



OIL & GAS REGULATORY AUTHORITY

Determination of Re-gasified Liquefied Natural Gas (RLNG) Price

UNDER

Petroleum Products (Petroleum Levy) Ordinance, 1961
And
Petroleum Products (Petroleum Levy) Rules, 1967

Decision on

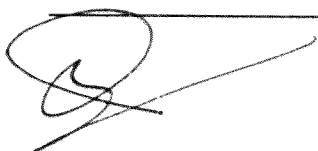
October 07, 2015

By the Authority:

Mr. Saeed Ahmad Khan, Chairman
Mr. Aamir Naseem, Member (Gas)
Mr. Noorul Haque, Member (Finance)

TABLE OF CONTENTS

1. Background & RLNG framework	1
2. RLNG Cost Built up & Submissions by Pakistan State Oil Company Limited (PSO/the LNG Importer)	2
3. The Authority's Jurisdiction	4
4. RLNG Price Determination	5
5. RLNG Provisional Price	7
6. Directions	10





1. Background & RLNG framework

- 1.1. In order to mitigate the energy shortfall, the Economic Coordination Committee of the Cabinet (ECC) on July 2, 2013 authorized Ministry of Petroleum & Natural Resources (MP&NR) to engage in negotiations with Qatar Gas on Government to Government (G to G) basis for importing LNG upto 500 MMCFD on Delivered Ex-Ship (DES) basis. Subsequently, ECC and the Cabinet approved "Fast Track LNG Services Project" on February 28, 2014 and decided as under;

MP&NR has nominated PSO as its designated entity for negotiating LNG Sale Purchase Agreement (LNG SPA) with state of Qatar's designated entity Qatar Liquefied Gas Company Limited (3). PSO & Qatargas Operating Company Limited have executed confidentiality agreement and have also exchanged draft Head of Agreement (HoA) which shall form basis of LNG SPA. PSO and SSGCL will enter into a back to back agreement for RLNG off take under a commercial transaction structure.

- 1.2. Moreover, ECC on August 15, 2014 constituted a "LNG Price Negotiation Committee" comprising Secretary Ministry of Finance, Secretary MP&NR, Secretary Ministry of Water & Power and Secretary, Ministry of Industries & Production, to negotiate LNG price and other important aspects with Qatargas.

- 1.3. Thereafter, MP&NR submitted various summaries for decision of ECC of the Cabinet on the matters relating to LNG procurement, RLNG allocation, pricing and other associated matters. Accordingly, the LNG framework, including pricing and allocation, and various other associated matters were decided by the Federal Government (FG) as under;

- 1.3.1. M/s Engro Elengy Terminal Limited (EETL) has been allowed to construct LNG receiving, re-gasification and storage terminal. Sui Southern Gas Company Limited (SSGCL) has entered into LNG Service Agreement (LSA) with EETL to receive RLNG and transmit to SNGPL under SWAP arrangement and agreed levelized tolling tariff @ 0.66 \$ per MMBtu. The same was also approved by the FG and conveyed to OGRA as policy guidelines.

- 1.3.2. FG is coordinating a tri-partite agreement initialed between PSO, SSGCL and Sui Northern Gas Pipelines Limited (SNGPL) to execute, manage and regulate the entire supply chain for the SNGPL's bulk consumers (IPPs, Fertilizer & CNG stations, etc.).

- 1.3.3. In compliance of ECC decision, conveyed by MP&NR on July 27, 2015, OGRA was directed to determine the price of RLNG, under Petroleum Products (Petroleum Levy) Ordinance, 1961 (PL Ordinance), on monthly basis in line with other Petroleum Products. To implement the said decision of ECC, appropriate amendment has been incorporated in PL Ordinance, and a SRO 405(I)/2015 on May 07, 2015 was issued by FG, therein RLNG has been included in the first schedule as petroleum product and name of both gas utilities i.e. SNGPL & SSGCL have been inserted in the second schedule. The FG has also decided that RLNG price shall be determined by OGRA and notified by PSO. Furthermore, FG by



exercising its powers conferred by Section 8 of PL Ordinance read with clause (r) of Section 6 and Clause (b) of sub-section (2) of Section 21 of the Oil & Gas Regulatory Authority Ordinance, 2002 (OGRA Ordinance) issued an SRO no. 971/2015 dated September 30, 2015, whereby the FG is pleased to direct that in respect of entry 25 (RLNG) in the first schedule to the PL Ordinance and entry 13 (SNGPL) and 14 (SSGCL) of the second schedule to the petroleum products of PL Ordinance shall be exercisable by the OGRA.

1.3.4. The FG approved pricing components and pricing parameters thereof, which have been conveyed by MP&NR on July 27, 2015, as under; "

- i) **LNG DES Price** including any take or pay volumes, losses on account of Net Sale Proceeds and relevant adjustments due to exchange rate. In case of FOB cargoes, the price should include FOB price plus freight charges.
- ii) **PSO's other imports related actual costs**
- iii) **PSO's Margin** upto 4% of LNG DES Price, subject to review after three months.
- iv) **Terminal Charges** under LNG Service Agreement (LSA)
- v) **SSGCL/SNGPL cost of service** (to be determined by OGRA)
- vi) **SSGCL/SNGPL administrative margin upto \$ 0.05/ MMBTU** (to be paid in Pak Rupees) for each company (to be treated as non-operating income), subject to review after three months.
- vii) **Transmission losses at 0.5% and distribution losses, if any** (to be determined by OGRA). "

1.3.5. It was also decided that RLNG price shall be determined on the basis of price of LNG cargoes scheduled to arrive in Pakistan during relevant month (as against the preceding month's practice in fuels).

1.3.6. In view of above decisions of the FG, MP&NR clarified that, if required, LNG policy, 2011 shall be amended accordingly.

1.4. It was also mutually decided by MP&NR, PSO, SNGPL and SSGCL during the meeting held at OGRA office on August 21, 2015, that PSO shall perform front role, shall coordinate with gas companies and submit the RLNG price computation for determination to OGRA as per schedule agreed.

2. RLNG Cost Built up & Submissions by Pakistan State Oil Company Limited (PSO/the LNG Importer)

2.1. PSO is state owned largest Oil Marketing Company in Pakistan. It has been designated as LNG importer by FG.

2.2. In pursuance of the above decisions, PSO on August 6, 2015, followed by the letters dated August 20, and September 8, 16, 17 & 28, 2015 has submitted information with the Authority for determination of RLNG price for the month of April, June, July and September 2015.

2.3. PSO has submitted cost break up for RLNG price determination, as under;



Price Components	Apr-15		Jun-15		Jul-15		Sep-15	
	Rate / MMBTU USD	PKR	Rate / MMBTU USD	PKR	Rate / MMBTU USD	PKR	Rate / MMBTU USD	PKR
No. of Cargos	1 (FOB)		2 (FOB)		3 (1 FOB+2 DES)		2 (DES)	
RLNG Volume Received	3270270		6540623		9133108		6200000	
i. LNG DES Price	7.946	807.662	7.9608	811.6402	8.261	841.618	7.726	805.968
ii. PSO other import related costs Total	0.118	12.004	0.1149	17.5671	0.1091	11.0945	0.0916	9.5555
iii. Terminal Charges	2.120	215.91	1.820	185.43	1.540	156.91	1.820	189.87
iv. Transmission & Distribution Losses								
Retainage (\$01.5 % of total cost)	0.126	12.78	0.125	12.78	0.131	13.30	0.122	12.72
Transmission losses (0.5% of DES price)	0.040	4.05	0.040	4.05	0.041	4.21	0.039	4.03
v. PSO Margin @ 4% of DES Price	0.318	32.306	0.318	32.466	0.330	33.665	0.309	32.239
vi. SSGC/NGPL Cost of Service								
SSGC Cost of Service (\$0.133/MMBTU)	0.133	13.52	0.133	13.56	0.133	13.55	0.133	13.87
NGPL Cost of Service (\$0.52/MMBTU)	0.520	52.86	0.520	53.01	0.520	52.98	0.520	54.25
vii. SSGC/NGPL Administrative Margin								
SSGC Admin Margin (\$0.005/MMBTU)	0.050	5.08	0.050	5.10	0.050	5.09	0.050	5.22
NGPL Admin Margin (\$0.005/MMBTU)	0.050	5.08	0.050	2.55	0.050	5.09	0.050	5.22
Total RLNG Price without GST	11.420	1,161.254	11.133	1,138.145	11.1653	1,137.509	10.8599	1,132.929

- 2.4. M/s PSO has submitted that during the month of April, June, July and September, 2015, it has procured a total of eight cargoes for SNGPL. First four cargoes have been procured on spot purchase basis from Qatar with the consent of FG which shall form part of the long term SPA, under negotiation with Qatargas. MP&NR letter dated September 7, 2015 in this regard ratified PSO's position and further advised OGRA to include said cargoes in the RLNG price on provisional basis till such time the SPA, including these four cargoes, is presented before ECC of the Cabinet for approval. The remaining four cargoes during the month of July and September, 2015 were procured on DES basis through tendering process. Besides this, two cargoes were procured during March and May, 2015 on behalf of Pak Arab Fertilizer Limited which accordingly have not been claimed. PSO further submitted that all procurement has been made with the consent of FG.
- 2.5. PSO has submitted that other import related costs has been claimed on actual basis. Port Qasim Authority (PQA) charges have been included as per PQA invoices on provisional basis since the matter of port charges with PQA has not been finalized yet.
- 2.6. The terminal charges have been claimed in accordance with the actual invoices raised by EETL to SSGCL in accordance with LSA. In this regard, Managing Director, SSGCL in the meeting held at OGRA office dated August 21, 2015 apprised the Authority that SSGCL has signed LNG service agreement with EETL and is accordingly under obligation to pay (i) Capacity and (ii) utilization charges. FG has approved the same at the levelized tolling tariff of 0.66 \$ per MMBtu.
- 2.7. During the meeting held at OGRA office on August 21, 2015, the concerned participants highlighted that LNG activities are to be undertaken in synergized manner under tri-partite agreement and gas sale agreement with the ultimate consumers. Accordingly, the cost incurred in this regard forms part of RLNG price built up.
- 2.8. PSO also submitted that all the data and accounts of LNG/RLNG activities are separately maintained in its state of art ERP which is SPA system. The same are audited regularly along with revenues of other products by two firms of Chartered Accountants of international repute. However, product wise revenues/accounts are not separately shown in annual accounts.



- 2.9. PSO has claimed PSO margin @ 4% of DES price and pleaded that same may be allowed in order to cover necessary cost associated in this regard. PSO has claimed that FG in terms of Section 148 (7) of Income Tax Ordinance 2001 has imposed 1% advance tax on LNG import value which is final and approximately translates into 1.32% (32% of PSO margin) on DES price. Further, PSO is exposed to financial risk owing to cash flow issues besides incremental operating cost. Accordingly, PSO has claimed that 4% margin of DES price is reasonable to be allowed in accordance with the decision of the ECC.
- 2.10. PSO has forwarded that transmission loss @ 0.5% has been claimed in accordance with the decision of the FG. Retainage has been included @ 1.5% in accordance with clause 20 of the LNG service agreement between SSGCL & EETL.
- 2.11. PSO has further included administrative margin of gas companies (SNGPL & SSGCL) @ 0.05 \$ per MMBtu as claimed by them and forwarded their view point that same is necessary owing to cash flow gap. SSGCL further submitted that it has provided Rs. 50 Million bank guarantee to EETL, cost of which is not recoverable in the revenue requirement process.
- 2.12. Cost of service has been claimed by gas companies on the basis of actual results for FY 2014-15. Cost of retainage has been worked out on the basis of LSA.

3. The Authority's Jurisdiction

- 3.1. In the referred ECC decision, OGRA was directed to determine the price of RLNG, under PL Ordinance on monthly basis in line with other Petroleum Products. To implement the said decision of ECC, appropriate amendment has been incorporated in PL Ordinance, and a SRO 405(I)/2015 on May 07, 2015 was issued by FG, therein RLNG has been included in the first schedule as petroleum product and name of both gas utilities i.e. SNGPL & SSGCL have been inserted as petroleum companies. The FG has also decided that RLNG price shall be determined by OGRA and notified by PSO. Furthermore, the FG by exercising its powers conferred by Section 8 of PL Ordinance read with clause (r) of Section 6 and Clause (b) of sub-section (2) of Section 21 of the OGRA Ordinance issued an SRO no. 971/2015 dated September 30, 2015, whereby the FG is pleased to direct that in respect of entry 25 (RLNG) in the first schedule to the PL Ordinance and entry 13 (SNGPL) and 14 (SSGCL) of the second schedule to the petroleum products of PL Ordinance shall be exercisable by the OGRA. It is pertinent to mention here that Rule 3 of Petroleum Products (Petroleum Levy) Rules, 1967 deals with the petroleum products specified in 1st Schedule. Under this rule prescribed price of petroleum product shall be determined by the Directors or OGRA in terms of SRO 254(I)/2006 dated 15-03-2006. However, vide SRO 405(I)/2015 dated 07-05-2015 an amendment has been made and RLNG has been included in Schedule (1) at Serial 25 as petroleum product, whereas name of SNGPL and SSGCL has been inserted in Schedule (2) at Serial (13) and (14) in order to determine the prescribed price of RLNG for SNGPL and SSGCL. However, vide SRO no. 971/2015 dated September 30, 2015, FG has directed that powers regarding determination of price in respect of entry 25 (RLNG) in the first schedule to the PL Ordinance and entry 13 (SNGPL) and 14 (SSGCL) of the second schedule to the petroleum products of PL Ordinance shall be exercisable by the OGRA.



- 3.2. RLNG pricing components as provided at para. 1.3.4 above, comprise seven items out of which three components i.e; (i) *LNG DES price*, (ii) *import related actual cost* and (iii) *terminal charges* pertain to the import and onward handling / re-gasification of LNG, being undertaken as per FG decisions and consent. LNG DES price is about the procurement made by PSO and is based on short term /long term G to G LNG agreements further leading to tripartite agreement and back to back mutual agreements between the relevant parties. Similarly, terminal charges are based on fifteen years long term contract between SSGCL and EETL which further engage SNGPL. RLNG end consumers are bulk consumers at SNGPL network, who shall also be in contractual arrangements with SNGPL. Thus the price of RLNG major cost components is already settled /agreed based on the binding contracts and thus pre-determined. OGRA has to include the same in RLNG price built up; as such it has no role in this regard similar to determination of well head gas prices. Accordingly, the responsibility for the scrutiny of actual cost, payments & supply terms and the other aspects of supply chain under the mutual agreements rests with the concerned parties. Further, FG decision dated April 18, 2014 is relevant in this regard and provides as under;
- “(i) *The policy guideline regarding levelized tolling tariff of US \$ 0.66 per MMBTU secured through a competitive bidding process shall be issued to OGRA in terms of OGRA Ordinance 2002: and*
- (ii) *All other commercial aspects of the import of LNG agreement shall be settled between the respective parties to the contract.*
- 3.3. The cost components comprising (i) PSO margin upto 4% (ii) administrative margin of gas companies upto 0.05\$ per MMBtu and (iii) cost of service of gas companies, in accordance with the decision of the FG has to be determined by OGRA. Accordingly, a consultative process shall soon be initiated with reference to holding public hearings to determine the same in the light of various shades of opinions/suggestions of the stakeholders and public at large.
- 3.4. The Authority observes that although RLNG allocation and prices are specified for some bulk consumers, yet concerns of their competitors and those of existing gas consumers on the network, whose interests may directly/indirectly get affected, are necessary to be sought.
- 3.5. The Authority further observes that RLNG pricing is carried out under PL Ordinance which does not obligate for public hearing; however the Authority is of the view that the same shall provide the opportunity for natural justice and shall attract the valuable input from all stakeholders.

4. RLNG Price Determination

- 4.1. The information submitted by PSO has been evaluated and prima facie observed that LNG framework suffers from fundamental shortcomings as under;
- 4.2. Long term LNG sale purchase agreement with Qatar on G to G basis, which is a hallmark of LNG arrangement, has not been finalized yet. Tripartite agreement which regulates the supply chain between PSO, SNGPL and SSGCL has not been signed yet.



Agreement with the end consumer has not been provided. Also, PSO has not ensured that the cost components per the FG decision as mentioned above have been mutually agreed and settled. In the wake of such commercially non-finalized supply chain, the Authority observes that reliance on the figures and mandate by the parties are deficient to include the same in RLNG price built up. Further, PSO was required to provide the detail to the effect that LNG activities are governed under tripartite agreement, in compliance to relevant law and in accordance with the approval of competent forum which were not yet provided.

- 4.3. The Authority further observes that PSO has initially procured four cargoes for SNGPL on spot purchase basis whereas FG in its various decision advised that relevant rules should be followed in letter & spirit. In this context, the Authority had pointed out that PSO has entered into short term agreements and has also procured LNG cargoes at various rates, the same have not been presented before the FG for approval. MP&NR in this regard endorsed ECC decision dated June 6, 2015 which was reiterated by the same forum on September 2, 2015, and provides as under;

"while considering the summary dated 2nd September 2015 submitted by Ministry of Petroleum & Natural Resources regarding Post facto approval for PSO to procure spot LNG on FOB basis " the Economic Coordination Committee of the Cabinet reiterated its earlier decision given under case No. ECC-85/11/2015 dated 6 June, 2015 which states that PSO being a commercial entity, has the autonomy to import LNG either on FOB or C&F basis and take appropriate decision for importing the LNG at its own level, keeping commercial prudence and provision of the relevant rules and regulations in view while making such decisions."

Regarding the first four cargoes on spot purchase basis, MP&NR advised that same may be included in RLNG price on provisional basis till it is included in SPA to be submitted for approval of the Federal Govt.

- 4.4. The Authority observes that PSO has now opted procurement on DES/FOB basis through tendering process and has been accorded the autonomy to explore the options and decide itself. This essentially requires that transparency in the process must be ensured through fool proof internal control system, proper disclosure, approval mechanism and necessary checks and balances in the entire supply chain, in order to make the project a success.
- 4.5. The Authority further observes that FG had already constituted high level committees on RLNG pricing component and LNG price negotiations on G to G basis. No such committee has been involved to monitor / oversee this short term arrangement to ensure commercial prudence in view of price of RLNG vs. price of alternate fuels.
- 4.6. Moreover, the LNG activities including cost flow till RLNG end consumer, operates on the mutual agreements and principle of synergy. Such agreements, viz; G to G LNG agreement, rate finalization with PQA, tripartite agreement, SNGPL agreement with end consumers, all have not been finalized yet. Accordingly, no cost/payment have been settled / agreed, which are basis for such determination.
- 4.7. As per decision of the FG, PSO margin upto 4%, administrative margin upto 0.05\$ per MMBtu and cost of service of gas companies has to be determined by OGRA. Accordingly, OGRA is soon in process of holding public hearings in this regard in



order to obtain the concerns of bulk buyers, who are party to the arrangement and of the public whose interest may directly/indirectly get associated with this arrangement since the LNG arrangement has to be executed for existing consumers and through existing network.

- 4.8. *In view of above, it transpires that final RLNG price cannot be determined unless the LNG procurement made so far bears FG approval, mutual agreements in channel are finalized, activities are streamlined and accordingly information complete in all respect are submitted in letter & spirit.*

5. RLNG Provisional Price

- 5.1. The Authority considered MP&NR advice on provisional pricing dated September 7, 2015 and the meetings with MP&NR, gas companies and PSO wherein it was highlighted that PSO is procuring LNG cargoes since March, 2015 for onward delivery of RLNG to IPPs/Fertilizers/CNG etc; on continuous basis. No RLNG price however has been recovered yet. Resultantly, PSO is facing serious financial crunch and is incapacitated to continue LNG procurement. It was also stressed that LNG import suspension shall indulge into further energy shortfall and shall result into unutilized terminal capacity payment at the cost of public exchequer.
- 5.2. The Authority, in view of the advice of MP&NR dated September 7, 2015 and ground realities, consents for RLNG pricing on provisional basis in national interest. The Authority observes that if provisional price notification is not issued, it may halt LNG procurement resulting to increase in energy shortfall and loss to public exchequer in terms of material amount of fixed terminal capacity payments. Further, it shall adversely impact G to G LNG agreement under negotiations.
- 5.3. *Accordingly, the Authority, in the larger public interest, decides the relevant price components as under, on provisional basis till the same is decided after public hearings and mutual agreements between the parties;*

i. PSO Margin upto 4% of DES price

- 5.4. The Authority observes that PSO was asked to substantiate and quantify its claim. It, however, has advanced general arguments and information in support of its claim as reproduced at para 2.9 above. The Authority observes that advance income tax and financial risk may be unavoidable cost connected with this margin, the magnitude of the same, however, could not be 4%. Further, as per statement provided by PSO, advance tax has been computed at 1.32% of DES price. Considering the cost of financial risk and incremental operating cost tentatively @ 0.5%, the margin computes to 1.82%.
- 5.5. *In view of above and the discussions at para 3.3 till 3.5 above, the Authority provisionally determines the PSO margin @ 1.82% of DES price.*



ii. *Administrative margin of gas companies upto 0.05\$ per MMBtu*

- 5.6. The Authority observes that gas companies have made general contention on this issue as stated at para 2.11 above; they have neither quantified nor properly justified the same. *The Authority, therefore, provisionally disallows gas companies' claim in this regard.*

iii. *Cost of Service in respect of gas companies*

- 5.7. Gas companies have claimed cost of service on account of RLNG shipment through their network. SNGPL and SSGCL has claimed 0.52 and 0.13 \$ per MMBTU respectively on the basis of actual results. The companies submitted that income on this account shall benefit the existing gas consumers.
- 5.8. The Authority observes that during the meeting held on August 21, 2015 at OGRA office, MP&NR has been of the view that Cost of Service in respect of gas companies is already recovered through revenue requirement process and the existing assets of the companies are also contributed by RLNG consumers as well since the same are existing consumers on SNGPL network. Accordingly, there is rationale that only incremental cost, if any, incurred by gas companies in connection with RLNG arrangement may be recovered. This treatment in no way affects the gas companies rather it provides a fairness between the consumers utilizing cheap natural gas viz a viz the consumers utilizing costly RLNG.
- 5.9. The Authority observes that MP&NR point of view holds weightage and seems logical; however consent of all stakeholders is necessary to be sought before finalizing.
- 5.10. *The Authority in view of above disallows the cost of service in respect of gas companies.*

iv. *DES price , Terminal charges, Import related actual cost & Transmission losses*

- 5.11. In view of the position stated in earlier paras, the Authority observes that LNG procurement is yet to be approved by the FG as part of SPA and consent of the related parties under mutual agreements has also not concluded and provided. Accordingly, the LNG procurement, including cargoes on spot purchases, cannot form part of RLNG provisional price at this point in time.
- 5.12. In view of above and based on the information submitted by PSO, the Authority however adopts latest DES price quoted for the month of September, 2015 for the purpose of RLNG provisional price computations, subject to fulfillment of requisite formalities, necessary approvals, mutual agreements between parties and settlement thereof as highlighted above.
- 5.13. Regarding the terminal charges, the Authority observes that payments between the parties in this regard have to be made in accordance with the mutual agreements. Averagely, it shall cost @ 0.66 \$ per MMBtu. Accordingly, ECC decision approved the same to be charged from the end consumer. The Authority, therefore, includes terminal charges at the levellized tariff of 0.66\$ per MMBtu in accordance with the



decision of the FG. The Authority observes that this levelized tariff has built in benchmark to effectively manage LNG supply as planned per LSA, in order to ensure optimum utilization.

- 5.14. Infrastructure Cess has been charged on assessed value of LNG by Excise & Taxation Department, Sindh. However, no such cess is charged on petroleum products. The Authority is, therefore, of the view that cess should also not be imposed on LNG, similar to petroleum products. Accordingly, FG and PSO may take up the matter with the concerned quarters. *The Authority, in view of above, provisionally excludes the Infrastructure cess from RLNG price computations till the final outcome of the matter.*
- 5.15. *In view above, import related costs have been provisionally included @ 0.008845 per MMBtu.*
- 5.16. The Authority further observes that "Retainage" has been included @1.5% of total LNG delivered quantity in RLNG sale price computation by PSO, in line with Clause 20 of the LSA that describes retainage as follows;
-quantities of gas including (including Boil-Off) used in operation of the LNG Import Facility (including fuel for re-gasification of LNG); and
 - quantities of gas lost or unaccounted for in the LNG Import Facility including as a result of measurement error; and
 - quantities of gas which (for reasons of Emergency) the Operator is required to flare or vent,....
- 5.17. The Authority notes that two out of three factors forming retainage are variable components and hence shall not be consistent / fixed throughout the supply period. They are rather dependent on the occurrence of some specific circumstances / emergency situation. However, some quantity shall be required in the operations of import facility. *In view of the same, the Authority includes retainage @ 0.75% on total delivered quantity, subject to review based on the actual volumes charged on this account and after obtaining feedback of all stakeholders through public hearings.*
- 5.18. *In view of above, the provisional RLNG Price for consumers on transmission network tentatively works out to 8.63682 \$ per MMBtu, as tabulated below;*

Particulars	USD/MMBTU
LNG DES Price	7.72578
PSO other import related costs Total	0.00884
Terminal Charges	0.66000
	8.39462
Transmission & Distribution Losses:	
Retainage (0.75 % of total cost.)	0.06296
Transmission losses (0.5% of DES price)	0.03863
PSO Margin @ 1.82% of DES Price	0.14061
Total RLNG Price without GST	8.63682



- 5.19. *The above determination shall also be applicable on the previous and subsequent months till the issues highlighted above are finally settled. In the subsequent months, DES price, however, shall be taken on provisional/actual basis as the case may be, given then prevailing circumstances.*

6. Directions

- 6.1. PSO should expeditiously take up the matter with FG for finalization of long term LNG contract as well as mutual agreements.
- 6.2. The matters with PQA must be resolved on urgent basis. Accordingly, the charges should be included on actual basis.
- 6.3. LNG procurement should be planned in a way that terminal capacity should be optimally utilized to avoid unnecessary burden.
- 6.4. FG in consultation with parties to the agreement should develop a mechanism to ensure commercial prudence and transparency in the entire process particularly the LNG procurement under the short term arrangement.
- 6.5. The Authority has already suggested that LNG supply chain be governed under one set of law i.e; OGRA Ordinance. Necessary amendments have already been submitted. Accordingly, the same may be proceeded for approval of the competent forums.
- 6.6. PSO through FG should expeditiously take up the matter with the concerned quarters for not imposing infrastructure cess on LNG similar to other petroleum products.

Noorul Haque
(Member Finance)

Aamir Naseem
(Member Gas)

Saeed Ahmad Khan
(Chairman)

Islamabad, October 07, 2015