



# **Oil & Gas Regulatory Authority**

**O G  
R A**

**ANNUAL REPORT  
2010 - 11**





# **Mission Statement**

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



## The Authority



Mir Kamal Marri  
Member Finance

Sabar Hussain  
Acting Chairman /Member Oil

Mansoor Muzaffar Ali  
Member Gas



## Senior Officers



**Left to Right (Sitting):**

Muazzam Hussain Ch. (Executive Director), Anwar Ali Sheikh (Executive Director), Javed Nazir (Senior Executive Director), Shahzad Iqbal (Executive Director)

**Left to Right (Standing):**

Lt. Col. (R) Farrukh Nadeem (Secretary), Noor-ul-Haq (Executive Director), Sohail Ahmed Tariq (Executive Director)

*Report on Conduct  
of OGRA Affairs*



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## Abbreviations and Acronyms

AIT	Abadan Institute of Technology
AJK	Azad Jammu & Kashmir
APCNGA	All Pakistan CNG Association
APL	Attock Petroleum Ltd
ARL	Attock Refinery Limited
BBL	Barrels
BBTU	Billion British Thermal Unit
BTU	British Thermal Unit
C&F	Cost & Freight
CDA	Capital Development Authority
CNG	Compressed Natural Gas
CPGCL	Central Power Generation Company Limited
CPI	Consumer Price Index
CPL	Chevron Pakistan Limited
CRPR	Complaint Resolution Procedure Regulations
DCO	District Coordination Officer
DERR	Determination of Estimated Revenue Requirement
DWP	Development Working Party
E-10	Ethanol Blended Gasoline
ECC	Economic Coordination Committee
ECPL	Engro Chemicals Pakistan Limited
EOI	Expression of Interest
ERR	Estimated Revenue Requirement
EVC	Electronic Volume Corrector
EWI	Extended Well Test
FATA	Federal Administered Tribal Areas
FFCL	Fauji Fertilizer Company Limited
Fig	Figure
FJFC	Fauji Jordan Fertilizer Company
FOB	Free on Board
FRR	Final Revenue Requirement
FSRU	Floating Storage and Re-gasification Unit
FY	Fiscal Year/Financial Year
GCV	Gross Calorific Value
GDS	Gas Development Surcharge
GIC	Gas Internally Consumed
GIREP	Gas Infrastructure Rehabilitation and Expansion Project
GoP	Government of Pakistan

GSA	Gas Sale Agreement
HDIP	Hydrocarbon Development Institute of Pakistan
HM	Hecto Meter
HOBC	High Octane Blending Component
HR	Human Resource
HSD	High Speed Diesel
HSFO	High Sulfur Fuel Oil
IFEM	Inland Freight Equalization Margin
ILBP	Indus Left Bank Pipeline
IPP	Import Parity Price
IRBP	Indus Right Bank Pipeline
IT	Information Technology
IVLP	International Visitors Leadership Programme
JJVL	Jamshoro Joint Venture Limited
JP	Jet Propellant (Aviation Fuel)
KERO	Kerosene Oil
KESC	Karachi Electric Supply Corporation
Kg	Kilogram
Km	Kilometer
KP	Khyber-Pakhtun
LAN	Local Area Network
LDO	Light Diesel Oil
LHC	Lahore High Court
LNG	Liquefied Natural Gas
LPG	Liquefied Petroleum Gas
LPS	Late Payment Surcharge
MGCL	Mari Gas Company Ltd.
MMBTU	Million British Thermal Unit
MMcfd	Million Cubic Feet per Day
MMCFT	Million Cubic Feet
MMP	Meter Manufacturing Profit
MOGAS	Motor Gasoline
MP&NR	Ministry of Petroleum & Natural Resources
MS	Motor Spirit
MT	Metric Ton
MW	Mega Watt
NFPA	National Fire Protection Association
NGRA	Natural Gas Regulatory Authority
NOC	No Objection Certificate
NRL	National Refinery Limited
OGDCL	Oil and Gas Development Company Limited
OGRA	Oil and Gas Regulatory Authority



OMC	Oil Marketing Company
OOTCL	Overseas Oil Trading Company Limited
PAFL	Pak American Fertilizer Ltd
PARCO	Pak-Arab Refinery Company
PC	Planning Commission
PDC	Price Differential Claim
PGPL	Pakistan Gas Port Limited
PL	Petroleum Levy
POL	Petroleum Oil Lubricant
PPL	Pakistan Petroleum Ltd
PRL	Pakistan Refinery Limited
Psig	Pounds per Squar Inch (Gram)
PSFL	Pak Saudi Fertilizer Limited
PSO	Pakistan State Oil
QPL	Quetta Pipeline
RCD	Regional Cooperation for Development
RERR	Review of Estimated Revenue Requirement
RLNG	Re-gasified Liquid Natural Gas
RON	Research Octane Number
ROW	Right of Way
RR	Revenue Requirement
Rs.	Rupees
SCN	Show Cause Notice
SHC	Sindh High Court
SKO	Superior Kerosene Oil
SMS	Sales Meter Station
SNGPL	Sui Northern Gas Pipelines Ltd
SPL	Shell Pakistan Limited
SSGCL	Sui Southern Gas Company Ltd
T&D	Transmission & Distribution
TPA	Third Party Access
UET	University of Engineering & Technology
UFG	Unaccounted for Gas
US\$	US Dollar
USA	United States of America
USSR	Union of Soviet Socialist Republics
WACOG	Weighted Average Cost of Gas
WAPDA	Water and Power Development Authority
WOP	White Oil Pipeline

# *Chairman's Review*





## 1. CHAIRMAN'S REVIEW

It gives me great pleasure to present the 9th Annual Report of OGRA's performance for the year ended June 30, 2011 in pursuance of Section 20 (1) (a) of the OGRA Ordinance, 2002.

During fiscal year 2010-11, OGRA has been quite successful in achieving its objective 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 has made significant progress during fiscal year 2010-11 towards furthering the objectives of its establishment. A new aspect of OGRA activities pertains to grant of four licences (including one provisional licence) for the construction of the Liquefied Natural Gas (LNG) Import Terminal at Port Qasim, Karachi, under OGRA (LNG) Rules, 2007 enabling the licensed companies to import and inject approximately 1,830 MMcfd re-gasified LNG into Pakistan to meet the country projected shortfall in natural gas supplies. OGRA has also issued 33 licences for construction of Liquefied Petroleum Gas (LPG) Auto refueling stations and 2 marketing licences for the same in accordance with LPG Rules, 2011. This arrangement will not only result in creation of infrastructure in LPG sector but also lead to greater use of LPG in Automotives in the wake of ban on new CNG stations and depleting natural gas reserves.

OGRA also remained fully engaged in determination of revenue requirements/prescribed prices of gas utilities, expeditious resolution of complaints and litigation cases against its regulated companies, and drafting of new rules and regulations and amendments therein. Activities carried out also include the grant of licences for construction of storage and filling facilities and marketing of Liquefied Petroleum Gas, construction and marketing of LPG Auto refueling stations, extension of licences for oil marketing companies, permission for setting up oil terminal/storages, registration of lube oil blending/reclamation plants and enforcement of ordinance, rules, regulations and 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% Sui Southern Gas Company Limited (SSGCL) and 17.5% Sui Northern Gas Pipelines Limited (SNGPL) on their net operating fixed assets before tax and financial charges. During the year under review, the Authority decided six cases including two motions for review of its decisions relating to estimated 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-two well-head gas price notifications for fifty one gas fields and fourteen notifications of ex-



depot sale price of petroleum products along with Arab light crude oil.

The Authority issued four notifications of prescribed prices for both the gas utilities SSGCL and SNGPL during FY 2010-11. In accordance with the provisions of the OGRA Ordinance, the Authority also notified the sale prices of natural gas for each category of consumers. The differential between the prescribed prices and sale prices is paid by the gas companies as Gas Development Surcharge (GDS) to the government.

Unaccounted for Gas (UFG) levels of SSGCL and SNGPL have been a major concern for the Authority as 1% of UFG of both the companies at an average price of gas in FY 2010-11 translated to revenue loss of about 2.68 billion rupees per year. OGRA has fixed targets in respect of UFG (line losses) and the human resource cost to improve operational efficiency of the companies. As a consequence of enforcement of the UFG targets during FY 2010-11, an estimated additional burden of approximately Rs. 4.0 billion (Rs. 4.08/MMBTU) on gas consumers was avoided as the companies absorbed it from their own profit. This is motivating the gas utilities to initiate effective measures for improving operational efficiency, in order to achieve the said targets and to retain the benefits.

Another important aspect of OGRA's functions is the redressal of consumers' complaints against the oil, gas companies and licensees of LPG and CNG. These complaints are dealt in accordance with the Complaint Resolution Procedure Regulations (CRPR), 2003. Expedious 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 2010-11 OGRA received 4,586 complaints and 4,058 were resolved. On the intervention of OGRA, gas utilities provided 732 gas connections and relief of Rs. 14.48 million to consumers.

The Authority has also created a litigation cell, to handle the litigation cases. During FY 2010-11, 207 court cases have been received by OGRA, out of which 72 cases have been resolved and 116 cases are pending.

OGRA granted approval of SSGCL/SNGPL's projects related to expansion in the transmission 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 15<sup>th</sup> March, 2003 and since then OGRA has been regulating the sector in accordance with LPG (Production & Distribution) Rules, 2001 and the deregulation policy of the Federal Government. During the year, OGRA issued 5 licences for marketing of LPG while 14 licences have been issued for construction of LPG storage and filling facilities at various locations.



During FY 2010-11, an investment of Rs. 0.92 billion has been made in the LPG supply infrastructure whereas total investment in the sector till date, is estimated at about Rs. 15.35 billion.

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. Since the inception of Enforcement Department 1,970 inspections had been carried out in the midstream and downstream petroleum sector and a fine of Rs. 32 million was imposed after issuance of 1,063 show cause notices to the violators.

The Federal Government enforced the provisions of sub-section (3) of Section 23; and (a) (b) of sub-section (3) of Section 44 of the OGRA Ordinance 2002, with effect from 15th 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.

During FY 2010-11, OGRA has granted permission for construction of oil storages to M/s. Hascol Petroleum Ltd and M/s. Askar Oil Services Private Ltd at Machike having capacity of 14,500 M. Ton and 40,000 M. Ton respectively. Further, M/s Pakistan State Oil Company Ltd has been allowed to construct a new Faisalabad Depot at 6 Km from Gatti at Faisalabad Jhumra Road, having capacity of 22,000 M. Ton. M/s. Bakri Trading Company Pakistan (Pvt) Ltd has been granted permission for commercial operation for its oil terminal/storage facility at Port Qasim having capacity of 70,500 M. Ton, after satisfactory compliance report, in line with the notified/specified technical standards. The Authority also registered two lube oil blending / reclamation plants in accordance with the rule 16 of the Pakistan Petroleum (Refining, Blending and Marketing) Rules, 1971.

During FY 2010-11, 147 and 264 quality checks/inspections were carried out at OMCs depots and imported cargoes respectively. Moreover, 397 quality checks/ inspections were carried out at 232 lube blending plants. Number of quality checks during the first three quarters made on retail outlets across the country were 22,396. During FY 2010-11, 08 quality check/inspections were carried out at 06 retail outlets and 02 depots of E-10.

I would like to pay tribute to our employees, the most valuable resource of the organization, whose commitment and hard work during the last nine 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.



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.

Today, as the Acting 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.

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



(Sabar Hussain)  
Acting Chairman

Islamabad  
December 21, 2011

# *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 and 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 Acting Chairman/Member (Oil)

#### Mr. Sabar Hussain

Mr. Sabar Hussain joined OGRA as Member (Oil) on July 4, 2011 and reappointed as Acting Chairman/Member Oil on September 01, 2011. He holds M.Sc degree in 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 28 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 and short-term courses on petroleum management, skills development and leadership in oil and gas sector, etc. He has been on the Board of Directors of PARCO, Pirkoh Gas Company Limited, Pakistan Refinery Limited, and Total-PARCO. Currently, he is also on the Board of Total-PARCO, Pakistan Refinery Limited and Pakistan State Oil Company Limited. He was actively involved in planning and implementation of various downstream oil sector projects. He was appointed as Member BoM, PSO, on December 3, 2009.





### 2.1.2 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.



### 2.1.3 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 30 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:-

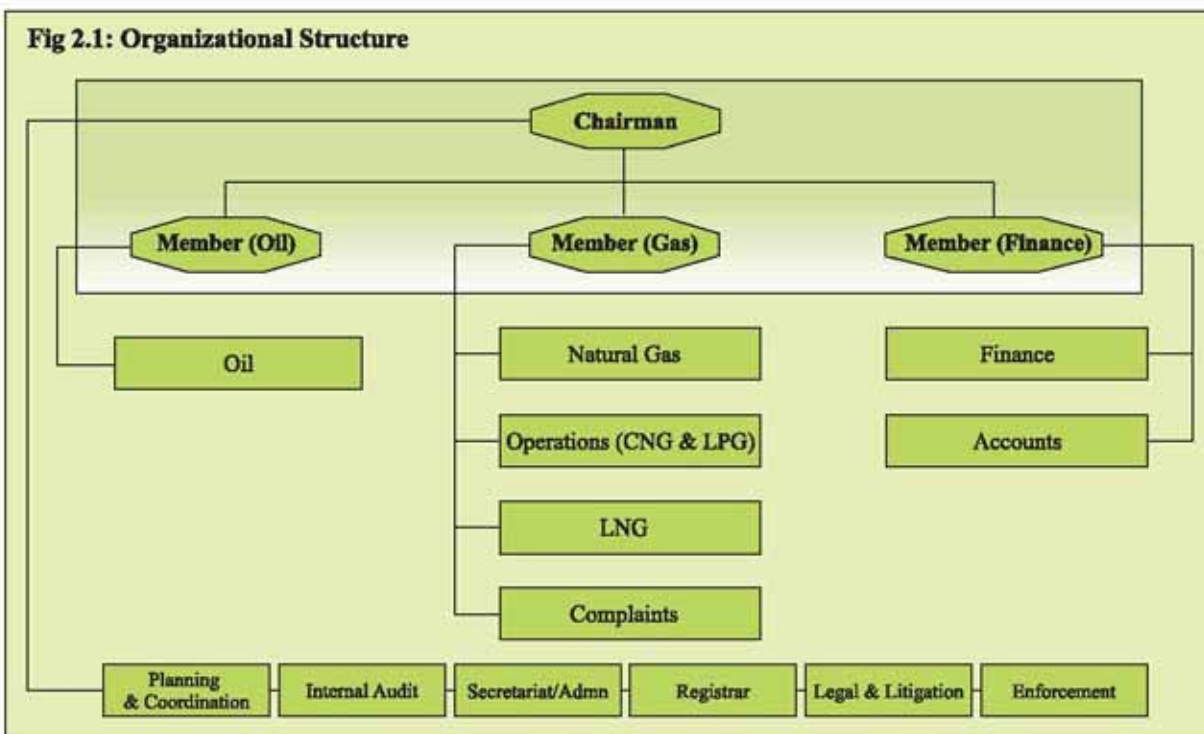
- Exclusive power to grant, amend or revoke licences for regulated activities and enforce compliance of licence conditions to promote efficiency, cost effectiveness, best practices, high safety and service standards etc. The regulated activities are:
  - **Natural Gas**
    - Construction or operation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



### 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:

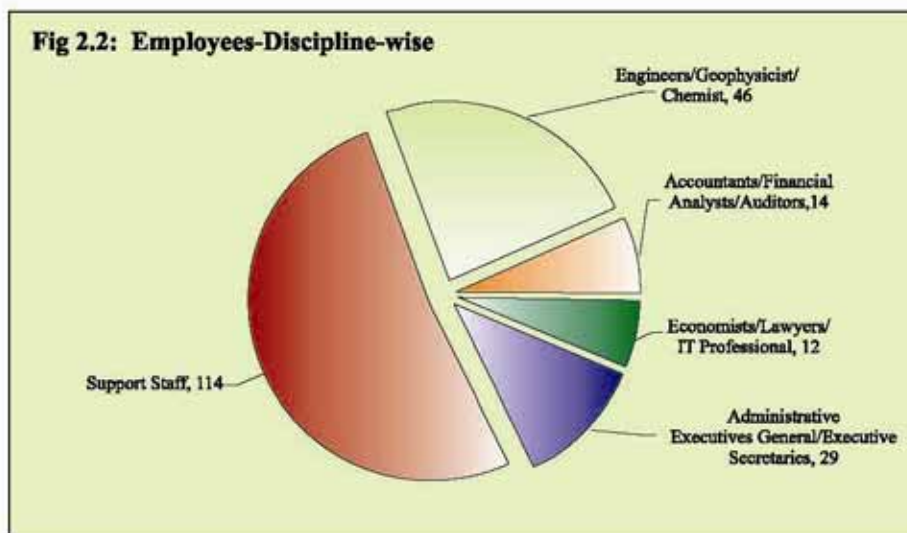
Values of HR Management at OGRA

- ✍ Integrity
- ✍ 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 in 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.



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

In a rapidly changing environment, absence of any effective training regime creates a capacity vacuum in the public sector. In order to bridge this widening gap and to strengthen skills, abilities, efficiency and effectiveness of the organization, implementation of "Capacity Building/Development Plan" is imperative. Capacity building is defined as the "process of developing and strengthening the skills, instincts, abilities, processes and resources that organizations need to survive, adapt, and thrive in the fast-changing world". It refers to the investment in people, institutions and practices that enable to achieve development objectives. OGRA, being a vibrant organization, gives serious attention to capacity building of its employees to ensure even-improving quality and efficiency.

During the period under report, two senior officers represented OGRA at the international forums and one officer benefitted from participation in International Visitor Leadership Programme (IVLP) in USA. Study visit of OGRA's delegation to the Argentina National Gas Regulatory Organization was also executed for sharing the expertise on technological & regulatory systems in the CNG sector under its Capacity Building Plan. 110 officials have been locally trained in professional skills suitable to their requirement for capacity building. All these provided, opportunities to represent Pakistan, to share and learn from their international experts and utilize such expertise in efficient & effective regulation of oil and gas sectors in Pakistan.

### 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 officers in OGRA have dedicated computers and are connected to Local Area Networks (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 during the past one year 3.5 million visits were recorded, which proves its popularity and usefulness.



# *Process*



### 3. PROCESS

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

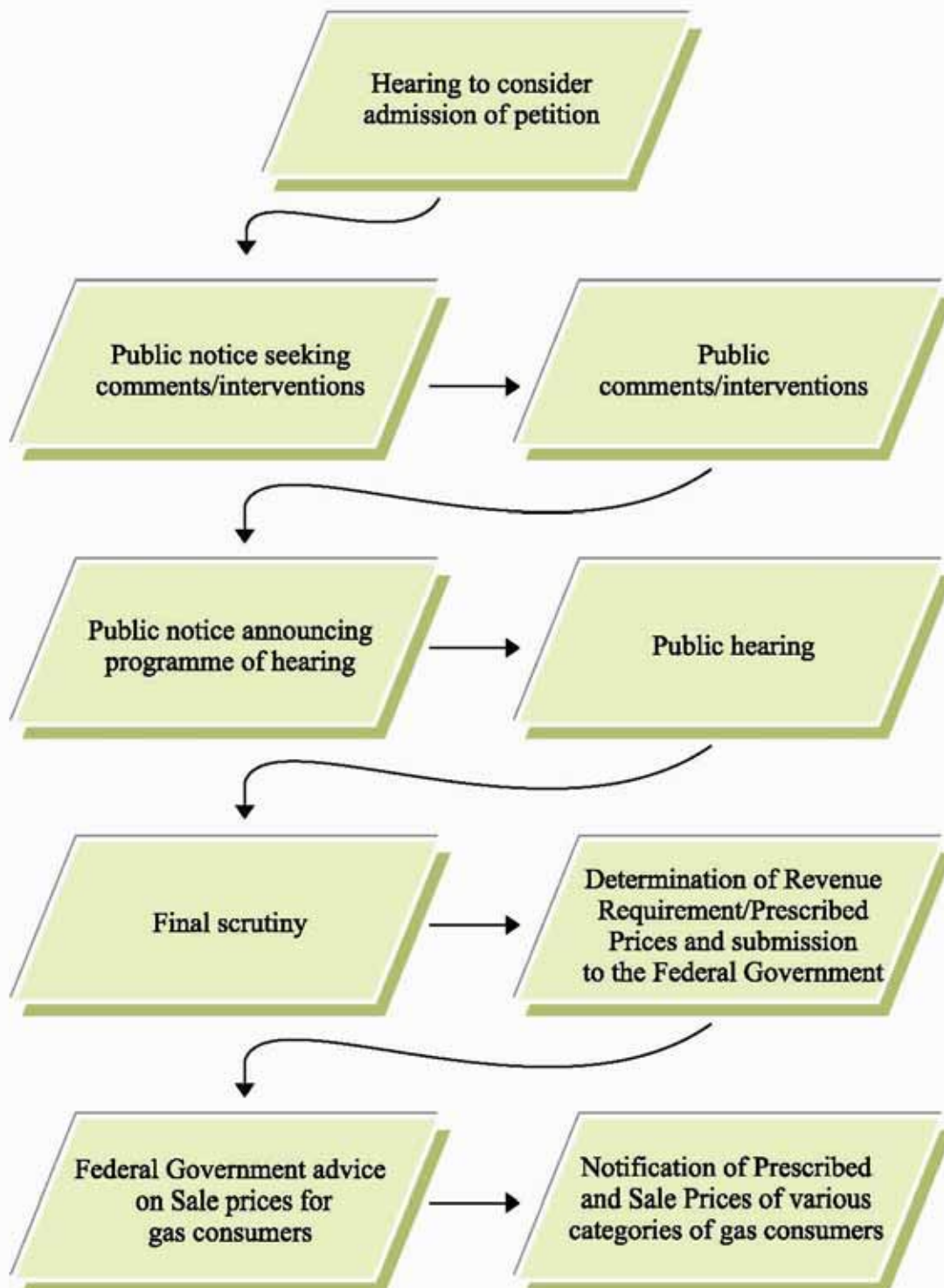
The regulatory framework is quasi-judicial for issuance of licences, tariff setting and maintenance of proper standards and quality of services by the licensees. Therefore, the Authority is vested under the Ordinance and Rules with the power of delivering decisions. The Authority exercises the power 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 a Public Hearing

**Fig3.1: The Process of Determination of Revenue Requirement, Notification of Prescribed and Consumer Gas Prices**



# *Performance*



## 4. PERFORMANCE

### 4.1 Formulation of Rules & Regulations

Sections 41 and 42 of the OGRA Ordinance require the Authority to formulate rules and regulations respectively. 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 legal instruments for carrying out the Authority's functions as provided in the Ordinance. One of the fundamental instruments i.e. the Natural Gas Licensing Rules, were framed under the former NGRA Ordinance and notified in February 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 and regulations during FY 2010 -11.

#### (a) Rules Notified during 2010 -11

- ✍ Amendment in LPG Rules, 2001 (Appendix V)

#### (b) Rules under Preparation during 2010 -11

- ✍ Natural Gas Theft Rules
- ✍ OGRA Fee Rules

#### (c) Rules Drafted (under Process with the Federal Government) during 2010 -11

- ✍ The Pakistan Oil (Refining, Blending, Transportation, Storage and Marketing) Licensing Rules, 2005
- ✍ OGRA (Fines and Recovery) Rules, 2009
- ✍ Amendment in the OGRA Ordinance, 2002 (Section 43, Bio Fuels)
- ✍ Amendment in the OGRA Ordinance, 2002 (Section 21, Ethanol)
- ✍ Amendment in the OGRA Ordinance, 2002 (Section 6(2)(z), 2(1)(xvii) & 6(2)(aa) monitor/establish prices of all refined oil products.

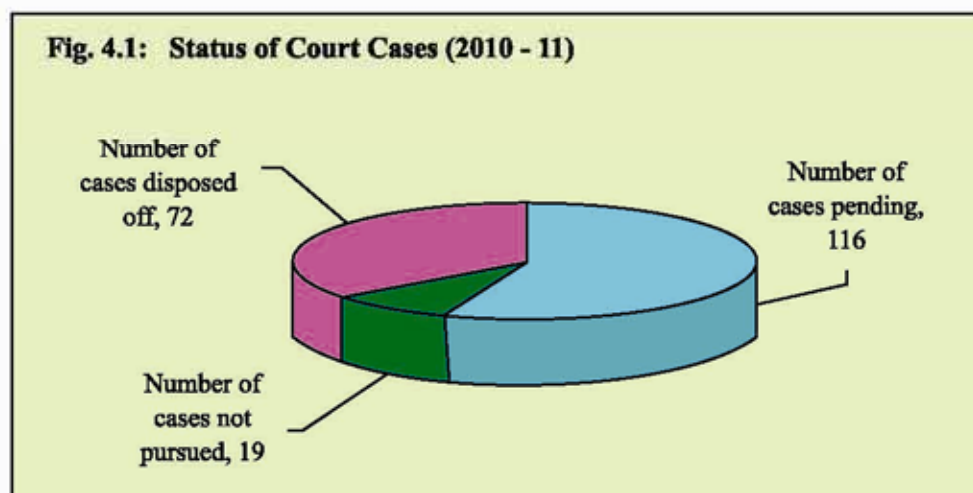
#### (d) Preparation/Promulgation of Technical Standards

In pursuance of section 42(2)(b) of the OGRA Ordinance 2002 and to facilitate oil sector, OGRA had notified technical standards after consultation with the licensees (oil industry) i.e (i) oil transportation (pipeline), (ii) retail outlets, (iii) depots for oil storage, (iv) oil refineries, and (v) road transport vehicles, containers and equipment used for the transportation of petroleum products. Further, for draft "Technical Standard for Lube Oil Blending, Reclamation and Grease Plants, the blending portion is under process of finalization in consultation with the stakeholders whereas reclamation and grease portion is under preparation.



### 4.1.1 Litigation

During FY 2010 - 11, OGRA received summons in 207 cases from different courts of Pakistan. Status of the court cases is given in Fig. 4.1 below:



## 4.2 Natural Gas Sector

### 4.2.1 Licences Issued

OGRA has so far issued twenty licences for transmission, distribution, sale and storage of natural gas including four licences (one provisional licence) 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 (SNGPL) and 17% in case of Sui Southern Gas Company Limited (SSGCL) 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 (GoP) 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 the 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 Estimated Revenue Requirement (ERR) to the Authority for each financial year by December 1 of the preceding year in accordance with the OGRA Ordinance 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, and they more often than not, do avail this opportunity.

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 High Sulphur Fuel Oil (HSFO) in October every year, with a view to ensure the half yearly review, in any case.

The Authority has decided the following six (6) petitions of SSGCL and SNGPL during FY 2010-11:

#### **SSGCL**

- ✍ FRR for FY 2009 -10
- ✍ Review of ERR for FY 2010 -11
- ✍ ERR for FY 2011-12

#### **SNGPL**

- ✍ FRR for FY 2009 -10
- ✍ Review of ERR for FY 2010 -11
- ✍ ERR for FY 2011-12

In addition to the above, two review motions against DERR FY 2010 - 11 were also filed by SSGCL and SNGPL during FY 2010 -11. These review motions were then treated as part of RERR 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 2009-10

The Authority determined FRR of SSGCL for FY 2009-10 at Rs. 112,233 million against the demand of Rs. 113,299 vide its order dated September 24, 2010. **Table 4.1** shows comparison of OGRA's determination with SSGCL's request in respect of various components of requirement for the same year.

**Table 4.1: OGRA Determination of FRR of SSGCL for FY 2009-10**

(Rs. Million)

Particulars	SSGCL Request	OGRA Determination	Difference
Sales Volume (BBTU)	362,379	362,379	-
Cost of Gas	95,405	95,405	-
Transmission & Distribution Cost and Others	10,050	9,474	(576)
UFG Disallowance	(444)	(934)	(490)
Depreciation	2,822	2,822	-
Return on Net Operating Assets	5,429	5,429	-
Additional Revenue Required for Air-Mix LPG Projects	37	37	-
<b>Total Revenue Requirement</b>	<b>113,299</b>	<b>112,233</b>	<b>(1,066)</b>
<b>Total Revenue Available</b>	<b>103,196</b>	<b>103,538</b>	<b>342</b>
<b>Surplus/(Shortage)</b>	<b>(10,104)</b>	<b>(8,695)</b>	<b>(1,409)</b>
<b>Average Prescribed Price (Rs./MMBTU)</b>	<b>301.29</b>	<b>297.40</b>	<b>(3.89)</b>

##### 4.2.2.1.2 Review of Estimated Revenue Requirement (ERR) for FY 2010 -11

The Authority, after holding public hearing and duly taking into account view point of all the interveners, determined the revised revenue requirement at Rs. 124,479 million mainly owing to changes in prices of crude & HSFO in the international market. **Table 4.2** shows comparison of SSGCL request in various components of estimated revenue requirement.

SSGCL challenged the Authority's decision of RERR dated December 02, 2010 in Sindh High Court (SHC) and prayed that it may be allowed the same treatment as provided in FRR FY 2009 - 10. Earlier, the Authority in its determination of FRR for FY 2009 - 10, had decided to provide one time financial relief to SSGCL in view of the compelling financial and operational reasons so that it can operate as an ongoing entity which is ultimately in the interest of all stakeholders.

**Table 4.2: OGRA's Determination of RERR of SSGCL for FY 2010-11***(Rs. Million)*

Particulars	SSGCL Request	OGRA Determination	Difference
Sales Volume (BBTU)	362,212	362,212	-
Cost of Gas	110,815	109,626	(1,189)
Transmission & Distribution Cost and Others	8,802	7,777	(1,025)
UFG Disallowance	(222)	(3,585)	(3,363)
Depreciation	3,224	3,206	(18)
Return on Net Operating Assets	7,337	7,327	(10)
Additional Revenue Required for Air-Mix LPG Projects	128	128	-
<b>Total Revenue Requirement</b>	<b>130,085</b>	<b>124,479</b>	<b>(5,606)</b>
<b>Total Revenue Available</b>	<b>119,194</b>	<b>123,143</b>	<b>3,949</b>
<b>Surplus/(Shortage)</b>	<b>(10,891)</b>	<b>(1,336)</b>	<b>(9,555)</b>
<b>Average Prescribed Price (Rs./MMBTU)</b>	<b>344.77</b>	<b>318.39</b>	<b>(26.38)</b>

The Authority had therefore, decided to relax UFG benchmark to 7% and treat 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 as non-operating for that particular financial year only.

**Table 4.3: OGRA's Determination of RERR per Court Orders***(Rs. Million)*

Particulars	OGRA Determination	As per Court Order	Difference
Sales Volume (BBTU)	362,212	362,212	-
Cost of Gas	109,626	109,626	-
Transmission & Distribution Cost and Others	7,777	7,777	-
UFG Disallowance	(3,585)	(1,027)	2,558
Depreciation	3,206	3,206	-
Return on Net Operating Assets	7,327	7,327	-
Additional Revenue Required for Air-Mix LPG Projects	128	128	-
<b>Total Revenue Requirement</b>	<b>124,479</b>	<b>127,037</b>	<b>2,558</b>
<b>Total Revenue Available</b>	<b>123,143</b>	<b>119,204</b>	<b>(3,939)</b>
<b>Surplus/(Shortage)</b>	<b>(1,336)</b>	<b>(7,833)</b>	<b>(6,497)</b>
<b>Average Prescribed Price (Rs./MMBTU)</b>	<b>318.39</b>	<b>336.32</b>	<b>17.94</b>



It was also emphasized in the said decision that it will have no bearing on future determinations, which will be purely based on the circumstances prevailing at the relevant point in time. The SHC, however, granted interim relief to SSGCL in RERR FY 2010-11 and ordered that SSGCL be given the same treatment as granted at the time of FRR FY 2009-10. The said SHC decision was implemented by the Authority and additional revenue of Rs. 6,497 million was provided to SSGCL through increase in prescribed prices. The revised revenue requirement in light of SHC Order is tabulated in **Table 4.3**

#### 4.2.2.1.3 Estimated Revenue Requirement (ERR) of SSGCL for FY 2011-12

The Authority in its determination of 24th May, 2011 determined the ERR of SSGCL for FY 2011-12 at Rs. 146,617 million against the request of Rs. 160,396 million. **Table 4.4** summarizes the OGRA's determination in comparison to SSGCL request in various components of revenue requirement.

**Table 4.4: OGRA's Determination of ERR of SSGCL for FY 2011-12**

*(Rs. Million)*

Particulars	SSGCL Request	OGRA Determination	Difference
Sales Volume (BBTU)	396,406	396,406	-
Cost of Gas	137,568	130,092	(7,476)
Transmission & Distribution Cost and Others	10,107	8,203	(1,904)
UFG Disallowance	(67)	(3,903)	(3,836)
Depreciation	3,789	3,550	(239)
Return on Net Operating Assets	8,781	8,478	(303)
Additional Revenue Required for Air-Mix LPG Projects	217	197	(20)
<b>Total Revenue Requirement</b>	<b>160,396</b>	<b>146,617</b>	<b>(13,779)</b>
<b>Total Revenue Available</b>	<b>140,710</b>	<b>144,603</b>	<b>3,893</b>
<b>Surplus/(Shortage)</b>	<b>(19,686)</b>	<b>(2,014)</b>	<b>(17,672)</b>
<b>Average Prescribed Price (Rs./MMBTU)</b>	<b>392.34</b>	<b>347.76</b>	<b>(44.58)</b>

SSGCL challenged the Authority's decision of DERR FY 2011-12 dated May 24, 2011 in Sindh High Court 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, however, granted interim relief to SSGCL in DERR FY 2011-12 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. 15,349 million was provided to SSGCL through increase in prescribed prices. The revised revenue requirement in light of SHC Order is tabulated in **Table 4.5**.



**Table 4.5: OGRA's Determination of DERR per Court Orders***(Rs. Million)*

Particulars	OGRA Determination	As per Court Order	Difference
Sales Volume (BBTU)	396,406	396,406	-
Cost of Gas	130,092	130,092	-
Transmission & Distribution Cost and Others	8,203	9,966	1,763
UFG Disallowance	(3,903)	(658)	3,245
Depreciation	3,550	3,550	-
Return on Net Operating Assets	8,478	8,448	(30)
Prior Adjustment	-	1,898	1,898
Additional Revenue Required for Air-Mix LPG Projects	197	197	-
<b>Total Revenue Requirement</b>	<b>146,617</b>	<b>153,493</b>	<b>6,876</b>
<b>Total Return Available</b>	<b>144,603</b>	<b>136,130</b>	<b>(8,473)</b>
<b>Surplus/(Shortage)</b>	<b>(2,014)</b>	<b>(17,363)</b>	<b>(15,349)</b>
<b>Average Prescribed Price (Rs./MMBTU)</b>	<b>347.76</b>	<b>374.37</b>	<b>26.61</b>

#### 4.2.2.2 Sui Northern Gas Pipelines Limited

##### 4.2.2.2.1 Final Revenue Requirement for FY 2009-10

OGRA determined FRR for FY 2008-09 at Rs. 174,402 million against the petitioner's request of Rs. 177,223 through its order dated September 15, 2010. Table 4.6 shows comparison of OGRA's determination with SNGPL's request in respect of various components of estimated revenue requirement for the same year.

**Table 4.6: OGRA's Determination of FRR of SNGPL for FY 2009-10***(Rs. Million)*

Particulars	SNGPL Request	OGRA Determination	Difference
Sales Volume (BBTU)	547,863	547,863	-
Cost of Gas	143,333	143,333	-
Transmission & Distribution Cost and Others	10,854	10,109	(745)
UFG Disallowance	(2,624)	(4,670)	(2,046)
Depreciation	6,810	6,810	-
Return on Net Operating Assets	8,925	8,895	(30)
Prior Years Adjustment	9,925	9,925	-
<b>Total Revenue Requirement</b>	<b>177,223</b>	<b>174,402</b>	<b>(2,821)</b>
<b>Total Return Available</b>	<b>175,892</b>	<b>176,007</b>	<b>115</b>
<b>Surplus/(Shortage)</b>	<b>(1,331)</b>	<b>1,604</b>	<b>2,935</b>
<b>Average Prescribed Price (Rs./MMBTU)</b>	<b>317.94</b>	<b>312.58</b>	<b>(5.36)</b>



#### 4.2.2.2.2 Review of Estimated Revenue Requirement for FY 2010-11

The Authority, after holding public hearing and duly taking into account view point of all the interveners, determined the revised revenue requirement of SNGPL for FY 2010-11 at Rs. 205,118 million mainly owing to increase in prices of crude & HSFO in the international market. **Table 4.7** shows comparison of SNGPL request in various components of estimated revenue requirement.

**Table 4.7: OGRA's Determination of RERR of SNGPL for FY 2010-11** (Rs. Million)

Particulars	SNGPL Request	OGRA Determination	Difference
Sales Volume (BBTU)	619,621	619,621	-
Cost of Gas	185,964	183,974	(1,990)
Transmission & Distribution Cost and Others	13,286	11,323	(1,963)
Cost of Re-instated Employees	553	553	-
UFG Disallowance	(1,505)	(7,334)	(5,829)
Depreciation	8,195	8,069	(126)
Return on Net Operating Assets	8,923	8,533	(390)
Prior Years Adjustment	-	-	-
<b>Total Revenue Requirement</b>	<b>215,416</b>	<b>205,118</b>	<b>(10,298)</b>
<b>Total Return Available</b>	<b>202,177</b>	<b>203,971</b>	<b>1,794</b>
<b>Surplus/(Shortage)</b>	<b>(13,239)</b>	<b>(1,148)</b>	<b>12,091</b>
<b>Average Prescribed Price (Rs./MMBTU)</b>	<b>343.53</b>	<b>324.02</b>	<b>(19.51)</b>

SNGPL challenged the Authority's decision of RERR dated December 02, 2010 in Lahore High Court (LHC) and prayed that it may be allowed the same treatment as provided in FRR FY 2009-10.

Earlier, the Authority in its determination of FRR for FY 2009-10, had decided to provide one time financial relief to SNGPL in view of the compelling financial and operational reasons so that it can operate as an ongoing entity which is ultimately in the interest of all the stakeholders. The Authority therefore, decided to relax UFG benchmark to 7% and treat LPS as non-operating income for that particular financial year only. It was also emphasized in the decision that it will have no bearing on future determinations, which will be made purely based on the circumstances prevailing at the relevant point in time.

The LHC, however, granted interim relief to SNGPL in RERR FY 2010-11 and ordered that company be given the same treatment as granted at the time of FRR FY 2009-10. The said LHC decision was implemented by the Authority and additional revenue of Rs. 6,152 million was provided to SNGPL through increase in prescribed prices. The revised revenue requirement in light of LHC Order is tabulated in **Table 4.8**



**Table 4.8: OGRA Determination of RERR per Court Orders***(Rs. Million)*

Particulars	OGRA Determination	As per Court Order	Difference
Sales Volume (BBTU)	619,621	619,621	-
Cost of Gas	183,974	183,974	-
Transmission & Distribution Cost and Others	11,323	11,323	-
Cost of Re-instated Employee	553	553	-
UFG Disallowance	(7,334)	(2,975)	4,359
Depreciation	8,069	8,069	-
Return on Net Operating Assets	8,533	8,533	-
Prior Years Adjustment	-	-	-
<b>Total Revenue Requirement</b>	<b>205,118</b>	<b>209,477</b>	<b>4,359</b>
<b>Total Return Available</b>	<b>203,971</b>	<b>202,177</b>	<b>(1,794)</b>
<b>Surplus/(Shortage)</b>	<b>(1,148)</b>	<b>(7,300)</b>	<b>(6,152)</b>
<b>Average Prescribed Price (Rs./MMBTU)</b>	<b>324.02</b>	<b>333.95</b>	<b>9.93</b>

**4.2.2.2.3 Estimated Revenue Requirement of SNGPL for FY 2011-12**

OGRA in its decision of May 24, 2011 determined ERR of SNGPL at Rs. 220,822 million against the request of Rs. 243,350 million for FY 2011-12. **Table 4.9** summarizes the OGRA's determination in comparison to SNGPL request in various components of revenue requirement.

**Table 4.9: OGRA Determination of ERR of SNGPL for FY 2011-12***(Rs. Million)*

Particulars	SNGPL Request	OGRA Determination	Difference
Sales Volume (BBTU)	607,443	607,443	-
Cost of Gas	211,033	199,568	(11,465)
Transmission & Distribution Cost and Others	15,776	12,338	(3,438)
UFG Disallowance	(2,949)	(7,767)	(4,818)
Depreciation	8,915	8,493	(422)
Return on Net Operating Assets	10,575	8,190	(2,385)
Prior Years Adjustment	-	-	-
<b>Total Revenue Requirement</b>	<b>243,350</b>	<b>220,822</b>	<b>(22,528)</b>
<b>Total Return Available</b>	<b>214,208</b>	<b>216,239</b>	<b>2,031</b>
<b>Surplus/(Shortage)</b>	<b>(29,142)</b>	<b>(4,583)</b>	<b>24,559</b>
<b>Average Prescribed Price (Rs./MMBTU)</b>	<b>395.17</b>	<b>354.74</b>	<b>(40.43)</b>

SNGPL challenged the Authority's decision of DERR FY 2011-12 dated May 24, 2011 in Lahore High Court and prayed that it may be allowed the same treatment with respect to UFG benchmark and LPS as provided in FRR FY 2009-10. The LHC, however, granted interim relief to SNGPL in DERR FY 2011-12 by relaxing UFG benchmark to 7% and treating LPS as non-operating. The said LHC decision was implemented by the Authority and additional revenue of Rs. 9,935 million was provided to SNGPL through increase in prescribed prices. The revised revenue requirement in light of LHC Order is tabulated in Table 4.10.

**Table 4.10: OGRA Determination of DERR per Court Orders**

(Rs. Million)

Particulars	OGRA Determination	As per Court Order	Difference
Sales Volume (BBTU)	607,443	607,443	-
Cost of Gas	199,568	199,568	-
Transmission & Distribution Cost and Others	12,338	12,338	-
UFG Disallowance	(7,767)	(2,788)	4,979
Depreciation	8,493	8,493	-
Return on Net Operating Assets	8,190	9,382	1,192
Prior Years Adjustment	-	706	706
<b>Total Revenue Requirement</b>	<b>220,822</b>	<b>227,699</b>	<b>6,877</b>
<b>Total Return Available</b>	<b>216,239</b>	<b>213,181</b>	<b>(3,058)</b>
<b>Surplus/(Shortage)</b>	<b>(4,583)</b>	<b>(14,518 )</b>	<b>(9,935)</b>
<b>Average Prescribed Price ( Rs./ MMBTU)</b>	<b>354.74</b>	<b>368.78</b>	<b>14.04</b>

### 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. 32.478 billion during FY 2003-04 to FY 2011-12, benefit of which has been passed on to the consumers and Government. Graphical presentation is shown in Fig 4.2.

**Fig. 4.2: Summary of Cost Reduction Benefitting the Consumers due to OGRA Intervention**

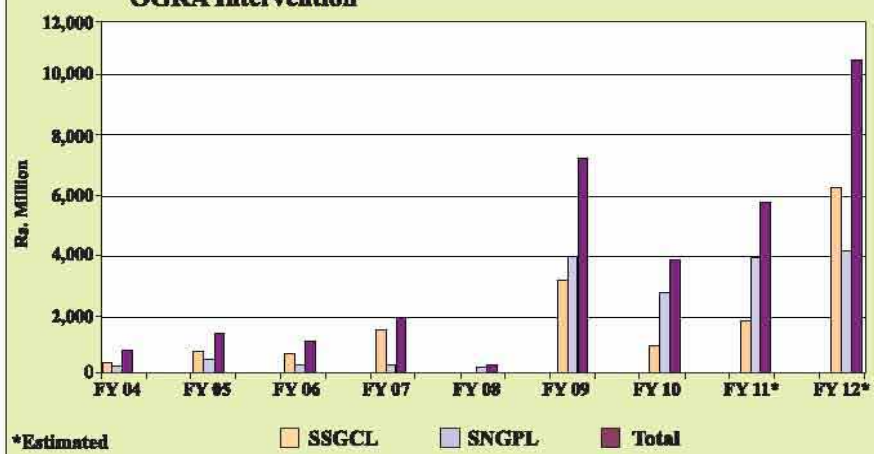




Table 4.11 and Table 4.12 show behavior of SSGCL & SNGPL's cost items per MMBTU and other major elements of the revenue requirements.

**Table 4.11: Summary of Revenue Requirement – Historical Comparison – SSGCL** (Rs./MMBTU)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Estimates	Estimates
Volume (BBTU)	310,628	329,359	338,126	335,363	377,265	356,442	362,379	362,212	396,406
Cost of Gas	124.63	142.13	176.40	188.56	183.53	287.42	263.27	302.66	328.18
T&D Cost and Depreciation	16.40	16.89	18.35	16.84	20.52	21.49	31.35	27.49	32.44
Return on Assets	8.23	8.40	9.37	11.10	11.58	13.91	14.98	20.23	21.31
Other Income	(5.65)	(7.63)	(13.48)	(16.61)	(16.87)	(19.59)	(12.32)	(14.40)	(12.84)
Additional RR for LPG Air Mix	-	-	-	-	0.20	0.10	0.10	0.35	0.50
Shortfall of Previous Year	-	-	-	-	-	-	-	-	4.79
Average Prescribed Price	143.62	159.80	190.65	199.89	213.17	303.33	297.40	336.33	374.37

**Table 4.12: Summary of Revenue Requirement – Historical Comparison - SNGPL** (Rs./MMBTU)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Estimates	Estimates
Volume (BBTU)	426,636	505,543	539,099	541,589	559,954	544,544	547,863	619,621	607,443
Cost of Gas	123.35	140.82	170.67	183.11	194.84	277.91	261.62	296.91	328.54
T&D Cost and Depreciation	20.19	17.59	18.51	17.94	19.36	25.87	22.36	27.39	29.70
Return on Assets	11.32	10.70	10.66	11.13	12.12	14.36	16.24	13.77	15.45
Other Income	(4.37)	(4.18)	(3.55)	(4.33)	(4.60)	(7.91)	(5.75)	(4.13)	(6.07)
Previous Year Shortfall	-	-	-	-	-	-	18.12	-	1.16
Average Prescribed Price	150.49	164.93	196.35	207.85	221.72	310.22	312.58	333.95	368.78

#### 4.2.2.4 Efficiency Benchmark

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

UFG is a measure of the difference between the total volume of gas purchased by the licensee during a financial year and volume of gas metered and delivered to the consumers there from excluding metered volume of gas consumed internally (GIC) by the licensee.

Licence condition 21 obligates the licensee to take all possible steps to keep the UFG within acceptable limits. Before OGRA was established the task of reducing/maintaining UFG at a certain level was look after by the licensee. Furthermore there were no standards/benchmarks to be followed. After the establishment in 2002, OGRA felt that performance of licensees to reduce the UFG is not satisfactory since the UFG were on the rise and therefore it was necessary to put benchmarks in place so that the licensees could perform better.

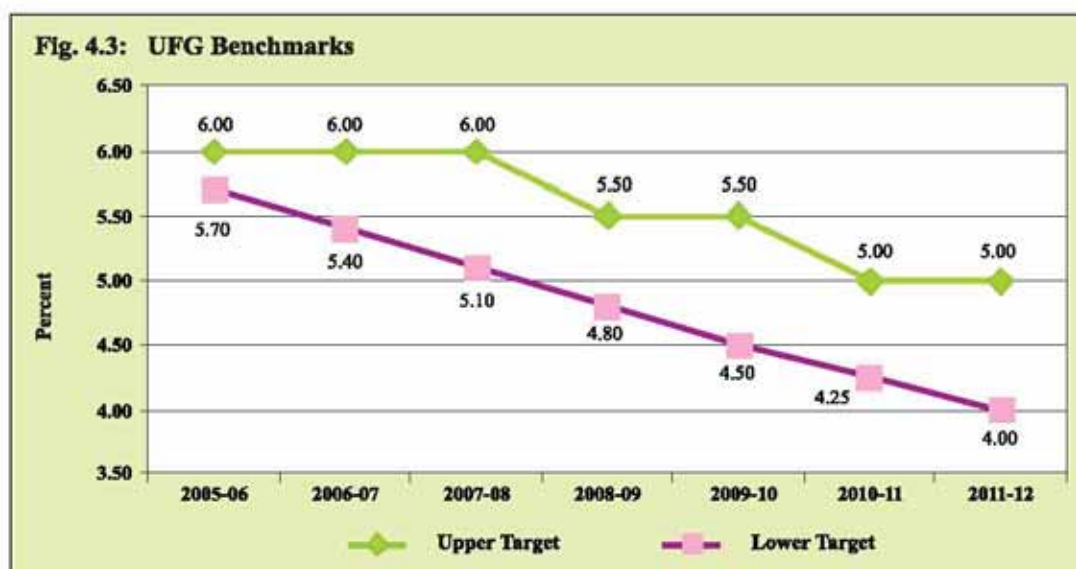


The rising UFG translated into the monetary impact which was being passed to the consumers. It is pertinent to mention that one percent UFG of the two gas utilities at an average price of gas in FY 2010-11 translated to revenue loss of Rs. 2.68 billion per year. This loss reflects gas companies' performance and adds to the cost of gas for the consumers.

Under such circumstances OGRA was obligated to take measures which could truly guard the interests of the consumers by saving them from the inefficiencies of the licensees. For this purpose a detailed search was conducted on the major distribution companies worldwide, for fixing the UFG benchmarks/standards. Furthermore, stress was explicitly made on the best international practices, prevalent ground realities/conditions within the country and operational constraints faced by the licensees.

In view of the outcome of the search and detailed deliberations with the licensees OGRA fixed the UFG benchmarks. UFG benchmarks call for a systematic reduction in the UFG level on annual basis. In compliance of these benchmarks the licensees were obligated to gradually reduce UFG levels on a yearly basis to 4% by the fiscal year 2011-12. Year-wise UFG target are presented in **Fig. 4.3**. The following was done in line with the provision of the OGRA Ordinance, 2002 and the licence issued to the licensees.

The UFG target is a set of two levels, an upper and lower, if the UFG falls above the upper level then the



whole volume (and therefore the monetary value against the UFG volume) shall be disallowed to be made part of the rate base of the company and the company shall have to totally bear the 100% loss from its annual profit against the UFG disallowed volume. However, if the UFG falls between the upper and the lower target then the company shall bear only 50% loss from its profit, whereas if the UFG is below the lower target then no deduction of profit shall be entitled to the company.

The effective enforcement of UFG benchmarks have resulted in saving of Rs. 23,598 million to the consumers during FY 2006-07 to FY 2010-11. The details of savings by both the gas utilities are given in **Table 4.13**. In order to ascertain authenticity of UFG levels reported by the licensees, the Authority got UFG audit through independent auditors.

Gas utility companies are undertaking different measures to control UFG. In this connection, UFG control



**Table 4.13: Savings on Account of UFG***(Rs. Million)*

Description	2006-07	2007-08	2008-09	2009-10	2010-11*	Total Savings
SSGCL	1,158	762	2,707	934	1,027	6,588
SNGPL	2,053	2,711	4,601	4,670	2,975	17,010
<b>Total Savings</b>	<b>3,211</b>	<b>3,473</b>	<b>7,308</b>	<b>5,604</b>	<b>4,002</b>	<b>23,598</b>

\*Estimates

related departments have been established by them. The Authority had also allowed substantial amount of expenditure sought by the gas utility companies on UFG control related activities and security expenses on continuous basis. However, the utilities have requested to change/re-fix the UFG benchmark, as the existing benchmarks have become unachievable owing to changed ground realities and operating conditions.

In Public Hearing for RERR FY 2010-11, the learned interveners also demanded an independent study for comprehensive re-evaluation and fixation of revised UFG benchmarks. Based on the request of gas utilities and keeping in view the demand of interveners, the Authority decided to carryout an independent study on fixation of UFG benchmarks, in order to comprehensively review the existing benchmarks keeping in view local circumstances and factors as well as international best practices. The study has been awarded in June, 2011.

#### 4.2.2.4.2 UFG Audit

During FY 2007-08 some newspapers raised the issue of high/ inflated gas bills which possibly could be due to wrong bookings of 'Pressure factor' and/ or the 'Temperature factor' in the calculations of gas bills of the industrial consumers by SSGCL. The newspaper reports called for a proper inquiry for establishing the authenticity of the bills issued.

The wrong bookings and the false entries are directly linked with the UFG of the company. OGRA felt particularly concerned since the UFG of the companies is on the rise and is getting beyond their measured control and therefore the companies could resort to wrong bookings to cover up such losses/ UFG. The ascertainment of the authenticity of their UFG figures/ reports that they provide to OGRA was therefore very important.

The purpose of the activity is to reconcile, justify, substantiate and validate the purchased volumes/Btu contents of natural gas by the licensees and transmitted from each delivery points to its consumers of different categories.

It was therefore decided by the Authority to conduct UFG audit of both the gas companies i.e., SSGCL and SNGPL for FY 2007-08 by hiring a suitable consultant firm. Following hiring procedure, M/s Ilyas Saeed & Company was selected for the job. The Auditor submitted respective draft final UFG audit report to Sui Northern Gas Pipelines Limited and Sui Southern Gas Company Limited respectively for comments and copies of the same were also forwarded to OGRA. SNGPL submitted its comments to the Auditor whereas the comments of SSGCL are awaited. The auditor shall submit a final report after satisfying the queries of SNGPL, SSGCL and OGRA.



#### 4.2.2.4.3 Human Resource Cost Benchmark

The Authority had also introduced Human Resource (HR) cost benchmark, which has helped to contain the expenditure within reasonable limits. Savings or excess in HR cost will be shared equally between the companies and consumers. Savings/excess on account of HR benchmark for FY 2009-10 & FY 2010-11 are given in Table 4.14.

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. Later on, the Authority decided to review and revised these benchmarks which will remain applicable for another three years i.e. FY 2008-09 to FY 2010-11. .

**Table 4.14: HR Cost**

(Rs. Million)

Description	SNGPL			SSGCL		
	2009-10	2010-11*	2011-12*	2009-10	2010-11*	2011-12*
<b>Actual Projected Cost</b>	5,024	5,813	5,813	7,679	6,179	5,438
<b>Benchmark Cost</b>	5,022	5,541	6,049	7,298	5,215	5,764
<b>Excess/ (Saving) over Benchmark</b>	2	272	(236)	381	482	(326)

\* Estimates

Accordingly, the Authority has provisionally determined HR benchmark for current financial year taking FY 2009-10 as base year, while adopting indexation weightage for standard factors as follows:

- (i) 60% increase in number of consumers
- (ii) 20% increase in sale volume
- (iii) 20% increase in T & D network
- (iv) 50% CPI adjustment of previous year HR benchmark cost

The Authority intends to review the existing HR benchmark and apply it for another term of three years (FY 2011-12 to FY 2013-14). In this regards the proposals have been solicited from both the gas utilities.

#### 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 their respective contracts with GoP, and notify the same in the official gazette. The Authority accordingly issued 82 well-head gas price notifications during FY 2010-11 for 51 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 rising trend in international price of crude / fuel oil which peaked in FY 2008-09, was reversed and has declined sharply during FY 2009-10. The political upheavals and uncertainty in

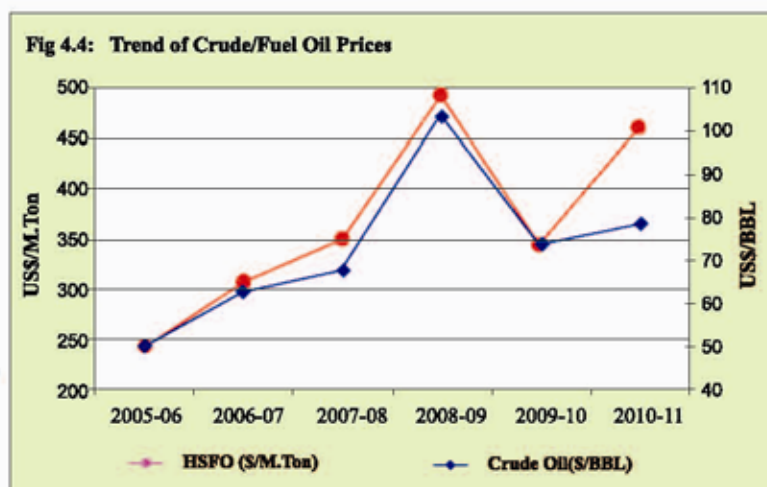


Middle East during FY 2010-11 resulted in increase in crude and fuel oil prices by 25% and 50% respectively compared to previous year as evident from Table 4.15. The trend in prices of crude and fuel oil in international market over the last few years is shown in Fig 4.4. Consequently, prescribed prices of the gas utilities have also been increased during this time period.

**Table 4.15: Average C&F Price of Basket of Crude & Furnace Oil Imported into Pakistan**

Description	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Average Crude Oil Price (\$/BBL)	50.08	62.70	67.86	103.41	73.94	78.32
Increase (\$/BBL) year to year	-	12.62	5.16	35.55	-29.47	4.38
Cumulative increase	-	25%	36%	106%	48%	25%
Average HSFO Price (\$/M.Ton)	244.24	307.71	350.86	493.41	345.27	461.53
Increase (\$/M.Ton) year to year	-	63.47	43.15	142.55	-148.14	116.26
Cumulative increase	-	26%	44%	102%	41%	50%

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 2010-11, OGRA estimated the WACOG at the beginning of the year at Rs. 268.66 per MMBTU as against the Rs. 235.42 per MMBTU for FY 2009-10, owing to significant rise in prices of crude oil and HSFO in the international market. The same was determined as part of the ERR of both the companies. Later on, in review petitions, WACOG was further increased to Rs. 270.68 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 4 notifications of prescribed prices for both the gas utilities i.e. SSGCL and SNGPL. 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 maintained sale prices notified on December 31, 2009 effective from January 01, 2010 to June 30, 2010. The same sale prices remained effective since July 01, 2010 till June 30, 2011. The category-wise breakup is placed at **Appendix IV**.

#### 4.2.2.8 Compressed Natural Gas (CNG)

The consumer price of CNG was a de-regulated activity since its inception (1992) and fixed by CNG station owners/association on competitive basis. Government through amendment in the OGRA Ordinance has given enabling powers to OGRA to determine and notify the CNG retail price in accordance with the policy guideline issued by the GoP. OGRA, under Section 43 (B) of the OGRA Ordinance, 2009 has issued four notifications of maximum sale price of CNG to be charged by CNG stations from the consumers during FY 2010-11.

**Table 4.16: Maximum Sale Price of CNG**

(Rs./Kg)

Description	Region 1	Region 2
<b>Price Effective</b>	Khyber Pakhtunkhwa, Balochistan & Potohar Region (Rawalpindi, Islamabad & Gujar Khan)	Sindh & Punjab (Excluding Potohar Region)
<b>July 30, 2010</b>	57.03	55.33
<b>Feb 28, 2011</b>		
Sindh: Thana Bullah Khan, Nooriabad, Khadeji, Jamshoro Power Station, Hyderabad City, Bhan Saeedabad, Bubak, Bajra Jhangara, Larkana, Badah, Theriri Mohabbat, Sindhi Burta, Sita Road, Piaro Goth, Pulji, Dadu, Gareello, Garhi Yasin, Dakhan/Madeji, Neo Daro, Garhi Khuda Bux, Dhamra, Karachi ( ACPL, Hub, Korangi/Landhi, Malir, Karangi 2, Karangi 3, FJFC, Bin Qasim, Landhi 3, Landhi 2, Karangi 4, Megnarcrate, Landhi4, Lucky Cement/Edhi Village, SMS-1 (old) KT, SMS-2(New) KT, FB area/Liaqatabad/North Kyc, Landhi1, West Warf/Site), Bahawalpur, Multan, Lahore, Sahiwal, Gujranwala, Faisalabad, Shorkot, Toba Tak Singh, Jhang, Gojra, Tandiawala, Sumandri, Khurianwala, Shahkot, Chiniot, Lalian, Kot Momin, Sargodha, Pindi Bhattian, Malakwal, Mandi Bahuddin, Bhalwal, Shahpur, Johrabad, Kundian, Mianwali, Bhera, Miani, Sialkot, Jhelum, Muzaffar Garh, Khangarh, Kot audu, Taunsa, Dera Ghazi Khan, Layyah, Ubaro, Kot Sabzal.	53.45	
Sindh: Matil, Raju Nizamani, Sultankot, Humayun Sharif, Chundiko, Shikarpur, Thul/Ranjhapur/Mirpur Burro, Jacobabad, Lakhmira, Jongal, Lakhi/Wazarabad, Pir Go Goth, Sukkar-1&2, Rohri/Pano Aqil, Khairpur, Kot deji, Ranipur, Kumb, Setharaja/Tmir Wah, Mehrabpur, Patidan/Moro, Daur/Bandi, NawabShah, Sarhari/Sakrand, Shahdadpur/Hala/Sanghar, Tando Adam, Oderolal, Hatri, 60th Mile/Buchari, 68th mile, Karampur, Parco, Khanpur, Tando AllahYar, Matiari, Massu, Bhurgari, Sindh University, Kotri, Thatta, Dhabeji, Hyderabad S main III, TM Khan. Karachi: Pak Land, Memon Goth, Shedi Goth, Pak Steel. Balochistan: Much, Kolpur, Darwaza, Rukhshan, Quetta City, Habibullah Coastal Power Plant, Jhatput, DM Jamali, Belpat/Lheri, Sibbi, Dhadar, Sul Villarge.	55.22	



Sindh Areas; Tando Jam, Badin/Golarachi. Khyber Pakhtun Khwa (excluding Karak, Tank, Bannu, Dera Ismail Khan, Lucky, Bhakar).		57.00
Khaskhel, Potohar, Karak, Tank, Bannu, Dera Ismail Khan, Lucky Marwat, Bhakkar.		58.78
	<b>Region 1</b>	<b>Region 2</b>
<b>April 02, 2011</b>	58.55	55.78
<b>May 04, 2011</b>	59.57	56.80

### 4.2.3 Approval of Agreements

The Authority during FY 2010-11 approved the following agreement between producer and licensee:

#### 4.2.3.1 Gas Sale Agreements (GSAs) between Producer and Licensee

- a) Adam X-1 (Hala Block) EWT- GSA between PPL and SSGCL.

### 4.2.4 Approved Major Projects of SSGCL and SNGPL

As per the licence, the licensees are under obligation to extend their transmission and distribution network in view of the demand from different sectors which includes Domestic (Residential), Commercial and Industrial sectors. Based on the same new projects for the transmission and distribution of natural gas are envisaged by the companies/ licensees and placed before the Authority for approval.

During the current year also, both the licensees i.e., SSGCL and SNGPL sought approval from the Authority for their transmission and distribution infrastructure development projects. The projects were examined in detail with an emphasis that they are prudent, feasible and the associated costs and expenditure remain within limits, delivering maximum benefits to the stakeholders, especially consumers. Brief details of the infrastructure development projects of SSGCL and SNGPL approved during 2010-11 are as follows:

#### 4.2.4.1 Transmission Projects of SSGCL

##### 12 Inch Diameter x 64 Km Zarghun-Quetta Pipeline

In May 2004, SSGCL sought the approval for its Gas Infrastructure and Expansion Project-II (GIREP-II). The project aimed at transmission of 175 MMcfd additional gas supplies from existing and new sources i.e., Khipro, Sanjhorro, Zarghoon, Miano and Sawan gas fields.

12 inch diameter x 64 Km Zarghun-Quetta Pipeline catering for the addition of 20-25 MMcfd gas from the Zarghun gas field was part of the GIREP-II. The project was approved by the Authority in November, 2006. The construction of the same has been delayed by SSGCL due to lack of confirmation of gas availability from Zarghun gas field by M/s Mari Gas Company Limited due to poor law and order situation in the vicinity and Gas Sales Agreement (GSA) finalization issues.



The company however stated that the project is expected to be commissioned by the end of October, 2011 and therefore capitalization of Rs.1,349 million was allowed/ approved by the Authority.

### **12 Inch Diameter x 35 Km Sinjhoru Gas Field Integration Project**

The project involves laying of 12 inch dia x 35 Km pipeline from Sinjhoru gas field to Lundo Valve Assembly on ILBP system at an estimated cost of Rs.631 million. This project is designed for the transportation capacity of 30 MMcfd. The 12" dia x 35 Km Sinjhoru gas field integration project is expected to be commissioned by the end of September 2011 with the estimated capitalization of Rs. 610 million. The same was therefore provisionally approved by the Authority in its determination of Estimated Revenue Requirement for FY 2011-12.

### **12 Inch Diameter x 67 Km Mehar Gas Field Integration Project**

This project involves laying of 12 inch diameter x 67 Km long transmission pipeline to integrate Mehar Gas Field with SSGCL's system at Thari Mohabbat Km-210 IRBP System at an estimated cost of Rs.1,008 million. The maximum gas expected to be injected into the system from Mehar field is 50 MMcfd.

This company planned to commission the project by 30 September, 2011 with an estimated capitalization of Rs. 905 million during FY 2011-12. The same was therefore provisionally approved by the Authority in its determination of Estimated Revenue Requirement for FY 2011-12, in view of its national importance and current scenario of gas shortages.

### **Construction of Submerged Crossings in Place of Existing Overhead Pipeline Crossings for Safety against Terrorist Threat**

In the past SSGCL's overhead transmission pipelines have been blown by terrorist acts. Such incidents have occurred in such areas and on such pipelines which are located in the paddy growing areas and are not easily accessible, the company in the year 2004 decided to replace such overhead pipelines crossings with the submerged crossings under canal bed and water channels to bring maximum security to the pipelines.

<b>Fiscal Year</b>	<b>Number of Submerged Crossings Carried Out</b>	<b>Cost Incurred ( Rs. Million)</b>
2005-06	2	38
2006-07	9	23
2007-08	12	80
2008-09	05	33
2009-10	01	31
2010-11	Nil	Nil
<b>Total</b>	<b>29</b>	<b>205</b>



Since the inception of the project, the company has requested through its revenue requirement petitions for the approval of submerging the pipelines. As of June 30, 2011 a total of 29 overhead crossings have been submerged at a cost of Rs. 205 million. The year-wise progress is shown in the table above.

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

In compliance with the Licence Condition No.32 of the licence issued to the company by OGRA, the company is obligated to establish a program to patrol the transmission pipeline right of way to observe factors affecting the safe operation of the transmission pipeline, including the encroachment of right of way. The Licensee is bound by the licence condition that it shall take reasonable steps under the law to correct such encroachments. In compliance of the above, the company made a detailed study of its network of pipelines and it was found by survey that nearly 576 Km out of total 1,828 Km right of way is flooded due to paddy crops, which is neither approachable on a vehicle or by foot.

SSGCL requested for the grant of approval of Rs. 349 million in respect of its ROW plan. The petitioner also stated that recent flood has damaged about 272 Km ROW on transmission pipelines in the provinces of Sindh and Balochistan and an estimated cost of Rs.340 million will be incurred for the rehabilitation work of damaged ROW whereas Rs. 9 million will be spent on its associated works.

After thorough examination of the details provided by the petitioner and based on the past performance of the company to undertake such projects, the Authority approved an amount of Rs. 126 million. As of June 30, 2011, as regards ROW, SSGCL has achieved the following:

<b>Fiscal Year</b>	<b>Km Covered</b>	<b>Cost (Rs. Million)</b>
2005-06	23	28
2006-07	52	173
2007-08	62	138
2008-09	106 (Earthfilling)	Not capitalized
2009-10	17	Not capitalized
2010-11	71	341
<b>Total</b>	<b>225</b>	<b>680</b>

### **16 Inch Diameter ILBP Rehabilitation and Intelligent Pigging**

The Rehabilitation and Intelligent Pigging of 16 inch diameter ILBP has been planned by the Company to assess pipeline integrity and keep it operating safely for another 15-20 years. The pipeline rehabilitation has been completed through replacement of half bore valves with full bore valves along with installation of pig traps to make the pipeline pig-able. The Intelligent Pigging from HQ-2 (MP-168) to KT (MP-347½) has been planned during FY 2010-11 with estimated capitalization of Rs. 50 million.



The Intelligent Pigging of HQ-2 (MP-168) to KT (MP-347½) section has been completed except the RS-3 (MP-210½) to HQ-3 (MP-248) section as the Right of Way (ROW) on this section was not approachable due to heavy floods during recent monsoon season.

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 planned by the company to be completed during FY 2011-12 with estimated capitalization of Rs.78 million.

The approval of the same was granted as the company substantiated adequate need assessment for the project.

### **Rehabilitation and Intelligent Pigging of 12 Inch Diameter x 344 Km Quetta Pipeline**

The 12 inch diameter x 344 Km Quetta Pipeline (QPL) was constructed and commissioned in 1983-84 for supply of gas to Quetta and enroute towns. After commissioning of QPL in 1983-84, its gas transportation capacity has been increased through laying of 18 inch diameter, 20 inch diameter and 24 inch diameter looplines keeping in view the additional gas requirement of Balochistan specially during winter seasons and supply of gas to far flung areas of Balochistan, i.e., Zairat, Kalat and enroute villages.

The QPL Rehabilitation and Intelligent Pigging have been planned by the company to be completed with an estimated project cost of Rs. 317 million. However, the company considered an outlay of Rs. 57 million to be employed for the rehabilitation work, whereas the Intelligent Pigging is proposed to be carried out in the later years after achieving satisfactory results of Intelligent Pigging of 16 inch dia ILBP as per the directions given by OGRA.

The intelligent pigging is proposed to be carried out with the object to establish reliability/ integrity of the pipeline and increase its effective life. As the company established prudence and effectiveness of the project and substantiated enough need assessment and importance, the Authority approved a sum of Rs. 57 million for the said project.

### **Distribution Projects**

The Authority approved an amount of Rs. 892 million for the following projects pertaining to the distribution system of the company. The projects pertained to the laying of supply mains for power generation and system augmentation programs of the company, aimed at capacity enhancement and removal of low pressure problems.

#### **4.2.4.2 Transmission Projects of SNGPL**

##### **10 Inch Diameter x 35.5 Km Pipeline Segment Connecting C-leg at CV24 (Swan Crossing) with Pindori Line with a Loop of 10" Dia x 3 Km Pipeline from Murree off-take Point to SMS Rawat**

During the year 2010-11 SNGPL, under Rule 20(xviii) of Natural Gas Licensing Rules, 2002 sought approval of the Authority for the "Hook up of Pindori Line with C-Leg at Swan Crossing".



### Distribution Projects of SSGCL

Sr. No.	Description	Capacity (MMcfd)	Amount Requested (Rs. Million)
1.	8 Inch Diameter x 54 Km Supply Main Sanghar	06	175
2.	20 Inch Diameter x 5 Km Landhi Main - C Station Main Loop	70	139
3.	16 Inch Diameter x 5 Km Landhi Main and Landjhi Korangi Main Augmentation	40	125
4.	12 Inch Diameter x 31 Km Supply Main Tando Allahyar	14	443
5.	Construction of CMS and 30 inch Diameter x 800 meters for gas supply to KESC for 560 MW Power Plant at Bin Qasim	130	10
	<b>Total</b>	<b>260</b>	<b>892</b>

SNGPL projected Rs. 437.12 million for laying of 10 inch diameter x 35.5 Km pipeline segment connecting C-Leg at CV24 (Swan Crossing) with Pindori line with a loop of 10 inch diameter x 3 Km pipeline from Murree off-take point to SMS Rawat, as an operational requirement.

The capacity of Sales Meter Station (SMS) Rawat after laying lines will increase from 38 MMcfd to 75.3 MMcfd resulting in minimizing pressure drop problems in Islamabad and Rawalpindi and their surrounding areas during winter season. After carrying out detailed evaluation of the project the same was approved.

### Laying of 12 Inch Diameter, 46 Km Transmission Pipeline from Mandi Bahaudin to Lalamusa

During the year 2010-11 SNGPL under Rule 20(xviii) of Natural Gas Licensing Rules, 2002 sought approval of the Authority for “Laying of 12 inch diameter x 46 Km pipeline from Mandi Baha-ud-Din to Lala Musa”.

SNGPL projected Rs. 597.4 million for laying of 12 inch diameter x 46 Km pipeline from Mandi Baha-ud-Din (C leg) to Lala Musa (B Leg). This line is designed to deliver about 29 MMcfd gas towards B-leg at a pressure of 300 Psig, resulting in the improvement of pressures in 8 inch diameter Wazirabad-Gujrat-Jhelum section.

Furthermore, laying of this line will improve the operational flexibility of SNGPL system for supply of gas to Wazirabad-Jhelum section. This line will also help SNGPL in supplying the surplus gas on C-leg (Galli-Jagir to Faisalabad section) towards B-leg (Lahore-Jhelum section); especially during summer months when gas demand on C-leg is relatively lower. Based on the detailed evaluation of the project and establishing prudence of investment, the project line was approved by the Authority.



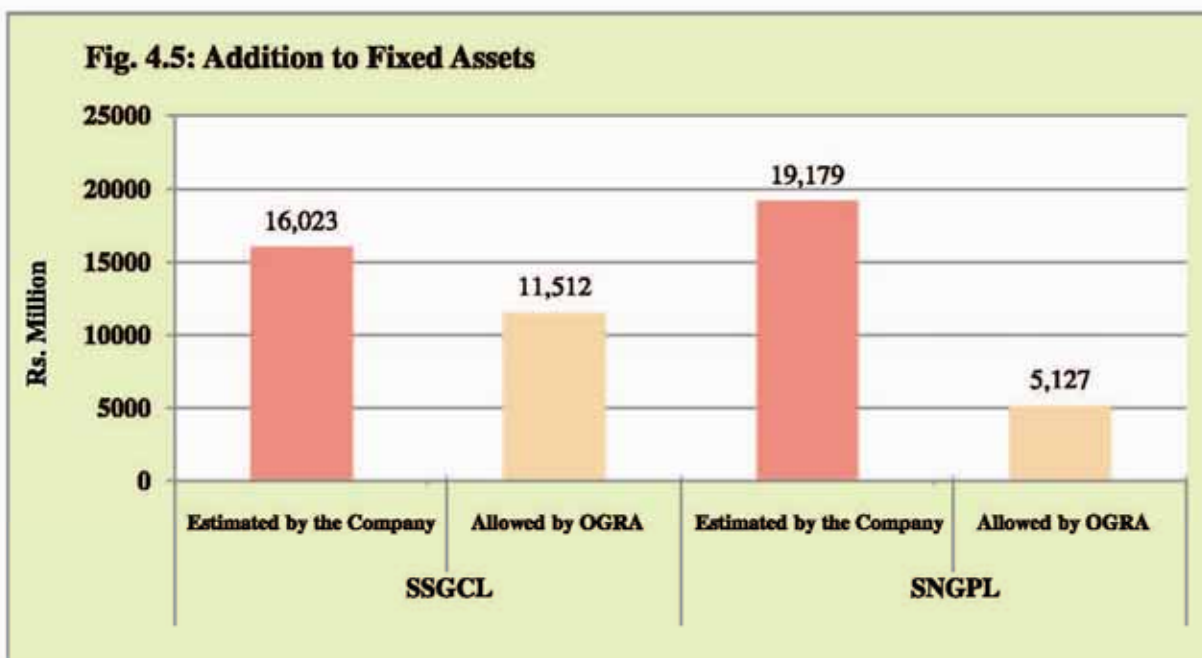
#### 4.2.5 Addition of Assets / Natural Gas Network

Under Rule 4(2) of Natural Gas Tariff Rules, the licensees submit to the Authority, petition for the determination of estimated revenue requirements. The petition contains projections / estimates as regards the additions in assets pertaining to the infrastructure development projects.

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.

##### Increase in Assets

During FY 2010 -11, SSGCL and SNGPL requested for an increase in assets valuing Rs. 16,023 million and Rs. 19,179 million respectively as per its estimated revenue requirement petition for FY 2011-2012. As per the determination, OGRA allowed a sum of Rs.11,512 million and Rs. 5,127 million respectively to the companies (Fig. 4.5)



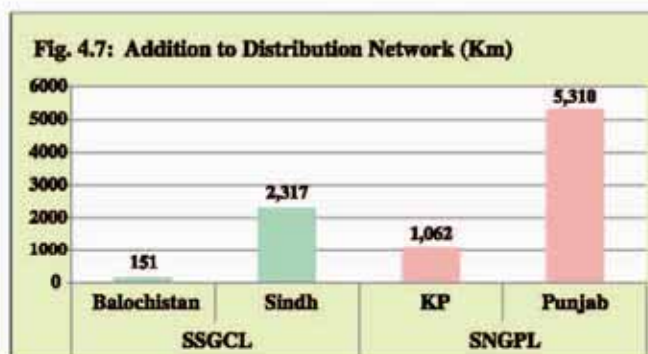
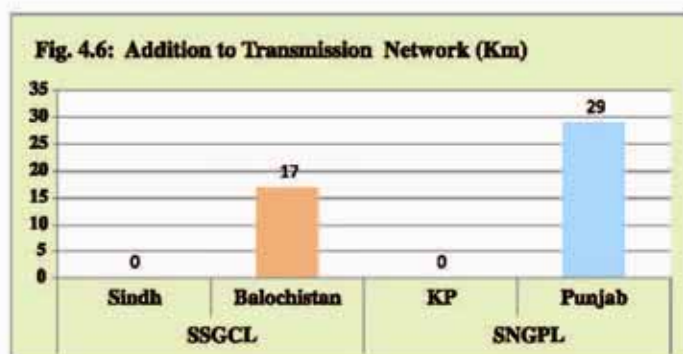
##### Addition to Transmission and Distribution Network

SSGCL and SNGPL has expanded its transmission network by 17 Km and 29 Km respectively. The distribution network of SSGCL and SNGPL expanded by 2,468 Km (which include 149 Km of LPG-Air Mix Network in Sindh and Balochistan) and 6,372 Km respectively during FY 2010-11. Figs 4.6 and 4.7 show province-wise break-down of increase in transmission and distribution network of SSGCL & SNGPL respectively during FY 2010-11.

##### Number of Consumers

During FY 2010-11, SSGCL has added 121,182 (which includes 446 consumers addition on the LPG air mix gas distribution network in the province of Balochistan) and SNGPL 260,349 consumers to their network.

Table 4.17 shows increase in the number of consumers in their respective regions of operation, category-wise during FY 2010-11.

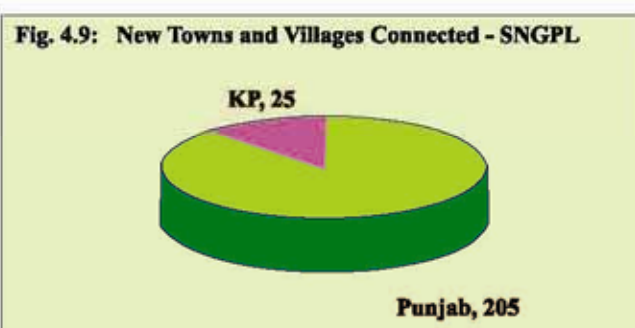
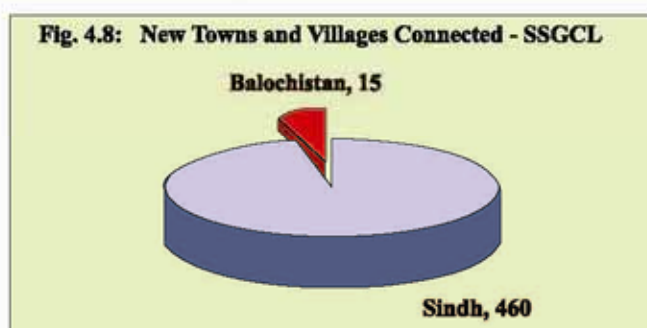


**Table 4.17: Addition to SSGCL and SNGPL Consumer Base**

Description	SSGCL			SNGPL				Number
	Sindh	Balochistan	Total	Punjab	KP	Total	G-Total	
Domestic	109,450	10,265	119,715	219,463	38,194	257,657	377,372	
Commercial	732	112	844	2086	386	2,472	3,316	
Industrial	178	445	623	188	32	220	843	
<b>Total</b>	<b>110,360</b>	<b>10,822</b>	<b>121,182</b>	<b>221,737</b>	<b>38,612</b>	<b>260,349</b>	<b>381,531</b>	

### New Towns and Villages Connected

During FY 2010-11, SSGCL and SNGPL have connected 475 and 230 new towns and villages respectively to their networks. Region-wise break up of new towns and villages' for SSGCL & SNGPL is given in Figs 4.8 and 4.9 respectively.



## 4.2.6 Enforcement of Regulatory Framework

### Enforcement of Licence Conditions

#### 4.2.6.1 Action against Theft

Theft of natural gas means use / consumption of gas in unauthorized / un-lawful manner for which the user / consumer has neither been billed nor he/ she has paid for such consumption. Theft of gas is one of the major causes for the increase in UFG. The licence issued to the gas companies formally addresses this matter. Licence condition 20 obligates gas utilities to curb theft of gas by addressing the incidence of the theft of natural gas, determining the value of gas stolen and also recovering.



#### **4.2.6.2 Procedure for Dealing with Gas Theft Cases 2006**

Considering above, the Authority formulated the "procedure for dealing with gas theft cases" and approved in the year 2005-06. The procedure is being followed/used by the licensees to address incidence of theft of natural gas, determine the value of gas stolen and recover the value of stolen gas.

#### **4.2.6.3 Theft Rules, 2011 (Draft)**

In addition to the above, the Authority in exercise of powers conferred under section 41 of the OGRA Ordinance, 2002 has developed Natural Gas Theft Rules, 2010.

The basic intent of these rules is to,

- i) Provide legal cover to already approved and enforced 'Procedure for dealing with gas theft cases'.
- ii) To facilitate gas utility companies / licensees to recover value of gas stolen from the consumers established to be involved in theft of natural gas.
- iii) The said rules can bring incarceration and imposition of fines to the consumers.

##### **4.2.6.3.1 Salient Features of Theft Rules, 2011**

Theft Rules empower the Licensees/Gas utilities to lodge application/complaint to OGRA against the consumers/non-consumer involved in theft of natural gas. Prior to lodging such a complaint, the licensee shall make all out efforts in respect of claim/recovery of the value of gas stolen. Before admitting the complaint of the licensee, OGRA shall ensure that the licensee has made such efforts.

In order to seek the advice and to make these rules acceptable to all, these were sent to all the stakeholders whose comments have been received and the same are under consideration of the Authority for a final outcome.

#### **4.2.6.4. Gas Utility Companies Act 2010 (Draft)**

Ministry of Petroleum and Natural Resources has proposed that the theft rules do not treat the theft of gas as a criminal offence and has therefore referred draft Gas Utility Companies Theft Act, 2010 to OGRA for finalization in consultation with OGRA and other stakeholders.

Gas Utility Companies Theft Act 2010 broadly covers matters which are major contributors towards the theft of gas, and its non-payment. The Gas Utility Companies Theft Act 2010 calls for the formation of courts that would be responsible to penalize the gas pilferers and make recoveries from them and impose incarceration (whose term may extend up to three years) in case of non-payment by the consumers and non-consumers.

On the advise of MP&NR, OGRA has placed the Natural Gas Utility Companies Theft Act, 2010 on its website to seek comments from all the stakeholders

#### **4.2.6.5 Consumer Service Manual**

Licence condition no. 23 obligates the licensee to submit the Consumer Service Manual to the Authority.



The manual specifies the rights and obligations of consumers as well as the licensees for the sale of natural gas.

In compliance of the above, SSGCL and SNGPL submitted their Consumer Service Manuals, which were scrutinized. It was observed that the manuals lack in some details. The licensees were therefore advised to make following details part of the manual:

- a. Application procedure and process for new connections.
- b. Billing procedures policies etc.
- c. Procedure for responding to complaints.
- d. Disconnection and re-connection policies.
- e. Modifications and relocations procedures.
- f. Additions /alterations in gas load procedure.
- g. Procedure for dealing with gas theft.
- h. Standard gas sales contracts including 'industrial, commercial and domestic.
- i. Performance and service standards.
- j. Safety and energy conservation.
- k. Compensation to the consumers.

The licensees re-submitted the manuals which have been transformed into a concise and comprehensive document by integrating some changes/amendments. The manuals shall be implemented shortly.

#### **4.2.6.6 Performance and Service Standards**

The License Condition No. 24 obligates the licensees to conform to the performance and service standards as may be specified by the Authority from time to time in respect of Licensee's performance including service, efficiency and safe operation of its regulated activities. Furthermore, the Licensees have to submit an annual report, detailing the extent of conformance with the above mentioned standards in the manner and for the period specified by the Authority.

In compliance with the above the companies submit their compliance reports on the performance and service standards specified by the Authority.

#### **4.2.6.7 Performance Audit**

The analysis of the reports showed that the performance of the licensees remained in the range of 95-100% compliance. It was therefore necessary to conduct audit to verify their reports. The companies were advised during the FY 2009-10 to conduct audit through their in-house resources and keep OGRA posted on the progress of the Performance Audit.

SSGCL and SNGPL conducted the performance audit and submitted their audit reports during the FY 2010-11 which were examined and found to be incomplete and unsatisfactory. The Authority therefore, decided to call Expression of Interest (EOI) to conduct the said audit of both the companies through an independent



consultant.

#### **4.2.6.8 Standard Contract Terms for Retail Consumers**

The licence condition no. 39 obligates the licensees to sell natural gas to, domestic, commercial and industrial consumers, through a written contract duly approved by the Authority. A revised contract for the supply of gas to domestic category of consumers was approved by the Authority in the year 2005 whereas later on, the revised commercial and industrial contracts were approved in FY 2007-08 in consultation with the gas utilities companies / licensees.

#### **Standard Contracts for “Special Domestic”, “Bulk Domestic” and “Other” Category of Consumers**

At present the “Special Domestic” and “Bulk Domestic” consumers are treated under the domestic gas sales contract. However, the above two categories are supplied gas at a pressure higher than 8 inch water column (The minimum pressure at which domestic consumers are provided gas supply) but the same is not accounted for, in the tariff application (as is done in case of commercial and industrial consumers) and domestic tariff is applied to these consumers.

Considering this, SSGCL requested the Authority in FY 2008-09 to revise the contract to cover the higher pressure aspect for tariff application for such consumers which may include Government and Semi-Government offices and hospitals, Government guest houses, armed forces messes, langers, mosques, churches, temples, madrassas, other religious places etc (treated as 'special domestic') alongwith hostels and residential colonies where gas is supplied in 'bulk' through a 'bulk meter'.

Agreeing with the proposal of SSGCL, both the licensees were directed by the Authority to prepare a draft contract for Special domestic/ bulk consumers. The draft contracts received from the licensees have been scrutinized and a final draft contract after incorporating the comments of the SNGPL & SSGCL has been prepared and forwarded to the licensees for their final input. The response from the licensees is awaited

#### **4.2.6.9 Safety Certificate (s) Issued by Private Contractors**

The Chairman, Standing Committee on Petroleum and Natural Resources during the meeting of National Assembly Standing Committee held on 06.04.2011 showed his concern over the issuance of safety compliance certificates pertaining to houseline fittings by the private/approved houseline contractors of SNGPL and SSGCL.

The licence condition 41 of the license issued to the licensee stipulates that the licensee on entering into a contract with a consumer for the supply of natural gas shall take measures to ensure maximum security with the best design of installations.

It also binds the licensee to extend services such as random checking, providing education on safe practices and providing the contact number(s) for a quick and effective redressal of complaints of the consumers. The compliance of license conditions has always been a concern for the Authority.

Therefore, after detailed deliberation of the issue, the Authority directed both the gas utility companies to



ensure strict compliance of the Licence Condition 41 of the licence issued to them. They have further been directed to arrange cross-checking of the safety certificates issued by the licensed contractors as to whether the same account for the safety standards of domestic gas utility piping, fittings and appliances.

#### **4.2.6.10 Revision of Security Deposit of Domestic Consumers**

Licence condition 44 obligates the licensees to ask consumer to furnish security deposit or bank guarantee of not more than an amount equivalent to the estimated average value of supply of natural gas for a period of three months or for such other period may be agreed between the licensee and the consumer.

During the year 2009 - 10, SNGPL requested that the amount of security deposit held by the industrial and commercial consumers is regularly reviewed by the company based on the average billing of those consumers, and the amount of shortfall is replenished accordingly.

However security deposits equivalent to Rs. 1,500 for house up to 10 marlas and Rs. 2,000 for house more than 10 marlas is being collected in accordance with Ministry of Petroleum and Natural Resources directives, from the domestic consumers.

Based on the above, the company presented a detailed analysis and thus proposed/requested the following:

1. For consumers consuming gas up to 2 HM3, the amount of security deposit may be limited to Rs. 2,800 and company should be allowed to recover the difference between the amount of security held and Rs. 2,800 in gradual manner over a period of six months through normal billing.
2. For consumers consuming more than 2 HM3, the amount of security deposit may be linked with the winter months' average of the last season ended December 2008 through February 2009 and company may be allowed to replenish the amount of security deposit based on individual consumer's winter gas consumption gradually, over a period of six months through normal billing.
3. For new consumers, the amount of security deposit may be fixed at Rs. 2,800 and the company should be allowed to recover the shortfall in security deposit, if required, in a manner set out in 1 and 2 above. Distinction between security deposit 10 marlas and more than 10 marlas houses may be abolished and above mechanism of consumption based security deposit may be applied.

The matter was considered by the Authority and it was decided that in the present socio-economic conditions prevailing in the country, increasing the security for the domestic consumer is not prudent. Moreover, the licensee could not support its stance due to insufficient data. The Authority therefore rejected the request of SNGPL.



#### 4.2.6.11 CNG Pricing Based on High GCV

In the wake of increase in the Gross Calorific Value (GCV) of natural gas in certain areas under the domain of SNGPL, All Pakistan CNG Association (APCNGA) requested OGRA for the revision of the sale price of CNG in those areas where GCV has been noticeably increased thereby causing revenue/ financial loss (due to the prevailing practice, CNG stations purchase natural gas from the SNGPL in energy units whereas the CNG is sold in the weight units) to various CNG stations, particularly in the areas of Sargodha and Faisalabad. The increase in the GCV of Sargodha and Faisalabad was due to diversion of the gas supplies from the northern sources/ fields having high calorific value, towards South.

The matter was considered by the Authority and after numerous discussions with the stakeholders i.e., SNGPL, SSGCL, All Pakistan CNG Associations, it was mutually agreed that to address the grievance, the pricing mechanism based on segregation of regions into two zones depending on their GCV be followed giving suitable adjustments to Faisalabad and Sargodha (only in summer months) i.e., when gas from North flows towards South. Moreover, it was also agreed that upper slab shall be revised from 1040 Btu/Scf to 1070 Btu/Scf due to high GCV gas of Potohar Region.

Furthermore, the same issue was raised by the 'All Pakistan CNG Association (Interior Sindh Zone)' also. The Association requested OGRA to increase the sale price of CNG in the areas of Interior Sindh due to increase of GCV on the SSGCL's network. The CNG Association stated that GCV in the interior Sindh varies between 990-1050 Btu/Scf whereas they are selling gas at the rate of 950 Btu/ Scf (notified by OGRA) which is resulting in high gas bills and causing financial loss to the CNG Industry.

By carrying out the analysis of the data provided by the Association it was noticed that majority of the CNG stations in the areas of Interior Sindh are not affected by the higher constituent of GCV. Moreover, adjustment of Rs.1.50 per Kg in the OGRA prescribed price also off-sets the impact of variation of GCV. It was decided by the Authority that setting up of different CNG sale price within the same zone may cause dissatisfaction amongst the CNG operators and will also create complications for OGRA with respect to enforcement as well as price notification. The request of the Association was therefore declined.

#### 4.2.7 Liquefied Natural Gas (LNG)

##### 4.2.7.1 LNG Licences Issued

Liquefied Natural Gas (LNG) is natural gas that has been super-cooled to minus 260 degrees Fahrenheit (minus 162 degrees Celsius). At this temperature, natural gas condenses into a liquid. When in liquid form, natural gas takes up to 600 times less space than in its gaseous state, which makes it feasible to transport over long distances. Besides tapping other options the GoP is strongly focused and committed to the import of natural gas in the form of LNG. Some companies have shown interest in the import of LNG and installing/



constructing LNG terminals at the coastal vicinity and OGRA has issued them licences. It is broadly expected that a sound LNG receiving, storage, re-gasification and distribution infrastructure (for the re-gasified LNG) will be installed and expanded in the near future. OGRA has so far issued four (04) licences including one (01) provisional licence to the LNG project proponents. The details of which are as follow:

Sr. No.	Company	Type of Licence	Re-gasified LNG Proposed to be Imported and Injected (MMcfd)	Date of Issuance of Licence
1.	Pakistan Gasport Limited,	Construction of LNG receiving Terminal	400	October 05, 2010
2.	Global Energy Infrastructure Limited, Islamabad.	Construction of LNG receiving Terminal	500	June 15, 2011
3.	Engro Corporation Limited, Karachi	Construction of LNG receiving Terminal	500	June 17, 2011
4.	Daewoo Ship Building and Marine Engineering Energy and Resources Co, Limited, Korea.	Provisional Licence	430	June 29, 2011

**Brief details of LNG Projects are given as under:-**

#### **Pakistan Gasport Limited**

The project envisages supplying in 2011, 400 million cubic feet daily to meet the country's projected shortfall in gas supplies. This would be supplied into the system already available. In terms of tonnage of LNG it would be equal to 2.25 million tons per annum. The project shall be located near Port Qasim.

#### **Global Energy Holdings Limited**

Global Energy Holding Limited intends to provide 500 MMcfd of RLNG to Pakistan through its floating LNG storage and re-gasification unit (FSRU) on fast track basis. FSRU is an integrated LNG receiving and offloading carrier including onboard re-gasification system that provides RLNG sent out through flexible risers and pipeline to shore. FSRU will be connected into the Sui Southern Gas Company's network at Port Qasim via submerged pipeline connection.

#### **Engro Corporation Limited**

Engro Corporation intends to establish LNG Terminal (Un-bundled) for receiving supplies of RLNG to the tune of 500 MMcfd near Port Qasim. The re-gasified LNG would be delivered through pipeline via jetty to the gas networks operated by SSGCL at Port Qasim.



### **Daewoo Ship Building and Marine Engineering Energy and Resources Co, Limited, Korea. (DSME E&R)**

DSME E&R aims to establish LNG receiving terminal for receiving supplies of 430 MMcfd of RLNG for a period of 20 years involving construction of 40 Km of sub-sea pipeline. The FSRU will be located some 40 Km offshore. It will receive LNG from LNG carrier, store, regasify and send the RLNG to shore near Somenai Beach, Balochistan through 40 Km sub-sea pipeline.

#### **4.2.8 Natural Gas Regulated Third Party Access Rules (TPA), 2011**

Section 21(2) (f) of the OGRA Ordinance, 2002 empowers Federal Government to issue policy guidelines in relation to open access, common carrier and common operator. The Authority may with the approval of the Federal Government make rules for open access, common carrier (a common carrier system refers to an independent company that functions as a natural gas carrier, it owns and operates the entire pipeline network and offers transport services to its users) and common operator.

In exercise of the powers conferred by Section 41 of the Oil and Gas Regulatory Authority Ordinance, 2002, (XVII of 2002), and in accordance with the provisions of LNG Policy 2006, OGRA has formulated TPA Rules, 2011. Natural Gas Regulated Third Party Access Rules, 2011 aim at establishing transparent and uniform principles for allowing entities to gain/ allow access to the Natural Gas transmission and distribution pipeline network.

The objectives of the TPA Rules are to:

- a. Promote the development of a competitive gas market by establishing uniform principles for owners and users of gas pipelines to allow transparent and non-discriminatory access to the transmission and distribution pipeline network.
- b. Ensure that a transmission/ distribution pipeline network owner provides maximum service of access to available capacity on a "firm service" basis and/ or on "interruptible service" basis.
- c. Provide basis for resolution of disputes under Third Party Access Regime
- d. Provide basis for determination and settlement of imbalanced quantities.
- e. Devising procedure for entry and exit capacity booking on transmission/ distribution pipeline network.

The draft rules have been placed at the OGRA website to seek comments of all the stakeholders. Furthermore, OGRA is in the process of hiring an expert who shall carry out a review of the said Rules for their finalization, after incorporating rational comments of all the stakeholders and shall submit to the Authority a final draft of TPA Rules, 2011.



### 4.3 Liquefied Petroleum Gas

#### 4.3.1 Regulation

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 15th 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.



An overview of LPG Production Plant

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

- ✧ Grant of licence for construction of LPG production, storage & filling 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.
- ✧ Grant of operational licence for auto refueling stations (filling LPG in automotive cylinders).
- ✧ Regular 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.
- ✧ Action against unauthorized activities like decanting, 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 to construct and operate LPG production, storage & filling facilities and refueling stations under the LPG (Production and Distribution) Rules, 2001. The licence is granted in two stages for an overall period of 15 years. A provisional licence is granted for one year for the construction of the LPG facilities. The licence for operation is granted after completion of works to the satisfaction of Authority.



LPG Production Facility

#### 4.3.3 Licensing Procedure

Any person can apply for grant of a licence to the Authority on the prescribed Form 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 and licensed oil marketing companies and



automobiles originals equipment manufactures are only eligible for licence for construction of auto refueling stations. The required application form is available on OGRA's website. Application of licence for storage and filling plant is evaluated on the basis of the following criteria/requirements:

- ✍ Application on the prescribed proforma.
- ✍ Pay Order / Bank Draft of Rs. 100,000/- in favour of Oil & Gas Regulatory Authority, as licence fee (Payable at Islamabad).
- ✍ Attested copy of proof of registration of the Company / Firm (company incorporation certificate).
- ✍ Attested copy of Memorandum and Articles of Association.
- ✍ Attested copies of ID cards of all Directors / Partners.
- ✍ Exact location of the plant site.
- ✍ Proof of financial competence of the company.
- ✍ Proof of technical competence of the company.
- ✍ Comprehensive marketing plan specifying location and capacity of plant at present and in coming years, area of operation, no. of cylinders and details of no. of distributors (Province / City-wise).
- ✍ Duly executed agreement with local or international LPG production sources committing supplies of LPG at least for a period of five years.
- ✍ Last three years audited reports (if applicable).
- ✍ Minimum Work Program:
  - Number of storage tanks and capacity of storage tanks.
  - Bottling facility capacity.
  - Quantity of LPG to be distributed per day or per month.
  - Identification of areas where distribution / marketing of LPG is planned

OGRA has simplified the procedure for grant of LPG licence which is granted on fast track basis once the requirements are met / complied. During FY 2010-11, 05 licences for marketing of LPG and 14 licences for construction of LPG Storage and Filling plants were issued. In addition, OGRA has issued 33 licences for construction of LPG auto refueling stations and 2 marketing licences for LPG Auto refueling Stations during FY 2010-11 in accordance with LPG Rules, 2001. Investors are further provided comfort through one window facility where prompt guidance and information is provided to the applicants.



LPG Cylinder Filling Operation in Progress

Transportation of LPG from one place to another in bowzers is regulated activity as serious issues of safety are involved and requires licence of OGRA as per Rule 3 of LPG (Production and Distribution) Rules, 2001.



All those companies who own LPG bowzers are therefore obligated to obtain licence for their bowzers for continuing the transportation of LPG. Companies are therefore, applying to obtain licences for their bowzers.

#### 4.3.4 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 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's 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 21 authorized manufacturers of LPG equipment. The purpose to pre-qualify manufacturers of LPG equipment is to eradicate manufacturing, sale, and use of substandard / spurious LPG equipment manufacturers, thereby, avoiding any untoward incident, endangering public lives and property. Details of these authorized manufacturers has been placed on OGRA's website.
- 
- LPG Storage Tanks
- ✍ 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. All LPG licences have been advised to get their equipment manufactured only from OGRA's authorized manufacturers, in order to be ensured that LPG equipments have been manufactured as per desired standards.
  - ✍ In order to stop/minimize the illegal decanting of LPG, marketing companies have been advised to promote the usage of small sized LPG cylinders in their distribution network.
  - ✍ Action against the illegal LPG decanting continued through the Provincial Governments and public awareness campaign launched in the print media to curb such malpractices.
  - ✍ Enforcement of international 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.



- ✍ Thirty (30) inspections and re-inspections of LPG marketing and production facilities were carried through 3rd party inspectors during FY 2010-11. In addition, 22 site verifications for LPG auto refueling stations were carried out during FY 2010-11.
- ✍ LPG supplies were monitored to help 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.
- ✍ LPG consumer prices of marketing companies were monitored in accordance with the provisions of LPG Production and Distribution Policy, 2006. In this regard, the Authority intervened twice during FY 2010-11, to fix reasonable consumer price of LPG.
- ✍ Twenty three (23) complaints during FY 2010-11 on decanting and excessive prices and cross filling were received and appropriate actions taken to address the complaints.
- ✍ Show cause notices were issued to number of companies which were not in compliance with LPG Rules, 2001.
- ✍ To ensure safety throughout the 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 3rd party inspection for LPG storage and filling plants is provided at the stage of issuance of licence so that the requisite facilities are completed in accordance with the applicable standards.



A View of LPG Filling Plant

#### 4.3.5 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 also provided jobs to hundreds of unemployed people. OGRA is playing its vital regulatory role to increase private investment in midstream and downstream petroleum industry. During the fiscal year 2010-11, an investment of Rs. 0.92 billion has been made in the LPG supply infrastructure whereas total investment in the sector till date, is estimated at about Rs. 15.35 billion.



## 4.4 Compressed Natural Gas

### 4.4.1 Regulation

Compressed Natural Gas was introduced by the Government in the year 1992, as 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. OGRA has played a vital role in the promotion of CNG in transport sector and the CNG sector has shown exponential growth in the last 10 years.



Storage Cylinders

The rapid growth in CNG sector is result of effective regulatory mechanism which inter-alia includes maintaining of price differential with other competing fuels. OGRA has facilitated the process of grant of licences through simplification of licensing procedure and provision of one window facility for guidance to the investors. Salient regulatory functions of OGRA pertaining to CNG sector are as under:

- ✍ Grant of licence for construction of CNG refueling stations. Currently, Government has imposed ban on grant of new licences.
- ✍ Grant of licence for operation after certification of conformity to the laid down technical standards by the third party inspector appointed by the Authority.
- ✍ Regular safety inspections of CNG stations. The inspections include annual inspections, pre-commissioning and re-inspection to confirm compliance of CNG rules, standard code of practice.
- ✍ Determination and notification of CNG consumer prices at CNG stations in accordance with policy guidelines of the Federal Government.
- ✍ Redressal of consumer complaints in accordance with the Complaint Resolution Procedure Regulations, 2003.
- ✍ Imposition of penalties for contravention of the provisions of the OGRA Ordinance 2002, rules and regulations made thereunder, and terms and conditions of a licence or a direction of the Authority.
- ✍ Certification of CNG equipment after confirmation that it meets the requirement of CNG Rules 1992, Standard Code of Practice and any other requirement set out as a policy guideline by the Federal Government from time to time.

### 4.4.2 Licensing Procedure

Any activity for the purpose of storing, filling or distributing CNG is rendered illegal under rule-3 of CNG Rules, 1992 unless a licence has specifically been obtained for the purpose. The grant of new CNG licences for construction of CNG stations have been held up with effect from 7<sup>th</sup> February, 2008, in pursuance of the decision of the Government of Pakistan. The ban on new licences was, however, subsequently lifted for Balochistan Province in August, 2008.



#### 4.4.2.1 Licence for Operation of CNG Station

The Authority grants a licence for construction of CNG station initially for a period of two years under rule 6 of CNG Rules, 1992 during which period the licensee after acquisition of requisite NOCs from the concerned Federal/Provincial/Local Authorities in light of policy in vogue including permission from the Chief Inspector of Explosives under Rule 18 of CNG Rules, 1992 and then completes construction of the CNG station.

#### 4.4.2.2 Licence for Marketing/Operation of CNG Station

The licensee, after acquisition of requisite NOCs from the concerned Federal/Provincial/Local Authorities, licence from the Chief Inspector of Explosives is required to meet the requisite safety and technical standards as prescribed in the CNG Rules, 1992/Standard Code of Practice.

The licensee, then requests the Authority for appointment of third party inspector to verify conformity of the CNG works to the Standard Code of Practice of CNG (Production & Marketing) Rules, 1992. The Authority appoints third party inspector for carrying out inspection of CNG Works/ Installations/ Station under rule-10 of CNG Rules 1992. The licence for Operation/Marketing is granted for a period of 5 years after satisfactory report of the third party inspector. Upon expiry of the licence, a licence is extended for a period of 5 years on payment of prescribed fee under rule-7 of CNG Rules 1992. The following are approved third party inspectors to carry out inspections from time to time, on behalf of the Authority:-

- a) M/s HDIP
- b) M/s Bureau Veritas Pakistan Private Limited
- c) M/s Imtech (Private) Limited
- d) M/s Republic Engineering Consortium
- e) M/s Velosi Asset Integrity Private Limited

The applicants fulfilling the requisite legal formalities, are granted licences within fortnight. The investors are further assisted at one window facility where prompt guidance and information is provided to the applicants. During the year 2010-2011 a total number of almost 3,000 visitors were extended help and guidance with respect to CNG matters at one window facility.

OGRA has always given focused attention in conducting effective third party inspections, standardization of CNG equipment to provide comfort to the investors thereby adhering to requirements of safety code of practice and effective regulation of CNG sector in light of latest technological developments to ensure safe, reliable and convenient service to consumers.

#### 4.4.2.3 Moratorium

The GoP has imposed moratorium on new gas connections due to acute shortage of natural gas in the country due to which the entire licensing process has been stopped.

#### 4.4.3 Regulatory Enforcement

The scheduled annual and surprise inspections, coupled with follow-up procedure, through designated third party inspectors has enhanced compliance to safety standards and overall monitoring process. The

following regulatory activities have been under taken in the fiscal year:-

- a) Fines/penalties were imposed under the CNG Rules 1992, on the licensees involved in repeated safety violations, in addition to disconnection of gas supplies to ensure public safety.
- b) Monitoring of standards for new brands of CNG cylinders and conversion kits as per applicable rules.
- c) Public awareness campaign launched through print media to promote use of approved brands of CNG conversion kits and cylinders to ensure public safety.
- d) Surprise inspections to check measurement accuracy and safety violations on specific complaints.

#### **4.4.4 CNG Consumers Sale Price**

The Federal Government decided on 28<sup>th</sup> July, 2009 to determine and notify CNG consumer price through OGRA. The CNG stations owners cannot sell CNG above the notified price, however, it can be sold below the notified price giving the advantage of prevailing competitive environment to the CNG consumers.

#### **4.4.5 Local Manufacturing of CNG Equipment**

The Authority after detailed evaluation have so far approved the following companies for local manufacturing / assembling of CNG equipment:-

##### **Compressor**

- M/s Tesla Industries, Islamabad
- M/s Hypercomp (Pvt) Ltd, Islamabad

##### **CNG Dispenser**

- M/s Tesla Industries, Islamabad
- M/s Advance Electronics, Karachi
- M/s Comcept (Pvt) Ltd, Islamabad

##### **CNG Kits**

- M/s Green Tech CNG Conversion Kit
- M/s Carbon Products Limited
- M/s Speed Plus CNG Systems
- M/s Tesla Industries
- M/s LR Pak (Pvt) Ltd





An Elegant View of Oil Refinery

## **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-section (3) of section 44 of the OGRA Ordinance 2002 w.e.f.15<sup>th</sup> March 2006, empowering the Authority to regulate mid 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.
- ✍ Enforce standards and specifications for refined oil products as specified by the Federal Government





A typical Catalytic Reforming Unit

### 4.5.3 OGRA's Activities in the Oil Sector

The details of the activities carried out by the Authority to regulate the mid and downstream oil sector 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 the Federal Government for its approval / notification, after incorporating the comments and feedback from oil industry and Ministry of Petroleum and Natural Resources.



Crude Oil Desalter

#### 4.5.3.2 Preparation / Promulgation of Technical Standards

In pursuance of section 42(2)(b) of the OGRA Ordinance, 2002 and to facilitate oil sector, OGRA had notified technical standards after consultation with the licensees (oil industry) pertaining to (i) Oil Transportation (Pipeline), (ii) Retail Outlets, (iii) Depots for Oil Storage, (iv) Oil Refineries & (v) Road Transport Vehicles, Containers and Equipment used for the Transportation of Petroleum Products. Further, draft "Technical Standard for Lube Oil Blending, Reclamation and Grease Plants", the blending portion is under process of finalization in consultation with the stakeholders whereas Reclamation and Grease portion is under preparation.

#### 4.5.3.3 Enforcement of Technical Standards

In order to ensure compliance with the technical standards, OGRA advised existing and new oil companies to construct /up-date their infrastructure in accordance with the provisions and time limit specified therein, which would also require third party inspection by OGRA on completion of dead line. However, all new oil infrastructures shall be built as per requirements of these



Petroleum Storage Tanks



technical standards.

Moreover, OGRA has conducted inspections of oil terminals of M/s. Attock Petroleum Ltd., Machike, M/s. Bakri Trading Company Pakistan, Port Qasim and M/s. Byco Petroleum Pakistan Ltd., Hub to ascertain the compliance with Technical Standards, and all were certified being compliant to the standards by independent Third Party Inspectors.

#### 4.5.3.4 Quality Assurance

OGRA in its endeavor to ensure the quality of POL products and in line with section 6 (2) (x) of the OGRA Ordinance, continued to undertake the quality testing through HDIP at the OMCs' depots and lube oil blending / reclamation plants on bi-annual/quarterly basis as under:-

- ✧ OMCs' Depots/Terminals (on bi-annual basis)
- ✧ Blending/Reclamation Plants (on quarterly basis)

Similarly, as per directives of the Authority, the OMCs carry out inspections / POL product testing at their respective retail outlets on regular basis and submit quarterly report to OGRA.

In the same way, the Authority has enforced through HDIP the monitoring and quality testing of the imported petroleum products on vessels (before unloading) in light of the GoP policy guidelines. Moreover, quality checks/inspections for ethanol blended gasoline (E-10) has also been made at depot & retail outlets from May 2010 onward.



A View of Laboratory

OGRA has also created an in house capability by establishing a dedicated Enforcement Department to undertake surprise checks/inspections with respect to quality of the products being dispensed at the petrol pumps.

During FY 2010-11, 147 and 264 quality checks/ inspections were carried out at OMCs depots and imported cargoes respectively. Moreover, 397 quality checks/inspections were carried out at 232 lube blending plants. Numbers of quality checks for the first three quarters made on retail outlets across the country were 22,396. During FY 2010-11, 08 quality checks/ inspections were carried out at 6 retail outlets and 02 depots of E-10. In addition to the mandatory technical requirements, environmental protection aspects were also included in the checklist while extending permission of operation to any oil blending/reclamation plant in the country.

#### 4.5.3.5 Renewal/Extension of Licences for Oil Marketing Companies

The provisional oil marketing licences of M/s Bakri Trading Company Pakistan (Pvt.) Ltd., M/s Askar Oil Service (Pvt) Ltd., were extended for further two years so that these OMCs could develop their committed /requisite infrastructure as per their work plan.



#### 4.5.3.6 Permission Granted for Construction/ Operation of Oil Terminal/ Storage Facilities

OGRA has granted permission for construction of oil storages to M/s. Hascol Petroleum Ltd. and M/s. Askar Oil Services Private Ltd. at Machike having capacity 14,500 M.Ton and 40,000 M.Ton respectively. Further, M/s. Pakistan State Oil Company Ltd has been allowed to construct a New Faisalabad Depot at 6 Km from Gatti at Faisalabad Jhumra Road, Faisalabad having capacity 22,000 M.Ton.



Storage Tanks

M/s. Bakri Trading Company Pakistan (Pvt) Ltd., for its oil terminal/ storage facility at Port Qasim having capacity of 70,500 M.Ton, has been granted permission by the Authority for commercial operation after satisfactory compliance report, in line with the notified/specified technical standards.

#### 4.5.3.7 New Licences for Lube Oil Blending/ Reclamation Plants

Eight 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 two 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.



Lube Oil Blending Plant

#### 4.5.4 Oil Pricing

Federal Government mandated OGRA on March 2, 2006 to fix prices of petroleum products namely MS 87 RON, HOBC, Kerosene Oil, Light Diesel Oil, JP - 1 and JP - 4, w.e.f. April 01, 2006, in accordance with the prescribed formula, under section 6(2) (r) and section 21(2)(b) of the OGRA Ordinance, 2002.

The Federal Government has also issued policy guidelines to the Authority from time to time in respect of parameters for computing the said prices of petroleum products. The Federal Government has advised OGRA to fix and announce ex-depot sale prices of regulated products as per approved formula in line with international trend without seeking GoP approval w.e.f. December 01, 2009.

##### 4.5.4.1 Ex-Refinery / Ex-Depot Formula

The ex-depot sale price was computed by OGRA on monthly basis in accordance with the following formula, till November 30, 2010:-

- Ex-refinery import parity price, computed per formula approved by ECC on Dec 23, 2000 (vis-a-vis the then formula) and the subsequent modifications made from time to time.



- ✧ Inland Freight Equalization Margin (IFEM).
- ✧ 4% Distribution Margin and Dealer Commission at 5% per formula decided by the Federal Government with a lower and upper limit of \$45-80 per barrel average price of Arabian Light crude oil on Motor Spirit (petrol), HOBC (high octane blending component), SKO (kerosene) and LDO (light diesel oil). The OMC and dealer margin on HSD has been fixed at Rs. 1.35/litre and 1.50/litre respectively.
- ✧ Petroleum Levy (PL) as fixed and notified by Ministry of Petroleum & Natural Resources.
- ✧ General Sales Tax @ 17% 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) on monthly basis.

Starting December 01, 2010, the following changes were made in the pricing formula by the Federal Government, under the controlled deregulation regime;

- ✧ Import incidentals of 1.008% of C&F price and wharfage not to be included while calculating the ex-refinery price of petroleum products being notified by OGRA.
- ✧ OMCs and Dealers Margins have been fixed in absolute terms as follows;

Description	MS	HOBC	E-10	Kerosene	LDO
OMCs Margin (Rs./litr)	1.50	1.72	2.20	1.58	1.61
Dealers Margin (Rs./litr)	1.87	2.15	1.87	-	-

*OMCs and dealers margin for HSD have already been fixed by Federal Government at Rs. 1.35/ liter and Rs. 1.50/ liter respectively*

- ✧ Actual incidentals and wharfage incurred on the import of petroleum products will be allowed to OMCs.

Accordingly, OGRA issued petroleum products price notifications for the period December 2010 to May, 2011, duly incorporating the said amendments.

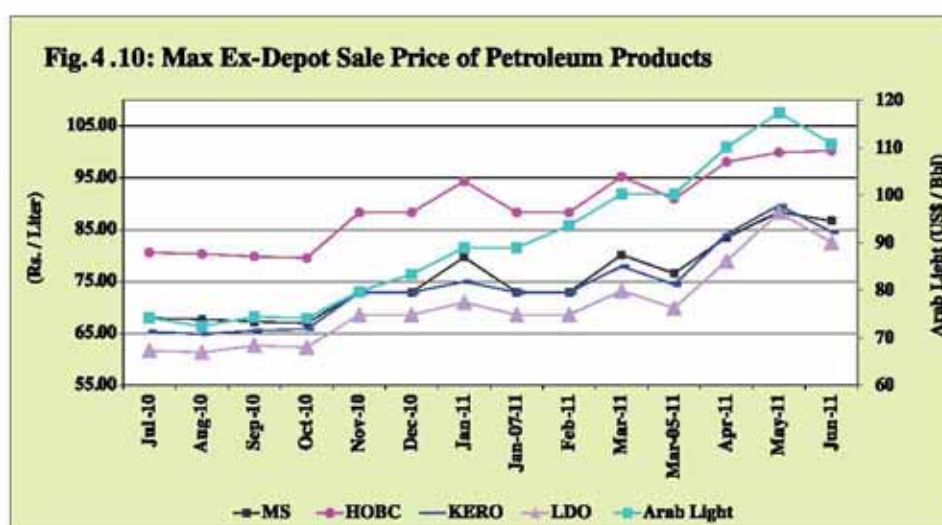
OGRA, since June 01, 2011, has been notifying ex-refinery price of HSD, ex-refinery and ex-depot price of kerosene oil, and ex-depot price of E-10. The Federal Government has deregulated petroleum product prices and allowed refineries/OMCs to fix and announce ex-refinery and ex-depot prices of MS, HOBC, LDO and aviation fuels from June 01, 2011 onwards.

OGRA continues to play the following key role after the controlled deregulation:

- ✧ Transparent management of Inland Freight Equalization Margin

- ✎ Transparent and effective supply allocation of refineries products to provide level playing field to all OMCs.
- ✎ Close monitoring of prices being fixed by OMCs / refineries in public interest. Necessary intervention is carried out as and when required.
- ✎ Submission of monthly reports on petroleum products prices to Economic Coordination Committee (ECC), indicating the trend in international markets as well as analysis and suggestions on prices fixed by OMCs/refineries.

The comparative price trend of ex-depot sale prices of petroleum products notified by OGRA along with Arab Light Crude Oil during FY 2010-11 is shown in Fig 4.10.



- HSD ex-depot is notified by OMCs on cost competition basis
- POL prices effective June 01, 2011 were notified by OMCs/Refineries except Kero whose price was notified by OGRA.

International petroleum prices showed increasing trend during FY 2010-11. A graphical representation of changes in Arab Gulf petroleum products prices is given below (Fig 4.11)





The increase in local POL prices was, however, curtailed vis-à-vis rise in international oil prices, increases due to reduction in Petroleum Levy (PL) rates as follows;

Effective Period	Rs./liter				
	MOGAS	HOBC	KERO	LDO	HSD
Jul 01,2010-Nov 01,2010	10.00	14.00	6.00	3.00	8.00
1-Dec-10	10.00	13.84	5.69	2.27	6.29
1-Jan-11	10.00	7.43	2.55	3.00	8.00
7-Jan-11	4.27	4.84	0.00	0.00	4.37
1-Feb-11	2.20	9.80	0.25	0.00	0.55
1-Mar-11	6.25	6.13	0.00	0.00	3.75
5-Mar-11	3.16	6.13	0.00	0.00	0.44
1-Apr-11	3.16	6.13	0.00	0.00	0.44
1-May-11	3.16	6.13	0.00	0.00	0.44
1-Jun-11	3.16	6.13	1.59	0.00	0.44

#### 4.5.4.2 Inland Freight Equalization Margin (IFEM)

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, HOBC, LDO, MS, SKO at 12 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 pumps/retail price. Furthermore, secondary freight in special area is also picked up through IFEM mechanism to provide relief to the consumers of those areas.

##### 4.5.4.2.1 IFEM Management

OGRA is managing the 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 12 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 12 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.
- ARL is allowed to recover Northern field i.e Adhi and Dhurnal crude transportation cost from IFEM.

#### 4.5.4.2.2 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.

- a. White Oil Pipeline (WOP) access has now been extended to APL, Byco, Hascol, OOTCL 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.
- b. To check the misuse of IFEM, OGRA has started physical reporting of tank lorries at Juglot, Chitral and Tarrujabba w.e.f June 1st, 2010. As a result, the dumping of petroleum products in these areas have 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 Chakpirana, Sihala, Gatti (Faisalabad), Vihari, Quetta, Shikarpat and Machike during FY 2010-11.



# *Complaints Resolution*



## 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 consumers complaints without fee and with almost no formalities. The consumers are not required to come to OGRA for filing the complaint. 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, no inaccurate meter reading, and no late delivery of bills.

In conformity with CRPR the Authority has designated specific officers for handling complaints with specific jurisdictions. The Designated Officers resolve mostly complaints through correspondence i.e obtain the comments / report on the complaint from licensee and counter-comments from the complainant and issue their decision / judgment through mail. 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 and the Authority decides the appeal after providing an opportunity of hearing to the parties.

To facilitate the consumers / complainants / applicants OGRA has adopted public friendly approach:

- “OPEN DOOR” Policy for consumers / complainants. Visitors can see the concerned officers without prior appointments. Further, the visitors do not have to wait for more than 15 minutes to see the officers.
- A focal person has been appointed to facilitate the public.
- OGRA publicizes the Complaint Form through the newspapers and also disseminates through its website. The telephone no. & e-mail address of OGRA have been printed on gas bills being sent to the consumers monthly with the advice that if their complaints are not resolved by the companies, they can approach OGRA and this has resulted in tremendous inflow of complaints in OGRA.
- The complainant is allowed to file application on a plain paper.
- The complainant is kept informed on the progress.
- The complainants are guided how to fill and file the application Form.
- Treat every one with the same respect and dignity, irrespective of socio-economic status, or background.
- No act of discretion.
- Grievances redress procedure is in detailed form.

OGRA held public hearing with respect to SNGPL and SSGCL's estimated revenue requirements for FY 2010-11 at Karachi, Lahore, Faisalabad, Peshawar, Hyderabad and Quetta. Officers/ officials of OGRA, separately, at the complaints desk available at the said venue, explained the procedure of complaints redressal system of OGRA and received complaints of public/consumers against the gas utilities.



Through a dedicated system OGRA is providing resolution of complaints at doorstep of the consumers particularly domestic consumers.

### 5.1.1 Complaints Resolution

During FY 2010-11 Registrar Office received 4,586 complaints from all over the country for delay in provision of gas supply and gas connection, excessive/estimated billing due to sticky meter, malfunction of EVC/Emcorrector, alleged tampering billing due to sticky meter, malfunction of EVC/Emcorrector, alleged tampering/theft charges and enhancement in delivery pressure, low pressure of gas, late delivery of gas bills and waiver of LPS, demand of additional security for natural gas, decanting of LPG, excessive LPG, excessive LPG prices, less quantity of CNG, production/sale of sub-standard lube oil, overcharging of petrol etc. After necessary process, the complaints were forwarded to the Designated Officers by Registrar. OGRA resolved 4,058 complaints and received 280 appeals against the decisions of the designated officers/delegates of the Authority. The Authority decided 146 Appeals. The status of Complaints and Appeals during FY 2010-11 is given as under:

**Table 5.1: Summary of Complaints and Appeals Handled by OGRA (2010-11)**

Description	Natural Gas, Oil, CNG & LPG
Complaints received	4,586
Complaints resolved/disposed	4,058
Appeals to the Authority against decisions of the Designated Officers / Review Petition	280
Appeals/ Review Petitions decided by the Authority	146

On OGRA's intervention, gas utilities provided 732 gas connections during FY 2010-11 and relief of Rs. 14.48 million to consumers in gas billing. On receipt of complaints from the residents of a number of localities/areas inhabited by weaker sections of the society, OGRA issued necessary directions to SNGPL and SSGCL to provide gas to these localities / areas.

# *Enforcement*





## 6. ENFORCEMENT

### 6.1 Need for Enforcement Department

Oil and Gas Regulatory Authority aims to protect and safeguard the interests of all the stakeholders 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.

OGRA has clearly defined the standards for the licences therefore there was a dire need that failure of licensee to comply with the Authority's specified standards to be addressed. Any violation to these standards has to be dealt in accordance with the OGRA Ordinance, 2002 and relevant rules. The licence agreement between the Authority and licensee serves as contract whereby the licensee is subject to the act in cognizance with the OGRA Ordinance and rules.

Monitoring the activities of the licensees of Natural Gas, Oil, CNG & LPG sectors enforcement of rules/standards and licence conditions required full focus, in order to find out the ground realities and ensure the authenticity of data/information, supplied to OGRA. This task/objective was difficult with the existing tasks of the officers. Enforcement and implementation of prevailing rules, regulations, standards, instructions of the Authority and terms and conditions of the licences, is a full time job and required designated officer(s) / staff.

Regulation of midstream and downstream petroleum sector is directly related to public interest/safety and lack of dedicated Enforcement Department was affecting the quality of service. In order to resolve the issue of monitoring and enforcement of prevailing rules, regulations, standards and terms & conditions of licence and to make the above monitoring/checking more transparent and effective it was required to establish a separate Enforcement Department responsible primarily for following activities:

- i) Arrange surprise and unannounced inspections on regular basis.
- ii) Constitute the inspection teams in collaboration with inspectors for conducting the inspection/monitoring.
- iii) The inspection teams to conduct the scrutiny of the concerned site with professionalism, impartiality and transparency.
- iv) Monitoring of the quality checks and maintenance of the standards.
- v) To take necessary action against all violators, as per provisions of the Ordinance and rules including issuance of show cause notices, 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 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 focused and brought in the competitive regulatory environment. The various activities performed by the Department are summarized hereunder:-

### **6.2.1 Inspection in 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 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 / with-hold the POL stock, for inventory gain. OGRA has taken cognizance of this issue and has started to detail its team ahead of the notification of POL prices.

Such inspections have been conducted at the outlets, located in remote / rural areas and backward areas as well as big metropolitans in all the provinces of the country including Balochistan, Gilgit-Baltistan and AJK, particularly when price changes are expected. 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.

OGRA's Enforcement Department has also started conducting inspections to check and control less-filling of petroleum products at OMCs Outlets.

Surprise inspections at the OMCs POL Depots / Installations have also been conducted to monitor the POL movement and to check the mechanism of physical reporting of POL tank lorries. Moreover, inspections at Lube Oil Blending / Reclamation plants have also been conducted to check the quality standards.

During the current fiscal year, more than 753 petrol pumps have been inspected, of which 429 pumps were found overcharging / stock-deficient. Consequently, the violating Companies / Outlets are issued Show Cause Notices and subsequently penalized (if found guilty) in accordance with the provisions of OGRA Ordinance, 2002 and applicable rules / regulations. Approximately, Rs 14.75 million was imposed on the OMCs during the fiscal year 2010-11.



### 6.2.2 LPG Sector

The business of LPG in the country is de-regulated to an extent. Allocation of LPG from its producers to marketing companies is de-regulated whereby LPG producers themselves dispose of LPG keeping in view their 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 international LPG prices 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 and fix 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.

- a) 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.
- (b) 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, 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 2010-11, inspections of 224 authorized distributors of various LPG companies have been conducted out of which 135 show cause notices 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 around Rs 5.8 million. Similarly, the Enforcement department has inspected 23 LPG storage and filling plants and issued show cause notices to 8 delinquent parties. Consequently, a penalty of Rs.100,000 was imposed where violating companies could not defend allegations against them.

### 6.2.3 Inspection of CNG Stations

CNG sector is an important energy sector; it is catering the need of almost 27% of total transport in the



country. It is fueling approximately 2.5 million vehicles and there are 3,331 Operational CNG Stations, spread all over the country. At present Pakistan tops the list among the CNG user countries. The important issue related with CNG is its safety.

In order to have strict check, surprise inspections of CNG stations are now being conducted by OGRA's Enforcement officers, to primarily check the following.

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

Enforcement Department is actively conducting above mentioned inspections. This has forced CNG stations to observe rules, regulations, directions of the Authority and Standard Code of Practice.

During the fiscal year 2010-11 397 CNG Stations have been inspected and fine of Rs. 4.85 million has been imposed, after issuance of SCN on violating CNG stations.

In collaboration with district authorities of Lahore, a rigorous exercise of checking illegal/ un-authorized sale of CNG cylinders, Kits and CNG conversion workshops and also checking of public transport CNG fitted vehicles was carried out. The data was forwarded to concerned quarters to take further necessary action against violators and SCNs were issued to the violating stations.

#### **6.2.4 Natural Gas Sector**

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

- i Meter Testing Laboratories of SNGPL and SSGC were inspected to verify conformance of 'Procedure for dealing with theft of gas cases' issued by OGRA. Subsequently the Licensees were advised to fully implement the procedure by properly documenting the meter replacement record, securing the replaced meters and giving the consumers an opportunity to witness testing of meters replaced from their premises in their presence.
- ii City Gate Stations / Sales Meter Stations of SNGPL were visited to verify Gas Calorific Value being billed to the consumers of certain areas. Thereafter the Licensee was advised to calibrate metering gadgets installed at its metering stations on regular basis and introduce appropriate measures to



- ensure maximum accuracy in energy measurement.
- iii Customer Facilitation Centers and Complaint Centers of SNGPL and SSGC were inspected to verify compliance of 'Performance and Service Standards' issued by OGRA. Accordingly Show Cause Notices were issued to SNGPL for non-conformance of 'Performance & Service Standards' by not providing services to its consumers within the time frame stipulated in the Standards.
- iv CNG Stations were inspected during gas holidays to check implementation of Load Management Plan approved by Federal Government. Subsequently the SNGPL was asked to strictly implement the Load Management Plan to ensure non discrimination.

### 6.3 Complaints

Enforcement Department also handles various complaints relating to CNG, LPG and Oil sector. Illegal activities like decanting, operation of daba stations etc are referred to the district authorities. Whereas the complaints relating to the various violations like cross filling, overcharging, 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.

### 6.4 Brief Summary

Since the inception of the enforcement department, following is the status of total outlets/stations/ distributor premises inspected as well as actions taken on the violators:

Sector	No. of Inspections	SCNs Issued	Outlets Fined	Warnings Issued	Fine Amount (Rs)
Oil	1,112	671	417	92	18,600,000
LPG	297	174	131	17	8,400,000
CNG	511	215	84	48	5,045,000
Gas	50	3	-	2	-
<b>Grand Total</b>	<b>1,970</b>	<b>1,063</b>	<b>632</b>	<b>159</b>	<b>32,045,000</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. OGRA is in the process of evaluating the outcome of its exercises and amending its strategy accordingly.

*Anticipated  
Developments  
Next Year*



## 7 ANTICIPATED DEVELOPMENTS NEXT YEAR

### 7.1 Regulatory Framework

#### (a) Rules under Preparation by OGRA - (2010- 11)

- ✍ Finalization of Natural Gas Regulated Third Party Access Rules, 2011
- ✍ Finalization of Natural Gas Theft Control Rules, 2011
- ✍ OGRA Fee Rules

#### (b) Rules Drafted (under Process with the Federal Government) - (2010-11)

- ✍ The Pakistan Oil (Refining, Blending, Transportation, Storage and Marketing) Licensing Rules, 2005
- ✍ OGRA (Fines and Recovery) Rules, 2009.
- ✍ Amendment in OGRA Ordinance, 2002 (Section 43, Bio Fuels)
- ✍ Amendment in OGRA Ordinance, 2002 (Section 21, Ethanol)
- ✍ Amendment in OGRA Ordinance, 2002 (Section 6 (2) (z), 21(1) (xvii) & 6 (2) (aa) monitor/ establish prices of all refined oil products).

#### (c) Development as per the Licence Conditions in Natural Gas Sector

- ✍ Implementation of the Consumer Service Manuals of both the Gas Utilities SNGPL and SSGCL.
- ✍ Finalization of formulation of a uniform Standard Contract for “Special Domestic”, “Bulk Domestic” and “Other” Categories of Consumers.
- ✍ Finalization of the performance audit through an independent consultant.
- ✍ Finalization of independent UFG impact assessment study through a consultant for comprehensive revaluation and fixation of revised UFG benchmarks for natural gas sector in Pakistan in respect of SNGPL and SSGCL.

### 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 2010-11 based on the actual audited results.
- ✍ Review of estimated revenue requirement for FY 2011-12 after incorporating the actual changes in well-head prices of natural gas and other relevant factors.
- ✍ Estimated revenue requirement for FY 2012-13.
- ✍ 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 the OGRA Ordinance will continue.

### 7.3 Petroleum Product Pricing

- i) The process of notification of oil prices on monthly basis will continue.
- ii) The controlled 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 country.
- iii) OGRA will be notifying HSD and Kerosene ex-refinery prices including ex-depot price of Kerosene. 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.
- iv) The process of determination and notification of CNG under Section 43 (B) of the OGRA Ordinance, 2002 will continue.

### 7.4 Implementation of New Tariff Regime

OGRA has developed a new tariff regime for regulated natural gas sector of Pakistan, which has been sent to the Federal Government for mandatory legal process. The Federal Government has however required some additional time to finalize its comments. OGRA, during the year has also held public hearings to solicit wide shade of opinion and meaningful consultation of all the stakeholders. The approval of the Federal Government is awaited.

### 7.5 Licensing

#### 7.5.1 Natural Gas/LNG

OGRA will continue to process applications for licences under NGRA (Licensing) Rules, 2002 & LNG rules 2007 during FY 2011-12.

#### 7.5.2 Gas Sales Agreements

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

#### 7.5.3 LPG

It is anticipated that the LPG marketing companies and OMCs will apply for a number of LPG refueling stations in light of regulatory framework for use of LPG in automotives. Further, it is expected that 8-10 companies will be granted licences for marketing of LPG once satisfactory inspection of their LPG facilities is completed.

#### 7.5.4 Midstream and Downstream Oil Sector

Processing of following cases is expected:

- ✍ New lube oil blending/reclamation plants expected to be registered with the Authority.
- ✍ On account of revision and investor friendly criteria for issuance of petroleum products marketings licence, new OMCs expected to be granted permission under the rules.



- ✍ In order to improve the availability of MS and HSD across the country, four depots namely Shershah, Sahiwal, Faqirabad and Kotlajam is expected to be included in the existing IFEM depot model, to strengthen the supply infrastructure.

## 7.6 Future Vision of Enforcement

Some of the future planning is summarized hereunder :-

### CNG

- i) Checking validation of storage cylinders
- ii) To ensure that non-tested cylinders are not filled.

### PETROL PUMPS

- i) Inspection of quality checks at OMC's retail outlets.

### LPG

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

### GAS

- i) Inspection of Regional Offices of SNGPL & SSGCL to ensure non discrimination in the provision of gas connections to domestic consumers and check unnecessary delay in the provision of gas facility to redress grievances of applicants / complainants.
- ii) Checking of accuracy of meters installed by gas companies at the premises of their consumers.
- iii) 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 Future Aspects

Staff development and training is vital, ongoing need of every progressive organization, with all grades of personnel having to be continuous updated and latest knowledge in their relevant fields on variety of technical and occupational issues.

In the coming years professionals will continue to be sent for attending relevant and specialized training programs pertaining to regulatory affairs/management in leading institutes in an effort to continually upgrade the competencies and effectiveness of its staff. In order to further enhance its staff skills and keep them abreast of international regulatory practices and techniques, OGRA has also planned to organize tailor-made/customized training programs on regulatory affairs in collaboration with training institutes in addition to the opportunity of participation in various foreign and local trainings. 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's office is located in rented building. This temporary arrangement is conducive neither to efficient, cost effective operation nor to cultivating a sense of belonging among the employees. For permanent housing of OGRA office and to meet future expansion needs, it is envisaged that a building be constructed at Plot No. 37 & 39, Mauve Area, G-10/4, Islamabad which have already been allotted to OGRA by CDA for this purpose with the approval of the Prime Minister of Pakistan.

Development Working Party (DWP) for OGRA has approved the PC-1 of the Project in principle. Building design has also been approved by CDA. The foundation stone is expected to be laid in FY 2011-12.



# *Appendices*



## Appendix - I

## 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

*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.	Technical Standards for Oil Refineries	Sept 24, 2009
xii.	Technical Standards for Petroleum Industry (Road Transport Vehicles, Containers and Equipment used for the Transportation of Petroleum Products)	Oct 19, 2009



**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

**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.

Appendix - II

**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)	Transmission 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 05, 2010
xvi.	Global Energy Infrastructure Limited,	Construction of LNG Import Terminal	June 15, 2011
xvii.	Engro Corporation Limited,	Construction of LNG Import Terminal	June 17, 2011
xviii.	Daewoo Ship Building and Marine Engineering Energy and Resources Co, Limited, Korea.	Provisional Licence	June 29, 2011



## Appendix - III

## Field-wise Well-head Gas Prices

Sr. No.	Field Name	Units	Price Effective 01-07-10	Price Effective 01-01-11
1	Adhi	Rs. per MMBTU	126.05	126.25
2	Bhangali	Rs. per MMBTU	-	-
3	Bhit	\$ per MMBTU	3.9213	3.925
4	Badin Deep fields	\$ per MMBTU	-	3.5582
5	Badin-II, Badin-II Revised, Badin-III (Head of Agreement)	\$ per MMBTU	-	-
6	Badin Compression	Rs. per MMBTU	-	183.28
7	Badin Non-Golarchi Non-Associated	Rs. Per MMBTU	-	544.16
8	Badar	\$ per MMBTU	-	-
9	Bhadra	\$ per MMBTU	3.9213	3.925
10	BOBI	Rs. per MMBTU	382.08	379.42
11	Chachar	\$ per MMBTU	2.4919	2.5961 & 1.7791
12	Chanda	\$ per MMBTU	2.7246	2.7357
13	Dakhani	Rs. per MMBTU	125.94	126.3
14	Daru	Rs. per MMBTU	110.71	-
15	Dhodak	Rs. per MMBTU	251.62	252.34
16	Dhurnal	Rs per MMBTU	-	22.37
17	Hala (Adam X-1)	\$ per MMBTU	2.5824	2.5931 & 2.6431
18	Hassan	-	-	-
19	Haseeb	\$ per MMBTU	2.1942	2.2031
20	Kandkot	Rs. per MMBTU	152.22	162.52
21	Kadanwari	\$ per MMBTU	8.5004	8.5004
22	Khipro Mirpurkhas Block	\$ per MMBTU	-	2.547
23	Loti	Rs. per MMBTU	118.33	118.66
24	Makori	\$ per MMBTU	2.7246	2.7357
25	Mehran Fateh Shah	Rs. per MMBTU	-	-
26	Meyal / Dhulian	Rs. per MMBTU	110.72	111.03
27	Miano	\$ per MMBTU	3.6509	3.6543
28	Mela	\$ per MMBTU	2.6546	3.9223
29	Mari	Rs. per MMBTU	-	-
30	Manzalai	\$ per MMBTU	2.8274	2.8389

Sr. No.	Field Name	Units	Price Effective 01-07-09	Price Effective 01-01-10
31	Nandpur Panjpir	Rs. per MMBTU	318.72	319.63
32	Nashpa	\$ per MMBTU	2.6546	2.6657
33	Noorai Jagir	\$ per MMBTU	-	2.5211
34	Pakhro	\$ per MMBTU	2.283	2.2923
35	Pariwali	\$ per MMBTU	3.9213	3.925
36	Pindori	\$ per MMBTU	3.9213	3.925
37	Pirkoh	Rs. per MMBTU	118.33	118.66
38	Qadirpur	Rs. per MMBTU	230.76	231.42
39	Ratana	Rs. per MMBTU	332.70	339.33
40	Sadkal	Rs. per MMBTU	559.61	565.68
41	Salsabil Rodho	Rs. per MMBTU	-	-
42	Sara / Suri	Rs. per MCFT	124.35	124.71
43	Sari Hundi	Rs. per MMBTU	541.28	537.52
44	Sawan	\$ per MMBTU	3.6509	3.6543
45	Sui	Rs. per MMBTU	152.22	152.52
46	Turkwal	\$ per MMBTU	3.9213	-
47	Uch	\$ per MMBTU	3.9223	3.9223
48	Zamzama SSGCL	\$ per MMBTU	3.5609	3.5643
49	Zamzama SNGPL	\$ per MMBTU	3.5634	3.5668
50	Zamzama Wapda/Guddu	\$ per MMBTU	3.6039	3.6073
51	Zamzama - Phase - II	\$ per MMBTU	3.5609	3.6543

\* Not applied for notification.



## Consumer Selling Price

## Appendix - IV

1.Sui Northern Gas Pipelines Ltd.

2.Sui Southern Gas Company Ltd.

		Rs. per MMBTU
		From 01-07-2010 to 30-06-2011
Category		
i.	Domestic Consumers	
	(a) Upto 200 M <sup>3</sup> per month	
	(i) 0 – 50 M <sup>3</sup> per month	95.01
	(ii) Over 50 – upto 100 M <sup>3</sup> per month	99.48
	(iii) Over 100 – upto 200 M <sup>3</sup> per month	181.10
	(b) Over 200 M <sup>3</sup> – upto 300 M <sup>3</sup> per month	
	(i) 0 – 100 M <sup>3</sup> per month	99.48
	(ii) Over 100 – upto 200 M <sup>3</sup> per month	181.10
	(iii) Over 200 – upto 300 M <sup>3</sup> per month	383.42
	(c) Over 300 M <sup>3</sup> – upto 400 M <sup>3</sup> per month	
	(i) 0 – 200 M <sup>3</sup> per month	181.10
	(ii) Over 200 – upto 300 M <sup>3</sup> per month	383.42
	(iii) Over 300 – upto 400 M <sup>3</sup> per month	498.80
	(d) Over 400 M <sup>3</sup> – upto 500 M <sup>3</sup> per month	
	(i) 0 – 300 M <sup>3</sup> per month	383.42
	(ii) Over 300 – upto 400 M <sup>3</sup> per month	498.80
	(iii) Over 400 – upto 500 M <sup>3</sup> per month	648.43
	(e) Over 500 M <sup>3</sup> per month	
	(i) 0 – 400 M <sup>3</sup> per month	498.80
	(ii) Over 400 – upto 500 M <sup>3</sup> per month	648.43
	(iii) All over 500 M <sup>3</sup> per month	860.15
<i>For hostels and residential colonies to whom gas is supplied through bulk meters.</i>		
	(a) Upto 200 M <sup>3</sup> per month	
	(i) 0 – 50 M <sup>3</sup> per month	95.01
	(ii) Over 50 – upto 100 M <sup>3</sup> per month	99.48
	(iii) Over 100 – upto 200 M <sup>3</sup> per month	181.10
	(b) Over 200 M <sup>3</sup> per month	
	<i>All off-takes at flat rate of</i>	383.42
ii.	Commercial Consumers	463.76
iii.	Ice Factories	463.76
iv.	Special Commercial Consumers (Roti Tandoors)	
	(a) Upto 200 M <sup>3</sup> per month	
	(i) 0 – 50 M <sup>3</sup> per month	95.01

		Rs. per MMBTU
		From 01-07-2010 to 30-06-2011
<b>Category</b>		
	(ii) Over 50 – upto 100 M <sup>3</sup> per month	99.48
	(iii) Over 100 – upto 200 M <sup>3</sup> per month	181.10
<b>(b) Over 200 M<sup>3</sup> – upto 300 M<sup>3</sup> per month</b>		
	(i) 0 – 100 M <sup>3</sup> per month	99.48
	(ii) Over 100 – upto 200 M <sup>3</sup> per month	181.10
	(iii) Over 200 – upto 300 M <sup>3</sup> per month	383.42
<b>(c) Over 300 M<sup>3</sup> per month</b>		
	<i>All off-takes at flat rate of</i>	463.76
<b>v.</b>	<b>Industrial Consumers</b>	382.37
<b>vi.</b>	<b>Compressed Natural Gas Stations</b>	503.64
<b>vii.</b>	<b>Cement Factories</b>	536.42
<b>viii.</b>	<b>Fertilizer Companies</b>	
	<b>(i) Pak American Fertilizer Company Ltd.</b>	
	(a) <i>For gas used as feed-stock</i>	102.01
	(b) <i>For gas used as fuel for generating steam and electricity and for usage in housing colonies for fertilizer factories.</i>	382.37
	<b>(ii) Dawood Hercules Chemicals Ltd., Chichoki Mallian, Sheikhpura</b>	
	(a) <i>For gas used as feed-stock</i>	102.01
	(b) <i>For gas used as fuel for generating steam and electricity and for usage in housing colonies for fertilizer factories.</i>	382.37
	<b>(iii) Pak Arab Fertilizer Ltd., Multan</b>	
	(a) <i>For gas used as feed-stock</i>	102.01
	(b) <i>For gas used as fuel for generating steam and electricity and for usage in housing colonies for fertilizer factories.</i>	382.37
	<b>(iv) Pak China Fertilizer Ltd., Haripur</b>	
	(a) <i>For gas used as feed-stock</i>	102.01
	(b) <i>For gas used as fuel for generating steam and electricity and for usage in housing colonies for fertilizer factories.</i>	382.37
	<b>(v) Hazara Phosphate Fertilizer Plant Ltd., Haripur</b>	
	(a) <i>For gas used as feed-stock</i>	102.01
	(b) <i>For gas used as fuel for generating steam and electricity and for usage in housing colonies for fertilizer factories.</i>	382.37
	<b>(vi) ENGRO Fertilizer Company Ltd.</b>	
	(a) <i>For gas used as feed-stock</i>	56.70
	(b) <i>For gas used as fuel for generating steam and electricity and for usage in housing colonies for fertilizer factories.</i>	382.37
	<b>(vii) Fauji Fertilizer Bin Qasim Limited</b>	



		Rs. per MMBTU
		From 01-07-2010 to 30-06-2011
<b>Category</b>		
	(i) For gas used as feed-stock for Fertilizer upto 60 MMcfd	102.01
	(ii) Additional allocation for 10 MMcfd (Provisional)	56.70
	(iii) For gas used as fuel for generating steam and electricity and for usage in housing colonies for fertilizer factories.	382.37
<b>ix.</b>	<b>Power Stations</b>	
	(i) WAPDA's & KESC's power stations and other electricity utility companies excluding WAPDA's natural gas turbine power station, Nishatabad, Faisalabad	393.79
	(ii) WAPDA's Gas Turbine Power Station, Nishatabad, Faisalabad	393.79
	(iii) Liberty Power Ltd.'s Gas Turbine Power Plant (Phase I) at Dharki	860.55
<b>x.</b>	<b>Captive Power</b>	382.37
<b>xi.</b>	<b>Independent Power Producers</b>	332.36
<b>3.</b>	<b>Mari Gas Company Ltd.</b>	
	<b>(i) ENGRO Chemicals Pakistan Limited:</b>	
	(a) For gas used as feed-stock	102.01
	(b) For gas used as fuel for generating steam and electricity and for usage in housing colonies for fertilizer factories.	324.30
	<b>(ii) Fauji Fertilizer Company Ltd.(FFCL) - Machi Goth, District Rahim Yar Khan &amp; FFCL, Mir Mathelo, District Ghotki (ex-PSFL):</b>	
	(a) For gas used as feed-stock	102.01
	(b) For gas used as fuel for generating steam and electricity and for usage in housing colonies for fertilizer factories.	324.30
	<b>(iii) Fatima Fertilizer</b>	
	(a) For gas used as feed-stock	56.70
	(b) For gas used as fuel for generating steam and electricity and for usage in housing colonies for fertilizer factories.	324.30
	<b>(iv) Foundation Power Company (Daharki) Ltd</b>	281.88

## Employees







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**OIL & GAS REGULATORY AUTHORITY**

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