آئل اینڈ گیس
ریگولیٹری اتھارٹی

GUARDING PUBLIC INTEREST

Oil & Gas
Regulatory Authority

Case No. OGRA-6(2)-2(6)/2023-ERR

IN THE MATTER OF

SUI SOUTHERN GAS COMPANY LIMITED
DETERMINATION OF ESTIMATED REVENUE REQUIREMENT, FY 2023-24

UNDER

SECTION 8 (1) OF THE OIL AND GAS REGULATORY AUTHORITY ORDINANCE, 2002 AND RULE 4 (2) OF NATURAL GAS TARIFF RULES, 2002

DECISION

ON

JUNE 02, 2023

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

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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 Exchange Ltd. The petitioner is operating in the provinces of Sindh and Balochistan under the license granted by the Oil & Gas Regulatory Authority. It is engaged in the construction and operation of gas transmission and distribution pipelines and sale of natural gas. However, petitioner's exclusive right to operate in the franchised areas had ended on 30th June, 2010.

2. Salient Features of the Petition

2.1 The petitioner has filed a petition for determination of its Estimated Revenue Requirement (ERR) for FY 2023-24 (the said year) on January 10, 2023, subsequently amended the same on February 28, 2023 under Section 8 (1) of the Oil and Gas Regulatory Authority Ordinance, 2002 (the Ordinance) and Rule 4(2) of Natural Gas Tariff Rules, 2002 (NGT Rules).

2.2 The petitioner has submitted another amended petition (the petition) on March 07, 2023, thereby revising cost of gas based on international oil prices & category-wise sales revenues in the light of latest OGRA's notification effective January 01, 2023. Also, rate of return was revised to 21.58% as against its earlier submission of 19.56% on its net operating fixed assets. The petitioner has accordingly, requested for determination of its ERR at Rs. 331,676 million and the shortfall has been requestd at Rs. 97,388 million including subsidy amounting to Rs. 2,828 million on account of Air-mix LPG projects. Accordingly, the petitioner has requested to increase the current sale price from Rs. 933.45/MMBTU to Rs. 1,321.47/MMBTU (increase of Rs. 388.01/ MMBTU) effective July 01, 2023.

2.3 Further, the petitioner has requested to allow the RLNG cost of service at Rs. 12,347 million million (Rs. 26.72 per MMBTU) in respect of RLNG business for the said year. The petitioner has requested to recover it through monthly RLNG price from its RLNG consumers, being ring fenced in accordance with prevalent policy guidelines of Federal Government(FG/GoP).

2.4 The petitioner has submitted the following statement of cost of service:

Table 1: Projected Cost of Service per the petition

Particulars	FY 2023-24		
	Transmission	Distribution & Sale Activitiy	The Petition
Projected sales volume (BBTU)			250,991
	Rs. in million		
Cost of gas sold	-	302,100	302,100
UFG Adjustment	-	(17,357)	(17,357)
Transmission and distribution cost	4,792	14,473	19,265
Gas internally consumed	739	-	739
Depreciation	978	7,634	8,612
Financial Charges on short term borrowing	1,174	4,235	5,409
Other charges including WPPF	14	3,588	3,602
Return on net average operating fixed assets	5,173	6,180	11,353
Other operating income	(290)	(4,584)	(4,874)
Subsidy for LPG Air-Mix Project for the said year	-	2,828	2,828
Cost of service as per revenue requirement	12,579	319,098	331,676
Reveneue at current prescribed prices	-	234,289	234,289
Shortfall			97,387
Average Prescribed Price for FY 2023-24 (Rs./MMBTU)			1,321.47
Current average prescribed price (Rs./MMBTU)			933.45
Increase requested in average prescribed price (Rs./MMBTU)			388.01

2.5 The petitioner has projected operating revenues at Rs. 239,163 million, as detailed below, compared with previous years:

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Table 2: Comparison of Projected Operating Revenues with Previous Years

Rs. in million

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24			Inc./(Dec.) over RERR for FY 2022-23	
	FRR	RERR	RERR	The Petition	Transmission	Distribution & Sale Activities	Rs.	%
Net sales at current prescribed prices	189,939	227,426	191,859	234,289	-	234,289	42,430	22
Late Payment Surcharge	1,936	1,026	1,061	1,070	-	1,070	9	1
Meter Manufacturing Profit	7	30	74	158	-	158	84	113
Sale of LPG/NGL and Condensate	(29)	(5)	(1)	37	37	-	38	(2,581)
Meter rentals	1,368	1,672	1,726	1,754	-	1,754	27	2
Amortization of deferred credits	601	596	584	688	-	688	105	18
Notional income on IAS 19 provision	385	431	766	-	-	-	(766)	(100)
Other income	4,619	1,345	1,167	1,167	253	914	-	-
Net Operating Revenue	198,826	232,520	197,236	239,163	290	238,873	41,927	21

2.6 The petitioner has projected operating expenses at Rs. 322,370 million, as detailed below, compared with previous years:

Table 3: Comparison of Projected Operating Expenses with Previous Years

Rs. in million

Description	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24			Inc / (Dec) over RERR for FY 2022-23	
	FRR	RERR	RERR	The Petition	Transmission	Distribution & Sale Activities	Rs.	%
Cost of gas	203,198	247,043	317,230	302,100	-	302,100	(15,130)	(5)
UFG Adjustment	(15,243)	(13,270)	(23,038)	(17,357)	-	(17,357)	5,681	(25)
Transmission and Distribution Costs	17,775	16,532	17,186	19,265	4,792	14,473	2,079	12
Gas Internally Consumed	608	598	922	739	739	-	(183)	(20)
Depreciation	7,010	7,024	7,511	8,612	978	7,634	1,101	15
Financial charges on short term borrowing	1,387	-	-	5,409	1,174	4,235	5,409	100
Other charges including WPPF	2,868	940	75	3,602	14	3,588	3,527	4,702
Net Operating Expenses	217,603	258,867	319,885	322,371	7,697	314,674	2,486	1

2.7 The petitioner has projected its weighted average input cost of gas for the said year at Rs. 992.22/MMCF. The cost of gas is linked with international prices of Crude and HSFO according to the Gas Pricing Agreements (GPAs) executed between the producers and GoP.

2.8 The petitioner has claimed a subsidy amounting to Rs. 2,828 million on account of its Air-mix LPG Projects.

2.9 The shortfall in the projected revenue requirement after computing 21.58% return on average net operating fixed assets is estimated at Rs. 97,388 million, requiring an increase of Rs. 388.01 per MMBTU in the existing average prescribed price, as detailed below:

Table 4: Computation of Requested Average Increase in Prescribed Price

	Particulars	FY 2023-24
		The Petition
A	**Net Operating Revenues**	239,163
	less: Net operating expenses excluding ROA	322,370
	Subsidy Air Mix LPG Project	2,828
B	**Total Expenses**	325,199
C	**Shortfall** {(B) - (A)}	86,036
D	Return required @ 21.58% on net fixed assets in operation	11,353
E	**Total shortfall in revenue requirement (D + C)**	97,388
F	Sale volume (BBTU)	250,991
G	**Increase requested in existing average prescribed price Rs./MMBTU (E/F*1000)**	388.01

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3. Proceedings

3.1 A notice inviting interventions / comments on the petition form all stakeholders was published in daily local newspaper on March 2, 2023. The Authority received intervention requests from the following parties:

i) All Pakistan Textile Processing Mills Association (APTPMA).
ii) Karachi Chamber of Commerce and Industry (KCCI)

3.2 The Authority accepts the same for intervention. Public hearing notices were published in the national press. Accordingly, public hearings were held at Karachi and Quetta, on March 13 & 17, 2023, respectively.

3.3 The Authority admitted the petition under Rule 5 of NGT Rules, as a prima facie case for evaluation and consideration by the Authority.

3.4 The petitioner was represented at the hearing by Mr. Imran Maniar, Managing Director and senior executives, who were given full opportunity to present the petition. The petitioner made submissions in detail with the help of multimedia presentation explaining the major reasons for its claims including T&D expenses and fixed assets. The crux of the same is as under:

3.4.1 The petitioner has explained that the petition has been filed in line with past practice, based on revised parameters and assumptions (i.e., latest crude oil price and exchange rate trend etc.) and actual figures of sales volume and purchases for calculating cost of gas.

3.4.2 The petitioner has also requested for revision in various T&D costs components owing to high inflationary impact. It was informed that the petitioner has taken various steps including meetings with honorable Sindh Chief Minister, and officials of Sindh Building Control Authority (SBCA) for allowance of gas connection to non-customers. The project is being handled on priority as directed by the Authority. OGRA was requested to allow capital expenditure in principle as it shall not impact consumers' price upfront.

3.4.3 It was pointed out that company is suffering significant losses over past several years in Balochistan due to high UFG but still carrying out the FG's socio-economic agenda for supply of gas. UFG issue regarding Balochistan region should be addressed separately.

3.4.4 It is highlighted that Rs. 90 billion is still shortfall for FY 2022-23 after new gas sale price notification. It was highlighted that company was buying gas from new well at US$ 6/MMBTU, however, the same is not received through gas sale prices.

3.4.5 It was also pointed out that the company is trying to introduce hydro and biogas projects owing to energy shortfall in the system.

3.4.6 It was also highlighted that US$ rate fluctuation has adversely impacted the company's cost and such exchange risk cannot be borne by the petitioner.

3.4.7 The Authority was requested to allow SSGC's claim on RLNG volumes handling since it is affecting the company's financial position. It was urged that the requisite consultant report should be expedited and finalized.

3.4.8 It was also requested that IFRS 9 claim should be addressed rationally.

3.5 The substantive points made by the interveners during the hearing are summarized below: -

3.5.1 It was highlighted that OGRA must organize such public hearing at impartial place instead of petitioner's office. It was also highlighted that Textile sector is one of the largest gas consumer groups with record earnings of foreign exchange for the country showing increase in exports. Increased cost, if any, to be allowed by the Authority shall affect/reduce textile sector exports.

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3.5.2 It was informed that petitioner has not met the targets to reduce the UFG. Without improving company's own financial performance & addressing administrative failures, burdening taxpayers & industrialists through gas price increments, is not justified.

3.5.3 It was further highlighted that petitioner has suggested unrealistic tariff increase for industries. Further, is was also highlighted that gas sales to Zero Rated Industries is reduced, which will further decrease the exports. Also, it was stated that petiotner's average prescribed prices, ROA, Capex, Opex, and Management Systems are not sustainable and must be rationalized.

3.5.4 It was also highlighted that petitioner's Audited Accounts for FY 2021-22 (Actual) & FY 2022-23 (6-montrhs) are not provided. Detail of Gas Internaly Consumed (GIC), and Accounts of LPG Air Mix are also missing. It was requested that income from LPG terminal may be shown separately.

3.5.5 It was demanded that petitioner's request for increase in gas price be rejected by the Authority. It was further demanded that laying of new pipeline be not allowed owing to depleting gas reserves.

3.5.6 It was suggested that gas allocation to Export Oriented Manufacturers (Zero Rated) may be prioritized and price be fixed at Rs. 450/MMBTU. Wellhead gas prices needs to be lowered.

3.5.7 APTMA highlighted that SSGCL, as a public sector monopoly, has failed to provide objective and target-oriented ERRs in the national interest as required by the OGRA Ordinance. Additionally, the recent tariff increases and reduction in gas allocation to the export oriented industrial sector will harm the foreign exchange situation and contradict the country's objectives and targets.

3.5.8 It was highlighted that lack of purpose for ERR is causing high energy prices, non-availability and loss of export markets and reduction in industrial growth. A comparative analysis of the last two ERRs and benchmarking with similar companies in the region is necessary before making any decisions to save industries from collapse and alleviate the current economic crisis.

3.5.9 SSGCL and OGRA were requested to provide complete backup calculations for better assessment of petitioner's demand. Another public hearing may be necessary with the latest uploaded petition to address APTMA's concerns.

3.5.10 It was highlighted that SSGCL has not uploaded its Annual Audited Accounts For FY 2022-23 on the website, due to which APTMA faces difficulty in the determination of any decision. So OGRA should postpone the ERR till the updation of missing documents.

3.5.11 It was pointed out that prescribed prices are not sustainable. OGRA needs to alert the Government. OGRA may recommend utilization of windfall profits of GIDC to cause a reduction in cost of gas sold.

3.5.12 It was pointed out that price increase as per notification dated 15 February 2023 effective from 1 January 2023 is insufficient to meet the Revenue Requirement of the company and accumulating the revenue shortfall due to which company is facing severe difficulties in running its operational and capital activities. In order to address this issue, OGRAs' consideration is needed.

3.5.13 Incorporation of full calculation of LPG windfall profit and detailed statement of LPG Air Mix plants in ERR 2023-24 will reduce the ERR.

3.5.14 It was requested to abandon the cross subsidy mechanism in natural gas sale price.

3.5.15 All Pakistan CNG Association stated that they are facing severe financial hardships and are on verge of closure owing to reduced supplies from petitioner. It was also requested to

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ensure continued gas supply for CNG sector without curtailment so that their running expenditure could be met.

3.5.16 It was also complained that SSGCL forced the CNG Stations to sign a separate contract for the supply of RLNG, on the condition that the RLNG supplies will not be interrupted, but on the contrary RLNG supplies are regularly being curtailed for CNG stations.

3.5.17 It was demanded that CNG is high paying sector and gas should have been allocated to CNG sector instead of domestic sector which is highly subsidized. This would also help to reduce the shortfall of the petitioner.

3.5.18 It was also highlighted that high tariffs and intermittent supplies lead to a situation where owners of CNG Stations are thinking about switching to other businesses.

3.5.19 It was highlighted that CNG sector is facing low pressure issues and faulty volumes are charged. It was demanded that petitioner be directed to resolve their issues.

3.5.20 It was also requested that alternative measures be taken to address gas deficit as indigenous gas production had declined. FG should address the issue & secure the LNG deal timely to resolve ongoing energy shortages & protect business.

3.5.21 It was requested to re-check the basis of international oil prices & US$ parity.

3.5.22 It was requested that energy sector circular debt be resolved on a priority basis & without aggressive energy reform, the country cannot move forward and sustain growth. The high circular debt is due to high-capacity charges, high fuel cost, energy inefficiencies & UFG losses fueling the economic calamities.

3.5.23 It was requested to focus on alternative energy projects, such as renewable or environment-friendly fuels like biogas, biomethane, and futuristic energy project like coal to gas and hydrogen production.

4. Authority's Jurisdiction and Determination Process

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

4.2 The decision issued by the Authority have always been strictly in accordance with the relevant provisions of law. All the statutory reuirements are firmly complied with before issuing any decision. The Authority in this whole process, very strictly, ensures that public service utilities prosper in an efficient manner. The Authority, since its inception had issued all of its determinations, after going through the due process while balancing the interest of all stakeholders, including general public, gas utilities, industrial consumers & etc. The checks and balances implemented by the Authority to improve the quality of service to consumer and bring efficiency in the overall management of the company have proved to be beneficial for the whole nation in measurable terms.

4.3 The operating revenues, operating expenses and changes in assets base are scrutinized in depth. The Authority as per the existing framework and tariff regime in place determines the revenue requirement of the petitioner, providing applicable return on net operating assets, while including various income and expenditure head as part of prescribed price.

4.4 The Authority notes that the matter regarding non-utilization of excess capacity affecting liberalization of natural gas market, was discussed at length during pulic hearing. It was emphasized by the Authority that the petitioner needs to take all possible measures to facilitate smooth entry of third party shippers, so that additional volumes could be made available to consumers as to bridge the energy shortfall prevalent in the country. It was clearly communicated to the petitioner as well as its sister utility that Revenue Requirement shall be allowed to the extent of utilized capacity of the T&D network. Accordingly, the

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expenditure on unutilized capacity of pipeline shall not from part of reveneue requirement as in all fairness and rationality. In the light thereof, the petitioner is advised to implement OGRA Gas (Third Party Access) Rules, 2018 by finalizing the long outstanding agreements/applications already pending with the petitioner.

4.5 The Authority futher observes that various honorable interveners have raised objections with respect to non-availability of audited accounts of SSGC for completed financial years. It is observed that SSGC is obligated to finalize its account as per the timeline and requirements stipulated in Companies Ordinance, 1984. However, SSGC audited accounts are still pending and available upto 2021-22. The Authority has already taken serious notice of this situation and appropriate actions under the provisions of OGRA Ordinance, Natural Gas Licensing Rules, 2002 and the petitioner license has already been taken. However, the Authority under the legal framework is obligated to determine the estimated revenue requirement and accordingly in compliance, thereof the instant petition has been considered for determination hereunder.

4.6 The petitioner has reworked its Weighted Average Cost of Capital (WACC) at 21.58% based on revised data taken in respect of Pakistan Investment Bond (PIB), Pakistan Stock Exchange (PSX) and Karachi Interbank Offer Rate (KIBOR) upto February & March, 2023 and has, accordingly, requested OGRA to allow this return on its net operating fixed assets.

4.7 The Authority notes that there has been visible variation in the base data upto December, 2022 and it had already consented to consider the same in the current year's revenue requirement while deciding RERR for FY 2022-23. The Authority notes and has agreed to review WACC based on relevant data upto December, 2022, thereby re-setting WACC from current financial year. ***In the light of thereof, the Authority, as per the existing legal framework and tariff regime in place, reset the WACC at 20.60% on net operating assets for the year, based on the actual data upto December 2022,*** as per table below:

Particulars	Formula	Revised working
Risk Free Rate: Rf (Last 10 year Average of 20 year's PIB)	A	12.02
Market Return (15 year average PSX-KSE 100 Index)	B	11.37
Market Risk Premium	C=B-A	(0.65)
Market Risk Premium (Capped 11%, Floor 7%)	D	7.00
Beta Equity-Distribution	E	1.30
Cost of Equity (Re)	Re=Rf + beta x MRP	21.12
6 monthly Avg of last 12 months Kibor	F	14.68
Cost of Debt	Rd=F+2%	16.68
Tax rate (t)		0.29
WACC Pre Tax	(Re/(1-t) x 30%) + (Rd x 70%)	20.60

Note:
i) Last 10 year Average of 20 year's PIB: Data Available from 01.01.2013 to 31.12.2022.
ii) 15 year average PSX-KSE 100 index: From FY 2008-09 to FY 2022-23 (Jul-22 to Dec-22)
iii) 6 Monthly average of Kibor for the months of Jan-22 to Dec-22

5. Operating Fixed Assets

i. Summary of Additions during the year

5.1 Comparative analysis of projected additions in fixed assets with the previous years is as follows:

Table 5: Summarized Schedule of Projected Additions Compared with Previous Years.

Rs. in Million

Particulars	FY 2019-20 (DFRR)		FY 2020-21 (DFRR)		FY2023-24 (ERR)				
					Transmission		Distribution & Sale		Total
	Indigenous Gas	RLNG	Indigenous Gas	RLNG	Indigenous Gas	RLNG	Indigenous Gas	RLNG	
Buildings	56		41		120		394		515
Gas transmission pipeline	1,898	554	247	1,209	22,379	1,442			23,821
Compressors	346	286	1,217	223	4,166	3,670			7,836
Plant and machinery	128		124		727		1,291		2,018
Gas distribution system, related facilities and equipments	4,816	519	6,470	613			9,104		9,104
Furniture, equipments including computers and allied equipments	169		137		141		524		665
Computer software (Intangible)			131		248		62		310
LPG Air Mix Projects	320.		9				185		185
Telecommunication system & SCADA	14		62		8		28		36
Appliances, loose tools and equipment	13		6		69	4	113		186
Vehicles	178		54		759	10	1,447		2,216
Construction equipment									0
Assets related to Gas Activities	7,938	1,359	8,498	2,045	28,617	5,126	13,149	0	46,892

5.2 As shown above in the table, the petitioner has segregated the assets against Transmission / Distribution and Sales activities, however the Company also clarified that some assets are procured centrally at Corporate level, which have been segregated and allocated against the activities i.e Transmission (22%) & Distribution / Sales (78 %) activity based on Cost / Revenues ratios. Therefore, details of all such individual segregated items cannot be provided.

5.3 Keeping in view the above, segregated expenditure against each head is as under:

ii. **Buildings**

5.4 The petitioner has projected an amount of Rs. 515 million against this head i.e., Rs. 120 million for Transmission activities and Rs. 394 million for Distribution & Sales activities. The petitioner envisages to undertake different civil works like: Regional Office (RO) Building at Nawabshah, Renovation of main R.O building, Larkana, Renovation of other buildings inside R.O Larkana, construction of parking sheds and boundary walls at Sukkur/ Larkana etc.

5.5 The petitioner has stated that due to current monsoon spell, various buildings at R.O Larkana have been badly affected causing leaking of RCC roof and damage to other infrastructure. As such, there is a need for repair/maintenance of all buildings on urgent basis. Similarly, construction of PEB Sheds at Karachi terminal stores is required for the purpose of storage of heavy materials and future requirements.

5.6 Historical trend analysis suggests that the petitioner on average capitalizes amount of Rs. 84 million during FY 2011-12 to FY 2020-21, further, the petitioner has capitalized an amount of Rs. 41 million in the FY 2020-21 against this head.

5.7 ***In view of the Company's operational capabilities to execute such jobs and historical trend in this head, the Authority provisionally allows an amount of Rs. 84 million for the said civil work projects with segregation of Rs. 20 million for Transmission activities while 64 million for Distribution & Sales activities, subject to actualization at FRR stage.***

iii. **Gas Transmission Pipelines**

5.8 The petitioner has projected an amount of Rs. 23,821 million for an increase of 249 km in its transmission network, which currently stands at 4191 km of length. The summary of projected pipelines for indigenous and RLNG related transmission network during the said year is as under:

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Table 6: Requested Additions to Transmission Pipeline Network

Sr. No.	Description	The Petition	
			Rs in Million
		Indigenous	RLNG
1	30" Dia × 125 Km (rev. 116 KMs) pipeline from SMS Sindh University to SMS Pakland.	14,004	
2	Supply of Gas to Karachi West Region (24" Dia x 31 KMs) (New)	3,738	
3	8" Dia x 102 KM pipeline from Jhal Magsi field (New)	3,200	
4	Re-routing of 24" and 12" Quetta pipelines from BiBi Nani Bridge (New)	1,125	
5	Upgradation of SMS Hyderabad (New)	214	
6	8" Dia × 28 KMs pipeline from Ayesha Gas Field [Leftover]	35	
7	Check Metering Arrangements at Daru (Leftover)	17	
8	Upgradation of SMS Nawabshah (Leftover)	16	
9	Upgradation of SMS Larkana (Leftover)	14	
10	12" Dia x 344 KM QPL Rehabilitation and Intelligent Pigging (Leftover)	10	
11	Modification of existing Check Metering & Regulation Setup- Shikarpur (Leftover)	6	
12	Replacement of 16" Dia ILBP with 20" Dia (180 KM) pipeline from HQ-2 to HQ-1 (Conceptual approval)	-	
	RLNG Projects		
	Phase-I		
13	Tie-in and integration arrangement from tie-in point 2 to Pakland & Bin Qasim (Leftover)		263
	Phase-II and others		
14	42" dia × 342 Km pipeline from Pakland to Nara (Leftover)		1,049
15	30" Dia x 17 KMs from CTS Bin Qasim to MVA SMS Pakland (Leftover)		76
16	Future Extension of CTS Bin Qasim (Leftover)		36
17	Check Metering Arrangement for PLL customer at Bin Qasim & Pakland (Leftover)		18
	Sub-total	22,379	1,442

<u>30" dia. x 125 Km pipeline from SMS Sindh University to SMS Pakland:</u>

5.9 The petitioner has projected an amount of Rs. 14,004 million against the subject project.

5.10 The petitioner has stated that OGRA in its decision on its ERR FY 2022-23 dated 03 June, 2022 approved the said project in principle with the directions to ensure the completion of the project without further delay. However, due to unanticipated rise in the prices of line pipe, change in US$- Rupee parity and rapid increase in inflation rate, the total estimated project cost has been revised to Rs. 14,004 million in FY 2023-24. The petitioner has further stated that payment against Government Land for Right of Way (ROW) has already been made. The said pipeline project is expected to be commissioned by June 2024 with revised capitalization amount of Rs. 14,004 million.

5.11 In this regard, the Authority notes that the said pipeline project was initially allowed in determination of ERR FY 2017-18 and thereafter it is being consecutively allowed in the subsequent petitions. The petitioner, however, could not complete the said project citing reason that it had been unable to acquire ROW for this project. It is observed that the project should have been completed much earlier, which caused appreciable increase in the estimated cost of the project, thus the petitioner's aim to mitigate the operational constraints on its Indus left bank pipeline (ILBP) transmission leg, is still not been achieved. Matter has been thoroughly discussed in the earlier determinations, which is reiterated here. The petitioner, in its RERR FY 2022-23 informed that the process of acquisition of ROW for the transmission pipeline has been initiated. Accordingly, the Authority in its determination dated January 09, 2023 on the above review petition also allowed an amount of Rs.2,801 million against the said project to initiate process of procurement.

5.12 ***In view of the above, the Authority hereby revalidates the project in principle as earlier allowed in the DERRs, so as to be executed/ capitalized in the said year, subject to actualization at FRR stage with the directions to complete the pipeline project without further delay while ensuring prudent, cost effective and economically efficient measures during execution of the project.***

<u>Supply of Gas to Karachi West Region (24" Dia x 31 KMs) (New)</u>

5.13 The petitioner has projected an amount of Rs. 3,738 million against the subject project.

5.14 The petitioner has stated that in view of the increasing demand of natural gas in Karachi city, SSGC has planned to develop 24" dia. transmission pipeline infrastructure encompassing about 31Km for Karachi West in order to provide uninterrupted gas supplies to Western, Karachi. The petitioner has further stated that the existing infrastructure is not sufficient to fulfil the current as well as future load demands in the west region of Karachi. The subject transmission pipeline project has been planned to be commissioned in FY 2023-24 with an estimated capitalization amount of Rs 3,738 million.

5.15 ***In view of the above and considering operational requirement of the project to meet the gas demand in the distribution network, the Authority provisionally allows the said project in principle subject to its actualization at FRR. However, any prudently incurred expenditure will be considered at the time to FRR for the said year provided the same remains within the estimated amount.***

8" Dia x 102 KM pipeline from Jhal Magsi field

5.16 The petitioner has projected an amount of Rs. 3,200 million against the titled project.

5.17 The petitioner has stated that the company's Board of Directors (BOD) had approved the subject project in February 2011, in order to receive indigenous gas from Jhal Magsi Gas Field. However, the petitioner could not execute the said project owing to law-and-order situation and the issues related to gas projection profiles and sharing of volumes between SSGC and SNGPL. The petitioner recently requested OGRA for immediate relief under Rule 5(7) of Natural Gas Tariff Rules, 2002 for the subject project, enclosing therewith MoE letter No. NG(II)-2(49)/22 dated September 15, 2022. Accordingly, OGRA, through letter No.OGRA-6(2)-2(5)/ 2022 dated November 02, 2022 allowed the project in principle, under the ibid Rule. Later, the project was also allowed in the DRERR FY 2022-23. The petitioner has further stated that route & topographic survey, design engineering with procurement of material has been planned to be completed in FY 2022-23 with an estimated amount of Rs. 2,202 million and further Rs. 998 million in FY 2023-24. The subject project would be commissioned in FY 2023-24 with the total estimated capitalization amount of Rs. 3,200 million.

5.18 ***Considering above and in view of the priority of injection of indigenous gas in the national grid, the Authority hereby allows the said project in principle, subject to actualization at FRR stage, as per the directions specifically conveyed vide OGRA letter dated November 02, 2022 to complete the project within given timelines by FG.***

Re-routing of 24" and 12" Quetta pipelines from BiBi Nani Bridge (New)

5.19 The petitioner has projected an amount of Rs. 1,125 million for the subject project.

5.20 The petitioner has stated that re-routing of above pipeline is required, since there is a potential hazard owing to exposure of floods near Bolan River crossing at Bibi Nani bridge. The petitioner informed that both pipelines near Bibi Nani bridge were ruptured during the recent floods. Subsequently, gas supply to Quetta, Mastung, Kalat, Pishin and other areas remained suspended. In view of the above, the petitioner plans to undertake re-routing of about 5 Kilometer of each 12" & 24" dia pipeline in this locality with an estimated amount of Rs. 1,125 million in FY 2023-24.

5.21 In view of the above justifications by the petitioner, the Authority acknowledges the operational requirement of the said project of rerouting of the two transmission pipelines in the locality to ensure safety. **Therefore, the Authority provisionally allows an amount of Rs. 563 million (50% of the projected amount) against this project in the said year with the directions to complete the same at the earliest, while adopting applicable technical standards, cost effective and economically efficient measures during execution of the project.**

Upgradation of SMS Hyderabad

5.22 The petitioner has projected an amount of Rs. 214 million for the subject project.

5.23 The petitioner has stated that existing SMS at Hyderabad will not be able to fulfill future load demands as equipment installed like valves, regulators, safety valves and pipe/ pipe fittings have deteriorated with the passage of time. Therefore, up-gradation of SMS at Hyderabad is needed.

5.24 Considering the above, the Authority notes that the subject modification work at the SMS Hyderabad is required to meet the higher gas loads in the distribution network. **Therefore, the Authority provisionally allows an upfront amount of Rs.107 million (50% of the estimated amount) for this project for the said year subject to actualization at FRR stage.**

Other Projects (Sr.No. 06 to 11 of Transmission System)

5.25 The petitioner has claimed a total amount of Rs. 98 million for leftover works against these six transmission projects.

5.26 The Authority, in its earlier determinations, had already allowed these projects i.e 8" dia X 28 Km pipeline from Ayesha Gas Field, Check Meter Facilities at Daru/ Shikarpur & Upgradation of SMSs at Nawabshah & Larkana in its previous determinations on the petitions. The said transmission line has already been commissioned in the year 2020, whereas as per the petitioner, the Check Meters/ modification works at SMSs are planned to be completed in the FY 2022-23. These left over jobs projected by SSGC for the said year comprise of Civil Works, Minor Pipeline Construction Works and Acquisition of Land.

5.27 ***In view of the above, the Authority provisionally allows an upfront amount of Rs.49 million (50% of the estimated amount) for these left over projects (as indicated above at Sr. No. 06-11 of the table) for the said year subject to actualization at FRR stage.***

5.28 ***In view of the discussion at paras 5.8 – 5.26 above, the Authority provisionally allows an expenditure of Rs.719 million for addition in Normal Transmission Network.***

Conceptual Approval regarding replacement of 16" dia ILBP with 20" dia. X 180 km pipeline from HQ-2, Nawabshah to HQ-1, Sukkur

5.29 The petitioner has stated that 16" dia. ILBP segment from Sui to Nawabshah was commissioned in the year 1955, this line is currently fed from HQ-2 Nawabshah to Sukkur & Khairpur regions that is solely dependent on this 16" dia. single pipeline.

5.30 Intelligent pigging (IP) job was carried out for the assessment of 16" dia. ILBP pipeline from HQ-2 Nawabshah to Karachi in the year 2010, as per the report sever internal pitting and erosion was found in the pipeline. Accordingly, necessary maintenance work on the said pipeline was carried out. Therefore, considering pipeline useful design life is around 40 years, it necessitates replacement of 16" dia. ILBP from Nawabshah to Sukkur with 20" dia pipeline. The petitioner plans to initiate detailed route & topographic survey and design engineering work, integrity assessment of existing 16" ILBP will be conducted through third party inspection service in current fiscal year 2022-23.

5.31 The petitioner has requested conceptual approval for initiating procurement process during FY 2023-24 to cater long lead time. The proposed pipeline is expected to be completed in FY 2024-25 with the total estimated capitalization amount of Rs. 20,773 million.

5.32 The Authority sought certain clarifications related to the project, which the petitioner has submitted through its letter RA/21/24 dated 24.03.2023, stating therein that the entire 16" pipeline from Sui to KT (Karachi Terminal) has been exposed to almost same cyclic load and operating conditions for the last 60 years. Hence, it is deduced from the anomalies found during intelligent pigging and the rupture incidents that the pipeline segment from Sui to HQ-2 would be in similar condition as that of the pigged segment from HQ-2 to KT. The operation of this pipeline poses a hazard to public health and safety as already pipeline was ruptured in the past. As a precautionary measure, the said pipeline is being operated at reduced pressure of around 620psig. Further, the petitioner foresees enhanced gas load in Sukkur with time, to cater line pack management & expecting transnational gas projects like

TAPI & IP and to facilitate gas volume swap from ILBP to Indus Right Bank Pipelines (IRBP), the replacement of existing 16" dia pipeline with 20" dia pipeline from HQ-2 (Nawabshah) to HQ-1 (Sukkur) is necessary. The petitioner is also required to justify acquisition of land for new ROW (around 55 km out of total 180 km) instead of utilizing the existing one for this project.

5.33 In view of the above, **the Authority, while acknowledging the requirement of this project, hereby allows conceptual approval as per the petitioner's request, for the replacement of this pipeline to initiate procurement process for the line pipe and related material during FY 2023-24. However, co-relation of this project be done with similar projects already executed to achieve economy.**

RLNG Projects

5.34 The petitioner has claimed an amount of Rs. 1,442 million to be capitalized on Pipeline Infrastructure Development Plan (PIDP) for RLNG. The details of the RLNG Projects are mentioned below:

Tie-in and integration arrangement from tie-in point 2 to Pakland and Bin Qasim (Ph-1) Rs. 263 million (Left over job)

5.35 The petitioner has projected an amount of Rs. 263 million for tie-in and integration arrangement from Tie-in point 2 to Pakland and Bin Qasim.

5.36 The petitioner has stated that ultrasonic metering system for reconciliation of RLNG from Terminal 1 was installed and commissioned, whereas for reconciliation of RLNG from 2nd Terminal at CTS-Bin Qasim, Orifice metering system was relocated from MVA Pakland and installed as check meters at CTS –Bin Qasim. Procurement of ultrasonic meters as per recommendations of the consultant is under process and replacement of orifice metering system with ultrasonic metering system and remaining civil works is expected to be completed by June 2024 with an estimated capitalization amount of Rs. 263 million in FY 2023-24.

5.37 The Authority has already allowed the project under phase – 1 of Pipeline Infrastructure Development Plan (PIDP) for RLNG in 2014 in line with FG directives. Installation of Ultrasonic meter for measurement of RLNG received from second RLNG Terminal and necessary civil work is a continuation of the job under Phase – 1 of PIDP. However, it is advised to co-relate the proposed project with similar projects already executed to achieve economy.

42" dia. x 342 Km (Phase-II) from Pakland to Nara (Left over job)

5.38 The petitioner has projected an amount of Rs. 1,049 million for leftover activities against the subject project.

5.39 The petitioner has stated that the subject pipeline has already been commissioned in 2018. However, an amount of Rs. 1,049 million has been proposed in FY 2023-24 against pending payments in connection with land acquisition for ROW.

30" Dia x 17 KMs from CTS Bin Qasim to MVA SMS Pakland (Left over job)

5.40 The petitioner has projected an amount of Rs. 76 million for leftover activities against the subject project.

5.41 The petitioner has stated that the subject pipeline was commissioned in December 2020 with the total capitalization of amount Rs. 1,233 million till November, 2022. Furthermore, total amount of Rs. 378 million has been proposed including Rs. 75.6 million in FY 2023-24 against leftover jobs i.e., payment against acquisition of land for ROW, installation of flow control system with the RLNG supply receiving from 2nd RLNG terminal and associated civil works already in progress at CTS Bin Qasim.

Future Extension of CTS Bin Qasim (Left over job)

5.42 The petitioner has projected an amount of Rs. 36 million for leftover activities against the subject project.

5.43 The petitioner has stated that additional 11-acre land adjacent to existing CTS Bin Qasim is required to develop infrastructure for receiving additional RLNG volume from future RLNG terminals. The petitioner has further stated that Rs. 466 million has been proposed for acquisition of land in FY 2022-23 whereas, Rs. 36 million has been proposed in FY 2023-24 against civil works.

Check Metering Arrangement for PLL customer at Bin Qasim & Pakland (Left over job)

5.44 The petitioner has projected an amount of Rs. 18 million against the left over job under subject project.

5.45 The petitioner has stated that the said job is required to be installed as per directives of its BOD. The petitioner has stated that estimated capitalization for amount of Rs.326 million against captioned project in FY 2023-24, whereas, Rs.18 million has been proposed for left over civil works in FY 2023-24.

5.46 The Authority observes that this is a left over project, the main part of which was projected in the review petition for FY 2022-23 without proper justifications. The Authority in its determination on the above stated petition, had also observed that RLNG was already being supplied to K.E through 14" dia dedicated KE pipeline including metering system under an Interconnection Agreement (ICA) between the parties, including the petitioner. Whereas, periodic joint metering/ calibration under ICA. Consequently, the Authority did not allow the project in its determination on RERR for FY 2022-23. ***In view of the above, the Authority reiterates its earlier stance mentioned therein DRERR FY 2022-23 and does not allow the captioned left over job for the said year.***

5.47 The Authority notes that the above RLNG projects (indicated below at S. No. 12 to 15 of the table), falling under Phase-I & II of PIDP under the directives of the F.G, are left over jobs which the petitioner has envisaged to complete in the said year.

5.48 ***Keeping in view the justification provided by the petitioner, the Authority provisionally allows in principle to carry out the said activities against RLNG Transmission projects. However, any prudently incurred expenditure shall be considered at the time of FRR for the said year provided the same is within the estimated amount. Further, expenditure to be incurred during the said year against RLNG projects (Sr. No. 12-15) shall be ring fenced in line with the policy guidelines of the FG.***

5.49 ***In this respect, the summary of capitalization allowed by the Authority under Transmission Pipeline Network*** **is as follows:**

Table 7: Additions in Transmission Pipeline Network

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Rs in Million

Sr. No.	Description	The Petition		Allowed	
		Indigenous	RLNG	Indigenous	RLNG
1	30" Dia × 125 Km (rev. 116 KMs) pipeline from SMS Sindh University to SMS Pakland.	14,004			
2	Supply of Gas to Karachi West Region (24" Dia x 31 KMs) (New)	3,738		-	
3	8" Dia x 102 KM pipeline from Jhal Magsi field (New)	3,200		-	
4	Re-routing of 24" and 12" Quetta pipelines from BiBi Nani Bridge (New)	1,125		563	
5	Upgradation of SMS Hyderabad (New)	214		107	
6	8" Dia × 28 KMs pipeline from Ayesha Gas Field [Leftover]	35		49	
7	Check Metering Arrangements at Daru (Leftover)	17			
8	Upgradation of SMS Nawabshah (Leftover)	16			
9	Upgradation of SMS Larkana (Leftover)	14			
10	12" Dia x 344 KM QPL Rehabilitation and Intelligent Pigging (Leftover)	10			
11	Modification of existing Check Metering & Regulation Setup- Shikarpur (Leftover)	6			
	Sub-total	22,379	-	719	-
	RLNG Projects				
	Phase-I				
12	Tie-in and integration arrangement from tie-in point 2 to Pakland & Bin Qasim (Leftover)		263		-
	Phase-II and others				
13	42" dia × 342 Km pipeline from Pakland to Nara (Leftover)		1,049		-
14	30" Dia x 17 KMs from CTS Bin Qasim to MVA SMS Pakland (Leftover)		76		-
15	Future Extension of CTS Bin Qasim (Leftover)		36		-
16	Check Metering Arrangement for PLL customer at Bin Qasim & Pakland (Leftover)		18		-
	Sub-total	-	1,442	-	-
	Total(Indigenous + RLNG)	23,821		719	

iv. Compressors

5.50 The petitioner has projected Rs. 7,836 million under this head for the said year, the detail of which is as under:

Table 8: Requested Additions to Compressors

Rs in Million

Sr. No.	Description	The Petition	
		Indigenous	RLNG
1	01 New Compressor Unit at Sibbi	4,106	
2	Overhaul of DR-900 Turbo Compressor Mode 2508 B including FSR installation charges at Shikarpur compressor station.	60	
	RLNG related Compressor Stations		
3	Additional 01 Unit of compressor at HQ-2		2,850
4	Repair / Overhaul of Solar T-60 Gas Turbine Engine including FAT and FSR installation charges at Solar unit C HQ-2 Daur (Trans. Deptt)		450
5	New Compressor HQ 2 Daur Nawabshah (Leftover)		370
	Sub-Total	4,166	3,670
	Total Compressors (Indigenous + RLNG)	7,836	

5.51 The petitioner has furnished the following justifications for the above said expenditures:

<u>01 New Compressor Unit at Sibbi or Refurbishment of existing 02 Nos Compressors:</u>

5.52 The petitioner has projected an amount of Rs. 4,106 million against the subject project.

5.53 The petitioner has stated that Engineering consultancy service was acquired and according to the report, the consultant has recommended revamping of existing 02 units from 60 MMCFD to 120MMCFD and installation of 01 number new compressor having capacity of 120 MMCFD with an estimated cost of US$ 14.2 million (exclusive duties, tax and shipment cost). The matter is currently under consideration for approval of BOD. The petitioner has further stated that procurement of new compressor of 120 MMCFD is expected to be initiated in the current fiscal year on open competitive basis, whereas the revamping of old units would be carried out on proprietary basis. The complete project is expected to be commissioned by June, 2024 with an estimated capitalization amount of Rs. 4,106 million.

5.54 The petitioner has informed that approval of its BOD for the said project is yet to be made. Further, the petitioner has not substantiated its justification for the project with the availability of gas for the operation of the proposed compressor, considering depleting indigenous gas reserves/ supplies in the country. It is pertinent to mention here that GoP has already imposed a ban of provision of new gas connections and Gas development schemes to bridge the widening gap between demand and supply of gas.

5.55 ***Keeping in view the above, the Authority does not allow amount against this project at this stage and instead directs the petitioner to separately submit the same under rule 20(xviii) of Natural Gas Regulatory Authority (NGRA) (Licensing) Rules, 2002, after seeking approval of the project from its BOD along with comprehensive justifications viz a viz availability of natural gas requiring operation of the proposed compressor.***

Overhaul of DR-900 Turbo Compressor Mode 2508 B including FSR installation charges at Shikarpur compressor station.

5.56 The petitioner has projected an amount of Rs. 60 million against the subject project.

5.57 The petitioner has stated that DR-900 Turbo Compressor Model 2508B is installed at Unit B Shikarpur Compressor Station and has clocked about 50,000Hrs. The Compressor is to be overhauled at site Shikarpur Compressor station under the supervision of M/s Siemens FSR.

5.58 ***In view of the above and considering operational requirement, the Authority hereby provisionally allows Rs.30 million (50% of the estimated amount) for the said year against the captioned project at the Compression Station, Shikarpur.***

RLNG Projects

Additional 01 Unit of Compressor at HQ-2 Nawabshah for RLNG

5.59 The petitioner has projected an amount of Rs. 2,850 million for additional 01 unit of compressor at HQ-2, Nawabshah.

5.60 The petitioner has stated that it has developed an infrastructure of 42" dia x 371 KM Gas Transmission Pipeline from Port Qasim to Sawan in order to transport 1200 MMSCFD imported RLNG to SNGPL. As part of this infrastructure, 06 Nos. Gas Turbo Compressor Units (200 MMSCFD capacity each) were installed in 2016-17 at HQ-2, Nawabshah to deliver gas to Sawan at requisite pressure. The petitioner has further stated that beside these 06 Gas Turbo Compressor units, 02 nos. old Gas Turbo Compressor units with capacity of 120 MMSCFD each were relocated from HQ-Dadu and designated as stand-by units. The stand-by compressor units cover for 20% of total Station Design Flow. The petitioner's Transmission Department is of the view that the stand-by philosophy should be revisited and provision be made for stand-by units to cover for 40% of Station Flow.

5.61 The Authority notes that during the last 03 years i.e 2018-19 to 2020-21, on average 888 MMCFD RLNG flow was transmitted to SNGPL mainly through 42" dia RLNG line. This indicates that only 75% of its total capacity of the RLNG line is being utilized, which implies lesser requirement for compression at HQ-2, Nawabshah. Therefore, the petitioner is required to elaborate proper justifications for this project involving an estimated expenditure of Rs.2,850 million, eventually is to be borne by RLNG consumers.

5.62 ***Keeping in view the above, the Authority does not allow amount against this RLNG project at this stage and directs the petitioner to submit the project separately under rule 20(xviii) of Natural Gas Regulatory Authority (Licensing) (NGRA) Rules, 2002, along with comprehensive justifications for additional standby compressor.***

Repair / Overhaul of Solar T-60 Gas Turbine Engine including FAT and FSR installation charges

5.63 The petitioner has projected an amount of Rs. 450 million for the subject project.

5.64 The petitioner has stated that solar T-60 Gas Turbine Engine S/No. 2351T is installed at Solar unit C at HQ-2 Daur Compressor station and has completed approx. 22,000 Hours. And it is expected that Turbine engine would complete the recommended 30K Hours in FY 2023-24, therefore its overhauling is proposed in the said year as per the requirement.

01 New Compressor at HQ-2 Daur, Nawabshah [leftover]

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5.65 The petitioner has claimed an amount of Rs. 370 million against leftover activities for the subject project.

5.66 The petitioner has stated that acquisition of 41-acre land has been processed in the current fiscal year whereas installation of pressure regulation system at up-stream of compressor, construction of boundary wall around 41 acre newly acquired land and transit mess are expected to complete with an estimated amount of Rs. 370 million in FY 2023-24.

5.67 ***The Authority, keeping in view the justification provided by the petitioner and operational requirement, in principle allows above two RLNG projects subject to actualization at FRR stage. However, the Authority does not allow any upfront amount at this stage and any prudently incurred expenditure shall be considered at the time of FRR for the said year provided the same is within the estimated amount.***

5.68 ***Keeping in view the discussion at para 5.50 to 5.66 above, the Authority provisionally allows an amount of Rs.30 million under this head as per following details:***

Table 9: Additions to Compressors as Allowed by the Authority

Rs in Million

Sr. No.	Description	The Petition		Allowed	
		Indigenous	RLNG	Indigenous	RLNG
1	01 New Compressor Unit at Sibbi	4,106			
2	New Compressor at Shikarpur to Jacobabad for QPL [Leftover]	60		30	
	Sub-Total:	4,166	0	30	0
	RLNG related Compressor Stations				
3	Additional 01 Unit of compressor at HQ-2		2,850		-
4	Repair / Overhaul of Solar T-60 Gas Turbine Engine including FAT and FSR installation charges at Solar unit C HQ-2 Daur (Trans. Deptt)		450		-
5	New Compressor HQ 2 Daur Nawabshah (Leftover)		370		-
	Sub-Total:	-	3,670	-	-
	Total Compressors (Indigenous + RLNG):	7,836		30	

v. Gas Distribution System

5.69 The petitioner has projected an amount of Rs. 9,104 million for gas distribution system and related facilities & equipment.

Table 10: Requested Additions to Distribution Network

Rs. Million

Sr. No.	Description	Petition	
		Indigenous	RLNG
1	Rehabilitation Mains and Services - UFG Control Program		
2	Replacement / Repair of Undersized Meters	1,821	
3	Segmentation		
4	Construction of CMS, TBS, PRS, Cathodic protection	157	
	Sub Total: UFG Control Program (A)	1,978	
5	Laying of Distribution Mains including services- Existing Areas and DDC		
6	Installation of New Connections (meters)	647	
7	New Towns	1,695	
8	Replacement of Meters - Recovery Campaign (Outstanding Disconnection Drive)	973	
9	Others - CP / Meter Transportation / Insurance in Transit etc	1,128	
	Sub Total : Normal (B)	4,443	
	Total GDS Other Than Major Projects: (A+B)	6,421	
10	20"Dia x 11 KMs Pipeline from SMS Sheedi Goth to Tapping Point (20" Dia Future Colony/20" Augmentation Project / Upgradation of Sheedi Goth)	1,019	
11	20" Dia x 9 KMs Pipeline from Azeempura to Jam Sadiq Ali Bridge	844	
12	16" Dia x 10 KMs Pipeline from KT to TBS Maymar CNG	764	
13	16" Dia x 6.2 KMs Pipeline from PSM Main Gate to Yousuf Goth Landhi	33	
14	16" Dia x 5 KMs Pipeline from Surjani Step-Down Assy. To Madinat al Hikmah	23	
	Sub-Total: Major Distribution Projects(C)	2,683	
	Sub-Total Gas Distribution System(A+B+C)	9,104	
	Total Gas Distribution System (Indigenous + RLNG)	9,104	

Installation of New Connections (meters):

5.70 The petitioner has stated that due to ongoing moratorium on Domestic New Gas Connections imposed by GoP, no new gas connections have been projected for FY 2023-24, however, the numbers projected for new connections is only mentioned for record purposes. The petitioner stated that due to imposition of moratorium by Government of Pakistan (GOP), the extension in existing Mains with Service Connections and more than 117,000 new meter installation (Domestic) has been withheld. The petitioner apprised that whenever the moratorium is relaxed, accordingly the petition will be updated as per the new sales volumes and other relevant components i.e., addition of new customers, extensions, distribution mains and services etc.

5.71 ***It is observed that the petitioner on the one hand states that no new connections have been projected in the said year due to the aforesaid moratorium, yet it has also indicated an amount of Rs.647 million for 'Record purposes', which appears contradictory. In view of the imposition of moratorium on new gas connections and Gas development schemes by GoP, owing to prevailing demand/ supply gap for indigenous gas, the Authority does not allow any amount against this head. However, the Authority will consider new RLNG connections for industrial and commercial in line with the prevalent GoP's policy (MoE(PD) vide its letter No. NG (II)-7(143)/PS/2016-Vol-IV-Pt dated 21.04.2017). In this regard, any prudently incurred expenditure shall be considered at the time of FRR for the said year, provided the same is within the estimated amount, which would be ring fenced as per the policy of GoP regarding RLNG/ ECC decision.***

5.72 ***Further, as regards new RLNG services on 100% cost recovery, the Authority observes that the petitioner shall not be entitled to rate of return.***

Replacement/ Repair of Undersized Meters

5.73 The petitioner has projected Rs. 1,821 million for replacement of 352,062 Nos. gas meters in Karachi, Sindh and Balochistan regions for the said year. The petitioner has planned to replace 432 industrial, 1,630 commercial and 350,000 domestic meters.

5.74 The Authority has maintained consistent stance regarding replacement of meters over the period, which has been discussed at length in its last determinations i.e DFRR 2018-19 dated 25-05-2021 and DFRR FY 2020-21 dated 24-11-2022 . Wherein, it has also been observed that the capitalization of more than Rs. 12 billion has been made during last seven years i.e., from FY 2013-14 to FY 2019-20 on account of replacement of 1.6 million domestic gas meters (almost 50% of the total meters installed), however, UFG remained beyond 15%. It is also noticed that the petitioner has this tendency to capitalize over and above the allowed amounts at ERR stage in this subhead, which is not appreciated, the Authority has been

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disallowing such additional expenditures. The petitioner has been particularly focusing on excessive replacement of meters, while giving lesser attention to other UFG control activities like segregation, rehabilitation of leaky/ faulty domestic network or checking rampant gas theft by regular or unauthorized consumers, the petitioner needs to prioritize these important issues to tackle UFG with a holistic approach. The Authority notes that domestic meters perform satisfactorily for longer periods and as such the petitioner's internal policy, to retire the replaced domestic meters without even carrying out its proper inspection must be revisited to avoid wastage of resources and passing the unnecessary financial burden on to the existing consumers.

5.75 ***In view of the above, the Authority provisionally allows an amount of Rs.1,745 million, based on allowed amount in DFRR FY 2019-20, against this subhead in the said year. Further, the petitioner is directed to review its internal policy of flatly retiring all the replaced meters without conducting inspection at the Meter Workshops, rather such removed meters be considered for reuse, upon necessary repair works and satisfactory performance declared by the Meter Workshop on case to case basis.***

Construction of CMSs, TBSs, TRSs

5.76 The petitioner has projected an amount of Rs 157 million for construction of CMSs, TBSs, TRSs and CP Stations.

5.77 The Authority notes that installation of TBSs, CMSs and CP Stations are important jobs which are operationally required for proper regulation and integrity of the distribution network. In view of the above, the Authority allows an upfront amount of Rs.157 million ***against this head during the said year subject to its capitalization at FRR stage.***

New Towns

5.78 *The* petitioner has projected Rs. 1,695 million for 217 Kms extension in distribution network in order to supply gas to new towns & villages during the said year. Average capitalization against this head during the last 6 years was Rs 471 million. The petitioner has informed that amount of Rs. 1,515 million is over & above to be adjusted against grant and Rs. 180 million is from SSGC own resources. Later, the petitioner clarified that out of the 57 towns mentioned in its petition, 37 Nos schemes fall within 5 Km radius of Gas Producing fields.

5.79 The Authority notes that Ministry of Energy (Petroleum Division) vide its letter Nos. NG(D)-16(91)/2022-IMP-Pt-I dated 30-12-2022 & 19-05-2023 has communicated CCOE's approved policy on execution of Gas Development Schemes and Provision of New Domestic Gas Connections, its relevant part is reproduced below:

"The *gas schemes under the policy of 5-Km radius of gas fields may continue subject to availability of funding from Government, however, companies would consider viability of schemes based on depletion profile of producing fields*."

5.80 In view of the above, ***the Authority in principle allows the petitioner to execute the projects against this head for the said year, provided the petitioner fully complies with the prevalent policies of the Federal Government. However, any prudently incurred expenditure within the estimated amount will be considered at FRR stage. Moreover, in line with similar directions conveyed to SNGPL in the relevant DERR FY 2021-22, the petitioner is also directed to give priority to such schemes which are already approved and are more than 50% complete.***

Distribution Pipeline Projects (Sr. No 10 to Sr. 14)

5.81 The petitioner has projected comulative amount of Rs. 2,683 million against the projects mentioned at Sr. No 10 to Sr. 14 of the above Gas Distribution System table, in order to improve the gas pressure, segregation of areas and enhancement of supply capacity in the targeted areas.

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5.82 The Authority notes that the same gas distribution pipeline projects were also allowed in principle in DERR FY 2022-23 to maintain appropriate gas pressure in distribution network or segregation of the network for better monitoring purposes. ***Therefore, the Authority provisionally allows these distribution projects in principle, subject to actualization at FRR stage.***

Replacement of Meters – Recovery Compaign (Outsourcing Disconnection Drive)

5.83 The petitioner has claimed an amount of Rs. 973 million against this head in the said year. However, break up of the projected amount could not be reconciled from the petition at the Annexure – D, titled: 'Basis & Assumptions of the petition'. The petitioner plans to undertake the recovery of outstanding amounts against gas bills through its Recovery department after serving the formalities such as disconnection notices etc. The petitioner has also planned a comprehensive Recovery Campaign through outsourcing disconnection drive as its relevant department has limited resources. The said department, as per the petitioner's plan, would initially focus in two billing zones in Karachi, where it will persuade the live and disconnected defaulters through a door to door campaign and (in case of non compliance) to proceed for removal of 155,000 meters. While selection of third parties for many lots (areas) is still in process, the selected Third Parties will be tasked to remove 300,000 meters from the defaulter premises. Moreover, in pursuit of recovery under this head, the petitioner intends to incur a hefty amount (Rs.3,539 million) which is around 27% of the total recovery (in ideal situation) of outstanding amount (Rs.13,345 million), which is too high to be allowed.

5.84 The Authority notes that similar claim was also raised in RERR FY 2022-23, wherein large share of the estimated amount (i.e Rs.654 million out of Rs.663 million) was earmarked for replacement of meters at defaulters premises. However, the Authority did not allow then on the premise that disconnected/ removed meters cannot be flatly scrapped without evaluating their condition. Diaphragm meters installed for residential category, usually perform satisfactorily for longer periods, hence premature scrapping of these is a loss of resources, which must be checked to avoid overburdening on the existing consumers. Meanwhile, the Authority supports the initiatives of black listing of such defaulters to prevent them from availing credit facilities from financial institutes, if allowable under the law of the land, similarly the petitioner may vigorously proceed for disconnection of gas supply at defaulter consumers besides filing and pursuing recovery suits owing to non payment of gas bills as per the 'Contract for Supply of Gas'.

5.85 ***In view of the above, the Authority hereby disallows the projected amount of Rs. 973 million against this head.***

Others CP/ Meters Transportation, Insurance in Transit etc.

5.86 The petitioner has projected an amount of Rs.1,128 million against this sub head for the said year. From the petitioner's clarification, it is observed Direct Departmental Cost is specifically incorporated in sub heads against Distribution System like: installation of new meters, replacement of meters and distribution pipelines, as such raising such expenses again in a separate new sub head seem to be a duplication of expenses. Moreover, it is pertinent to mention that GoP has currently imposed moratorium on new gas connections and new schemes. ***In view of the above, the Authority does not allow any amount against this head for the said year.***

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Rehabilitation of Mains and Services & Segmentation (UFG Control Program)

(D.1 of the petition refers)

5.87 The petitioner has not envisaged any amount for the said year against above head. The petitioner informed that in order to reduce backlogs no further targets were envisaged for ERR FY 2023-24, and its management decided to first complete the already approved schemes in prior years approved schemes (WIP) including those in the previous DRERR FY 2022-23.

5.88 The Authority observes that the titled projects are important UFG control program, yet the petitioner must revalidate prior years approved projects for the said year, taking it account its capacity to undertake the jobs in a planned manner based on Leakage surveys of old/ rusty distribution network focusing on tangible results to be achieved. Accordingly, based on the petitioner's request dated 02.05.2023 to revalidate / complete above such schemes, ***the Authority, hereby revalidates these schemes and allows the petitioner in principle to execute the same in the said year. However, any prudently incurred expenditure will be considered subject to its actualization at FRR stage, in line with observations highlighted above and at paras 5.34-5.35 therein DRERR FY 2022-23***

Laying of Distribution Mains including Reinforcement and Services (D.2 of the petition refers)

5.89 The petitioner has not envisaged any amount for the said year against above head. However, it intends to complete its physical targets in DRERR FY 2022-23 & prior years approved schemes under the same head.

5.90 Based on the petitioner's request for the revalidation of the target already approved in the previous determinations as stated above, ***the Authority allows revalidation of the already approved titled head to executie the same in the said year. However any prudently incurred amount, with tangible justifications, will be considered at FRR stage against this head will be considered, keeping in view the petitioner's capitalization trend/capacity to undertake such jobs.***

5.91 **The summary of allowed amounts against subhead under Gas Distribution System are tabulated below:**

Table 11: Additions to Distribution Network as Allowed by the Authority

Rs. Million

Sr. No.	Description	Petition		Allowed	
		Indigenous	RLNG	Indigenous	RLNG
1	Rehabilitation Mains and Services - UFG Control Program				
2	Replacement / Repair of Undersized Meters	1,821		1,745	
3	Segmentation				
4	Construction of CMS, TBS, PRS, Cathodic protection	157		157	
	Sub Total: UFG Control Program (A)	1,978		1,902	-
5	Laying of Distribution Mains including services- Existing Areas and DDC				
6	Installation of New Connections (meters)	647			
7	New Towns	1,695		-	
8	Replacement of Meters - Recovery Campaign (Outstanding Disconnection Drive)	973			
9	Others - CP / Meter Transportation / Insurance in Transit etc	1,128			
	Sub Total : Normal (B)	4,443		-	-
	Total GDS Other Than Major Projects: (A+B)	6,421		1,902	-
10	20"Dia x 11 KMs Pipeline from SMS Sheedi Goth to Tapping Point (20" Dia Future Colony/20" Augmentation Project / Upgradation of Sheedi Goth)	1,019		-	
11	20" Dia x 9 KMs Pipeline from Azeempura to Jam Sadiq Ali Bridge	844		-	
12	16" Dia x 10 KMs Pipeline from KT to TBS Maymar CNG	764		-	
13	16" Dia x 6.2 KMs Pipeline from PSM Main Gate to Yousuf Goth Landhi	33		-	
14	16" Dia x 5 KMs Pipeline from Surjani Step-Down Assy. To Madinat al Hikmah	23		-	
	Sub-Total: Major Distribution Projects(C)	2,683		-	-
	Sub-Total Gas Distribution System(A+B+C)	9,104		1,902	0
	Total Gas Distribution System (Indigenous + RLNG)	9,104		1,902	

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vi. **Plant and Machinery**

5.92 The petitioner has projected an amount of Rs 2,018 million on account of Plant and Machinery for the said year. The petitioner has further segregated above amount of Rs. 2,018 million i.e Rs. 727 million for Transmission activities whereas 1,291 million for Distribution & Sales activities. Out of the total 169 items, major Plants and Equipment envisaged to be procured during the said year includes Air compressors, drilling machines, pipe squeezing machines, Welding plants, Fusion machines, transformers and Electric Generators etc.

5.93 The Authority notes that the petitioner capitalized on average an amount of Rs. 200 million per year during the period FY 2006-07 to FY 2020-21, however, the projections against this head remained excessive viz a viz actual expenditure. ***Keeping in view of the above, the Authority allows an upfront amount of Rs. 200 million with segregation of Rs.72 million for Transmission activities whereas Rs.128 million for Distribution & Sales activities against this head for the said year, subject to actualization at FRR stage.***

vii. **Furniture; Security & Office Equipment's; and Computer & Allied Equipment.**

5.94 The petitioner has projected Rs. 665 million i.e., Rs.141 million for Transmission activities, whereas Rs. 524 million for Distribution & Sales activities against this head for the said year.

5.95 Major components of projections include Computers and Allied equipment (Rs 483 million), Office equipment (Rs 111 million), Furniture (Rs 36 million), and Security equipment (Rs 35 million). Historical trend analysis shows that the petitioner on an average has capitalized an amount of Rs 136 million annually during the period from FY 2006-07 to FY 2020-21.

5.96 ***In view of the historical trend analysis, the Authority provisionally allows an amount of Rs. 136 million with segregation of Rs. 29 million for Transmission activities whereas Rs. 107 million for Distribution & sales activities under the said head.***

viii. **Computer Software (Intangible)**

5.97 The petitioner has projected Rs. 310 million i.e., Rs. 248 million for Transmission activities whereas 62 million for Distribution & Sales activities for procurement of various software during the said year. Major software envisaged to be procured during the said year include Pipeline Integrity Management System (225 million), Oracle Application Additional User licenses for ERP (25 million) and CC&B Additional Licences qty. 75,000 with one year support (18 million).

5.98 It is observed that the petitioner has capitalized an average amount of Rs 38 million per annum during the last 13 years i.e., FY 2008-09 to FY 2020-21.

5.99 ***Keeping in view the capitalization by the petitioner against this head, the Authority provisionally allows an amount of Rs 38 million with segregation of Rs. 30 million for Transmission activities whereas 8 million for Distribution activities for the said year.***

ix. **LPG Air-Mix Projects**

5.100 The petitioner has projected an amount of Rs. 185 million to be capitalized on LPG Air–Mix Plants at various locations which include Gwadar (Rs 58 million), Noshki (Rs 42 million), Surab (Rs 31 million), Kot Ghulam Muhammad (Rs 34 million), Awaran (Rs 17 million) and Bela (Rs 2 million). The main items against this subhead comprises of Office/ Residence buildings, Solar PV Systems, Water Filtration plants, Gas Genset, Protection wall around LPG Storage tanks, Air Dryer for compressor, Fire Fighting System rehabilitation, U/G Water tank for fire fighting systems, portable LPG Leak detectors & hi roof vans etc.

5.101 ***Keeping in view of the petitioner's claim, the Authority allows an upfront amount of Rs 93 million i.e., 50% of the projected amount for the said plants for the said year. Moreover, the Petitioner is directed to comply with ECC decision dated 06-04-2020 regarding***

execution of ECC-Approved Liquefied Petroleum Gas (LPG) Air Mix Supply Projects by Sui Companies.

x. Telecommunication System

5.102 The petitioner has projected Rs 36 million i.e., Rs. 8 million for Transmission activities whereas Rs. 28 million for Distribution & Sales activities including Vulnerability Assessment and Penetration Testing of SCADA System, SCADA RTU for Transmission Valve Assemblies and replacement of exchanges. Average capitalization during the last 15 years i.e., FY 2006-07 to FY 2020-21 was Rs. 55 million / year.

5.103 In view of the above, the Authority ***provisionally allows an amount of Rs. 36 million for the said year with segregation of Rs. 08 million for Transmission activities whereas Rs.28 million for Distribution activities for the said head against the said projects.***

xi. Appliances, Loose Tools & Equipment

5.104 The petitioner has projected an amount of Rs. 186 million i.e., Rs. 73 million for Transmission activities (including Rs. 4 million of RLNG), whereas Rs. 113 million for Distribution activities for procurement of different tools and equipment including Gas Leak Detectors (Rs 44 million), Cyber Locks / Keys & Other Hardware Accessories (Rs.46 million), Dry Test Meter (Rs. 14 million), Handheld X-Ray Fluorescent Machine (Rs. 10 million), Pipe Lifting Tongue (Rs. 13 million) etc.

5.105 The Authority notes that average amount capitalized during last 14 years i.e. FY 2007-08 to FY 2020-21 in this head was Rs 25 million/year. Based on historical trend of capitalization, ***the Authority allows an amount of Rs.25 million against this head in the said year, with the segregation of Rs.10 million for Transmission activities whereas Rs.15 million for Distribution & Sales activities in the said head. Further, the Authority, in principle, allows claim against this head for RLNG activities. However, all such expenses made against RLNG project will be actualized at FRR stage and amount will be ring fenced as per FG policy guidelines.***

xii. Vehicles

5.106 The petitioner has projected an amount of Rs. 2,216 million i.e., Rs. 769 million for Transmission activities (including Rs. 10 million for RLNG activities), whereas Rs. 1,447 million for Distribution & Sales activities under this head for procurement of 815 Nos. Operational vehicles (02 Nos Addition + 813 Nos Replacement).

5.107 The Authority observes that there has been no marked increase in its network and consumer base. Considering above and to ensure compliance with the GoP's advice to implement austerity measures at all levels to avoid unnecessary expenditures. The petitioner has capitalized an amount of Rs. 54 million in this head during 2020-21. Therefore, ***the Authority, in view of the of the above actualizing trend, allows an amount of Rs. 54 million with segregation of Rs.19 million for Transmission activities whereas Rs. 35 million for Distribution & Sales activities under this head for the said year. Further, the Authority, in principle, allows claim against this head for RLNG activities, however, all such expenses made against RLNG project will be actualized at FRR stage, amount to be ring fenced as per FG policy guidelines.***

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xiii. Fixed Assets Allowed by the Authority

5.108 The value of additions in assets requested by the petitioner and allowed by the Authority for the said year, is as under:

Table 12: Summary of Asset Additions Allowed by the Authority

Rs. in Million

Particulars	FY 2023-24 (ERR)					Determined by the Authority FY 2023-24 (ERR)				
	Transmission		Distribution & Sale		Total	Transmission		Distribution & Sale		Total
	Indigenous Gas	RLNG	Indigenous Gas	RLNG		Indigenous Gas	RLNG	Indigenous Gas	RLNG	
Buildings	120		394		515	20		64		84
Gas transmission pipeline	22,379	1,442			23,821	719	0			719
Compressors	4,166	3,670			7,836	30	0			30
Plant and machinery	727		1,291		2,018	72		128		200
Gas distribution system, related facilities and equipments			9,105		9,105			1,902		1,902
Furniture, equipments including computers and allied equipments	141		524		665	29		107		136
Computer software (intangible)	248		62		310	30		8		38
LPG Air Mix Projects			185		185			93		93
Telecommunication system	8		28		36	8		28		36
Appliances, loose tools and equipment	69	4	113		186	10	-	15		25
Vehicles	759	10	1,447		2,216	19	-	35		54
Assets related to Gas Activities	28,617	5,126	13,150		46,893	937	0	2,380	0	3,317

5.109 It may be noted that a part form the amount being allowed in the above table, several projects have been allowed in principle (amounting to Rs. 27,582 million) subject to capitalization in FRR, detail of which has been discussed in the preceding paras.

6. Unaccounted for Gas (UFG)

6.1 The petitioner has estimated UFG for the said year at 13.13% (39,964 MMCF) versus benchmark of 6.30 % i.e 5% + 50% of 2.6%. The actual UFG was calculated @ 15.31% in its petition for DFRR for FY 2020-21The petitioner has projected RLNG held stock purchase and sales in UFG Sheet however, since it has been selling RLNG allocated out of RLNG held stock, therefore, as per prevalent policy of FG, it may claim the sale volume against such allocations as 'Deemed Sale' as in the case of BTU equivalence volume. In addition, the petitioner vide MoPD letter No. NG(II)-16/ (4)/ 17-RLNG-Misc-Vol-I dated 23.10.2017 may enter into agreement with SNGPL for sale of RLNG Volumes for its RLNG consumers with the condition that either the petitioner will accordingly make payments to SNGPL or it will return these molecules.

6.2 The petitioner states that it is still forced to swap indigenous gas/ consume RLNG in its system, despite the commissioning of a dedicated RLNG Transmission pipeline in 2018. Some of the contributing factors related to higher UFG raised by the petitioner, are mentioned below:

a. SSGC has to inject RLNG in its system owing to inaccurate demand planning/ forecasting by Power Division;

b. Construction of SSGC's proposed 30" dia X 125 km transmission pipeline from SMS Sindh University to Pakland could not be completed due to delay in acquisition of ROW;

c. UFG in Baluchistan, accounts for around 50 % of the total figure. The petitioner does not operate there as a full-scale commercial entity because of the socio economic condition besides extreme weather condition in the area. According to the petitioner, it has submitted certain proposals before MoE for addressing this issue.

d. Impact of RLNG Handling due to the above reasons is reportedly causing increase in UFG in the petitioner's network;

e. Un authorized / Non consumers of around 500,000 to 700,000 in Urban areas, specially Karachi. The issue occurs mainly in non-regularized/ unleased/ illegally occupied lands like Katchi abadis and building constructed on encroached lands in Karachi.

6.3 The petitioner claims to have taken a number of steps to reduce UFG, some of which are as under:

a. Under 3 year UFG Reduction Strategy, UFG savings recorded at 13.08 BCF as against the target of 10BCF during FY 2020-21;

b. Counter Gas Theft Operations (CGTO) conducted 1,270 & 2,528 operations respectively against registered and unregistered consumers during FY 2021-22;

c. Filing of 142 FIRs against the alleged gas pilferers during FY 2020-21;

d. Enhanced network visibility through installation of right sized meters, EVCs and modems at SMSs. Custody Transfer Stations have been made 'Online' & Finality of dedicated SSGC Police Station in Quetta etc.;

e. UFG Control Activities i.e Rehabilitation of Mains and Services, Identification and Rectification of underground / overhead leakages & Theft of Gas are continued to made during the said year will save UFG volumes;

f. Introducing 'New Innovative Solutions' for Distribution Pipeline Integrity and Operations like : Rehabilitation using hydraulic / Pneumatic pipe bursting technology; Leak Repair using Pipeline Liners; Smart Ball / Piper technology etc.

However, despite the achievements made so far by the petitioner, the issues highlighted in the preceding paras are largely outside SSGC's operational control and are severely impacting the Company's financial position.

6.4 The Authority notes that despite the achievements claimed by the petitioner and spending of huge amounts of about Rs. 7,981 million based on the latest determinations by the Authority in its FRRs/ MFRR for three years i.e FY 2017-2018 to FY 2020-21 against UFG Control activities i.e Rehabilitation of Distribution mains/ services, Segregation, Replacement of meters and installation of TBS and CP Stations etc., unfortunately, UFG in petitioner's franchised area remained on higher side during the last few years. As regards the issue of impact of RLNG handling and the related matter of swapping of RLNG due to the delay in the laying of 30" dia transmission line between SMS Sindh University (Hyderabad) to Pakland, the matter has been addressed at length in the determination of Motion for Review of FRR FY 2018-19, which holds good and is reiterated here. It is also noted that as per the Company's own claimed figures of 500,000 to 700,000 illegal Non consumers in Karachi. However, efforts required to control have not been upto the mark, particularly with the promulgation of Gas Theft Control and Recovery, (GTCR) Act, 2016, a special law to deal with theft of gas. As regards, the issue of handling of RLNG in petitioner's distribution system, 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. The Authority also notes that the petitioner, being the Owner And Operator of its Network, has to protect its assets, therefore the petitioner is under obligation to address all contribution factors of UFG including Leaky network, measurement errors and theft of gas in a determined, planned and efficient manner.

6.5 ***The Authority based on the above and its working of GIC at paras 8.1-8.2 allows UFG for the said year as under:***

Table 13: Unaccounted for Gas

UFG CALCULATION SHEET

		FY 2023-24	
Gas Purchases		As per petition	As Calculated
Transmission System			
(Gas Received) in Transmission Indigenous	A	304,410	304,410
Gas used in operation of Tran. Sys	B	(731)	(731)
(i) Compression		(580)	(580)
(ii) Company own use		(150)	(150)
(ii) LHF		(1)	(1)
Gas Available in Transmission System	C=A+B	303,679	303,679
Gas passed to Distribution system through SMS	D	303,679	303,679
Loss in Tansmission System	E=C-D	0	0
% Loss or Gain in Transmission Sytem	F=E/A*100	0%	0%
UFG Allowed (%)		0%	0.14%
Invalid Claim (MMCF)			0
Distribution System			
Gas Received in Dist. System (Through SMS)	G	303,679	303,679
Gas Sold			
Gas Sales	H	256,113	256,113
Energy imbalance/Deemed Sales-(recovered from RLNG customer)	I	7,602	7,602
Total Gas Sales	J=H+I	263,715	263,715
Loss in Distribution	K=G-J	39,964	39,964
% age Loss in Distribution Sytem	L=K/G*100	13.16%	13.16%
% UFG Allowed	M		6.25%
Allowed UFG (MMCF)	N=MxG		18,980
Invalid Claim	O=K-N		20,984
Total UFG Volume (Transmission + Distribution)	P=E+K	39,964	39,964
Total % age UFG (Transmission + Distribution)	Q=P/A*100	13.13%	

6.6 The Authority further takes cognizance that effective 3rd March 2022, OGRA Ordinance has been amended to redefine LNG/RLNG as natural gas and brought under the ambit of OGRA Ordinance, which was previously treated as "Petroleum" under Petroleum Products (Petroleum Levy) Ordinance, 1961. Hence in line with the latest amendment in OGRA Ordinance, ring fencing of RLNG does not remain valid as distinction between RLNG and natural gas has been abolished. In view thereof, UFG shall be same in both cases.

6.7 ***In view of the computation as per above table, the Authority provisionally allows UFG adjustment at Rs. 21,581 million at indigenous national average cost of gas of Rs.1,028.43/MMCF) from the revenue requirement for the said year.***

7. UFG Benchmark:

7.1 The Authority observes that the UFG benchmark was implemented for five (05) years with effect from FY 2017-18, based on the study conducted by M/s KPMG Taseer Hadi & Co. Chartered Accountants (KPMG) during 2016-17, where UFG benchmark was fixed at 5 % and 2.6 % allowance was built on account of local challenging conditions further linked to implementation/ progress of 30 Nos. KMIs. The local challenging conditions mainly included law & order situations & theft/ non-consumers issues. Therefore, the KMI were designed, in thorough consultation with Gas companies to devise a plan of action that is practically implementable and effective to control the reasons contributing toward UFG. Accordingly, multiple activities comprising rehabilitation, replacement, leak survey, segmentation, theft recoveries etc., formed a multi-pronged strategy covering all areas and aspects of utilities operations that could possibly help in reducing UFG. For the purpose, capital as well as operating expenditures were also allowed to the petitioner to undertake such jobs.

7.2 The petitioner has projected UFG @ 13.13% i.e., 39,964 MMCF for indigenous gas for the said year versus benchmark of 6.30%.

7.3 ***In this regard, the Authority reiterates its earlier stance in DERR FY 2022-23 and provisionally allows 0.14% for Transmission network and 6.25% for Distribution network which is subject to revision based on the following;***

i. ***Findings of the UFG Audit determining actual UFG of gas companies in respect of indigenous as well as imported RLNG;***

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ii. Policy guidelines from Federal Government in respect of recent amendment in OGRA Ordinance i.e., Oil and Gas Regulatory Authority (Amendment) Act, 2022 dated 3rd March, 2022;

8. Gas Internally Consumed (GIC)

8.1 The petitioner has projected GIC-metered of 731 MMCF for the said year. As per the details of the GIC, the petitioner has projected 580MMCF against compression fuel, 150 MMCF for Company own use and 01 MMCF for LHF.

8.2 It is noted that the petitioner's claim of GIC for 731 MMCF for the said year is comparatively on lower side considering historical trend. ***In view of the above, the Authority allows the estimated GIC volume of 731 MMCF for the said year.***

8.3 ***In view of the above, the Authority re-computes the GIC at Rs. 787 million (at the rate of 1,077.11/MMCF) on provisional basis for the said year.***

9. Depreciation and ROA

9.1 ***Keeping in view of above, the Authority decides to allow depreciation Rs. 7,589 million on provisional basis for the said year. Consequently, ROA is computed at Rs. 6,921 million based on net average operating assets for the said year.***

10. Operating Revenues

i. Sales Volume

10.1 The petitioner has projected gas sales volume at 250,991 BBTU, therby projecting 9% decrease over RERR FY 2022-23. The petitioner stated that the projected gas volume available for sale has been based on the Annual Committed Quantities as confirmed by respective Gas Producers and the same have been projected for sale to various sectors keeping in view the FG load management policy in this regards. Category-wise comparison with previous years has been provided as under:

Table 14: Comparison of Projected Gas Sales Volume with Previous Years

Volume in BBTU

Category	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Inc. / (Dec.) over RERR FY 2022-23	
	FRR	RERR	RERR	The Petition	Rs.	%
Habibullah Coastal Power (HCPC)	-	2,969	4,454	-	(4,454)	(100)
Cement	120	115	271	122	(149)	(55)
Power	29,642	20,616	10,982	5,366	(5,616)	(51)
Captive Power	23,490	25,001	21,174	15,023	(6,151)	(29)
CNG Stations	3,057	1,215	863	644	(219)	(25)
Commercial	7,992	9,038	8,780	6,796	(1,984)	(23)
Captive Power-zero rated	43,083	47,074	48,211	44,713	(3,498)	(7)
Industrial-zero rated	27,623	43,745	29,973	28,616	(1,357)	(5)
Domestic	99,573	108,787	99,906	97,294	(2,612)	(3)
Nooriabad Power Plant	-	6,083	5,436	5,366	(70)	(1)
Fertilizer - feed stock	18,754	18,828	19,983	19,930	(53)	(0)
General Industries	29,777	31,440	26,966	27,122	156	1
Total: -	283,111	314,911	277,000	250,991	(26,009)	(9)

10.2 The petitioner has explained that nill gas sales volume has been projected in respect of its customer M/s Habibullah Coastal Power Company Ltd. due to expiry of the agreement. The petitioner has also explained that reduction in gas sales volume to Power & CNG sector is due to shift of such indigenous gas consumers to RLNG. The petitioner has further explained that decline in gas sales volume to Cement, Captive, Commercial, Fertilizer, Zero rated Industry and Domestic sectors is due to natural gas load management plan of FG, considering depleting gas supplies.

10.3 ***In view of the above, the Authority accepts the petitioner's sales volume projections at 250,991 BBTU for the said year.***

ii. Sales Revenue at Existing Prices

10.4 The petitioner has projected gas sale revenues at Rs. 234,289 million as against Rs. 321,852 million, thereby showing a decrease of 27% over RERR FY 2022-23. Category-wise comparison of sales revenue is given below:

Table 15: Comparison of Projected Sales Revenue at Existing Price with Previous Years

Rs. In Million

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Inc. / (Dec.) over RERR for FY 2022-23	
	FRR	RERR	RERR	The Petition		%
Habibullah Coastal Power	-	3,052	6,702	-	(6,702)	(100)
Power	25,911	21,025	14,982	5,634	(9,348)	(62)
Cement	154	159	435	183	(252)	(58)
Captive Power	23,424	31,396	38,568	18,028	(20,540)	(53)
CNG Stations	4,027	1,757	1,945	1,104	(841)	(43)
Commercial	10,108	12,744	17,859	10,519	(7,340)	(41)
Captive Power-(zero rated)	36,024	45,711	71,753	49,184	(22,569)	(31)
Nooriabad Power Plant	-	6,105	7,612	5,634	(1,978)	(26)
General Industries	30,182	37,421	42,320	32,603	(9,717)	(23)
Industrial-(zero rated)	23,669	41,452	40,241	31,478	(8,763)	(22)
Domestic	30,783	53,278	69,805	69,759	(46)	(0)
Fertilizer - Feedstock	5,657	7,113	9,630	10,164	534	6
Total Sales Revenues	**189,939**	**261,213**	**321,852**	**234,289**	**(87,563)**	**(27)**

10.5 The petitioner has submitted that overall decrease in gas revenue against various categories of consumers is in line with its sales volume envisaged for the said year, as per the reasons explained in para 10.2 above. The petitioner has further submitted that revenues have been calculated in accordance with latest gas price notification issued by OGRA effective January, 2023. The petitioner has informed that there are various OGRA's gas price notifications against which Sindh High Court (SHC) has granted stay order. The impact of these stay orders in terms of reduction in revenues is over Rs. 3 billion. The petitioner has submitted that gas revenues against these consumers shall be offered in revenue requirement calculation on the basis of final verdict of SHC.

10.6 ***In view of above, the Authority accepts the gas sales revnues at Rs. 234,289 million as offered by the petitioner for the said year.***

iii. Other Operating Income

10.7 The petitioner has projected other operating income at Rs. 4,874 million for the said year. A comparison with previous years is given below:

Table 16: Comparison of Projected Other Operating Income with Previous Years

Rs. in million

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24			Inc./(Dec.) over RERR for FY 2022-23	
	FRR	RERR	RERR	The Petition	Transmission	Distribution & Sale Activities	Rs.	%
Late Payment Surcharge	1,936	1,026	1,061	1,070	-	1,070	9	1
Meter Manufacturing Profit	7	30	74	158	-	158	84	113
Sale of LPG/NGL and Condensate	(29)	(5)	(1.49)	37	37	-	38.44	2,581
Meter rentals	1,368	1,672	1,726	1,754	-	1,754	27	2
Amortization of deferred credits	601	596	584	688	-	688	105	18
Notional income on IAS 19 provision	385	431	766	-	-	-	(766)	(100)
Other income	4,619	1,345	1,167	1,167	253	914	-	-
Net Operating Revenue	8,887	5,094	5,377	4,874	290	4,584	(503)	(9)

10.8 The petitioner has explained that revenue from Meter Manufacturing Plant (MMP) has been projected to increase by 113% over RERR FY 2022-23, as meter production is expected to increase in the said year owing to an MoU signed with SNGPL to enhance capacity of production of domestic gas meters to meet SNGPL's requirement. Moreover, income from sale of gas condensate has been projected at Rs. 37 million owing to increased offtakes from respective fields.

10.9 The Authority observes that the petitioner has treated "Notional Income on IAS-19" as non-operating without citing any justification. The Authority notes that the matter in respct of treatment of notional income on IAS-19 has been exhaustively discussed and decided by it in its various earlier determinations. Therefore, non-compliance of Authority's directions is highly undesirable and condemned. The Authority, per its principle decision taken in its

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various previous determinations, continue to treat notional income on IAS-19 as operating income and ***accordingly includes Rs. 1,065 million (calculated on an average rate of 21.97% based on the opening & closing balance data, as provided by the petitioner) in revenue requirement calculations.***

10.10 ***In view of above, the Authority provisionally includes "other operating income" at Rs. 5,939 million for the said year, as detailed below: -***

Table 17: Summary of Other Operating Income as Allowed

Rs. in million

Particulars	FY 2023-24	
	The Petition	As Allowed
Late Payment Surcharge	1,070	1,070
Meter Manufacturing Profit	158	158
Sale of LPG/NGL and Condensate	37	37
Meter rentals	1,754	1,754
Amortization of deferred credits	688	688
Notional income on IAS 19 provision	-	1,065
Other income	1,167	1,167
Operating Revenue	4,874	5,939

11. RLNG Cost of Service

11.1 The petitioner has projected Rs. 12,347 million (Rs. 28.19 per MMCF or 26.72 per MMBTU at designed capacity of 1,200 MMCFD) on account of RLNG cost of service for the said year. The breakup of the same is as under: -

Table 18: Breakup of RLNG - Cost of Service

Rs. in Million

Total RLNG Energy in MMCF	**438,000**
Revenue Expenditure Relating to RLNG	3,708
Depreciation	1,601
Contribution to WPPF	1,159
ROA	5,879
Cost of Supply of RLNG	12,347
Cost of Supply of RLNG Rs./MMCF	**28.19**
Cost of Supply of RLNG Rs./MMBTU	**26.72**

11.2 The Authority notes that the petitioner has been reporting WPPF at nil from the last couple of years in respect of RLNG business. ***In view of the same, the Authority excludes the same from RLNG cost of service subject to the actualization at year end. Further, the Authority re-computes RLNG's ROA at Rs. 5,097 million calculated at 20.60% on average net fixed assets in the light of decision per para 5.108 above.*** Regarding impact of HR cost relating to RLNG business segment, Rs. 3,416 million is included in the light of discussion per para 13.3.

11.3 In view of above, RLNG cost of service is re-worked as per table below:

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Table 19: Breakup of RLNG Cost of Service / Supply

		Rs. in Million
Description	**The Petition**	**As Allowed**
Quantitative Data (MMCF)	438,000	438,000
Quantitative Data (MMBTU)	462,090	462,090
Revenue Expenditure Relating to RLNG	3,708	3,708
Depreciation	1,601	1,474
Contribution to WPPF	1,159	-
ROA	5,879	5,097
Cost of Supply of RLNG	**12,347**	**10,279**
Cost of Supply of RLNG (Rs./MMCF)	28.19	23.47
Cost of Supply of RLNG (Rs./MMBTU)	26.72	22.24

12. Operating Expenses

i. Cost of Gas

12.1 The petitioner has projected the cost of gas at Rs. 302,100 million i.e.; Rs.992.22/MMCF for the said year, based on projected purchased volume and projections of international prices of crude and HSFO. The petitioner's cost of gas is based on the following assumptions/pricing parameters:

Table 20: SSGCL's Average Cost of Gas Parameters

Applicable for Wellhead Gas Price	Average oil price for the period	Average C&F price		Exchange Rate
		Crude Oil	HSFO	
		US$/BBL	US$/M.Ton	Rs./US$
July to December 2023	December, 2022 to May, 2023	81.93	344.19	269
January to June 2024	June 2023 to November, 2023	77.22	140.79	273
Averages		79.58	242.49	271

12.2 The petitioner has submitted that cost of gas is based on projected wellhead gas prices, worked out on estimated average C&F price for Crude Oil at US$ 79.58 per barrel and HSFO US$ 242.49 per metric ton, whereas Crude oil average prices are taken based on forecast of monthly average from Dec, 2022 to Nov, 2023 applicable of the period Jul 2023 to June 2024. Regarding HSFO prices, the petitioner has explained that 2% per month escalation has been projected on RERR FY 2022-23.

12.3 Furthermore, the petitioner has also explained that rupee v/s US$ parity has been kept at Rs. 271 for the said year. Twelve months (Nov. 22 to Nov. 23) forecast has been further escalated by 0.64% based on per month forecasted average trend during the said period, which has been evenly applied. In view of the above, weighted average cost of gas has been reworked/amended at Rs. 1,009 per MMBTU for FY 2023-24 as compared to FY 2022-23 of Rs. 947.55 per MMBTU.

12.4 The international average prices of crude and HSFO during the immediately preceding period of December to May are used as the basis for calculating the estimated well-head gas prices for the period July to December, and similarly oil prices during the immediately preceding period of June to November are used to calculate the projected well-head gas prices for the period January to June. The well-head gas prices on the basis of which the cost of gas is determined are indexed to the international prices of crude or HSFO per GPAs between the GOP and the producers and are notified bi-annually, effective on 1st July and 1st January each year.

12.5 The Authority has reworked the parameters for computation of average cost of gas for the said year based on latest trend observed in the average prices of HSFO and Crude. Wellhead gas prices effective July to December, 2023 have been reworked on the basis of actual average prices of HSFO and Crude during the period December, 2022 to May 15, 2023. The same has been adopted for next six months i.e. January-June-2024 based on international

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estimation. However, any adjustment based on actual international prices shall be reviewed / considered at the time of RERR for the said year.

12.6 Therefore, keeping in view the trend of international oil prices and US$ currency exchange rate and other related factor, revised parameters for computation of cost of gas at the petitioner system is as below:

Table 21: Revised Average Cost of Gas parameters

Applicable for Wellhead Gas Price	Average oil price for the period	Average C&F price		Exchange Rate
		Crude Oil	HSFO	
		US$/BBL	US$/M.Ton	Rs./US$
July to December 20232	December. 2022 to May, 2023	81.16	381.87	290.00
January to June 2024	June 2023 to November, 2023	81.16	423.48	290.00
Averages		81.16	402.67	290.00

12.7 ***Based on above, the Authority provisionally determines cost of gas at Rs. 327,963 million net of GIC (at respective average cost of gas of Rs. 1,077.11/MMCF) for the said year.*** The petitioner is, however, directed to submit a review petition to the Authority latest by October 15, 2023 for review of its estimated revenue requirements as required under Section 8(2) of the Ordinance, keeping in view the actual and anticipated changes in international prices of Crude, HSFO for rest of the period to November, 2023 and the trend of Rupee-Dollar exchange rate.

13. Transmission and Distribution (T&D) Cost

i. Summary

13.1 The petitioner has projected transmission and distribution cost at Rs. 19,265 million for the said year, projecting an increase of 12% over RERR FY 2022-23, as per details below: -

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Table 22: Historical Comparison of T&D Cost

Rs. in Million

Particulars	RERR	Actaul upto March, 2023	The Petition			Inc./(Dec.) over RERR FY 2022-23	
	FY 2022-23		FY2023-24	Transmission	Distribution & Sale Activities	Rs.	%
Salaries, wages, and benefits at benchmark	17,187	10,609	17,028	2,980	14,048	(159)	-1%
Professional & Legal Charges	144	85	412	94	318	268	186%
Material used on consumers installations	20	19	45	-	45	25	125%
Stores, spares and supplies consumed	878	739	1,728	418	1,310	850	97%
Others	137	112	219	61	158	82	60%
Traveling	103	68	143	85	58	40	38%
Repairs & maintenance	2,076	1,830	2,791	575	2,216	715	34%
Advertisement	118	36	155	34	121	37	31%
Meter reading by contractors	109	86	141	-	141	32	29%
Electricity	280	218	336	104	232	56	20%
Gas bills collection charges	251	173	288	-	288	37	15%
Security expenses	868	703	952	608	344	84	10%
Insurance including royalty	127	86	131	61	70	4	3%
Rent, rate & taxes	271	154	278	32	245	7	2%
Postage & bill delivery by Contractors	136	84	136	5	131	-	0%
License & Tariff Petition Fee to OGRA	87	82	96	21	75	9	10%
Sub-total Cost	22,792	15,085	24,878	5,075	19,803	2,087	9%
Less: Recoveries / Allocations	2,333	1,514	2,198	283	1,914	(135.3)	-6%
HR cost relating to RLNG	3,273	-	3,416	-	3,416	143	4%
T&D Cost before GIC	17,186	13,571	19,265	4,792	14,473	2,079	12%
Add: Gas consumed internally	922	1,264	739	739	-	(183)	-20%
Net T&D Cost including GIC	18,108	14,835	20,004	5,531	14,473	1,896	0%

ii. Human Resource (HR) Cost

13.2 The petitioner has projected HR cost to decrease by 1% from Rs. 17,187 million per RERR for FY 2022-23 to Rs. 17,028 million for the said year. The petitioner has explained that HR cost has been worked out at Rs. 17,700 million, hence the petitioner has claimed only Rs. 17,028 million as per the Authority's HR Benchmark formula effective FY 2021-22 onwards.

13.3 ***In view of above, the Authority includes Rs. 17,028 million i.e. (Rs. 13,612 million for Indigenous and Rs. 3,416 million for RLNG segment)as claimed by the petitioner on provisional basis subject to the actualization at year end. Any adjustment based on Authority's decision shall be considered in its future determination, therefore, HR cost is allowed as per table below: -***

Table 23: HR Allowed by the Authority

Rs. in Million

Particulars	FY 2023-24		
	Total	Transmission	Distribution & Sales
The Petition	17,028	2,980	14,048
As Allowed for NG	13,612	2,382	11,230
As Allowed for RLNG business	3,416	-	-

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iii. Legal & Professional Charges

13.4 The petitioner has projected an amount of Rs. 412 million projecting an increase of 186% over RERR of FY 2022-23, as shown below:

Table 24: Historical Comparison of Projected Legal & Professional Charges

Rs. in Million

Particulars	FY 2020-21	FY 2021-22		FY 2022-23		FY 2023-24			Inc./(Dec.) over RERR FY 2022-23	
	FRR	RERR	Actual	RERR	July-Dec 2022	The Petition	Transmission	Distribution & Sale Activities	Rs.	%
Legal & Professional Charges	117	140	118	144	45	412	94	318	268	186

13.5 The petitioner has explained that 186% increase in the said head is primarily owing to prevailing hyper-inflation in the country. The petitioner has also explained that increased projection is due to the planned acquiring of headhunting services, i.e. to pay for aptitude tests / potential assessment, job advertisements, reimbursement of recruitment activities and hiring of consultancy for manpower workload assessment / audit, salary surveys etc. Moreover, the petitioner faces a huge amount of litigation and required to be careful at every step to avoid Organizational exposure from Legal Standpoint. In order to mitigate this risk, reputable legal counsel is kept on board for soliciting legal opinions.

13.6 The petitioner has further explained that increase under this head is also due to security services for the SCADA System to protect from any external or internal threats. Petitioner added that its BOD recommended for VAPT (Vulnerability and Penetration Test) of SCADA System. After conducting VAPT a detailed report shall be submitted by a third party with their recommendations. Moreover, hiring of professionals for preparation of a report for establishment of gas flow meter is also planned during the said year. The company's BoD also approved Risk management project(s), which will be taken up in related FRR.

13.7 The Authority notes that claiming 186% increase over FY 2022-23 by the petitioner is not justified. The petitioner must adopt a prudent approach while planning for such tasks and undertake the same in phased manner to avoid financial impact in one year. Moreover, historical analysis per the table above does not commensurate with the petitioner's capacity to undertake planned number of consultancies/studies. Such over-estimations by the petitioner at the beginning shall cnly jack up the price, thereby unnecessary burdening the natural gas consumers.

13.8 ***In view of the above, the Authority considering the justification and the petitioner's capacity to execute the projects, decides to provisionally allow Rs. 118 million i.e. fix at the level of actual for FY 2021-22 for the said year. The table is as under;***

Rs. in Million

Particulars	FY 2023-24		
	Total	Transmission	Distribution & Sales
The Petition	412	94	318
As Allowed	118	27	91

iv. Material used on Consumers Installations

13.9 The petitioner has projected an amount of Rs. 45 million projecting increase of 125% over RERR of FY 2022-23. Breakup of the same is as under: -

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Table 25: Historical Comparison of Material used on Consumers Installations

Rs. in Million

Particulars	FY 2020-21	FY 2021-22		FY 2022-23		FY 2023-24			Inc./(Dec.) over RERR FY 2022-23	
	FRR	RERR	Actual	RERR	July-Dec 2022	The Petition	Transmission	Distribution & Sale Activities	Rs.	%
Material used on consumers installations	9	36	32	20	19	45	-	45	25	125

13.10 The petitioner has explained that the actual expenditure on account of material and labour consumed for FY 2021-22 and July-December, 2022 has remained at Rs. 32 million and Rs. 19 million respectively. In view of same and the prevalent hyper-inflation, amount claimed may be allowed.

13.11 The Authority agrees to the contentions made by the petitioner based on historical trend as well as prevalent inflation, however, 125% projected increase over a period of one year does not seem reasonable. ***In view of the same, the Authority, decides to provisionally allow 20% increase over acutal expenditure for FY 2021-22 and fixes material used on consumers installations charges at Rs. 38 million for the said year, subject to actualization at year end, provided the expenditure remains within the petitioned amount.***

v. Stores Spares and Supplies Consumed

13.12 The petitioner has projected an amount of Rs. 1,728 million projecting increase of 97% over RERR of FY 2022-23. The breakup of the same is as under: -

Table 26: Historical Comparison of Projected Stores Spares and Supplies Consumed

Rs. in Million

Particulars	FY 2020-21	FY 2021-22		FY 2022-23		FY 2023-24			Inc./(Dec.) over RERR FY 2022-23	
	FRR	RERR	Actual	RERR	July-March 2023	The Petition	Transmission	Distribution & Sale Activities	Rs.	%
Transmission & Compression and others	221	188	160	207	82	351	85	266	144	69
Distribution	337	495	477	545	281	1,044	253	791	499	92
Head Office	63	24	61	26	37	132	32	100	106	402
Freight & handling	13	7	16	8	0	34	8	26	26	343
Printing & Stationery	17	14	14	15	5	26	6	20	11	69
Gas Bills Printing Charges	77	70	80	77	63	141	34	107	64	83
Total	727	798	808	878	469	1,728	418	1,310	850	97

13.13 The petitioner has explained that increase under this head is mainly due to extensive UFG control activities and general inflation as well as projected increase in consumption & prices of chemical products/fuel and lubricants.

13.14 The petitioner has also explained that increase under this head is due to expected revision of bill printing rate from Rs. 1.99 to Rs. 3/bill as existing contract expired in August, 2022. The petitioner has further clarified that a new three year future contract will be put in place, considering current and future inflationary & currency exchange rates and annual growth in number of printed bills and notices.

13.15 The Authority notes with grave concern that bill printing agreement has not yet been signed by the petitioner, despite lapse of around ten months, pointing out company's seriousness while undertaking its utmost important activities. The Authority agrees to the petitioner's contention of prevalent inflation, however, allowing 97% increase over FY 2022-23, on an overall basis is not justified. ***The Authority, therefore, keeping in view the projected operational activities coupled with anticipated inflation including US$ parity, decides to provisionally allow Rs. 1,054 million i.e. 20% increase over RERR FY 2022-23 under this head for the said year, subject to the actualization at year end, provided the expenditure remains within the petitioned amount. Moreover, the petitioner is hereby direted to ensure prudence and rationality while revising the bill printing rate. The table is as under;***

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Rs. in Million

Particulars	FY 2023-24		
	Total	Transmission	Distribution & Sales
The Petition	1,728	418	1,310
As Allowed	1,054	253	801

vi. **Travelling**

13.16 The petitioner has projected traveling expenses at Rs. 143 million for the said year, showing an increase of 38% over RERR of FY 2022-23, as tabulated below;

Table 27: Historical Comparison of Projected Traveling Expense

Rs. in Million

Particulars	FY 2020-21	FY 2021-22		FY 2022-23		FY 2023-24			Inc./(Dec.) over RERR FY 2022-23	
	FRR	RERR	Actual	RERR	July-March 2023	The Petition	Transmission	Distribution & Sale Activities	Rs.	%
Travelling	85	121	80	103	40	143	85	58	40	38

13.17 The petitioner has attributed the increase to general inflation and expected increases in fare rate including TA/DA as compared to last year.

13.18 The Authority notes that the petitioner has been advancing similar justification from last many years on this account. Moreover, the Authority is of the firm view that travel curtailment measures needs to undertaken by company, being a public sector responsible entity, so as to avoid unnecessary expenditures and align itself with GoP's authority drive. The Authority reiterates its directions in respect of avoiding unnecessary travelling and use technological modes of communication, where possible to curtail travelling costs The Authority, however, appreciates that during FY 2021-22, the petitioner has been able to reduce its expenditure as compared to FY 2020-21 by around 6%, as shown in table above.

13.19 ***In view of the above as well as petitioner's positive efforts to curtail its traveling expenses, the Authority decides to fix it at the level of RERR FY 2022-23 i.e. Rs. 103 million, subject to the actualization at year end, provided the expenditure remains within the petitioned amount. The table is as under;***

Rs. in Million

Particulars	FY 2023-24		
	Total	Transmission	Distribution & Sales
The Petition	143	85	58
As Allowed	103	61	42

vii. **Repair & Maintenance**

13.20 The petitioner has projected an amount of Rs. 2,791 million to be spent on repair and maintenance related to Gas transmission pipeline (Rs 575 million), Gas distribution system (Rs 1380 million), Ultra sonic meter maintenance contract (Rs.93 million), Plant & machinery & Equipment (Rs 40 million), Motor Vehicles (Rs 128 million), Buildings (Rs 221 million), Furniture and fixture (Rs 7 million), Computer and Allied equipment (Rs 87 million) and Software maintenance (Rs 248 million) etc. The petitioner plans to execute activities like coat and wrap of the transmission & distribution pipelines to prevent corrosion, which in case of otherwise leads to possible leakage of gas. Similarly, the petitioner intends to conduct over/ underground leakage surveys, based on which rectification of gas leakage on distribution network is to be carried out.

13.21 ***Considering above, the Authority hereby allows an amount of Rs. 1,801 million based on the last year's actualization i.e., FY 2020-21 against this head with the directions to exercise prudent expenditure while remaining within the allowed amount.***

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viii. Advertisement Charges

13.22 The petitioner has claimed an amount of Rs. 155 million, thereby projecting an increase of 31% over RERR of FY 2022-23. The historical comparison is as under:-

Table 28: Historical Comparison of Projected Advertisement Charges

Rs. in Million

Particulars	FY 2020-21	FY 2021-22		FY 2022-23		FY 2023-24			Inc./(Dec.) over RERR FY 2022-23	
	FRR	RERR	Actual	RERR	July-March 2023	The Petition	Transmission	Distribution & Sale Activities	Rs.	%
Advertisement	91	123	74	118	36	155	34	121	37	31

13.23 The petitioner has explained that projected increase is due to adherence to OGRA's directives for conduct of customer awareness programs in respect of energy conservation, winter safety, tender advertisements, communication of warnings to gas defaulters, gas thieves and marketing of SSGC mobile app.

13.24 The Authority notes that past expenditure on account of advertisement were also allowed on similar basis as provided in above para and it is appreciated that the petitioner remained successful to carryout its activities under Rs. 100 million, as evident from above table. Moreover, during first nine months of FY 2022-23, the petitioner's actual expenditure is Rs. 36 million. Therefore, additional claim of Rs. 37 million over RERR FY 2022-23 on similar justifications does not seem logical.

13.25 ***In view of the same, the Authority decides to allow at Rs. 89 million on provisional basis i.e. 20% increase over actual FY 2021-22 under this head for the said year.*** The Authority reiterates its directions to negotiate reasonable tariff or rates while launching its campaigns at print as well as digital media. Moreover, other cost effective measures including mobile app, SMS, emails, signboards, advertisement on related official websites be used by petitioner for consumers' education/awareness. The table is as under;

Rs. in Million

Particulars	FY 2023-24		
	Total	Transmission	Distribution & Sales
The Petition	155	34	121
Allowed	74	16	58

ix. Meter reading by Contractors

13.26 The petitioner has claimed meter reading by contractors at Rs. 141 million projecting an increase of 29% over RERR for FY 2022-23 for the said year, as shown below:

Table 29: Historical Comparison of Projected Meter Reading by Contractors

Rs. in Million

Particulars	FY 2020-21	FY 2021-22		FY 2022-23		FY 2023-24			Inc./(Dec.) over RERR FY 2022-23	
	FRR	RERR	Actual	RERR	July-March 2023	The Petition	Transmission	Distribution & Sale Activities	Rs.	%
Meter reading by Contractors	96	99	101	109	86	141	-	141	32	29

13.27 The petitioner has explained that increase in this expense is mainly due to the expected increase in the number of customers and expected revision of rates as existing contracts will be expired in June, 2023. In view of the same, the petitioner has requested to allow Rs. 141 million under this head for the said year.

13.28 The Authority notes that no concrete justification has been provided by the petitioner, in view of the same, the Authority decides to allow ***Rs. 131 million i.e. 20% increase over RERR FY 2022-23 on account of meter reading by contractors for the said year. The table is as under;***

Rs. in Million

Particulars	FY 2023-24		
	Total	Transmission	Distribution & Sales
The Petition	141	-	141
As Allowed	131	-	131

x. Other Charges

13.29 The petitioner has projected "Others charges" at Rs. 219 million for the said year as against Rs. 137 million in RERR for FY 2022-23, showing an increase of 60%, as shown below:

Table 30: Historical Comparison of Projected Other Charges

Rs. in Million

Particulars	FY 2020-21	FY 2021-22		FY 2022-23		FY 2023-24			Inc./(Dec.) over RERR FY 2022-23	
	FRR	RERR	Actual	RERR	July-March 2023	The Petition	Transmission	Distribution & Sale Activities	Rs.	%
Comunications	38	34	43	34	28	58	28	30	24	71
Other Miscellaneous	92	103	86	103	84	161	32	129	58	56
Total	130	137	129	137	112	219	61	158	82	60

13.30 The petitioner has explained that OGRA allowed Rs. 137 million as against its claim of Rs. 216 million at the time of ERR for FY 2022-23, thereby disallowing Rs. 79 million. The petitioner has also explained that 60% increase under this head is due to inflationary impact and expected increase in Director Fees & in number of meetings/contingencies & Director's Training Program (DTP), Water conservancy charges, Mineral water/Dispensers, expenses of Disposal of Retired Assets, Employees Debtt Written Off & Other inflationary impact.

13.31 The Authority notes that the petitioner has repeatedly claimed and be under severe financial crunch due to insufficient sale price revision, therefore, the Authority expects that the petitioner, at this stage, should avoid its uneconomical expenditures. The Authority further notes that Rs. 55 million has been projected on account of director expenditures under the sub head of other misc.(i.e., around 25% share of total expenditure), and the same appears unjustified. The Authority has directed several times to be cautious while conducting meetings of its directors and merge the agendas in fewer meetings with the intent to follow the austerity drive initiated by the FG at all levels.

13.32 ***In view of the above justification and historical trend, the Authority decides to provisionally allows Rs. 164 million i.e., 20% increase over RERR FY 2022-23 for the said year. The table is as under;***

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Rs. in Million

Particulars	FY 2023-24		
	Total	Transmission	Distribution & Sales
The Petition	219	61	158
As Allowed	164	46	118

xi. Remaining Items of Transmission and Distribution Cost

13.33 The items of transmission and distribution costs, except those dealt with in sub-para ii to xii of para 13.1 above, are projected by the petitioner at Rs. 2,217 million for the said year, as per table below:

Table 31: Historical Comparison of Remaining Item of Projected T&D Expense

Rs. in Million

Particulars	FRR	RERR	Actual	RERR	Jul.-March, 2023	The Petition			Inc./(Dec.) over RERR FY 2022-23	
	FY 2020-21	FY 2021-22		FY 2022-23		FY2023-24	Transmission	Distribution & Sale Activities	Rs.	%
Electricity	248	290	240	280	218	336	104	232	56	20%
Gas bills collection charges	219	248	235	251	173	288	-	288	37	15%
Security expense	774	785	862	868	703	952	608	344	84	10%
Insurance including royalty	122	132	122	127	86	131	61	70	4	3%
Rent, rate & taxes	208	280	208	271	154	278	32	245	7	2%
Postage & bill delivery by Contractors	125	124	125	136	84	136	5	131	-	0%
License & Tariff Petition Fee to OGRA	70	283	70	87	82	96	21	75	9	10%
Total remaining T & D Cost	1,766	2,142	1,863	2,020	1,501	2,217	830	1,387	196	10%

13.34 *The Authority observes that the remaining items of T&D expense have been reasonably projected by the petitioner and, therefore, provisionally accepts the same at Rs. 2,217 million for the said year.*

13.35 *In view of the examination in sub-para ii to xiii of para 13.1 above, the Authority provisionally allows operating cost for the said year at Rs. 17,114 million as against Rs. 19,265 million excluding GIC claimed by the petitioner, as follows:*

Table 32: Summary of T&D Cost Allowed by the Authority

Rs. in million

Particulars	FY 2023-24			
	The Petition	Transmission	Distribution & Sale Activities	Allowed
HR Cost	17,028	2,980	14,048	17,028
Legal & Professional Charges	412	94	318	118
Material used on consumers installations	45	-	45	38
Stores, spares and supplies consumed	1,728	418	1,310	1,054
Others	219	61	158	164
Traveling	143	85	58	103
Repairs & maintenance	2,791	575	2,216	1,801
Advertisement	155	34	121	89
Meter reading by contractors	141	-	141	131
Remaining T&D Cost	2,217	830	1,387	2,217
Sub-total Cost	24,878	5,075	19,803	22,743
Less: Recoveries / Allocations	(2,198)	(283)	(1,914)	(2,198)
T&D Cost before GIC	22,681	4,792	17,889	20,545
Less: HR cost allocated to RLNG	(3,416)	-	(3,416)	(3,416)
Net T&D Cost before GIC	19,265	4,792	14,473	17,129

14. Other Expense

14.1 The petitioner has projected Rs. 3,602 million for the said year under this head as against Rs. 75 million over RERR FY 2022-23. The historical trend is as under;

Table 33: Historical Comparison of Projected Other Expense

Rs. in Million

Particulars	FY 2020-21	FY 2021-22		FY 2022-23		FY 2023-24			Inc./(Dec.) over RERR FY 2022-23	
	FRR	RERR	Actual	RERR	July-March 2023	The Petition	Transmission	Distribution & Sale Activities	Rs.	%
Sports Club Expenses	54	60	31	38	-	49	11	38	12	31
Corporte Social Responsibility	35	50	4	13	-	7	1	5	(6)	(48)
Provision against impaired debt and other receivable	906	806		-	-	3,539	-	3,539	3,539	100
Other/Auditor's Fee	6	25		25	55	7	2	5	(18)	(72)
Total	1,001	941	35	75	55	3,602	14	3,588	3,513	4684%

i. Provision for Doubtful Debts

14.2 The petitioner has projected "Provision for doubtful debts" for the said year at Rs. 3,539 million as against Rs. nil million over RERR FY 2022-23, as per table below:-

Table 34: Historical Comparison of Projected Provision for Doubtful Debts

Rs. in Million

Particulars	FRR	RERR	Actual	RERR	July-Dec 2022	The Petition	Transmission	Distribution & Sale Activities	Inc./(Dec.) over FRR FY 2020-21	
	FY 2020-21	FY 2021-22		FY 2022-23	Rs.	2023-24		Rs.	Rs.	%
Provision for Doubtful Debts	906	806	-	-	-	3,539	-	3,539	2,633	291

14.3 The petitioner has requested to allow Expected Credit Loss (ECL) at Rs. 3,539 million i.e. (Rs. 2,614 million for disconnected consumers and Rs. 925 million for live consumer) in the light of International Financial Reporting Standard (IFRS)-9 for the said year. The petitioner has argued that it is statutorily obligated to comply with the requirements of the IFRS effective June 30, 2019. IFRS requires general provisioning on account of ECL based on historic data, resulting in significant additional provisioning against overdue receivable balances from live consumers, while OGRA is allowing provisioning only against disconnected customers. The petitioner has also requested to allow 100% provisioning owing to its mandatory compliance of the IFRS-9 on account of live consumers.

14.4 The petitioner has explained that recovery department is making all its efforts for recovering due amounts through disconnection of gas supply by meter locking and meter removal. The petitioner has submitted that recovery department has been recovered of Rs.4,007 million and Rs. 5,451 million under processed out of total outstanding amount i.e. Rs. 13,231 million during last three years.

14.5 The Authority observe that determination of annual revenue requirement of the petitioner is being carried out 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. The Authority notes that the petitioner is misinterpreting its decision from many years 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 for regulator to include its impact for its licensees, operating under cost plus regime.

14.6 The Authority further notes that 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

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without claiming its impact as part of revenue requirement calculation. Therefore, claiming live consumers provision as part of price while complying IFRS-9 defies logic.

14.7 ***The Authority, on the basis of information provided by the petitioner, as well as its performance on account of recoveries, decides to allow provision against disconnected consumers as per OGRA's format i.e. Rs. 549 million as part of current year revenue requirement.*** Further, 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.

14.8 ***Consequent upon the deduction / adjustments in various components of revenue requirement as discussed above, the Authority allows other charges at Rs. 612 million as against Rs. 3,602 million for the said year.***

ii. **Financial charges on short term borrowing**

14.9 The petitioner has projected Rs. 5,409 million on account of financial charges on short-term borrowings for the said year. 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. 208 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.

14.10 The Authority observes that the petitioner has projected financial charges of Rs. 5,409 million, calculated @ 18.03% against the principal amount of Rs. 30 billion as working capital in order to manage its cash flows and smooth running of its operational activities. The same has to be acquired from other banks/outsource to run the business activities for the said year.

14.11 The Authority notes that the histrocal figures of financial charges does not commensurate to the projection of the petitioner. Further, the Authority directs the petitioner to control the expenditure within acceptable limit and burden of higher projection cannot be shifted to general consumers.

14.12 ***In view of circumstances as referred above, the Authority, however, decides to allow the financial charges on short term borrowing amounting to Rs. 2,705 million i.e. (50% of projected amount) on provisional basis subject to the actualization at year end that shall be considered to the touchstone prudence and rationale.***

15. Determinations

15.1 In exercise of its powers under Section 8(1) of the Ordinance and NGT Rules, the estimated revenue requirement (net of other income) for the said year is allowed at Rs. 339,009 million (as tabulated below):

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Table 35: Components of ERR for the said year as Allowed

Rs. in million

Particulars	Claimed by the Petitioner	As Allowed
Cost of gas sold	302,100	327,963
UFG adjustment	(17,357)	(21,581)
Transmission and distribution cost	19,265	17,129
Gas internally consumed	739	787
Depreciation	8,612	7,589
Financial Charges on short term borrowing	5,409	2,705
Other Income	(4,874)	(5,939)
Other charges	3,602	612
Return on net average operating fixed assets	11,353	6,920
Additional revenue requirement for Air-Mix LPG Projects	2,828	2,824
Total Estimated Revenue Requirement (net of other income)	331,677	339,009

15.2 The provisionally allowed expenses are subject to adjustments on the basis of review under section 8(2) of the Ordinance, and later after scrutiny of auditors initialed accounts of the petitioner for the said year, provided these expenses are substantiated with appropriate justification and analysis in the form acceptable to the Authority.

15.3 The Authority considers it important and essential to impress upon the petitioner that this provisional determination of estimated revenue requirement for the said year pre-supposes that the petitioner would, in any case, faithfully and with responsibility conduct its affairs in full compliance with the requirement of Rule17(1)(h) & Rule 17(1)(j) of the NGT Rules, as reproduced below:

Rule 17(1)(h)

"tariffs should generally be determined taking into account a rate of return as provided in the license, ***prudent*** *operation and maintenance costs, depreciation, government levies and, if applicable, financial charges and cost of natural gas;"*

Rule 17(1)(j)

"only such capital expenditure should be included in the rate base as is ***prudent, cost effective and economically efficient;"***

15.4 In view of the above, the petitioner's total operating income is estimated at Rs. 240,228 million as against the revenue requirement of Rs. 339,009 million and thus there is a shortfall of Rs. 104,720 million in its estimated revenue requirement for the said year. In order to adjust this shortfall, the Authority hereby makes upward revision of 45% (Rs. 417.23 per MMBTU) in the prescribed price on provisional basis, thereby determining the average prescribed price at Rs. 1,350.68/MMBTU for the said year (Annexure-A). Out of increase of Rs. 417.23/MMBTU, Rs. 403.63/MMBTU (i.e. 97%) is on account of cost of gas i.e. natural pass-through item.

15.5 Provisional prescribed prices against each category of consumers for the said year, effective from July 1, 2023, are attached as **Annexure-B** in comparison with existing sale price.

15.6 The revised provisional prescribed prices are subject to re-adjustment upon receipt of FG advice under Section 8 (3) of the Ordinance in respect of the sale price of gas for each category of retail consumers provided that the overall increase in the average prescribed price remains unchanged so that the petitioner is able to achieve its total revenue requirements in accordance with Section 8 (6) (f) of the Ordinance."

16. General Directions

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

16.1.1 *submit a review petition to the Authority latest by October 15, 2023, for review of its estimated revenue requirements as required under Section 8(2) of the Ordinance, keeping in view the actual and anticipated changes in international prices of crude and HSFO during the period June to November 2023 and the trend of Rupee-Dollar exchange rate.*

16.1.2 *implement OGRA Gas (Third Party Access) Rules, 2018 by finalizing the long outstanding agreements/applications already pending with the petitioner.*

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

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

16.1.5 *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.*

16.1.6 *vigorously proceed against the non consumers / illegal connections 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.*

16.1.7 *all the relevant contentions of the intervener as summarized in chapter 3 of this order be carefully noted and complied / addressed in letter & spirit under the ambit of the regulatory framework.*

17. Public Critique, Views, Concerns, Suggestions

17.1 The Authority has recorded critique, views, concerns, and suggestions of the interveners and participants given above. The Authority, keeping in view the vehemently requests by the interveners, considers it important to draw specific attention of the FG regarding policy issues as included in chapter 3 above for due consideration.

Zainul Abideen Qureshi,
Member (Oil)

Mohammad Naeem Ghouri,
Member (Finance)

Masroor Khan,
Chairman

REGISTRAR
Oil & Gas Regulatory Authority
Islamabad

Dated: June 02, 2023

A. Computation of Estimated Revenue Requirement for the Said Year

Rs. in Million

	Particulars	RERR 2022-23	The Petition	The Adjustment	As Allowed
	Gas sales volume -MMCF	281,810	256,113		256,113
	BBTU	277,000	250,991		250,991
"A"	**Net Operating Revenues**				
	Net sales at current prescribed price	191,859	234,289	-	234,289
	Meter rentals	1,726	1,754	-	1,754
	Amortization of deferred credit	584	688	-	688
	Sale of condensate	(1)	37	-	37
	Late payment surcharge	1,061	1,070	-	1,070
	Meter manufacturing profit	74	158	-	158
	Notional Income on IAS-19	766	-	1,065	1,065
	Other operating income	1,167	1,167	-	1,167
	Total Operating Revenue "A"	197,236	239,163	1,065	240,228
"B"	**Less: Operating Expenses**				
	Cost of gas	317,230	302,100	25,863	327,963
	UFG Adjustment	(23,038)	(17,357)	(4,224)	(21,581)
	Transmission and distribution cost	17,186	19,265	(2,136)	17,129
	Gas internally consumed	922	739	48	787
	Depreciation	7,511	8,612	(1,023)	7,589
	Financial charges on short term borrowing	-	5,409		2,705
	Other charges including WPPF	75	3,602	(2,990)	612
	Total Operating Expenses "B"	319,885	322,371	15,538	335,204
"C"	**Operating profit / (loss) (A-B)**	(122,649)	(83,208)	(14,473)	(94,976)
	Return required on net operating fixed assets:				
	Net operating fixed assets at beginning	46,125	46,951	0	46,951
	Net operating fixed assets at ending	46,951	79,850	(20,948)	42,427
		93,076	126,801	(37,423)	89,378
	Average net operating assets (I)	46,538	63,400	(18,711)	44,689
	Net LPG air mix project asset at beginning	2,457	2,414	0	2,414
	Net LPG air mix project asset at ending	2,414	2,495	(89)	2,406
		4,871	4,908	(88)	4,820
	Average net LPG air-mix assets (II)	2,435	2,454	(44)	2,410
	Net MMP at beginning	255	229	-	229
	Net MMP at ending	229	203	-	203
		484	432	-	432
	Average net MMP assets (III)	242	216	-	216
	Net LHF (condensate) at beginning	7	7	-	7
	Net LHF (condensate) at ending	7	7	-	7
		15	15	-	15
	Average net LHF assets (IV)	7	7	-	7
	Deferred credit at beginning - Assets related to Natural Gas Activity	7,326	8,043	684	8,727
	Deferred credit at ending - Assets related to Natural Gas Activity	8,727	8,424		8,424
		16,052	16,467	684	17,151
	Average net deferred credit (V)	8,026	8,233	342	8,575
"D"	**Average (I-II-III-IV-V)**	35,951	52,601	(19,009)	33,592
	Rate of Return	16.60%	21.58%	-0.98%	20.60%
"E"	Return required	5,968	11,353	(4,433)	6,920
"F"	Shortfall / (Surplus) (E-C) (Gas Operations)	128,617	94,560	7,336	101,896
"G"	Additional revenue requirement for Air-Mix LPG Projects	1,373	2,828	(4)	2,824
"H"	**Shortfall / (Surplus) H=(F+G)**	129,990	97,388	7,332	104,720
"I"	Increase/(decrease) in average prescribed price FY 2023-24 (Rs. / MMBTU)	469.28	388.01	29.21	417.23
"J"	**Total estimated revenue requirement FY 2023-24, net of revenues**	327,226	331,677	7,331	339,009
"K"	**Average Prescribed Price for FY 2023-24 (Rs./MMBTU)**	1,161.91	1,321.47	29.21	1,350.68

B. Existing Category-wise Sale Price & Provisional Prescribed Prices for FY 2023-24

	Particulars	Existing Sale Price	Avg. Prescribed Price effective FY 2023-24
		Rs./MMBTU	
(i)	Domestic Consumers:		
	a) Standalone meters		
	b) Mosques, churches, temples, madrassas, other Religious Places and Hostels attached thereto;		
*	Protected:		
	Upto 0.25 hm3 per month	121.00	1,350.68
	Upto 0.50 hm3 per month	150.00	1,350.68
	Upto 0.60 hm3 per month	200.00	1,350.68
	Upto 0.90 hm3 per month	250.00	1,350.68
**	Non-Protected:		
	Upto 0.25 hm3 per month	200.00	1,350.68
	Upto 0.6 hm3 per month	300.00	1,350.68
	Upto 1 hm3 per month	400.00	1,350.68
	Upto 1.5 hm3 per month	600.00	1,350.68
	Upto 2 hm3 per month	800.00	1,350.68
	Upto 3 hm3 per month	1,100.00	1,350.68
	Upto 4 hm3 per month	2,000.00	1,350.68
	above 4hm3 per month	3,100.00	1,350.68
	As per past practice, there will be one preceding slab benefit available to domestic consumer.		
	c) Government and semi-Government offices, Hospitals, clinics, maternity homes, Government Guest Houses, Armed Forces messes, Langars, Universities, Colleges, Schools and 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.		
	All off-takes at flat rate of	1,600.00	1,350.68
(ii)	Special Commercial Consumers (Roti Tandoors)		
	Upto 0.5 hm3 per month	110.00	1,350.68
	Upto 1 hm3 per month	110.00	1,350.68
	Upto 2 hm3 per month	220.00	1,350.68
	Upto 3 hm3 per month	220.00	1,350.68
	Over 3 hm3 per month	700.00	1,350.68
(iii)	Commercial :		
	All establishments registered as commercial units with local authorities or dealing in consumer items for direct commercial sale like cafes, bakeries, milk shops, tea stalls, canteens, barber shops, laundries, hotels, malls, places of entertainment like cinemas, clubs, theaters and private offices, corporate firms, etc.		
	All off-takes at flat rate of	1,650.00	1,350.68
(iv)	Ice Factories:		
	All off-takes at flat rate of	1,650.00	1,350.68
(v)	General Industrial:		
	All consumers engaged in the processing of industrial raw material into value added finished products irrespective of the volume of gas consumed but excluding such industries for which a separate rate has been prescribed.		
	All off-takes at flat rate of	1,200.00	1,350.68
(vi)	Export Oriented (General Industry):		
	All off-takes at flat rate of	1,100.00	1,350.68
(vii)	Export Oriented (Captive):		
	All off-takes at flat rate of	1,100.00	1,350.68
(viii)	Captive Power (General Industry) :		
	Captive Power Plant/Unit means an industrial undertaking/unit carrying out the activity of power production (with or without co-generation) for self-consumption and/or for sale of surplus power to a Distribution Company or bulk-power consumer.		
	All off-takes at flat rate of	1,200.00	1,350.68
(ix)	CNG		
	All off-takes at flat rate of	1,805.00	1,350.68
(x)	Cement Factories:		
	All off-takes at flat rate of	1,500.00	1,350.68
(xi)	Fauji Fertilizer Bin Qasim Limited		
	(i) For gas used as feed-stock for Fertilizer	510.00	1,350.68
	(ii) For gas used as fuel for generating steam and electricity and for usage in housing colonies for fertilizer factories	1,500.00	1,350.68
(xii)	Power Stations		
	All off-takes at flat rate of	1,050.00	1,350.68
(xiii)	Pakistan Steel		
	All off-takes at flat rate of	1,200.00	1,350.68
(xiv)	Independent Power Producers		
	All off-takes at flat rate of	1,050.00	1,350.68

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C. HR Benchmark for FY 2023-24

				Rs. in Million
Particulars	Base Year DERR FY 2022-23			DERR FY 2023-24
HR BENCHMARK COST PARAMETERS		NG	RLNG	Total
Base Cost	15,411			16,657
CPI factor				
T & D network (Km)	55,532	56,028	-	56,028
Number of Consumers (No.)	3,452,640	3,420,398	68,262	3,488,660
Sales Volume (MMCF)	726,816	256,113	432,756	688,869
Unit Rate (Rs/unit)				
T&D network (Rs./Km)	303,773			299,946
No. of Consumers (Rs./Consumer)	4,945			4,824
Sale Volume (Rs./MMCF)	22,046			22,917
HR Cost Build-up (Million Rs)				
Cost CPI -50%	-	-		-
T & D network (Km)	5,623	5,602	-	5,602
Number of Consumers (No.)	5,691	5,500	110	5,610
Sales Volume (MMCF)	5,342	1,956	3,307	5,263
HR Benchmark Cost	16,657	13,058	3,416	16,475
IAS - 19				553
Total HR Benchmark Cost including IAS-19				17,028
HR Cost Allocated to RLNG Segment				3,416
Total HR Cost charged to Indigenous				13,612

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