

PUBLIC HEARING NOTICE

Petition Filed by Sui Southern Gas Company Limited for Determination of its Estimated Revenue Requirement/Prescribed Prices for F.Y. 2023-24

Sui Southern Gas Company Limited (the Petitioner) filed a petition before the Authority on January 10, 2023 under Section 8 (1) of the Oil and Gas Regulatory Authority Ordinance, 2002, read with Rule 4 (2) of the Natural Gas Tariff Rules, 2002 for Determination of its Estimated Revenue Requirements / prescribed prices for FY 2023-24. The Petitioner has projected average prescribed price Rs. 1,060.12 per MMBTU for FY 2023-24 in natural gas business. Activity-wise shortfall in respect of Revenue Requirement of indigenous gas is tabulated below:

PARTICULARS	Transmission Activities	Distribution & Sales Activities	Total
	Rs. in Million		
Sales Volume (BBTU)	-	250,991	250,991
Cost of Gas	-	235,988	235,988
Transmission & Distribution Cost including other charges	5,523	18,030	23,553
Depreciation	978	7,634	8,612
Financial Charges on short term borrowing	1,174	4,235	5,409
Return on Assets	4,564	5,141	9,705
Subsidy for LPG Air-Mix Projects	-	2,807	2,807
UFG adjustment on RLNG volume handled basis (ring fence)	-	(15,120)	(15,120)
Other Operating Income	(290)	(4,584)	(4,874)
Total Revenue Requirement	11,949	254,132	266,081
Sale Revenue at current Prescribed Price	-	167,771	167,771
Shortfall in Revenue Requirement for FY 2023-24	-	-	98,310
Increase in Revenue Requirement w.e.f. 1st July, 2023 (Rs./MMBTU)	-	-	391.69
Average prescribed price (Rs./MMBTU) w.e.f. July 01, 2023	-	-	1,060.12

The Revenue Requirement of the petitioner will enable it to meet cost of gas, operating cost and return on assets. The cost of gas is linked to the international price of crude oil / fuel oil in accordance with the agreements between the Federal Government and the gas producers.

Besides above, the petitioner has projected RLNG cost of service at Rs. 25.01 per MMBTU for RLNG business.

Exclusive rights held by the petitioner in its franchise areas i.e. Sindh and Balochistan has expired as per the respective license, however the Petitioner has projected Rs.1695 million for laying of 247 km distribution mains to connect various new towns and villages.

The additional issues are as follows:

- Whether projection in gas supplies volume from local gas fields is fair and reasonable. Any steps / measures taken by Petitioner to meet country's increasing energy demand?
- Reasons and justification for projecting Transmission & Distribution costs including other charges at Rs. 23,553 million for FY 2023-24. Explain the steps taken by the Petitioner on cost curtailment in the light of Federal Government's directions for austerity drive as well as decreasing indigenous gas supplies.
- Reason for not projecting "Pipeline Transportation income" as part of Tariff calculation, despite the promulgation of TPA Rules, 2018? Also, elaborate concrete efforts made by the company to attract private shipper to utilize the surplus/idle Pipeline capacity, keeping in view the scarcity of the natural gas in the country.
- Concrete steps taken by the Petitioner to improve corporate governance in terms of reduced litigation, consumer complaints and improvement in customer services.
- Whether the claim of the Petitioner/Company for addition of 117,751 Nos new domestic connections on indigenous gas is justified since continuity and security of gas supply to existing as well as prospective consumers has to be ensured and GoP has already imposed moratorium on execution of gas development schemes and provision of new domestic gas connections?
- Whether the Company's proposed Gas Distribution System amounting to Rs 9,105 million is prudent, considering the fact that SSGCL no longer holds exclusively to develop gas schemes in its franchised area of Sindh and Baluchistan provinces?
- Necessity of laying of transmission lines proposed to be executed in the said year, when the indignados gas supplies are already on the decline?
- Whether the claimed capital expenditure amounting to Rs.46,893 million against cost effective & economically efficient for inclusion in the rate base?
- Whether the expenses of Rs 1,978 million claimed against UFG controlled activities are justified in view of 13.13 % UFG projected by the Company?
- It is also noted that SSGCL has not projected UFG Control Programs like : Segmentation and Rehabilitation of Mains and Services Replacement.
- What specific measures SSGC must take to reduce UFG particularly in its area of operation, where the menace of theft of gas and gas leakage is reportedly on higher side?

Oil & Gas Regulatory Authority invites all interested/affected persons including gas consumers and general public to furnish their comments, suggestions and intervention requests. All correspondence in this connection may be addressed to Registrar, OGRA and should contain the names and addresses of applicant.

All interveners must indicate the manner in which they are likely to be affected by determination of the Authority in this case. Intervention request should be accompanied by an affidavit verifying the contents of the intervention, intervention fee of Rs.500/- (demand draft in favour of OGRA) and authority letter if representing an organization.

Those who intend to attend virtually through Zoom Application can get registered at registrar@ogra.org.pk

Copy of the petition is available on OGRA's official website which can also be obtained on payment of prescribed charges of Rs.2/- per page from the office of Registrar, OGRA, Islamabad. For any information required from the Petitioner, please contact:

Muhammad Asad Mustafa,

Acting GM (Regulatory Affairs Dept),

Sui Southern Gas Company Limited, ST 4/B, Block 14, Sir Shah Suleman Road,

Gulshan-e-Iqbal, P.O. Box17989, **KARACHI.**

Phone No.: 021-99231351, Fax: 021-99231398

OGRA has decided to hold **Public Hearings** in the subject case according to the date, time and venue mentioned below:

Date : March 13, 2023 (Monday)
Time : 10:30 a.m.
Venue : Main Auditorium, SSGCL, Head Office, Block 14, Sir Shah Suleman Road, Gulshan-e-Iqbal, **Karachi**

-AND-

Date : March 17, 2023 (Friday)
Time : 10:30 a.m.
Venue : Serena Hotel, **Quetta**

All parties to the proceedings, stakeholders, general public and interested / affected persons are hereby informed of the above proceedings.

Registrar,

Oil & Gas Regulatory Authority

Oil & Gas Regulatory Authority

54-B Fazal-e-Haq Road, Blue Area, Islamabad.

Phone: 051-9244296, 051-9244090-98 (Ext-157) Fax: 051-9244042

Website: www.ogra.org.pk

Public Service Message:

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