Case No. OGRA-6(2)-2(4)/2021-FRR

IN THE MATTER OF

SUI SOUTHERN GAS COMPANY LIMITED
FINAL REVENUE REQUIREMENT, FY 2020-21

UNDER

OIL AND GAS REGULATORY AUTHORITY
ORDINANCE 2002 AND
NATURAL GAS TARIFF RULES, 2002

DECISION

ON

November 24, 2022

Before:
Mr. Masroor Khan, Chairman
Mr. Zain ul Abideen Qureshi, Member (Oil)
Mr. Mohammad Naeem Ghouri, Member (Finance)

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TABLE OF CONTENTS

CERTIFIED TURE COPY

TABLES

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1. Background

1.1. Sui Southern Gas Company Limited (the petitioner) is a public limited company, incorporated in Pakistan, and is listed on Pakistan Stock Exchanges Ltd. The petitioner is operating in the provinces of Sindh and Balochistan under the license granted by Oil & Gas Regulatory Authority (OGRA). However, the petitioner's exclusive right to operate in the franchised areas had ended on 30th June, 2010. It is engaged in construction and operation of gas transmission and distribution pipelines, sale of Natural Gas. The petitioner is also engaged in the business of Re-gasified Liquefied Natural Gas (RLNG) and transportation of the same for the public and private sector on commercial basis, in accordance with the decisions of the Federal Government (FG/GoP).

1.2. The petitioner has filed a petition on July 06, 2022, subsequently amended on August 22, 2022 (the petition) under Section 8(2) of the OGRA Ordinance, 2002 (the Ordinance) and Rule 4(3) of the Natural Gas Tariff Rules, 2002 (NGT Rules), for determination of its Final Revenue Requirement (FRR) for FY 2020-21 (the said year) on the basis of the accounts as initialed by its statutory auditors.

1.3. The Authority, vide its Order dated January 27, 2021, had determined the petitioner's Review of Estimated Revenue Requirement (RERR) for the said year under section 8(2) of the Ordinance at Rs. 286,257 million (the amounts have been rounded off to the nearest million here and elsewhere in this document) for estimated sale volume of 357,722 BBTU.

1.4. The petitioner in the instant petition has claimed revenue requirement after incorporating actual sales & purchases based on consumer, wellhead gas prices and other relevant factors in terms of Section 8(2) of the Ordinance. Accordingly, the petitioner has worked out its FRR for the said year at Rs. 311,596 million for actual sale volume of 283,111 BBTU. Based on the provisional prescribed prices and actual sale mix, the petitioner has computed a shortfall of Rs. 89,190 million (including Rs. 793 million claimed on account of subsidy for LPG air-mix projects) in its revenue requirement for the said year, thereby seeking an increase of Rs. 315.03 per MMBTU in the average prescribed price. The petitioner has also claimed shortfall related to prior years amounting to Rs. 178,412 million (Rs. 630.18 per BBTU) resulting in aggregate shortfall of Rs. 267,601 million in revenue requirement for the said year, thereby seeking increase in current prescribed price of Rs. 785.58/MMBTU to Rs. 1,730.80/MMBTU (increase of Rs. 945.22 per MMBTU) effective July 01, 2020. Regarding RLNG Cot of service, the petitioner has claimed the same at Rs. 10,939 million (Rs. 25.32 / MMCF) effective from 01 July, 2020.

1.5. The Authority issued a notice of hearing on September 15, 2022 to the petitioner and FG. The hearing was held at PC Hotel, Karachi on September 26, 2022.

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504

2. Salient Features of the Petition

2.1 The petitioner has submitted following statement of cost of service:

Table 1: Cost of Service per the Petition

Particulars	The Petition	
	Rs.in Million	Rs. / MMBTU
Units sold (BBTU)		**283,111**
Cost of gas sold	203,198	717.73
Transmission and distribution cost	18,383	64.93
Depreciation	7,095	25.06
UFG adjustment	(14,191)	(50.13)
Financial charges on GDS receivable including short term borrowing cost	42,819	151.24
Other charges	4,304	15.20
Return on net average operating fixed assets	10,008	35.35
Other operating income	(8,887)	(31.39)
Subsidy for LPG Air-Mix Project	793	2.80
Reclaimed Items	48,074	169.81
Average Prescribed Price for the said year	311,596	1,100.62
Previous years shortfall	178,412	630.18
Average Prescribed Price after including previous years' shortfall	490,008	**1,730.80**
Current average prescribed price	222,407	785.58
Increase requested in average prescribed price	**267,601**	**945.22**

2.2 The petitioner has made the following submissions: -

2.2.1. Annual return has been claimed at Rs. 10,008 million, computed at the rate of 17.43% of the value of its average net operating fixed assets after adjustment of deferred credit and assets related to LPG Air-Mix, Meter Manufacturing Plant (MMP) and Liquid Handling Facility (LHF).

2.2.2. The petitioner has claimed a net addition / deletion of Rs. 8,942 million in fixed assets net addition, ex-depreciation, and deletion of Rs. 5,714 million, resulting in an increase in net operating fixed assets from Rs. 63,701 million in FY 2019-20 to Rs. 66,873 million during the said year.

2.2.3. Net operating revenues have been reported at Rs. 231,295 million in the petition as against Rs. 286,256 million determined in RERR for the said year, as detailed below:

Table 2: Comparison of Operating Revenues per the Petition with RERR & Previous Year

Rs. in million

Particulars	FY 2019-20	FY 2020-21		Inc./(Dec.) over RERR for FY 2020-21	
	FRR	RERR	The Petition	Rs.	%
Net sales at current prescribed price	244,765	278,520	222,407	(56,113)	(20)
Late Payment Surcharge	1,697	1,248	1,936	688	55
Meter Manufacturing Plant (MMP)	7	29	7	(22)	(76)
Sale of LPG/NGL & condensate	121	1,506	(29)	(1,535)	(102)
Meter rentals	796	1,489	1,368	(121)	(8)
Amortization of deferred credits	549	530	601	71	13
Notional Income on IAS-19 provision	643	575	385	(190)	(33)
Other income	1,738	2,360	4,619	2,259	96
Net Operating Revenue	**250,315**	**286,256**	**231,295**	**(54,962)**	**(19)**

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2.2.4. Net operating expenses have been reported at Rs. 309,684 million in the petition as compared to Rs. 227,321 million provided in RERR, as detailed below:

Table 3: Comparison of Operating Expenses per the Petition with RERR & Previous Year

Rs. in million

Description	FY 2019-20	FY 2020-21		Inc / (Dec) over RERR for FY 2020-21	
	FRR	RERR	The Petition	Rs.	%
Cost of gas sold	241,671	224,612	203,198	(21,414)	(9.5)
UFG Adjustment	(22,385)	(19,718)	(14,191)	5,527	(28)
Transmission and Distribution Costs	18,027	17,999	18,383	384	2
Staggering of Financial Impact on account of SHC Order	(7,344)	(3,672)	-	3,672	-
Depreciation	6,182	6,857	7,095	238	3
Financial Charges on GDS Receivable incl. Short Term Borrowing Cost	-	-	42,819	42,819	100
Reclaimed items	-	-	48,074	48,074	100
Other charges including ECL	4,015	1,243	4,304	3,061	246
Net Operating Expenses	**240,165**	**227,321**	**309,684**	**82,363**	**36**

2.2.5. Subsidy on account of LPG Air-Mix projects has been claimed at Rs. 793 million.

2.2.6. The petitioner has claimed previous year shortfall to the tune of Rs. 178,412 million.

2.2.7. The shortfall in the revenue requirement, after achieving 17.43% return on average net operating fixed assets, is claimed at Rs. 89,190 million, requiring an increase of Rs. 945.22 per MMBTU in the existing average prescribed price, as tabulated below:

Table 4: Computation of Average Increase in Prescribed Price per the Petition

Rs. in million

	Particulars	FY 2020-21
		The Petition
A	**Net Operating Revenues**	231,295
	less: Net operating expenses excluding ROA	309,684
	Subsidy Air Mix LPG Project	793
B	**Total Expenses**	310,477
C	**Shortfall for the said year** {(B) - (A)}	79,182
D	Return required @ 17.43% on net fixed assets in operation	10,008
E	**Shortfall in revenue requirement (D + C)**	**89,190**
F	Sale volume (BBTU)	283,111
G	**Increase requested in existing average prescribed price Rs./MMBTU (E/F*1000)**	**315.03**
H	Previous Years Shortfall	178,412
I	**Aggregate shortfall including previous years shortfall (E + H)**	267,601
J	**Increase requested in existing average prescribed price Rs./MMBTU (I/F*1000)**	**945.22**

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3. Proceedings

3.1 The hearing was held at PC Hotel, Karachi on September 26, 2022. The petitioner was represented at the hearing by a team of senior executives led by Mr. Imran Maniar, Managing Director, who were given full opportunity to present the petition. The petitioner made submissions with the help of multimedia presentation explaining the basis of its petition and also responded to the comments, observations, objections, questions, and suggestions of the participants as well as members & officers of the Authority.

3.2 The substantive points made by the petitioner are summarized below:

3.2.1. It was requested to re-consider its review petitions on FRR FY 2019-20 and DERR FY 2022-23 after giving the opportunity of hearing as required under Section 9 of the Ordinance.

3.2.2. The petitioner has also requested to allow Transmission and Distribution Cost being within permissible limit as allowed by the Authority for the said year. The petitioner has further requested that financial charges on Gas Development Surcharge (GDS) including short-term borrowing cost be considered as operating expenses as the company had to borrow from commercial banks to manage its cash flow issues owing to insufficient gas price revision by FG. The petitioner has also criticized the mechanism of cross subsidy as costly gas is being sold at cheaper / subsidized rates to its consumers.

3.2.3. The petitioner has also highlighted its achievements made during the said year. It was informed that the company has segregated the industrial mains from other distribution network for better monitoring and reconciliation of gas supply and consumption so as to reduce UFG.

3.2.4. The petitioner has also raised matter of gas losses in Balochistan region and termed it major factor for its non-performance on account of UFG. It was requested the Authority to allow RLNG handling volumes since it is affecting the company's financial position. It was urged that UFG study should be completed by OGRA at the earliest so that pending claims on account of RLNG handled volumes be allowed.

4. Determination

4.1 After detailed scrutiny of the petition, clarifications given by the petitioner, the Authority determines as follows:

5. Authority's Jurisdiction and Determination Process

5.1 The Authority is obligated to determine the revenue requirement / prescribed prices of the petitioner in accordance with Section 8(1) and 8(2) of the Ordinance and License condition no. 5.2 of its integrated License.

5.2 The decisions issued by the Authority have always been strictly in accordance with the relevant provisions of law. All the statutory requirements are firmly complied with before issuing any decision and in this whole process the Authority, very meticulously, ensures that public service utilities prosper in an efficient manner. The checks and balances implemented by the Authority to improve the quality of service to consumers and bring efficiency in the overall management of the company have proved to be beneficial for the whole nation in measurable terms.

507

5.3 The operating revenues, operating expenses and changes in asset base are scrutinized in depth, in accordance with Rule 17(j) of NGT Rules. ***The Authority as per the existing framework and tariff regime in place determines the revenue requirement of the petitioner, providing stipulated return on net operating assets, while including various income and expenditure head as part of prescribed price.***

6. Operating Fixed Assets

i. Summary

6.1 The petitioner has claimed a net addition/deletion of Rs. 8,942 million in fixed assets, and net addition, ex-depreciation, and deletion, of Rs. 5,714 million, resulting in an increase in net operating fixed assets from Rs. 63,701 million in FY 2019-20 to Rs. 66,873 million during the said year. The petitioner has further claimed that after adjustment of deferred credits and assets related to LPG Air-Mix project & LHF, net average operating fixed assets eligible for return work out to Rs. 57,418 million and required return to Rs. 10,008 million.

6.2 The Authority notes that the petitioner has adopted opening assets for the said year at Rs. 63,701 million as against the Authority's determination at Rs. 63,190 million per FRR FY 2019-20 i.e. closing balance of last year. Accordingly, the Authority adopts the same as opening balance i.e. Rs. 63,190 million for the said year.

6.3 Comparative analysis of additions in fixed assets as claimed by the petitioner with ERR, DERR and previous years' determinations is as under:

Table 5: Summarized Schedule of Addition of Assets Compared with DERR & Previous Year

Rs in Million

Sr. No	Particulars	FRR FY 2018-19	FRR FY 2019-20	The Petition FY 2020-21		
				ERR	DERR	The Petition
1	Computer Software (Intangible)	2	0.288	224	36	131
2	Gas Transmission Pipeline	2,477	2,452	7,397	1,341	1,456
3	Gas Distribution System and related facilities and equipments	4,231	5,335	13,230	5,802	7,858
4	Compressors	705	632	2,969	615	1,441
5	Land	-		53		
6	Buildings	53	56	47	47	41
7	Plant and Machinery	126	128	457	212	124
8	LPG Air Mix Projects	221	320	17	16	9
9	Telecommunication Systems & SCADA	89	14	119	61	62
10	Appliances, Loose Tools & Equipments	17	13	274	28	6
11	Vehicles	252	178	395	219	54
12	Furniture, Equipments including Computers & Allied Equipments	52	169	439	136	137
13	Construction Equipments and Vehicles	24		434	44	
	Total	8,250	9,297	26,055	8,557	11,319

ii. Computer software (Intangible)

6.4 The petitioner has capitalized an amount of Rs. 131 million against the allowed amount of Rs. 36 million at ERR stage for the said year. Major capitalization of Rs. 120 million has been made against the additional ORACLE Licenses for ORACLE Customer Care to maintain compliance of CC&B additional End User License, so as to accommodate additional 510,000 customers, in line with the agreement between the Software Company and the petitioner @ Rs.236 per license/ customer.

6.5 The Authority observes that the petitioner, despite the agreement with the Software Company, could not foresee the expected expenditure and was unable to include the same expenditure in its ERR for the said year, which is surprising. The petitioner is, therefore advised to project realistically to avoid overruns at FRR stage.

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6.6 ***In view of the above, the Authority allows capitalization of Rs. 131 million under this head for the said year.***

iii. Gas Transmission Pipelines

6.7 The petitioner has capitalized total amount of Rs. 1,456 million against the provisionally allowed amount of Rs. 1,341 million in DERR for the said year. The detail of capitalization against this head is as under:

Table 6: Requested Additions to Transmission Pipeline Network

Rs in Million

Sr. No.	Description	ERR		DERR		The Petition	
		Indigenous	RLNG	Indigenous	RLNG	Indigenous	RLNG
1	12" dia × 46 Km pipeline from Rehman Field to Naing MVA	56				60	
2	8" dia × 28 Km pipeline from Ayesha Gas Field	93				55	
3	24" dia × 34 Km loopline from Shikarpur to Jacobabad (leftover)	87		87		55	
4	Check Metering Arrangements at Daru	22				52	
5	Construction of Sub-merge Crossings	166				21	
6	MPL SUI/KAR: Pipeline 16" Steel Pipe.					20	
7	12" dia × 23 Km Rerouting of QPL					3	
8	Increase in boundry wall height- Khadeji/K.T					(20)	
9	12" dia x 64 KMs Zarghun-Quetta					(0.009)	
10	30" dia × 125 Km pipeline from SMS Sindh University to SMS Pakland (Ist Segment)	5,017		1,254			
11	Upgradation of SMS Thatta	154					
12	Check Metering Facility at Shahdadpur for Gambat South Field Gas Measurement (RS-3)	275					
13	12" dia × 344 Km QPL Rehabilitation and Intelligent Pigging	396					
	RLNG Projects						
	Phase-I						
1	Tie-in and integration arrangement from tie-in point 2 to Pakland & Bin Qasim		833				4
	Phase-II						
2	30" Dia x 17 KMs from CTS Bin Qasim to MVA Pakland		43				1,208
3	42" dia × 342 Km pipeline from Pakland to Nara and Indus River Crossing		255				(3)
	Sub-total	6,266	1,131	1,341		247	1,209
	Total(Indigenous + RLNG)	**7,397**		**1,341**		**1,456**	

<u>12" dia × 46 Km pipeline from Rehman Field to Naing MVA (Left over jobs)</u>

6.8 The petitioner has capitalized an amount of Rs. 60 million against the projected amount of Rs. 56 million in ERR. The Authority, at DERR stage, did not allow any upfront amount for the said project, however it allowed to carry out leftover civil works during the said year and claim actualized amount at FRR stage. The petitioner informed that the said project was integrated with 24" dia Bajara – Karachi Pipeline to receive projected gas supply up to 90 MMSCFD. The pipeline project was commissioned in January 2020 with the capitalization amount of Rs. 1,354 million, whereas, leftover mechanical and civil jobs have been completed with the capitalization amount of Rs. 60 million in the said year.

<u>8" dia × 28 Km pipeline from Ayesha Gas Field (Left over jobs)</u>

6.9 The petitioner has capitalized an amount of Rs. 55 million against the projected amount of Rs. 93 million in the ERR. The Authority in the DERR for the said year directed the petitioner to carry out the projected works and claim actualized amount at FRR stage. The petitioner has stated that the said pipeline project has been commissioned in February 2020, to inject of 22 MMSCFD volume of gas from Ayesha Gas field in its network at MVA Golarchi (integrated with Badin Gas Pipeline). Whereas, leftover mechanical and civil jobs have been completed with the capitalization amount of Rs. 55 million in the said year.

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24" dia × 34 Km loopline from Shikarpur to Jacobabad (leftover jobs)

6.10 The petitioner has capitalized an amount of Rs. 55 million against the allowed amount of Rs. 87 million at DERR stage. The petitioner has stated that the said project had been completed and commissioned in December, 2017, whereas, leftover work, comprising of installation of pig launcher & pig receiver facility along with actuator remote controlled valves, has been completed with the capitalization of amount Rs. 55 million. Moreover, upgradation of metering and regulation setup at Shikarpur is under planning.

Check Metering Arrangements at Daru

6.11 The petitioner has capitalized an amount of Rs. 52 million against the projected amount of Rs. 22 million at ERR stage, whereas the Authority approved the same in principle and directed the petitioner to claim actualized at FRR stage. The petitioner has stated that in compliance of the decision of its Audit Committee to carry out reconciliation of gas volume at POD Daru, a Check Metering facility was proposed. The petitioner has further stated that the project was commissioned in February 2020, with the capitalization amount of Rs. 52 million till June 2021. The petitioner further informed that the remaining civil leftover job is on hold due to a land issue and the same is expected to be completed in FY 2022-23 with the estimated capitalization amount of Rs. 17 million.

6.12 ***The petitioner is advised to project the amounts realistically with proper estimations at ERR stage.***

Construction of Sub-Merge Crossings

6.13 The petitioner has capitalized an amount of Rs. 21 million for the leftover work against the projected amount of Rs. 166 million at ERR stage, whereas the Authority approved the same in principle and directed the petitioner to claim actualized at FRR stage. As per the petitioner 07 number of submerged crossings were commissioned during the said year with capitalization of Rs. 21 million in FY 2020-21. As per the petitioner's clarification, so far fourteen (14) Nos overhead crossings have been submerged in different years, whereas, work on three (3) Nos overhead crossings is still to be undertaken.

Other Projects (Sr. No. 06 to 09 indicated in the above table)

6.14 The petitioner has indicated (at Sr. No. 6) capitalization for an amount of Rs. 20 million against 'MPL SUI/KAR: Pipeline 16" dia Steel Pipe.' Similarly, the petitioner has also offered return of assets (at Sr. No. 8 of the table) amounting Rs. 20 million against 'Increase in boundary wall height- Khadeji/K.T.'. Upon query, the petitioner explained that former job is not an addition against fixed assets, rather a cost transfer / adjustment from existing assets against Khadeji/ K.T to the above 16" dia Pipeline. And therefore, the net impact on asset register is zero as the cost of 04 assets has been merged in 01 main assets. In case of capitalization of Rs.3 million (Sr. No. 7 of the table) against 12" dia × 23 Km Rerouting of QPL. Latest clarification transpires that the capitalization amount of Rs. 3 million was made because of payment released to the contractor for the left-over civil works against the project during the said year. It is pertinent mention that the Authority had already allowed the amount of Rs 405 million against 'Rerouting of existing QPL 12" dia x 23 Km" in its DFRR FY 2017-18, which was completed and commissioned in January, 2018. Further, negative capitalization for amount of Rs.9360.00 (Sr. No.9 of the table) was due to return of material to Stores against 12" dia x 64 Km Zarghun – Quetta Pipeline.

30" dia x 125 Km pipeline from SMS Sindh University to SMS Pakland (1st Segment)

6.15 The Authority notes that the petitioner could not capitalize any amount against the allowed amount of Rs. 1,254 million at DERR stage for the said project. The petitioner attributed the non-utilization of allowed amount against the project to delay in land acquisition process for the ROW. It is pertinent to mention that the said project was first envisaged in ERR FY 2017-18, considering the operational requirement as conveyed by the petitioner, an amount of Rs. 2,090 million was allowed for the project in that year. The petitioner, in the meanwhile, has informed that 17 Km line pipe including valves and fittings have been utilized for commissioning of 30" x 17 Km pipeline project from CTS Bin Qasim to MVA Pakland, as a part of RLNG Pipeline Infrastructure Development Project (PIDP). The petitioner has further informed that now clearance for land acquisition for ROW has been received from the Government of Sindh on November 26, 2020, the procurement of remaining required length of line pipe, valves and fittings has been initiated. According to the petitioner, the proposed pipeline is expected to be commissioned by December 2023.

6.16 The Authority, based on the submissions of the petitioner regarding operational requirement of the project, has been allowing the said pipeline segment since DERR FY 2017-18. However, petitioner could not complete the said pipeline, despite lapse of 05 years, which is quite a lot of time. And on the pretext of non-acquisition of ROW for the project, it keeps on raising the issue of RLNG held stock in its franchised area due to insufficient pipeline capacity to transmit the indigenous gas from Hyderabad to Karachi. Foregoing in view, ***the Authority has serious concerns over inordinate delay in the execution of the said project, OGRA observations have also been conveyed at length in DERR FY 2022-23 dated June 03, 2022 which are reiterated here. Therefore, the Authority, advises the petitioner to project realistically at ERR stage to avoid upfront burdening on the existing consumers. Moreover, projects that directly impact and improve existing operations of petitioner, must be given high priority and concerted efforts should be taken by petitioner to execute the same in a timely manner.***

30" dia x 17 KMs from CTS Bin Qasim to MVA Pakland (RLNG)

6.17 The petitioner has capitalized an amount of Rs. 1,208 million against the subject project. The petitioner has stated that the Honorable Minister Petroleum division directed petitioner to reinitiate working on 30" dia. x 17 Km pipeline. The subject pipeline has flow capacity of 600 MMCFD RLNG. In order to meet the urgency, the material earlier procured against 30" x 125 Km Pipeline from Sindh University to MVA-Pakland had been utilized for completion of the subject pipeline project. The petitioner further informed that the said segment has been commissioned in December 2020 with the capitalization amount of Rs 1,208 million till June 2021. Furthermore, an amount of Rs 413 million has been proposed against left over job in this head, which is to be completed by June, 2022.

6.18 The Authority notes that the project for laying of 30" dia x 17 Km Transmission Pipeline from CTS Bin Qasim to Pakland, has already been approved by the Authority on April 03, 2019 under Rule 20(xviii) of the NGRA (Licensing) Rules, 2002. It has been noted that this project was not approved as part of DERR for the said year, however, the petitioner proceeded to execute the same as per directions of FG and earlier approval given by the Authority. While drawing relevance of the said project with a recent project request of the petitioner, wherein the petitioner has linked initiation of project with OGRA's approval, despite the fact that the said project has been approved by OGRA in its earlier determinations and specific directions have also been received by the petitioner from FG. The Authority, therefore directs the petitioner to adopt similar approach in all projects and must not raise contradictory claims that result in project delays.

<u>Tie-in and integration arrangement from tie-in point 2 to Pakland & Bin Qasim</u>

6.19 The petitioner has capitalized an amount of Rs. 4 million against the captioned projects. As per the clarification provided by the petitioner, the first job is ongoing project and includes replacement of Orifice Metering System with Ultrasonic Metering System and PLC based flow controllers required for the project. Upon raising of a query, the petitioner has clarified that the amount of capitalization was because of payment release to the contractor for the left-over civil work against the project.

6.20 The Authority notes that the captioned project for Tie in and Integration Arrangement is a part of Phase – I of the RLNG PIDP, and the same has already been allowed by the Authority vide OGRA-9-(356)/2014-LNG dated 13.11.2014.

<u>42" dia × 342 Km pipeline from Pakland to Nara and Indus River Crossing</u>

6.21 The petitioner has offered the Reversal of an amount Rs. 3 million against the captioned project. The petitioner has explained that material issued against the segment of the Phase – II to petitioner's contractor, was returned to Stores, which is a negative capitalization for an amount of Rs.3 million.

6.22 In this respect, it is noted that the project has already been allowed by the Authority, vide OGRA-9(356)/2014-LNG dated 15.05.2015.

6.23 ***In view of the discussion in the preceding paras, the Authority allows capitalization of Rs. 1,456 million in the head of Gas Transmission Pipeline for the said year. However, an amount of Rs. 1,209 million relating to RLNG Infrastructure is to be ring fenced and charged from RLNG Consumers only, in line F. G's relevant policy conveyed through MoE (PD)'s letter No. NG(II) - 16(I)/15 – Misc.-LNG-Vol-I Pt dated 10.02.2016.***

iv. ***Gas Distribution System and Related Facilities and Equipment***

6.24 The petitioner has capitalized an amount of Rs. 7,858 million against provisionally allowed amount of Rs. 5,802 million in DERR for the said year. Detail of capitalization against this head is as under:

Table 7: Requested Additions to Gas Distribution Network

Rs. Million

Sr. No.	Description	ERR Petition	DERR	FRR Petition	
		Indigenous		Indigenous	RLNG
1	Rehabilitation Mains and Services - UFG Control Program	1,687	552	536	
2	Segmentation - UFG Program	109			
3	Replacement /Repair of Gas Meters	3,666	1,838	2,613	
4	Modems, Installation of EVCs, Filter Separators	199	50	-	-
5	Construction of CMS, TBS, PRS, Cathodic protection	155	104	99	
6	Laying of Distribution Mains- Existing Area	2,308	1,025	2,367	
7	Installation of New Connection - Services	1,335	772	1,271	
8	New Towns	1,127	806	726	
9	RLNG-Main & Services New	-	-		246
	Sub-Total Distribution System	**10,586**	**5,147**	**7,612**	-
10	Reinf.Work at Quetta Mid City Area 16" dia loop line	355	178		
11	20" Dia x 7 KMs Desalination Plant to Dolmen Mall Clifton	346			
12	Reinf.Work at Sibi Road via Main Ghundi Link Road upto Mastung Road	233	58		
13	12" Dia x 5 KMs Old City Area Augmentation Main	122			
14	20" Dia x 1.5 KMs Interlink of Shershah Main & SITE Gas Turbine Main	88	44		
	Sub Total: Major Distribution Projects	**1,144**	**280**		
15	Smart Metering / GCV / V3 Index	1,500	375		
	Sub-Total	13,230	5,802	7,612	246
	Total Gas Distribution System (Indigenous + RLNG)	**13,230**	**5,802**	**7,858**	

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Rehabilitation Mains & Services and Segmentation

6.25 The petitioner has capitalized an amount of Rs. 536 million on Rehabilitation of Mains & Services and Segmentation for UFG Control Program during the said year. The petitioner had projected an amount of Rs. 1,438 million for Rehabilitation of 279 KMs Mains, Rs. 249 million for Rehabilitation of 189 Kms services and Rs. 109 million for Segmentation. However, the petitioner could only manage to rehabilitate 114 Km Mains and 146 Km Services.

6.26 The Authority allowed an upfront amount of Rs.552 million in these two sub-heads at DERR stage, based on historical trend of last five years' capitalization. However, considering an important UFG control activity, the Authority allowed to execute the projects under this head, as per the petitioner's plan and actualize amount be claimed at FRR stage. Further, the details of the areas undertaken under Rehabilitation head indicates that only 7 Kms services out of total 260 Kms has been rehabilitated in Baluchistan, where, the petitioner itself claims UFG of around 50%. From the above, it is clear that the petitioner priorities are misdirected, besides the Utility Company underperforms viz its projected targets, even though OGRA allows reasonable amounts in this head to encourage the petitioner to pursue UFG control activities.

Laying of Distribution Mains – Existing Area

6.27 The petitioner has capitalized an amount of Rs. 2,367 million out of allowed amount of Rs. 1,025 million on laying of 754 KMs Distribution & Reinforcement Mains and Services ranging from 1/2" dia. to 16" dia pipelines.

6.28 The petitioner was asked to submit cogent reasons for exceeding the allowed amount in this head. In response, the petitioner informed that Rs. 1,370 million has been capitalized against current year's projects, whereas, remaining amount of Rs.997 million represent prior years' capitalization duly approved against respective determinations. As per the details of prior year' capitalization, the petitioner has clarified that these schemes were started in their respective years but not completed due to various reasons including non-availability of certain NOCs, non-clearance of ROW, Non-availability of materials and change of priorities etc.

6.29 ***In view of the above, the Authority allows an amount of Rs. 2,367 million capitalized against this head.***

Installation of New Connections

6.30 The petitioner has capitalized an amount of Rs. 1,271 million including Rs. 367 million for RLNG connections against the allowed amount of Rs. 772 million. The petitioner managed to install total 130,344 Nos. of connections during the said year, against the total 144,371 meters allowed at DERR stage.

6.31 The Authority allowed an upfront amount of Rs.772 million at DERR stage, based on average per meter cost capitalized in the FY 2017-18, and decided to assess the actual expenditure at FRR stage. ***In view of the same, the Authority allows an amount of Rs. 904 million for indigenous gas connections, whereas Rs. 367 million against 177 Nos RLNG Commercial and Industrial connections. The allowed amount against RLNG shall be treated under ring fenced mechanism to be borne by the RLNG consumers.***

Construction of CMS, TBS, PRS, Cathodic Protection and New Towns

6.32 The petitioner has capitalized an amount of Rs. 99 million on installation of TBS, PRS & Cathodic Protection Systems and Rs. 726 million on laying of 156 Kms length of pipelines for New Towns & Villages. The petitioner has stated that out of total Rs. 726 million capitalized against New Towns & Villages, an amount of Rs. 466 million is over and above per customer cost criteria. The petitioner has also clarified that out of ninety-four schemes for New Towns and Villages, eight six (86 Nos) schemes pertain to Sindh province and the rest belong to Baluchistan province under this head. The above schemes mostly (i.e. 77 Nos) fall in the areas located in 'Gas Producing Districts.' As per the information provided by the petitioner, amount against this head can be segregated to Rs.568 million for Gas Producing Districts and Rs.158 million for Non-Gas Producing Districts. Later, the petitioner also confirmed that all the villages/ localities under 5-Km Radius Schemes Programs meet the F.G criteria and fall within the 5 km radius of Gas Producing Districts. Similarly, the petitioner confirmed that 17 schemes (i.e. 09 for Sindh and 08 for Baluchistan province) pertain to Non - Gas Producing Districts, which were approved during the period prior to imposition of moratorium on Gas development schemes of New Towns and Villages.

6.33 ***The Authority allows actualized amount of Rs. 99 million and Rs. 726 million respectively against 'Construction of CMS, TBS, PRS & Cathodic Protection' and 'New Towns and Villages.' However, out of the total amount against the said New Towns and Villages, an amount of Rs.466 million has been funded by the GoP, being over and above per customer cost criteria, for which the petitioner is not entitled to Return on Assets on the said amount.***

Major Distribution Projects (Sr. No.10 to Sr. No. 14 of the table #. 7)

6.34 The Authority allowed upfront amount of Rs. 178 million, Rs.58 million & Rs.44 million respectively against distribution projects indicated above at serial number 10, 12 & 14 in above table, whereas the remaining two pipelines were allowed in principle without upfront amount at ERR stage. However, the petitioner did not capitalize any amount against all 05 distribution projects, which were aimed at augmentation of the distribution system, to address the low-pressure problems faced by the existing consumers. In this respect, the petitioner clarified that the projects could not be executed for want of relevant NOCs, Non-clearance of ROW and Widening of Sirki road in Quetta etc.

6.35 The Authority notes that the petitioner must bring only those projects at ERR stage, which it is capable to execute after seeking necessary prior permissions/ NOCs from the relevant authorities. This will save time and avoid upfront burdening on the consumers.

Replacement / Repair of Gas Meters

6.36 The petitioner has capitalized an amount of Rs. 2,613 million on repair/replacement of gas meters against the provisionally allowed amount of Rs. 1,838 million under this head, considering average of last 05 years' capitalization. It is noted the petitioner had projected 726,766 meters to be replaced at an estimated cost of Rs. 3,665 million, however, in actual, it claims to have replaced 413,536 meters with cost of Rs. 2,613 million.

6.37 The Authority notes that the petitioner incurred an amount of Rs.775 million over and above the allowed amount in this head. The petitioner was asked to clarify reasons for exceeding the allowed amount at DERR stage, the petitioner, in reply, claimed that the Authority had stated that the actual expenditure would be assessed accordingly for allowance at the time of FRR. However, the above clarification is incorrect, as the same was never mentioned by the Authority in the DERR for the said year. Further, the petitioner was asked to provide criteria for meter replacement and whether all the meters replaced are inspected in Meter Workshops prior to making any decision for re-installation of the meters, after necessary repairs/ fitness test or otherwise declared scrapped/ unserviceable. In response, the petitioner informed "**As per its policy all the replaced domestic meters are considered irreparable therefore, retired.**" Such a stance taken by the petitioner is not justified as not all the domestic meters returned back from consumers' premises are unserviceable to be scrapped based on assumptions, without any authentication. Generally domestic meters, which are of positive displacement diaphragm meters, perform satisfactorily for 20 years or even beyond.

6.38 Here is a comparison of allowed amounts at DERR stage vs capitalized amounts at FRR stage during the past four years:

Table 8: DERR stage Vs Capitalized

Amount	FY 2017-18		FY 2018-19		FY 2019-20		FY 2020-21	
	DERR	FRR	DERR	FRR	DERR	FRR	DERR	FRR
(Rs. In Millions)	1,134	2,396	1,448	2,985	1,745	2,045	1,838	2,613
Number of Meters Replaced		306,443		483,813		308,856		413,536

6.39 It is clear from the above that the petitioner has a tendency to exceed the allowed amounts by the Authority against this head by excessively replacing the meters, which is in total disregard of the Authority's observations in the previous determinations. The petitioner had been consistently advised to be more cautious in this regard and to rationalize its current policy of meter replacements and focus more on addressing the real issues that are directly impacting UFG e.g. Gas Theft, including large number of illegal non-consumers/ pilferers, raids by vigilance teams based on reliable information/ billing history/ inspection of EVC/ Meters/CMSs, expeditious pursuance of gas theft cases in Gas Utility Courts to their logical end, Segregation, Rehabilitation, Comprehensive leakage surveys and CP surveys etc. The Authority again advises the petitioner to comply with the Authority's earlier directions and review its current policy of excessive replacement of meters by flatly retiring all the replaced domestic meters without any authentication. In this regard, the Authority has also pointed out that almost half of total domestic connections had been replaced from 2013-14 to 2020-21, without significant reduction in the UFG, that still remains beyond 15% during last several years. In view of the above, ***the Authority allows capitalization of Rs. 1,838 million (i.e., @ level of provisional capitalization allowed at DERR stage) against the claimed amount of Rs. 2,613 million in this head.***

RLNG – Mains and Services New

6.40 The petitioner has claimed an amount of Rs. 246 million capitalized against RLNG – Mains and New Services, however, nil amount was projected at ERR stage. The petitioner informed that a total of 39.61 km of different diameter pipeline (2" – 12") for RLNG Mains and Services have been laid in Karachi and Sindh Regions.

6.41 The Authority notes that as per FG's policy guidelines, new gas connections may be provided to new housing societies/ colonies, commercial and industrial consumers on RLNG supplies. The Authority further observes that petitioner's tendency to capitalize amounts without projecting the same at ERR stage, highlights lack of proper planning and lack of due process on the petitioner's part. This practice must be avoided forthwith. The Authority, nevertheless, allows capitalized amount of Rs. 246 million against RLNG systems. Further, the petitioner shall not be entitled to rate of return on the amount against those jobs, which have been executed on 100 % cost recovery basis. Moreover, the capitalized amount allowed against this head shall be treated under ring fenced mechanism.

6.42 ***In view of above the Authority allows capitalization of Rs. 7,083 million under the head of 'gas distribution system' for the said year, However,* the amount of Rs. 613 million against RLNG shall be treated under ring fenced mechanism.**

Table 9: Requested Additions to Gas Distribution Network.

					Rs. Million
Sr. No.	**Description**	**FRR Petition**		**Allowed**	
		Indigenous	**RLNG**	**Indigenous**	**RLNG**
1	Rehabilitation Mains and Services - UFG Control Program	536		536	
2	Segmentation - UFG Program				
3	Replacement / Repair of Gas Meters	2,613		1,838	
4	Modems, Installation of EVCs, Filter Separators				
5	Construction of CMS, TBS, PRS, Cathodic protection	99		99	
6	Laying of Distribution Mains- Existing Area	2,367		2,367	
7	Installation of New Connection - Services	1,271		904	367
8	New Towns	726		726	
9	RLNG-Main & Services New		246		246
	Sub-Total Distribution System	7,612	246		
9	Reinf.Work at Quetta Mid City Area 16" dia loop line				
10	20" Dia x 7 KMs Desalination Plant to Dolmen Mall Clifton				
11	Reinf.Work at Sibi Road via Main Ghundi Link Road upto Mastung Road				
12	12" Dia x 5 KMs Old City Area Augmentation Main				
13	20" Dia x 1.5 KMs Interlink of Shershah Main & SITE Gas Turbine Main				
	Sub Total: Major Distribution Projects				
14	Smart Metering / GCV / V3 Index				
	Sub-Total	7,612	246	6,470	613
	Total Gas Distribution System (Indigenous + RLNG)	7,858		7,083	

v. *Compressors*

6.43 The petitioner has capitalized an amount of Rs. 1,441 million under this head, against the provisionally allowed amount of Rs. 616 million in DERR for the said year. The capitalization against this head includes an amount of Rs. 223 million against RLNG related Compressor Stations. Detail of capitalization against this head is as under:

Table 10: Requested Additions to Compressor Stations

							Rs in Million
Sr. No.	**Description**	**ERR**		**DERR**		**The Petition**	
		Indigenous	**RLNG**	**Indigenous**	**RLNG**	**Indigenous**	**RLNG**
1	New Compressor at Shikarpur to Jacobabad for QPL	1,969		492		1,186	
2	Compressor SKP-28755					16	
3	Compressor SKP-30653					16	
4	30 K Overhaul of DR-990 Gas Turbine Engine S/No. 626-201-006	420		105			
5	Replacement of station & units valves	60		15			
6	Repair of Fuel Control Valve AGV-10 at original equipment manufacture facility-sweden	10		3			
7	Air Dryer	2		1			
	RLNG related Compressor Stations						
8	Compressor RLNG 6 Nos Nawabshah-432088						212
9	RLNG 2 Compressor - Nawabshah						12
10	30K Overhaul of Solar T-60 Gas Turbine Engine installed at RLNG HQ-2 Compressor station.		300				
11	Compressor units & extension of facility at Nawabshah (Total 30,000 HP) - (leftover work-building executive mess)		130				
12	Refurbishment of Solar Taurus T-60 Compressor Rotor / Bundle		60				
13	Refurbishment of Dry gas seal cartradges for solar T-60 Gas compressor installed at RLNG HQ-2 Compressor Station		18				
	Sub-Total	2,461	508	616		1,217	223
	Total Compressors (Indigenous + RLNG)	2,969		616		1,441	

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Compressor Station HQ-Shikarpur

6.44 The petitioner has capitalized an amount of Rs. 1,186 million for Compressor Station-HQ at Shikarpur against the allowed amount of Rs. 492 million at DERR stage. It is pertinent to mention that the Authority has been allowing this project in its earlier determinations but the petitioner could not execute the same, Therefore, the Authority allowed an upfront amount of Rs. 492 million to avoid upfront over burdening on the consumers, with the directions to install the said compressor and claim prudently incurred capitalization. The petitioner informed that the project of installation of 01-unit compressor at HQ-Shikarpur has now been successfully completed and commissioned in November, 2020 with the capitalization amount of Rs 1,186 million till June 2021.

6.45 The Authority notes that there have been operational issues in the gas network that adversely affects gas supplies to Quetta and enroute areas in terms of low pressure of gas. The Honorable Baluchistan High Court through its decision dated 16.05.2016 in CP No. 1229/ 2015 directed the petitioner for upgradation of the transmission network to mitigate the issue of low pressure of gas in the province.

6.46 ***In view of the above, considering the operational requirements, the Authority allows capitalization of Rs. 1,186 million against this head.***

Compressor SKP-28755 & SKP-30653

6.47 The petitioner has capitalized an amount of Rs. 32 million on the replacement of defective, old and beyond repair unit valves with new ones against the subject compressors. As per the petitioner, both the projects were envisaged in ERR FY 2017-18, however, the referred Revenue Requirement transpires that the nature of work previously envisaged was procurement of spare rotor for two DR 990 turbo compressors. Since the replacement of defective valves for the same Compressors is also an operational requirement, the job executed can be considered for approval, with the advice for the petitioner to stick to its planned schedule of jobs to ensure smooth operations, while reducing emergency break downs.

30 K Overhaul of DR-990 Gas Turbine Engine S/No. 626-201-006

6.48 The petitioner could not capitalize any amount against allowed amount of Rs. 105 million at ERR stage for the subject project. The petitioner pointed out delay in Ministry approval & other necessary documents caused non-utilization of the amount. The captioned turbine has now been dispatched to OEM Facility-Sweden for its overhaul in April 2022.

6.49 Further, Replacement of station unit valves (Rs.60 million), Repair of Fuel Control Valve AGV-10 at OEM Facility in Sweden (Rs.10 million) and Air Dryer (Rs.2 million), indicated at S. Nos 5- 7 of the above table, the petitioner could not capitalize any amount against these projects in the said year. The petitioner has cited various reasons for the delays such as restrictions due to Covid 19, delay in seeking necessary approvals and procurement process.

Compressor RLNG 6 Nos Nawabshah-432088 (RLNG project)

6.50 The petitioner has capitalized an amount of Rs. 212 million against the nil projection for the subject project at ERR stage. The petitioner explained that the proposed spare turbine would be utilized in case of break downs, repair and overhaul of existing six turbines. As per the petitioner, approvals, procurement process and budget re-appropriation took lot of time and same was the cause of delay.

RLNG 2 Compressor – Nawabshah (RLNG project)

6.51 The petitioner has capitalized an amount of Rs. 12 million against the nil projection for the subject project at ERR stage. The petitioner has stated that 1st semiannual maintenance of solar compressor unit under the supervision of Field Service Representative (FSR) carried out for smooth operation of compressor units. Approvals, Procurement process and budget re-appropriation took lot of time which caused the delay.

6.52 The Authority observes that the above two Compressor Projects fall under phase – II of RLNG Pipeline Infrastructure Development Plan (PIDP), the same had been already allowed in principle by OGRA vide letter OGRA-9(356)/2014-LNG dated 15.05.2015 and subsequent determination in the petitioner's ERRs.

6.53 ***In view of the above the Authority allows capitalization of Rs. 1,441 million under the head of compressors for the said year. However as per policy guidelines of F.G dated 10.02.2016, cost of compressors amounting Rs 223 million related to RLNG infrastructure, is to be charged/recovered from RLNG consumers without affecting consumers relying on domestically produced gas.***

vi. Other Assets

6.54 The petitioner has capitalized an amount of Rs. 433 million against different heads viz. Buildings, Plant & machinery, LPG Air mix, Telecom, Appliances& Loose tools, Vehicles and office equipment, wherein the capitalized amount against each head is within the provisionally allowed amounts at DERR stage for the said year.

6.55 ***The Authority, after due diligence and detailed analysis of petitioner's submissions, allows the capitalized amount of Rs. 433 million against the above heads.***

Table11: Requested additions in Fixed Assets Vs Allowed

Rs in Million

Sr. No	Particulars	FY 2020-21					
		The Petition			As Allowed		
		Indigenous	RLNG	Total	Indigenous	RLNG	Total
1	Computer Software (Intangible)	131		131	131		131
2	Gas Transmission Pipeline	247	1,209	1,456	247	1,209	1,456
3	Gas Distribution System and related facilities and equipments	7,612	246	7,858	6,470	613	7,083
4	Compressors	1,217	223	1,441	1,217	223	1,441
5	Land	-	-	-	-	-	-
6	Buildings	41	-	41	41	-	41
7	Plant and Machinery	124	-	124	124	-	124
8	LPG Air Mix Projects	9	-	9	9	-	9
9	Telecommunication Systems & SCADA	62	-	62	62	-	62
10	Appliances, Loose Tools & Equipments	6	-	6	6	-	6
11	Vehicles	54	-	54	54	-	54
12	Furniture, Equipments including Computers & Allied Equipments	137	-	137	137	-	137
13	Construction Equipments and Vehicles	-	-	-	-	-	-
	Total	9,640	1,678	11,319	8,498	2,045	10,543

518

7. Unaccounted for Gas (UFG)

7.1 As per the statement for UFG, the petitioner has reported UFG at 15.29% (55,490 MMCF) for the said year. The petitioner has claimed 22,684 MMCF energy imbalance as Gas Delivered to SNGPL as per GOP decision/directive.

Gas Delivered to SNGPL as per GOP decision / Sale of RLNG Held Stock:

7.2 Import of RLNG for onward supply to SNGPL's network commenced in March, 2015 in view of the insufficient indigenous gas supplies to meet the ever-increasing demand, particularly for operation of the Power Plants located in the North. Owing to system constraints and operational reasons, the petitioner over the previous years', could not transmit equal quantity of gas to SNGPL on account of higher GCV RLNG it had received from the LNG Terminals. Resultantly, SNGPL's gas started to pile up with petitioner since inception. In this regard, the relevant decision of ECC of the Cabinet dated 11-05-2018 reads as under:

> *"M/s SNGPL and SSGCL be allowed to manage gas loads on their system through RLNG-System gas swap mechanism for which necessary provision of volumetric adjustment and financial impact may be made on cost neutral basis in the Sale Price of RLNG on a multi-year and on-going basis through setting up of a deferral account by OGRA."*

7.3 In this regard, Ministry of Energy vide its letter No. NG(I)-7(189)/19-Vol-V-Pt-2 dated 3rd March, 2020 allocated total 71 BCF of RLNG to M/s SSGCL out of the RLNG stock held with petitioner. The petitioner submitted RLNG Sales/ Purchase Agreement between SNGPL and the petitioner. In pursuance of the above noted decision of ECC of the Cabinet, the petitioner has claimed Energy Imbalance for UFG purpose on account of volume swapped to SNGPL. The detail of the claim is as under:

Table 12: Computation of Deemed Sales for UFG Purpose

	MMCF
Description	**As per the petition**
Volume received	**390,589**
RLNG utilized for Internal consumption	**1,584**
Transmission Loss RLNG	**757**
Volume Swapped to SNGPL	**338,407**
RLNG utilized for Customer Sales	**60,116**
	400,864
Excess delivered to SNGPL	**10,275**
Additional Gas required for sales to Customers	**12,409**
Energy imbalance / Deemed Sales for UFG Purpose	**22,684**

7.4 The petitioner has claimed RLNG related GIC volume of 1,584 MMCF and Additional volume / UFG of 12,409 MMCF required for sales to RLNG customers for the said year.

7.5 The Authority notes that as per the relevant provisions of OGRA Gas TPA Rules, 2018 and Gas Transportation Agreement between the parties, the petitioner is entitled to claim such volumes from SNGPL (the shipper).

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7.6 In order to correctly reconcile the indigenous gas and RLNG volumes for computation of UFG, the Authority provisionally includes the volume of 22,684 MMCF under the head of Energy Imbalance subject to verification by the shipper. The Authority shall actualize / finalize the said volumes accordingly.

7.7 The petitioner informed that it has adopted a number of strategies to control UFG. It is noted that the petitioner has reported overall UFG of 15.29% for the said year, a reduction of about 1.96 % from the previous year's UFG of 17.25% and the same is cautiously appreciated. However, the Authority observes that UFG benchmark at the rate of 5% was implemented for five (5) years with effect from FY 2017-18, based on the study by a renowned International Consultant, M/s KPMG. Moreover, an allowance of 2.6%, was built on account of local challenging conditions which was further linked to implementation of 30 Nos. KMIs. However, the slight reduction in overall UFG is an initial step towards the ultimate goal mentioned above. Time is of essence, the Authority observes that there is no room for complacency and the petitioner has still a long way to go to achieve the required target which needs a sense of purpose, ownership, resolve and consistency, which will ultimately benefit all the stakeholders, thereby saving national exchequer in the form of reduction in the import bill and save loss of scarce indigenous natural gas.

7.8 Similarly, the petitioner managed to book gas theft charges of comparatively a lesser volume of 118 MMCF (amounting to Rs.173 million) against the gas consumers/ pilferers, which is no way comparable to the reported UFG volume of 55.49 BCF. The petitioner needs to ensure more vigilance and surveillance of its distribution network and on the basis of feedback from the relevant surveillance teams, should conduct increased number raids on regular basis, in line with the directions conveyed by MoE (PD) vide letter No. NG(I)-14(52)/2011-Vol-I-GA dated July 17, 2013.

7.9 The petitioner's initiatives/ performance indicates that it under performed against its set target viz UFG control activities like Segregation and Rehabilitation. Similarly, the petitioner lodged only 99 FIRs during the whole year against theft of gas, again the petitioner needs to jack up its effort in controlling gas theft on its distribution network, taking into account existence of 700,000 non-consumers in Karachi alone. It is observed that excessive replacement of domestic meters even beyond the allowed amount, appears to be an easier option for the petitioner, though not effectively contributing towards UFG reduction. The petitioner is required to focus on other important activities, such as Segregation, Rehabilitation of the distribution network based on under/ over ground leakage surveys and C.P surveys and vigorously pursue against theft of gas in line with applicable law/ rules.

7.10 As regards the petitioner's submission w.r.t illegal connections of around 500,000-700,000 in Karachi alone, the astounding figures constitute almost 25 % of the total gas consumers/ users in the city, causing a reported loss of gas volume to the tune of 10BCF annually. It is noted that such large number of illegal connections would not have taken place in few months, rather it took almost a decade or so to occur, because of inefficiencies of the petitioner in general. Initially, the petitioner intended to just raise fixed and uniform claims against illegal non-consumers with fixed estimated load, however, such a proposal lacked legal backing. Therefore, OGRA accordingly directed to follow Gas (Theft Control and Recovery) Act, 2016, a special law to deal with theft of gas and its recovery, which is in field with full force.

7.11 OGRA, on its part, facilitated meeting with the stakeholders i.e. officials of MoE (PD), Sindh Building Control Authority (SBCA) and the petitioner, held on June 15, 2022, wherein the petitioner was advised to take up the matter directly with SBCA and accordingly proceed in the matter on conditional basis. Reportedly, there is some headway towards provision of gas connections to inhabitants of high-rise buildings in Karachi, however, in case of Katchi Abadis the issue is yet to be taken up by the petitioner. The petitioner is advised to make all out efforts to address this issue in those Katchi Abadis as well and increase its pace to complete the task by June, 2023.

7.12 Similarly, UFG may be a big challenge in Baluchistan, therefore the petitioner, instead of giving up and waiting endlessly for some kind of help from outside, must act and act fast to control this menace with the close coordination of the Provincial Government and Law Enforcement Agencies (LEAs). It is pertinent to mention that under Section 28 of Gas (Theft Control and Recovery) Act, 2016, the petitioner may seek assistance from relevant departments and LEAs to curb theft of gas. Simultaneously, the petitioner may actively pursue its six (06) options agenda already submitted before the FG related to UFG in that province.

7.13 The Authority notes that the petitioner, being the Owner and Operator of its Network must not absolve itself from its prime responsibilities of protecting its assets and the gas contained therein. The petitioner is, therefore, under obligation to vigorously proceed against the gas pilferers whether in Karachi, Baluchistan or elsewhere, in accordance with applicable laws inter alia including Gas (Theft Control and Recovery) Act, 2016, which is in field with full force and effect, so as to reduce the overall UFG in its franchise area.

7.14 The petitioner has again repeated its concerns on issue of handling of RLNG in its distribution system. In this regard, the Authority has already recorded a detailed reasoned decision on this account, as a part of determination of Review on FRR 2018-19. ***Accordingly, the Authority refers the same and maintains its earlier stance in this respect.***

Achievement in Key Monitoring Indicators (KMI's)

7.15 The petitioner submitted an audit report prepared by the Consultant, M/s Crowe Hussain Chaudhry & Co. viz implementation of KMI's claimed by the petitioner w.r.t UFG Benchmark component of Local Operating Conditions during the said year. The petitioner has claimed 94.62 % achievement towards the implementation of the KMIs. The Authority sought a number of clarifications w.r.t KMIs as the data initially provided by the petitioner was incomplete and unreconciled with its own reported figures under similar heads.

7.16 Based on the clarifications by the petitioner, it is observed that the petitioner did not focus on Balochistan, as regards high UFG prone areas and Segmentation activities. Surprisingly, the petitioner focused on Eastern Karachi which has already comparatively low UFG (as per the petitioner UFG stands below 1%, being an industrial area). As regards inspection and rectification of total 4,377 Nos of industrial meters, evaluation of the data transpires that out of the total 50,626 visits/ inspections claimed by the petitioner, 33,606 visits involve consumers which have been visited for more than 12 times. It is worth noting that around 697 industrial consumers have been visited more than **70** times in a year and on the other hand, 1458 industrial consumers have been visited for just 04 times (12 visits per year required) during the whole year. This leads to conclusion that petitioner focused on projecting total Nos of visits of the industrial consumers to claim 100 % achievement, but in the process, it erred in claiming more than 70 visits in case of 697

521

industrial CMSs, which appear to be exaggerated. Similarly, as per the data provided, the petitioner underperformed while claiming fewer than required visits incase of 1,458 industrial consumers out of the total 4,377 consumers. The status of visits of industrial consumers claimed by the petitioner is tabulated below:

No. of visits	
More than 80	85
More than 50 to 80	1122
More than 20 to 50	12871
More than 12 to 20	19528
Total	33606

7.17 Similarly, as per the data provided, the petitioner underperformed while claiming fewer than required visits incase of 1,458 industrial consumers out of the total 4,377 consumers. In respect of Inspection of domestic meters viz above ground leakages, there is no information on gas leakage detected / rectification in interior Sindh region. Further, while comparing data, the petitioner claims to have achieved 19 Nos of installation of new CP Station, whereas under the head "Construction of CMS, TBS, PRS, Cathodic Protection" the petitioner claimed only 03 Nos new CP Stations installed during the same period. Further, ninety-nine (99) number of FIRs / complaints have been lodged by the Gas Utility Court and similarly only 19 cases out of 98 cases were convicted. The petitioner's efforts are not up to the mark on this account, when gas pilferers are estimated to be in hundreds of thousands.

7.18 In respect of inspection of domestic meters viz above ground leakages, there is no information on gas leakage detected / rectification in interior Sindh region. Further, while comparing data, the petitioner claims to have achieved 19 Nos of installation of new CP Station, whereas under the head "Construction of CMS, TBS, PRS, Cathodic Protection" the petitioner claimed only 03 Nos new CP Stations installed during the same period. Further, ninety-eight (98) number of FIRs / complaints have been lodged by the Gas Utility Court and similarly only 19 cases out of 98 cases were convicted. The petitioner's efforts are not up to the mark on this account, when gas pilferers are estimated to be in hundreds of thousands.

7.19 In case of reward/ penalty on UFG reduction, the petitioner mentioned the same dismissed official in this year, who was also mentioned in the last year's achievement. It is also noted that there is a contradiction in Gas theft claimed amounts (recovered plus unacknowledged) of Rs.133.15 million in KMI achievement related to number of disconnections against theft cases. Whereas, as per the petition (Table A-I (a)) under "Gas Theft Control", total amount of Rs.353.29 million has been stated against identified theft cases.

7.20 From the above observations, it is pointed out that the achievement/ progress on each KMI was aimed by the petitioner at just for claiming scores, rather ignoring the intent to make real progress in a gradual and planned manner. Even the figures / progress reported in UFG control related activities is not reconciled thus pointing lack of transparency in raising claims. The Auditor in its report has also not highlighted discrepancies as mentioned above, rather has relied totally on the figures reported by the petitioner without reconciling and confirming the same, which suggests that the report has been prepared perhaps in haste without in-depth analysis. In this respect,

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522

expenditure/ capitalization on different heads under Distribution Development exclusively meant for UFG control measures are as under:

Rs. In millions

S.No.	UFG Control Programs	Projected Amount by the Petitioner in the said year (ERR 2020-21)	Determination by OGRA at ERR Stage	Capitalized Amount claimed by the Petitioner
1	Rehabilitation of Mains in Distribution Network	1,687	552	536
2	Segregation of Distribution System	109		
3	Installation EVCs , Modems etc.	199	50	0
4	Construction of CMS, TBS and Cathodic Protection	155	104	99

OGRA allowed to execute the activities (at S. Nos 1 & 2) as per petitioner's plan / projections and claim actualized amounts at FRR stage.

7.21 As evident from the above statistics, the petitioner could not undertake even its projected activities viz UFG Reduction Program during the current year, which indicates that the petitioner's priorities in relation to UFG control activities are neither in line with the KMIs nor focused towards UFG reduction.

7.22 The Authority observes that KMIs were prepared in consultation with the gas utility companies and are required to be implemented in true letter and spirit to increase system visibility, system rehabilitation, control leakages improve recoveries and awareness amongst the staff with reward and punishment etc. for gradual reduction in UFG. The objective of effective implementation is not only to reduce UFG but also to identify the root cause of the problem areas and to take corrective measures to address the issue. In this respect, the Authority has highlighted its observations in detail on high UFG prone areas and other related issues in the preceding paras, captioned under 'UFG' and 'Replacement of Meters', the same are reiterated here.

7.23 From the above analysis, the Authority notes that the petitioner is not objectively focusing on the reporting of progress against each KMI that leads to conclusion that effective implementation of KMI's to achieve the desired results is still lacking and not up to the mark. Moreover, although sufficient opportunity was provided to the petitioner to submit its position and justification on the observations of the Authority, however, the petitioner has been unable to provide substantive arguments.

7.24 In view of the foregoing and keeping in view the findings of the auditors viz a viz data provided by the petitioner, the allowance on this account has been worked out as 1.92/2.6 (i.e. 73.98 %) and incorporated in the UFG Sheet.

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523

7.25 ***Accordingly, the Authority works out the UFG for the said year.***

Table 13: Calculation of UFG

Transmission System		FRR 2020-21 As per Petition Indigenous gas (UFG)	FRR 2020-21 As Calculated Indigenous gas (UFG)
		MMCF	
(Gas Received) in Transmission Indigenous	A1	362,822	362,822
Taken out (+) Taken in (-) or (Line Pack)	B	43	43
Net Gas Received in Trans. System	C=A1+B	362,865	362,865
Gas used in operation of Tran. Sys. (Indigenous gas)	D	(1,086)	(1,029)
(i) Compression		(1,029)	(1,029)
(ii) Residential Colonies			
(ii) Coating Plant			
(iii) Ruptures/Sabotage		(57)	-
(iv) Other usage Depressurization purging etc			
Gas Available in Transmission System	E=C+D	361,779	361,836
Gas passed to Distribution system through SMS	F	361,779	361,779
Loss in Tansmission System	G=E-F	0	57
% Loss or Gain in Transmission Sytem	H=G/C*100	0.00	

Distribution System		FRR 2020-21 As per Petition Indigenous gas (UFG)	FRR 2020-21 As Calculated Indigenous gas (UFG)
		MMCF	
Gas Received in Dist. System (Through SMS)	A2	361,779	361,779
Gas internally consumed in Distribution System (GIC)	B	(15)	(5)
(i) Free Gas Facility		(5)	(5)
(ii) Co-Generation & Co -offices			
(iii) Sabotage		(10)	-
(v) Purging			
(Gas available for Sale in Dist. Sytem)	C=A2+B	361,764	361,774
Gas Sold			
Billed	D	283,549	283,549
Sale of RLNG heldstock / Additional Gas Delivered to SNGPL under SWAP arrangement, as per GoP decision	E	22,684	22,684
Add: Gas Shrinkage	F	41	41
Gas Delivered (Net Gas Sold)	G=D+E+F	306,274	306,274
Loss in Distribution System	H=G-C	55,490	55,500
% age Loss in Distribution Sytem	I=H/A2*100	15.34	
Total UFG Volume (Transmission + Distribution)	J=I+G	55,490	55,557
Total % age UFG (Transmission + Distribution)	K=J/A1*100	15.29	

Total UFG & Woking of UFG adjustment		FRR 2020-21 As per Petition Indigenous gas (UFG)	FRR 2020-21 As Calculated Indigenous gas (UFG)
		MMCF	
Gas Received		362,822	362,822
UFG Benchmark (Percentage)	5%	5%	5%
Local Conditions Allowance Percentage (Maximum)	2.6%	2.46%	1.92%
Allowed UFG Percentagee	7.6%	7.46%	6.92%
Allowed UFG Volume (MMCF)		27,067	25,107
Invalid Claim (MMCF)		28,423	30,450
National WACOG per MCF			500.61
UFG Adjustment, being invalid claim			15,243

7.26 ***Based on the above, the Authority deducts Rs. 15,243 million being an invalid claim from the revenue requirement for the said year.***

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8. Gas Internally Consumed (GIC)

8.1 The petitioner has claimed GIC of 1,034 MMCF for the said year. The details furnished by the petitioner show that the claimed GIC of 1,034 MMCF includes 907 MMCF for compressions, 121 MMCF for Company Own Use, 5.4 MMCF for Distribution and 0.5 MMCF for LHF. ***The Authority in view of the operational requirement of the company determines GIC of 1,034 MMCF for the said year.***

9. Operating Revenues

a. Sales Volume

9.1 Sales volume has been reported decrease by 21% from 357,722 BBTU per RERR to 283,111 BBTU in the instant petition. Category-wise comparison with RERR and previous year is as under: -

Table 14: Comparison of Category-wise Sales Volume with RERR & Previous Year

Volume in BBTU

Category	FY 2019-20	FY 2020-21		Inc. / (Dec.) over RERR FY 2020-21	
	FRR	RERR	The Petition		%
Industrial-zero rated	27,625	25,530	27,623	2,093	8
Fertilizer - feed stock	19,302	17,562	18,754	1,192	7
Domestic	102,615	102,052	99,573	(2,479)	(2)
Captive Power-zero rated	42,330	45,736	43,083	(2,653)	(6)
Commercial	8,556	9,617	7,992	(1,625)	(17)
General Industries	24,943	38,877	29,777	(9,100)	(23)
Power	39,159	45,135	29,526	(15,609)	(35)
Cement	130	202	120	(82)	(41)
Captive Power	22,262	39,670	23,490	(16,180)	(41)
Fertilizer - Fuel	411	541	116	(425)	(79)
CNG Stations	14,103	21,156	3,057	(18,099)	(86)
Habibullah Coastal Power Company (HCPC)	1,006	5,144	-	(5,144)	(100)
Nooriabad Power Plant	6,051	6,502		(6,502)	(100)
Total: -	308,492	357,722	283,111	(74,611)	(21)

9.2 The petitioner has explained that major consumer of power & CNG sector shifted to RLNG owing to supply constraints. Moreover, load enhancement of captive power & general industry was also shifted to RLNG. The petitioner has emphasized that sales volume against rest of the categories of consumers, however remained at the level of FY 2019-20. 'Nil' volume has been reported against HCPC as Gas Transportation Agreement (GTA) expired on October 2019 and no new agreement has yet been signed. The petitioner has, however, confirmed that the gas sales volume to various categories of consumers have been supplied in the light of Natural Gas Load Management Policy issued by FG during the said year.

9.3 ***In view of the above, the Authority accepts total sales volume at 283,111 BBTU for the said year.***

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b. Sales Revenue at Prescribed Prices

9.4 Sales revenue has decreased from Rs. 278,520 million per RERR to Rs. 222,407 million in instant petition. Category-wise comparison with RERR and previous year is given below.

Table 15: Comparison of Category-wise Sales Revenue at Prescribed Prices with RERR & Previous Year

Rs. in Million

Particulars	FY 2019-20	FY 2020-21		Inc. / (Dec.) over RERR for FY 2020-21	
	FRR	RERR	The Petition		%
Fertilizer - Feedstock	7,438	5,839	14,605	8,766	150
Domestic	33,246	42,963	78,695	35,732	83
Industrial-(zero rated)	26,092	20,606	21,796	1,190	6
Captive Power-(zero rated)	37,067	37,723	34,231	(3,492)	(9)
Power	37,833	38,116	23,140	(14,976)	(39)
General Industries	29,749	40,675	24,131	(16,544)	(41)
Commercial	12,408	12,053	6,395	(5,658)	(47)
Captive Power	29,203	42,247	16,805	(25,442)	(60)
Cement	195	259	94	(165)	(64)
CNG Stations	21,236	28,163	2,424	(25,739)	(91)
Nooriabad Power Plant	5,845	5,490	91	(5,399)	(98)
Habibullah Coastal Power Company (HCPC)	972	4,385	-	(4,385)	(100)
Total Sales Revenues	**241,286**	**278,520**	**222,407**	**(56,113)**	**(20)**

9.5 The petitioner has submitted that revenue at prescribed price has been calculated in accordance with average prescribed price as per determination dated January 27, 2021. The petitioner has explained that variation in sales revenue is due to revision in gas supply allocations of various sectors as indicated in para 9.2 above.

9.6 The Authority observes that the petitioner has worked out sales revenues at current prescribed price as determined by the Authority. However, owing to litigation against certain category of consumers, sales revenues have been reported as per actuals. Any recovery based on the final outcome of the Hon'ble Court judgment shall be adjusted in future determinations. ***In view of the same, the Authority, while finalizing the instant determination, decides to re-adjust the prescribed price revenues to the extent of actual sales revenues as reported by petitioner. Accordingly, the Authority determines prescribed price revenues at Rs. 189,939 million for the said year.***

c. Other Operating Income

9.7 The petitioner has offered other operating income at Rs. 8,887 million in the petition as against Rs. 7,737 million allowed per RERR, reporting 15% increase. Detailed comparative breakup is appended below:

Table 16: Comparison of Other Operating Income per Petition with RERR & Previous Year

Rs. in million

Particulars	FY 2019-20	FY 2020-21		Inc./(Dec.) over RERR for FY 2020-21	
	FRR	RERR	The Petition	Rs.	%
Late Payment Surcharge	1,697	1,248	1,936	688	55
Amortization of deferred credits	549	530	601	71	13
Meter rentals	796	1,489	1,368	(121)	(8)
Meter Manufacturing Profit	7	29	7	(22)	(76)
Sale of LPG/NGL and Condensate	121	1,506	(29)	(1,535)	(102)
Notional Income on IAS-19 provision	643	575	385	(190)	(33)
Other income	1,738	2,360	4,619	2,259	96
Net Operating Revenue	**5,550**	**7,737**	**8,887**	**1,150**	**15**

9.8 The petitioner has explained that revenues from Meter Manufacturing Plant (MMP), Late Payment Surcharge (LPS), sale of gas condensate, Natural Gas Liquid (NGL) and Liquefied Petroleum Gas (LPG) have been treated as operating income in line with the Hon'ble Sindh High Court (SHC) decision. However, an appeal in the Supreme Court of Pakistan has been filed against the decision of SHC. In case of favorable decision by apex Court, the company shall amend the instant petition in the light of the decision having significant financial impact. Moreover, the petitioner has submitted that profit from MMP, sale of LPG, NGL and condensate have been included as per the criteria set down in respect of new tariff regime for regulated natural gas sector implemented from FY 2018-19 onwards.

d. Income from LPG/NGL and Condensate

9.9 The petitioner has reported a loss of Rs. 29 million against sale from LPG/NGL and condensate for the said year as against Rs. 1,506 million in RERR. Regarding decrease in revenues from LPG and NGL, the petitioner has informed that the agreement signed with M/s JJVL stands expired on June 20, 2020, resulting in non-production of LPG and NGL, however, at the time of RERR, an income to the tune of Rs. 1,506 million has been offered.

9.10 ***In view of above, the Authority accepts the petitioner's justification against revenues from LPG/NGL and condensate and directs the petitioner to explore new avenues for increase in business and profit, thereby benefitting all the stakeholders.***

e. Income from Meter Manufacturing Plant (MMP)

9.11 The petitioner has reported income from MMP for the said year at Rs. 7 million as against Rs. 29 million in RERR (i.e. decreased by 76%) for the said year. The petitioner has explained that revenue from MMP depends on sale of domestic gas meters and spare parts to SNGPL and other private parties. The petitioner has also explained that at the time of RERR, it was anticipated that SNGPL would purchase 200,000 domestic gas meters during the said year, however no sale was made to SNGPL during the said year. On other hand, sale to private parties other than SNGPL also declined vs anticipated in RERR.

9.12 ***In view of above, the Authority includes Rs. 7 million on account of MMP as part of revenue requirement for the said year.***

f. Other Income

9.13 The petitioner has reported "other income" for the said year at Rs. 4,619 million as against Rs. 2,360 million in RERR (i.e. increase by 96%) for the said year.

9.14 The Authority notes that other incomes have reasonably been reported while indicating an increase of 96% over RERR for the said year. ***Accordingly, the Authority accepts the "other income" at Rs. 4,619 million for the said year.***

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525

9.15 ***In view of the above petitioner's justifications, the Authority accepts other operating revenues at Rs. 8,887 million for the said year, as tabulated below:***

Table 17: Operating Revenues as Allowed by the Authority

Rs. in million

Particulars	FY 2020-21	
	The Petition	**As Allowed**
Late Payment Surcharge	1,936	1,936
Meter Manufacturing Profit	7	7
Sale of LPG/NGL and Condensate	(29)	(29)
Meter rentals	1,368	1,368
Amortization of deferred credits	601	601
Notional Income on IAS-19 provision	385	385
Other income	4,619	4,619
Operating Revenue	**8,887**	**8,887**

10. RLNG Cost of Service

10.1 The petitioner has reported Rs. 10,939 million (Rs. 25.32 per MMCF) at a designed capacity volume of 1,200 MMCFD on account of RLNG cost of service for the said year. The petitioner has informed that the cost of the service shall be recovered as part of RLNG price in the light of policy guidelines issued from Federal Cabinet.

10.2 The breakup of RLNG cost of service is as under;

Table 18: Breakup of RLNG - Cost of Service

Rs. in Million

Total RLNG Energy in MMCF	**432,000**
Revenue Expenditure Relating to RLNG	215
Depreciation	1,615
Contribution to WPPF/Other Charges	3,390
ROA	5,718
Cost of Supply of RLNG	10,939
Cost of Supply of RLNG Rs./MMCF	**25.32**

10.3 The Authority notes that Company is reporting loss on account of RLNG business segment for FY 2018-19 and FY 2019-20. Accordingly, the Authority decides to exclude Rs. 3,390 million on account of WPPF from RLNG cost of service subject to the adjustment, if required based on published accounts for the said year.

10.4 Moreover, the Authority per its decision in respect of classification of assets from natural gas to RLNG in preceding paras, ***RLNG cost of service is re-calculated as per table below on provisional basis subject to adjustment based on the volumes ascertained by the audit on this account:***

Table 19: Computation of RLNG - Cost of Service / Supply

Rs. in Million

Description	**As calculated**
Quantitative Data (MMCF)	**438,000**
Revenue Expenditure Relating to RLNG	980
Depreciation	1,660
ROA	5,893
Cost of Supply of RLNG	**8,533**
Cost of Supply of RLNG (Rs./MMCF)	**19.48**
Cost of Supply of RLNG (Rs./MMBTU)	**18.55**

11. Subsidy on account of LPG Air-Mix Project

11.1 The petitioner has claimed a subsidy of Rs. 793 million on account of the operation of its LPG Air-Mix project for the said year. The petitioner has explained that as per the directives of GoP, the company is supplying natural gas for domestic and commercial consumers only as alternative to natural gas in far flung areas of Sindh & Balochistan. The petitioner has also explained that five LPG Air Mix projects have been installed and commissioned, currently operational in **Gwadar, Noshki, Surab, Awaran and Kot Ghulam Muhammad.**

11.2 ***The Authority, as per para 6.54 above, includes subsidy on account of LPG air-mix project at Rs. 793 million for the said year.***

12. Cost of Gas

12.1 The petitioner has claimed the cost of gas per initialed accounts at Rs. 203,198 million (net of GIC), compared with Rs. 224,612 million determined in RERR, a decrease of Rs. 21,414 million (i.e., 10%) for the said year.

12.2 The petitioner has explained that cost of purchases has been worked out on the basis of its respective filed wise purchases (net of GIC). The petitioner has worked out its respective local cost of purchase at Rs. 561.69/MMCF (i.e. Rs. 575.95/MMBTU) based on local gas purchases volume.

12.3 ***In view of the above, the Authority accepts cost of gas at Rs. 203,198 million as claimed by the petitioner for the said year. The field wise gross purchases are provided at Annex-C.***

13. Transmission & Distribution (T & D) Cost

i. Summary

13.1 The petitioner has reported T&D cost at Rs. 18,383 million thereby indicating 4% decrease over RERR for the said year, as per table below: -

Table 20: Comparison of T&D Cost per the Petition with RERR & Previous Year

Rs. in Million

Particulars	FRR	RERR	The Petition	Inc./(Dec.) over RERR FY 2020-21	
	FY 2019-20	FY 2020-21		Inc./(Dec.)	%
Salaries, wages, and benefits at benchmark	15,442	15,949	16,105	156	1
Repairs & maintenance	2,076	1,567	1,801	234	15
Postage & bill delivery by Contractors	120	113	125	12	10
Meter reading by contractors	91	90	96	6	6
Security expenses	756	746	774	28	4
Gas bill collection charges	206	229	219	(10)	(4)
Stores, spares and supplies consumed	636	798	727	(71)	(9)
Insurance including royalty	114	134	122	(12)	(9)
Legal & Professional Charges	141	129	117	(12)	(10)
Electricity	281	278	248	(30)	(11)
Others	134	157	130	(28)	(18)
Advertisement	96	120	91	(29)	(24)
Traveling	110	120	85	(35)	(29)
Rent, rate & taxes	202	456	208	(247)	(54)
License & Tariff Petition Fee to OGRA	58	212	70	(142)	(67)
Material used on consumers installations	9	39	9	(30)	(78)
Collecting agent commission	-	3		(3)	(100)
Sub-total Cost	**20,472**	**21,140**	**20,927**	**(213)**	**(1)**
Less: Recoveries / Allocations	2,488	2,294	2,364	70	3
Less HR cost relating to RLNG segment	599	-	788	788	-
Net T&D Cost before GIC	**17,385**	**18,846**	**17,775**	**(1,071)**	**(6)**
Add: Gas consumed internally incl. sabotage	637	380	571	190	50
Loss due sabotage activity	7	-	37		
Net Transmission & Distribution Cost	**18,029**	**19,226**	**18,383**	**(844)**	**(4)**

13.2 Various components of T&D cost are discussed in following paragraphs:

ii. **Human Resource (HR) Cost**

13.3 The petitioner has reported HR cost at Rs. 16,105 million as against the amount allowed at Rs. 15,949 million, thereby reporting 1% over RERR for the said year. Moreover, the petitioner has also explained that HR benchmark cost has been calculated in the light of Authority's applicable HR benchmark formula.

13.4 The petitioner, in response to OGRA's query, has informed that CBA charter is pending for last four years i.e., 2018-2020 and 2020-2022. Moreover, salary of executives has also not been increased during the said year. Also, external hiring for senior positions (GM & above) was delayed due to ongoing litigation.

13.5 The Authority observes that the petitioner has claimed the HR cost at Rs. 16,105 million, within the HR benchmark formula computation, and hence is allowed for the said year. The Authority, however, notes that petitioner has remained successful in managing its HR cost within the benchmark criteria and even savings were reported in the past. However, pending CBA from last 4 years, being its obligation, raises questions on company's management for discharge of its functions. Similarly, frozen annual increments and halted promotion on merit, besides having cushion in HR benchmark formula is depriving the employees from its justified revision. In view of the same, the Authority directs the petitioner's management to place the matter before its board of directors for an appropriate decision, so that HR cost allowed under benchmark formula be distributed among its employees in just and fair equitable manner.

13.6 ***In view of the above, the Authority accepts the HR cost at Rs. 16,105 million as claimed by the petitioner, computed on the parameters as approved by the Authority, out of which Rs. 788 million shall be charged to RLNG business segment as per Annexure-B.***

iii. **Repair & Maintenance**

13.7 The petitioner has capitalized an amount of Rs. 1,801 million on account of Repair and Maintenance against the provisionally allowed amount of Rs 1,567 million in this head at DERR stage. Major capitalization includes UFG control activities i.e., coating & wrapping of Distribution pipeline to prevent leakages / losses / usage increase & enhancement and overhead & underground leak survey & rectification of leakages in distribution network. Other capitalization includes the repair and maintenance of Buildings, Software, Motor vehicles, Computer & allied equipment and Plant & machinery. ***In view of the same, the Authority allows revenue expenditure amounting to Rs. 1,801 million under the head of Repair & Maintenance for the said year.***

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13.8 The Authority notes that the petitioner has reported overall T&D cost within the permissible limit allowed by it at the time of RERR for the said year. ***In view of the same, the Authority decides to allow T&D cost at Rs. 18,383 million including GIC as allowed per para 8.1, for the said year.***

Table 21: T&D Cost Allowed

Rs. in Million

Particulars	FY 2020-21
	As Allowed
Salaries, wages, and benefits at benchmark	16,105
Repairs & maintenance	1,801
Other Remaining T&D Cost	3,021
Sub-total Cost	**20,927**
Less: Recoveries / Allocations	2,364
T&D Cost before GIC	**18,563**
Less: HR cost allocated to RLNG	**788**
Net T&D Cost before GIC	**17,775**
Add: Gas consumed internally incl. sabotage	608
Net Transmission & Distribution Cost	**18,383**

14. Other Charges

14.1 The petitioner has claimed Rs. 456 million on account of other charges comprising sports club expense, corporate social responsibility, provision against slow moving obsolete stores, loss on sale of plant & equipment and auditor fee etc. as against Rs. 1,245 million allowed in RERR for the said year thereby reporting 63% decreased. The breakup of the same is as under;

Table 22: Comparison of Other charges with RERR & Previous Year

Rs. in Million

Particulars	FRR	RERR	The Petition	Inc./(Dec.) over RERR FY 2020-21	
	FY 2019-20	FY 2020-21		Rs.	%
Provision against slow moving obsolete stores	32	-	88	88	100
Loss on sale of property, plant & equipment	42	-	133	133	100
Sports Club Expenses	63	55	54	(1)	(3)
Corporte Social Responsibility	60	45	35	(10)	(22)
Auditor's Fee	7	25	6	(19)	(77)
Other charges including rent expense IFRS-16	2,460	1,120	141	(979)	(87)
Total	**2,663**	**1,245**	**456**	**(789)**	**(63)**

14.2 ***In view of the above, the Authority accepts the same i.e., Rs. 456 million on account of other charges as claimed by the petitioner for the said year.***

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15. Expected Credit Loss (ECL)-Effect of Adoption of IFRS-9

15.1 The petitioner has claimed Rs. 3,848 million on account of ECL in respect of disconnected (Rs. 3,454 million) and live consumers (Rs. 393 million) for the said year. The petitioner has explained that it is obligated to implement IFRS-9 for the reporting period ending on or after 30 June 2019.

15.2 The petitioner has argued that it is statutorily obligated to comply with the requirements of the IFRS and OGRA historically has been allowing provision under IAS-19 and legality of the same has never been questioned by it. In simple terms petitioner has been tied between the Compliance of two regulators i.e. OGRA and SECP.

15.3 This IFRS 9 - ECL method would be applicable on all financial assets comprising receivables, however, SECP has exempted its application on financial assets due from Government of Pakistan (including receivables in the context of circular debt). Since past the Authority has not considered live consumers, whereas IFRS requires provisioning against live consumers also.

15.4 The Authority notes that the petitioner is misinterpreting its decision in respect of ECL allowance. The petitioner has not been barred by OGRA to comply SECP regulations, while preparing its accounts. Implementation of accounting standards by a statutory regulator does not necessarily require sector regulator to include its impact for its licensees, operating under cost plus regime.

15.5 IFRS-9 is an additional disclosure requirement relating to credit risk and expected credit loss allowance. Inclusion of such provisioning as part of price shall unnecessarily burden the natural gas consumers. Moreover, the petitioner has already been recording this provision against live consumers based on the opinion of its auditors without claiming its impact as part of revenue requirement calculation. Therefore, claiming live consumers provision as part of price while complying IFRS-9 defies no logic. The Authority further reiterates that matter in respect of live consumers has already reached finality. ***In the light thereof, Rs. 393 million claimed on account provision for doubtful debts against live consumers is hereby disallowed.***

15.6 Regarding petitioner's contention for allowance of any component in the past, the Authority is of the firm view that regulatory evolution takes place based on the changes occurred during the transformation of business dynamics. Dwindling gas supplies, new entrants in the gas market after promulgation of TPA Rules, end of exclusivity of franchise rights, international competitiveness of local industries are the factors re-shaping the gas market and transportation business. The Authority is of the firm view that determination of annual revenue requirement of the petitioner is being carried out by it on standalone basis considering the criteria set out in legal framework and the circumstances prevalent at that point in time. Any determination made in the past for any cost/revenue component does not guarantee any similar treatment in future.

15.7 The Authority further notes that the petitioner, while implementing IFRS-9, had started to record 100% provision against disconnected consumers based on its auditor's opinion and decision of Board of Directors from FY 2018-19 onwards. The Authority, however, while analyzing the data as provided by the petitioner for live and disconnected consumers, observes that provisioning against disconnected trade debts has been increasing significantly which reflects poor internal control systems, dismal recovery mechanism/efforts and bad corporate governance by the company. Since the company was allowed 100% provision against disconnected consumers in the past, it appears that all its recovery efforts were discontinued based on the presumption that entire

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provisioning shall be allowed as part of price. ***The Authority, on the basis of information provided by the petitioner as well as its performance on account of recoveries, decides to allow Rs. 906 million, computed on the basis of average of last five years provisions allowed by the Authority as part of current year revenue requirement.*** The Authority directs the petitioner to demonstrate and physically achieve efficiency in terms of increased recoveries, reduction in litigation cases and bad debts in order to curtailed its ever increasing provisions.

16. Financial Charges on Short Term Borrowing

16.1 The petitioner has reported Rs. 1,387 million on account of financial charges on short-term borrowing cost for the said year.

16.2 The petitioner has explained that due to substantial delay in the issuance of selling price notifications by the FG, a receivable balance of GDS has been accumulated to the tune of Rs. 214 billion. In order to manage its cash flows and smooth running of its operational activities, the petitioner has borrowed funds from financial institution to meet the working capital requirement.

16.3 ***In view of circumstances as referred above, the Authority decides to allow Rs. 1,387 million on account of financial charges on short-term borrowing cost for the said year.***

17. Financial charges on GDS Receivable

17.1 The petitioner has claimed financial charges on GDS receivable at Rs. 41,432 million including Rs. 26,695 million pertaining to previous years. The petitioner has explained that 15% mark-up is generated, if the payment is delay to FG for GDS. The petitioner since several years has a receivable GDS balance which is due from the FG and it has not been adjusted in the gas sales price notification by FG. Therefore, the Company is bound to borrow money from commercial banks which carries interest.

17.2 The Authority observes that the petitioner's request for the inclusion of financial charges on GDS receivable as an operating expense is without any legal backing in the light of applicable provisions of the OGRA Ordinance read with NGT Rules and tariff regime for natural gas sector of Pakistan. These are the entirely the imaginary numbers claimed by the petitioner based on its own whims and wishes and the same are not even verified by its auditors while initialing its accounts for the said year. Regarding company's genuine request for borrowing money from commercial banks owing to insufficient gas price revision by FG, the Authority observes that it has already been allowing short-term borrowing cost per para 16.3, while considering the circumstances as part of tariff regime, as narrated above, therefore any baseless claim without any legal backing can't be allowed to become part of price.

17.3 Notwithstanding the above, the Authority observes that the petitioner pays interest on GDS in accordance with the applicable provisions of GDS Ordinance, 1967 and the same falls outside the jurisdiction of OGRA Ordinance. Therefore, any adjustment on this account by the petitioner be taken with FG, as deemed appropriate.

17.4 ***In view of above, the Authority rejects the petitioner's claim made on account of GDS receivable and excludes entire amount of Rs. 41,432 million from gas price calculations.***

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533

18. Reclaimed Items – pertains to prior year

18.1 The petitioner has reported Rs. 48,074 million as 'reclaimed items' in the instant petition and requested to allow the same. The details are as follows:

Table 23: Detail of Re-claimed Items

DESCRIPTION	AMOUNT	
Adjustment for UFG above benchmark	**12,967**	
Tranmission & distribution cost		
Gas consumed internally Indigenous gas	4,380	
IFRS 16	158	
Impairment loss against financial assets	2,711	
Others	16	
Depreciation	30	
Return on Assets	24	
Financial charges on short term borrowing	2,433	
Sub Total NG		22,719
Claim RLNG volume handling:		
upto FY 2017-18	12,305	
upto FY 2018-19	13051	
Sub Total RLNG		**25,356**
Total		**48,074**

18.2 The petitioner has claimed adjustment of Rs. 4,380 million on account of Line Pack, GIC and UFG on RLNG Sales for previous years i.e. FY 2016-17 & FY 2017-18 including its claims w.r.t loss due to sabotage and disallowance above UFG benchmark for the respective years. The petitioner has stated that the Authority has already acknowledged volumes on account of Line Pack, GIC and UFG on RLNG Sales as part of its determination on Motion for Review against DFRR FY 2018-19 (Paras 5.9 & 5.12), however, its corresponding financial impact has not been adjusted in the revenue requirements calculation.

18.3 ***The Authority with reference to its above stated determinations, hereby allows Rs. 1,348 million to the extent of GIC, line pack and UFG on account of RLNG sales to customers for FY 2016-17 & FY 2017-18 in the reclaimed items in the said year subject to verification by SNGPL. In respect of claim on account of RLNG handling, the same has been comprehensively reviewed and decided by the Authority as part of MFR FRR FY 2018-19 and the said decision is reiterated here.***

18.4 Moreover, regarding erroneous exclusion on account of IFRS-16 from calculation sheet for FY 2019-20, the Authority includes Rs. 158 million for FY 2019-20 being reclaimed item as part of current year revenue requirement.

18.5 ***Accordingly, Rs. 1,506 million is allowed against petitioner's claim of Rs. 48,074 million, the Authority rejects rest of the claim of the portioner for the said year.***

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19. Cumulative revenue shortfall pertaining to previous years

19.1 The petitioner has claimed Rs. 178,412 million on account of cumulative revenue shortfall pertaining to previous years as per table below:

Table 24: Detail of Previous Year shortfall

Description	Rs. in Million
Shortfall up to FY 2017-18	53,500
Shortfall of FY 2018-19	89,938
Shortfall of FY 2019-20	34,973
	178,412

19.2 The petitioner has submitted that this revenue shortfall has emerged due to inadequate increase in gas prices by FG. Therefore, the petitioner has requested to incorporate cumulative revenue shortfall as part of instant decision. Regarding shortfall for FY 2017-18, the petitioner has now explained that it had erroneously included adjustment on account of RLNG differential margin. Since RLNG business is a ring-fenced activity, therefore, any adjustment based on actualization of RLNG prices should not be included as part of indigenous revenue requirement.

19.3 ***In view of the above, the Authority accepts the same, however, the impact has not been included as part of instant determination and decides to refer the matter in respect of previous years' shortfall i.e., Rs. 178,412 million to FG for devising appropriate policy so that the revenue shortfall as determined by OGRA is met.***

20. Summary of Discussion & Decisions

20.1 In view of the justifications submitted and arguments advanced by the petitioner in support of its petition, comments offered by the participants, scrutiny by the Authority and detailed reasons recorded in earlier paras, the Authority recapitulates and decides to:

a. determine gross addition in fixed assets at Rs. 8,498 million and depreciation charge at Rs. 7,010 million.
b. determine the balance of average net operating fixed assets (net of deferred credits & LPG Air mix) at Rs. 55,774 million. Consequently, the return required by the petitioner on its average net operating fixed assets is determined at Rs. 9,721 million.
c. accept subsidy on account of Air-mix LPG at Rs. 793 million.
d. accept the other operating income at Rs. 8,887 million.
e. determine revenue at current prescribed price at Rs. 189,939 million.
f. accept the cost of gas at Rs. 203,198 million.
g. determine UFG adjustment being invalid claim at Rs. 15,243 million.
h. determine T&D expenses including GIC at Rs. 18,383 million.
i. determine other charges including short term finance cost and ECL against disconnected consumers at Rs. 2,749 million.

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20.2 In exercise of powers under Section 8(2) of Ordinance, Authority determines FRR of petitioner for said year at Rs. 228,117 million as against petitioner's claim of Rs. 498,895 million, as tabulated below:

Table 25: Components of FRR as Determined by the Authority

Rs. in million

S.No	Particulars	Claimed by the Petitioner	As allowed
1	Cost of gas sold	203,198	203,198
2	UFG adjustment	(14,191)	(15,243)
3	Transmission and distribution cost	18,383	18,383
4	Depreciation	7,095	7,010
5	Financial Charges on GDS	42,819	1,387
6	Reclaimed items	48,074	1,506
7	Other charges including WPPF	4,304	1,362
8	Return on net average operating fixed assets	10,008	9,721
9	Additional revenue requirement for Air-Mix LPG Projects	793	793
10	Prior years Revenue Shortfall	178,412	-
	Total Revenue Requirement	**498,895**	**228,117**

20.3 The petitioner's actual net operating revenue is calculated at Rs. 198,826 million as against revenue requirement of Rs. 228,117 million resulting in shortfall of Rs. 29,291 million, while determining average prescribed price of Rs. 774.36/ MMBTU **(Annexure-A)** for the said year. ***Accordingly, the prescribed prices for each category of retail consumers for the said year stands adjusted to the extent of notified gas sale prices as advised by the GoP during the said year (Annexure-C).***

20.4 The Authority notes that it has been determining prescribed prices on annual basis as per its mandate provided in the Ordinance. However, owing to insufficient sale price revision by the FG in the past, the petitioner remained unable to meet the shortfall in the revenue requirements as determined by the Authority for each financial year. Accordingly, this backlog on account of insufficient revision in gas sale prices is persistently piling up and has now touched Rs. 178,412 million. ***The Authority, therefore, in the instant determination, has determined the prescribed price based on the revenue requirement for the said year i.e. FY 2020-21 only and decides to refer the matter in respect of recoupment of previous years' shortfall to the FG so that appropriate actions be taken in this respect.***

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5340

21. General Directions

21.1 In addition to the directions issued by the Authority in its previous determinations, the petitioner is further directed to:

21.1.1 ***to devise and implement action plan keeping in view the factors that contribute towards UFG specifically in Baluchistan. Further, the issue of low pressure of gas encountered by the consumers in the province, be addressed on priority by adopting appropriate operational measures including augmentation of its distribution network.***

21.1.2 ***vigorously proceed against the non consumers / illegal connections of 500,000-700,000 identified by the petitioner in Karachi and also make all out efforts to address this issue in Katchi Abadis as well and complete the task latest by June, 2023;***

21.1.3 ***to strictly maintain financial discipline during execution of the capital jobs while remaining within the allowed amounts against individual projects approved by the Authority at DERR stage;***

21.1.4 ***to timely execute and complete the capital jobs allowed by the Authority in the same year, keeping in view the best project management practices to avoid operational impediments and cost escalations due to the delays;***

21.1.5 ***to implement KMI's in its true letter and spirit as inherently intended in the UFG Study for determination of UFG Benchmark conducted by M/s KPMG and to adopt serious, meaningful and result oriented measures on continuous basis so as to the achieve the ultimate goal of bringing the UFG down to the minimum as per given benchmark in this regard;***

21.1.6 ***make the concerted efforts to reduce all the avoidable costs particularly the finance related costs, UFG-thefts, currency exchange loss, LPS and transmission and distribution cost. Moreover, the petitioner is directed to undertake concerted efforts to reduce gas theft and losses.***

21.1.7 ***Board of Directors is requested to take effective measures to reduce cost of service by effectively monitoring of all input costs.***

21.1.8 ***expedite the recovery from defaulting consumers and curtail ever-increasing expenses under the provision for doubtful debt, litigation cases and cost relating thereto.***

21.1.9 ***devise and implement action plan keeping in view the factors that contribute towards UFG specifically in Baluchistan. Further, the issue of low pressure of gas encountered by the consumers in the province, be addressed on priority by adopting appropriate operational measures including augmentation of its distribution network.***

21.1.10 ***vigorously proceed against the non-consumers / illegal connections of over 500,000-700,000 Nos. in Karachi, as identified by the petitioner in accordance with applicable laws interalia including Gas (Theft Control and Recovery) Act, 2016, which is in field with full force, so as to reduce the overall UFG in its franchised area.***

21.1.11 ***All other directions/decisions issued at DERR/RERR for the said year, unless specifically revised/amended shall remain in full force and effect.***

Mohammad Naeem Ghouri
Member (Finance)

Zainul Abideen Qureshi,
Member (Oil)

Masroor Khan,
Chairman

For

REGISTRAR
Oil & Gas Regulatory Authority
Islamabad

A. Final Revenue Requirement for FY 2020-21

Annexure – A

Rs. in Million

	Particulars	RERR FY 2020-21	The Petition	The Adjustment	As Calculated
Gas sales volume -MMCF		369,336	283,549		283,549
	BBTU	357,722	283,111		283,111
"A"	**Net Operating Revenues**				
	Net sales at current prescribed price	278,520	222,407	(32,468)	189,939
	Meter rentals	1,489	1,368	-	1,368
	Amortization of deferred credit	530	601	-	601
	Sale of LPG/LNG and condensate	1,506	(29)	-	(29)
	Late payment surcharge	1,248	1,936	0	1,936
	Meter manufacturing profit	29	7	-	7
	Notional Income on IAS-19 provision	575	385	-	385
	Other operating income	2,360	4,619	-	4,619
	Total Operating Revenue "A"	286,257	231,295	(32,468)	198,826
"B"	**Less: Operating Expenses**				
	Cost of gas	224,612	203,198	-	203,198
	UFG Adjustment	(19,718)	(14,191)	(1,052)	(15,243)
	Transmission and distribution cost	17,999	18,383	-	18,383
	Depreciation	6,857	7,095	(85)	7,010
	Financial Charges on GDS Receivable including short term borrowing cost	-	42,819	(41,432)	1,387
	Reclaimed items	-	48,074	(46,568)	1,506
	Other charges including Expected Credit Loss (ECL)-Effect of Adoption of IFRS-9	1,243	4,304	(2,942)	1,362
	Total Operating Expenses "B"	227,321	309,684	(92,080)	217,602
"C"	**Operating profit / (loss) (A-B)**	(65,542)	(78,389)	59,611	(18,776)
Return required on net operating fixed assets:					
Net operating fixed assets at beginning		46,615	63,701	(511)	63,190
Net operating fixed assets at ending		48,068	66,873	(2,777)	64,096
		94,683	130,573	(3,287)	127,286
Average net operating assets (I)		47,280	65,287	(1,644)	63,643
Net LPG air mix project asset at beginning		2,628	1,120	-	1,120
Net LPG air mix project asset at ending		2,538	1,033	-	1,033
		5,166	2,153	-	2,153
Average net LPG air-mix assets (II)		2,583	1,077	-	1,077
				-	
Net MMP at beginning		251	55	-	64
Net MMP at ending		265	64	-	55
		516	119	-	119
Average net MMP assets (III)		258	60	-	60
Deferred credit at beginning - Assets related to Natural Gas Activity		5,118	6,412	-	6,412
Deferred credit at ending - Assets related to Natural Gas Activity		5,271	7,054		7,054
		10,388	13,466	-	13,466
Average net deferred credit (V)		5,194	6,733	-	6,733
"D" Average (I-II-III-IV-V)		39,432	57,418	(1,644)	55,774
	Rate of Return	17.43%	17.43%		17.43%
"E"	Return required	6,873	10,008	(286)	9,721
"F"	Shortfall / (Surplus) in return required (E-C) (Gas Operations)	(37,793)	88,397	(59,899)	28,498
"G"	Additional revenue requirement for Air-Mix LPG Projects	1,080	793	-	793
"H"	**Shortfall / (Surplus) H=(F+G)**	(36,713)	89,190	(59,899)	29,291
	Increase/(decrease) in average prescribed price FY 2020-21 (Rs. / MMBTU)	(102.63)	315.03	(211.57)	103.46
	Average Prescribed Price for FY 2020-21 (Rs./MMBTU)	636.07	1,100.62	(326.26)	774.36
"I"	Prior years Revenue Shortfall	50,983	178,412	(178,412)	-
"J"	**Total Shortfall / (Surplus) J=(H+I) (including prior year)**	14,270	267,601	(238,310)	29,291
	Increase in average prescribed price after previous year shortfall *(Rs. / MMBTU) w.e.f July 01, 2020*	39.89	945.22	(841.76)	103.46
	Total revenue requirement	286,257	498,895	(270,778)	228,117
	Average Prescribed Price for FY 2020 21 (Rs./MMBTU)	778.59	1,730.80	(956.44)	774.36

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539

B. Computation of HR Cost Benchmark FY 2020-21 **Annexure – B**

Rs. in Million

	Particulars	2019-20	FRR 2020-21	
	HR BENCHMARK COST PARAMETERS	**FRR**	**The Petition**	**Allowed**
	Base Cost	13,575	14,523	14,523
	CPI factor	10.74%	8.90%	8.90%
	T & D network (Km)	51,646	52,592	52,592
	Number of Consumers (No.)	3,113,935	3,212,210	3,212,210
	Sales Volume (MMCF)	642,624	682,072	682,072
	Unit Rate (Rs,/unit)			
	T&D network (Rs./Km)	**265,921**	**281,212**	**281,212**
	No. of Consumers (Rs./Consumer)	**4,496**	**4,664**	**4,664**
	Sale Volume (Rs./MMCF)	**19,616**	**22,600**	**22,600**
	HR Cost Build-up (Million Rs)			
50%	Cost CPI -50%	729	646	646
25%	T & D network (Km) 25%	3,433	3,697	3,697
65%	Number of Consumers (No.) 65%	9,100	9,738	9,738
10%	Sales Volume (MMCF)-10%	1,261	1,542	1,542
	HR Benchmark Cost	**14,523**	**15,623**	**15,623**
	IAS Cost	**919**	**482**	**482**
	Total HR Benchmark Cost	**15,442**	**16,105**	**16,105**
	HR cost allowed (Rs. in million)	**-**	**-**	**-**
	Excluded HR cost related to RLNG consumers	**(599)**	**(765)**	**(788)**
	Net HR cost allowed (Rs. in million)	**14,843**	**15,340**	**15,317**

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540

C. Prescribed Prices for FRR FY 2020-21

Annexure – C

		Average Prescribed Price FY 2020-21	Category-wise Prescribed Price w.e.f 01.07.20	Category-wise Prescribed Price w.e.f. 01.09.20
			Rs./MMBTU	
(i)	**Domestic consumers**			
	a) Stand alone Meters			
	b) Mosques, churches, temples, madrassas, other religious places and hostels attached thereto.			
	Upto 0.5 hm3 per month	774.36	121.00	121.00
	Upto 1 hm3 per month	774.36	300.00	300.00
	Upto 2 hm3 per month	774.36	553.00	553.00
	Upto 3 hm3 per month	774.36	738.00	738.00
	Upto 4 hm3 per month	774.36	1,107.00	1,107.00
	Above 4 hm3 per month	774.36	1,460.00	1,460.00
	The billing mechasism will be revised so that the benefit of one previous / preceding slab is availble to domestic consumer (residentail use).			
	c) Government and semi-Government offices, hospitals, Clinics, Maternity Homes, Government guest houses, Armed Forces messes,langars, universities, colleges, schools, private educational institutions, orphanages and other charitable institutions along with Hostels and Residential Colonies to whom Gas is supplied through bulk meters including captive power.			
	The tariff for captive gas use in this category will be charged as per captive power category.			
	All off-takes at flat rate of	774.36	780.00	780.00
(ii)	**Special Commercial Consumer (Roti Tandoor)**			
	Upto 0.5 hm3 per month	774.36	110.00	110.00
	Upto 1 hm3 per month	774.36	110.00	110.00
	Upto 2 hm3 per month	774.36	220.00	220.00
	Upto 3 hm3 per month	774.36	220.00	220.00
	Above 3 hm3 per month	774.36	700.00	700.00
(iii)	**Commercial Consumers**			
	All establishments registered as commercial units with local authorities or dealing in consumer items for direct commercial sale like cafes, milk shops, tea stalls, canteens barber shops, laundries, tandours, places of entertainment like cinemas, clubs and theaters, private offices, corporate homes etc.			
	All off-takes at flat rate of	774.36	1,283.00	1,283.00
(iv)	**Ice Factories**			
	All off-takes at flat rate of	774.36	1,283.00	1,283.00
(v)	**General Industrial**			
	All consumers engaged in the processing of industrial raw material into value added finished products irrespective of the volume			
	All off-takes at flat rate of	774.36	1,021.00	1,054.00
(vi)	**Registered manufactures or exporters of five zero-rated sectors and their captive power namely: Textile (including jute) carpets, leather, sports and surgical goods.**			
	All off-takes at flat rate of	774.36	786.00	
(vii)	**Export Oriented**			
	a) Zero Rated consumers (Industrial)			
	All off-takes at flat rate of	774.36	786.00	819.00
	b) Zero Rated consumers (Captive)			
	All off-takes at flat rate of	774.36		852.00
(viii)	**Captive Power**			
	All off-takes at flat rate of	774.36	1,021.00	1,087.00
(ix)	**CNG Stations**			
	Region (I)			
	All off-takes at flat rate of	774.36	1,283.00	1,371.00
	Region (II)			
	All off-takes at flat rate of	774.36		1,350.00
(x)	**Cement Factories**			
	All off-takes at flat rate of	774.36	1,277.00	1,277.00
(xi)	**Fauji Fertilizer Bin Qasim Limited**			
	a) For gas used as feed-stock for Fertilizer	774.36	300.00	302.00
	b) For gas used as fuel for generating steam and electricity and for usage in housing colonies for fertilizer factories	774.36	1,021.00	1,023.00
(xii)	**Power Stations**			
	All off takes at flat rate of	774.36	824.00	857.00
(xiii)	**Independent Power Producers (IPP)**			
	All off-takes at flat rate of	774.36	824.00	857.00

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541

D. SSGCL Field-wise Gas Purchases & WACOG FY 2020-21

Annexure – D

	MMCF	MMMBTU	Rs per MMBTU	Rs Million
Sui	38,604	36,852	410.48	15,127
Kandhkot	565	462	234.85	109
Ghotki ,Rustam,Ubaro,Sherdil,Chandiko - SNGPL	1,578	1,372	780.00	1,070
Mari	339	245	243.73	60
Sari / Hundi	286	260	472.71	123
Maher / Mubarak Block	3,216	3,495	410.59	1,435
Pasaki Deep & Kunnar Deep	42,435	43,611	416.59	18,168
Adam X-1 / Hala	6,305	6,554	651.83	4,272
Pakhro / Noorai Jagir/Daru	616	723	214.68	155
Zargoon	8,315	7,890	962.98	7,598
Bobi	1,339	1,522	272.54	415
Latif	3,189	3,278	608.24	1,994
Kirther (Rehman)-EWT	13,270	11,124	805.76	8,963
Rizq EWT	7,026	6,731	795.05	5,351
Badin	10,562	11,498	382.11	4,394
Kadanwari	5,237	5,256	865.94	4,551
Miano	5,965	5,990	473.44	2,836
Sawan	3,433	3,529	486.02	1,715
Zamzama	2,896	2,311	462.97	1,070
Bhit	34,144	32,860	512.97	16,856
Mazarani	1,042	1,059	280.14	297
Khipro Block - Naimat Basal	66,226	57,538	679.41	39,092
Mirpurkhas Block - Kausar	28,480	33,372	744.07	24,831
Sujawal / Sujjal	4,460	4,752	716.10	3,403
Nur Bagla fields	778	849	411.59	349
Jakhro/Dachrapur /Gopang/ Nim	301	310	413.96	128
Gambat Block -Wafiq/Shahdad-(XI)	29,457	26,719	585.37	15,641
Sinjhoro	7,863	8,111	407.47	3,305
TAY	16,597	16,754	443.29	7,427
Sofiya	2	3	(941.35)	(2)
Aqeeq	390	416	753.21	313
Britism	2,145	2,214	414.59	918
Chutto	3,424	4,032	408.47	1,647
Mitha	1,479	1,485	(690.90)	(1,026)
Kotri North	356	343	731.66	251
Thal	984	1,011	757.38	766
Bitro	827	850	699.91	595
Ayesha	5,137	5,079	861.25	4,375
Saand	2,204	2,008	478	960
Saqib	899	906	463	419
Benari	450	467	682	318
Excise duty				3,525
Sub-Total	362,822	353,840	575.95	203,793
Currency Exchange Loss				(3,223)
Weighted Average SSGCL input Cost of Gas	362,822	353,840	566.84	200,569
Weighted Average SNGPL input Cost of Gas	369,283	351,067	472.64	165,930
Weighted Average Both input Cost of Gas (WACOG)	732,105	704,907	519.93	366,499
Rs/MCF			500.61	

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