



More power, wider scope: Amended PNGRB Act in the offing

SUBHAYAN CHAKRABORTY

New Delhi, 29 March

The Petroleum and Natural Gas Regulatory Board (PNGRB) Act, 2006, is likely to be amended after the elections. If so, it is set to give the regulator (PNGRB) more clarity on how to deal with a barrage of litigations by city gas distributors (CGDs) against its orders to notify them as common carriers, officials told *Business Standard*.

An amended Act will also give the PNGRB a wider scope to deal with new fuels such as biogas, and green hydrogen. These are increasingly becoming key parts of the energy ecosystem, they added.

The government currently recognises natural gas pipelines as either contract carriers where

capacity is made available to any other entity under a firm contract. Or, as common carriers where the original licensee has to permit about 20 per cent or more of its network capacity for use by other suppliers normally for a period of less than one year.

Natural gas pipelines are a widely accepted mode of bulk transportation for natural gas from a source to a delivery point over a particular route. The concept of natural monopoly in transportation of natural gas is universally accepted, given its capital intensiveness and safety factors.

“But the government has increasingly pushed for the ‘common carrier’ principle, which will allow all producers and consumers access to fuel transport

infrastructure by appointing independent gas pipeline operators. This is required to ensure the speedy growth of CGDs,” an official said.

As part of the plan, a transport system operator (TSO) would be incorporated to manage the gas pipeline infrastructure’s common carrier. The TSO will be entrusted with the task of booking pipeline capacity for gas transport from producers to consumers on payment of a fee, to be decided by the regulator.

An amended PNGRB Act will also provide more legal backing for setting up the TSO, the official mentioned above said.

City gas companies have stated that any move infringing on their infrastructure exclusivity will

severely harm their businesses, while also allowing third-party marketers and shippers to cherry pick customers and charge much higher for gas, often to the highest paying buyer.

Legal tussle

Back in 2015, the process of declaring certain CGD areas as common carriers had begun. But since the process was not automatic, the regulator had in 2020 created guiding principle regulations based on which individual areas have been declared as common carriers. The Guiding Principles for Declaring City or Local Natural Gas Distribution Network as Common Carrier or Contract Carrier) Regulations, 2020, had been

notified in September of that year.

The new regulations aimed at ending monopolies of city gas distributors in 54 urban areas where they had already exceeded their exclusivity period.

For cities like Delhi and Mumbai, the exclusivity period had expired back in 2012. However, the courts have called the action ‘ultra vires’ and pulled up the regulator for acting beyond its legal power and authority, officials pointed out.

“Many of the notices sent to gas entities mandating common carrier status under the regulations have resulted in litigation. This has held up the process significantly,” an official said. Some of the notices have been stayed as well. Key among them

have been the Delhi High Court staying PNGRB notices issued to Adani Total Gas for its CGD network in Ahmedabad, Daskroi, and Khurja in Gujarat, as well as notices sent to GAIL’s subsidiaries.

New molecules

Launched in January 2023, the National Green Hydrogen Mission has an outlay of ₹19,744 crore up to FY30 with the nodal agency being the Ministry of New and Renewable Energy.

But recognising the potential impact of hydrogen blending in the natural gas sector, in December, 2023, the PNGRB initiated a study to develop pathways for Hydrogen transmission in natural gas pipelines and CGD networks in collaboration with the World Bank.

