

2 Sui Southern Gas Company Ltd

	Category	Sale Prices	
		w.e.f 01.07.2012	w.e.f 01.01.2013
(i)	<b>A. Domestic Consumers</b>	Rs. / MMBTU	
a)	Standalone Meters		a) Standalone Meters
			b) Mosques, churches, temples, madrassas, other Religious Places and Hostels attached thereto;
(i)	Upto 100 M <sup>3</sup> per month	100.00	106.14
	All off-takes at flat rate of		
(ii)	Upto 300 M <sup>3</sup> per month	200.00	212.28
	All off-takes at flat rate of		
(iii)	Over 300 M <sup>3</sup> per month	500.00	530.69
	All off-takes at flat rate of		
	Minimum Monthly Charges (Rs.)	135.00	143.29
b)	<b>Bulk Meters:</b> Mosques, churches, temples, madrassas, other Religious Places and Hostels attached thereto; Government and semi-Government offices and Hospitals, Government Guest Houses, Armed Forces messes, Langars, Universities, Colleges, Schools and Priv		c) Government and semi-Government offices and Hospitals, Clinics, Maternity Homes, Government Guest Houses, Armed Forces messes, Langars, Universities, Colleges, Schools and Private Educational Institutions, Orphanages and other Charitable Institutio
(i)	Upto 100 M <sup>3</sup> per month	100.00	530.69
	All off-takes at flat rate of		
(ii)	Upto 300 M <sup>3</sup> per month	200.00	
	All off-takes at flat rate of		
(iii)	Over 300 M <sup>3</sup> per month	500.00	
	All off-takes at flat rate of		
	Minimum Monthly Charges (Rs.)	135.00	3,184.20
(ii)	<b>B. Commercial Consumers</b>		
	All off-takes at flat rate of	600.00	636.83
	Minimum Monthly Charges (Rs.)	2,832.51	3,821.04
(iii)	<b>C. Special Commercial (Roti Tandoors)</b>		
(i)	Upto 100 M <sup>3</sup> per month	100.00	106.14
	All off-takes at flat rate of		
(ii)	Upto 300 M <sup>3</sup> per month	200.00	212.28
	All off-takes at flat rate of		
(iii)	Over 300 M <sup>3</sup> per month	500.00	636.83
	All off-takes at flat rate of		
	Minimum Monthly Charges (Rs.)	135.00	143.29
(iv)	<b>D. Ice Factories</b>		
	Sale Price	600.00	636.83
	Minimum Monthly Charges (Rs.)	2,832.51	3,821.04
(v)	<b>E. Industrial Consumers</b>		
	Sale Price	460.00	488.23
	Minimum Monthly Charges (Rs.)	15,510.78	16,463.14
(vi)	<b>F. Captive Power</b>		
	Sale Price	460.00	488.23
	Minimum Monthly Charges (Rs.)	15,510.78	16,463.14

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(vii)	<b>G. CNG Stations</b>		
	Sale Price	618.55	656.52
	Minimum Monthly Charges (Rs.)	20,858.07	22,138.76
(viii)	<b>H. Cement Factories</b>		
	Sale Price	700.00	742.97
	Minimum Monthly Charges (Rs.)	23,604.12	25,053.41
	<b>I. Pakistan Steel</b>		
	Sale Price	460.00	488.23
(ix)	<b>J. Fertilizer Factories</b>		
(1)	<b>Pak American Fertilizer Limited, Daudkhel.</b>		
	(a) Feed Stock	116.27	123.41
	(b) Fuel	460.00	488.23
(2)	<b>Pak Arab Fertilizer Limited, Multan.</b>		
	(a) Feed Stock	116.27	123.41
	(b) Fuel	460.00	488.23
(3)	<b>Dawood Hercules Chemicals Limited, Chichoki Malian, Sheikhpura District:</b>		
	(a) Feed Stock	116.27	123.41
	(b) Fuel	460.00	488.23
(4)	<b>Pak-China Fertilizer Limited / Hazara Phosphate Plant Limited, Haripur.</b>		
	(a) Feed Stock	116.27	123.41
	(b) Fuel	460.00	488.23
(5)	<b>ENGRO Fertilizer Company Limited</b>		
	(a) Feed Stock	60.67	67.55
	(b) Fuel	460.00	488.23
(6)	<b>Fauji Fertilizer Bin Qasim Ltd.</b>		
	i) Feed Stock upto 60MMCFD	116.27	123.41
	ii) Additional allocation (10 MMCFD) Provisional	60.67	67.55
	iii) Fuel	460.00	488.23
(x)	<b>K. Power Stations</b>		
	<b>WAPDA/KESC</b>		
	(a) Sale Price	460.00	488.23
	Minimum Monthly Charges (Rs.)	15,510.78	16,463.14
	<b>WAPDA's Natural Gas Turbine Power Station, Nishatabad, Faisalabad.</b>		
	Sale Price	460.00	488.23
	Fixed Monthly Charges (Rs.)	975,000	975,000
	<b>Liberty Power Limited, Dharki.</b>		
	Sale Price	1,617.97	1,505.20
	Minimum Monthly Charges (Rs.)	54,557.01	50,754.56
(xi)	<b>L. Independent Power Producers</b>		
	Sale Price	460.00	488.23
	Minimum Monthly Charges (Rs.)	15,510.78	16,463.14

## Petroleum Levy (PL) Rates

Rs. /Liter

Effective Period	MOGAS	HOBC	KERO	LDO	HSD
01-Jul-12	10.00	14.00	6.00	3.00	8.00
16-Jul-12	10.00	14.00	6.00	3.00	8.00
01-Aug-12	10.00	14.00	6.00	3.00	8.00
16-Aug-12	7.23	9.82	2.97	0.25	4.21
23-Aug-12	10.00	14.00	6.00	3.00	8.00
01-Sep-12	10.00	14.00	6.00	3.00	8.00
10-Sep-12	10.00	14.00	6.00	3.00	8.00
17-Sep-12	10.00	14.00	6.00	3.00	8.00
24-Sep-12	10.00	14.00	6.00	3.00	8.00
01-Oct-12	10.00	14.00	6.00	3.00	8.00
08-Oct-12	10.00	14.00	6.00	3.00	8.00
15-Oct-12	10.00	14.00	6.00	3.00	8.00
22-Oct-12	10.00	14.00	6.00	3.00	8.00
22-Nov-12	10.00	14.00	6.00	3.00	8.00
22-Dec-12	10.00	14.00	6.00	3.00	8.00
22-Jan-13	10.00	14.00	6.00	3.00	8.00
01-Mar-13	10.00	14.00	6.00	3.00	8.00
04-Mar-13	6.95	14.00	2.73	0.00	4.25
01-Apr-13	7.84	14.00	5.36	2.95	4.96
01-May-13	10.00	14.00	6.00	3.00	8.00
01-Jun-13	10.00	14.00	6.00	3.00	8.00
13-Jun-13	10.00	14.00	6.00	3.00	8.00
21-Jun-13	10.00	14.00	6.00	3.00	8.00

**Inland Freight Equalization Margin****Rs. /Liter**

Effective Period	MOGAS	KERO	LDO	HSD
July 1, 2012	2.76	1.57	2.43	1.75
July 16, 2012	2.73	1.55	2.40	1.82
August 1, 2012	3.09	1.72	2.97	1.65
August 16, 2012	3.13	1.75	3.01	1.67
August 23, 2012	3.13	1.75	3.01	1.67
September 1, 2012	3.11	1.61	2.83	1.67
September 10, 2012	3.65	1.65	2.88	1.68
September 17, 2012	3.70	1.68	2.91	1.69
September 24, 2012	3.67	1.67	2.90	1.69
October 1, 2012	3.72	2.01	3.18	1.81
October 8, 2012	3.72	2.01	3.18	1.81
October 15, 2012	3.69	1.99	3.16	1.80
October 22, 2012	3.73	2.01	3.19	1.81
November 22, 2012	3.31	2.01	3.19	1.81
December 22, 2012	3.25	1.98	3.16	1.80
January 22, 2013	3.18	1.99	3.16	1.78
March 1, 2013	3.33	1.46	3.57	1.61
March 4, 2013	3.33	1.46	3.57	1.61
April 1, 2013	3.06	1.63	2.35	1.61
May 1, 2013	3.08	1.95	2.40	1.64
June 1, 2013	3.02	1.93	2.34	1.64
June 13, 2013	3.02	1.93	2.34	1.64
June 21, 2013	3.02	1.93	2.34	1.64

Employees









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