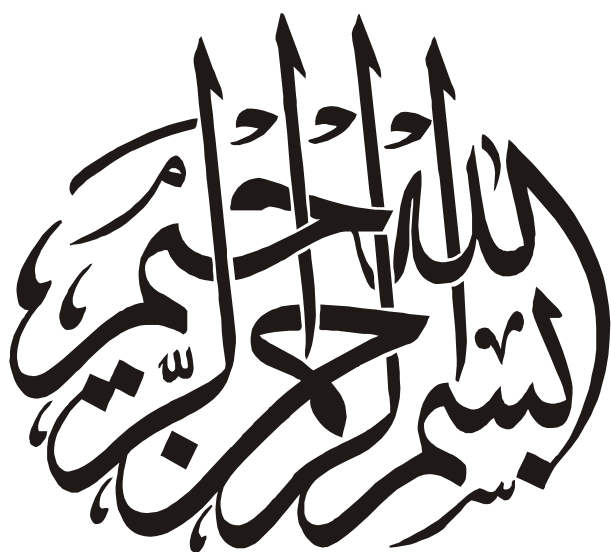




OGRA

**ANNUAL REPORT
2015-16**







ANNUAL REPORT

on

Conduct of OGRA Affairs



“My message to you all is of hope, courage and confidence. Let us mobilize all our resources in a systematic and organized way and tackle the grave issues that confront us with grim determination and discipline worthy of a great nation”

Quaid-i-Azam



Mission Statement

**“Safeguard public interest through
efficient and effective regulation
in the midstream and downstream
petroleum sector”**



The Authority



Aamir Naseem
Member (Gas)

Saeed Ahmad Khan
(Chairman)

Noorul Haque
Member (Finance)



Senior Management



Sitting Left to Right:

Misbah Yaqub (Executive Director), Zain ul Abideen (Executive Director), Lt. Col. (R) Farrukh Nadeem (Executive Director), Shahzad Iqbal (Executive Director), Muazzam Hussain Ch. (Executive Director),

Standing Left to Right:

Sarmad Aslam (Executive Director), Anwar Ali Sheikh (Executive Director), Imran Akhtar (Joint Executive Director), Muhammad Rizwan ul Haq (Executive Director), Basit Qureshi (Acting Registrar), Muhammad Afzal Bajwa (Media Consultant)

Executive Directors



SHAHZAD IQBAL

Executive Director
Gas Department



ZAIN UL ABIDEEN

Executive Director
CNG Department



MUAZZAM HUSSAIN CH.

Executive Director
Complaints Department



SARMAD ASLAM

Secretary OGRA
Executive Director
Admin./HR Department



Lt. Col. (R) FARRUKH NADEEM

Executive Director
Building Project



ANWAR ALI SHEIKH

Executive Director
Planning & Coordination and IT Department



SOHAIL AHMED TARIQ

Executive Director
Enforcement Department



MISBAH YAQUB

Executive Director
Finance & Accounts Department



MUHAMMAD RIZWAN UL HAQ

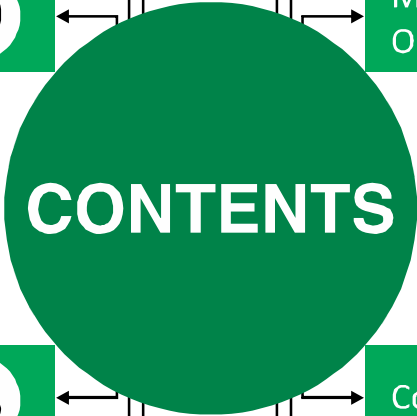
Executive Director
Legal/Litigation Department



SHAHID NAUMAN AFZAL

Executive Director
Oil Department





Chairman's Review	03	Liquefied Natural Gas	64
Profile of the Authority	07	Compressed Natural Gas	66
Process	29	Mid and Downstream Oil Sector	67
Performance	33	Complaints Redressal	75
Natural Gas Sector	36	Enforcement	78
Liquefied Petroleum Gas	58	Anticipated Developments for the Next Year	87





Contents

1	Chairman's Review	3
2	Profile of the Authority	9
2.1	Composition	9
2.1.1	Chairman	10
2.1.2	Member (Gas)	11
2.1.3	Member (Finance)	12
2.2	Powers and Functions	13
2.3	Organizational Structure	17
2.4	Functions of Departments	18
3	Process	31
3.1	The Authority's Regulatory Decision Making Process	31
4	Performance	35
4.1	Formulation of Rules & Regulations	35
4.1.1	Authority Meetings	36
4.2	Natural Gas Sector	36
4.2.1	License Granted to Universal Gas Distribution Company (Pvt) Ltd.	36
4.2.2	Determination of Revenue Requirement (RR) of Gas Utilities and Gas Tariff	36
4.2.3	Estimated Revenue Requirement of SSGCL for FY 2015-16	38
4.2.4	Final Revenue Requirement of SSGCL for FY 2014-15	39
4.2.5	Final Revenue Requirement of SSGCL for FY 2013-14	39
4.2.6	Final Revenue Requirement of SSGCL for FY 2012-13	40
4.2.7	Estimated Revenue Requirement of SNGPL for FY 2015-16	40
4.2.8	Final Revenue Requirement of SNGPL for FY 2014-15	41
4.2.9	Final Revenue Requirement of SNGPL for FY 2013-14	42
4.2.10	Final Revenue Requirement of SNGPL for FY 2012-13	42
4.2.11	Human Resource Cost Benchmark	44
4.2.12	Weighted Average Cost of Gas (WACOG)	45
4.2.13	Notification of Prescribed and Sale Prices (Natural Gas Sector)	45
4.2.14	Maximum Sale Price of CNG	46
4.2.15	Determination of RLNG Prices	47



4.3	Major Projects of SNGPL & SSGCL	48
4.3.1	Sui Northern Gas Pipelines Limited	49
4.3.1.1	Transmission Projects	49
4.3.1.2	Distribution Projects	49
4.3.2	Sui Southern Gas Company Limited	50
4.3.2.1	Transmission Projects	50
4.3.2.2	Distribution Projects	50
4.3.2.3	SSGCL's Natural Gas Efficiency Project (NGEP)	51
4.3.2.4	Compressors	52
4.3.3	Approval of Agreements	52
4.3.4	Addition of Assets, Natural Gas Network and Gas Consumers	53
4.3.4.1	Increase in Assets	54
4.3.4.2	Addition in Transmission & Distribution Network	55
4.3.4.3	Number of Consumers Added / Towns & Villages Connected	57
4.4	Liquefied Petroleum Gas (LPG)	58
4.4.1	Regulation	58
4.4.2	LPG Licenses and Operating Rules	59
4.4.2.1	Licensing Procedure	59
4.4.3	Amendments in LPG (Production & Distribution) Rules, 2001	61
4.4.4	Regulatory Enforcement	62
4.4.5	Investment in LPG Sector	63
4.5	Liquefied Natural Gas (LNG)	64
4.6	Compressed Natural Gas (CNG)	66
4.6.1	Regulation	66
4.6.2	Moratorium	67
4.6.2.1	Ban on New Provisional Licenses	67
4.6.3	Regulatory Enforcement	67
4.6.4	Investment in CNG Sector	67
4.7	Mid and Downstream Oil Sector	67
4.7.1	Regulation	67
4.7.2	Powers and Functions of Oil Sector	67
4.7.3	OGRA's Activities in the Oil Sector	68



4.7.3.1	Enforcement of Technical Standards	68
4.7.3.2	Permission to Establish Oil Marketing Companies	68
4.7.3.3	Permission Granted for Construction/Operation of Oil Terminal/Storage Facility	69
4.7.3.4	Quality Assurance	70
4.7.3.5	Registration of Lube Oil Blending/Reclamation Plants	70
4.7.3.6	Registration of Lube Oil Importers	70
4.8	Oil Pricing	71
4.8.1	OGRA Role under Deregulation	71
4.8.1.1	ECC Approved Pricing Parameters	72
4.8.1.2	Ex-Refinery/Ex Depot Formula	72
4.9	Inland Freight Equalization Margin (IFEM)	73
4.9.1	IFEM Management	74
5	Complaints Redressal	75
5.1	Complaints Redressal at Regional Offices Lahore & Karachi	76
5.2	Appeals on Natural Gas, LPG, CNG, Oil and Enforcement Cases	77
6	Enforcement	78
6.1	Need for Enforcement	78
6.2	Enforcement Activities	78
6.2.1	Oil Sector	79
6.2.2	LPG Sector	79
6.2.3	CNG Sector	81
6.2.4	Complaints	82
6.2.5	Regional Offices	82
6.3	Brief Summary of Enforcement Activities	82
7	Litigation	83
8	Anticipated Developments for the Next Year	89
8.1	Natural Gas Sector	89
8.2	Mid and Downstream Oil Sector	89
8.3	LPG Sector	90
8.4	Enforcement	90
8.5	Determination of Prices	91
8.6	Complaints	92



8.7	Capacity Building	92
Appendices		93
Appendix-I	Regulatory Framework	95
Appendix-II	Natural Gas / LNG Licenses Issued by OGRA	98
Appendix-III	Consumer Gas Tariff Schedule for FY 2015-16	100
Appendix-IV	Licenses Issued by OGRA in LPG Sector	103
Abbreviations and Acronyms		106



Chairman's Review



Chairman's Review

“Effective regulatory governance is an essential prerequisite to sustainable public service performance. Organizations that operate with integrity at all times will maintain the trust of their stakeholders.”

This has been another successful year for OGRA and I am proud to present the 14th Annual Report of OGRA's Performance for the year ended on June 30, 2016, in pursuance of Section 20 (1) (a) of the OGRA Ordinance, 2002.



During fiscal year 2015-16, OGRA has been quite successful in achieving its objectives to foster competition with increased private investment and ownership in the midstream and downstream petroleum industry and protect the public interest by providing effective and efficient regulations. The report highlights the important and considerable efforts of OGRA to implement the government's reform agenda in the oil and gas sectors.

OGRA made significant progress during fiscal year 2015-16 towards furthering the objectives of its establishment. The Federal Government approved and notified Pakistan (Refining, Blending, Transportation, Storage and Marketing) Rules, 2016 on 25-1-2016 in substitution of Pakistan (Refining, Blending, Transportation, Storage and Marketing) Rules, 1971. The new rules will help to foster competition, increase private investment and improve the efficiency and operational performance of the companies involved in the regulated activity. Another milestone of OGRA performance is the issuance of first ever private sector license to Universal Gas Distribution Company (Pvt) Limited on February 22, 2016, to carry out the regulated activity of sale of natural gas to the end consumers, predominately Compressed Natural Gas (CNG) stations and establishment of regional offices at Lahore and Karachi to provide maximum facilitation to consumers of petroleum sector as well as general public of Punjab and Sindh. Further, Federal Government under Petroleum Products (Petroleum Levy) Ordinance, 1961 and Petroleum Products (Petroleum Levy) Rules, 1967 delegated OGRA to determine Regasified Liquefied Natural Gas (RLNG) price as in case of other petroleum products. Accordingly, OGRA has been determining the provisional and actual RLNG prices as per pricing parameters conveyed by Federal Government through policy guidelines.

OGRA remained fully engaged in determination of revenue requirements/prescribed prices of gas utilities, expeditious resolution of complaints and carried out activities which included the grant of

approval for expansion in the transmission and distribution network of Sui Northern Gas Pipelines Limited (SNGPL) & Sui Southern Gas Company Limited (SSGCL), grant of licenses for construction of LPG storage & filling plants, construction of LPG auto-refuelling stations, grant of permission to establish Oil Marketing Companies (OMCs), construction/operation of oil terminal/storage facilities, registration of lube oil blending/reclamation plants and lube oil importers, enforcement of ordinance, rules, regulations and license conditions on the operations of licensees.

One of the main functions of the Authority is the determination of revenue requirements of natural gas utilities which are entitled to a minimum return of 17% in case of SSGCL and 17.5% in case of SNGPL on their net operating fixed assets before tax and financial charges. During the year under review, the Authority decided eight petitions of revenue requirement of the two gas utilities. These decisions were made after in-depth scrutiny of the capital and operating expenditure based on prudence, optimization, improved service to customers and safeguarding public interest. The Authority provided full opportunity to all stakeholders to express their viewpoint which were given due consideration before taking the decisions. The Authority further issued twelve notifications of ex-depot sale price of petroleum products.

One of the important aspects of OGRA's function is the redressal of consumers' complaints against the oil & gas companies, licensees of LPG and CNG. These complaints are dealt in accordance with the Complaint Resolution Procedure Regulations (CRPR), 2003. Expedious resolution of public complaints against the Oil, Gas, CNG and LPG companies, improving quality of service and compliance of performance and service standards by the licensees are Authority's priorities and there is growing satisfaction in the public about OGRA's system. A dedicated department for complaint redressal receives public complaints and processes the same to provide quick and effective relief to the consumers. During FY 2015-16, OGRA received 3,829 complaints out of which 2,838 were resolved/disposed. On the intervention of OGRA, during the reported period, gas utility companies provided 208 gas connections and relief amounting to Rs. 183.61 million to consumers.

OGRA granted approval of expansion in the transmission and distribution network to SSGCL & SNGPL with some deletions and disallowances where prudence of investments was not established in the light of design parameters or the assumptions on which the project was based. The Authority under provision of the Natural Gas Licensing Rules (NGLR), 2002 approved seventeen Gas Supply/Purchase Agreements (GSPAs) for supply of gas between the gas producers and gas companies/customers during FY 2015-16.

OGRA has been regulating the LPG sector in accordance with the OGRA Ordinance, 2002, LPG (Production & Distribution) Rules, 2001 and the policies of the Federal Government received from time to time. During FY 2015-16, fifteen licenses for operation and thirty six licenses for construction of LPG storage and filling plants were issued. OGRA has also issued twenty five licenses for construction of LPG auto-refuelling stations. During the year, an estimated investment of Rs. 2.5 billion has been made in the LPG supply infrastructure whereas total investment in the sector till date, is estimated at about Rs. 22.45 billion.

The Federal Government enforced the provisions of sub-section (3) of Section 23 and clauses (a) & (b) of sub-section (3) of section 44 of OGRA Ordinance, 2002 with effect from 15th March 2006, empowering the Authority to regulate mid and downstream oil sector in the country under the existing Pakistan Petroleum (Refining, Blending and Marketing) Rules 1971 and Pakistan Oil (Refining, Blending, Transportation, Storage & Marketing) Rules, 2016. During FY 2015-16, OGRA has granted the permission to five companies to establish Oil Marketing Companies. The establishment of these companies will bring a minimum investment of Rs. 2.5 billion in the next three years. OGRA has also granted permission to two companies to initiate marketing of petroleum products to the extent of Punjab Province. Three OMCs were granted permission for construction/operation of new oil storages/terminals, which will further strengthen the oil supply infrastructure in the country. During the period under review, eight lube oil blending/reclamation plants were registered after assessing the conformity of the plant through Hydrocarbon Development Institute of Pakistan (HDIP) with the mandatory technical requirements as per relevant rules and regulations. In addition, OGRA has also registered eighteen lube oil importers during FY 2015-16.

For effective regulation of oil and gas sector in mid and downstream, it is essential that an efficacious check and balance of licensed activities shall be maintained and for the purpose OGRA has dedicated Enforcement Department. Enforcement Department randomly carries surprise inspections of selected facilities ensuring supply of quality products at notified prices to consumers. Moreover, world's best known practices for safe operation are also ensured through surprise checks of licensed facilities. The progress of Enforcement Department for fiscal year 2015-16 was encouraging, overall 2,441 facilities were inspected and a fine amounting to Rs. 22.285 million was imposed on outlets/stations/distributors found guilty/non compliance after following due legal procedures as stipulated in applicable OGRA laws.

I would like to pay tribute to our employees, the most valuable resource of the organization, whose



commitment and hard work during the last 14 years enabled us to pursue our objectives. Dedication and team work towards duty and focus to achieve set targets is cultivated in OGRA's work culture. Our people take their job assignments seriously and with passion to excel on all fronts, not just for their own career development but for the fulfilment of the organization's objectives. Employees of OGRA deserve appreciation for their exceptional spirit of cooperation and professionalism in discharge of their responsibilities that has helped the organization meet challenges with success.

Corporate responsibility is critical to the future success and sustainability of our organisation. We also need to ensure that we are focusing our attention on the issues and areas that are most material to us, and that are most important to our stakeholders. In order to face the challenging conditions prevalent in Pakistan, especially in the Energy Sector, we need to put in our collaborated efforts for a prosperous sustainable future, both at organizational and national levels. Due to its relentless pursuit of quality and efficiency in the regulatory sphere, OGRA has earned an enormous respect being an impartial and effective regulator.

As an organization, OGRA is committed to a strategy of creating value and growth, while contributing positively value addition to the Energy Sector of Pakistan.

Today, as the Chairman OGRA, I am committed to preserving the original principles upon which the OGRA was established, and now succeeds. It is vital to have consistency between short-term organizational goals and actions and long-term strategy. For OGRA to excel, it needs to develop into a transparent body. Transparency is rewarding because it builds stronger motivation among the people working in and with OGRA.

(Saeed Ahmad Khan)
Chairman



Profile of the Authority



2. Profile of the Authority

2.1 Composition

The Authority, established under the Oil and Gas Regulatory Authority Ordinance, 2002, comprises Chairman, Member Oil, Member Finance and Member Gas. The incumbents are selected by the Federal Government through open competition and appointed on tenure basis. The qualifications and other terms & conditions of their appointment, as provided in the Ordinance, are:-

- a) The Chairman shall be an eminent professional of known integrity and competence with a minimum of twenty years of related experience in law, business, engineering, finance, accounting, economics, petroleum technology, public administration or management.
- b) The Member Oil shall be a person who holds an appropriate degree in the relevant field and is an experienced, eminent professional of known integrity and competence with a minimum of twenty years of related experience in the field of oil, including the transportation thereof.
- c) The Member Gas shall be a person who holds an appropriate degree in the relevant field and is an experienced, eminent professional of known integrity and competence with a minimum of twenty years of related experience in the field of natural gas, including the transmission and distribution thereof.
- d) The Member Finance shall be a person who holds an appropriate degree in the relevant field and is an experienced, eminent professional of known integrity and competence with a minimum of twenty years of related experience in the field of corporate finance or accounting.
- e) The Chairman shall be appointed by the Federal Government for an initial term of four years and shall be eligible for reappointment for a similar term.
- f) The Member Oil and Member Gas shall be appointed by the Federal Government for an initial term of three years and shall be eligible for reappointment for another term of four years.
- g) The Member Finance shall be appointed by the Federal Government for an initial term of two years and shall be eligible for reappointment for another term of four years.
- h) The Chairman and other Members shall retire on attaining the age of sixty five years.

2.1.1 Chairman



Mr. Saeed Ahmad Khan

Mr. Saeed Ahmad Khan joined as Chairman OGRA on April 16, 2012. He is Masters in Public Administration from Rockefeller College of Public Affairs and Policy (SUNY-Albany), USA and also MS in Zoology from University of the Punjab. During his long career of 34 years, he served as Federal Secretary, Ministry of Information Technology, Ministry of Overseas Pakistanis, Statistics & Economic Division, Additional Secretary, Cabinet Division (Economic Committees / Regulatory Authorities), Additional Secretary, Ministry of Finance, Senior Member, Prime Minister Inspection Commission / Chief Coordinator, Federal Relief Commission, Executive Director, National Institute of Population Studies, Chairman Pakistan Telecommunication Company Limited (PTCL) Board, President Board of Directors of Cooperative Bank of Punjab, Chairman Pakistan Software Export Board (PSEB), Chairman Board of Directors of Telephone Industries of Pakistan (TIP), Chairman Telecom Foundation, Vice Chairman Universal Science Fund, Vice Chairman NICTR & D Fund, and Chairman Board of Directors of Virtual University. He has also held senior positions in Government of Punjab / Balochistan. He has attended a number of conference / professional courses / seminars in Pakistan, India, Sri Lanka, Indonesia, Abu Dhabi, Bahrain, Philippines, France, Switzerland, Canada, USA, China, Russia and Turkey.

2.1.2 Member (Gas)



Mr. Aamir Naseem

Mr. Aamir Naseem joined OGRA as Member Gas on December 23, 2013. Mr. Aamir Naseem holds Bachelor's Degree in Mechanical Engineering from University of Engineering and Technology, Lahore. He has diversified work experience of more than 32 years in country's largest integrated Transmission and Distribution Gas Company. He has expertise in gas distribution encompassing design, construction and operation of distribution network. He served in highly technical department of Gas Measurement for more than 10 years. He had been pioneer in introducing latest measurement techniques including, electronic / smart measurement and remote data collection in the company. He was instrumental in introducing overhead and laser based underground leak detection programmes in the company. He accomplished Changed Management Metering workshop to enormously improve output, quality and integrity. He worked in senior Management positions and attended various technical courses within and outside Pakistan including prominent courses in Gas Measurement from Robert Morris University, USA, Leak Detection from Nova Gas, Canada, Human Resource Management course by Cabinet Division and Changed Management course from LUMS. He is fully geared up to use his technical knowledge and expertise of gas utility company to help OGRA in capacity building and decision making.

2.1.3 Member (Finance)



Mr. Noorul Haque

Mr. Noorul Haque was appointed as Member (Finance) on July 23, 2015 for an initial term of two years. He is Fellow Member of the Institute of Cost and Management Accountants of Pakistan (ICMAP). He has experience of over 32 years in the fields of accounts, finance, audit management, planning and private sector organizations. He had worked at various management positions in public and private sector organization. He had been associated with Oil & Gas Regulatory Authority since 2003 in various positions. He has served as Senior Executive Director before his appointment as Member Finance. He played crucial role in formulation of various rules and regulations for oil and gas sector. He participated at various training programs abroad on utility regulations, bench marking, performance monitoring and natural gas pricing, human resource and project management. He is the first employee of Oil and Gas Regulatory Authority to be appointed as Member of the Authority.

2.2 Powers and Functions

The Powers & Functions of the Authority as embodied in the Ordinance are as under:-

- o Exclusive power to grant, amend or revoke licences for regulated activities and enforce compliance of licence conditions to promote efficiency, cost effectiveness, best practices, high safety and service standards etc. The regulated activities are:

- ❖ **Natural Gas**

- Construction or operation of pipelines or storage facilities or other installations.
- Transmission
- Distribution
- Sale

- ❖ **Oil**

- Construction or operation of refinery, pipelines, storage facilities, blending facilities and installations.
- Marketing and storage of refined oil products.

- ❖ **Liquefied Petroleum Gas (LPG)**

- Construction or operation of pipelines, production or processing facilities, storage facilities and installations.
- Transporting, filling, marketing and distribution.

- ❖ **Compressed Natural Gas (CNG)**

- Construction or operation of installations including testing or storage facilities.
- Transporting, filling, marketing and distribution.

- ❖ **Liquefied Natural Gas (LNG)**

- Construction or operation of production and processing facilities
- Construction or operation of installation including testing or storage facilities
- Transporting, filling, marketing and distribution

- o Determine in consultation with the Federal Government and the licensees, a reasonable rate of return to the natural gas licensees.



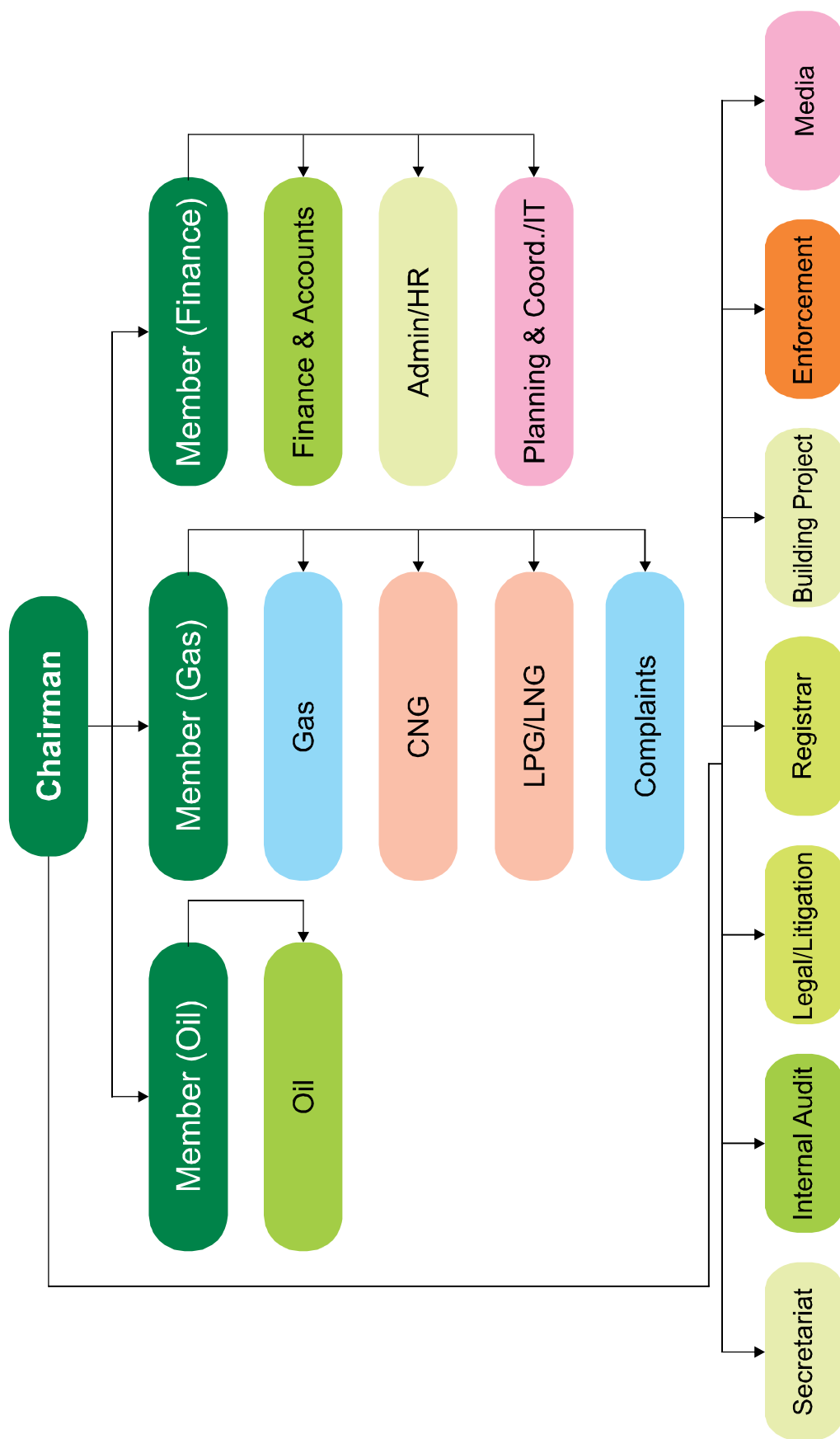
- o Determine the revenue requirement of gas utilities covering the cost of gas, transmission and distribution cost and the prescribed return.
- o Develop and enforce performance and service standards.
- o Prescribe procedures and standards for investment programmes of the gas utilities and oversee their capital expenditure to ensure prudence.
- o Resolution of complaints and disputes between a person and a licensee or between licensees
- o Enforce standards and specifications for refined oil products as notified by the Federal Government.
- o Implement policy guidelines of the Federal Government, issued under Section 21 of the OGRA Ordinance subject to their being consistent with the provisions of the Ordinance.
- o Exclusive power to employ officers, staff, experts, consultants, advisors and other employees on such terms and conditions as it may deem fit.
- o Exclusive powers to decide upon all matters in its jurisdiction



The Organization



2.3 Organizational Structure



2.4 Functions of Departments

Registrar Office

Registrar Office receives, examines and processes the petitions filed by SSGCL and SNGPL for determination of their revenue requirements of each financial year under the provisions of the OGRA Ordinance, 2002 and the Natural Gas Tariff Rules, 2002. Registrar Office is also responsible to undertake procedures for grant of licenses with respect to Natural Gas, LNG and low pressure gas cases. Registrar Office also scrutinizes and processes the complaints lodged by any person or licensees in accordance with CRPR, 2003 and forwards the same to Designated Officers (DOs) of the concerned departments for appropriate decisions/disposal. Section 12(1) of the OGRA Ordinance, 2002, allows the parties who feel aggrieved of the decisions of the DOs to file appeal before the Authority. The Registrar Office receives and processes the appeals and review petitions and facilitates the Authority in conducting of hearings and formulation of the decisions with respect to Natural Gas, LPG, CNG, Oil and Enforcement cases. Record proceedings of the Authority during the hearings and issue decisions of the Authority after approval of the same. Registrar Office also examines and processes the applications for determination of well-head gas price before sending the same to Finance Department and scrutinizes the fee matters relating to tariff, license petitions, appeals/reviews, well-head price and annual license renewal fee from the licensee. Further, Registrar Office also provides legal opinion and represents OGRA before different courts of Law.

Oil Department

OGRA is mandated to regulate mid and downstream oil sector in the country under the Pakistan Petroleum (Refining, Blending and Marketing) Rules, 1971 till January 22, 2016 and under the new Rules [i.e. Pakistan Oil (Refining, Blending, Transportation, Storage & Marketing) Rules, 2016] notified on January 22, 2016. The powers conferred under the aforesaid rules to the extent granted under SRO No. 236 (1)/2006 dated March 13, 2006 & OGRA Ordinance mainly pertains to grant of license to undertake marketing of refined oil products, construction & operation of oil infrastructure [i.e. oil refinery, oil pipeline, oil storage facility, lube oil blending/reclamation facility & oil testing facility], establishing/ operation of lubricant marketing companies. Besides the aforesaid, Oil Department monitors the quality of refined oil products with respect to GoP approved specifications and also ensure the construction of oil infrastructure is in accordance with the relevant technical standards notified by OGRA. Further, Oil Department deals complaints of the general public against its licensees and redress the same in line with OGRA's Complaint Resolution Procedure Regulations, 2003.

Gas Department

The regulatory functions of Natural Gas sector were transferred to OGRA on March 28, 2002. The basic functions performed by Gas Department pertain to grant of licences regarding Sale, Transmission and Distribution of Natural Gas / RLNG, Determination of Revenue Requirements of Gas Utility Companies i.e. SNGPL and SSGCL on regular basis, monitoring and enforcement of rules, regulations / standards and applicable licence conditions, approval of Gas Sale / Purchase Agreements pertaining to the regulated gas sector. Another important tasks performed by Gas Department is to handle cases related to Natural Gas Infrastructure Development Projects. Processing of cases regarding Gas Pipeline Capacity Allocation and related Gas Transportation Agreements. Gas Department is undertaking studies such as review of TPA Rules, conduct of UFG Study of Gas Sector, liaison with International Organizations / Donors, e.g. World Bank, USAID, etc, regarding Gas Sector Reforms. Furthermore, Gas Department responds / attends the Court Cases pertaining to the regulated Gas Sector, formulation of rules, regulations and procedures for the conduct of licensees.

LPG Department

OGRA is empowered to regulate the LPG sector under the OGRA Ordinance, 2002 and LPG (Production & Distribution) Rules, 2001 with effect from 15th March, 2003. Since then OGRA has been regulating the sector in accordance with LPG (Production & Distribution) Rules, 2001 and the policies of the Federal Government. The core functions of LPG Department include issuance of licenses to construct and operate LPG production, storage/filling facilities, air-mix plants and LPG auto-refuelling stations under LPG Rules, 2001. Other functions are registration of equipment manufacturers and monitoring of LPG price in accordance with prevailing LPG Policy of the Government. LPG Department ensures compliance to the OGRA Ordinance, 2002, LPG Rules, 2001 and LPG Policy Guidelines of the Federal Government issued from time to time. Further, also conducts inspections of storage/filling plants, refuelling stations, production/extraction plants, air-mix plants and manufacturing facilities of equipment manufacturers through third party inspectors. Moreover, matters related to extension/renewal of licenses, amendment/transfer of licenses, cancellation/revocation of licenses, periodic inspection of LPG works and facilities to ensure their conformity with the laid down standards and annual renewal of the registration of OGRA's authorized manufacturers of LPG equipment are also being handled by LPG Department.

LNG Department

LNG sector is a promising sector with significant anticipated growth in the years to come. OGRA, being the concerned regulator has played a vital role in guiding the companies interested in

establishing LNG import infrastructure in the country. Regulation of LNG sector is governed under OGRA (LNG) Rules, 2007 which define pre-requisites for obtaining licenses. LNG rules encourage prospective project developer to enter into LNG market after fulfilment of requisite formalities including license from OGRA as per present policy. LNG Department regulates the LNG sector in the country and played a vital role in establishment of first ever LNG terminal in the country from issuance of provisional license to terminal construction and operation license. Subsequent to issuance of operational license, the Department ensures compliance to the terms and conditions of the license. Moreover, OGRA also grants license for marketing and distribution of LNG as it being a regulated activity. The consultants for LNG related tasks have been short listed by the LNG Department which upon requirements are appointed for inspection and evaluation/analysis of application(s) for the purposes in a transparent manner keeping in view the provisions of Public Procurement Regulatory Authority (PPRA) Rules.

CNG Department

The CNG Department regulate CNG sector in light of provisions of CNG Rules, 1992, OGRA Ordinance, 2002 & Policy of the Feral Government in vogue. There is a ban on issuance of new provisional license since February, 2008. The provisional licenses are converted into marketing licenses to operate CNG stations after completion of applicable formalities inter-alia including explosive license and satisfactory pre-commissioning inspection. In order to ensure safe operation of CNG stations, annual safety audit is conducted through OGRA's designated third party inspectors. The deficiencies, if found are rectified in accordance with provisions of applicable rules/technical standards. In case, CNG stations fail to remove deficiencies within stipulated time period, are penalized as per applicable rules/procedure. The cases regarding amendment, renewal and transfer of CNG licenses and equipment, alteration in works etc. are processed upon completion of requisite formalities as per the policy/rules. OGRA enlists local and international CNG equipment manufacturers subject to conformity of applicable international technical standards. Complaints against CNG stations are dealt as per applicable criteria and Complaint Resolution Procedure Regulations, 2003.

Finance Department

Finance Department is a key Department, playing a pivotal role in tariff determination of oil and gas sector as per the powers delegated under the OGRA Ordinance, 2002. Finance Department is primarily involved in the determination of revenue requirement of gas utilities viz; SSGCL & SNGPL. Accordingly, category-wise natural gas sale prices and prescribed prices are notified under the law. Determination and notification of wellhead gas prices on bi-annual basis is also carried out

as per the agreements signed between gas producers & GoP. Fixation and notification of CNG prices is also being done by Finance Department as per the policy guidelines issued by the Federal Government.

Finance Department's role is not only limited to the natural gas sector, but also includes monitoring of petroleum products including notification of kerosene oil & E-10 after the deregulation effective June, 2011. Since September, 2008, Inland Freight Equalization Margin (IFEM) is also being managed by the Finance Department including its monthly computation and notification. During the recent financial year, Federal Government has also delegated the powers of RLNG price determination to OGRA. The same is carried out on monthly basis as per the policy guidelines issued by Economic Coordination Committee.

Besides tariff determination process of oil and gas sector, Finance Departments has a pivotal contribution in techno-financial and legal matters including tariff related aspects in licensing of natural gas sector, third party access regime, formulation of new tariff regime, unbundling of sui companies under Government's gas sector reforms agenda. Finance Department has devised efficiency related benchmarks including HR cost and provision for doubtful debts so as to curtail major component of operating expenditure. These benchmarks have remained successful in terms of allowing prudent and rationale operating cost. Finance Department has always remained vigilant while striving a balance between all stakeholders.

Complaints Department

Complaint against Gas Utility Company is entertained by the Registrar OGRA, if a consumer/person fails to get desired relief from the licensee, the Registrar forwards the complaint to concerned Designated Officer (DO) of the Complaints Department related to specific area under Complaint Resolution Procedure Regulations (CRPR), 2003. The DO performs quasi-judicial functions while dealing with the complaints. The DO after obtaining comprehensive report/response/further clarifications from gas utility company/licensee, gives an opportunity of meeting/hearing to both the parties and decides the complaints based on available documentary evidences, hearing proceedings, arguments exchanged etc. as per applicable policy/procedures. Implementation of OGRA's decisions on complaint cases are also ensured by the concerned DO. Further, record of the complaints is also maintained under the respective Designated Officer, who prepares response/replies, if necessary in respect of court case(s)/petition(s) etc. pertaining to complaints cases.

Enforcement Department

The basic functions of the Enforcement Department is creating interface between Licensees, Consumers and the Authority. Collecting information based on ground realities i.e problems faced by consumers and licensees. Assist the Authority in making effective policy for regulating the oil and gas sector, keeping in view the problems of the industry. Further, in order to protect the rights of consumers while maintaining check and balance/deterrence on licensees. Enforcement Department conducts surprise/planned inspections at CNG stations; LPG bottling plants, LPG authorized distributors, registered LPG equipment manufacturers, petrol pumps or any other licensed facility on the request of parent Department of OGRA or on the directions of the Authority. These inspections are generally conducted for controlling overcharging and compliance of safety during operations.

Secretariat

Secretariat Department is responsible for performing the duties and responsibilities of secretariat nature, as entrusted to it, under the supervision of Secretary OGRA. The Department is mandated to effectively conduct the meetings of the Authority (Regulatory & Administrative) wherein the decisions are taken, in the spirit of OGRA Ordinance, 2002, pertaining to the regulatory affairs of the mid and downstream petroleum sector as well the internal matters of the organization. Key functions/responsibilities include issuance of notice, agenda and working papers to the Authority Members and concerned Departmental Heads after soliciting approval of the Chairman/Chairperson for calling Meeting in accordance with Sub- Section 5 of Section 4 of the OGRA Ordinance, preparation and submission of minutes of the meeting proceedings to the Authority for signatures and dissemination of decisions to the concerned departments. Further, this Department monitors the implementation of the decisions by the concerned departments and compiles the report on implementation status for presentation before the Authority as regular agenda in each Meeting. Secretariat Department is responsible to coordinate with the Cabinet Division and other agencies regarding the matters of the Chairman/Chairperson and Members of the Authority and it also acts as a custodian of record of declaration of assets submitted by all employees of OGRA on yearly basis.

Planning & Coordination and IT Department

Coordinate all activities of OGRA to produce material for preparation and printing of quality OGRA Annual Reports i.e. “Report on Conduct of OGRA Affairs” and “Report on State of the Regulated Petroleum Industry” as per provisions of OGRA Ordinance 2002. To process training courses for

capacity building of OGRA employees through provision of local and foreign trainings and participation in seminars, symposiums & workshops etc. at local and international level. Liaison with all Departments/Units of the Authority on multifarious issues as and when required and to coordinate/process cases pertaining to different Ministries/Divisions/Departments, etc. Also coordinate with all Departments for preparation of presentations/briefs for local and international forums on different topics relating to functions/performance of OGRA. Coordinate and provide material to Government functionaries for preparation of Cabinet Year Book, Pakistan Trade Policy, Finance Minister's Budget Speech, Pakistan Five Year Plan, Regulatory Framework, Economic Survey of Pakistan, Performance, etc. Cases pertaining to internship for young graduates as per approved policy of the Authority. The Department also manage IT related services and matters under the Head of IT professional that includes maintenance and information updation of OGRA's website pertaining to oil & gas issues especially regulatory issues, floating press releases and decisions of the Authority etc. Provision of IT support to end users on all five floors, internet and email services, computer software support/ reinstallation, support hardware specifications and recommendations on IT matters, etc.

Capacity Building

Capacity building is a coordinated process of deliberate interventions to (i) upgrade skills (ii) improves procedures and (iii) strengthen organizations. It refers to the investment in people, institutions and practices that enable to achieve development objectives.

OGRA is dynamic organization committed to making the most effective use of the talent, skills and abilities of its workforce and helping all employees maximize their contribution to improve OGRA performance. To demonstrate its commitment, it has formalized its training programs through the allocation of specific budget resources and through the policy statement: "Opportunities for training will be based on an assessment of employees' development needs and will be provided to each employee." OGRA is cognizant of the importance to invest in human capital. It realizes the "quality of people" which is key factor that separates best from the good. It therefore encourages training & development of its employees in management as well as technical/regulatory matters not only to equip them to the international best regulatory practices and techniques in energy sector.

In order to inculcate the requisite expertise, OGRA provides extensive training opportunities to its staff through its own funds. During the year under review fifty six officials attended local training courses / seminars / conferences / workshops which provided them an opportunity to learn requisite skills whereas four officers attended foreign training during the year under review

IT Orientation

There is need to ensure that information technology is embedded into the culture of an organization with knowledge spread throughout, rather than solely concentrated at an operational level. OGRA's IT policy is inspired by this thought. All officials in OGRA have dedicated computers and are connected to Local Area Network (LAN) to share resources like printers, scanners, heavy duty network printers etc. OGRA building has dedicated Fibre Optic Internet links. For efficient communication OGRA internet email facility is provided to all officers. The Authority is continuously striving to reduce paper usage and achieving efficiency through more intense use of information technology.

OGRA maintains web portal "www.ogra.org.pk" which has been designed using latest and secure web development tools. It is user friendly and being updated regularly. Anyone can access it and reach the OGRA Ordinance, Rules and Regulations, Decisions, Press releases, Oil price notifications, Gas & well-head pricing notifications, LPG price notifications & licences, List of provisional & operational CNG stations, Enforcement press release & news, Tender notices, Job announcements etc. OGRA's website is most popular, frequently viewed domain in the country as 7.5 million hits were recorded upto the reported year. It is favourite amongst consumers of petroleum & gas products, media and stakeholders.

OGRA has implemented Licensed Accounting Software in order to provide better services and utilization of resources efficiently. This project is for the development and implementation of a new financial accounting system in OGRA after a thorough study of the functions and processes. OGRA has also launched online complaints registration for an easy and rapid access by the complainants.

Administration Department

Administration Department is responsible for overall administrative/management services. This Department has to ensure efficient and smooth administrative operations of the organization which includes provision of logistic support to each and every department/unit/section of the Authority and its regional offices. All kinds of administrative matters including procurement, repair & maintenance are also being handled by this Department. The Administration Department implement policies relating to all areas falls under Management Services. In addition, this Department deals with pre-qualifications of firms, execution & extension of contract/lease agreements relating to procurement agencies and hiring office buildings etc as per PPRA rules.

HR Section

HR Section has been entrusted with the assignment to manage the affairs of Human Resource of the Authority in light of the OGRA Service Regulations, 2005. The Section is responsible to facilitate the process of hiring of human resources by the Authority which includes preparation of all requisite documentation. The personal files / data are managed for effective career development of the employees. The Performance Evaluation Reports are also maintained by HR Section being instrumental for elevation of Executives/Support Staff of the Authority. Career planning, compensation and benefit schemes/cases like HBA, insurance, gratuity, leave encashment etc., medical treatment, leave cases are also being dealt by HR. Besides this, matters pertaining to office discipline/decorum and conduct/disciplinary cases as per OGRA Service Regulations are being dealt by this Section in respect of all category of employees of the Authority.

The Human Capital

Human Resource Section of OGRA provides services and support to all employees of the Authority and committed to cultivating a superior service oriented culture, the HR Section seeks to provide benefits to the employees that promote health, wellness and a sound working environment. Through employee orientation and professional development, we promote the values of inclusiveness and long term employees' engagement.

In all areas, HR Section firmly upholds the tenets of confidentiality, accountability, trust and values excellence, integrity and communication. OGRA goals are a diverse, highly skilled, productive, healthy, and efficient workforce, fair & lawful treatment of all employees, aligning HR policies and processes with the organization's needs and goals.

OGRA is a vibrant organization where due emphasis is given on quality, efficiency and goal-orientation. The Departments are essentially small teams of highly motivated professionals with minimum support staff. The working environment of OGRA in terms of cohesiveness and team work is very healthy where a sense of responsibility is induced among the peers & seniors which provide them confidence and full freedom of action. OGRA provides a climate where employees are encouraged to fully participate in the process of feedback/input in the decision making process.

The OGRA Ordinance, 2002 empowers the Authority to formulate OGRA Service Regulations and to induce changes from time to time as per the changing organizational need. Employees are recruited strictly on the terms and conditions as stipulated in the OGRA Service Regulations, 2005 notified under the OGRA Ordinance, 2002.

The appointments are made on merit through a competitive and transparent process keeping in view the regional quotas. The Human Resource at OGRA is a combination of both technical & non-technical professionals. The employees' status as on June 30th, 2016 is tabulated as below:

Professional Segmentation of Employees

Category	Number
Engineers	40
Finance	8
Accountants	5
Economists	3
Auditors	2
Lawyers	7
IT Professionals	4
Administrative Executives	21
Executive Secretaries	21
Support Staff	118
Total	229

PR/Protocol

Deals with the public relation/protocol affairs of the organization including pre-qualification of advertising agencies, publication of notices/advertisements in the print media; gazette notifications and settling accounts thereof, making necessary arrangements to conduct meetings/hearings/public hearings at HQ/outstation, correspondence with the Cabinet Division, National Assembly, Senate Secretariat, Ministry of Petroleum and Natural Resources and Prime Minister Office and other forums etc. for timely submission of replies and briefings by OGRA. Manage Urdu translation of different material relating to parliamentary business and rules/regulations, making travelling/boarding/lodging arrangements for domestic/foreign visits of the Authority and settling accounts thereof, obtaining Note Verbal from Ministry of Foreign Affairs, liaison with the Embassies for endorsement of visas/Pakistan Missions abroad during visit of the Authority and providing facilitation at Airport.

Legal Department

The Legal Department provides legal analysis and advice to all departments and the Authority. It is also entrusted with the assignments of drafting/vetting of rules, regulations and other documents having legal prospect and proposing amendments whenever required. During the year it provided



opinions/vetted 268 legal documents of Finance/Accounts, Gas, Complaints, LPG/LNG, CNG, Administrative and Oil matters.

Litigation Department

The Litigation Department has the prime responsibility to ensure representation in order to defend OGRA before the courts of law all over the country. It manages cases pending before the courts of law, prepares detailed para-wise comments, reply, written statements in consultation with respective department and seeks recommendations/approval of the Authority in each case. Keeping in view the nature and gravity of the each case, it recommends the suitable lawyer, determines fee and issue wakalatnamae duly approved by the Authority and pursues the cases under the fully approved robust procedure. The Department maintains records of cases and strives to follow up all the cases. Efforts are being made to update status of court cases through an electronic data for information of the Authority and concerned quarters.





Process



3. Process

3.1 The Authority's Regulatory Decision Making Process

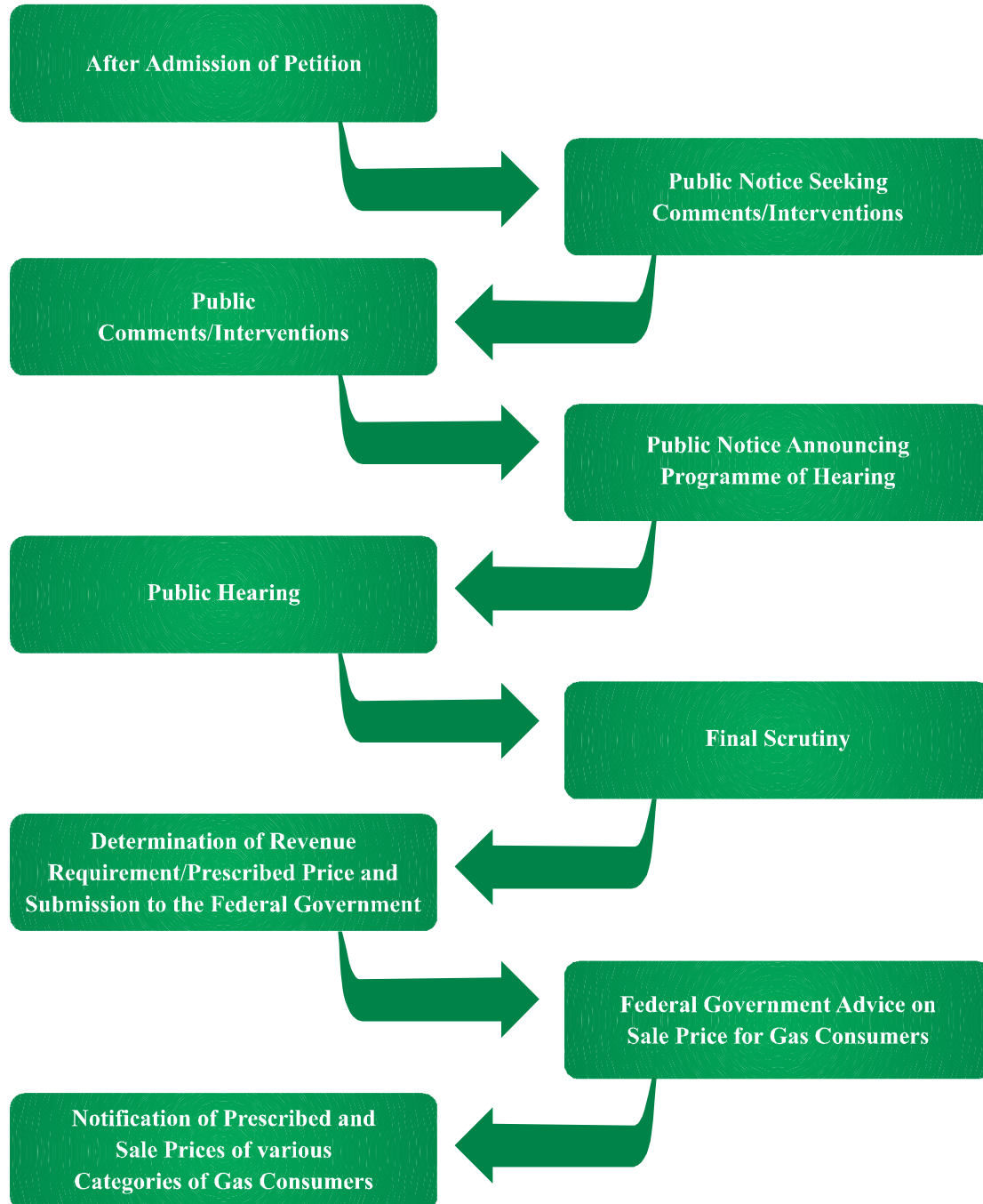
The regulatory framework is quasi-judicial for issuance of licenses, tariff setting and maintenance of proper standards and quality of services by the licensees. Therefore, the Authority is vested under the Ordinance and Rules with the power of delivering decisions. The Authority exercises the power of original jurisdiction in case of petitions filed for grant of licenses for various types of regulated activities, and setting of tariff which include determination of estimated and final revenue requirement of natural gas transmission and distribution licensees at the beginning and the end of each financial year respectively, and also of review during the year. In addition to natural gas, the Authority is empowered to grant licences for Oil, CNG, LPG and LNG related regulated activities. The Authority is also vested under the law with the appellate power against the decisions of its delegates and power to review its own decisions.

All petitions are examined in light of relevant rules, which, inter-alia, involve interactive process of consultation with all stakeholders including consumers through public hearings. This provides the general public an opportunity to put across its point of view on the cost and quality of service provided by the utility companies. This enables the Authority to have the benefit of a wider range of information and all shades of opinion, which it evaluates before reaching a decision. To give a bird's eye view of the process, following **Figure** shows the steps involved in determination of revenue requirement of a gas company from receipt of petition to notification of prescribed and sale prices.



Authority in Public Hearing

The Process of Determination of Estimated Revenue Requirement, Notification of Prescribed and Consumer Gas Prices





Performance



4. Performance

4.1 Formulation of Rules and Regulations

Oil and Gas Regulatory Authority is an independent regulatory body. It was established on March 28, 2002 in pursuance of the OGRA Ordinance, 2002. The objective of OGRA is to “foster competition, increase private investment and ownership in the midstream and downstream petroleum industry, protect the public interest while respecting individual rights and provide effective and efficient regulations”.

Section 41 and 42 of the OGRA Ordinance, 2002 require the Authority to formulate rules and regulations respectively to carry out the Authority's functions as provided in the Ordinance. The rules are to be approved and notified by the Federal Government, whereas the regulations are to be approved and notified by the Authority itself. Rules and regulations are fundamental instruments to achieve the above mentioned objectives and OGRA's exclusive responsibilities under the OGRA Ordinance, 2002. One of the fundamental instruments i.e. the Natural Gas Licensing Rules (NGLR) were framed under the former Natural Gas Regulatory Authority (NGRA) Ordinance.

During the year, the Federal Government approved and notified the “Pakistan (Refining, Blending, Transportation, Storage and Marketing) Rules, 2016” on 25-1-2016 for substitution of “Pakistan (Refining, Blending, Transportation, Storage and Marketing) Rules, 1971”.

The following amendments were also made in the OGRA Service Regulations, 2005:

- Amendment in OGRA Service Regulations, 2005 (Regulation 84) notified on 30-9-2015 for revision of cost of traveling.
- Amendment in OGRA Service Regulations, 2005 (Appendix B) notified on 23-12-2015 for revision of structure of pay and allowances and inclusion of transport monetization policy.
- Amendment in OGRA Service Regulations, 2005 (Regulation 30, 80 & 92) notified on 23-12-2015 for encashment of earned leave, grant of Eid allowance, grant of house building advance, car loan to employees and dental treatment.
- Amendment in OGRA Service Regulations, 2005 (Chapter – XVII) notified on 22-6-2016 for Revision of Medical Treatment Policy of OGRA employees.
- Amendment in OGRA Service Regulations, 2005 (Regulation 80 & 105) notified on 16-3-2016 for amendment in regulation regarding grant of car/motorcycle loan to the employees and insured amount.

Since its inception in March 2002, the Authority has put in place a comprehensive regulatory framework as described in **Appendix-I**.

4.1.1 Authority Meetings

The Authority in pursuance of Section 4 (1) of the OGRA Ordinance, 2002 conducted its meetings, as follows, during FY 2015-16:

- | | |
|----------------------------|----|
| a. Regulatory Meetings | 19 |
| b. Administrative Meetings | 13 |

4.2 Natural Gas Sector

4.2.1 License Granted to Universal Gas Distribution Company (Pvt) Limited

Another important function of the Authority is to grant licenses for transmission, distribution and sale of natural gas to different parties from time to time under the provisions of NGLR, 2002. OGRA granted the first ever private sector license to Universal Gas Distribution Company (Pvt) Limited on February 22, 2016, to carry out the regulated activity of sale of natural gas to the end consumers, predominately CNG stations.

OGRA issued licenses for transmission, distributions, sale and storage of natural gas and for construction of LNG import terminal as given in **Appendix-II**.

4.2.2 Determination of Revenue Requirement (RR) of Gas Utilities and Gas Tariff

OGRA determines revenue requirement/prescribed prices of natural gas utilities for various categories of retail consumers for carrying out regulated activities of transmission, distribution and sale of natural gas under Section 8 of the OGRA Ordinance, 2002.

The revenue requirement consists of the following major components:

- (i) Cost of gas paid to the gas producers (approx. over 80% of prescribed price)
- (ii) Transmission and distribution cost including depreciation
- (iii) Prescribed return per license conditions, which currently is, 17% in case of SSGCL & 17.5% in case of SNGPL of the value of their average net operating fixed assets

The cost of gas, which constitutes bulk of the revenue requirement of the gas utilities, is linked with international prices of crude oil and High Sulphur Fuel Oil (HSFO) according to the Gas Pricing Agreements between the Federal Government (GoP) and the Gas Producers. Any change in cost of gas is, therefore, practically a pass through amount which is closely monitored by OGRA and its impact on revenue requirement is assessed on frequent basis.

The Authority scrutinizes main head of accounts with major focus on operating revenues, operating cost and assets base. Detailed analysis of each item of operating expenditure and revenue is carried out in terms of rationality and prudence. Only justified and reasonable operating expenditures and revenues are included as part of revenue requirement computations.

The evaluation of addition to fixed assets is carried out to establish prudence of investment. In this whole process, need assessment and cost effectiveness is ensured to protect consumers from unnecessary burden as all approved cost is reflected in the tariff.

The gas utility companies submit their Estimated Revenue Requirement (ERR) to the Authority for each financial year by December 1 of the preceding year in accordance with the OGRA Ordinance and the Natural Gas Tariff Rules, 2002. These petitions are scrutinized, processed and decided in accordance with the rules and in light of comments and suggestions of all the stakeholders and general public. Later, determination of Final Revenue Requirement (FRR) is carried out at the end of the financial year on the basis of auditor's initialed accounts.

The companies may also file motion for review against any decision of the Authority, within thirty days, under the relevant provisions of law, and they more often than not, do avail this opportunity. The companies may have option to file mid year review on the basis of actual anticipated changes in international prices of crude oil and HSFO as well as US\$ exchange rate.

The Authority has decided the following eight (08) petitions in respect of SSGCL and SNGPL during the financial year 2015-16:

Sr. No	SSGCL	SNGPL
1.	FRR for FY 2012-13	FRR for FY 2012-13
2.	FRR for FY 2013-14	FRR for FY 2013-14
3.	FRR for FY 2014-15	FRR for FY 2014-15
4.	DERR for FY 2015-16	DERR for FY 2015-16

The process of determination of revenue requirements is transparent and ensures effective

participation of consumers and general public. This interaction process provides all stakeholders an opportunity to put across their point of view on the cost and quality of service provided by the utility companies. This enables the Authority to have the benefit of a wider range of information and all shades of opinion, which it evaluates before reaching a decision.

The Authority, while fully conscious of its duty to balance the divergent interest of the stakeholders, attaches primary importance to protecting consumers' interest who, by and large are voiceless, remaining however, within the Government's policy framework and providing incentives to entities to perform optimally.

The various components of ERR for FY 2015-16 and FRRs for FY 2012-13 to FY 2014-15 with respect to OGRA determinations in comparison to SSGCL and SNGPL requests are summarized in the following tables:

4.2.3 Estimated Revenue Requirement of SSGCL for FY 2015-16

The Authority determined the estimated revenue requirement of SSGCL for FY 2015-16 at Rs. 184,859 million against Rs. 263,116 million demanded by SSGCL.

OGRA Determination of SSGCL's ERR for FY 2015-16

Rs. Million			
Particulars	SSGCL Request	OGRA Determination	Difference
Sales Volume (BBTU)	400,999	361,419	(39,580)
Cost of Gas	155,798	147,460	(8,338)
Transmission & Distribution Cost and Others	18,639	14,548	(4,091)
UFG Adjustment	-	(14,246)	(14,246)
Depreciation	5,961	5,317	(644)
Return on Net Operating Assets	13,941	7,983	(5,958)
Additional Revenue Required for Air-Mix LPG Projects	638	330	(308)
Previous Year Shortfall	68,139	23,468	(44,671)
Total Revenue Requirement	263,116	184,859	(78,257)
Total Revenue Available	200,861	195,013	(5,848)
Surplus/(Shortage)	(62,255)	10,154	72,409
Average Prescribed Price (Rs. /MMBTU)	648.17	422.24	(225.93)

SSGCL challenged the Authority's decision of DERR (FY 2015-16) in Sindh High Court (SHC).

The matter is sub-judice and OGRA has filed an appeal against SHC above referred decision.

4.2.4 Final Revenue Requirement of SSGCL for FY 2014-15

The Authority determined the final revenue requirement of SSGCL for FY 2014-15 at Rs. 192,457 million against Rs. 231,004 million demanded by SSGCL.

OGRA Determination of SSGCL's FRR for FY 2014-15

Rs. Million

Particulars	SSGCL Request	OGRA Determination	Difference
Sales Volume (BBTU)	354,984	354,984	-
Cost of Gas	156,030	156,030	-
Transmission & Distribution Cost and Others	18,152	15,787	(2,365)
UFG Adjustment	-	(10,282)	(10,282)
Depreciation	4,753	4,727	(26)
Return on Net Operating Assets	7,973	7,870	(103)
Additional Revenue Required for Air-Mix LPG Projects	552	552	-
Previous Year Shortfall	43,545	17,773	(25,772)
Total Revenue Requirement	231,004	192,457	(38,547)
Total Revenue Available	162,865	168,988	6,123
Surplus/(Shortage)	(68,139)	(23,469)	44,670
Average Prescribed Price (Rs./MMBTU)	639.44	513.61	(125.84)

4.2.5 Final Revenue Requirement of SSGCL for FY 2013-14

The Authority determined the final revenue requirement of SSGCL for FY 2013-14 at Rs. 181,177 million against Rs. 200,367 million demanded by SSGCL.

OGRA Determination of SSGCL's FRR for FY 2013-14

Rs. Million

Particulars	SSGCL Request	OGRA Determination	Difference
Sales Volume (BBTU)	339,155	339,155	-
Cost of Gas	150,785	150,785	-
Transmission & Distribution Cost and Others	16,427	14,587	(1,840)
UFG Adjustment	-	(9,944)	(9,944)
Depreciation	4,193	4,189	(4)
Return on Net Operating Assets	7,732	7,665	(67)

Additional Revenue Required for Air-Mix LPG Projects	487	487	-
Previous Year Shortfall	20,744	13,409	(7,335)
Total Revenue Requirement	200,367	181,177	(19,190)
Total Revenue Available	156,880	163,405	6,525
Surplus/(Shortage)	(43,487)	(17,772)	25,715
Average Prescribed Price (Rs./MMBTU)	577.99	502.17	(75.82)

4.2.6 Final Revenue Requirement of SSGCL for FY 2012-13

The Authority determined the final revenue requirement of SSGCL for FY 2012-13 at Rs. 162,449 million against Rs. 167,283 million demanded by SSGCL.

OGRA Determination of SSGCL's FRR for FY 2012-13

Rs. Million			
Particulars	SSGCL Request	OGRA Determination	Difference
Sales Volume (BBTU)	350,048	350,048	-
Cost of Gas	135,660	135,660	-
Transmission & Distribution Cost and Others	17,249	14,546	(2,703)
UFG Adjustment	162	(1,920)	(2,082)
Depreciation	4,029	4,012	(17)
Return on Net Operating Assets	7,385	7,353	(32)
Additional Revenue Required for Air-Mix LPG Projects	462	462	-
Previous Year Shortfall	2,336	2,336	-
Total Revenue Requirement	167,283	162,449	(4,834)
Total Revenue Available	146,538	149,039	2,501
Surplus/(Shortage)	(20,745)	(13,410)	7,335
Average Prescribed Price (Rs./MMBTU)	465.44	444.49	(20.95)

4.2.7 Estimated Revenue Requirement of SNGPL for FY 2015-16

The Authority determined the estimated revenue requirement of SNGPL for FY 2015-16 at Rs. 231,073 million against Rs. 223,481 million demanded by SNGPL.

OGRA Determination of SNGPL's ERR for FY 2015-16

Rs. Million

Particulars	SNGPL Request	OGRA Determination	Difference
Sales Volume (BBTU)	434,030	434,030	-
Cost of Gas	155,139	146,651	(8,488)
Transmission & Distribution Cost and Others	25,315	18,999	(6,316)
UFG Adjustment	-	(8,376)	(8,376)
Depreciation	20,046	15,736	(4,310)
Return on Net Operating Assets	22,981	13,320	(9,661)
Previous Year Shortfall	-	44,743	44,743
Total Revenue Requirement	223,481	231,073	7,592
Total Revenue Available	206,313	184,279	(22,034)
Surplus/(Shortage)	(17,168)	(46,794)	(29,626)
Average Prescribed Price (Rs./MMBTU)	504.51	510.95	6.44

4.2.8 Final Revenue Requirement of SNGPL for FY 2014-15

The Authority determined the final revenue requirement of SNGPL for FY 2014-15 at Rs. 231,191 million against Rs. 281,936 million demanded by SNGPL.

OGRA Determination of SNGPL's FRR for FY 2014-15

Rs. Million

Particulars	SNGPL Request	OGRA Determination	Difference
Sales Volume (BBTU)	421,343	421,343	-
Cost of Gas	179,983	179,983	-
Transmission & Distribution Cost and Others	25,549	17,619	(7,930)
UFG Adjustment	-	(11,639)	(11,639)
Depreciation	9,669	-	(9,669)
Return on Net Operating Assets	12,769	-	(12,769)
Previous Year Shortfall	48,126	17,775	(30,351)
Total Revenue Requirement	281,936	231,191	(50,745)
Total Revenue Available	199,001	186,448	(12,553)
Surplus/(Shortage)	(82,935)	(44,743)	38,192
Average Prescribed Price (Rs./MMBTU)	658.05	528.19	(129.86)

4.2.9 Final Revenue Requirement of SNGPL for FY 2013-14

The Authority determined the final revenue requirement of SNGPL for FY 2013-14 at Rs. 231,317 million against Rs. 258,769 million demanded by SNGPL.

OGRA Determination of SNGPL's FRR for FY 2013-14

Rs. Million			
Particulars	SNGPL Request	OGRA Determination	Difference
Sales Volume (BBTU)	506,355	506,355	-
Cost of Gas	202,574	202,574	-
Transmission & Distribution Cost and Others	19,558	17,242	(2,316)
UFG Adjustment	-	(12,262)	(12,262)
Depreciation	8,917	8,917	-
Return on Net Operating Assets	11,602	11,602	-
Previous Year Shortfall	(12,259)	-	12,259
Total Revenue Requirement	258,769	231,317	(27,452)
Total Revenue Available	210,643	213,542	2,899
Surplus/(Shortage)	(48,126)	(17,775)	30,351
Average Prescribed Price (Rs./MMBTU)	536.76	472.71	(64.05)

4.2.10 Final Revenue Requirement of SNGPL for FY 2012-13

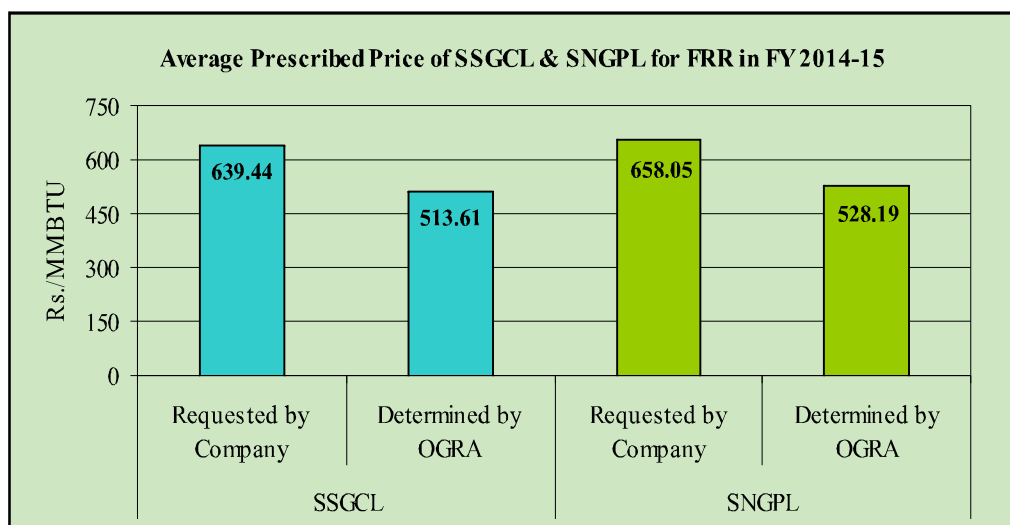
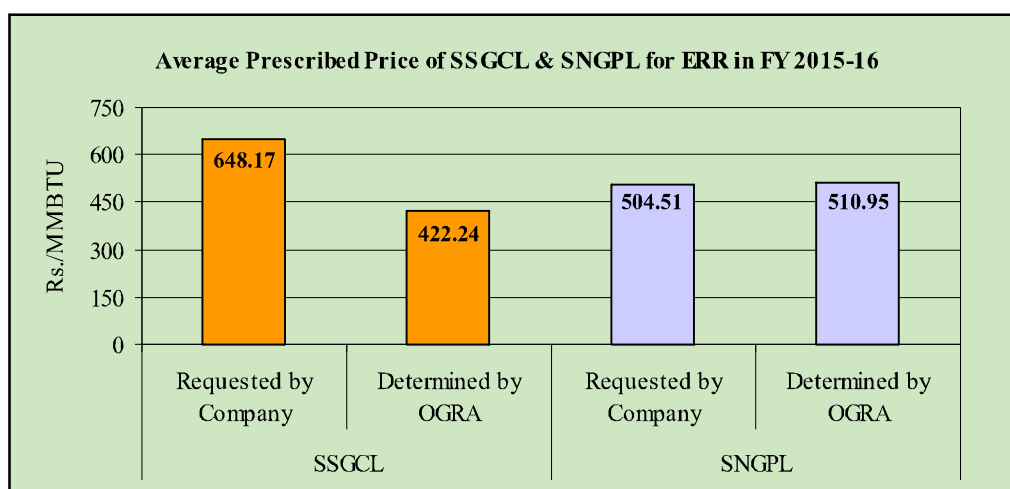
The Authority determined the final revenue requirement of SNGPL for FY 2012-13 at Rs. 215,056 million against Rs. 240,959 million demanded by SNGPL.

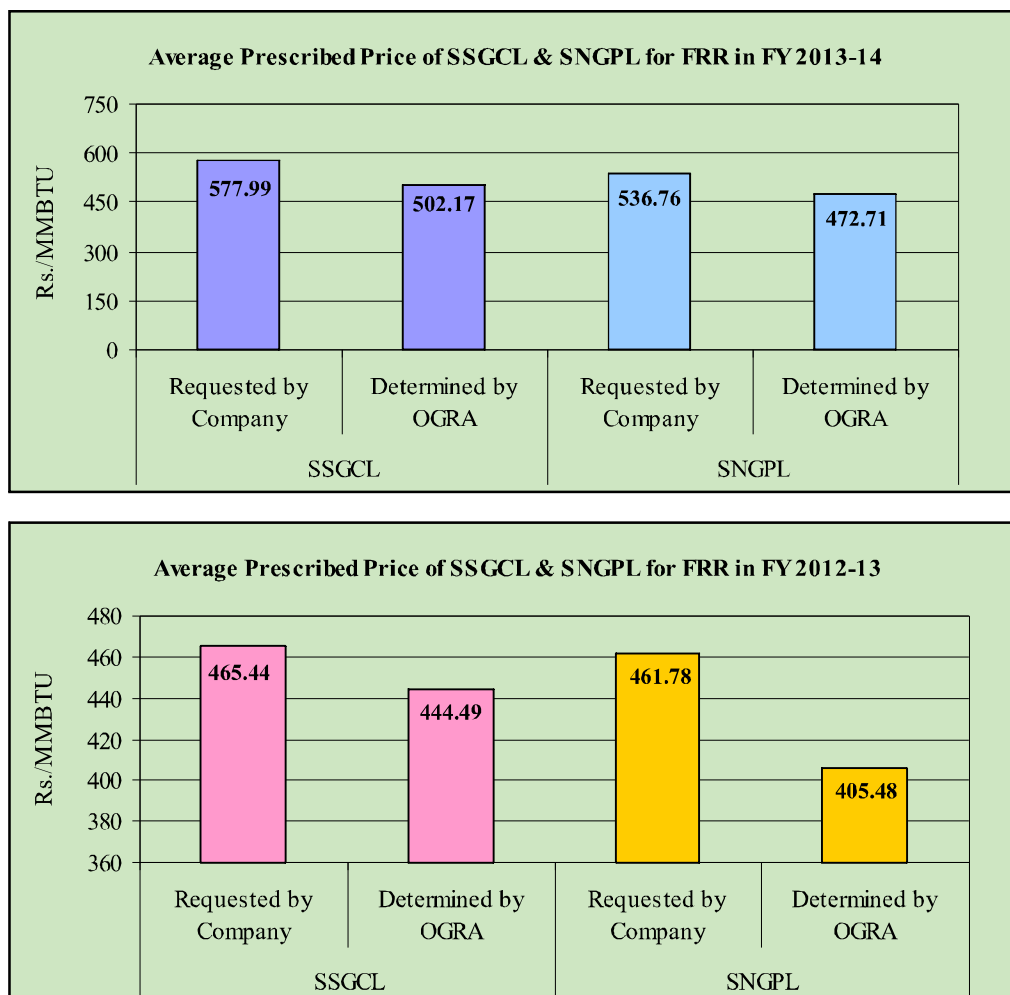
OGRA Determination of SNGPL's FRR for FY 2012-13

Rs. Million			
Particulars	SNGPL Request	OGRA Determination	Difference
Sales Volume (BBTU)	511,643	511,643	-
Cost of Gas	204,220	204,220	-
Transmission & Distribution Cost and Others	18,326	15,106	(3,220)
UFG Adjustment	(4,761)	(13,917)	(9,156)
Depreciation	8,701	8,694	(7)
Return on Net Operating Assets	11,060	11,055	(5)
Previous Year Shortfall (FY 2011-12 & 2012-13)	-	12,743	12,743
Total Revenue Requirement	240,959	215,056	(25,903)

Total Revenue Available	205,899	208,800	2,901
Surplus/(Shortage)	(35,060)	(6,256)	28,804
Average Prescribed Price (Rs./MMBTU)	461.78	405.48	(56.30)

The average prescribed price requested by the Utility Companies and determined by the Authority for ERR (FY 2015-16) & FRRs (FY 2012 – 2013 to FY 2014-15) is given in the following **Figures**:





4.2.11 Human Resource Cost Benchmark

The Authority had introduced HR benchmark first on experimental basis for a period of three years i.e. FY 2005-06 to FY 2007-08. Later on, the Authority decided to review and revised these benchmarks which remained applicable for another three years period i.e. FY 2008-09 to FY 2010-11.

A revised HR cost benchmark effective from FY 2011-12 was implemented after carefully considering the ground realities in respect of business dynamics, manpower rationalization and uniform base rate for both gas utilities. Accordingly the following was decided:

- FY 2010-11 adopted as base year and the same be rolled to adopt the base cost for next year.
- Cost of reinstated employees to form part of HR base year cost. Accordingly, no cost on this account is to be allowed separately.

- No additional cost/claim on account of bonuses, Collective Bargaining Agent, casual/temporary labor etc; is to be allowed over and above the benchmark.
- International Accounting Standard (IAS) - 19 cost be included as per actual.
- Operating factors have been re-aligned as under;
 - i. 65% weightage to number of consumers
 - ii. 25% weightage to T&D network
 - iii. 10% weightage to sale volume
 - iv. 50% CPI of last year HR cost

The Authority decided to extend the above benchmark in FY 2015-16 on provisional basis. The process of revision in HR benchmark is in process, and shall be finalized soon.

4.2.12 Weighted Average Cost of Gas (WACOG)

The cost of gas is a major part of the prescribed price of gas, retainable by two gas utilities. Under the existing pricing agreements, the cost of gas (well-head price) of producers is indexed to the international price of crude oil/fuel oil. The gas prices differ for different gas fields, therefore, the cost of input gas into SSGCL and SNGPL systems also differs substantially causing a significant variation on the prescribed prices.

The GoP, as a policy, has always maintained uniform consumer prices of gas all over the country and resultantly, it issued a policy guideline under Section 21 of the OGRA Ordinance, 2002 on June 18, 2003 that the cost of gas of SSGCL and SNGPL should be worked out on an overall weighted average basis to keep this major input cost uniform for both the utilities.

To implement this policy guideline, the two gas companies have signed an agreement, with the approval of OGRA, for making adjustments of the cost of gas paid to the producers on the basis of WACOG. For FY 2015-16, WACOG at the beginning of the year was at Rs. 302.15 per MMBTU.

4.2.13 Notification of Prescribed and Sale Prices (Natural Gas Sector)

Under the OGRA Ordinance, 2002, the Authority is required to notify the prescribed prices for each category of consumers for natural gas of both the gas companies in order to enable each Licensee to achieve the revenue requirement as determined by the Authority.

During the year under review, the Authority has not issued notifications of prescribed prices for both the gas utilities i.e. SSGCL and SNGPL.

Pursuant to the provision of the OGRA Ordinance, GoP advises the sale prices for various categories of consumers, after adjustment of gas development surcharge & subsidies in the prescribed prices determined by the Authority while considering the socio economic agenda. The same was accordingly notified by OGRA in the official gazette.

The category-wise breakup for the sale prices notified by OGRA for FY 2015-16 is placed at **Appendix –III.**

4.2.14 Maximum Sale Price of CNG

OGRA is obligated to determine and notify the CNG consumer price under Rule 13 of CNG (Production & Marketing) Rules, 1992 which inter-alia provides as under;

“The Authority shall determine and notify the sale price in accordance with the policy guidelines issued by the Federal Govt., from time to time”.

In December 2012, Federal Government issued policy guidelines, approved by the ECC of the Cabinet, which inter-alia provides the following;

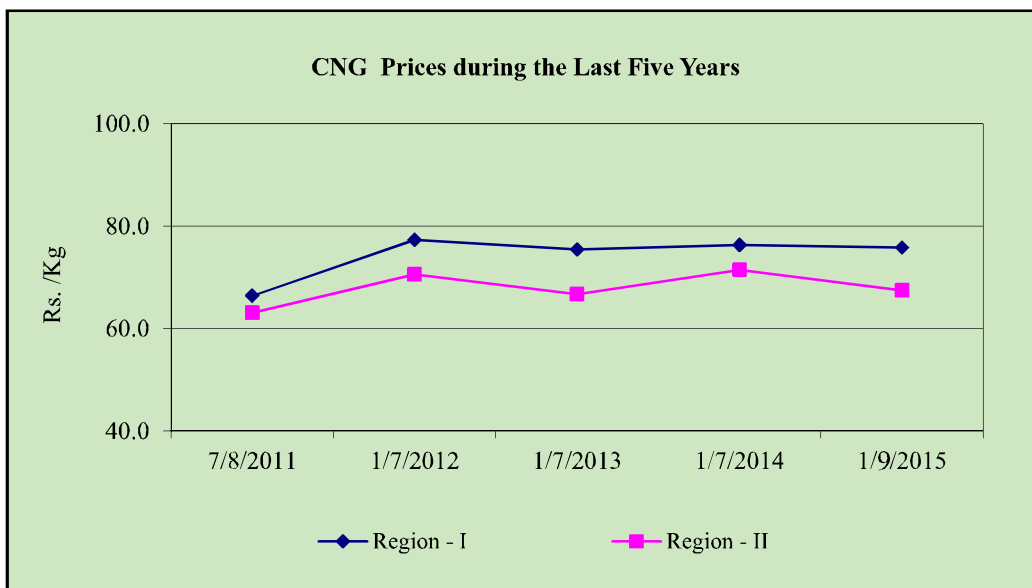
The sale price of CNG shall be determined / fixed on the basis of following components:-

- a. Cost of gas as selling price +
- b. Value added cost for compression/electricity cost +
- c. Operating expense for CNG station owner +
- d. Margin for CNG station owner (equal to margin allowed on one liter of petrol as determined/notified by the Government from time to time) +
- e. GIDC (Gas Infrastructure Development Cess) at rates notified by MP&NR +
- f. Sales tax (applicable under the law)
- g. Maximum CNG sale price to consumers

Accordingly, OGRA notifies the maximum sale price of CNG from time to time. The maximum sale price of CNG is given in the following table and the trend of CNG prices since 2011 is shown in the **Figure** as under:

Maximum Sale Price of CNG during 2015-16

Price Effective	Region I	Region II
	KP, Baluchistan & Potohar Region (Rawalpindi, Islamabad & Gujarkhan) @1040 BTU	Sindh & Punjab (Excluding Potohar Region) @ 950 BTU
01.09.2015	75.82	67.50



4.2.15 Determination of RLNG Prices

Federal Government under Petroleum Product (Petroleum Levy) Ordinance, 1961 and Petroleum Products (Petroleum Levy) Rules, 1967 delegated OGRA to determine RLNG price as in case of other petroleum products. The pricing components conveyed by MP&NR on July 27, 2015, are as under;

- i) LNG Delivered Ex-Ship 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) SSCGL/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).

In pursuance of FG decisions in the matter, OGRA determined RLNG price on October 07, 2015 on provisional basis. The Authority, after conducting public hearings in Lahore and Karachi in the matter of motions for review filed by SSGCL, SNGPL & PSO determined final RLNG price on March 18, 2016 on the following parameters:

- i. LNG DES Price,
- ii. PSO's other imports related actual costs excluding infrastructure cess,
- iii. PSO's Margin @ 2.5% of LNG DES Price,
- iv. Terminal Charges @ US\$ 0.66/MMBTU,
- v. Retainage 0.75% of DES price,
- vi. Transmission losses at 0.5%,
- vii. Distribution Losses @ 4%.

ECC on June 14, 2016 issued policy guideline under Section 21 of the OGRA Ordinance, 2002 on the matter of RLNG pricing to OGRA. The said decision was later ratified by the Federal Cabinet. In the light of said decision of Cabinet, RLNG price computations from March, 2015 to June, 2016 were issued by OGRA on actual basis.

4.3 Major Projects of SNGPL and SSGCL

Gas Companies under the provisions of rules, terms and conditions of their licenses, obtain prior permission of the Authority for undertaking extension in their transmission and distribution network to cater demand of different sectors including domestic, commercial and industrial sectors. Based on the same, new projects for the transmission and distribution of natural gas are envisaged by the gas companies/licensees and placed before the Authority for approval. The projects are approved by the Authority, if found prudent, feasible, delivering tangible benefits to the end consumers. Brief detail of the infrastructure development projects of SNGPL and SSGCL approved during FY 2015-16 is as follows:-

4.3.1 Sui Northern Gas Pipelines Limited

4.3.1.1 Transmission Projects

SNGPL projected Rs. 58,004 million in its petition for ERR (FY 2015-16) under the head of transmission. It includes Phase-II of SNGPL's LNG Project, i.e. laying of 762.43 Km different diameter loop lines (varying from 16" to 42") by SNGPL from Qadirpur to Shahkot involving pipeline laying, Supervisory Control and Data Acquisition System (SCADA), up gradation of existing coating plant, machinery/construction equipment, camping facility and 25,000 HP compression. This will transport 1.2 Bcf of LNG and anticipated indigenous gases.

SNGPL submitted its LNG Project Phase-II implementation schedule. The Authority observed that only three pipelines (42" Dia × 70.3 Km Pipeline Qadirpur-AC1X Bhong, 18" Dia × 64.76 Km Pipeline Phoolnagar-MP 59 and 16" Dia × 70.32 Km Loopline MP 59 - Tatlayali and BV3 (Khurrianwali - B1 (Shahkot) are expected to be completed in the current fiscal year.

Keeping in view the implementation schedule furnished by SNGPL, the Authority allowed only the above pipelines which are expected to be completed in FY 2015-16. The Authority, therefore, allowed Rs. 11,848 million for laying of the said pipelines.

SNGPL submitted to allow Rs. 8,403 million for SCADA, machinery, construction equipment, tools, vehicles and compression. The Authority, keeping in view the implementation schedule provided by SNGPL, allowed Rs. 4,202 million for the said activities.

SNGPL projected Rs. 50 million for any unforeseen activity that may arise during the year on transmission system and also projected Rs. 14 million for normal regular expenditure. The Authority keeping in view the prudence allows 50% i.e. Rs. 7 million under the heads for normal expenditure at this stage, to be reviewed at the time of FRR. The Authority in view of the above observations, allowed Rs. 16,057 million under the head of transmission as against Rs. 58,005 million projected by the SNGPL.

4.3.1.2 Distribution Projects

The Authority in SNGPL's DERR (FY 2015-16) approved an amount of Rs. 5,605 million, the details of which are given in the following table.

Rs. Million

S. No	Description	Amount Projected by SNGPL	Amount Allowed by OGRA
1.	Laying of Distribution Mains	12,968	4,533
2.	Laying of Distribution Mains at Cost Sharing Basis	263	263
3.	Distribution System Rehabilitations	1,500	544
4.	Cathodic Protection (C.P.) System	280	265
Total		15,011	5,605

4.3.2 Sui Southern Gas Company Limited

4.3.2.1 Transmission Projects

SSGCL had projected an amount of Rs. 5,676 million on account of additions of assorted diameters of pipelines to its transmission network in its petition of ERR (FY 2015-16). The details of amount projected by SSGCL and determined by OGRA are as follows:

Rs. Million

S. No	Description of Segment	Projected by SSGCL	Determined by the Authority
1.	8" Dia × 85 Km Pipeline from Jhal Magsi to Shori	568	0
2.	16" Dia × 9 Km Re-Route of Kotri Barrage	165	165
3.	12" Dia × 344 Km QPL Rehabilitation and Intelligent Pigging	317	0
4.	Construction of Sub-merge Crossings	80	40
5.	42" Dia × 20 Km loop between Nara-Sawan	2,253	1,485
6.	24" Dia × 21 Km Interlink between Pakland to Khadeji	1,039	998
7.	Mixing Skid, Metering, Regulation Setup at KDJ/Pakland	450	450
8.	Tie-in and Integration Arrangement from Tie-in point 2 to Pakland	804	804
Total		5,676	3,942

4.3.2.2 Distribution Projects

SSGCL had projected an amount of Rs. 6,714 million on account of distribution development in its ERR petition for FY 2015-16. The details of amount projected by SSGCL and determined by OGRA are as follows:

Rs. Million

S. No	Description	Projected by SSGCL	Determined by the Authority
1.	Laying of Distribution Mains Including Services-Existing Areas	2,851	1,444
2.	Rehabilitation Services	278	84
3.	Installation of New Connections (Meters)	664	638
4.	Replacement / Repair of Industrial & Commercial Meters	173	173
5.	Construction of CMSs, TBSs, and TRSs / Cathodic Protection	439	110
6.	New Towns	1,745	60
7.	12" Dia × 5 Km Old City Area Augmentation Main	98	0
8.	16" Supply Main Hyderabad for Re-Alignment	59	0
9.	16" Dia × 18 Km Augmentation Gas Line from Quetta to Mastung (Ph-II)	227	0
10.	24" Dia × 33 Km from SMS Kathore to SMS Surjani	582	291
	Less Excess Allowed in Previous Years	-400	-400
	Total Distribution System	6,714	2,400

4.3.2.3 SSGCL's Natural Gas Efficiency Project (NGEP)

SSGCL, in its ERR for FY 2015-16, had projected capital expenditure amounting Rs. 4,433 million against NGEP related activities in the heads of gas distribution development system, plant & machinery, telecommunication and vehicles.

The Authority noted that the World Bank in its latest Aide Memoir forwarded vide its letter dated 16.11.2015 had reported that SSGC's action plan had projected to disburse over \$8 million by November 2015, but in reality the expected disbursements will stand at about \$2 million by end December 2015. For the life of project i.e. project closing date of December 31, 2017, a revised disbursement estimate was emerging to be much lower than the current programmed amount of \$40 million. Therefore, the World Bank had decided to move into an orderly closure of the project by May 31, 2016 and cancel the remaining funds. The Bank will honor its commitment for contracts already awarded and for the bids already received/under evaluation and limit the signing of fresh contract latest by December 31, 2015, with deliveries scheduled to be completed by April 30, 2016.

The Authority noted that the company had projected an amount of Rs. 5,600 million in ERR (FY 2013-14) for NGEP and the Authority had allowed Rs. 3,162 million under this head. However, the company had incurred nil expenditure under this head during FY 2013-14. Keeping in view the historical trend and the World Bank's Aide Memoir, the Authority allowed an amount of Rs. 1,111 million in determination of SSGC's ERR (2015-16) as per following breakup:

Rs. Million

S. No	Description	Projected by SSGCL	Determined by the Authority
1.	High Accuracy Meters	1,175	465
2.	Rehabilitation Mains & Services	1,722	350
3.	Replacement Meters - Domestic	871	200
4.	Plant and Machinery	453	50
5.	Telecommunication	6	6
6.	Vehicles	206	40
	Total	4,433	1,111

4.3.2.4 Compressors

Projected Amount = Rs. 1,653 million, Amount Allowed = Rs. 1,000 million.

SSGCL, in its ERR (FY 2015-16), had projected the above amount for overhauling and relocation of Dadu Compressors to Nawabshah which is part of Phase – I of pipeline infrastructure project for transmission of upcoming LNG and anticipated indigenous gas supplies.

4.3.3 Approval of Agreements

The Authority under provisions of the NGLR, 2002 approves the following gas supply / purchase agreements (GSPAs) for supply of gas between the gas producers and gas companies / consumers:-

- Gas supply contract of a quantity greater than 10 MMcfd of natural gas executed between licensee and consumer.
- Gas supply contract of natural gas executed between licensee and producer.

The following GSPAs for supply of gas between the gas producers and gas companies / consumers were considered and approved by OGRA during FY 2015-16:

- Approval of Addendum No. 2 to the GSPA for Adhi Gas Field between PPL and SNGPL on 12-1-2016.
- Approval of Addendum No. 2 to the GSPA for POL's Pindori Gas Field between POL and SNGPL on 30-11-2015.
- Approval of Addendum No. 2 to the GSPA for MOL's TAL Block Gas Fields between MOL and SNGPL on 26-11-2015.
- Approval of First Supplemental Agreement to the SUI GSA for PPL's Sui Gas Field between PPL and SNGPL on 1-9-2015.



- v. Approval of Term Sheet for OGDCL's Soghri Gas Field between OGDCL and SNGPL on 13-10-2015.
- vi. Approval of Term Sheet Between Mari Gas Company Ltd & Engro Fertilizer Limited for Sale of 22 MMscfd Gas from Mari Field Dharki on 03-8-2015.
- vii. Approval of GSPA between SSGCL, OGDCL, OPL and GHPL for Sinjhor Gas Field on 03-8-2015.
- viii. Approval of GSPA between SSGCL and OGDCL for Bobi Gas Field on 23-9-2015.
- ix. Approval of Term Sheet for Adam West X-1 EWT GSPA between SSGCL and PPL and Mari on 08-10-2015.
- x. Approval of Term Sheet for GSPA for Mehar Gas Field Initiated between SSGCL and OMV on 18-12-2015.
- xi. Approval of Term Sheet for GSPA between SSGCL and ENI for Lundali Gas Field on 09-02-2016.
- xii. Approval of Term Sheet for Gambat EWT GSPA between SSGCL and PPL, GHPL, Asia Resources Oil Ltd on 18-02-2016.
- xiii. Approval of Tripartite Agreement - I (TA-I) Initialed by PSO, SNGPL and SSGCL on 08-02-2016.
- xiv. Approval of Tripartite Agreement - II (TA-II) Initialed by PSO, SNGPL and SSGCL on 08-2-2016.
- xv. Approval of GSA Initialed between SNGPL and Quaid-e-Azam Thermal Power Ltd. (QTPL) for Supply of 200 MMcfd RLNG on 02-3-2016.
- xvi. Approval of GSA Initialed between SNGPL and National Power Parks Management Company (Pvt) Limited at Balloki (Distirct Kasur) for Supply of 200 MMcfd RLNG on 24-3-2016.
- xvii. Approval of GSA Initialed between SNGPL and National Power Parks Management Company (Pvt) Limited at Haveli Bahadur Shah (District Jhang) for Supply of 200 MMcfd RLNG on 24-3-2016.

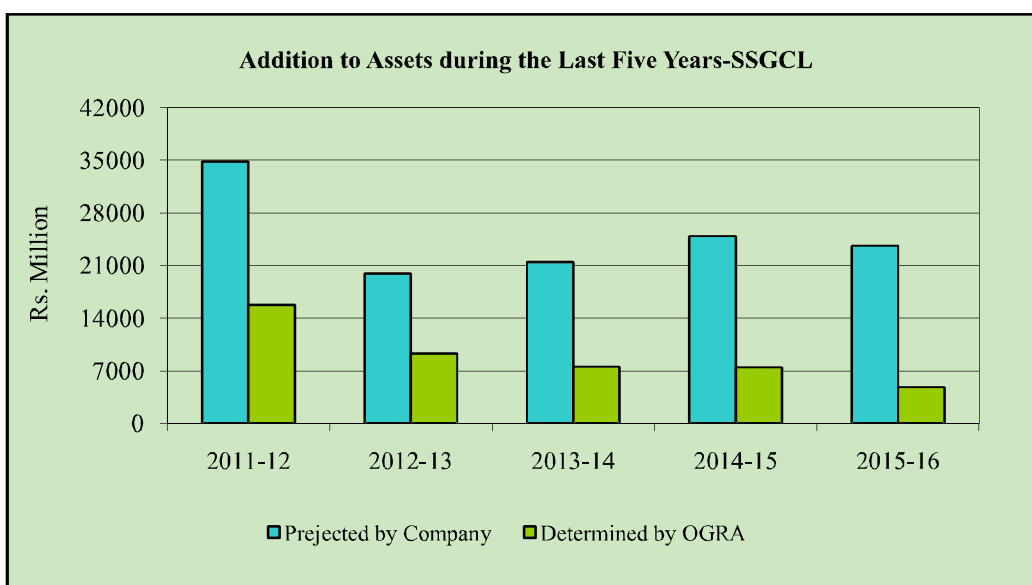
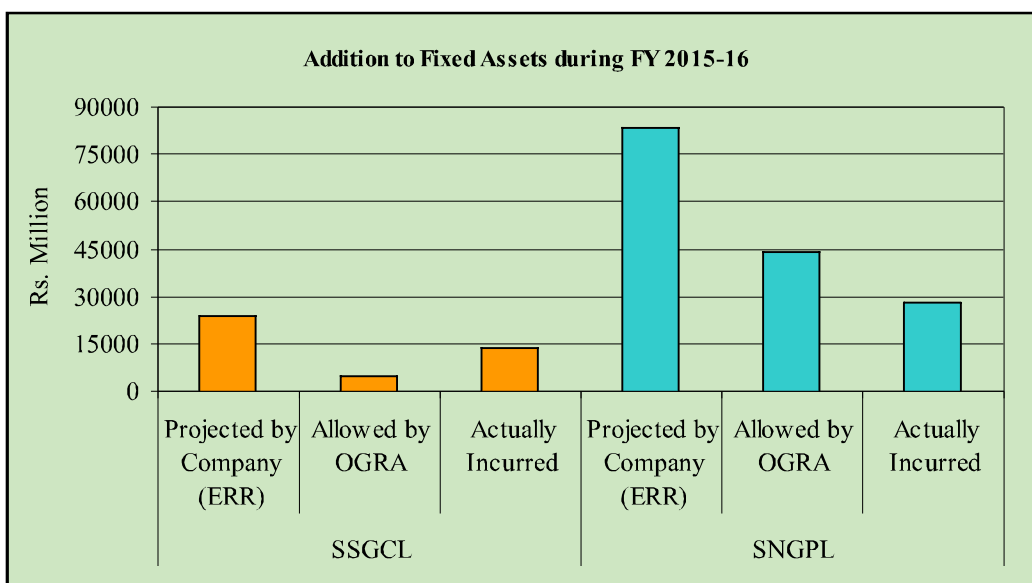
4.3.4 Addition of Assets, Natural Gas Network and Gas Consumers

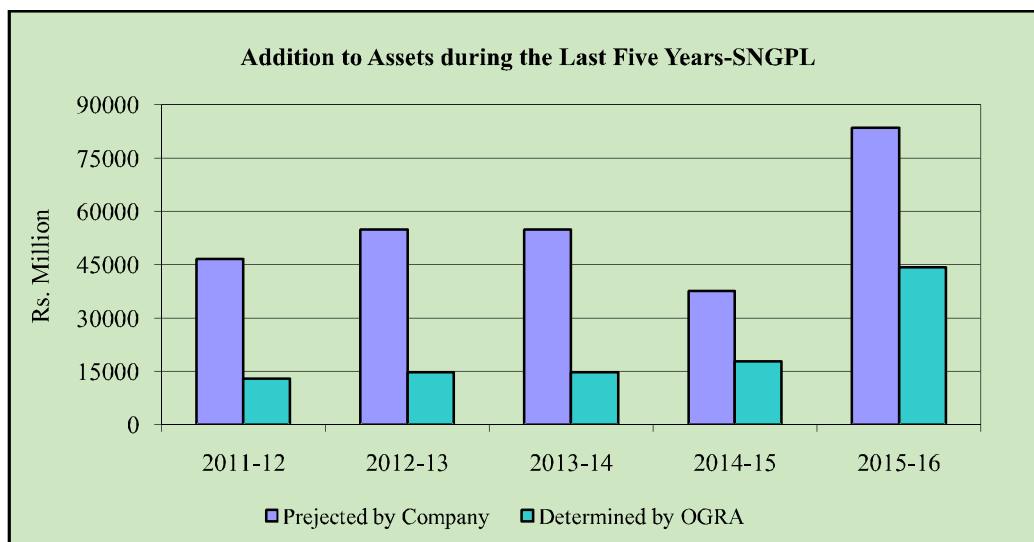
The gas companies are obligated under Rule 4(2) of Natural Gas Tariff Rules to submit petition, containing projections / estimates with reference to addition in assets pertaining to the natural gas

infrastructure development projects, for the determination of ERR to the Authority. The petition is thoroughly examined and determination is decided by the Authority as per Section 8 (1) of the OGRA Ordinance, 2002, allowing only the viable and prudent projects, and imposing cuts on the investments where felt necessary.

4.3.4.1 Increase in Assets

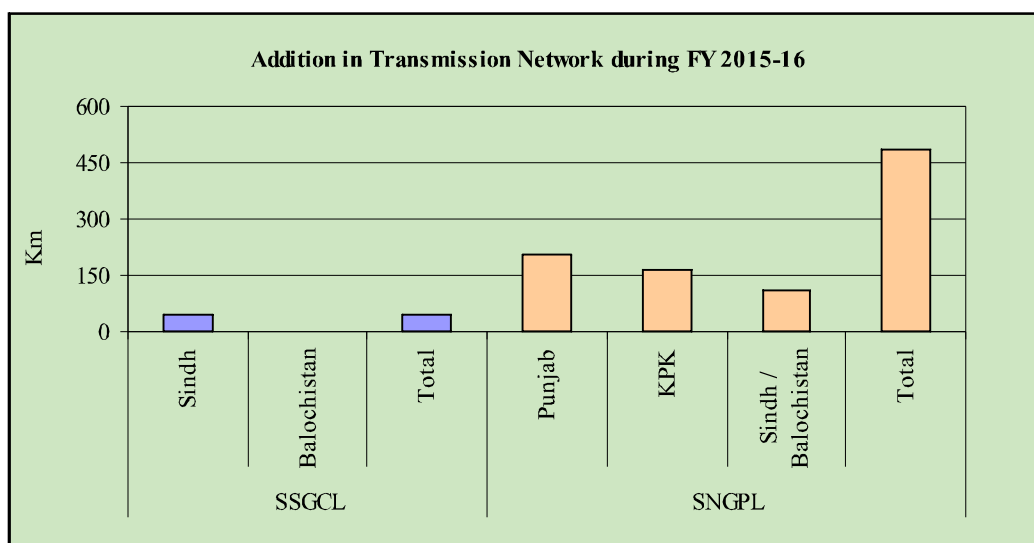
SSGCL and SNGPL requested for an increase in assets valuing Rs. 23,616 million and Rs. 83,597 million respectively as per their estimated revenue requirement petition for FY 2015-16. As per the determination, OGRA allowed a sum of Rs. 4,834 million and Rs. 44,378 million respectively to SSGCL and SNGPL respectively. The addition in fixed assets in FY 2015-16 and during the last five years has been shown in the following **Figures**.

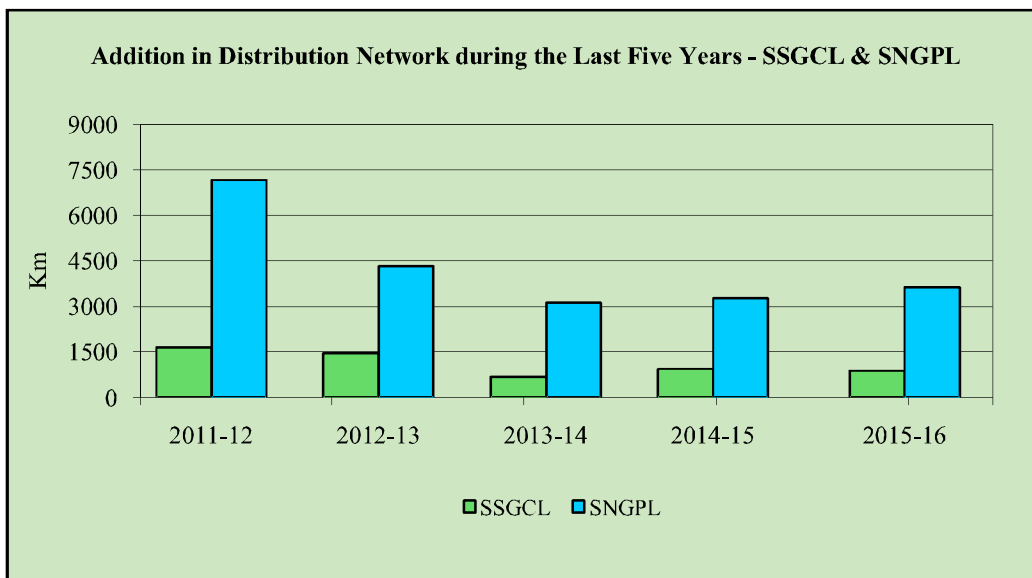
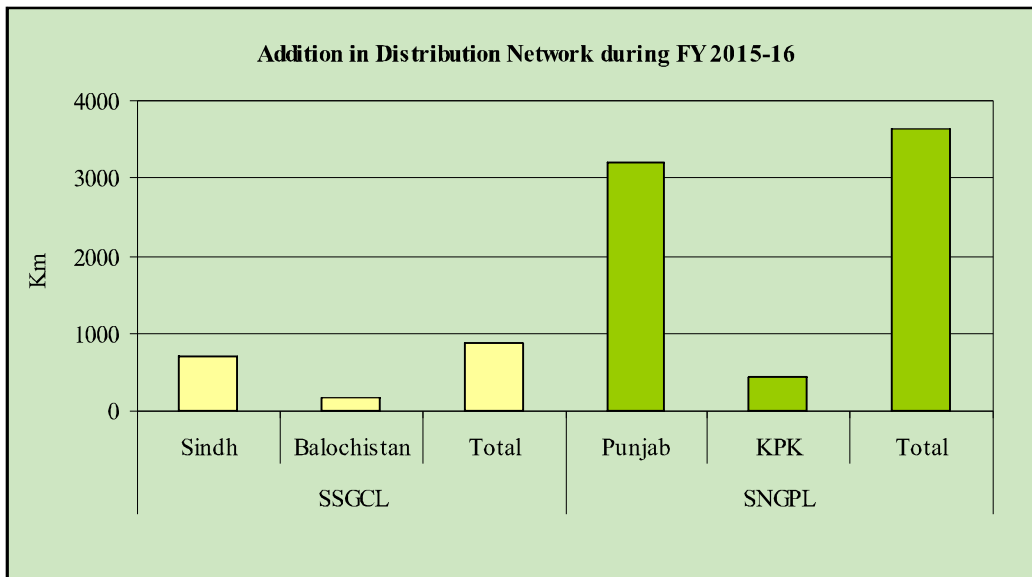
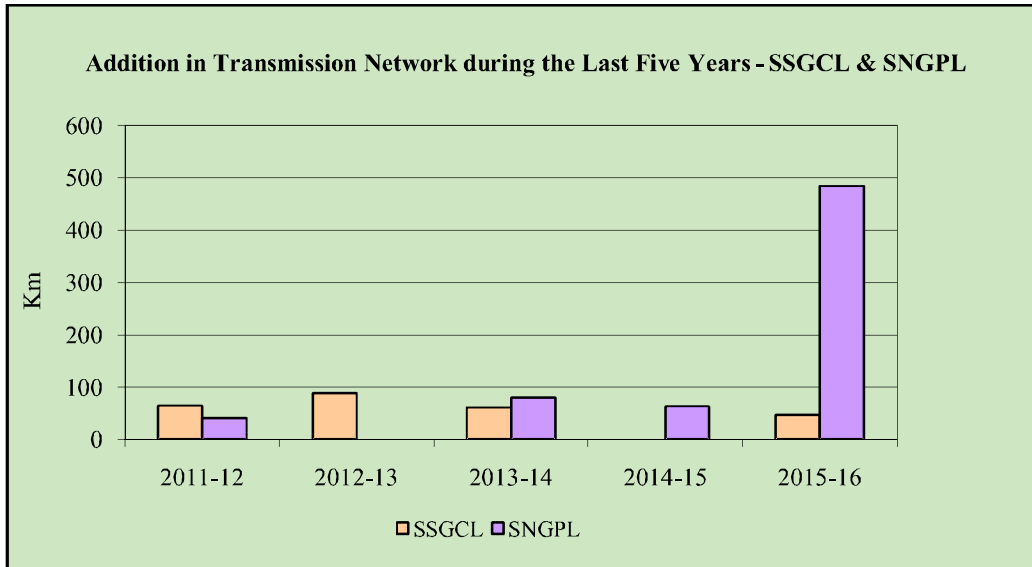




4.3.4.2 Addition in Transmission & Distribution Network

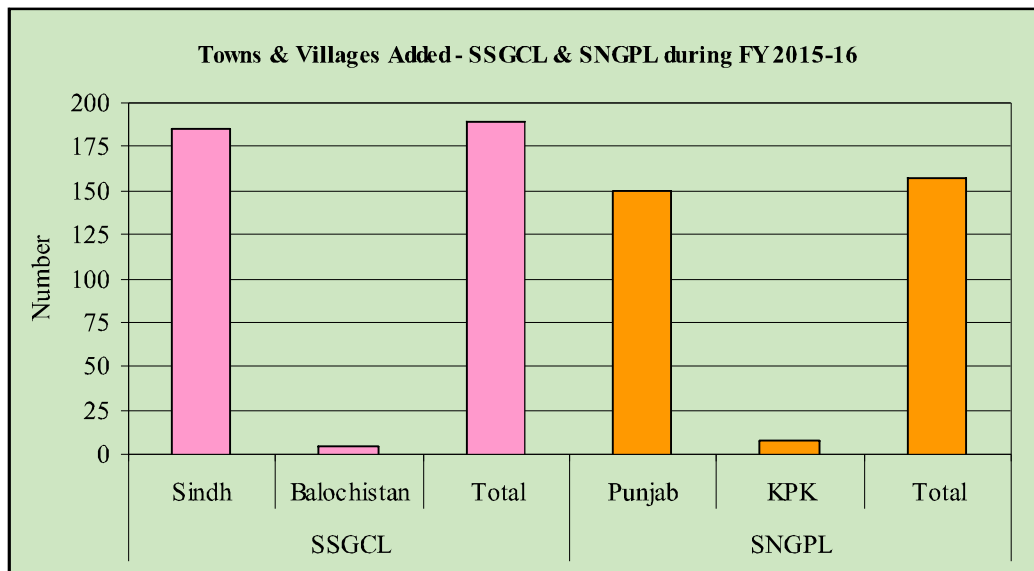
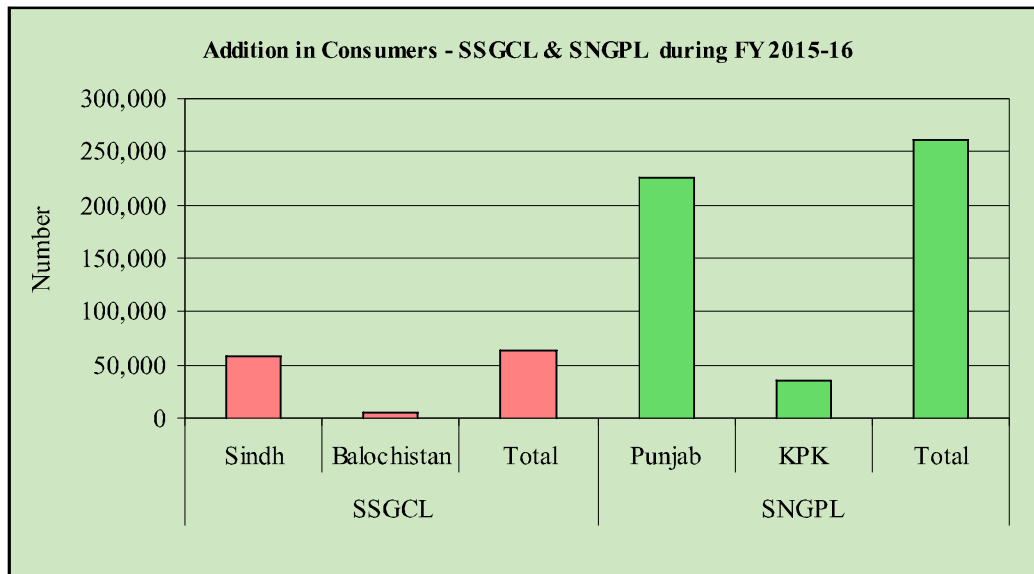
SSGCL and SNGPL expanded their transmission network by 47 Km and 484 Km and distribution network by 871 Km and 3,644 Km respectively during FY 2015-16. The addition in transmission and distribution network in 2015-16 and from FY 2011-12 to FY 2015-16 is shown in the following Figures:

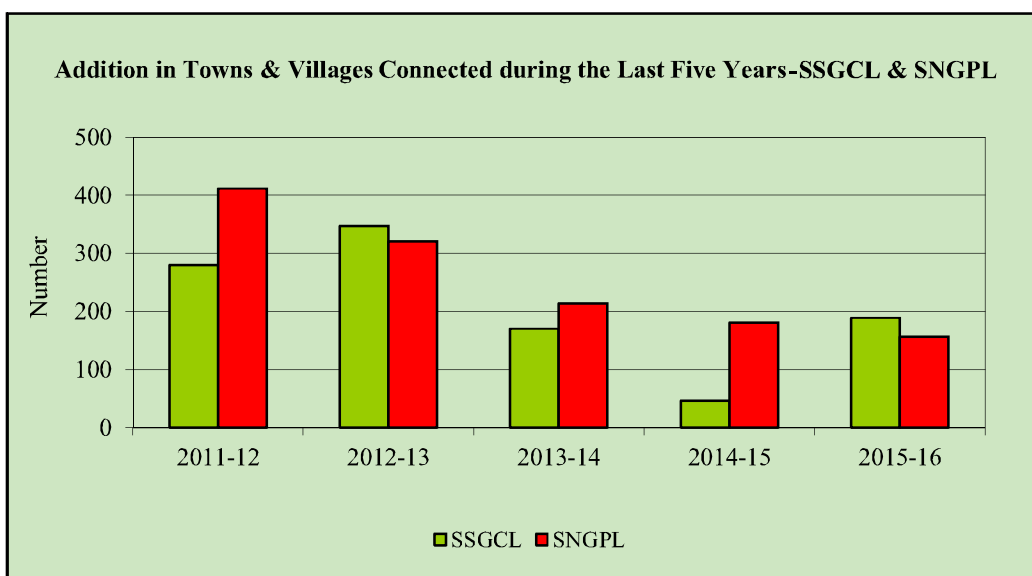
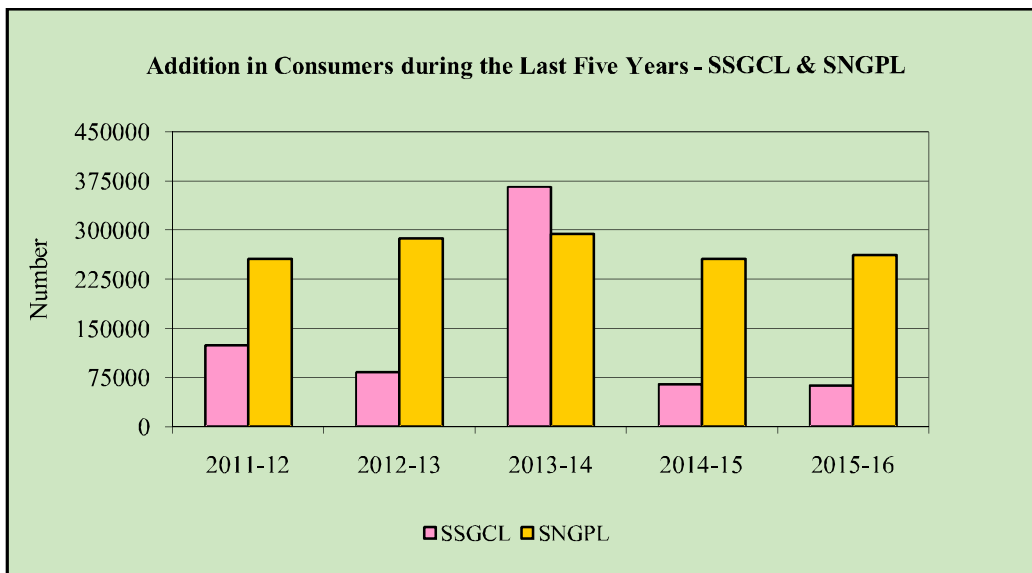




4.3.4.3 Number of Consumers Added / Towns & Villages Connected

SSGCL & SNGPL added 62,872 and 261,630 number of consumers to their network, whereas 189 and 157 towns and villages were connected to the gas network of SSGCL and SNGPL respectively. The addition in consumers and town & villages during FY 2015-16 and in the last five years is shown in the following **Figures**.





4.4 Liquefied Petroleum Gas (LPG)

4.4.1 Regulation

The Oil & Gas Regulatory Authority is empowered to regulate the LPG sector under the OGRA Ordinance, 2002 and LPG (Production & Distribution) Rules, 2001 with effect from 15th March, 2003. Since then OGRA has been regulating the sector in accordance with LPG (Production & Distribution) Rules, 2001 and the policies of the Federal Government.



View of a LPG Plant

Salient regulatory functions of OGRA related to LPG sector are hereunder:

- Grant of licenses for construction and operation of LPG storage & filling plants, LPG air mix plants and LPG auto-refueling stations.
- Grant of licenses for production/extraction of LPG from Oil/Gas fields and refineries.
- Periodic inspection of LPG works and facilities to ensure their conformity with the laid down standards.
- Redressal of consumer complaints and resolution of disputes between or among the licensees.

4.4.2 LPG Licenses and Operating Rules

The Authority is empowered for issuing licenses for construction and operation of LPG production/extraction plants, LPG storage & filling facilities, LPG air-mix plants and LPG auto-refueling stations under the LPG (Production and Distribution) Rules, 2001. The license is granted in two stages. Firstly, a license is granted for one year for the construction of the LPG facilities followed by operational license for 15 years after completion of works to the satisfaction of the Authority.

4.4.2.1 Licensing Procedure

Any company as defined in LPG (Production and Distribution) Rules, 2001 can apply for grant of a

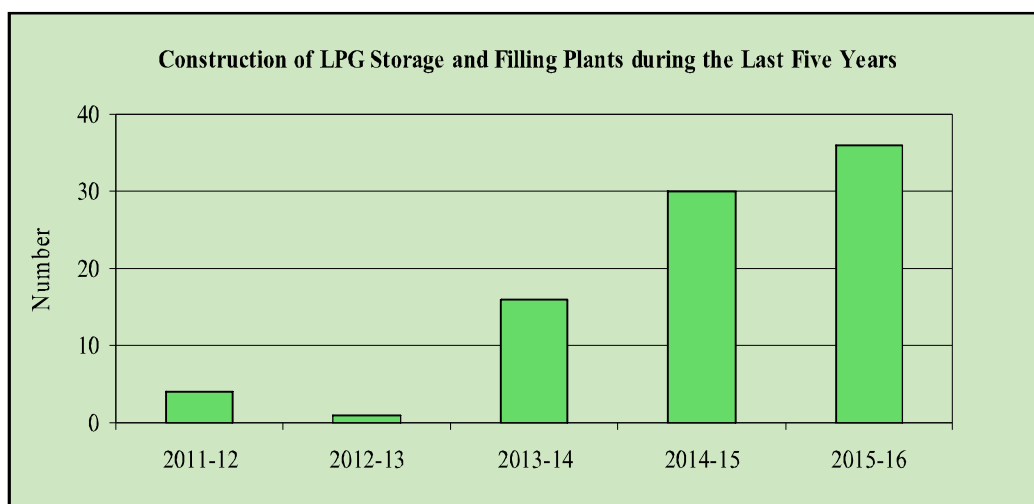
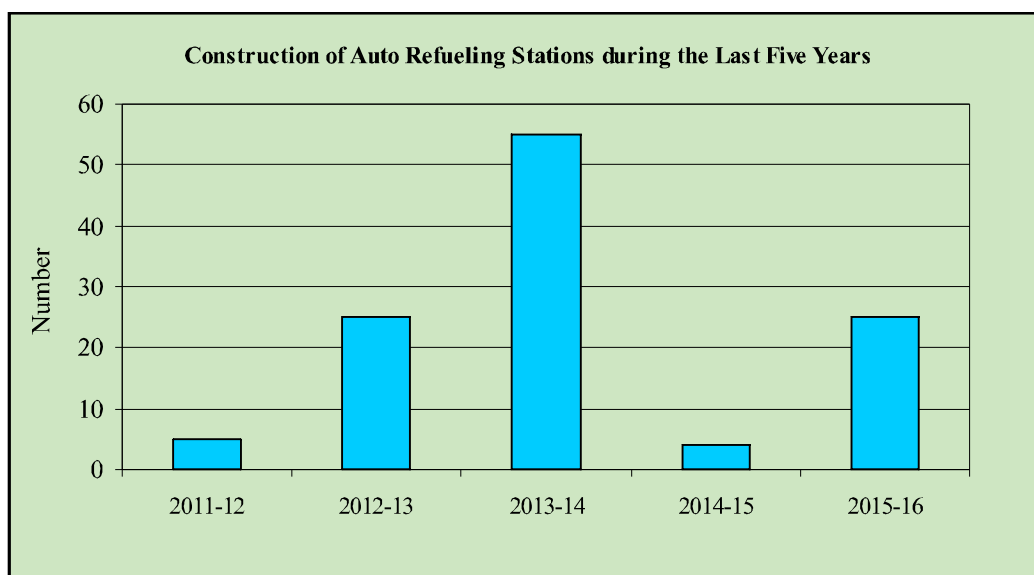
license to the Authority on the prescribed Form/Proforma available free of cost from OGRA's office as well as on its website (www.ogra.org.pk) along with other related documents, as required under the rules. The licensed LPG marketing companies, licensed oil marketing companies and automobile original equipment manufactures along with CNG stations and petrol pumps are eligible for grant of license for construction of LPG auto-refueling stations. The required application Form is also available on OGRA's website.



LPG Storage Tanks

OGRA has simplified the procedure for grant of LPG license and a license is granted on fast track basis once the requirements are met/complied. During FY 2015-16, fifteen licenses for operation and thirty-six licenses for construction of LPG storage and filling plants were issued. In addition, OGRA has also issued twenty-five licenses for construction of LPG auto- refueling stations and one license for storage and refueling of LPG at LPG auto-refueling station during FY 2015-16. Further, one construction license for LPG production & storage facility to PPL was issued by OGRA during the same period.

The construction of LPG auto-refueling stations and storage and filling plants during the last 05 years is depicted in the following **Figures**. Detail of the licenses issued for the various activities in the LPG Sector is given at **Appendix - IV**.



4.4.3 Amendments in LPG (Production & Distribution) Rules, 2001

- i. Ministry of Petroleum and Natural Resources vide letter dated March 24, 2016 forwarded LPG Policy 2016, approved by the Council of Common Interest (CCI), to OGRA for implementation with a direction that OGRA will amend the rules and regulations to give effect to this policy.
- ii. Prior to promulgation of LPG Policy 2016, LPG producer and consumer prices were deregulated. As per the LPG Policy 2016, it had been decided to regulate LPG prices, which is a major shift from deregulation to regulation. As per the said policy, since LPG is considered as poor man's fuel and price deregulation policy had failed to achieve its intended objectives of availability of the product at affordable prices, therefore this

situation warranted immediate intervention and MP&NR considered it expedient to put in place a framework to regulate the LPG prices both at producer's and consumer's level.

- iii. Implementation of the aforesaid LPG Policy requires certain amendments in OGRA LPG (Production and Distribution) Rules, 2001 as a legal requirement as per Section 4.2 of LPG Policy, 2016. Draft amendments in LPG Rules, 2001 have been dispatched to Cabinet Division for notification as per the provisions of Section 41 of the OGRA Ordinance, 2002.
- iv. OGRA will be able to notify LPG prices as per LPG Policy, 2016 as soon as OGRA LPG Rules, 2001 amendment notification is issued as per the provisions of Section 41 of the OGRA Ordinance, 2002.

4.4.4 Regulatory Enforcement

In order to ensure safe, reliable and cost effective supply to consumers, OGRA took following steps in light of LPG (Production & Distribution) Rules, 2001 and the Federal Government policies:

- All LPG marketing companies were directed to ensure that the distributors' and dealers' premises meet the requirements / guidelines of NFPA-58 Standard as given in the LPG (Production and Distribution) Rules, 2001. A list of minimum safety requirements to be met/complied with at the distributors' premises was also issued. In addition, Provincial Governments were also requested to ensure compliance of minimum requirements through respective DCOs and taking necessary action against the defaulters in their areas to ensure public safety.
- To ensure compliance of safety standards throughout LPG supply chain, and to protect public lives and property, OGRA from time to time pre-qualifies authorized manufacturers of LPG equipment. The purpose to pre-qualify manufacturers of LPG equipment is to eradicate manufacturing, sale, and use of substandard/spurious LPG equipment manufacturers, thereby, avoiding any untoward incident, endangering public lives and property. Details of these authorized manufacturers have been placed on OGRA's website.
- The authorized manufacturers of LPG storage tanks/bullets/bowzers/cylinders/cylinder valves/LPG dispensers and LPG conversion kits have been pre-qualified by the Authority based on their experience/expertise, capability, documentation and thorough inspections by designated Third Party Inspectors. OGRA has also formulated criteria for registration of foreign manufacturers of LPG equipment and the same has also been placed

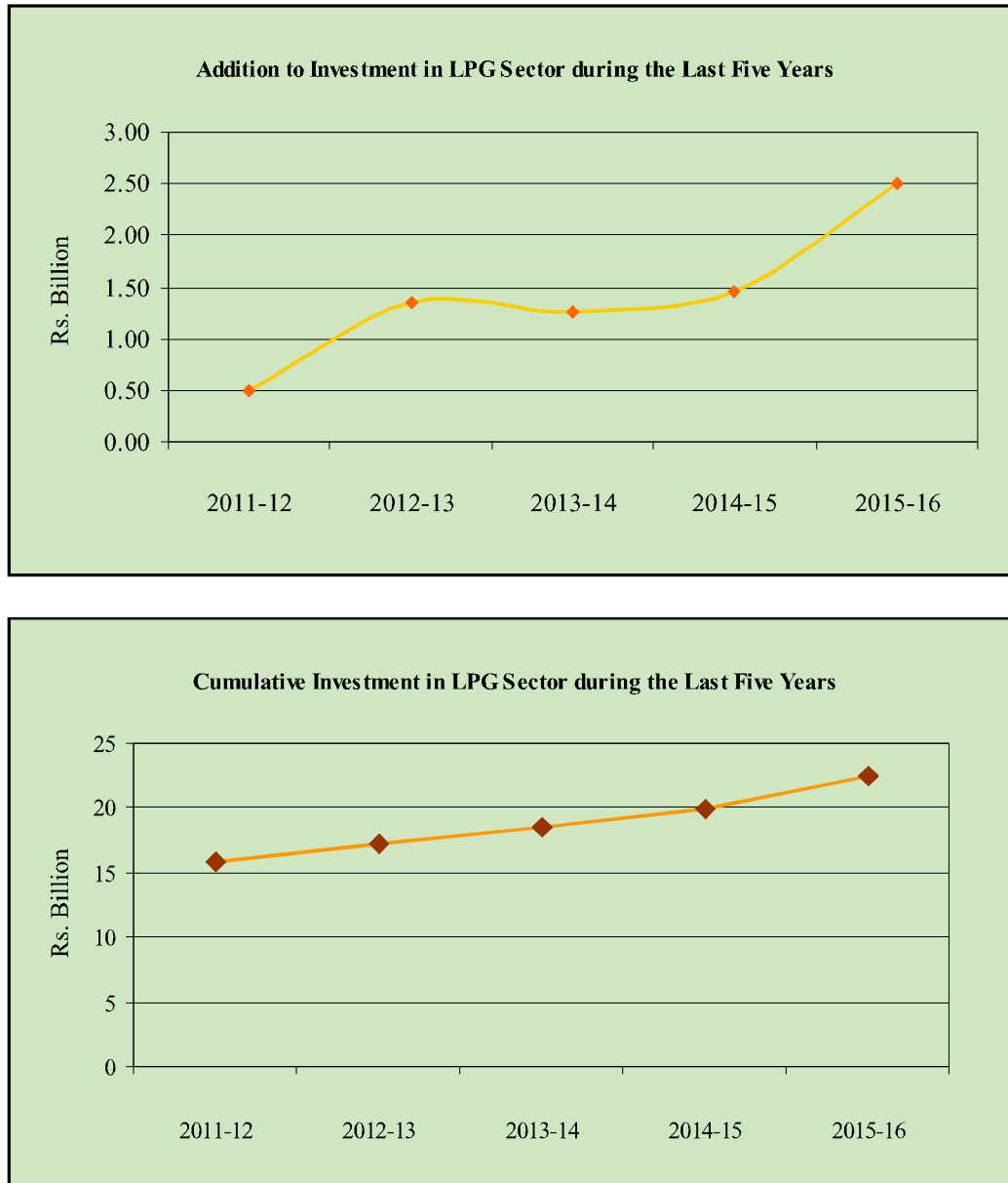
on OGRA's website. All LPG licensees have been advised to get their equipment manufactured only from OGRA's authorized manufacturers in order to be ensured that LPG equipment have been manufactured as per desired standards.

- Action against the illegal decanting of LPG continued through the Provincial Governments and public awareness campaign launched in the print media to curb such malpractices.
- Enforcement of laid down technical/safety standards.
- All LPG marketing companies were directed to ensure that all of their LPG cylinders fulfill the requirements of LPG standards (NFPA-58 / DOT), as specified in LPG Rules, 2001. The companies were also advised to closely monitor the activities of their distributors so as to ensure that they only distribute company's branded cylinders.
- Appropriate actions were taken to address the complaints of the consumers/public pertaining to LPG sector.
- Strict punitive actions were taken against the number of companies which were found violating LPG Rules, 2001. In addition, penalties were also imposed upon those companies which were found in violation of LPG Rules, 2001.
- To ensure safety throughout the LPG supply chain, OGRA carried out periodic inspections of the storage and filling plants of LPG marketing companies.
- Checklist of technical parameters for third party inspection for LPG storage and filling plants and LPG auto-refueling stations is provided at the stage of issuance of license for construction so that the requisite facilities are completed in accordance with the applicable standards.

4.4.5 Investment in the LPG Sector

Due to augmented investment and future expansion plans of the LPG marketing companies, significant investment in LPG supply and distribution infrastructure has been witnessed. OGRA has made noteworthy contribution in national economic progress and created an environment for additional investment especially in LPG storage / filling plants and auto sector which will not only result in creation of infrastructure in LPG sector all over the country but will also provide jobs to hundreds of unemployed people. OGRA is playing its vital regulatory role to increase private investment in midstream and downstream petroleum industry. During FY 2015-16, an estimated investment of Rs. 2.5 billion has been made in the LPG supply infrastructure whereas total

investment in the sector till date, is estimated at about Rs. 22.45 billion. The addition and cumulative investment in the LPG supply infrastructure during the last 05 years is depicted in the following Figures:



4.5 Liquefied Natural Gas (LNG)

Natural gas is presently contributing nearly 46% in Pakistan's primary energy supply mix. In view of the natural gas demand supply gap, GoP introduced LNG Policy for potential investors to facilitate the successful implementation of LNG import projects. As per the said Policy, the project structures can be (i) integrated in which the terminal developer arranges LNG imports as well as its buyers and

(ii) unbundled in which the terminal developer, LNG importer and LNG buyers are different.

In pursuance of LNG Policy, 2006 and OGRA Ordinance, 2002, OGRA notified LNG Rules, 2007 to bring the anticipated LNG activity under regulatory regime. LNG Rules encourage prospect project developers to enter into LNG market after fulfillment of requisite formalities including license from OGRA as per present Policy.

The Status of LNG Licenses is as follows:-

S. No	Name of LNG Developer	License Issuance Date	Type of License Issued	Envisaged RLNG Volume (MMscfd)
i.	Pakistan GasPort Limited (PGPL)	Oct 03, 2011	Construction License of LNG Receiving Terminal, Operation, Sales and Marketing of RLNG/LNG (Port Qasim, Karachi). The Case is under Review for Extension in Terminal Construction Period.	400 Under Review
ii.	Global Energy Infrastructure Limited (GEIP)	Oct 03, 2011	Construction License of LNG Receiving Terminal, Operation, Sales and Marketing of RLNG/LNG (Port Qasim, Karachi). The Case is under Review for Extension in Terminal Construction Period.	500 Under Review
iii.	Elengy Terminal Pakistan Limited (ETPL)	Oct 03, 2011	Construction and Operation License of LNG Receiving Terminal (Khiprianwala Site, Port Qasim, Karachi). The Case is under Review for Extension in Terminal Construction Period.	500 Under Review
iv.	Daewoo Shipbuilding and Marine Engineering Company (DSME)	Mar 16, 2012	Conditional License for Construction of Offshore LNG Terminal and Sub-sea Pipeline (Sonmiani Bay, Distt. Lasbella near Karachi). License Cancelled.	Cancelled
v.	Fauji Oil Terminal and Distribution Company Limited (FOTCO)	Dec 23, 2011	Provisional License (Port Qasim, Karachi). Time Period of License has Lapsed.	Lapsed
vi.	Engro Elengy Terminal Limited (EETL)	Mar 18, 2016	Operation License of LNG Receiving Terminal (Gharo Creek, Port Qasim, Karachi). Operation License Issued.	600-690 Issued
vii.	Bahria Foundation	-	Request Received for Grant of Construction License. Under Process.	Provisional
viii.	Pakistan State Oil	-	Marketing of LNG	In Process

Engro Elengy Terminal Limited (EETL) established its LNG re-gasification terminal at Port Qasim, Karachi for handling 400 MMcfd of RLNG to be injected into national grid. The LNG is being imported by the GoP through Pakistan State Oil Company Limited (PSO) and EETL is providing the re-gasification services at a tolling tariff. The license for operation of LNG terminal was granted on 18th March, 2016.

EETL's terminal is based on floating concept with permanently moored FSRU (Floating Storage and Re-gasification Unit). Liquefied Natural Gas transported from export terminal via LNG Carriers. LNG is being transferred from LNGC to FSRU in a double banking arrangement. LNG is being stored and re-gasified on FSRU which is brought ashore by a pipeline and connected by overland extension (onshore pipeline) into the SSGC grid.

The terminal is for tolling services having a contracted capacity of 200 MMcfd of RLNG in year-1 and 400 MMcfd from year-2 till the end of contract term of 15 years whereas EETL's FSRU is capable of pumping 690 MMcfd (peak) of RLNG into the grid with an average output of 600 MMcfd.

Injection of additional volume of RLNG in the national grid shall mitigate the natural gas shortfall. Pakistan produces around 4,000 MMcfd (4 bcf/d) of indigenous natural gas against demand of over 6,000 MMcfd (6 bcf/d). The addition of new LNG re-gasification terminals and respective enhancement of pipeline capacities of gas utility companies of the country shall open up new business avenues and help diversifying Pakistan's energy basket.

OGRA's role, being the concerned regulator is to grant license for construction and operation of LNG terminal and associated pipeline infrastructure to the companies interested in the instant business. LNG Rules, 2007 define the pre-requisites for obtaining licenses.

4.6 Compressed Natural Gas (CNG)

4.6.1 Regulation

The Government of Pakistan in 1992 introduced Compressed Natural Gas as alternative fuel for automobiles to reduce environmental degradation and save foreign exchange. The CNG (Production & Marketing) Rules, 1992 alongwith Standard Code of Practice were framed to regulate construction as well as operational phases of CNG refueling stations. OGRA is empowered to regulate the CNG sector under its OGRA Ordinance, 2002 and CNG (Production & Marketing) Rules, 1992.

4.6.2 Moratorium

4.6.2.1 Ban on New Provisional Licenses

The Federal Government imposed a ban on issuance of new provisional licenses for establishment of CNG stations in February 2008. Whereas, GoP lifted the ban on new provisional licenses for the Province of Balochistan in August, 2008. At present, the ban on issuance of new CNG provisional licenses is in force across the country since October, 2011.

4.6.3 Regulatory Enforcement

In order to ensure compliance to the Standard Code of Practice & other applicable Technical Standards, annual safety inspection of operational CNG stations as per Rule-10 of CNG Rules is conducted through OGRA's designated third party inspectors. Licensees involved in repeated violations are penalized in accordance with provision of CNG Rules, 1992.

4.6.4 Investment in CNG Sector

Pakistan is among the largest CNG user in the world, where more than 3,500 CNG stations have been granted CNG marketing licenses for their operation across the country which contributed an overall investment of more than Rs. 90 billion (direct and indirect) in CNG sector.

4.7 Mid and Downstream Oil Sector

4.7.1 Regulation

The Federal Government enforced the provisions of sub-section (3) of Section 23 and clauses (a) & (b) of sub-section (3) of section 44 of OGRA Ordinance, 2002 with effect from 15th March 2006, empowering the Authority to regulate mid and downstream oil sector in the country under the existing Pakistan Petroleum (Refining, Blending and Marketing) Rules, 1971 and Pakistan Oil (Refining, Blending, Transportation, Storage & Marketing) Rules, 2016.

4.7.2 Powers and Functions of Oil Sector

OGRA is mandated to regulate the mid and downstream oil sector in the country under the Pakistan Petroleum (Refining, Blending and Marketing) Rules, 1971 till January 22, 2016 and under the new Rules [i.e. Pakistan Oil (Refining, Blending, Transportation, Storage & Marketing) Rules, 2016] w.e.f. January 22, 2016.

The powers conferred under the aforesaid Rules to the extent granted under SRO No. 236(1)/2006

dated March 13, 2006 & OGRA Ordinance mainly pertains to grant of license to undertake marketing of refined oil products, construction & operation of oil refinery, construction & operation of oil storage facility, construction & operation lube oil blending / reclamation facility, establishing / operation of lubricant marketing companies, quality monitoring of refined oil products, formulation & implementation of technical standards for oil industry etc.



Night View of a Refinery

4.7.3 OGRA's Activities in the Oil Sector

The details of the activities carried out by the Authority during FY 2015-16 for regulation of mid and downstream oil sector are as under:-

4.7.3.1 Enforcement of Technical Standards

The Authority undertook the inspection of oil storages infrastructure through different third party inspectors developed by various oil marketing companies to ensure compliance with the notified technical standards. These included oil storages of M/s HASCOL Petroleum Limited at Keamari, Machike, Shikarpur & Daulatpur, Pakistan State Oil at Gatti (Faisalabad) and Quality-1 Petroleum Limited at Sahiwal.

4.7.3.2 Permission to Establish Oil Marketing Companies

In pursuance of the power conferred under the above Rules / Ordinance, five (05) companies were granted permission to establish oil marketing companies, namely Pak Petrolia (Pvt.) Limited, The Fuelers, Bari Oil (Pvt.) Limited, Z & M (Pvt.) Limited & Petrowell (Pvt.) Limited. The

establishment of these companies will bring a minimum investment of Rs. 2.5 billion in the next three years.

OGRA has also granted permission to two companies (M/s Quality-1 and M/s Exceed Petroleum) to initiate marketing of petroleum products (after fulfilling their obligation of constructing oil storage infrastructure) to the extent of Punjab Province, introducing two new players in the marketing arena of petroleum products.



Petrol Pump

4.7.3.3 Permission Granted for Construction/Operation of Oil Terminal/ Storage Facilities

OGRA granted permission to various OMCs i.e. M/s Byco Petroleum Private Limited, M/s Hascol Petroleum Limited and M/s Pakistan State Oil for development of new oil storages / terminals at different locations (i.e. Machike, Thalian, PMY (Karachi) Daulatpur, Tarujabba, Shikarpur & Sahiwal) which will further strengthen the oil supply infrastructure.



Oil Depot

4.7.3.4 Quality Assurance

OGRA under section 6(2)(x) of the OGRA Ordinance, enforce standard specifications of refined oil products through Hydrocarbon Development Institute of Pakistan at various levels including import level, oil refineries, OMCs' depots, blending/reclamation plants & retail outlets. With regards to imported petroleum products, 353 quality checks of imported energy products and 1,065 quality checks for imported non-energy products were made. Similarly, 287 & 77 quality checks were carried out at lube blending plants and oil depots respectively. Moreover, 96 quality checks were made at oil refineries.

4.7.3.5 Registration of Lube Oil Blending/Reclamation Plants

The Authority during FY 2015-16 registered eight (08) lube oil blending plants after assessing the conformity of the plant through HDIP with the mandatory technical requirements as per relevant rules and regulations.

4.7.3.6 Registration of Lube Oil Importers

OGRA registered eighteen (18) lube oil importers during the year after fulfilling the requisite criteria for the import of automotive engine oils of quality level (API) SC/CC and above and automotive gear oils of (API) GL-4 and above.



Internal View of Lube Manufacturing Terminal

4.8 Oil Pricing

OGRA was mandated by the Federal Government vide Cabinet's decision No. 41/03/2006, dated March 02, 2006, to fix prices of petroleum products w.e.f. April 01, 2006, in accordance with the Government's prescribed formula, under Section 6(2)(r) (relating to power and functions of OGRA) and Section 21(2)(b) (relating to policy guidelines) of the OGRA Ordinance, 2002. However, the Federal Government w.e.f June 1st, 2011 has deregulated the prices of petroleum products of MS, HOBC, LDO, JP1, JP4 & JP8. As a result, refineries and OMCs fix and announce their ex-refinery prices and ex-depot prices of the petroleum products. Furthermore, Federal Government deregulated ex-refinery price of HSD with effect from September 17, 2012 in pursuance of ECC decision of September 04, 2012.

4.8.1 OGRA Role under Deregulation

- OGRA only computes & notifies ex-refinery price of SKO including ex-depot prices of SKO & E-10.
- OGRA will continue to compute & notify IFEM for all products.
- Monitoring the pricing of petroleum products under the deregulated scenario, necessary intervention is carried out, as and when required.
- OGRA submits quarterly report on pricing of petroleum products indicating the trend in

international market and petroleum products pricing announced by OMCs/refineries along with their analysis/findings and suggestions, if any, on regular basis to ECC.

4.8.1.1 ECC Approved Pricing Parameters

Brief description of the ECC approved parameters under price deregulation is as follows;

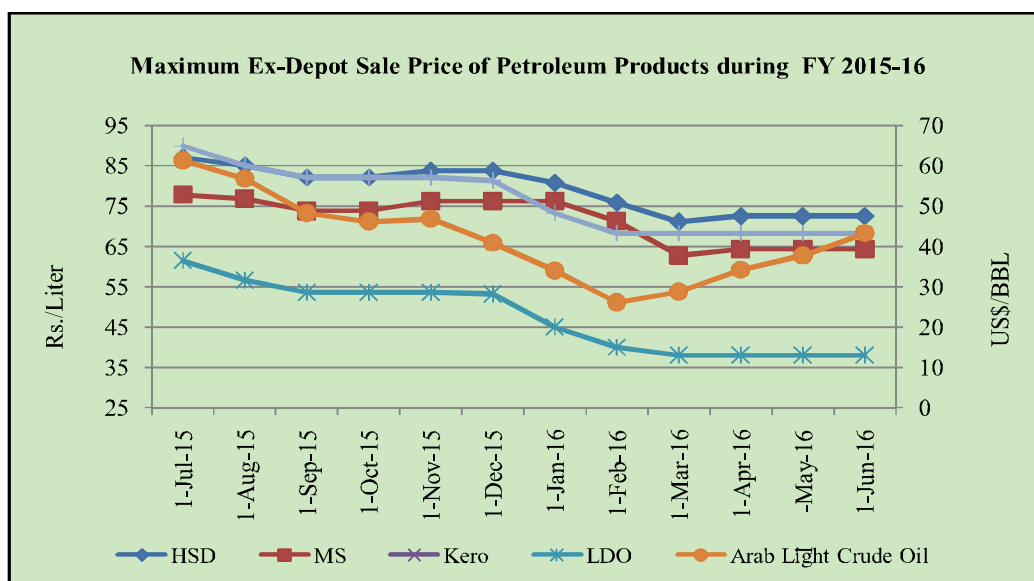
- Ex-Refinery price of POL products (HOBC, LDO, JP1, JP4 & JP8) cannot be more than the PSO average actual import prices of the previous fortnight excluding PSO import incidentals.
- For Ex-refinery formula of HSD & MS, PSO actual import incidentals excluding ocean losses are to be adopted (ECC meeting dated 16th August 2011 & September 04, 2012).
- For imported products, OMCs are allowed to include actual incidentals, if any, in the calculation of import price.
- In case of non availability of PSO import prices, the refineries will fix their ex-refinery price as per existing Import Parity Pricing formula.

4.8.1.2 Ex-Refinery/Ex-Depot Formula

- Ex-refinery import parity price/PSO weighted average cost of purchases
- Inland Freight Equalization Margin (IFEM)
- Distribution Margin
- Dealer Commission
- Petroleum Levy (PL) as fixed and notified by MP&NR
- Sales tax on petroleum products as fixed and notified by F.G

The Federal Government decides to increase/decrease/maintain the consumer prices by making adjustment in PL through its notification issued under Petroleum Products (Petroleum Levy) Ordinance, 1961 (XXV of 1961).

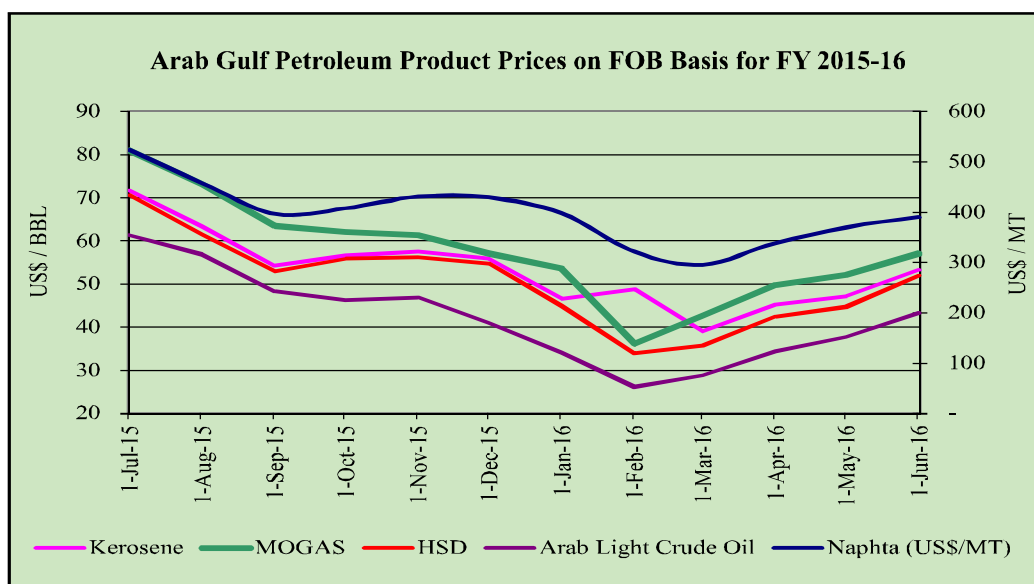
Accordingly, OGRA/OMCs issued petroleum products price notifications for the period July 2015 to June 2016, duly incorporating the said amendments. The comparative price trend of ex-depot sale prices of petroleum products notified by OGRA with Arab Light Crude Oil during FY 2015-16 is shown in the following **Figure**.



HSD ex-depot is notified by OMC's on cost competition basis

POL prices effective June 01, 2011 were notified by OMCs/Refineries except Kero whose price was notified by OGRA.

International petroleum prices showed mix trend during FY 2015-16. A graphical representation of changes in Arab Gulf petroleum products prices is shown in the following **Figure**:



4.9 Inland Freight Equalization Margin (IFEM)

Inland Freight Equalization is an integral part of Oil pricing formula. Federal Government had transferred the management of IFEM, including its computation, to OGRA w.e.f September 01, 2008.

IFEM mechanism is used to equalize prices of HSD, MS, LDO and SKO at 22 depots. Secondary Transportation cost from depot to Retail outlets is deregulated and the Dealers have been allowed to recover it from the retail consumer by including it in the pump/retail price. Furthermore, secondary freight in special areas is also picked up through IFEM mechanism to provide relief to the consumers of those areas.

Federal Government in pursuance of ECC decision of August 07, 2012, removed HOBC from IFEM w.e.f September 24, 2012.

4.9.1 IFEM Management

OGRA is managing the computation and determination of IFEM through two committees comprising of Oil industry, namely IFEM committee and Cartage Committee. IFEM committee provides a forum for computing IFEM and Cartage Committee computes the cartage rates as per the Government approved formula.

IFEM mechanism is used to equalize prices of fuel products at 22 depots spread throughout the country despite disparity in transportation costs. IFEM are comprised on the following components, listed below:

- a. Actual transportation cost on the movement of petroleum products to 22 storage depots, spread throughout Pakistan, as per movement plan of Oil Marketing Companies.
- b. PARCO Price Differential Claim (PDC), which is computed on the basis of differential of its Import Parity Price (IPP) under its Implementation Agreement (IA) and the ex-refinery price of ARL, NRL & PRL. After deregulation, PARCO is allowed to recover PDC on Kerosene Oil only. Furthermore, w.e.f August 16, 2011 PARCO has also been allowed the recovery of Diesel Hydro De-Sulphurization (DHDS) price differential, crude transportation and PDC backlog through IFEM mechanism. ECC vide its decision dated March 26, 2014 has allowed PARCO to include HSD's claim recovery in its crude transportation claim.
- c. ARL is allowed to recover its southern crude transportation cost differential including Adhi and Dhurnal fields in the north from the IFEM.
- d. Adjustments of extra margins earned by OMC and HSD price differential surplus by refineries, except PARCO.

The following table shows IFEM effective during the period under consideration:

Inland Freight Equalization Margin

Rs./Liter

Effective Period	MOGAS	KERO	LDO	HSD
July 1, 2015	3.41	1.09	2.15	1.34
August 1, 2015	3.41	0.64	2.14	1.34
September 1, 2015	3.41	0.27	2.10	1.24
October 1, 2015	3.38	0.22	2.20	1.24
November 1, 2015	3.39	0.22	2.39	1.36
December 1, 2015	3.42	0.20	2.64	1.37
January 1, 2016	3.48	0.22	2.56	1.18
February 1, 2016	3.76	0.22	3.18	1.71
March 1, 2016	3.35	0.13	1.60	1.42
April 1, 2016	3.22	0.13	0.56	1.34
May 1, 2016	3.13	0.13	0.41	1.34
June 1, 2016	3.04	0.08	0.27	1.34

5. Complaints Redressal

In exercise of the powers conferred by Section 42 of the OGRA Ordinance 2002, Complaint Resolution Procedure Regulations, 2003 (CRPR) was formulated. Section 11 of the OGRA's Ordinance, 2002 allows any person to file a complaint in OGRA regarding natural gas, LPG and CNG which are entertained under CRPR, 2003 to provide effective and efficient redressal against their grievances. The DOs of the complaint redressal Department are appointed to process and decide the complaints related to natural gas.

Complaint against a gas utility company is entertained by the registrar if a consumer/person fails to get desired relief from the licensee, he then forwards it to concerned DO of specific area under CRPR, 2003. The DO performs quasi-judicial functions while dealing with the complaints, conduct meeting/hearings in order to reach at a conformed decision in a transparent manner. The consumers/complainants may file their written complaints either in person or they can file the same through normal post, email and fax. In an effort to facilitate the general public and enhance productivity, "Online Registration of Complaints" has also been recently launched; the complainants can just fill in the relevant information on a specific Form and send it online to the Registrar Office. Different types of complaints, some of which are mentioned below, are processed by the DOs of specific areas under CRPR, 2003:

- Delay in provision of gas connection;

- Excessive/estimated billing;
- Adjustment charges;
- Low pressure of gas;
- Waiver of Late Payment Surcharge (LPS);
- Additional security for natural gas etc.

The DO after obtaining comprehensive report/response from gas utility company/licensee, may give an opportunity of meeting/hearing to both the parties and issues decision on the complaint based on available documentary evidences as per applicable policy/procedures. Any person aggrieved by the decision of the DO has a right to appeal before the Authority under Section 12 of the OGRA Ordinance, 2002.

5.1 Complaints Redressal at Regional Offices Lahore & Karachi

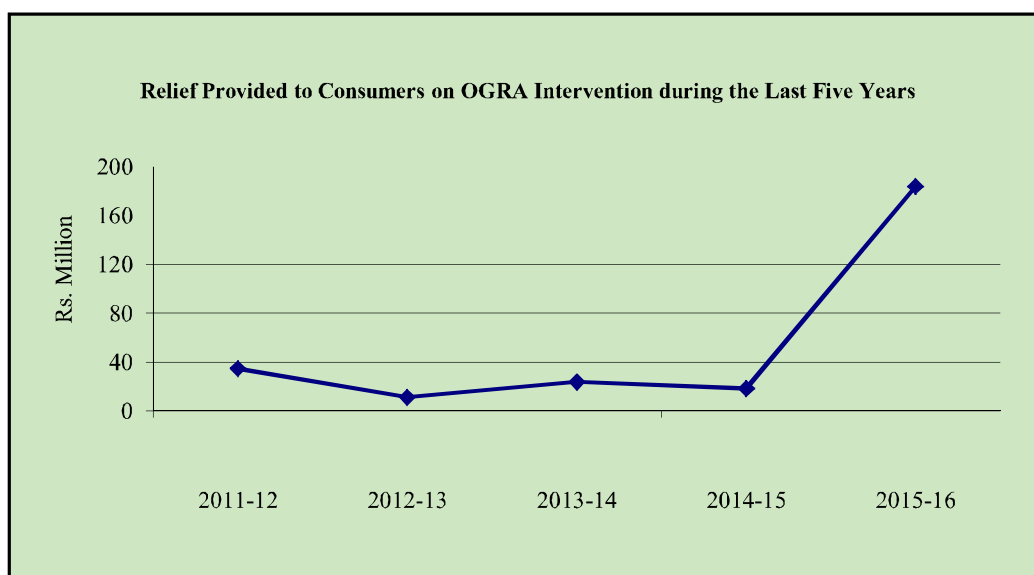
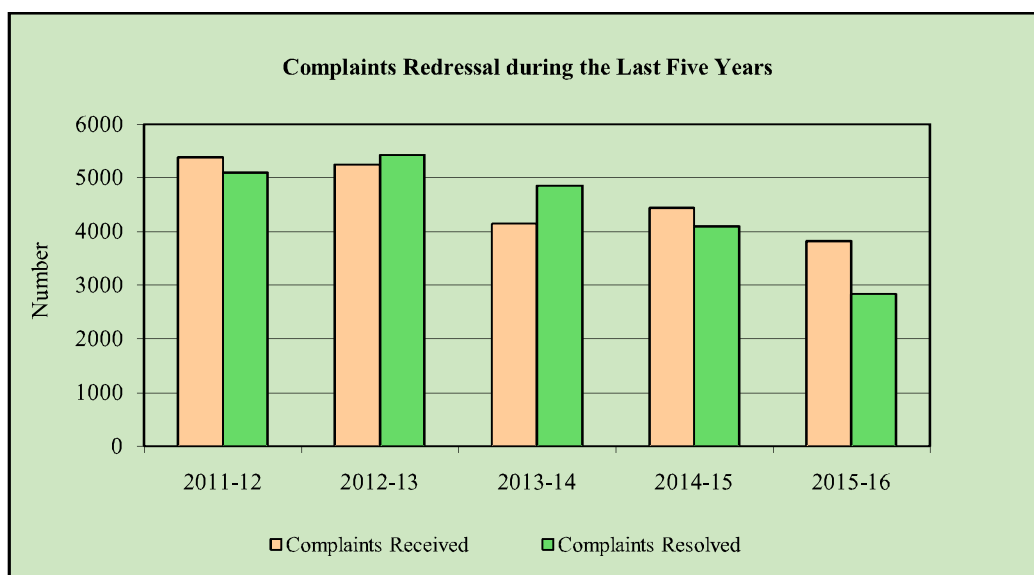
Regional Office Lahore received 754 complaints from Lahore, Sheikhpura, Gujranwala and Sahiwal regions and resolved/decided 471 complaints during September, 2015 to June, 2016. On OGRA's intervention, gas utilities issued 92 demand notices, provided 38 gas connections and a relief of Rs. 2.9 million to consumers during the same period.

Regional Office Karachi received 906 complaints from Sindh and Balochistan provinces and decided/resolved 656 complaints during September, 2015 to June, 2016. On OGRA's intervention, a relief of Rs. 8.4 million provided to consumers during the same period.

The status of complaints including the regional offices at Lahore and Karachi during FY 2015-16 is given as under:

Description	Natural Gas
No. of complaints received including carried forward from previous year	3,829
No. of complaints decided	2,838

On OGRA's intervention, gas utilities provided 208 gas connections and a relief of Rs.183.61 million to consumers during FY 2015-16. 225 proposal letters for provision of gas connection were also issued to the consumers by the gas utility companies on the directions of OGRA. The complaints redressal and the relief provided to the consumer during the last five years is given in the following **Figures**.



5.2 Appeals on Natural Gas, LPG, CNG, OIL and Enforcement Cases

Under Section 12 (1) of the OGRA Ordinance, 2002, any person aggrieved with the order or decision of the delegatee of the Authority i.e., the officer designated, under Section 10 of the OGRA Ordinance, 2002 may file an appeal before the Authority and the Authority decides its within ninety days after its filing.

During FY 2015-16, the Authority heard and decided 310 appeals, 161 were with respect to Natural Gas Sector, filed by SSGCL, SNGPL and their consumers and 149 pertained to LPG, CNG, Oil and Enforcement cases.

6. Enforcement

6.1 Need for Enforcement

“Safeguard public interest through efficient and effective regulation in the midstream and downstream petroleum sector” is the Mission Statement of OGRA. Since the promulgation of the OGRA Ordinance 2002, the Authority aims to protect and safeguard the interests of all stakeholders. OGRA is entrusted with the regulation of LPG, CNG, Oil and Natural Gas sectors, which are directly related to public interest. However, with expansion and penetration of oil and gas sectors in the market, a need was felt to enforce provisions of the OGRA Ordinance, Rules, Regulations, Standards, Terms and Conditions of licenses and Directions/Decisions of the Authority, upon licensee, as without enforcement mechanism a number of complaints were reported through media and from consumers directly with respect to delivery of quality products measuring exact quantity at notified prices round the clock to the general public. It became indispensable to establish stringent and pragmatic dedicated Enforcement Department responsible primarily for the following activities:

- i) Conduct surprise inspections of licensed premises on regular basis;
- ii) Ensuring supply of regulated commodities at notified prices utilizing multiple mechanisms such as through District Administrations, Oil Marketing Companies, surprise inspections of randomly selected outlets by Enforcement Department or through Third Party Inspectors;
- iii) Constitute the inspection teams in collaboration with 3rd party inspectors as well as licensees for conducting the inspection/monitoring;
- iv) To take necessary action against all violators, as per applicable laws that may lead to imposition of fine/penalty or suspension of supplies/licenses in extreme cases.

6.2 Enforcement Activities

Enforcement Department was created in October 2009 for effective enforcement and monitoring in order to provide safe, reliable and efficient services by the licensees to the consumers. Such random inspections by officers of OGRA are helpful in getting first hand information of the said sectors, enabling to perform its obligations in a more practical way and better enforcement of rules, regulations and standards. OGRA's initiative has proved to be a deterrent for others and an indication that rules and regulations are to be fully adhered, thus benefiting the consumers in

general. Presence of a strong regulator in the field has sent a powerful message. From big units like oil marketing companies to small entities like LPG distributors are being brought in the competitive regulatory environment. The various activities performed by the Department are summarized hereunder:-

6.2.1 Oil Sector

OGRA's Enforcement Department has endeavored to develop an efficient & effective mechanism to check and control the malpractices in oil sector.

In accordance with the GoP's policy for pricing of petroleum products, the product prices of retail outlets (as informed by the OMCs to OGRA for their respective outlets) are revised/updated on OGRA's website on monthly/fortnightly basis. It is observed that the retailers of different OMCs tend to charge prices of petroleum products higher than the officially notified prices from the consumers. This happens due to lack of monitoring/vigilance of the OMCs on their retailers. In order to curb the menace of profiteering /overcharging by the retailers, OGRA, through its effective “Enforcement Set-up”, has started conducting surprise inspections at the OMCs retail outlets.

It is also observed that whenever there is a speculation of price change of petroleum products, the OMCs / Retailers tend to hoard/withhold the POL stock, for inventory gain. OGRA has taken cognizance of this issue and has started to depute its teams for inspections ahead of the notification of POL prices. Such inspections have been conducted at the outlets, located in remote/rural areas and backward areas as well as big metropolitans in all the provinces of the country. Considering the position that there are more than 7,000 OMCs retail outlets operating in the country, OGRA has been constantly requesting provincial authorities to monitor pricing at petrol pumps under Price Control & Prevention of Profiteering and with holding act 1977 and shall be dealt strictly in accordance with the applicable laws, in the larger interests of general public.

During the current fiscal year, a number of petrol pumps have been inspected and show cause notices are served on respective OMCs on account of overcharging, stock deficiency at their outlets and on the basis of submissions of OMC, further action is taken i.e., imposition of penalty or serving warnings on case to case basis in accordance with the provisions of the OGRA Ordinance, 2002 and applicable rules/regulations.

6.2.2 LPG Sector

The business of LPG in the country is de-regulated with respect to price and allocation of LPG to an extent. Allocation of LPG from LPG producers to LPG marketing companies is de-regulated

whereby LPG producers themselves dispose of their LPG keeping in view their commercial interest and broad policy outlines. OGRA does not fix the prices both at producer as well as consumer level. The producer prices are presently linked with Saudi Aramco Contract Price (CP) while the consumer prices are determined by the market forces under cost competition mechanism. However, OGRA regularly monitors the consumer price of each LPG marketing company and if the prices are found unreasonably high due to cartelization or otherwise then OGRA intervenes, under the rules, and determines maximum reasonable consumer prices of LPG marketing companies.

In order to protect consumers from exploitation of LPG marketing companies and black marketing by their distributors, the Authority enforces certain minimum parameters pertaining to retail consumer price, safety and operational guidelines at distributors' premises as well as storage & filling plants.

In view of the above, the Enforcement Department conducts following activities in the LPG sector:

- (i) Surprise inspection of LPG storage and filling plants to ensure compliance with applicable safety standards, check and eradicate illegal cross-filling, inter company unauthorized bulk trade of LPG and correct measurement of LPG in cylinders.
- (ii) Surprise inspection of the premises/sale points of authorized distributors of LPG marketing companies in order to:-
 - a. Ensure compliance with minimum safety and operational requirements,
 - b. Check and eradicate decanting of LPG from cylinder to cylinder, cross filling, hoarding and black marketing,
 - c. Ensure sale of LPG at company's announced and notified consumer price,
 - d. Ensure correct measurement of LPG,
 - e. Ensure availability and supply of LPG to far-flung LPG starved hilly areas as per policy provisions.

During the current fiscal year, inspection of authorized distributors of various LPG companies and filling plants has been conducted and show cause notices were served to the companies whose distributors were violating laws/rules/instructions of the Authority and on the basis of submissions of LPG marketing companies, further action is taken i.e., imposition of penalty or serving warnings on case to case basis in accordance with the provisions of the OGRA Ordinance, 2002 and applicable rules/regulations.

6.2.3 CNG Sector

CNG sector is an important energy sector; catering the need of almost 30% of total transport in the country. It is fueling approximately 3.1 million vehicles and there are more than 3,500 CNG stations, spread all over the country. At present, Pakistan tops the list among CNG user countries. The important issue related to CNG is its safety.

In order to have strict check, surprise inspections of CNG stations are now being conducted by OGRA's Enforcement officers to primarily check the following:

- i. Dispensing pressure;
- ii. Refueling procedure as per CNG Rules, 1992 including checking of the vehicle cylinder;
- iii. Measurement accuracy;
- iv. Price charged from consumers;
- v. Safety orientation.

Enforcement Department is actively conducting above mentioned inspections, which have forced CNG stations to observe rules, regulations, directions of the Authority and standard code of practice.

During the current fiscal year, a number of CNG stations have been inspected and violating stations have been served show cause notices and on the basis of licensees' replies re-inspections are conducted/fine imposed or served warnings on case to case basis.

In view of the increasing CNG fire related accidents in the country, a task force was constituted by the Ministry of Interior under the leadership of Chairman OGRA, with MP&NR, Chief Inspector Explosives (CIE) & Hydro Carbon Development Institute of Pakistan and Transport Authorities as its members. Standard Operating Procedures (SOPs) to mitigate accidents had been prepared and circulated to all other stakeholders for implementation and were also forwarded to MP&NR. Lahore High Court in a case titled Rana Mehtab vs: Federation of Pakistan has directed Provincial Government for implementation of Task Force SOPs. Whereas Supreme Court of Pakistan in Suo Moto case on Gujrat Van accident have issued number of directions to various concerned departments including OGRA and also transporters.

OGRA has been directed by the Supreme Court to take strict action against CNG stations involved in refueling unapproved/unbranded cylinders. It is stated that CNG stations/CNG associations have been directed to not refuel any vehicles fitted with unapproved/unbranded cylinders. At the same

time, transport authorities and chief inspector of explosives have been requested to take strict actions, as per their laws and directions of superior courts against vehicles fitted with unapproved/unbranded cylinders and allow only those vehicles to ply on road which are as per standards. OGRA has emphasized provincial authorities to have check and control on transports specially school vans and public service transport and in this respect Sindh Government has issued their rules and KPK High Court and Lahore High Court has directed provincial authorities for the safety.

6.2.4 Complaints

Enforcement Department also handles various complaints relating to CNG, LPG and Oil sectors. Illegal activities like decanting, operation of dabba stations etc. are referred to the District Authorities and Chief Inspector of Explosives. Whereas the complaints relating to the various violations like cross filling, overcharging, less filling, shortage of stocks etc. by the licensees/authorized dealers are added in the complaints database and physical verification is done when the inspections are carried out in the said areas. In case of complaint with proof the same is undertaken with licensee without carrying further inspection as per applicable laws. In case of an urgent requirement, immediate inspection by OGRA team or third party inspectors is done.

6.2.5 Regional Offices

In order to facilitate and quick response to consumers, the Authority established regional offices at Karachi and Lahore. The regional offices have started their functions since December, 2015. The performance of regional offices for the period from December 2015 to July 2016 is as under:

Sector	Inspections	
	Karachi	Lahore
Oil	323	157
LPG	67	--
CNG	--	--
Total	390	157

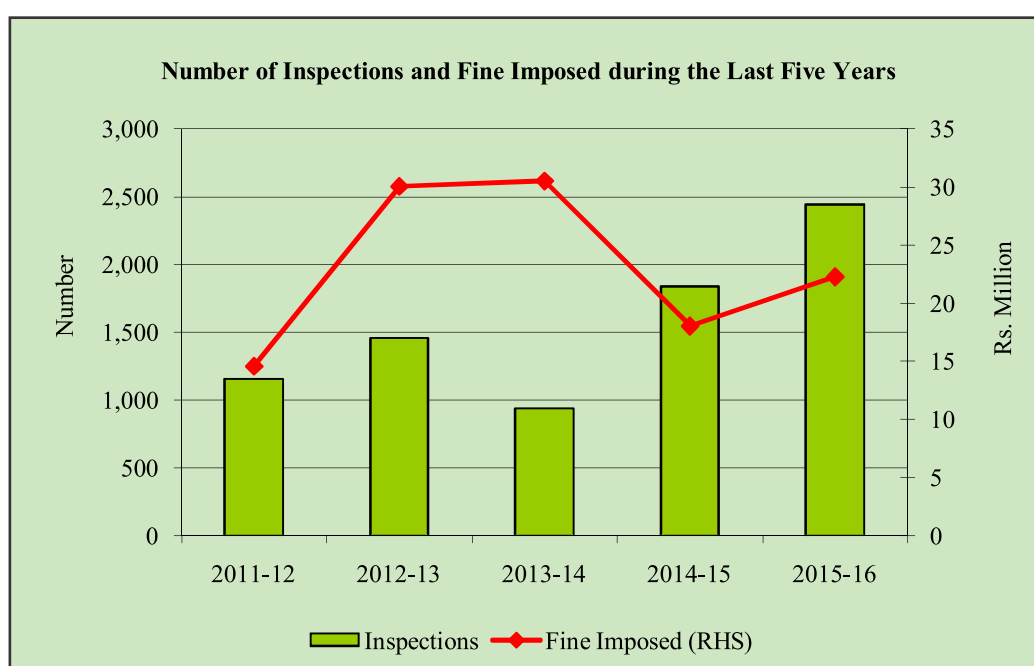
6.3 Brief Summary of Enforcement Activities

Following is the data of the total outlets/stations/distributor premises inspected as well as actions taken on the violators during FY 2015-16:

Achievements during 2015-2016

Sector	Inspections	Fine Imposed (Rs. Million)
Oil	2,194	18.375
LPG	177	3.25
CNG	70	0.66
Total	2,441	22.285

The number of inspections carried out and fine imposed during the last five years is shown below:



7. Litigation

During FY 2015-16, Litigation Department has pursued 1,091 pending cases in Supreme Court, High Court(s), Civil and District Courts and other forums, out of which 511 cases have been disposed off whereby the winning ratio in disposed off cases is above 95 percent. Further, in 234 cases, no relief has been sought against OGRA. Status of court-wise cases during FY 2015-16 is given as under:-

Name of Court	Pending	Disposed off
Supreme Court of Pakistan	13	23
Islamabad High Court, Islamabad	21	29
Lahore High Court, Lahore	78	132
Lahore High Court, Multan Bench	51	08

Lahore High Court, Rawalpindi Bench	04	10
Lahore High Court, Bahawalpur Bench	02	01
Peshawar High Court, Peshawar	34	02
Peshawar High Court, Abbottabad Bench	07	-
Sindh High Court, Karachi	54	101
Sindh High Court, Hyderabad Circuit	01	-
Sindh High Court, Sukkur Bench	03	-
Baluchistan High Court, Quetta	03	02
Civil Courts	47	15

Significant Cases and Judgments of the Year:

- **Writ Petition No. 3697/2015 and WP No. 3698/2015 titled Abdul Baqi Khan vs. OGRA, WP No. 3696/2015 and WP No. 3699/2015 titled Kashif Rafique vs. OGRA and OGRA Petition No. 02/2015 titled SNGPL vs. OGRA, Islamabad High Court, Islamabad**

This case was related to determination of natural gas tariff. The said determination made by OGRA for SSGCL and SNGPL were assailed by shareholders of both utility companies. The court dismissed the petitions and held that OGRA is independent to decide the pending review petitions in accordance with law.

- **Writ Petition No. 734/2014 Abdus Samad Khan Marwat vs. OGRA, Peshawar High Court, Peshawar**

This matter involved installation of a new compressor at petitioner's CNG station and request for sanction of enhanced load of gas. The request of the petitioner was not maintained due to imposition of moratorium on new gas connections. The court held that the request of the petitioner has not been declined. However, postponed, hence not maintainable being premature, the petition dismissed.

- **OGRA Petition No. 613/2012 Noor LPG Co. Ltd vs. OGRA, Lahore High Court, Lahore**

The case was brought before the court by the petitioner and challenged the determination of reasonable maximum consumer price for LPG under the provision of the OGRA Ordinance, 2002 and LPG Rules and LPG Policy due to overcharging by the LPG marketing companies over and above the normal profit. The court held that the petitioner

only questioned the Determination of July, 2012 that period has lapsed and OGRA has not taken any coercive measure against the petitioner and Determination of OGRA for said period has no continuing impact, thus no effective relief to be granted to the petitioner.

➤ **CP No. 169/2013 M/s Blue Zone CNG and Others vs. OGRA & Others, Baluchistan High Court, Quetta.**

The petitioner pleaded the case for issuance of CNG marketing license by OGRA which was held due to moratorium on new CNG licenses imposed by the Federal Government. The court directed OGRA to provide marketing license and held that denial of license to the petitioner is discriminatory and cannot be over looked in the garb of moratorium.

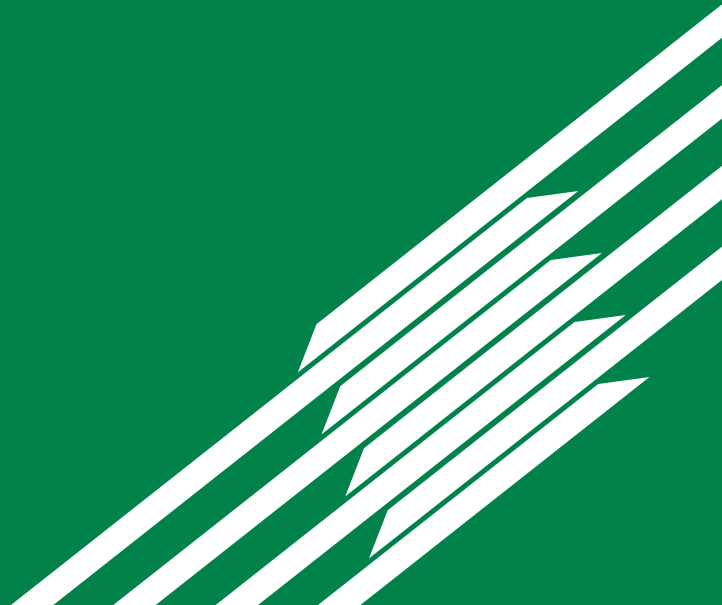
➤ **CP No. 4646/2014 Byco Oil Pakistan Limited vs. OGRA, High Court of Sindh at Karachi**

The matter is about IFEM (Inland Freight Equalization Margin) whereby the petitioner was allowed to recover its freight cost of transporting crude oil from ZOT to the Byco refinery, from the IFEM Pool according to Economic Coordination Committee (ECC) decision dated 16 August, 2011. The petitioner prayed that they are entitled and cannot be deprived of the benefit conferred vide above ECC decision and impugned memorandum of the respondent (OGRA) is ex-facie discriminatory, unconstitutional and illegal. However, the Court held that no such discriminatory treatment has been reported and dismissed the petition.





Anticipated Developments for the Next Year





8. Anticipated Developments for the Next Year

8.1 Natural Gas Sector

- OGRA shall continue to process applications for grant of licences pertaining to the sale, transmission and distribution of Natural Gas / RLNG under NGRA Licensing Rules, 2002 and LNG Rules, 2007.
- Approval of gas sales agreements between producers and licensees and gas supply contracts between licensees and the consumers shall be processed as and when required.
- Following determinations for both the gas companies (i.e. SSGCL / SNGPL) shall be made during the next financial year.
 - Final revenue requirement for FY 2015-16 based on the actual audited results.
 - Estimated revenue requirement for FY 2016-17 of SSGCL & SNGPL.
- Handling of Court Cases pertaining to the regulated gas sector.
- Formulation of rules, regulations and procedures for the conduct of licensees.
- Processing of cases related to gas pipeline capacity allocation and related gas transportation agreements.
- Monitor execution of RLNG pipeline infrastructure projects.
- Finalize review of TPA Rules.
- UFG Study of Gas Sector.
- Assist the GoP in conducting un-bundling exercise of Sui companies. Liaison with World Bank / International Donors in the matter.

8.2 Mid and Downstream Oil Sector

- Following Oil Depots are expected to be completed/ operational during next year:
 - i. Hascol Petroleum Limited at Keamari, Mehmood kot, Amangarh (Nowshera), Azakhail (Tarujabba), Shikarpur (additional) & Daulatpur (additional)
 - ii. Outreach Petroleum (Pvt.) Limited at Manga Mandi
 - iii. Kepler Petroleum (Pvt.) Limited at Daulatpur

- iv. Oilco Petroleum (Pvt) Limited at Machike
- v. Qulaity-1 Petroleum (Pvt) Limited at Mandara
- vi. Z&M Oils (Pvt.) Limited and Zoom Petroleum (Pvt.) Limited at Pattoki
- vii. Bakri Trading Company (Pvt) Limited at Shikarpur
- viii. Askar Oil Services (Pvt.) Limited at Machike
- Following Oil Depots are expected to be constructed during the next year:
 - i. Hascol Petroleum Limited at Thalian (Rawalpindi) & Kotla Jam (Bhakkar), Machike (2nd Installation)
 - ii. Hascol Terminals Limited at Thalian & Port Qasim
 - iii. Attock Petroleum Limited at Sahiwal
- Eleven New Oil Marketing Companies are expected to commence building infrastructure
- One Oil Refinery (Falcon Refinery) is expected to commence erection work

8.3 LPG Sector

A rapid growth of LPG auto-refueling stations is anticipated in near future. LPG marketing companies and OMCs are applying for a number of LPG storage / filling plants and LPG refueling stations in light of LPG Policy and Regulatory Framework. Further, it is expected that 8-10 companies will be granted licenses for marketing of LPG once satisfactory inspection of their LPG facilities is completed during FY 2016-17. It is also anticipated that a few production / extraction licenses would also be issued during next year.

8.4 Enforcement

OGRA is planning to include more activities which will further strengthen the role of the regulator to facilitate consumers. Some of the sector wise future planning is summarized hereunder:-

CNG

Conduct Safety Orientation for the owners of CNG Stations.



Petrol Pumps

Inspection of OMCs' retail outlets jointly with OMCs' representatives to motivate retailers not to indulge in any malpractices in their own interest.

LPG

- i. Surprise visits of manufacturing facilities of authorized manufactures of LPG cylinders and equipments.
- ii. Developing and implementation of Bowzers refueling procedure at Terminals and Producers;
- iii. Inspections of LPG Auto Refueling Stations.

8.5 Determination of Prices

- The process of notification of oil prices on monthly basis will continue.
- The deregulation of POL pricing will continue and IFEM management will be carried out coupled with enhanced number of depots to curtail abrupt shortages in different parts of the country.
- OGRA will be notifying Kerosene ex-refinery prices including ex-depot price of Kerosene & E-10 Gasoline. OGRA will closely monitor the petroleum product prices in accordance with the Federal Government laid down criteria after deregulation in public interest.
- The process of determination and notification of well-head prices of natural gas under Section 6 (2) (w) and prescribed prices of gas companies, consumer prices under Section (8) of OGRA Ordinance will continue.
- Determination and notification of maximum sale price of CNG to be charged by a licensee from the consumer under Rule 13 of CNG (Production & Marketing), Rules, 1992 as and when required.
- Determination of RLNG price under Petroleum Product (Petroleum Levy) Ordinance, 1961 and Petroleum Products (Petroleum Levy) Rules, 1967 in accordance with the Federal Government approved formula.



8.6 Complaints

Redressal of complaints shall continue in accordance with OGRA's Complaint Resolution Procedure Regulations, 2003 in the same spirit as for current year. Complaints shall be decided well within the prescribed period of 90 days by Designated Officers strictly on merit.

8.7 Capacity Building

Staff development and training is vital and ongoing need of every progressive organization. All grades of personnel need continuous, rationalized and latest knowledge in their relevant fields on variety of technical and occupational issues. OGRA will continue to send its officers to the various training programs in addition to the opportunity of participation in various foreign trainings. Contracts for conducting institutional developments studies will also be awarded to the individual consultant / firms on need basis.



Appendices



Appendix - I

Regulatory Framework

Rules, Notified and Adopted

Sr. No.	Rules	Notification Date
1.	Natural Gas (Licensing) Rules, 2002 ⁰	26-Feb-02
2.	Natural Gas (Tariff) Rules, 2002	23-Nov-02
3.	Compressed Natural Gas (Production and Marketing) Rules, 1992*	15-Mar-03
4.	Liquefied Petroleum Gas (Production and Distribution) Rules, 2001*	15-Mar-03
5.	Budget Committee Rules, 2004	30-Dec-04
6.	Liquefied Natural Gas (LNG) Rules, 2007	26-May-07
7.	OGRA Natural Gas (Regulated Third Party Access) Rules, 2012	24-Apr-12
8.	Pakistan (Refining, Blending, Transportation, Storage and Marketing) Rules, 2016 for substitution of Pakistan (Refining, Blending, Transportation, Storage and Marketing) Rules, 1971.	25-Jan-16

Note⁰: Inherited from Natural Gas Regulatory Authority

Note*: Rules No. (3), (4) Notified by the Ministry of Petroleum and Natural Resources are adopted under Section 44(3) of the Ordinance.

Regulations/Technical Standards Notified

Sr. No.	Regulations	Notification Date
1.	Complaint Resolution Procedure (Natural Gas, CNG and LPG) Regulations (CRPR), 2003	03-Sep-03
2.	Performance and Service Standards for Gas Utilities	03-Sep-03
3.	Natural Gas Uniform Accounting Regulations, 2003	17-Feb-04
4.	Natural Gas Transmission (Technical Standards) Regulations, 2004	05-Aug-04
5.	Natural Gas Distribution (Technical Standards) Regulations, 2004	05-Aug-04
6.	OGRA Financial Regulations, 2005	11-Jan-05
7.	OGRA Service Regulations, 2005	31-Jan-05
8.	Natural Gas (Well Head Price) Regulations, 2009	08-Apr-09
9.	Oil Transportation (Pipeline) Technical Standards	02-Jul-09
10.	Technical Standards for Petroleum Industry (Retail Outlet)	02-Jul-09
11.	Technical Standards for Petroleum Industry (Depots for Storage of Petroleum Products).	02-Jul-09
12.	Standard technical Specification for Equipment and Materials used in Natural Gas Transmission Network, 2009	29-Jul-09

13.	Technical Standards for Oil Refineries	24-Sep-09
14.	Technical Standards for Petroleum Industry (Road Transport Vehicles, Containers and Equipment Used for the Transportation of Petroleum Products)	09-Oct-09

Amendments in Rules, Regulations and Standards

Sr.No.	Rules, Regulations & Standards	Date
1.	Amendment in OGRA Service Regulations, 2005	11-May-12
2.	Amendment in CRPR incorporating Refined Oil Products	17-Nov-06
3.	Amendment in CNG Rules, 1992 (Rule 2)	21-Oct-08
4.	Amendment in OGRA Ordinance, 2002 (Section 43 C)	17-Feb-09
5.	Amendment in CNG Rules, 1992 (Rule 2)	04-Apr-09
6.	Amendment in LPG Rules, 2001 (Appendix V)	17-Oct-08
7.	Amendment in LPG (Production & Distribution) Rules, 2001	10-Mar-07
8.	Amendment in Complaint Resolution Procedure (NG, CNG and LPG) Regulations, 2003	10-May-05
9.	Amendment in Complaint Resolution Procedure (NG, CNG and LPG) Regulations, 2003	11-Nov-05
10.	Amendment in Natural Gas (Licensing) Rules, 2002	09-Dec-05
11.	Amendment in OGRA Ordinance, 2002 (Section 43 A)	11-Nov-02
12.	Amendment in OGRA Service Regulations, 2005	22-Dec-05
13.	Amendment in LPG Rules, 2001 (Rule 2,3,5,6,7,8, & 18)	17-Mar-07
14..	Amendment in OGRA Ordinance, 2002 (Section 3)	02-Feb-08
15.	Amendment in OGRA Ordinance, 2002 (Section 43 B)	17-Feb-09
16.	Amendment in OGRA Service Regulations, 2005	05-Mar-09
17.	Amendment in LPG Rules, 2001 (Appendix II, III & V)	04-Aug-09
18.	Amendment in LPG Rules, 2001 (Rule 5)	09-Sep-09
19.	Amendment in Natural Gas (Well Head Price) Regulations, 2009	10-Oct-09
20.	Amendment in LPG Rules, 2001 (Appendix V)	04-Apr-11
21.	Amendment in LPG (Production & Distribution) Rules, 2001	26-Dec-13
22.	Amendment in LPG (Production & Distribution) Rules, 2001	25-Apr-14
23.	Amendment to OGRA Service Regulation, 2005 (Regulation 19A)	07-Jul-2014
24.	Amendment to OGRA Service Regulations, 2005 (Regulation 84)	30-Sept-15
25.	Amendment to OGRA Service Regulations, 2005 (Appendix B)	23-Dec-15
26.	Amendment to OGRA Service Regulations, 2005 (Regulation 30, 80 & 92)	23-Dec-15
27.	Amendment to OGRA Service Regulations, 2005 (Regulation 80 & 105)	16-Mar-16
28.	Amendment to OGRA Service Regulations, 2005 (Chapter – XVII)	22-Jun-16

**OGRA Prescribes/Enforces the following:**

- Performance and Service standards and other operating conditions.
- Standards for equipments and materials to be used in undertaking regulated activities
- Technical standards for transmission and distribution of natural gas.
- Standards and specification for refined oil products.
- CNG and LPG rules
- Codes of Technical Standards for construction of terminal/storages

OGRA carries out regularly the following:.

- Testing of quality of petroleum products.
- Sites visits and inspections.

Appendix - II

Natural Gas/LNG Licences Issued by OGRA

S. No.	Company	Type of License	Date of Issue
1.	SNGPL	Transmission, Distribution, & Sale of Natural Gas in the Punjab, KPK, AJK, FATA and Some Parts of Sindh	3-Sep-03
2.	SSGCL	Transmission, Distribution, and Sale of Natural Gas in Sindh and Balochistan	3-Sep-03
3.	Mari Gas Company Ltd.	Sale of Natural Gas to Fauji Fertilizer Company Limited (FFCL), Engro Chemicals Pakistan Limited (ECPL) and Central Power Generation Company Limited (CPGCL)	11-Aug-04
4.	PPL	Sale of Natural Gas to CPGCL	23-Nov-04
5.	OGDCL	Transmission and Sale of Natural Gas to Uch Power Plant	30-Dec-04
6.	OGDCL	Sale of Natural Gas to Fauji Kabirwala Power Company Limited	30-Dec-04
7.	OGDCL	Sale of Natural Gas to Altern Energy	30-Dec-04
8.	FFCL	Transmission of Natural Gas	7-Apr-05
9.	ECPL	Transmission of Natural Gas	7-Apr-05
10.	CPGCL	Transmission of Natural Gas	14-Apr-05
11.	Fatima Fertilizer Company Ltd.	Transmission of Natural Gas	16-Apr-07
12.	Foundation Power Company Ltd.	Transmission of Natural Gas	27-Aug-07
13.	Star Power Generation Ltd.	Transmission of Natural Gas	30-Jan-08
14..	SNGPL	Gas Storage Facility at Lila Town- Punjab	30-Apr-08
15.	Pakistan GasPort Ltd.	Construction Licence of LNG Receiving Terminal, Operation, Sales and Marketing of RLNG/LNG. (Port Qasim, Karachi)	3-Oct-11
16.	Global Energy Infrastructure Ltd.	Construction Licence of LNG Receiving Terminal, Operation, Sales and Marketing of RLNG/LNG. (Port Qasim, Karachi)	3-Oct-11
17.	Elengy Terminal Pakistan Ltd., Karachi	Construction and Operation Licence of LNG Receiving Terminal (Port Qasim, Karachi)	3-Oct-11
19.	Engro Elengy Terminal Ltd.	Construction and Operation Licence of LNG Receiving Terminal (Chemical Handling Facility at Gharo Creek, Port Qasim, Karachi)	18-Jun-14
20.	OGDCL.	Sale Of Natural Gas Agreement from Nur and Bagla Fields to SSGCL.	9-Jul-13
21	Mari Petroleum Company Ltd.	Sale Of Natural Gas From Mari Field Dharki to Engro Fertilized Ltd.	24-Jul-13
22.	SSGCL	Amendment to Gas Sale Agreement with DHA Cogen Limited.	23-Aug-13



23.	SSGCL	Sale of Natural Gas to Sindh Nooriabad Power Company Pvt. Ltd and Sindh Nooriabad Power Company Phase-II Pvt. Ltd.	1-Jan-14
24.	Pakistan Oilfields Ltd.	Sale of Natural Gas from Pariwali Field POL to SNGPL	1-Jan-14
25.	Engro Fertilizer Co. Ltd.	Licence for Transmission of Natural Gas from Reti Meru Gas Field to Engro Plant at Daharki	13-Jun-14
26.	OGDCL	Licence for Transmission and Sale of Natural Gas from UCH Gas Field Plant in Dera Murad Jamali (Balochistan) through already Existing Pipeline of OGDCL.	26-Jun-14
27.	OGDCL	Licence for Sale Of Natural Gas from OGDCL's Reti Meru (Meru South) Gas Field in District Ghotki (Sindh) to Engro Fertilizers Ltd. Plant Located at Daharki (District Ghotki, Sindh)	26-Jun-14
28.	Engro Elengy Terminal Ltd.	Licence Granted to Carry Out Regulated Activity of Transmission of Natural Gas from Applicant's Jetty to Tie in Point at SMS Pakland.	02-Jul-14
29.	Universal Gas Distribution Company (Pvt) Limited	License granted to carry out the regulated activity of sale of natural gas to the end consumers, predominately CNG stations.	22-Feb-16
30.	Engro Elengy Terminal Limited (EETL)	Operation License of LNG Receiving Terminal (Gharo Creek, Port Qasim, Karachi).	Mar 18, 2016

Appendix - III

Consumer Gas Tariff Schedule for FY 2015-16

1) Sui Northern Gas Pipelines Limited					
2) Sui Southern Gas Company Limited					
Category		Sale Prices			
		w.e.f 01-07-2015	w.e.f 01.09.2015	w.e.f 01.01.2016	w.e.f 01.04.2016
Rs. / MMBTU					
(i)	A. Domestic Consumers				
	a)	Standalone Meters			
	b)	Mosques, Churches, Temples, Madrassas, other Religious Places and Hostels Attached thereto;			
	(i)	Upto 100 M ³ per month	106.14	110.00	110.00
		All off-takes at flat rate of			
	(ii)	Upto 300 M ³ per month	212.28	220.00	220.00
		All off-takes at flat rate of			
	(iii)	Over 300 M ³ per month	530.69	600.00	600.00
		All off-takes at flat rate of			
		Minimum Monthly Charges (Rs.)	143.29	148.50	148.50
	c)	Bulk Meters: Government and semi-Government offices and Hospitals, Clinics, Maternity Homes, Government Guest Houses, Armed Forces messes, Langars, Universities, Colleges, Schools and Private Educational Institutions, Orphanages and other Charitable Institutions alongwith Hostels and Residential Colonies to whom gas is supplied through bulk meters including captive power.			
		Sale Price:			
		All off-takes at flat rate of	530.69	600.00	600.00
		Minimum Monthly Charges (Rs.)	3,184.20	810.00	810.00
(ii)	B. Commercial Consumers: 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.				
		Sale Price:			
		All off-takes at flat rate of	636.83	700.00	700.00
		Minimum Monthly Charges (Rs.)	3,821.04	3,304.00	3,304.00
(iii)	C. Special Commercial (Roti Tandoors)				
	(i)	Upto 100 M ³ per month	106.14	110.00	110.00
		All off-takes at flat rate of			
	(ii)	Upto 300 M ³ per month	212.28	220.00	220.00
		All off-takes at flat rate of			
	(iii)	Over 300 M ³ per month	636.83	700.00	700.00
		All off-takes at flat rate of			
		Minimum Monthly Charges (Rs)	143.29	148.50	148.50
(iv)	D. Ice Factories				
		Sale Price	636.83	700.00	700.00



		Minimum Monthly Charges (Rs)	3,821.04	3,304.00	3,304.00	3,304.00
(v)		E. Industrial Consumers				
		Sale Price	488.23	600.00	600.00	600.00
		Minimum Monthly Charges (Rs)	16,463.14	20,232.00	20,232.00	20,232.00
(vi)		F. Captive Power				
		Sale Price	573.28	600.00	600.00	600.00
		Minimum Monthly Charges (Rs)	19,330.66	20,232.00	20,232.00	20,232.00
(vii)		G. CNG Stations				
		Sale Price	656.52	700.00	700.00	700.00
		Minimum Monthly Charges (Rs.)	22,138.76	23,604.00	23,604.00	23,604.00
(viii)		H. Cement Factories				
		Sale Price	742.97	750.00	750.00	750.00
		Minimum Monthly Charges (Rs)	25,053.41	25,290.00	25,290.00	25,290.00
(ix)		J. Fertilizer Factories				
(1)		Pak American Fertilizer Limited, Daudkhel.				
	(a)	Feed Stock	123.41	200.00	200.00	123.41
	(b)	Fuel	488.23	600.00	600.00	600.00
(2)		Pak Arab Fertilizer Limited, Multan.				
	(a)	Feed Stock	123.41	200.00	200.00	123.41
	(b)	Fuel	488.23	600.00	600.00	600.00
(3)	(a)	Dawood Hercules Chemicals Limited, Chichoki Malian, Sheikhpura District:				
		Feed Stock	123.41	200.00	200.00	123.41
	(b)	Fuel	488.23	600.00	600.00	600.00
(4)		Pak-China Fertilizer Limited / Hazara Phosphate Plant Limited, Haripur.				
	(a)	Feed Stock	123.41	200.00	200.00	123.41
	(b)	Fuel	488.23	600.00	600.00	600.00
(5)		ENGRO Fertilizer Company Limited				
	(a)	Feed Stock -NEW	70.61	70.61	72.73	72.73
	(b)	Fuel	488.23	600.00	600.00	600.00
(6)		Fauji Fertilizer Bin Qasim Ltd.				
	i)	Feed Stock upto 60MMCFD	123.41	200.00	200.00	123.41
	ii)	Additional allocation (10 MMCFD) Provisional	70.61	70.61	200.00	123.41
	iii)	Fuel	488.23	600.00	600.00	600.00
(x)		K. Power Stations				
		WAPDA/KESC				
	(a)	Sale Price	488.23	600.00	600.00	613.00
		Minimum Monthly Charges (Rs)	16,463.14	20,232.00	20,232.00	20,670.36
	(b)	WAPDA's Natural Gas Turbine Power Station, Nishatabad, Faisalabad.				



		Sale Price	488.23	600.00	600.00	613.00
		Fixed Monthly Charges (Rs)	975,000	975,000	975,000	975,000
	(c)	Liberty Power Limited, Dharki.				
		Sale Price	713.89	713.89	648.52	648.52
		Minimum Monthly Charges (Rs)	24,071.94	24,071.94	21,867.71	21,867.71
	(xi)	L. Independent Power Producers				
		Sale Price	488.23	600.00	600.00	613.00
		Minimum Monthly Charges (Rs)	16,463.14	20,232.00	20,232.00	20,670.36

Appendix - IV

Licenses issued by OGRA in LPG Sector

S. No	Name of Company	Type of License	Date of Issue
A. Licenses for LPG Production / Extraction Facilities			
1.	Pakistan Petroleum Limited	License for Construction of LPG Production / Extraction Facility	22-Sep-15
B. Licenses for LPG Air-Mix Plants			
1.	SSGCL	Marketing License for LPG Storage, Operation of Air-Mix LPG Plant and Distribution of Air-Mix LPG through Pipeline	29-Oct-15
C. Licenses for LPG Storage & Filling Plants			
1.	Blaze Gas	License for Storage Filling and Marketing of LPG	24-Aug-15
2.	Balochistan Minerals and Oils (Pvt.) Limited	License for Storage Filling and Marketing of LPG	26-Aug-15
3.	AU LPG (SMC-Pvt.) Limited	License for Storage Filling and Marketing of LPG	14-Sep-15
4.	Tatara Enterprises	License for Storage Filling and Marketing of LPG	22-Sep-15
5.	Badhan Traders	License for Storage Filling and Marketing of LPG	8-Oct-15
6.	Mianwali LPG (Pvt.) Limited	License for Construction of LPG Storage and Filling Plant	9-Oct-15
7.	Galaxy Energy Pakistan (Pvt.) Limited	License for Construction of LPG Storage and Filling Plant	12-Oct-15
8.	Kasur Gas Company (Pvt.) Limited	License for Construction of LPG Storage and Filling Plant	15-Oct-15
9.	Country Auto Gas (Pvt.) Limited	License for Construction of LPG Storage and Filling Plant	15-Oct-15
10.	Al-Khaleej Energy (Pvt.) Limited	License for Construction of LPG Storage and Filling Plant	21-Oct-15
11.	Petrotiger Engineering (SMC-Pvt.) Limited	License for Storage Filling and Marketing of LPG	26-Oct-16
12.	Noor Ardgan Gas (Pvt.) Limited	License for Construction of LPG Storage and Filling Plant	28-Oct-15
13.	Faar Distributors (Pvt.) Limited	License for Construction of LPG Storage and Filling Plant	29-Oct-15
14.	Lite Gas (Pvt.) Limited	License for Construction of LPG Storage and Filling Plant	29-Oct-15
15.	Flame Gas (Pvt.) Limited	License for Construction of LPG Storage and Filling Plant	11-Nov-15
16.	Zam Zam LPG (Pvt.) Limited	License for Construction of LPG Storage and Filling Plant	11-Nov-15
17.	Kazmi Engineering (Pvt.) Limited	License for Construction of LPG Storage and Filling Plant	11-Nov-15
18.	Warraich Gas (Pvt.) Limited	License for Construction of LPG Storage and Filling Plant	11-Nov-15

19.	Carawan Enterprises (Pvt.) Limited	License for Construction of LPG Storage and Filling Plant	11-Nov-15
20.	Chilton Gas (Pvt.) Limited	License for Construction of LPG Storage and Filling Plant	11-Nov-15
21.	Green LPG (Pvt.) Limited	License for Construction of LPG Storage and Filling Plant	11-Nov-15
22.	MSA Gas (Pvt.) Limited	License for Construction of LPG Storage and Filling Plant	11-Nov-15
23.	Petro Energy Solution (Pvt.) Limited	License for Construction of LPG Storage and Filling Plant	23-Nov-15
24.	Delta LPG (Pvt.) Limited	License for Construction of LPG Storage and Filling Plant	25-Nov-15
25.	Khan Gas (Pvt.) Limited	License for Construction of LPG Storage and Filling Plant	25-Nov-15
26.	Al-Basir LPG Filling Station (SMC-Pvt.) Limited	License for Construction of LPG Storage and Filling Plant	25-Nov-15
27.	Harmain LPG (Pvt.) Limited	License for Construction of LPG Storage and Filling Plant	25-Nov-15
28.	Jogezai Petroleum Company (Pvt.) Limited	License for Construction of LPG Storage and Filling Plant	3-Dec-15
29.	Rehman Petroleum & Gas Company (Pvt.) Limited	License for Storage Filling and Marketing of LPG	8-Dec-15
30.	Fabcon Energy (Pvt.) Limited	License for Construction of LPG Storage and Filling Plant	14-Dec-15
31.	Bashir Gas (Pvt.) Limited	License for Construction of LPG Storage and Filling Plant	17-Dec-15
32.	Zam Zam LPG (Pvt.) Limited	License for Construction of LPG Storage and Filling Plant	17-Dec-15
33.	Tanoly Oil & Gas (Pvt.) Limited	License for Construction of LPG Storage and Filling Plant	17-Dec-15
34.	Lub Gas (Pvt.) Limited	License for Storage Filling and Marketing of LPG	18-Dec-15
35.	Ayan Energy (Pvt.) Limited	License for Storage Filling and Marketing of LPG	6-Jan-16
36.	Kulanch Gas & Oil Company	License for Storage Filling and Marketing of LPG	7-Jan-16
37.	Sangla Petrogas (Pvt.) Limited	License for Storage Filling and Marketing of LPG	7-Jan-16
38.	Unity Exploration (Pvt.) Limited	License for Construction of LPG Storage and Filling Plant	15-Jan-16
39.	Aamir Muqadar (Pvt.) Limited	License for Construction of LPG Storage and Filling Plant	25-Jan-16
40.	Almas Gas (Pvt.) Limited	License for Construction of LPG Storage and Filling Plant	27-Jan-16
41.	Al-Naseem Gas (Pvt.) Limited	License for Construction of LPG Storage and Filling Plant	2-Feb-16
42.	Public Fuels (Pvt.) Limited	License for Construction of LPG Storage and Filling Plant	2-Feb-16
43.	Ramzan LPG (Pvt.) Limited	License for Construction of LPG Storage and Filling Plant	23-Feb-16
44.	Bhatti Associates (Pvt.) Limited	License for Construction of LPG Storage and Filling Plant	24-Feb-16
45.	Faiq Gas (Pvt.) Limited	License for Construction of LPG Storage and Filling Plant	24-Feb-16
46.	Clover Petroleum (Pvt.) Limited	License for Storage Filling and Marketing of LPG	26-Feb-16
47.	KH Energy (Pvt.) Limited	License for Construction of LPG Storage and Filling Plant	15-Mar-16
48.	GB LPG	License for Construction of LPG Storage and Filling Plant	30-Mar-16



49.	GOLD GAS	License for Storage Filling and Marketing of LPG	5-Apr-16
50.	Jalal Enterprises	License for Storage Filling and Marketing of LPG	5-Apr-16
51.	3 Star LPG (Pvt.) Limited	License for Storage Filling and Marketing of LPG	20-Apr-16
52.	Mecom Gas (Pvt.) Limited	Extension in Marketing license granted for 15 years	22-Apr-16
D. Licenses for LPG Auto Refueling Stations			
1.	Pyramid Gas - Al-Nafu CNG	License for Construction of LPG Auto Refueling Station	27-Aug-15
2.	Pyramid Gas - Fahad Sheraz CNG F/S	License for Construction of LPG Auto Refueling Station	27-Aug-15
3.	Pyramid Gas - Tarar Filling Station & LPG ARS	License for Construction of LPG Auto Refueling Station	27-Aug-15
4.	Nathan Shah LPG Station	License for Construction of LPG Auto Refueling Station	27-Aug-15
5.	Hascol Petroleum Limited - Energy Petroleum Service Karachi	License for Construction of LPG Auto Refueling Station	27-Aug-15
6.	Shabbir LPG Auto Filling Station - Rawalpindi	License for Construction of LPG Auto Refueling Station	23-Sep-15
7.	J.K Energy Resources (Pvt.) Ltd.	License for Construction of LPG Auto Refueling Station	23-Sep-15
8.	Rai Sikandar Energy	License for Construction of LPG Auto Refueling Station	30-Sep-15
9.	Pyramid Gas - Anayat CNG	License for Construction of LPG Auto Refueling Station	6-Oct-15
10.	Motorway CNG Station - RY Khan	License for Construction of LPG Auto Refueling Station	6-Oct-15
11.	Bacha LPG Auto Refueling Station	License for Construction of LPG Auto Refueling Station	6-Oct-15
12.	Country Auto Gas - Mugheri LPG ARS	License for Construction of LPG Auto Refueling Station	14-Oct-15
13.	Country Auto Gas - Mugheri LPG ARS	License for Construction of LPG Auto Refueling Station	14-Oct-15
14.	Country Auto Gas - Shaikh LPG ARS	License for Construction of LPG Auto Refueling Station	18-Nov-15
15.	Country Auto Gas - Baloch LPG ARS	License for Construction of LPG Auto Refueling Station	7-Dec-15
16.	Pyramid Gas - Faisalabad	License for Construction of LPG Auto Refueling Station	17-Dec-15
17.	Long Way CNG	License for Storage and Refueling of LPG	23-Dec-15
18.	Pyramid Gas - Sheikhpura	License for Construction of LPG Auto Refueling Station	15-Jan-16
19.	Imperial Gases (Power Plus CNG)	License for Construction of LPG Auto Refueling Station	19-Jan-16
20.	Country Auto Gas	License for Construction of LPG Auto Refueling Station	23-Feb-16
21.	Urban CNG Station	License for Construction of LPG Auto Refueling Station	23-Feb-16
22.	Motorway CNG Operator Co. Lts	License for Construction of LPG Auto Refueling Station	22-Mar-16
23.	Hascol Petroleum Limited	License for Construction of LPG Auto Refueling Station	25-Mar-16
24.	Al Yousaf CNG Filling Station	License for Construction of LPG Auto Refueling Station	28-Mar-16
25.	Global Enterprises	License for Construction of LPG Auto Refueling Station	1-Apr-16



Abbreviations and Acronyms

AJK	Azad Jammu & Kashmir
API	American Petroleum Institute
ARL	Attock Refinery Ltd.
BBTU	Billion British Thermal Unit
BCF	Billion Cubic Feet
BTU	British Thermal Unit
CCI	Council of Common Interest
CCTV	Close Circuit Television
CIE	Chief Inspector Explosives
CMS	Consumer Meter Station
CNG	Compressed Natural Gas
CP	Contract Price
CPGCL	Central Power Generation Company Ltd.
CPI	Consumer Price Index
CRPR	Complaint Resolution Procedure Regulations
DCO	District Coordination Officer
DERR	Determination of Estimated Revenue Requirement
DHDS	Diesel Hydro De-Sulphurization
DO	Designated Officer
DSME	Daewoo Shipbuilding & Marine Engineering Company
E-10	Ethanol Blended Gasoline
ECC	Economic Coordination Committee
ECPL	Engro Chemicals Pakistan Ltd.
EETL	Engro Elengy Terminal Ltd.
ERR	Estimated Revenue Requirement
ETP	Elengy Terminal Pakistan Limited
EWT	Extended Well Test
FATA	Federally Administered Tribal Areas
FBR	Federal Board of Revenue
FFCL	Fauji Fertilizer Company Ltd.
FIA	Federal Investigation Agency
Fig	Figure
FG	Federal Government
FOB	Free On Board



FOTCO	Fauji Oil Terminal Company
FRR	Final Revenue Requirement
FY	Fiscal Year/Financial Year
GEIP	Global Energy Infrastructure Limited
GHPL	Government Holdings Private Limited
GIDC	Gas Infrastructure Development Cess
GoP	Government of Pakistan
GSA	Gas Sale Agreement
GSPA	Gas Sale Purchase Agreement
HBA	House Building Allowance
HDIP	Hydrocarbon Development Institute of Pakistan
HOBC	High Octane Blending Component
HP	Horse Power
HR	Human Resource
HSD	High Speed Diesel
HSFO	High Sulphur Fuel Oil
IA	Implementation Agreement
IAS	International Accounting Standards
ICMA	Institute of Cost and Management Accountants
IFEM	Inland Freight Equalization Margin
IPP	Independent Power Producers / Import Parity Price
IT	Information Technology
JP	Jet Propellant (Aviation Fuel)
KERO	Kerosene Oil
KESC	Karachi Electric Supply Company
Km	Kilometer
KP	Khyber Pakhtunkhwa
LAN	Local Area Network
LDO	Light Diesel Oil
LNG	Liquefied Natural Gas
LPG	Liquefied Petroleum Gas
LPS	Late Payment Surcharge
LUMS	Lahore University of Management Sciences
MMBTU	Million British Thermal Unit
MMcfd	Million Cubic Feet per Day
MP&NR	Ministry of Petroleum & Natural Resources



MS	Motor Spirit
NAB	National Accountability Bureau
NFPA	National Fire Protection Association
NGEP	Natural Gas Efficiency Project
NGLR	Natural Gas Licensing Rules
NGRA	Natural Gas Regulatory Authority
NICT R&D	National Information, Communication, Telecom Research & Development
NRL	National Refinery Ltd.
OCL	Ocean Pakistan Ltd.
OGDCL	Oil and Gas Development Company Ltd.
OGRA	Oil and Gas Regulatory Authority
OMC	Oil Marketing Company
OPL	Ocean Pakistan Ltd.
PARCO	Pak-Arab Refinery Company
PDC	Price Differential Claim
PGPL	Pakistan Gasport Limited
PL	Petroleum Levy
POL	Petroleum Oil Lubricant / Pakistan Oil Field Ltd.
PPL	Pakistan Petroleum Ltd
PPRA	Public Procurement Regulatory Authority
PRL	Pakistan Refinery Ltd.
PSEB	Pakistan Software Export Board
PSO	Pakistan State Oil
PTCL	Pakistan Telecommunication Company Limited
QPL	Quetta Pipeline
QTPL	Quaid-e-Azam Thermal Power Limited
RERR	Review of Estimated Revenue Requirement
RLNG	Regasified Liquid Natural Gas
RR	Revenue Requirement
Rs.	Rupees
SCADA	Supervisory Control and Data Acquisition
SKO	Superior Kerosene Oil
SMS	Sales Meter Station
SNGPL	Sui Northern Gas Pipelines Ltd
SOP	Standard Operating Procedures
SRO	Statutory Regulatory Order



SSGCL	Sui Southern Gas Company Ltd.
T&D	Transmission & Distribution
TBS	Town Border Station
TIP	Telephone Industries of Pakistan
TPA	Third Party Access
TPI	Third Party Inspector
TRS	Town Regulating Station
UFG	Unaccounted for Gas
US\$	US Dollar
USA	United States of America
USAID	United States Agency for International Development
WACOG	Weighted Average Cost of Gas
WAPDA	Water and Power Development Authority



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