

GAS HOUSE, 21 KASHMIR ROAD, P.O. BOX 56, LAHORE (PAKISTAN)



Ref: RA-SD-002-22

Date: December 21, 2022

The Registrar, Oil & Gas Regulatory Authority, Plot # 54, Fazal-e-Haq Road, Near PIA Building, Blue Area, Islamabad.

Subject: PETITION UNDER LICENCE CONDITION 39 READ WITH ENABLING PROVISION OF OGRA LAW RULES AND REGULATION FOR REVISION OF SECURITY DEPOSIT

- 1. <u>Domestic Consumer on System/Indigenous Gas</u>
- 2. Domestic Consumer on RLNG

Dear Sir,

Please refer to letters No. 6 (10)-1/2014 dated 22.04.2022 whereby the Honourable Authority advised the Company to file a fresh petition for revision of Security Deposit of Domestic Consumer. In compliance of the Authority's direction, the instant petition is being filed while praying to grant approval to amend the relevant Clauses of Security Deposit of Standard Contract for Supply of Natural/RLNG to domestic

Brief facts giving rise to file the subject petition are that the purpose of security is to safeguard the Company against possible defaults on part of the consumers. It is very effective tool to safeguard the financial interest of the Company hence adequate security is always maintained by the Company in the light of the Authority's approval granted from time to time.

It is highlighted that the Authority vide decision dated 03-07-2013 (Annex-A) fixed the security deposit for new domestic consumers i.e. Rs. 4,500/- subject to revision once the consumption pattern of the consumer is established. This implies that after establishment of consumption pattern, the security deposit may either be increased or decreased based on annual average consumption of three months. Due to non-fixation of minimum benchmark, the Company would be in a continuous process of either recovering or adjusting the security amount. Absence of minimum benchmark would be a perplexing situation for the consumers as well and in case of change of ownership/ tenancy, the benefit/ adjustment would not reach the actual consumer. Therefore, the Company vide letter No. RA-SD-001-15 dated 02-03-2015 (Annex-B) requested the Authority to fix minimum threshold of security deposit for Domestic System Gas Consumer.

There is a huge disparity of household gas consumption between winter and summer seasons. Due to progressive slabs imposed on higher consumption, the gas bill of a particular system gas consumer may even cross Rs. 50,000 in a winter month, while security deposit of Rs. 4,500 may not serve an effective safeguard in such cases. Therefore, it is requested that instead of taking average of 12 months (as the Honourable Authority decided vide letter dated 03.07.2013-Annex-C), only winter months' average may be taken.

In this context, the Company is submitting / proposing the following mechanism/ benchmarks for Domestic System Gas and RLNG consumers for kind approval of the Authority;

# 1. Security Deposit for Domestic Consumers (on System Gas Tariff)

- i. New Consumers: Minimum Security Deposit for new Domestic Consumers (System Gas) should be Rs. 4,500/-. This amount has been calculated on the basis of winter months average consumption of HM<sup>3</sup> 1.67 per month for three months period.
- ii. Existing Consumers: For existing Consumers whose security is maintained below the level of this threshold, the shortfall will be recovered over a period of six months in equal installments (to be billed



GAS HOUSE, 21 KASHMIR ROAD, P.O. BOX 56, LAHORE (PAKISTAN)

For new and existing consumers, the minimum benchmark will be subject to revision as and when the tariff is revised (as notified by OGRA from time to time).

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Existing Consumers with Higher Gas Consumption in Winter Season: For those existing consumers whose consumption in winter is registered higher and the minimum threshold i.e. Rs. 4,500/-, the security will be recovered equivalent to 90 days consumption based on average consumption of last year's winter season i.e. (Dec, Jan, Feb). Once the security of the consumer is maintained on the basis of winter months' billed amount, this will serve as minimum bench mark of that particular consumer i.e. the security will not be reduced below that level even if in subsequent winter(s), lower consumption is registered or tariff is reduced.

# 2. Security Deposit for Domestic Consumers (on RLNG Tariff)

The security deposit was fixed at Rs. 15,000/- for RLNG Domestic Consumers. Since then, there has been exorbitant increase in RLNG price and \$ exchange rate. It is therefore, necessary to increase the basic threshold of the security deposit for RLNG domestic consumes. It is pertinent to mention here that in case of system gas domestic connection, security deposit is maintained according to 03 months estimated gas consumption whereas for RLNG domestic consumers security deposit is maintained at 02 months. This facility has been extended with a view to develop market for RLNG while the tariff is already very high.

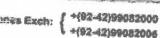
The requested mechanism/ minimum benchmark for RLNG based domestic consumers, is summarized as follows:

- i. New Consumers: Minimum Security Deposit for new Domestic Consumers (RLNG) shall be Rs. 50,000/-. This amount has been calculated by applying the latest RLNG tariff on benchmark consumption of 1.67 HM³ and then applying applicable taxes and multiplying the resultant number with two months. Since RLNG price and \$ exchange rate is subject to rapid changes, this minimum benchmark shall be subject to revision after every twelve (12) months for new consumers if there is change in tariff. However, the average consumption benchmark i.e. 1.67 HM³ per month will remain intact.
- below the recommended level of minimum threshold i.e. Rs. 50,000/- the shortfall will be recovered over a period of six months in equal instalments (to be billed and recovered in summer months) subject to annual revision mentioned at 2 (i) above. In case the tariff/\$ dollar exchange rate is reduced (to be calculated annually) then the security will be adjusted according to revised tariff (by credit adjustments in subsequent six months). For maintaining minimum threshold, a consumption benchmark i.e. 1.67 HM³ per month will remain intact.
- Consumers with Higher Gas Consumption in Winter Season: The additional security will be recovered equivalent to 60 days consumption based on average consumption of last year's winter season i.e. (Dec, Jan, Feb) as per prevailing tariff and \$ exchange rate. This security against average winter consumption in volumetric term will not be reduced below that level even if in subsequent winter(s), lower consumption is registered. However, adjustment due to reduction in RLNG price and \$ exchange rate may be passed on the consumer if in subsequent winter(s) the RLNG tariff/\$ exchange rate is reduced. The recovery or adjustment in security will be made over a period of six months in easy installments in gas bills.

That the instant petition is being filed on the following amongst other;

### **GROUNDS**

a. It is submitted that security deposit is the only effective and practical tool to safeguard against the possible default. The outstanding dues of defaulters are covered against held security and if not covered, the Company has to undertake long and complicated legal proceedings against the defaulters. Most of the times, due to various complications the recovery from defaulters is not







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materialized. Absence of lien of SNGPL on assets, sale of property multiple times, ageing of the connections, etc. add to the complexities.

- b. In the past, some other policy measures were proposed by SNGPL and submitted for OGRA's approval such as "Creation of Charge on Assets", "Incorporation of the Landlord's undertaking in the Contract" and "Disconnection of Other Connections of Defaulter Persons". All such proposals were not accepted by OGRA on the grounds inter alia, that SNGPL maintains security against possible default. Therefore, in absence of other measures, the streamlining of security deposit may be considered as a vital step and be accorded high priority.
- c. That as per section 6 (2) (q) of OGRA Ordinance 2002, it is prime function of the Honourable Authority to protect the interest of all stakeholders including the licensee.
- d. That if the instant petition is not accepted and approval is not granted for revision of Security Deposit of the Indigenous gas / RLNG consumers then the Company shall bound to suffer

## PRAYER

In view of the above narrated facts and submissions, it is most respectfully prayed that necessary amendment in the standard contracts of Domestic Consumer for supply of Indigenous Gas / RLNG may kindly be approved enabling the Company to safeguard its financial interest accordingly.

Further, it is prayed that the instant petition may kindly be fixed for early hearing and decide the same Thanking you.

> Yours sincerely Sui Northern Gas Pipelines Limited

> > (Liagat Ali) Incharge (RA) for Managing Director

Enclose as above







## RA DEPARTMENT

0 4 JUL 2013

Diary No: /// 7

# OIL & GAS REGULATORY AUTHORITY

OGRA-6(10)-1/2013

Managing Director Sui Northern Gas Pipelines Limited, 21-Kashmir Road, LAHORE

MD SECRETARIA

0 4 JUL 2013

July 03, 2013

Subject:

REVISION OF SECURITY DEPOSITS FOR DOMESTIC CONSUMERS

Dear Sir.

Please refer to the hearing held at Pearl Continental Hotel, Lahore on April 03 2013 on the above subject.

The Authority, after perusal of the record and hearing arguments of representatives of SNGPL (petitioner), has decided the issues of enhancement in fixed and variable charges and security deposit of domestic consumers as under-

Revision in Security Deposits for Domestic Consumers

- The existing security deposit was approved by MPNR, the then regulatory is 1996. Since then the gas prices has been increased manifold. The request of gas companies for revision in security deposits is justified and therefore the amount a security deposit for new consumers may be fixed at Rs 4500/- (based on 2HM consumption). However, once the consumption pattern of the consumption established, revision of security deposit on the basis of annual average consumption of three months may be carried out by the company, as consumers are provided gas on 45 days credit and company will require around 45 days to complete disconnection of service on default of a consumer
- The adjustment in security deposition recovered from a consumers inexpansi existing, in gradual manners over the period of six months in easy installments through normal gas bills.

Revision in New Connection Charges & Reconnection Charges for Domestic

- The long service lines are installed by the companies at 100% cost sharing of the consumers. The short service lines primarily comprises of GI Pipes couplings. regulators etc. for which Rs.1500 & 3000 is sufficient for domestic consumers and keeping in view the socio economic condition of the country increase in this head is not
- The request of companies for revision in reconnection charges for domestic consumers is logical as the companies have to mobilize their manpower. Keeping in view that the reconnection charges for commercial consumers is Rs.500/- and Rs.1000/for industrial consumers, the domestic reconnection charges be fixed at Rs.371/-.

(Raheela Mustafa) Registrar

Yours faithfully,



Money

Ref.

RA-SD-001-15

Date

March 2, 2015

The Registrar,
Oil & Gas Regulatory Authority,
Islamabad

# (87)

# SECURITY DEPOSIT OF DOMESTIC CONSUMERS

Dear Sir.

Kindly refer to your letter No. OGRA 6(10)-1/2014 dated 28.10.2014 and subsequent meeting held on 04.02.2015 in the office of Member (Gas) OGRA, on the subject cited above. In this regard, it is submitted that while Company maintains that a formal review petition is not considered necessary as only a clarification is required in OGRA's notification dated 03.07.2013, however, if the Authority considers that a review petition is required following submissions may please be construed as Review Petition as referred in your subject letter.

Security deposit from domestic consumers is collected as notified vide OGRA letter No.OGRA-6(10)2013 dated July 03, 2013. Said notification fixes security deposit from new consumers at Rs 4,500 (based on 2 Hm3consumption). However, once the consumption pattern of consumer is established, revision of security deposit may be carried out by the Company. Authority's decision is just and takes into consideration the fact that the minimum security deposit fixed earlier in 1996 was based on gas prices of Rs 83.16 per MMBTU which has now increased to Rs 530.69 per MMBTU (highest slab).

In implementing the decision, Company is encountering number of practical difficulties which require clarification from OGRA. Some of these factors are set out below:

- There is no floor / minimum threshold for security deposit from domestic consumers in the absence of which replenishment and or refund of security deposits of domestic consumers will be a continuous exercise spread over every six months of the year creating hardship for both consumer and the Company;
- Large numbers of domestic households reside in rented premises where the
  consumption pattern varies from one tenant to another. Similarly government
  officers residing in allocated premises would also face the same situation where
  security shortfall may have been replenished based on a consumption pattern of
  one particular consumer and will be refunded on the basis of consumption pattern
  of another consumer;
- Gas is sold on credit for at least 45 days and another 45 to 60 days are required for disconnection, the amount of security deposit based on three months bill on annual average is not sufficient to cover the outstanding amount from consumers as most of the defaults occur in winter months. The gas consumption in winter months is 3 to 5 times higher of the annual average;
- It is therefore important that in order to safeguard the interest of consumers at large from the adverse financial impact on the gas prices resulting from increased provision for doubtful debts, security deposit should be calculated based on winter month's maximum consumption of the consumer;



- Based on the maximum billing for the period October 2013 to March 2014, it is shove Rs 3.200:
- (88)
- Presently disconnection/visit of a consumer costs around Rs.3,600/- to the Company and as such disconnecting a consumer of a value less than Rs 3,600 would not be commercially / economically feasible;
- Therefore it is imperative that in order to safeguard the financial interest of both Company and consumers at large, the minimum threshold should be fixed at an amount higher than the cost of disconnection;
- Company is of the view that since such policy decisions are viewed from long term perspective, it is therefore important to account for projected future increases in the estimated cost of disconnection;
- Since the security deposit from new consumer has already been fixed at Rs 4,500 and any variation from the same for existing consumers may result in consumers.

Keeping in view the above, it is requested that minimum threshold of Rs.4,500 should be fixed for all consumers. The said deposit would be refundable on termination of the contract. Any shortfall from minimum threshold shall be recovered in a maximum of 12 equal installments With kind regards

Yours Sincerely,
SUI NORTHERN GAS PIPELINES LIMITED

(UZMA ADIL KHAN)
CHIEF FINANCIAL OFFICER
For MANAGING DIRECTOR

DED COPY

# DAILY THE NEWS, DECEMBER 05, 2023



Regulatory Authority

## Notice of Public Hearing by the Authority to consider SNGPL's petition for Revision of Security Deposit of Domestic (System Gas & RLNG) Consumers

Sui Northern Gas Pipelines Limited (SNGPL) filed the subject petition before the Authority for approval of amendment in the Standard Contract for Supply of Natural Gas/RLNG for domestic consumers. In the instant petition, SNGPL proposed the following mechanism/benchmarks for Domestic System Gas and RLNG consumers: I. Security Deposit on System Gas Tariff:

On the basis of winter months average consumption of HM3 1.67 per month for three months period, minimum Security Deposit should be Rs.4,500/- subject to revision as & when tariff is revised.

If security is maintained below Rs.4,500/-, the shortfall will be recovered over a period of six months in equal installments

## **Existing Consumers with Higher Consumption:**

For consumers with consumption higher than threshold of Rs.4,500/-, the security deposit will be recovered equivalent to 90 days consumption based on average consumption of last year's winter season i.e. (Dec, Jan & Feb). This security will also serve as minimum benchmark for that consumer.

#### II. Security Deposit on RLNG Tariff:

### a) New Consumers:

Rs.50,000/- shall be charged as minimum-Security Deposit which has been calculated by applying the latest RLNG Tariff on benchmark consumption of 1.67 HM<sup>3</sup> and then applying applicable taxes multiplying the resultant number with two months, subject to revision after 12 months.

### **Existing Consumers:**

If security is maintained below the recommended level of minimum threshold i.e. Rs.50,000/- the shortfall will be recovered over a period of six months in equal installments.

### Consumers with Higher Consumption:

In this case, the additional security will be recovered equivalent to 60 days consumption based on average consumption of last year's winter season i.e. (Dec, Jan & Feb) and will serve as minimum benchmark for that

In pursuance of the provisions of OGRA Ordinance, 2002 and Natural Gas (Licensing) Rules, 2002, Oil & Gas Regulatory Authority invites all interested/affected persons/parties and general public to furnish their comments, suggestions and intervention requests. All correspondence in this connection may be addressed to Senior Registrar, OGRA and should contain the names and addresses of applicant.

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

Copy of SNGPL's petition is available on OGRA's official website which can also be obtained on payment of prescribed charges of Rs. 2/- per page from the office of Senior Registrar, OGRA, Islamabad.

For any information required from the Petitioner, please contact:

#### Mr. Kamran Akram.

## General Manager (RA),

Sui Northern Gas Pipelines Limited, 21-Kashmir Road, Lahore.

Phone No.: 042-99201483, Fax: 042-99204424

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

Date

December 11, 2023 (Monday)

11:30 a.m.

Avari Hotel (Mall Road), Lahore

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

Senior Registrar.

Oil & Gas Regulatory Authority

Public Service Message:

are placed

