

آئل اینڈ گیس
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Oil & Gas
Regulatory Authority

Case No. OGRA-6(2)-1(TT)/2019

IN THE MATTER OF
SUI NORTHERN GAS PIPELINES LIMITED
DETERMINATION OF TRANSPORTATION TARIFF OF TRANSMISSION AND
DISTRIBUTION SYSTEM, FY 2019-20

UNDER

OGRA GAS (THIRD PARTY ACCESS) RULES, 2018 AND
PAKISTAN GAS NETWORK CODE

DECISION

May 05, 2023

Before:

Mr. Masroor Khan, Chairman

Mr. Zain-ul-Abideen Qureshi, Member (Oil)

Mr. Mohammad Naeem Ghouri, Member (Finance)

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1. Background

- 1.1. Sui Northern Gas Pipelines Limited (the petitioner) is OGRA's licensee for the regulated activities of construction and operation of gas transmission and distribution pipelines and sale of natural gas. The petitioner is also engaged in transportation and sale of RLNG in the light of Federal Government's policy guidelines.
- 1.2. The petitioner has filed the petition on July 28, 2022 (the petition) for determination of transportation tariff for FY 2019-20 (the said year) under OGRA Gas Third Party Access Rules, 2018 (TPA Rules) read with Pakistan Gas Network Code (PGNC). The petitioner has submitted that tariff working for both Transmission and Distribution system is based on Rule 2(1)(cc), Rule 3(3), Schedule-I of TPA Rules and worked examples as provided in Article 25.6(a) and 25.6(b) of PGNC.
- 1.3. The petitioner, based on Authority's decision of Motion for Review on Final Revenue Requirement (MFRR) for the said year, has worked out the transportation tariff in respect of transmission and distribution network. Accordingly, operating costs, depreciation and return on asset has been segregated into fixed and variable cost as required in transportation tariff methodology. Moreover, throughput volumes have been aligned with the volumes of FRR/MFRR for the said year.
- 1.4. The petitioner's submission is summarized below:

Table 1: Transportation Tariff of Transmission & Distribution Network per the Petition

Description	Transportation Tariff	
	TRANSMISSION NETWORK	DISTRIBUTION NETWORK
	Value	Value
Throughput volume of transmission & Distribution network MMCFD	1,881	1,053
Fixed components: (Rs. In million)		
i) Transmission & Distribution operating cost	6,497	17,104
ii) Depreciation component of the transportation cost	7,688	11,425
iii) Return on Assets	11,170	15,619
Total Fixed Cost:	25,356	44,147
Variable components: (Rs. In million)		
i) Stores and spares consumed	288	196
ii) Repair and maintenance cost	308	1,211
iii) Fuel and power	210	259
iv) Any other cost of similar nature		
Total Variable Cost:	806	1,666
Description	Rs./MCF	Rs./MCF
Average capacity charge	36.83	114.50
Average utilization charge	1.17	4.32
Total	38.00	118.82
1) In case of firm service, the shipper shall pay capacity charge to equivalent to the capacity booked while utilization charge to be paid with respect to the volume actually transported.		
2) In case of interruptible service, the shipper shall pay capacity charge and utilization charges equivalent to the volume actually transported.		

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1.5. The Authority, after admission of the instant petition, published notices for public hearings on September 13, 2022 in the leading newspapers, for seeking comments/interventions. The Authority received intervention requests from Mr. Ghiyas Abdullah Paracha, Chief Executive Officer, Universal Gas Distribution Company Limited (UGDCL) and M/s. Pak Arab Fertilizer and the both were accepted by it.

2. Salient Features of the Petition

2.1. The salient features of the petition are as under:

2.1.1. Aggregate throughput capacity of transmission & distribution network has been calculated based on the volumes of indigenous & RLNG after adjustment on account of retainage, gas internally consumed and gas losses. Accordingly, capacity of transmission & distribution network system has been claimed at 1881 MMSCFD & 1053 MMSCFD respectively.

2.1.2. Total T&D costs of Rs. 26,073 million per MFRR have been segregated into transmission & distribution activity. Depreciation amounting to Rs. 19,113 million has also been claimed as per the Authority determination for the said year.

2.1.3. Net fixed assets of natural gas and RLNG segments have also been separated in terms of regulated activities viz; transmission & distribution as per MFRR decision. Accordingly, rate of return has been claimed at 17.43% of net operating fixed assets.

3. Proceedings and Public Interventions

3.1. Public hearings were held on September 19, 21 & 26, 2022 at Lahore, Peshawar and Karachi. The petitioner's team led by Syed Ali Hamdani, Managing Director and the following interveners/participants attended the hearing:

Interveners / Participants:

- 1) Mr. Amin Rajput, CFO, SSGCL
- 2) Mr. Ghayas Abdullah Paracha, Chairman, All Pakistan CNG Association & CEO UGDC
- 3) Mr. Abid Saeed, M/s Pakarab Fertilizer Ltd.
- 4) Abdul Sami Khan, Chairman CNG Dealers Association of Pakistan, and Chairman Pakistan Petroleum Dealers Association
- 5) Mr. Mahboob Elahi, Energy Expert
- 6) Mr. Shafiq Ahmad Butt, FPCCI
- 7) Mr. Yousaf Inam, Manager (Sales & Marketing) Pakistan LNG Limited
- 8) Mr. Fazal Moqem Khan, Chairman, KPK, All Pakistan CNG Association
- 9) Engr. Alam Zeb Khan, Cooperative CNG Associates
- 10) Mr. Ejaz Khan, Air Cdr. Cooperative CNG Associates
- 11) Malik Khuda Baksh, Chairman, CNG Owners Association of Pakistan
- 12) Mr. M. Moiz, Engro Chemical
- 13) Mr. Mazhar Uddin, Shell Pakistan, GM Marketing
- 14) Mr. Javed Majeed, General Manager, Tabeer Energy
- 15) Mr. Hamad Tariq Ashraf, Executive Officer, Tabeer Energy
- 16) Mr. Zafar Mehmood, UGDC

3.2. The petitioner made submissions in detail with the help of a multimedia presentation explaining the basis of its petition and offered reasons on the key issues and queries referred

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in public hearing as well as the advertisement. The main points of the petitioner are summarized below:

- 3.2.1. It was highlighted that determination of transportation tariff by the Authority is quite critical for the petitioner as well as shipper while providing win win situation for all stakeholders.
- 3.2.2. It was highlighted that the petitioner is making all out efforts to encourage more and more shippers to meet country's energy demand in the wake of depleting local gas sources.
- 3.2.3. It was informed that the petitioner is raising provisional invoices to M/s Pak Arab Fertilizer Ltd. subject to the adjustment based on Authority's instant decision on transportation tariff.
- 3.2.4. It was urged that the selling components of T&D cost viz; call center and Advertisement be allowed under transportation tariff as these expenses are directly attributable with company's operations and are also beneficial for the shipper's activity. Moreover, since the transportation tariff is based on postal stamp basis, therefore, in all fairness all costs be allowed to be recovered from shipper as the responsibility of physical delivery of gas molecules at shipper's consumers' doorstep continue to rest with the petitioner.
- 3.2.5. Regarding other selling expenses such as provision for doubtful debts, gathering charges, recovery through contractors, the petitioner has admitted that the same can be excluded from tariff being irrelevant to the transportation activity.
- 3.2.6. It was informed that expenses associated with dedicated sales along with the corresponding volumes have been accounted for while working out the transportation tariff in fair and equitable manner.
- 3.2.7. It was requested that transportation tariff be based on throughput capacity rather than designed capacity since TPA Rules ensures recovery of all relevant and fairly allocated cost to the transporter, since application of designed capacity would lead to short recovery. It was argued that short recovery through this methodology will put its own consumers at disadvantage since this an operating income and is offered as part of revenue requirement calculations.
- 3.2.8. It was argued that determination of designed capacity of distribution network is major constraints due to spaghetti network and other variable factors including gas pressures, load variations, pipeline dia and length. It was informed that the petitioner is currently calculating and updating the capacity of industrial dominant SMS only in line with TPA Rules since pressures remains relatively stable here and there is no technological constraint in reporting the designed capacity of these mains at distribution system.
- 3.2.9. It was explained that utilization charges have been calculated in line with the principles laid down in the TPA Rules & PGNC and the prime reason for its apparently lower rate is the fact that is that GIC, SUG & etc are allowed in kind.
- 3.2.10. Regarding query on distance-based transportation tariff, it was informed that current methodology allows postal stamp basis, therefore, any amendment if requires needs review of relevant law/code. Internationally, distance-based tariffs or Entry/Exit tariffs are in field, in case of those transmission lines where there is unidirectional flow of the gas. In case of multidirectional and inter-looped transmission and


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spaghetti/intermingled distribution networks like the petitioner, postal stamp tariff is designed in view of their simplicity and transparency.

3.3. The substantive points made by the interveners and participants during public hearing are summarized below:

- 3.3.1. It was highlighted that the petitioner is enjoying monopoly in natural gas market and is not providing the opportunity for the other shippers. M/s UGDCL, despite lapse of around eight years, could not be able to ship even a single molecule owing to various hinderances and hurdles of the system. Such continued practice by the petitioner would result in collapse of entire TPA regime and fail to achieve its objective.
- 3.3.2. The petitioner's management was requested to provide the details of shippers and their contracted capacity agreed during last two years.
- 3.3.3. It was highlighted that prospective shippers are in the market but restrictions have been imposed by the transporter that shipper cannot supply gas to existing gas consumers. Moreover, it was argued that since single pipeline is being used to multiple consumers and how billing volume and pressures would be calculated by the petitioner.
- 3.3.4. It was argued that transporter must not unduly gain on account of the differential balancing charges for excess off-takes and vice versa. It was demanded that Neutral Market Price in pursuance of Articles 3.7 and 3.8 be determined at on the basis of criteria laid down in Article 3.10 of PGNC.
- 3.3.5. It was urged that petitioner's RLNG consumers and shipper be charged same transportation tariff otherwise it would create anomaly and disparity in rates.
- 3.3.6. It was demanded that all cost heads currently being charged on actual for determination of capacity and utilization charge need to be benchmarked with best international practices with respective thresholds defined to facilitate in ensuring supply of gas at competitive price levels.
- 3.3.7. It was demanded that exclusive guarantee be provided for complete compliance of Authority's decisions by transporter. In case of any deviation, shippers will be financially affected as their entire working dependent on OGRA's decision.
- 3.3.8. It was demanded that FG as well as OGRA make efforts to foster competitive environment for investors otherwise new entrant will be discouraged.
- 3.3.9. It was demanded to give shipper surety that their gas will be supplied exclusively to entitled customer and such gas will not be diverted to other consumers. It was also requested that no restriction on shipper gas supplies to any consumers will be placed or any caveat will be insinuated on any gas supplies.
- 3.3.10. It was asked from transporter that is there any plan/proposal to enhance pipeline capacity otherwise shipper will be discouraged or constrained to compete for acquiring limited surplus capacity otherwise will leave no space for prospective shipper.
- 3.3.11. It was pointed out that most of the assets comprising of the Transmission & Distribution pipelines and assets being used by the transporter from last 40-50 years and have Nil WDV, therefore amount of depreciation amount in insignificant minimal. It was suggested that it would be fair and equitable that regulated operating assets are revalued and appropriate depreciation rate based on remaining useful economic lives of operating assets is applied. The concept of net replacement value

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- merits consideration for determining of transportation tariff instead of historic book value.
- 3.3.12. Concerns were shown over non-availability of exact Distribution designed capacity; and it was demanded that local gas (including new fields i.e. Tel, Bannu & Kaka-khel fields) should be supplied to KPK consumers on priority being their first right of use and avoid supplying imported RLNG to KPK.
- 3.3.13. It was demanded that the petitioner should allow only those operating cost components which are directly attributable to their gas transportation activities while excluding other irrelevant components i.e. selling components.
- 3.3.14. It was suggested that using of designed capacity denominator would result in less recovery of transportation tariff to SNGPL; therefore, actual capacity utilization would be more suitable in tariff determination.
- 3.3.15. It was highlighted that as severe gas shortages are prevailing in Sindh and Karachi, it was requested to ensure gas supply in Karachi. Sindh CNG owners are facing issues from their deposited bank guarantee reimbursement from SSGCL; it was requested to allow refund/encashment against closed CNG stations. In case of any dispute/receivable amount from CNG owner against GDS, it should be settled on immediate basis.
- 3.3.16. SSGCL's representative overall endorsed computation methodology of SNGPL's Transportation tariff working and raised no objections based on premise that it is in line with existing legal framework.

4. Authority's Jurisdiction & Determination Process

- 4.1. The Authority examined, in depth, the petition in light of relevant legal provisions. The process was followed in true letter and spirit. Public notices were issued and all stakeholders were provided full opportunity to intervene/comment upon issues, in writing and at public hearing.
- 4.2. The Authority gives full consideration to observations and comments of all stakeholders while determining transportation tariff in respect of transmission & distribution activity.
- 4.3. The overall function of transportation tariff determination as well as its scheme is explicitly provided in the legal framework as defined in TPA Rules read with PGNC and the petitioner's license for regulated activities. Therefore, all legal instruments including tariff regime for regulated natural gas sector are to be read together to understand the mechanism established to carry out the function. Transportation tariff for services consist of fixed (capacity) and variable (throughput) charges according to type of service to be provided by the transporter.
- 4.4. The Authority shall determine the transportation tariff in respect of transmission network and distribution network while allowing prudent, relevant and fairly allocated costs of service. The costs as allowed by the Authority as part of FRR/MFRR for the said year shall become part of the instant determination. Accordingly, the petitioner, in the light of decision in respect of FRR/MFRR for the said year, submitted the tariff application, segregated on the basis of fair allocation in respect of transmission & distribution activity. Such tariff shall be

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calculated at a postal stamp uniform rate, on annual basis in accordance with TPA Rules and Pakistan Gas Network code.

4.5. Accordingly, the Authority, in the light of mechanism stipulated in TPA Rules 2018 and Pakistan Gas Network Code, shall set the transportation tariff based on fair allocation in such manner which shall be coherent with the prevalent circumstances and shall strike a balance among divergent interests of various stakeholders and provide level playing field to all stakeholders.

5. Designed Capacity for Transportation & Distribution network

- 5.1. The petitioner has submitted that clause No. 3 of Schedule I of TPA Rules, permits the transporter to collect all the fairly allocated costs and such costs can only be collected if the transportation tariff is worked out on throughput. The petitioner further stated that working out the transportation tariff on designed capacity will result in under recovery from the shipper which is contradictory to the intent of clause 3 of Schedule I of TPA Rules.
- 5.2. The petitioner has highlighted that operating pipeline at full capacity is dependent upon uncontrollable factors such as availability of gas/ RLNG, demand from power sector etc. In addition, the petitioner has explained that since the transportation tariff is an operating income of the transporter, therefore, computing the tariff at designed capacity will result into lower credit to the existing consumers and consequent higher consumer prices. Accordingly, the petitioner has requested that in order to maintain the consistency, avoid discrimination, ensure full cost recovery to the transporter and its consequent passing on to the existing consumers' prices, transportation tariff be worked out at throughput instead of at designed capacity.
- 5.3. The petitioner based on its own interpretation has worked out throughput as 1,881 MMCFD in case of transmission system and 1,053 MMCFD in case of distribution system. The detail of working of petitioner is given as under:

Table 2: Capacity Claimed per the Petition

Description	Units	Reference	Indigenous	RLNG	Total
Transmission					
Net Gas Received in Transmission System	MMCF		391,841	306,229	698,070
Gas Used in operations of Transmission System (GIC etc)	MMCF		(1,399)	(2,806)	(4,205)
Loss in Transmission System	MMCF		(3,956)	(1,536)	(5,492)
Total Throughput Volume in Transmission System	MMCF	A	386,486	301,886	688,372
No. of Days	Days	B			366
Per day throughput volume in Transmission- MMCFD	MMCFD	C=A/B			1,881
Gas sold to PFC consumers at Transmission Network	MMCF	D	60,493	177,828	238,321
Distribution					
Distribution Input	MMCF	E=A-D	325,993	124,058	450,051
Gas carried for PPL	MMCF		(139)	-	(139)
Gas carried/consumed for Pak Arab	MMCF		(6,438)	-	(6,438)
Gas carried for POL	MMCF		(130)	-	(130)
GIC (in Distribution System)	MMCF		(656)	-	(656)
UFG in Distribution System	MMCF		(44,300)	(12,834)	(57,134)
Total Throughput Volume in Distribution System	MMCF	F	274,330	111,224	385,554
No. of Days	Days	G			366
Per day throughput volume in Distribution- MMCFD	MMCFD	H=F/G			1,053

5.4. The petitioner has provided total installed capacity of its transmission network at 2,540 MMCFD as per following details:

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Capacity of Transmission Network (MMCFD)

i.	Southern System	2,070 MMCFD
ii.	Northern System	315 MMCFD
	<u>Dedicated Pipeline System</u>	
iii.	Permeate gas system	75 MMCFD
iv.	Kandhkot-Guddu System	80 MMCFD
	Total:	2,540 MMCFD

- 5.5. In case of distribution system, the petitioner has shown its inability to calculate the capacity of the system, adding that present gap between supply & demand of natural gas coupled with reduced pressures in distribution system are major constraints for calculating the available capacity of system. Moreover, while calculating throughput of distribution network, the petitioner has excluded volumes in respect of gas carried to POL, PPL & Pak Arab, GIC and UFG of the distribution network.
- 5.6. The Authority observes that contention of the petitioner in respect of point No. 3 of Schedule-I of TPA Rules, has been misconstrued since as per the said clause, the transportation tariff shall allow transporter to collect relevant and fairly allocated cost of service including the return on assets. Such relevant and fairly allocated cost as part of the transportation tariff refers to calculation at design capacity of the asset on which the company is claiming return. Moreover, as per Sr. No. 7 of Schedule-I of TPA Rules, transportation tariff in respect of transmission network and distribution network shall be computed in accordance with Pakistan Gas Network Code worked examples. It is pertinent to mention that as per worked example, the capacity of entire network has been taken for transmission and distribution systems separately for calculation purposes. It is further highlighted that the petitioner on one hand cites clause 3 of Schedule-I of TPA Rules to claim recovery of fairly allocated costs and emphasizes on the word 'all' however, in the same breath ignores and disregards clause 7 of same schedule requiring computation of transportation tariff on entire capacity of network.
- 5.7. The Authority notes that the approach used by the petitioner based on throughput volume is not in accordance with the provision of TPA Rules, rather it is petitioner's own misinterpretation. The Authority observes that third party access regime has been implemented to proceed towards liberalization of the gas industry so as to foster competition, reduction in tariff while improving energy supply situation through additional volume injection by potential suppliers. This scheme is a win win situation for petitioner as well as potential shippers as it will result in additional volumes for supply to customers thus addressing major crises of pressure drops, volume curtailment etc. The Authority also considers it important to impress upon the petitioner to facilitate TPA regime and avoid banging on non-convincing reason of declaring supply to consumers on distribution network by third parties as unfeasible. The point has been amply addressed and concluded as being equally feasible for the third parties to supply gas to consumers currently being fed by the petitioner.
- 5.8. Moreover, the Members of the Authority during the hearing specifically pointed out that the stance taken by the petitioner in respect of its constraint to calculate design capacity of distribution network due to spaghetti network is not valid. It was highlighted that it is possible to calculate the capacity of distribution system since all the requisite information/

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parameter such as line pressure, line diameter, end consumers etc. are available with the petitioner. In addition, Member (Gas) mentioned that so called spaghetti network is part of the petitioner's network that has been laid by itself through professional workforce, therefore, should not be referred as a bottleneck for not declaring capacity of system.

- 5.9. In light of the same and based on the discussion during the hearing as well as considering input from interveners, it is prudent and fair to calculate the transportation tariff on total capacity of transmission and distribution system instead of throughput of the network, since it shall induce maximum utilization of network capacity. The petitioner should encourage the potential shippers and remove bottle necks, if any, for allocation of spare capacities for the emerging market.
- 5.10. In view of the above and on the basis of available information, total gas/ RLNG received in distribution system as per UFG sheet MFRR for the said year has been adopted for calculating transportation tariff in respect of distribution activity i.e. 450,051 MMCF which comes to around 1,229.65 MMCFD @ 366 days. The Authority accordingly also directs the petitioner to take measures for accurate calculation of design capacity of distribution system.
- 5.11. *In case of design capacity of transmission system, since the petitioner has confirmed that total installed capacity of transmission system is 2,540 MMCFD therefore the same has been taken by the Authority for calculation of transportation tariff.*

6. Fixed Assets

- 6.1. The petitioner in respect of total fixed assets of Rs. 153,697 million (i.e. comprising of both natural gas and RLNG segments) has confirmed that assets have been prudently segregated into transmission at Rs. 64,086 million & distribution network at Rs. 89,611 million respectively in accordance with decisions of the Authority taken at MFRR for the said year. Accordingly, the petitioner has claimed its depreciation & ROA under transportation tariff, as tabulated below;

Table 3: Assets Claimed per the Petition

Description	Rupees in million	
	Transmission	Distribution
Opening Assets	75,002	103,049
Closing Assets	74,676	110,386
Avg Assets	74,839	106,718
Deferred Credit Opening	6,868	18,727
Deferred Credit Closing	14,638	15,487
Avg Deferred Credit	10,753	17,107
Average Net Operating Fixed Assets	64,086	89,611
ROA @ 17.43%	11,170	15,619
	-	
Depreciation	7,688	11,425

- 6.2. *In view of above, the Authority accepts the same and adopts the asset's balance as claimed by the petitioner.*



7. Transmission & Distribution (T&D) Costs

- 7.1. The petitioner, based on MFRR, has requested to include Rs. 6,497 million and Rs. 17,104 million as fixed costs in terms of transmission and distribution activities respectively. The petitioner has also claimed Rs. 806 million & Rs. 1,666 million as variable costs component against transmission & distribution activities respectively. The petitioner has requested to allow the above costs, to be recoverable from shipper for the said year. Breakup of T&D cost is summarized below;

Table 4: T&D Costs Claimed per the Petition

Sr. No.	Description	MFRR FY 2019-20	Transmission Function	Distribution Function
1	Gross Operating Cost	26,393	7,303	19,090
	Less Allocation to CWIP (Other than HR Cost)	(320)	-	(320)
2	Net Operating Cost (excl. GIC)	26,073	7,303	18,770
	Variable costs	2,472	806	1,666
	Fixed Costs	23,601	6,497	17,104

- 7.2. The petitioner, while responding to OGRA's query raised in public notice, has explained that the recovery of selling cost components like dispatch of gas bills, provision for doubtful debts, gathering charges, gas bill collection charges and recovery through contractors are not relevant to shipper and hence can be excluded from transportation tariff computation. However, the same shall be recovered from the shipper under an access agreement, in case of provision of these services by the transporter. However, the petitioner has argued to include cost components like outsourcing of call centers and advertisement as part of transportation tariff as the company incurs expenditures for creating consumer awareness for energy conservation, use of efficient appliances & etc and the same would also be beneficial to the shipper's consumers. Regarding cost on account of outsourcing of call centers, the petitioner has submitted that the shipper or its consumers shall also utilize the same mode for communication in case of any complaint or issue. In view of the same, the petitioner has requested to allow the same as part of transportation tariff.
- 7.3. The Authority observes that the petitioner has claimed T&D costs per the FRR/MFRR for the said year, and has claimed all expenses including selling as part of transportation tariff computation. The Authority, however, notes that the interveners during public hearing have objected certain cost components viz; dispatch of gas bills, provision for doubtful debts, gathering charges, gas bill collection charges, legal expenses and etc and has requested the Authority to disallow the same from transportation tariff. It was also urged that petitioner's RLNG consumers and shipper be charged same cost of service and accordingly it was requested that fairly allocated costs be charged thereby providing level playing field to all private shippers.
- 7.4. The Authority, in the light of parameters as provided in TPA Rules, also supports charging and recovery of transportation tariff on true cost reflective basis taking into account the fair allocation methodology. Regarding interveners' contention w.r.t charging of same cost of service to petitioner's RLNG consumers as well as shipper is not relevant and tenable, keeping in view different pricing methodology on both cases. RLNG cost of service as determined by the OGRA for petitioner's consumers cannot be charged to shipper as the same was apportioned based on natural gas and RLNG business segment in the light of

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prevalent Federal Cabinet policy. However, the instant determination segregates the costs on activity basis i.e. transmission and distribution. The Authority, however, agrees to the interveners' arguments for not charging sales activity related costs viz gas bills collection charges, provision for doubtful debts, legal and professional charges, dispatch of gas bills & gathering charges since the recovery of all such costs from shipper under the transportation activity lacks fairness and justification.

- 7.5. The Authority, however, observes that the petitioner has claimed entire T&D cost while computing transportation tariff of Distributions activity. The Authority notes that transportation tariff methodology was developed on designed capacity of the transmission and distribution system separately, on postal stamp tariff principle. Therefore, separate tariff shall be determined taking into account the relevant costs, allocated on fair & just basis.
- 7.6. *In view of the above, the Authority, based on the allocation as is being undertaken as fair by the petitioner, decides to include operating costs in term of transmission and distribution activity separately, while excluding sales segment's cost components and allows as per the table below:*

Table 5: T&D Cost Allowed

Rs. in million:				
Sr. No.	Variable Cost Components	MFRR FY 2019-20	Transmission Function	Distribution Function
1	Stores & spares consumed	484	288	196
2	Repairs & maintenance of system	1,519	308	1,211
3	Fuel & Power	469	210	259
	Total Variable Cost	2,472	806	1,666
Sr. No.	Fixed Cost Components	MFRR FY 2019-20	Transmission Function	Distribution Function
1	Net HR Cost (incl. impact of IAS-19)	16,597	4,764	11,833
2	Stationery, telegrams and postage	190	23	167
3	Rent, rates, royalty, electricity and telephones	553	57	496
4	Travelling expenses	162	74	88
5	Transport expenses	920	283	637
6	Insurance	245	105	140
7	ISO 14001 & OHSAS Certification	4	1	3
8	Protective clothing & Supplies	53	16	37
9	Security expenses	1,018	886	132
10	Advertisement	198	-	198
11	Outsourcing of Call Centres	26	-	26
12	KMI Implementation Plan FY 2021-22/ UFG Control Activities	947	-	947
	Total Fixed Cost	20,913	6,209	14,705
13	Less Allocation to CWMP (Other than HR Cost)	(320)	-	(320)
14	Net Fixed costs	20,593	6,209	14,385

8. Determination


- 8.1. The Authority, based on the decisions made in preceding paras above, determines the transportation tariff in respect of transmission & distribution activity basis as per the table below:

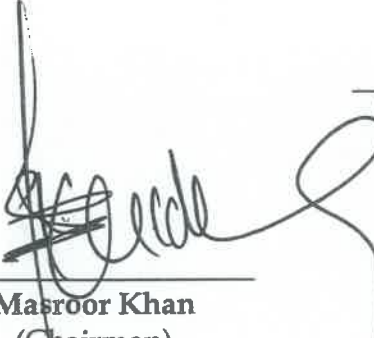



Table 6: Transportation Tariff Allowed

Description	TRANSPORTATION TARIFF	
	TRANSMISSION NETWORK	DISTRIBUTION NETWORK
Throughput volume of transmission & Distribution Network MMCFD	2,540	1,230
Fixed components: Rs. in Million		
i) Transmission & Distribution operating cost	6,209	14,385
ii) Depreciation component of the transportation cost	7,688	11,425
iii) Return on Assets	11,170	15,619
Total Fixed Cost	25,067	41,429
Variable components: Rs. in Million		
i) Stores and spares consumed	288	196
ii) Repair and maintenance cost	308	1,211
iii) Fuel and power	210	259
Total Variable Cost	806	1,666
	Rs./MCF	Rs./MCF
Average capacity charge	26.96	92.05
Average utilization charge	0.87	3.70
Total	27.83	95.76


- 8.2. The above transportation tariff has been computed keeping in view the MFRR of the said financial year.
- 8.3. The Authority, however, notes that despite promulgation of TPA Rules, no single molecule has yet been transmitted in the transmission and distribution system. In view of the same, the Authority after consultative process, may review the existing methodology with the view to facilitate new entrants and in the light of practical problems, if any, faced, during the transportation activity once it takes place.


Mohammad Naeem Ghouri
Member (Finance)


Masroor Khan
(Chairman)


Zain-ul-Abideen Qureshi
Member (Oil)

Islamabad, May 5, 2023


REGISTRAR
Oil & Gas Regulatory Authority
Islamabad