



Oil & Gas Regulatory Authority



Annual Report 2009-2010



Mission Statement

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

The Authority



Mir Kamal Marri
Vice Chairman/Member Finance

Tauqir Sadiq
Chairman

Mansoor Muzaffar Ali
Member Gas

Senior Officers



Left to Right (Sitting):

Muazzam Hussain Ch. (Executive Director), Muhammad Yasin (Executive Director), Javed Nazir (Senior Executive Director), Sarmad Aslam (Executive Director), Zainulabideen Qureshi (Executive Director)

Left to Right (Standing):

Noor-ul-Haq (Executive Director), Lt. Col. (R) Farrukh Nadeem (Secretary), Anwar Ali Sheikh (Executive Director)



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Abbreviations and Acronyms

AIT	Abadan Institute of Technology
AJK	Azad Jammu & Kashmir
APCNGA	All Pakistan CNG Association
API	American Petroleum Institute
APL	Attock Petroleum Ltd
ARL	Attock Refinery Limited
BBL	Barrels
BBTU	Billion British Thermal Unit
BPL	Bosicor Pakistan Limited
BTU	British Thermal Unit
C&F	Cost & Freight
CDA	Capital Development Authority
CNG	Compressed Natural Gas
CPGCL	Central Power Generation Company Limited
CPL	Chevron Pakistan Limited
CRL	Coastal Refinery Limited
CRPR	Complaint Resolution Procedure Regulations
DCO	District Coordination Officer
DERR	Determination of Estimated Revenue Requirement
DWP	Development Working Party
E-10	Ethanol Blended Gasoline
ECC	Economic Coordination Committee
ECPL	Engro Chemicals Pakistan Limited
ERR	Estimated Revenue Requirement
EVC	Electronic Volume Corrector
EVTL	Engro Vopak Terminal Limited
FATA	Federal Administered Tribal Areas
FFCL	Fauji Fertilizer Company Limited
FFCL	Fatima Fertilizer Company Limited
Fig	Figure
FOB	Free on Board
FPCDL	Foundation Power Company (Daharki) Limited
FRR	Final Revenue Requirement
FY	Fiscal Year/Financial Year
GDS	Gas Development Surcharge
GIREP	Gas Infrastructure Rehabilitation and Expansion Project
GoP	Government of Pakistan
GSA	Gas Sale Agreement

GTA	Gas Transportation Agreement
HDIP	Hydrocarbon Development Institute of Pakistan
HM	Hecto Meter
HOBC	High Octane Blending Component
HR	Human Resource
HSD	High Speed Diesel
HSFO	High Sulfur Fuel Oil
IA	Implementation Agreement
IDLO	International Development Law Organization
IFEM	Inland Freight Equalization Margin
IPP	Import Parity Price
IPP	Independent Power Producer
IRBP	Indus Right Bank Pipeline
IT	Information Technology
JP	Jet Propellant (Aviation Fuel)
KAPCO	Kot Addu Power Company
KERO	Kerosene Oil
KESC	Karachi Electric Supply Corporation
Km	Kilometer
KPK	Khyber-Pakhtun-Khwa
LAN	Local Area Network
LDO	Light Diesel Oil
LNG	Liquefied Natural Gas
LPG	Liquefied Petroleum Gas
LPS	Late Payment Surcharge
MGCL	Mari Gas Company Ltd.
MMBTU	Million British Thermal Unit
MMcfd	Million Cubic Feet per Day
MMCFT	Million Cubic Feet
MOGAS	Motor Gasoline
MP&NR	Ministry of Petroleum & Natural Resources
MS	Motor Spirit
MT	Metric Tons
NFPA	National Fire Protection Association
NGRA	Natural Gas Regulatory Authority
NOC	No Objection Certificate
NRL	National Refinery Limited
OGDCL	Oil and Gas Development Company Limited
OGRA	Oil and Gas Regulatory Authority
OMC	Oil Marketing Company
OOTCL	Overseas Oil Trading Company Limited
PAFL	Pak American Fertilizer Ltd

PARCO	Pak-Arab Refinery Company
PASSCO	Pakistan Agriculture Storage and Supplies Corporation
PC	Planning Commission
PDC	Petroleum Differential Claim
PGPL	Pakistan Gas Port Limited
PL	Petroleum Levy
POL	Petroleum Oil Lubricant
PPL	Pakistan Petroleum Ltd
PRL	Pakistan Refinery Limited
PRTI	Petro Research Training Institute
PSO	Pakistan State Oil
PSPA	Pakistan Steel Line Pipe Industry Association
QPCEP	Quetta Pipeline Capacity Expansion Project
QPL	Quetta Pipeline
RCD	Regional Cooperation for Development
RERR	Review of Estimated Revenue Requirement
RLNG	Re-gasified Liquid Natural Gas
RON	Research Octane Number
ROW	Right of Way
RR	Revenue Requirement
Rs.	Rupees
SAFIR	South Asia Forum for Infrastructure Regulation
SBM	Single Buoy Mooring
SECP	Securities and Exchange Commission of Pakistan
SKO	Superior Kerosene Oil
SNGPL	Sui Northern Gas Pipelines Ltd
SOP	Standard Operating Procedure
SPGL	Star Power Generation Limited
SPL	Shell Pakistan Limited
SRO	Statutory Regulatory Order
SSGCL	Sui Southern Gas Company Ltd
T&D	Transmission & Distribution
UET	University of Engineering & Technology
UFG	Unaccounted for Gas
USA	United States of America
US\$	US Dollar
WACOG	Weighted Average Cost of Gas
WAPDA	Water and Power Development Authority
WOP	White Oil Pipeline



Chairman's Review

1. CHAIRMAN'S REVIEW

It gives me great pleasure to present the 8th Annual Report of OGRA's performance for the year ended June 30, 2010 in pursuance of Section 20 (1) (a) of the OGRA Ordinance, 2002.

During FY 2009-10 OGRA has been quite successful in achieving its objective 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 has made significant progress during FY 2009-10 towards furthering the objectives of its establishment. A new aspect of OGRA activities is establishment of Enforcement Department in October 2009 with available manpower to enforce its Ordinance, Rules, Regulations and Licence Conditions for delivery of quality products to the public in right quantity at notified prices. This department ensures effective implementation and monitoring through efficient mechanism of checks and balance on the operations of the licensees and better functioning of regulatory framework promulgated by the Authority.

Since establishment of the Enforcement Department, more than 401 petrol pumps of Oil Marketing Companies (OMCs) were inspected to check the prices and stocks of Petroleum, Oil & Lubricants (POL), 134 Compressed Natural Gas (CNG) stations have been examined to confirm the observance to the refueling procedure, dispensing pressure and overcharging. In addition, 45 distributor premises of Liquefied Petroleum Gas (LPG) marketing companies were visited to check overcharging, ensure availability of LPG and adherence to minimum safety requirements. Overall, 580 Oil, LPG and CNG facilities were inspected, 329 show cause notices, 129 warnings and 113 fines amounting to Rs. 5 million were imposed.

The other main feature of the OGRA activities was the notification of oil technical standards pertaining to (i) Oil Transportation (Pipeline) Technical Standards, (ii) Technical Standards for Petroleum Industry (Retail Outlet), (iii) Technical Standards for Petroleum Industry (Depots for Storage of Petroleum Products), (iv) Technical Standards for Oil Refineries and (v) Technical Standards for Petroleum Industry (Road Transport Vehicles, Containers and Equipment used for the Transportation of Petroleum Products).

OGRA also remained fully engaged in determination of revenue requirements/prescribed prices of gas utilities, expeditious resolution of complaints and litigation cases against its regulated companies, and drafting of new rules and regulations. Activities carried out also included the grant of licences for marketing of Compressed Natural Gas, construction of storage and filling facilities and marketing of Liquefied Petroleum Gas and extension of licences for oil marketing companies, permission for setting up oil terminal/storages and registration of lube oil blending/reclamation plants.

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% Sui Southern Gas Company Limited (SSGCL) and 17.5% Sui Northern Gas Pipelines Limited (SNGPL) on their net operating fixed assets before tax and financial charges. During the year under review, the Authority decided ten

cases including four motions for review of its decisions relating to 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 issued eighty-seven well-head gas price notifications for forty-six gas fields and twelve notifications of ex-depot sale price of petroleum products.

The Authority issued four notifications of prescribed prices for both the gas utilities SSGCL and SNGPL during FY 2009-10. In accordance with the provisions of the OGRA Ordinance, the Authority also notified the sale prices of natural gas for each category of consumers. The differential between the prescribed prices and sale prices is paid by the gas companies as Gas Development Surcharge (GDS) to the government.

Unaccounted for Gas (UFG) levels of SSGCL and SNGPL have been a major concern for the Authority as 1% of UFG of both the companies at an average price of gas in FY 2009-10 translated to revenue loss of about 2.49 billion rupees per year. OGRA has fixed targets in respect of UFG (line losses) and the human resource cost to improve operational efficiency of the companies. As a consequence of enforcement of the UFG targets during FY 2009-10, an additional burden of Rs. 2.89 billion (Rs. 3.01/MMBTU) on gas consumers was avoided as the companies absorbed it from their own profit. This is motivating the gas utilities to initiate effective measures for improving operational efficiency, in order to achieve the said targets and to retain the benefits.

Another important aspect of OGRA's functions is the redressal of consumers' complaints against the oil, gas companies and 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 separate department for complaint redressal receives public complaints and processes the same to provide quick and effective relief to the consumers. During FY 2009-10 OGRA received 1,778 complaints and 1,907 (including carry forward complaints of previous year) were resolved. On the intervention of OGRA, gas utilities provided 469 gas connections and relief of Rs. 56 million to consumers during 2009-10.

The Authority has also created a litigation cell, to handle the litigation cases. During FY 2009-10, 104 court cases have been received by OGRA, out of which 10 cases have been resolved and 78 cases are pending.

The Authority approved 2 gas sale agreements between producers and licensees and 2 gas sale/supply agreements between licensees and large retail consumers. OGRA granted approval of SSGCL/SNGPL's projects related to expansion in the transmission and distribution networks, 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.

OGRA was empowered under the OGRA Ordinance, 2002 to regulate the CNG sector with effect from 15th March, 2003 under the CNG (Production & Marketing) Rules 1992. During FY 2009-10,

OGRA granted 301 marketing licences after receiving satisfactory inspection report from third party inspectors. Pakistan is one of the largest CNG users in the world having 3,171 operational CNG stations in different parts of the country as on 30th June, 2010. In addition it is envisaged that an investment of Rs. 6.5 billion has been made in this fiscal year thus contributing to an overall investment of Rs. 83 billion direct and indirect in this sector.

The regulatory functions of LPG were transferred from Ministry of Petroleum & Natural Resources (MP&NR) to OGRA on March 15, 2003 and since then OGRA has been regulating the sector in accordance with LPG (Production & Distribution) Rules, 2001 and the deregulation policy of the Federal Government. During the year, OGRA issued 3 licences for marketing of LPG while 7 licences have been issued for construction of LPG storage and filling facilities at various locations. In addition, 2 production licences for LPG and 7 licences for construction of LPG auto refueling stations were granted. During FY 2009-10, an investment of Rs. 0.85 billion has been made in the LPG supply infrastructure whereas total investment in the sector till date, is estimated at about Rs.14.5 billion.

The Federal Government enforced the provisions of sub-section (3) of Section 23; and (a) and (b) of sub-section (3) of Section 44 of the OGRA Ordinance 2002 with effect from 15th March 2006, empowering the Authority to regulate midstream and downstream oil sector in the country under the existing Pakistan Petroleum (Refining, Blending and Marketing) Rules 1971. During FY 2009-10, M/s Attock Petroleum Ltd completed construction/installation of oil terminal/storage facility at Machike having capacity of 7,300 M. Ton. OGRA granted permission to the company for commercial operation after having satisfactory compliance report with the technical standards. The Authority also registered six Lube Oil Blending/Reclamation Plants after 3rd Party Certification through HDIP, and conformity of the plants with the mandatory technical requirements. OGRA, in its endeavor to ensure the quality of POL products, carried out 122 and 276 inspections/quality checks at OMCs depots and imported cargoes, respectively. Moreover 408 quality checks/inspections were carried out at 175 lube blending plants. The number of quality checks for the first three quarters made on retail outlets across the country were 29,961.

I would like to pay tribute to our employees who are the most valuable resource of the organization whose commitment and hard work during the last eight 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 fulfillment 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.

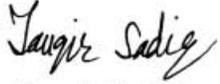
In order to face the challenging conditions prevalent in Pakistan, especially in the Energy Sector, we need to put in our collaborated efforts for a prosperous sustainable future, both at organizational and national levels.

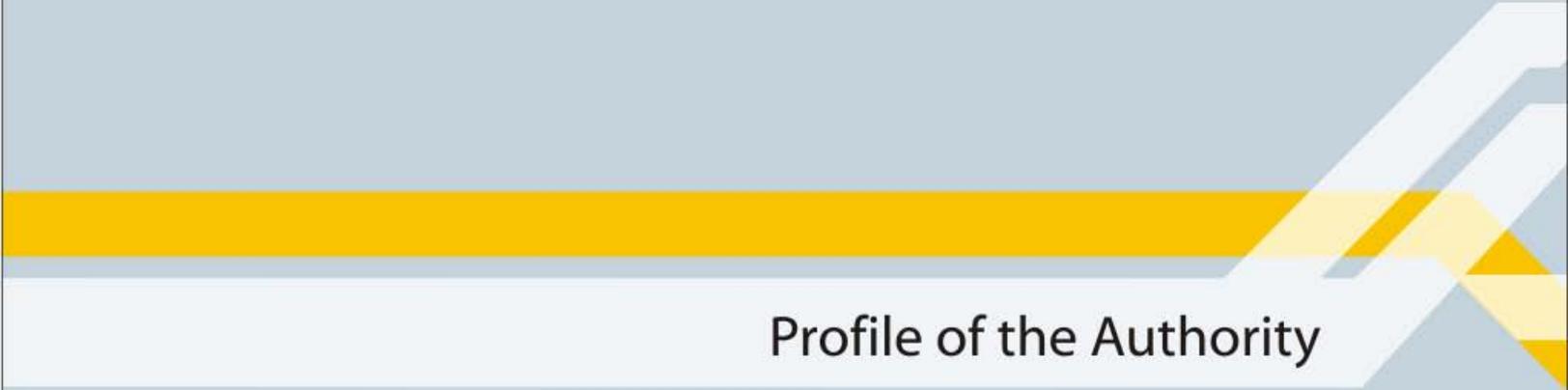
Due to its relentless pursuit of quality and efficiency in the regulatory sphere, OGRA has earned a respectable repute of being an impartial and effective regulator.

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.

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

Islamabad
December 1, 2010


(Tauqir Sadiq)
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 and 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. Tauqir Sadiq

Mr. Tauqir Sadiq assumed his duties as Chairman, OGRA on 22.07.2009. He is a Law Graduate with specialization in Regulations (Subordinate Legislation). His professional experience, of more than 22 years, is a fine blend of proficiency in Corporate Law, Regulatory Affairs, Organizational Reforms & Restructuring and Organizational Development. Mr. Tauqir is a distinguished expert, one of the first generation Regulatory affairs' professionals in Pakistan, possessing thorough knowledge of Regulatory and Corporate matters. He is a professional with sound judgment and decisiveness.

Through his progressive thinking, leadership qualities and strong expertise in regulatory functions he played the role of a catalyst in successful restructuring and development of various well reputed organizations. Mr. Tauqir's multi-dimensional career spans from Law and Regulatory practice, to the role of a visionary leader and a change manager in organizations like Wah Nobel, SECP, PASSCO and OGRA. His multi-dimensional professional expertise has also been sought at various fora for training of professionals and he has been a part of the visiting faculty of prestigious professional legal educational institutions in Pakistan for more than 10 years.

Mr. Tauqir has attended a range of Regulatory training programs. His experience in Regulatory Systems, Corporate Governance, Restructuring and Organizational Development made him worthy of attending various high level training programs organized, both nationally and internationally e.g. courses arranged by South Asia Forum for Infrastructure Regulation (SAFIR). He was also amongst the few selected Regulatory practitioners from the third world countries worldwide, selected for a very special training course on Regulations namely Strengthening Domestic Regulatory Systems for Effective Public and Corporate Governance, held in Italy, arranged by International Development Law Organization (IDLO).

Mr. Tauqir was among the first team inducted in OGRA and worked as Legal Head and Registrar in the year 2003. Complaints department was created during his stay with the objective of providing quick relief and satisfaction to the customers/consumers of gas. Through his strategic and tactical management expertise, Wah Nobel Group's pretax profits were uplifted in an outstanding manner, from about Rs. 175 million to Rs. 500 million plus, within a year's time.

Under the stewardship of Mr. Tauqir Sadiq, OGRA's transformation of the transparent and effective Regulatory body is anticipated. Besides consolidation in the core areas of Regulation, he is pursuing a string of strategic initiatives for restructuring and development of OGRA as an organization.



2.1.2 Vice Chairman/Member (Finance)

Mir Kamal Marri

Mir Kamal Marri was appointed as Member (Finance) on May 15, 2009 and subsequently designated as Vice Chairman on October 04, 2010. He holds Bachelor's degree in Petroleum and Gas Engineering from University of Engineering and Technology, Lahore and Master in Business Administration from Drexel University, Philadelphia USA. He has to his credit over twenty year's exposure in senior management position in the field of finance, management, budgeting, planning, capital markets and human resource development. He had played an important role in the planning, restructuring and reform of state owned entities and also prepared strategic framework / privatization road map of SSGCL, OGDCL, PPL, NRL & PSO. He had been involved in the restructuring and privatization of mining sector. He had also managed various development projects pertaining to oil and gas exploration. He has a unique blend of exposure of both the public as well as private sector.



2.1.3 Member (Gas)

Mr. Mansoor Muzaffar Ali

Mr. Mansoor Muzaffar Ali joined OGRA as Member (Gas) on August 30, 2010.

Mr. Mansoor holds Bachelor's Degree in Natural Gas Engineering on RCD scholarship from Abadan Institute of Oil Technology, Iran, (AIT). Prior to joining AIT, he was doing Mechanical Engineering in UET, Lahore. Subsequently, he has done postgraduate fellowship in Nuclear Engineering from Center for Nuclear Studies Quaid-i-Azam University, Islamabad. He has also accomplished a Mid-Career Professional Course on Petroleum Management at Boston, USA in 1987.

Mr. Mansoor, Ex-Director General (Gas), has a diversified work experience of more than 30 years in the Directorate General Gas, Ministry of Petroleum and Natural Resources, during which he has also worked briefly in the upstream sector with M/s Orient Petroleum International as Manager Joint Ventures.

Mr. Mansoor has remained on the Board of Directors of M/s Sui Northern Gas Pipelines Limited & M/s Sui Southern Gas Company Limited as a nominee of Government of Pakistan. He has also represented the fraternity of Petroleum and Gas Engineers at the Chamber of Engineers of the Pakistan Engineering Council.



2.2 Powers and Functions

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

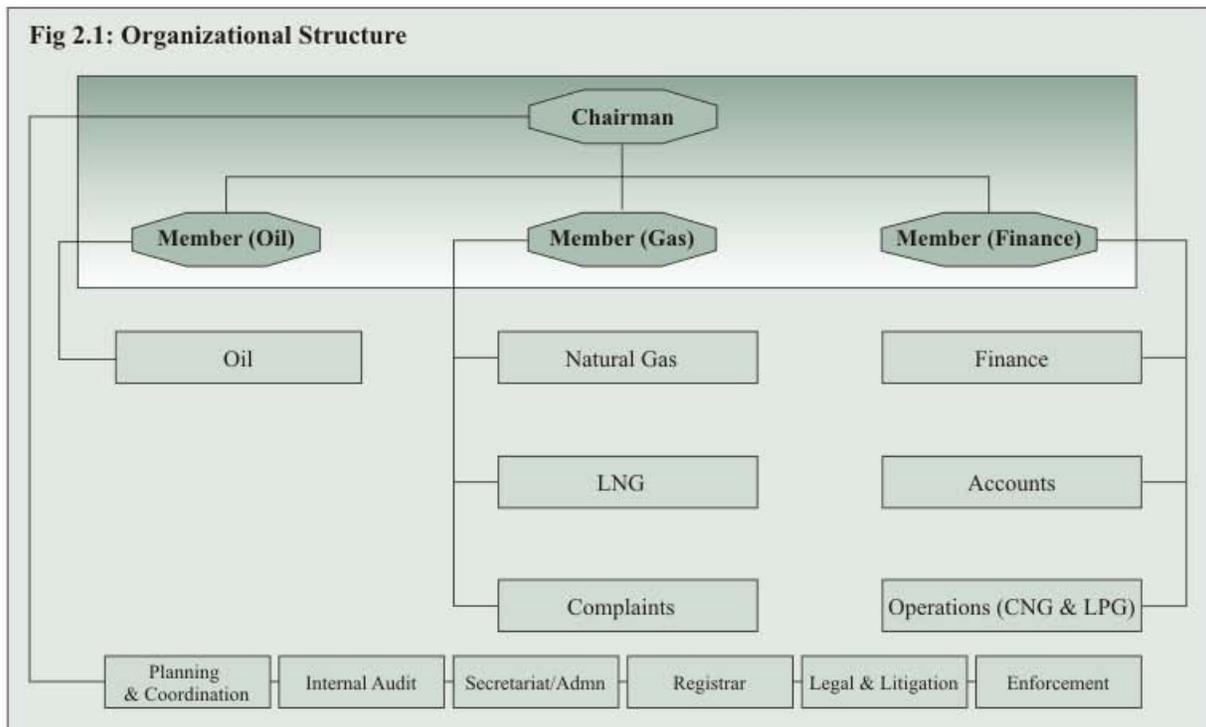
- Exclusive power to grant, amend or revoke licences for regulated activities and enforce compliance of licence conditions to promote efficiency, cost effectiveness, best practices, high safety and service standards etc. The regulated activities are:
 - **Natural Gas**
 - Construction or operation of 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
- Exclusive power to employ officers, staff, experts, consultants, advisors and other employees on such terms and conditions as it may deem fit
- Exclusive powers to decide upon all matters in its jurisdiction
- Develop and enforce performance and service standards
- Determine in consultation with the Federal Government and the licensees, a reasonable rate of return to the natural gas licensees.
- Prescribe procedures and standards for investment programmes of the gas utilities and oversee their capital expenditure to ensure prudence.
- Determine the revenue requirement of gas utilities covering the cost of gas, transmission and distribution cost and the prescribed return.
- Resolution of complaints and disputes between a person and a licensee or between licensees.
- Enforce standards and specifications for refined oil products as notified by the Federal Government.

- 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.

2.3 Organizational Structure

2.3.1 Organogram

The Authority is organized as reflected by **Fig 2.1**.



2.3.2 The Human Capital

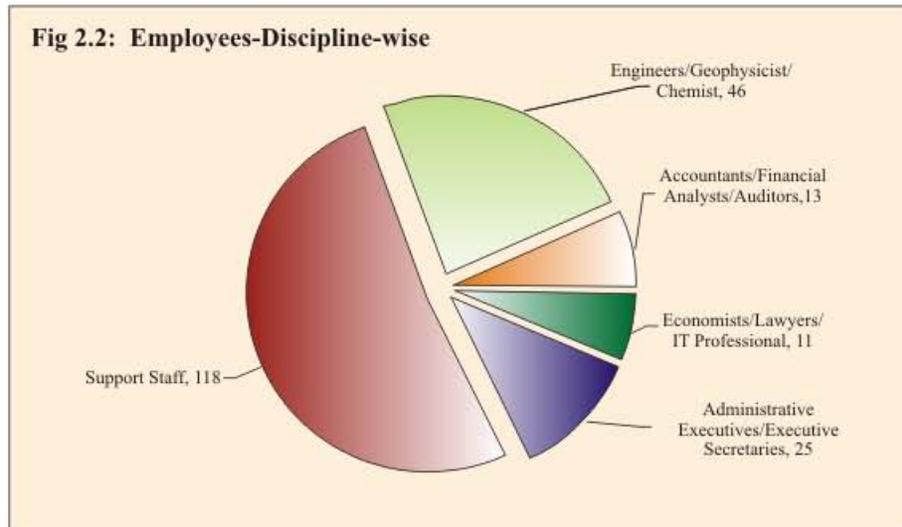
The Authority believes that quality of its human capital determines the quality of its performance. Hence, it attaches utmost importance to human resource management. OGRA's human resource strategy is focused at developing an organizational culture that puts its employees first. It is based on core values, encourages creativity and enhances professionalism. With this strategic focus the Authority works to achieve excellence in HR practices, based on progressive thinking on the subject.

The OGRA's team of professionals believes in the following core values for achieving synergy between all its employees:

Values of HR Management at OGRA

- Integrity
- Positive Response to Change
- Continuous Improvement
- Open Communication
- Personal and Professional Development
- Team Productivity

OGRA is a lean organization with a fine blend of representation both from public and private sector. It has a flat structure where emphasis is on establishing an optimal work environment for obtaining sustained high work productivity, continuous improvement and organizational renewal. All departments in OGRA are in essence dynamic teams of highly motivated experts. The human resource at OGRA is a combination of both technical & non-technical professionals. Discipline-wise break up of employees is given in **Fig 2.2**.



OGRA believes in attracting and retaining the best potential. The Authority proactively develops and maintains policies and procedures that allow the organization to recruit and retain high quality employees and develop them through continuous motivation, broad-based training and attractive rewards.

Appointments in OGRA are made on merit through a transparent and competitive process while observing provincial quotas. The employment of all employees is done strictly on “as required” basis on the terms and conditions stipulated in OGRA Service Regulations notified under the OGRA Ordinance.

The compensation policy and performance based rewards provide the required impetus for growth. The system establishes a strong link between the employees and the organization. The market based salaries and attractive terminal benefits provide great incentive to the employees. The synergy, so achieved promotes the culture of OGRA as a highly dynamic and professional body.

Since regulation by an independent regulator is comparatively a new concept in Pakistan, there is an acute shortage of experts in this field. Therefore, the employees are also provided adequate opportunities to benefit from the experience of other regulators from different countries all over the world. Education, training and career development in OGRA play an important role in enhancing the professional competence of employees enabling them to effectively meet the new challenges.

OGRA believes in organizational excellence by developing and inspiring the true potential of its human capital and providing opportunities for their growth, well being and enrichment.

2.3.3 Capacity Building

OGRA is a 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 formalised its training programmes through the allocation of specific budget resources and through this 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 that 'quality of people' is key factor that separates good from the best. It therefore encourages training & development of its employees in management as well as technical/regulatory matters to not only equip them with the latest skills & knowledge but also to expose them to the international best regulatory practices and techniques in energy sector.

Under its Institutional Development Plan, 52 officials have been locally trained in professional skills suitable to its requirement for capacity building. Owing to lack of oil & gas sector's regulation training facilities in Pakistan, a customized technical regulatory course on “Safe Practices in Mid & Downstream Petroleum Sector” had been successfully organized for our 10 professionals in collaboration with Petro-Research Training Institute (PRTI) of OGDCL.

During the period under report, two senior officers attended international forums as “Guest Speakers” and one officer benefitted from participation in international training programme on regulatory affairs. All these provided opportunities to represent Pakistan, to share and learn from their experiences and utilize such expertise in efficient & effective regulation of oil and gas sectors in Pakistan.

2.3.4 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 officers in OGRA have dedicated computers and are connected to Local Area Networks (LAN) to share resources like printers, scanners, heavy duty network printers etc. OGRA's two offices have dedicated Fiber Optic Internet link. 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., etc. OGRA's website is ranking amongst the most frequented in the country as during the past one year 2.5 million visits were recorded, which proves its popularity and usefulness.



Process

3. PROCESS

3.1 The Authority's Regulatory Decision Making Process

The regulatory framework is quasi-judicial for issuance of licences, 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 licences 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 end respectively of each financial year, 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.

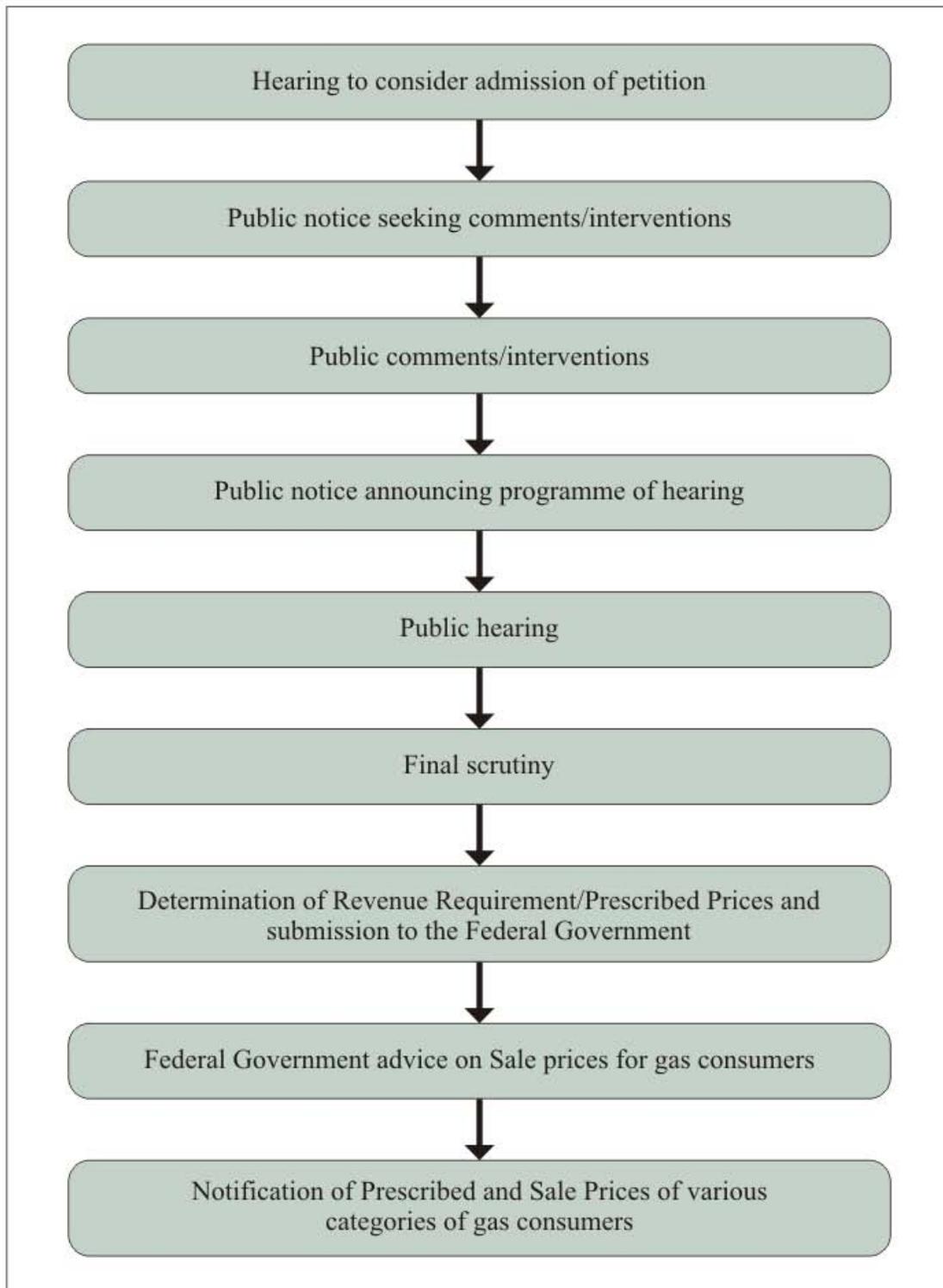
All petitions are examined in light of relevant rules, which, inter-alia, involve interactive process of consultation with all stakeholders including consumers through public hearings. This provides the general public an opportunity to put across its point of view on the cost and quality of service provided 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, **Fig 3.1** 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 a Public Hearing

Fig 3.1: The Process of Determination of Revenue Requirement, Notification of Prescribed and Consumer Gas Prices





Performance

4. PERFORMANCE

4.1 Development of Rules & Regulations

Sections 41 and 42 of the OGRA Ordinance require the Authority to formulate rules and regulations. 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 legal instruments for carrying out the Authority's functions as provided in the Ordinance. One of the fundamental instruments i.e. the Natural Gas Licensing Rules, were framed under the former NGRA Ordinance and notified in February 2002. These rules were protected under the provision of OGRA Ordinance. Since its inception in March, 2002, the Authority has put in place a comprehensive regulatory framework as described in **Appendix-I**.

The Authority has worked on the following rules and regulations during FY 2009-10.

(a) Rules Notified during 2009-10

Sr.No	Rules	Notification Date
(i)	Amendment in LPG Rules, 2001 (Appendix II, III,V)	04-08-2009
(ii)	Amendment in LPG Rules, 2001 (Rule 5)	15-09-2009

(b) Regulations Notified during 2009-10

Sr.No	Regulations	Notification Date
(i)	Amendments in Natural Gas (Well-head Price) Regulations, 2009 (Rule 6)	26-10-2009

(c) Rules under Preparation by OGRA (2009- 10)

- Natural Gas Theft Rules
- OGRA Fee Rules

(d) Rules Drafted (under Process with the Federal Government) (2009-10)

- The Pakistan Oil (Refining, Blending, Transportation, Storage and Marketing) Licensing Rules, 2005.
- OGRA (Fines and Recovery) Rules, 2009.
- Amendment in the OGRA Ordinance, 2002 (Section 43, Bio Fuels)
- Amendment in the OGRA Ordinance, 2002 (Section 21, Ethanol)

(e) Preparation/Promulgation of Technical Standards

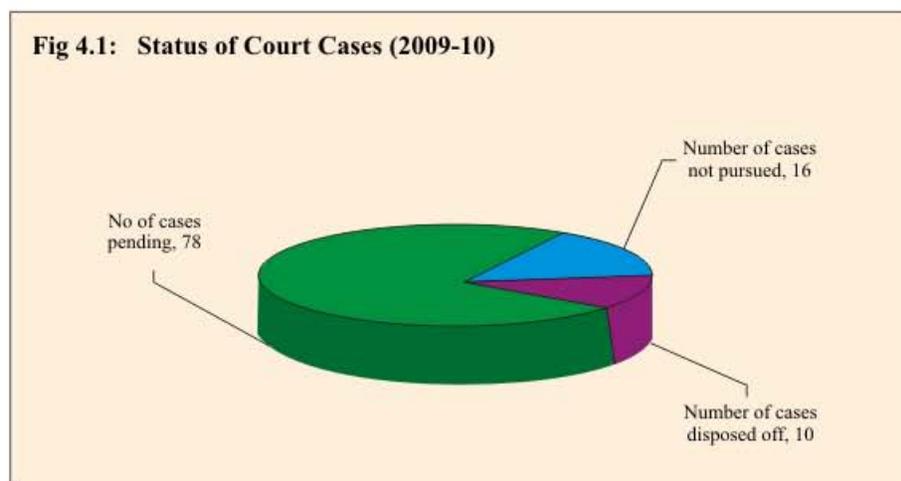
In pursuance of section 42(2)(b) of the OGRA Ordinance 2002 and to facilitate oil sector, OGRA has notified following technical standards after consultation with the licensees (oil industry):

Sr.No	Technical Standards	SRO No./Notification Date
(i)	Oil Transportation (Pipeline) Technical Standards	622 dated July 2, 09
(ii)	Technical Standards for Petroleum Industry (Retail Outlet)	623 dated July 2, 09
(iii)	Technical Standards for Petroleum Industry (Depots for Storage of Petroleum Products)	624 dated July 2, 09
(iv)	Technical Standards for Oil Refineries	819 dated Sept 24, 09
(v)	Technical Standards for Petroleum Industry (Road Transport Vehicles, Containers and Equipment used for the Transportation of Petroleum Products)	900 dated Oct 19, 09

Further, draft “Technical Standard for Lube Blending, Reclamation, Grease and Transformer Oil” has been prepared by OGRA and is being finalized in consultation with licensees for onward notification by the Authority.

4.1.1 Litigation

During FY 2009-10, Litigation Department has received summons in 104 cases from different courts of Pakistan. Status of the court cases is given in **Fig 4.1** below:



4.2 Natural Gas Sector

4.2.1 Licences Issued

OGRA has so far issued fifteen licences for transmission, distribution and sale of natural gas and natural gas storage facility including a provisional licence 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

The revenue requirement and the prescribed price for each category of retail consumers in respect of each licensee carrying out the activities of transmission, distribution or sale of natural gas is determined by the Authority under section 8 of the OGRA Ordinance, 2002.

The RR, according to the existing tariff regime, comprises 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 Government's policy decision, which currently is, 17.5% in case of Sui Northern Gas Pipelines Limited (SNGPL) and 17% in case of Sui Southern Gas Company Limited (SSGCL) of the value of their average net operating fixed assets

The cost of gas, which constitutes bulk of the RR of the gas utilities, is determined in accordance with the parameters contained in 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.

The scrutiny by the Authority consequently is more focused on examining the operating revenues, operating cost and assets base. An in-depth evaluation of each item of operating expenditure & revenue is carried out in terms of rationality and prudence. Only justified and reasonable operating expenditures & revenues are included as part of revenue requirement computations.

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

The gas utility companies are required to submit to the Authority their Estimated Revenue Requirement (ERR) for each financial year by December 1 of the preceding year, under the OGRA Ordinance and the Natural Gas Tariff Rules, 2002. These petitions are scrutinized, processed and decided in accordance with the rules after due notice in the national press giving full opportunity to all the stakeholders including the petitioner and general public to comment and being heard. 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 Authority has also directed SSGCL & SNGPL to submit review petitions to the Authority for revision in cost of gas on the basis of actual and anticipated changes in international prices of Crude Oil and High Sulphur Fuel Oil (HSFO) in October every year, with a view to ensure the half yearly review, in any case.

The Authority has decided the following ten (10) petitions of SSGCL and SNGPL during FY 2009-10.

SSGCL

- FRR for FY 2008-09
- Motion for review of FRR for FY 2008-09
- Review of ERR for FY 2009-10
- Motion for review of ERR for FY 2009-10
- ERR for FY 2010-11

SNGPL

- FRR for FY 2008-09
- Motion for review of FRR for FY 2008-09
- Motion for review of ERR 2009-10

- Review of ERR for FY 2009-10
- ERR for FY 2010-11

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.

4.2.2.1 Sui Southern Gas Company Limited

4.2.2.1.1 Final Revenue Requirement (FRR) for FY 2008-09

The Authority determined FRR of SSGCL for FY 2008-09 at Rs. 115,100 million against the demand of Rs. 118,317 vide its order dated September 15, 2009. **Table 4.1** shows comparison of OGRA's determination with SSGCL's request in respect of various components of requirement for the same year.

Table 4.1: SSGCL Request vis-a-vis OGRA Determination for FY 2008-09

(Rs. Million)

Particulars	SSGCL Request	OGRA Determination	Difference
Sales Volume (BBTU)	356,442	356,442	-
Cost of Gas	102,448	102,448	-
Transmission & Distribution Cost and Others	8,665	7,711	(954)
UFG Disallowance	(451)	(2,707)	(2,256)
Depreciation	2,668	2,657	(11)
Return on Net Operating Assets	4,952	4,957	5
Additional Revenue Required for Air-Mix LPG Project at Gawadar	35	35	-
Total Revenue Requirement	118,317	115,100	(3,217)
Total Revenue Available	107,229	109,926	2,697
Surplus/(Shortage)	(11,088)	(5,174)	5,914
Average Prescribed Price (Rs./ MMBTU)	319.92	303.32	(16.60)

4.2.2.1.2 Motion for Review of FRR for FY 2008-09

The Authority determined FRR of SSGCL for FY 2008-09 at Rs. 115,100 million against the demand of Rs. 118,317. SSGCL, being aggrieved on certain disallowances made by the Authority submitted a motion for review, seeking a further increase in revenue requirement of Rs. 5,542 million. The Authority, after due examination, maintained its earlier decision as SSGCL failed to submit concrete justification in support of its claims.

4.2.2.1.3 Review of Estimated Revenue Requirement (ERR) for FY 2009-10

The Authority, after holding public hearing and duly taking into account view point of all the interveners, determined the revised revenue requirement at Rs. 120,575 million mainly owing to changes in prices of crude & HSFO in the international market, arrears of FY 2008-09 and the impact of Qadirpur wellhead on WACOG. **Table 4.2** shows comparison of SSGCL request in various components of estimated revenue requirement as below:

Table 4.2: SSGCL Request vis-a-vis OGRA Determination for FY 2009-10 (Rs. Million)

Particulars	SSGCL Request	OGRA Determination	Difference
Sales Volume (BBTU)	390,727	390,727	-
Cost of Gas	102,432	102,432	-
Transmission & Distribution Cost and Others	5,886	5,886	-
UFG Disallowance	(1,342)	(1,342)	-
Depreciation	3,042	3,042	-
Return on Net Operating Assets	6,576	6,575	(1)
Additional Revenue Required for Air-Mix LPG Project at Gawadar	97	97	-
Shortfall of FY 2008-09	3,885	3,885	-
Total Revenue Requirement	120,576	120,575	(1)
Total Revenue Available	108,970	108,970	-
Surplus/(Shortage)	(11,606)	(11,605)	(1)
Average Prescribed Price (Rs./ MMBTU)	288.85	288.84	-

4.2.2.1.4 Motion for Review of DERR for FY 2009-10

The Authority determined DERR of SSGCL for FY 2009-10 at Rs. 108,597 million against the request of Rs. 111,262. SSGCL, being aggrieved on certain disallowances made by the Authority submitted a motion for review, seeking a further increase in revenue requirement of Rs. 4,877 million. The Authority, after due examination observed that the adjustments on account of fixed assets, depreciation and return will be considered at the time of FRR for FY 2009-10.

4.2.2.1.5 Estimated Revenue Requirement (ERR) of SSGCL for FY 2010-11

The Authority in its determination of 18th May, 2010 determined the ERR of SSGCL for FY 2010-11 at Rs. 124,932 million against the request of Rs. 136,001 million. **Table 4.3** summarizes the OGRA's determination in comparison to SSGCL request in various components of revenue requirement.

4.2.2.2 Sui Northern Gas Pipelines Limited

4.2.2.2.1 Final Revenue Requirement for FY 2008-09

OGRA determined FRR for FY 2008-09 at Rs. 173,236 million against the petitioner's request of Rs. 177,245 through its order dated September 16, 2009. **Table 4.4** shows comparison of OGRA's determination

Table 4.3: SSGCL Request vis-a-vis OGRA Determination for FY 2010-11

(Rs. Million)

Particulars	SSGCL Request	OGRA Determination	Difference
Sales Volume (BBTU)	367,649	367,367	(282)
Cost of Gas	116,903	108,713	(8,190)
Transmission & Distribution Cost and Others	7,232	6,791	(441)
Impact of Re-instated Sacked Employees	863	863	-
UFG Disallowance	-	(2,065)	(2,065)
Depreciation	3,355	3,192	(163)
Return on Net Operating Assets	7,500	7,325	(175)
Additional Revenue Required for Air-Mix LPG Project at Gawadar	148	113	(35)
Total Revenue Requirement	136,001	124,932	(11,069)
Total Revenue Available	112,804	116,513	3,709
Surplus/(Shortage)	(23,198)	(8,419)	14,779
Average Prescribed Price (Rs./MMBTU)	355.41	315.15	(40.26)

Table 4.4: SNGPL Request vis-a-vis OGRA Determination for FY 2008-09

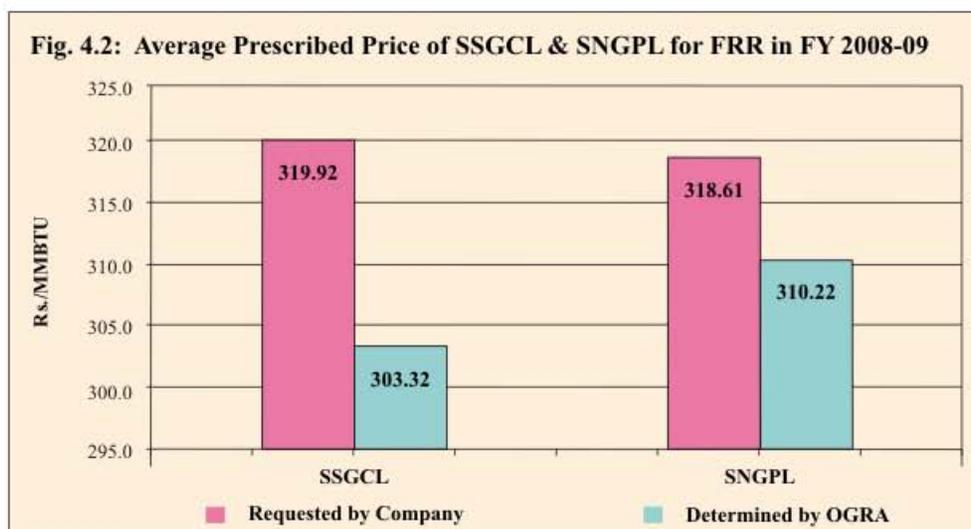
(Rs. Million)

Particulars	SNGPL Request	OGRA Determination	Difference
Sales Volume (BBTU)	544,544	544,544	-
Cost of Gas	151,332	151,332	-
Transmission & Distribution Cost and Others	17,035	13,360	(3,675)
UFG Disallowance	(4,480)	(4,601)	(121)
Depreciation	5,345	5,325	(20)
Return on Net Operating Assets	8,013	7,820	(193)
Total Revenue Requirement	177,245	173,236	(4,009)
Total Revenue Available	162,516	163,077	561
Surplus/(Shortage)	(14,730)	(10,159)	4,571
Average Prescribed Price (Rs./MMBTU)	318.61	310.22	(8.39)

with SNGPL's request in respect of various components of estimated revenue requirement for the same year. Fig 4.2 shows the average prescribed price of SSGCL and SNGPL for FRR in FY 2008-09.

4.2.2.2.2 Motion for Review of FRR for FY 2008-09

The Authority determined FRR of SNGPL for FY 2008-09 at Rs. 173,236 million against the request of Rs. 177,245. SNGPL, had submitted a motion for review on account of capitalization of fixed assets, return on Government grants and provision for doubtful debts, HR cost benchmarking and UFG which had earlier decided by the Authority. Further, increase of Rs. 2,717 million has been sought in the review. The Authority, after due examination, maintained its earlier decision of September 16, 2009.



4.2.2.2.3 Motion for Review of ERR for FY 2009-10

The Authority had determined the estimated revenue requirement of SNGPL for FY 2009-10 at Rs.160,962 million. SNGPL, being aggrieved with certain disallowances has submitted the motion for review for the consideration of the Authority. After examining the petition, the Authority maintained its earlier decision; however, the claim / contention in respect of other assets, stationary, telegram and postage charges, legal and professional charges were accepted. The Authority, however, decided to adjust the same at the time of RERR for the said year.

4.2.2.2.4 Review of Estimated Revenue Requirement for FY 2009-10

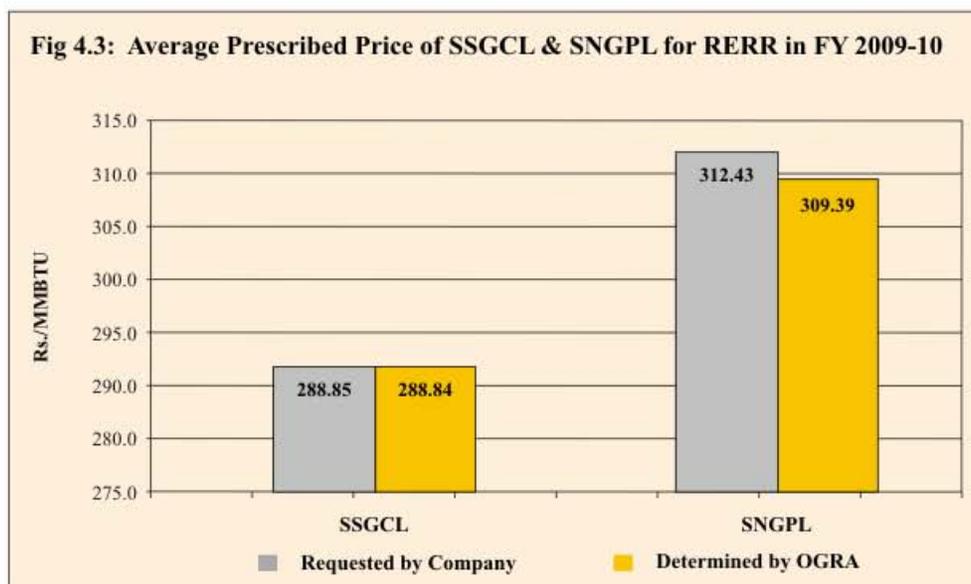
The Authority, after holding public hearing and duly taking into account view point of all the interveners, determined the revised revenue requirement of SNGPL for FY 2009-10 at Rs. 179,273 million mainly owing to increase in prices of crude & HSFO in the international market, prior year adjustments and the impact of Qadipur wellhead on WACOG. **Table 4.5** shows comparison of SNGPL request in various components of

Table 4.5: SNGPL Request vis-a-vis OGRA Determination for FY 2009-10

(Rs. Million)

Particulars	SNGPL Request	OGRA Determination	Difference
Sales Volume (BBTU)	570,216	570,216	-
Cost of Gas	145,194	145,194	-
Transmission & Distribution Cost and Others	12,225	10,438	(1,787)
UFG Disallowance	(1,551)	(1,551)	-
Depreciation	7,157	6,874	(283)
Return on Net Operating Assets	8,470	8,393	(77)
Prior Year Adjustments	9,925	9,925	-
Total Revenue Requirement	181,420	179,273	(2,147)
Total Revenue Available	158,457	158,041	(416)
Surplus/(Shortage)	(22,963)	(21,232)	1,731
Average Prescribed Price (Rs./ MMBTU)	312.43	309.39	(3.04)

estimated revenue requirement. **Fig 4.3** shows the average prescribed price of SSGCL and SNGPL for RERR in FY 2009-10.



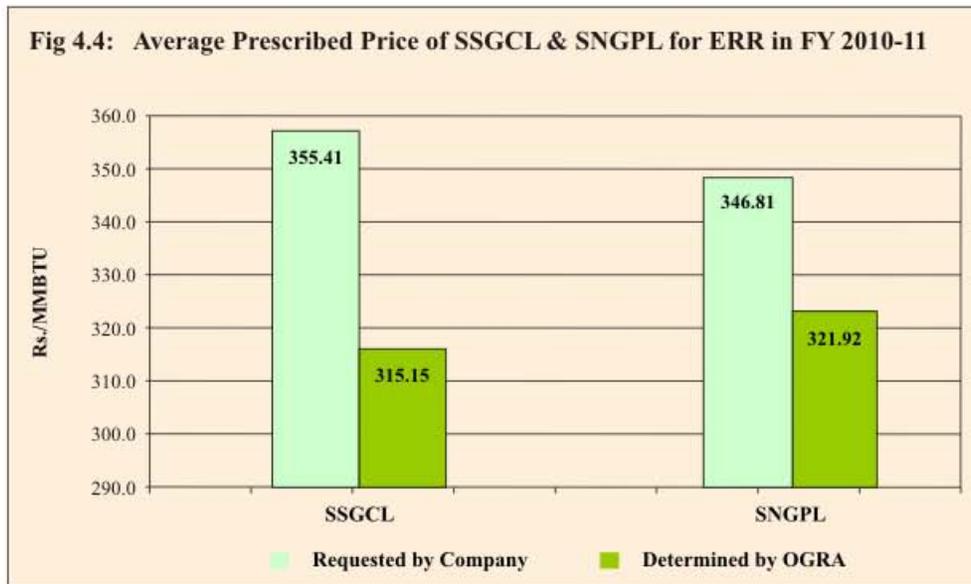
4.2.2.2.5 Estimated Revenue Requirement of SNGPL for FY 2010-11

OGRA in its decision of May 18, 2010 determined ERR of SNGPL at Rs. 208,271 million against the request of Rs. 223,502 million for FY 2010-11. **Table 4.6** summarizes the OGRA's determination in comparison to SNGPL request in various components of revenue requirement. **Fig 4.4** shows the average prescribed price of SSGCL and SNGPL for ERR in FY 2010-11.

Table 4.6: SNGPL Request vis-a-vis OGRA Determination for FY 2010-11

(Rs. Million)

Particulars	SNGPL Request	OGRA Determination	Difference
Sales Volume (BBTU)	633,446	633,446	-
Cost of Gas	198,449	184,645	(13,804)
Transmission & Distribution Cost and Others	13,740	12,280	(1,460)
Cost of Re-instated Employee Claimed during Proceedings	-	318	318
UFG Disallowance	(5,804)	(5,574)	230
Depreciation	8,195	8,069	(126)
Return on Net Operating Assets	8,923	8,533	(390)
Total Revenue Requirement	223,502	208,271	(15,232)
Total Revenue Available	210,605	211,138	533
Surplus/ (Shortage)	(12,897)	2,867	15,764
Average Prescribed Price (Rs./ MMBTU)	346.81	321.92	(24.89)



4.2.2.3 Trend Analysis

4.2.2.3.1 Summary of Revenue Requirements

The determinations of the Authority are based on the principle of allowing only prudent and justified operating & capital expenditure and with a view to increase operational efficiency combined with better quality service to consumers. These measures have resulted in actual cost reduction of about Rs. 19.641 billion during FY 2003-04 to FY 2010-11, benefit of which has been passed on to the consumers and Government. Graphical presentation is shown in Fig 4.5.

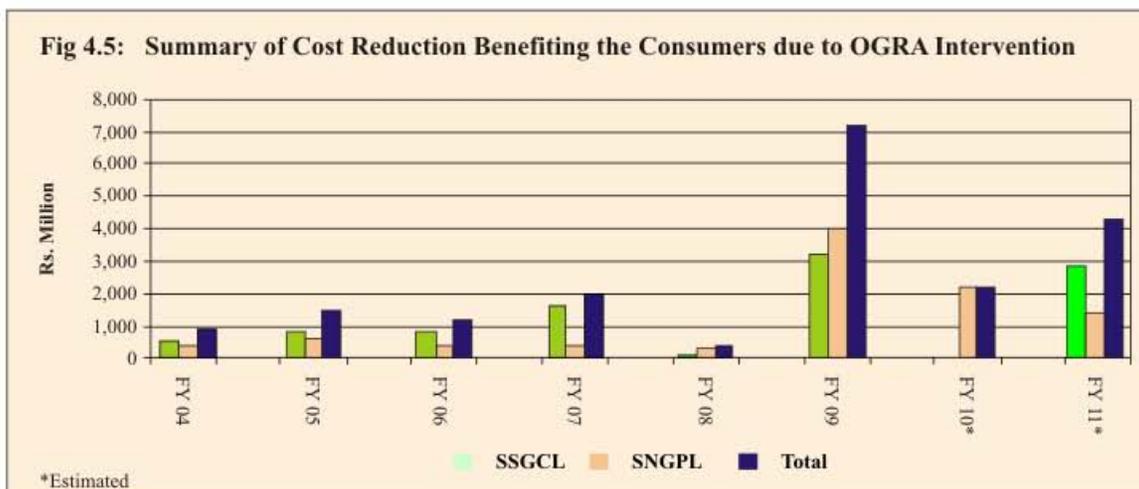
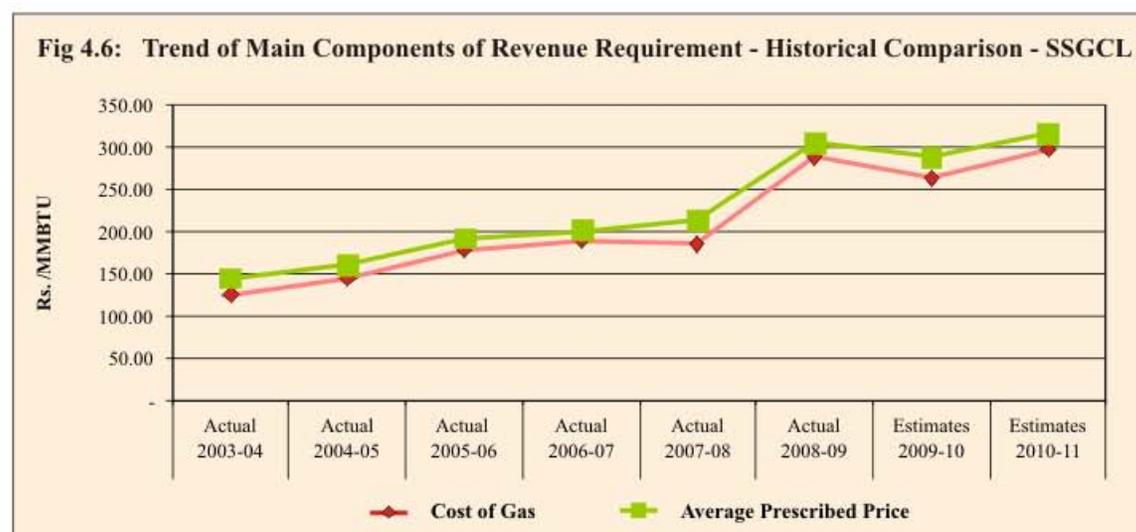


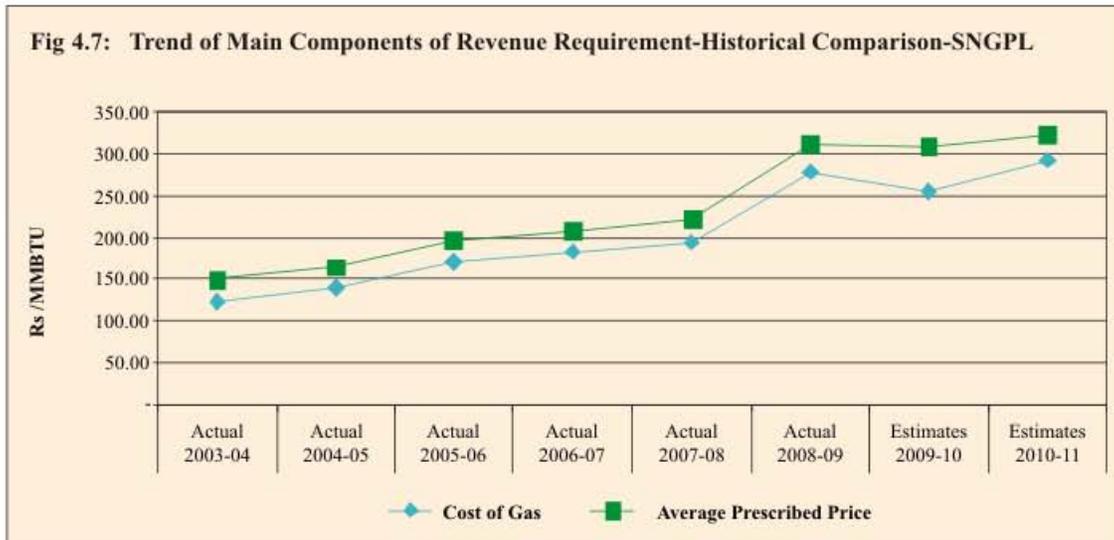
Table 4.7 and Table 4.8 show behavior of SSGCL & SNGPL's cost items per MMBTU and other major elements of the revenue requirements. Figs 4.6 and 4.7 depict the trend of cost of gas and average prescribed price of the summary of RR for SSGCL and SNGPL respectively.

Table 4.7: Summary of Revenue Requirement – Historical Comparison – SSGCL*(Rs./MMBTU)*

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
	Actual	Actual	Actual	Actual	Actual	Actual	Estimates	Estimates
Volume (BBTU)	310,628	329,359	338,126	335,363	377,265	356,442	390,727	367,367
Cost of Gas	124.63	142.13	176.40	188.56	183.53	287.42	262.16	295.92
T&D Cost and Depreciation	16.40	16.89	18.35	16.84	20.52	21.49	19.42	23.90
Return on Assets	8.23	8.40	9.37	11.10	11.58	13.91	16.83	19.94
Other Income	(5.65)	(7.63)	(13.48)	(16.61)	(16.87)	(19.59)	(19.75)	(24.92)
Additional RR for LPG Air Mix	-	-	-	-	0.20	0.10	0.25	0.31
Previous Year Shortfall	-	-	-	-	-	-	9.94	-
Average Prescribed Price	143.62	159.80	190.65	199.89	213.17	303.33	288.85	315.15

**Table 4.8: Summary of Revenue Requirement – Historical Comparison - SNGPL***(Rs./MMBTU)*

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
	Actual	Actual	Actual	Actual	Actual	Actual	Estimates	Estimates
Volume (BBTU)	426,636	505,543	539,099	541,589	559,954	544,544	570,216	633,446
Cost of Gas	123.35	140.82	170.67	183.11	194.84	277.91	254.63	291.49
T&D Cost and Depreciation	20.19	17.59	18.51	17.94	19.36	25.87	27.64	23.83
Return on Assets	11.32	10.70	10.66	11.13	12.12	14.36	14.72	13.47
Other Income	(4.37)	(4.18)	(3.55)	(4.33)	(4.60)	(7.91)	(5.00)	(6.87)
Previous Year Shortfall	-	-	-	-	-	-	17.41	-
Average Prescribed Price	150.49	164.93	196.35	207.85	221.72	310.22	309.40	321.92



4.2.2.4 Efficiency Benchmark

4.2.2.4.1 Unaccounted for Gas (UFG)/Benchmark

UFG means the difference between the total volume of gas purchased by the licensee during a financial year and volume of metered gas supplied to its consumers excluding metered gas used for licensee's self consumption.

Before the establishment of OGRA the task of reducing the levels of UFG was solely looked after by the licensees. Furthermore, there were no standards/ benchmarks which could be followed.

On inception in the year 2002, OGRA strongly felt that the performance of licensees to reduce the UFG is not satisfactory since the UFG levels were on the rise and therefore it was necessary to put benchmarks in place so that the licensees could perform accordingly. It also implied that the outcome of the rising UFG was in the form of monetary impact which was being passed to the consumers.

High UFG levels of both the gas utility companies have been major area of concern for the simple reason that this is waste of gas, which is avoidable to a great extent. It is pertinent to mention that one percent UFG of the two gas utilities at an average price of gas in FY 2009-10 translated to revenue loss of Rs. 2.49 billion rupees per year. This loss reflects gas companies' performance and adds to the cost of gas for the consumers.

OGRA has taken effective measures to bring down the high UFG levels of the two gas utilities, most importantly the enforcement of UFG benchmark. In the light of the research covering prevalent international standards/practices and also the ground realities and operational constraints in the country and in consultation with both the utilities OGRA started setting benchmark from FY 2003-04. Later, the utilities have been given targets to reduce UFG levels to 4% by the FY 2011-12 as shown in **Fig 4.8**. This measure incentivizes the companies to work for reducing gas losses through efficient operation.

The UFG target is a set of two levels, an upper and lower. If the UFG falls above the upper level then the volume (and therefore the monetary value against the UFG volume) shall be disallowed to be made part of the rate base of the company and the company shall have to bear the loss out of its annual profit. However, if the UFG falls between the upper and the lower target then the company shall bear a loss of only 50% from its profit, whereas if the UFG is below the lower target then no deduction shall be made on account of UFG.

The effective enforcement of UFG benchmarks have resulted in saving of Rs.16,885 million to the consumers during FY 2006-07 to FY 2009-10. The details of savings by both the gas utilities are given in **Table 4.9** and **Fig 4.9**.

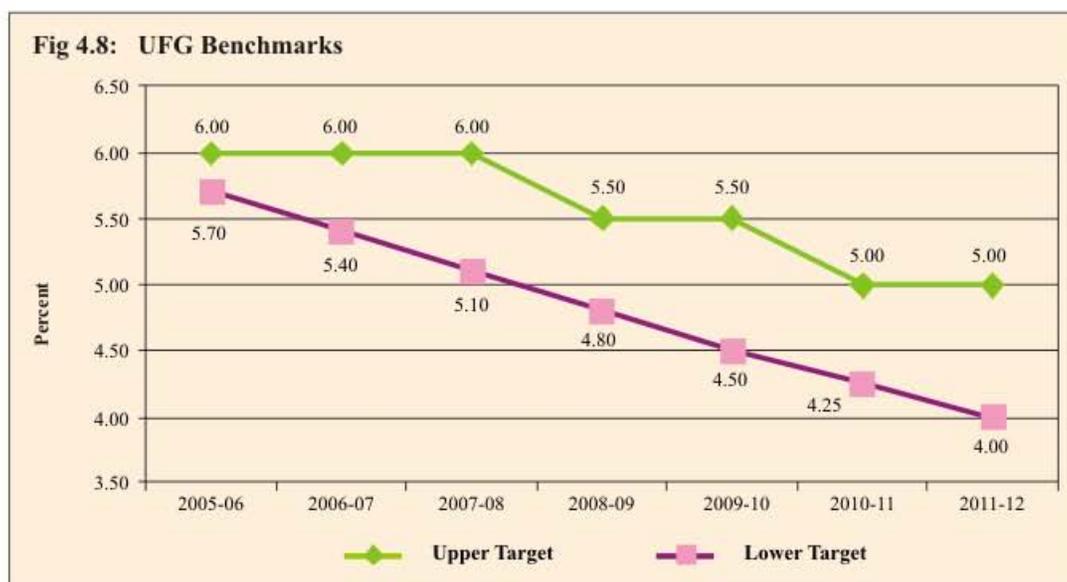
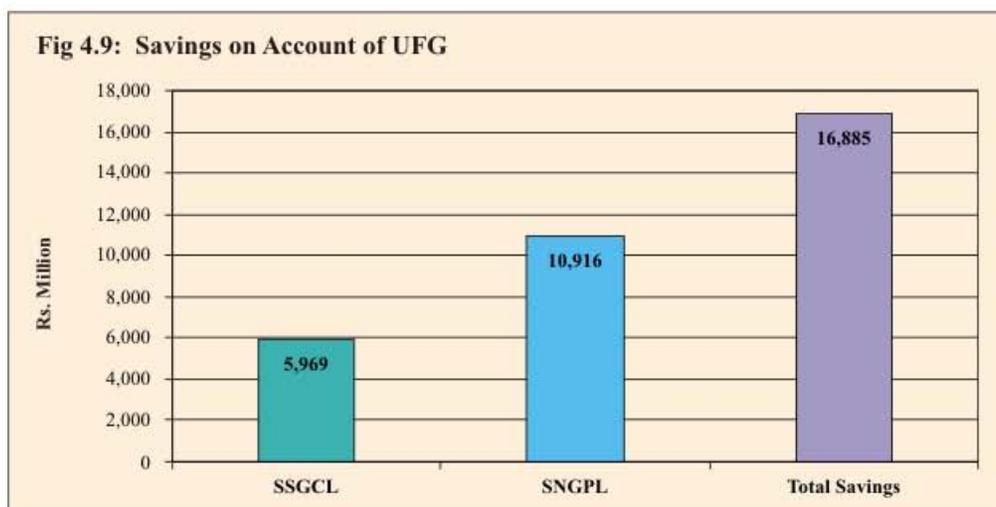


Table 4.9: Savings on Account of UFG

(Rs. Million)

Description	2006-07	2007-08	2008-09	2009-10	Total Savings
SSGCL	1,158	762	2,707	1,342	5,969
SNGPL	2,053	2,711	4,601	1,551	10,916
Total Savings	3,211	3,473	7,308	2,893	16,885

*Estimates



Gas utility companies are undertaking different measures to control UFG. In this connection, UFG control related departments have been established by them. The Authority had also allowed substantial amount of expenditure sought by the gas utility companies on UFG control related activities and security expenses on continuous basis.

Both the gas companies SNGPL and SSGCL filed petitions for the review of UFG benchmarks and stated that they are facing some constraints like theft of gas due to law and order situation in certain areas, which are beyond their control and therefore do not permit them to meet the UFG targets/benchmarks. The petitions are under consideration of the Authority.

In order to ascertain authenticity of UFG levels reported by the licensees, the Authority got UFG audit through independent auditors.

4.2.2.4.2 UFG Audit

During the end of FY 2007-08 certain dailies had raised the issue of the inflated gas bills which could have resulted due to wrong booking of 'Pressure factor' or the 'Temperature factor' for the calculations of the bills issued to the industrial consumers by SSGCL. The report in the newspapers called for a proper inquiry into the matter to establish the authenticity of the bills issued during FY 2007-08.

Such wrong bookings and other factors have a direct link to the UFG. It is a point of concern that the UFG of the companies is on the rise and has become beyond their control therefore it has become important to ascertain the authenticity of their reports as regards the figures that they provide to OGRA.

Taking a note of this the Authority has decided to conduct UFG audit of both the gas companies i.e., SSGCL and SNGPL for FY 2007-08. The purpose of the activity is to, reconcile, substantiate and validate the natural gas purchased by the licensee from different sources, in terms of volumes/ Btus and transmitted from each delivery point to various categories of consumers.

Such an activity was also conducted by OGRA in FY 2004-05 and FY 2005-06 for both the gas utilities through a consortium of two chartered accountant firms

4.2.2.4.3 Human Resource Cost Benchmark

The Authority had also introduced Human Resource (HR) cost benchmark, which has helped to contain the expenditure within reasonable limits. Savings or excess in HR cost will be shared equally between the companies and consumers. Savings/excess on account of HR benchmark for FY 2008-09 & FY 2009-10 are given in **Table 4.10**.

The said benchmark was introduced on experimental basis for a period of three years. Later on, the Authority decided that the revised benchmarks will remain applicable for another three years i.e. FY 2008-09 to FY 2010-11.

Table 4.10: HR Cost

(Rs. Million)

Description	SNGPL		SSGCL	
	2008-09	2009-10*	2008-09	2009-10*
Actual Cost	4,841	5,064	4,150	4,507
Benchmark Cost	4,840	4,922	4,158	4,026
Excess/(Saving) over Benchmark	1	142	(8)	481

* Estimates

Accordingly, the Authority has provisionally determined revised HR benchmark for FY 2009-10, taking FY 2007-08 as base year, while adopting indexation weightage for standard factors as follows:

- (i) 60% increase in number of consumers
- (ii) 20% increase in sale volume
- (iii) 20% increase in T & D network
- (iv) 50% CPI adjustment of previous year HR benchmark cost

4.2.2.5 Determinations and Notification of Well-Head Gas Prices

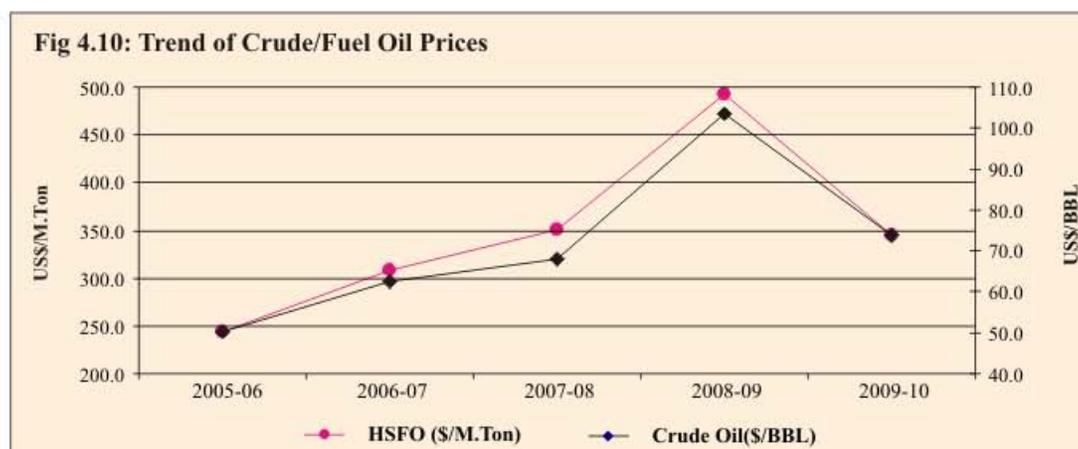
Section 6(2) (w) of the OGRA Ordinance, 2002 read with the Natural Gas (Well-head Price) Regulations, 2009 empowers the Authority to determine the well-head gas prices for the producers of natural gas in accordance with their respective contracts with GoP, and notify the same in the official gazette. The Authority accordingly issued 87 well-head gas price notifications during FY 2009-10 for 46 gas fields.
Appendix –III.

4.2.2.6 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 rising trend in international price of crude / fuel oil over the last few years has been reversed and has declined sharply during FY 2009-10 as compared to the previous year as evident from **Table 4.11**. The trend in prices of crude and fuel oil in international market over the last few years is shown in **Fig 4.10**. Consequently, prescribed prices of the gas utilities have also been declined during this time period.

Table 4.11: Average C&F Price of a Basket of Crude & Furnace Oil Imported into Pakistan

Description	2005-06	2006-07	2007-08	2008-09	2009-10
Average Crude Oil Price (\$/BBL)	50.08	62.70	67.86	103.41	73.94
Increase (\$/BBL) year to year	-	12.62	5.16	35.55	-29.47
Cumulative increase	-	25%	36%	106%	48%
Average HSFO Price (\$/M.Ton)	244.24	307.71	350.86	493.41	345.27
Increase (\$/M.Ton) year to year	-	63.47	43.15	142.55	-148.14
Cumulative increase	-	26%	44%	102%	41%



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 2009-10, OGRA estimated the WACOG at the beginning of the year at Rs. 219.89 per MMBTU as against the Rs. 259.06 per MMBTU for FY 2008-09, owing to reduction in prices of crude oil and HSFO in the international market. The same was determined as part of the ERR of both the companies. Later on, in review petitions, WACOG was further increased to Rs. 238.71 per MMBTU due to changes in the prices of crude/fuel oil in international market, arrears of FY 2008-09 arising from more than projected depreciation of Pak rupee against US dollar and the financial impact of Qadirpur Well-head gas price.

4.2.2.7 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 issued 4 notifications of prescribed prices for both the gas utilities i.e. SNGPL and SSGCL.

Pursuant to the provision of the OGRA Ordinance, GoP advised the sale prices for various category of consumers, after adjustment of Gas Development Surcharge in the Prescribed Prices determined by the Authority. The Authority notified these sale prices on June 30, 2009, which remained effective from July 01, 2009 to December 31, 2009. The sale prices were then revised on December 31, 2009 effective from January 01, 2010 to June 30, 2010. The category-wise breakup is placed at **Appendix –IV**.

4.2.2.8 Compressed Natural Gas (CNG)

The consumer price of CNG is de-regulated activity since its inception (1992) and is fixed by CNG station owners/association on competitive basis. Government on 28th July, 2009 through an amendment in the OGRA Ordinance has given enabling powers to OGRA to determine and notify the CNG retail price in accordance with the policy guideline issued by the GoP. The CNG stations owners cannot sell CNG above the notified price, however, it can be sold below the notified price giving the advantage of prevailing competitive environment to the CNG consumers. OGRA, under section 43 (B) of the OGRA Ordinance, 2009 has issued two notifications of maximum sale price of CNG to be charged by CNG stations from the consumers during FY 2009-10.

Region	Price Effective	
	01-Aug-09	01-Jan-10
KPK, Balochistan & Potohar region (Rawalpindi, Islamabad & Gujarkhan)	49.73	55.30
Sindh and Punjab (Excluding Potohar Region)	48.54	53.63

4.2.3 Approval of Agreements

The Authority during 2009-10, approved the following agreements between producers and licensees, and licensees & large retail consumers:-

4.2.3.1 Gas Sale Agreements (GSAs) between Producers and Licensees

- a) 2nd Supplemental Agreement to Sui Gas Sale Agreement (GSA) between PPL & SSGCL.
- b) 2nd Supplemental Agreement to Gas Purchase & Sale Agreement between MGCL & Fatima Fertilizer Company Limited (FFCL).

4.2.3.2 Gas Sale/Supply Agreements between Licensees & Large Retail Consumers

- a) Gas Sales Agreement between SSGCL & First Tri Star Modarba.
- b) Gas Sales Agreement between SSGCL & Naudero Rental Power Plant.

4.2.4 Major Projects Approved

In order to fulfil the licence obligation to extend their transmission and distribution network and in view of the demand from the Domestic (Residential), Commercial and Industrial sectors, SSGCL & SNGPL envisage their new projects for the transmission and distribution of natural gas, on a yearly basis and request the Authority for approval through their Revenue Requirement Petitions. Some requests are made for the newly envisaged projects whereas the others pertain to the already approved but carried forward from the previous years, which may have been delayed due to some operational, legal or any other constraints.

During the current year both the licensees sought approval from the Authority for their transmission and distribution infrastructure development projects. The projects were thoroughly evaluated with a focus that they are feasible, monetary outlay associated with them remains within limits, maximum benefits are enjoyed by the stakeholders so that prudence of highest level is established.

The companies were also advised to revise the costs of the projects where considered essential with a stress on timely completion.

A brief detail of the infrastructure development projects of SSGCL and SNGPL approved during FY 2009-10 are as follows:

4.2.4.1 Transmission Projects (SSGCL)

(i) Quetta Pipeline Capacity Expansion Project-III (Phase-III)

To comply with the decision of the Authority the following comprehensive Quetta Pipeline Capacity Expansion Project (QPCEP) was conceived by SSGCL to overcome the low pressure problems in the Quetta region. The project consisted of the following components which had to be laid/ completed in phases.

Sr. No	Project Components	Phase	Cumulative Capacity (MMcfd)
i	Laying of 18 inch diameter × 18 Km of pipeline from Abe-e-gum to Mach	I	97
ii	Laying of 18 inch diameter × 15 Km of pipeline from Mach to Kolpur Loopline and	II	107
	Laying of 18 inch diameter × 31 Km of pipeline from Dingra to Sibi and Revamping of Sibi Compressor		
iii	Laying of 18 inch diameter × 53 Km of pipeline from Dhadar to Abe-e-gum	III	142
iv	Laying of 18 inch diameter × 35 Km Loop from Shikarpur Regulator to Jacobabad.	IV	159
v	Laying of 18 inch diameter × 60 Km of pipeline from Jacobabad to Sibi	V (Part-1)	191
vi	Additional Compressor at Sibi (Future Proposal)	V (Part-2)	242

The phase-I, phase-II and phase-III of the Project were formally approved by the Authority in August, 2006 at an estimated cost of Rs. 2,563 million. A sum of Rs. 1,137 million for the phase-III of the project was part of the total approved amount. It was however stressed that phase-II and phase-III of the project should be completed on a priority basis so that problems of short supplies and low pressure faced by the consumers in the Quetta region and adjoining areas could be overcome / eliminated. The remaining phases were not approved as the company had reported that those would be reviewed in the light of availability of gas from Zarghun gas field. The approval for the phase-III, being in its planning stage, was made conditional on the provision of the revised cost estimates and firm gas availability commitment.

During the previous year 2008-09, the company had sought approval for the phase-III of the project based on revised project cost and the capacity with some changes in parameters based on the pipe and gas supply availability. The Authority granted approval for the same in September, 2008 for 24 inch diameter × 30 Km Gokart to Abbe-e-Gum and the upstream segment of 18 inch diameter × 18 Km from Dhadar to Gokart for completion before May, 2009 so that the maximum benefits are delivered to the consumers before winter of 2009.

During the year 2009-10 the company had requested for approval of the revised cost, to the tune of Rs.667 million, for the laying of 18 inch diameter × 18 Km from Dhadar to Gokart whereas the company had already completed the downstream portion, 24 inch diameter × 30 Km Gokart to Abbe-e-Gum. The approval was therefore given after the requisite formalities were fulfilled by the company.

(ii) 24 Inch Diameter × 196 Km Bajara to Karachi Loop line

The above loop line was planned and included by SSGCL as part of the comprehensive Gas Infrastructure Rehabilitation and Expansion Project-II (GIREP-II).

In the initial application SSGCL proposed a 30 inch diameter pipeline but due to the evaluation/ deliberations made by OGRA it was revised as 24 inch diameter pipeline. Accordingly, the cost of the pipeline was also reduced from Rs. 5,175 million to Rs. 4,724 million.

The aim of the loop line design was to absorb 240 MMcfd additional gas supplies from the Zamzama (150 MMcfd) and Bhit (90 MMcfd) gas fields. The laying of the project was to strengthen Indus Right Bank Pipeline (IRBP). The project was approved in December 2005 as it established prudence. The project was commissioned in FY 2006-07 however, during the current year the company requested for approval of Rs.64 million for the remaining mechanical and civil works, which was granted.

(iii) Construction of Submerged Crossings in Place of Existing Overhead Pipeline Crossings for Safety against Terrorist Threat

In the recent past SSGCL has faced terrorist acts of blowing of its overhead transmission pipelines. Such incidents have occurred close to the border of Balochistan and Sindh on such pipelines which are located in the paddy growing areas and which cannot be accessed easily by the staff of the company. Eventually it was planned by the company in the year 2004 that such overhead pipelines crossings shall be replaced with the submerged crossings under canal bed and water channels to bring maximum security to the pipelines. Since the inception of the project, the company has been requesting on a yearly basis through its revenue requirement petitions for approval of its plans for submerging the pipelines. So far 29 crossings have been submerged at the cost of Rs. 205 million. The year-wise details are presented in the table below:

Fiscal Year	Number of Submerged Crossings Carried Out	Cost Incurred (Rs. Million)
2005-06	2	38
2006-07	9	23
2007-08	12	80
2008-09	05	33
2009-10	01	31
Total	29	205

(iv) Construction of Metalled Road on Unapproachable Right of Way (Row) on the Transmission Pipeline Network

In compliance of the licence condition no.32 of the licence issued to the company by OGRA, SSGCL is under an obligation to institute a program of patrolling the transmission pipeline ROW to observe factors affecting the safe operation of the transmission pipeline including encroachment of ROW. The licensee has been bound through the licence condition that it shall take reasonable steps under the relevant law to remedy such encroachments.

In compliance to the above the company carried a detailed survey of its transmission pipeline network and it was transpired through survey conducted that around 576 Km out of around 1,828 Km of ROW is inundated due to paddy crops. The same was therefore not patrol able either on a vehicle or on foot. In order to comply with the above SSGCL has devised a long term ROW development plan.

During the year SSGCL requested for approval of Rs.476 million. However, an amount of Rs 238 million was approved after investigating the past performance made by the company.

As of June 30, 2010 the following has been achieved by SSGCL:

Fiscal Year	Km Covered	Pipeline System	Cost (Rs. Million)
2005-06	23	18"diameter & 20" diameter IRBP	28
2006-07	52	18"diameter & 20" diameter IRBP	172
2007-08	62	18"diameter & 20" diameter IRBP	138

During FY 2008-09 earth filling of 106 Km was completed on 18" diameter & 20" diameter IRBP whereas during FY 2009-10, 17 Km on the 18" diameter & 20" diameter IRBP have been completed.

(v) Rehabilitation and Intelligent Pigging of 12" Dia × 344 Km Quetta Pipeline

The 12"dia x 344 Km Quetta Pipeline (QPL) was constructed and commissioned for supply of gas to Quetta and other towns. The pipeline passes through difficult unrelenting areas. Since commissioning its capacity has also been increased through looping with other pipelines of different diameters in view of additional load especially during winter season.

The object behind the intelligent pigging is to check reliability/integrity of the pipeline and increase its effective life. The company planned intelligent pigging of 12" dia x 344 Km QPL at a total estimated cost of Rs. 301 million. The company planned to complete the job in steps. In the first place the rehabilitation & cleaning, to make the pipeline pig-able was planned to be completed during FY 2009-10. The total outlay for this involved Rs. 164 million. As a second step, pigging will be carried out during FY 2010-11 at an estimated cost of Rs. 137 million. During FY 2009-10 the company sought approval for Rs. 164 million. Since the project was focused on pipeline integrity assessment activity which would result in increased lifespan of the pipeline, the approval for the same was accorded after establishing prudence of investment.

SNGPL sought approval for the following projects which were projected in its petition for the determination of estimated revenue requirement for FY 2009-10. The same were approved by the Authority owing to their importance and cost effectiveness.

4.2.4.2 Transmission Projects (SNGPL)

• Project IX

The Project IX was designed by SNGPL to meet the following objectives:

- i. Absorb 354-444 MMcfd gas from different gas fields, Gurgury/Makori being major ones.
- ii. To enhance / increase the line pressure ahead of Multan.
- iii. Gas supply to power plants of WAPDA and new Independent Power Producers (IPPs) downstream of Multan, in the industrial triangle of Lahore, Sahiwal and Faisalabad.
- iv. De-bottle necking of transmission system by reducing the consumption of fuel internally in order to optimize the operation and maintenance costs.

The project was planned to be completed in two phases.

Phase I:

Phase-I consists of laying 24" diameter × 140 Km at a cost of Rs.3,222 million Gurguri, Kohat, Nowshera pipeline. Furthermore, it involves the injection of 200-250 MMcfd gas to the transmission network. The evaluation of the said project revealed that it is cost effective and has a positive internal rate of return. It was therefore approved by the Authority in FY 2007-08. A sum of Rs. 2,003 million as a spill over cost for the unfinished work was permitted by the Authority in FY 2008-09.

Phase II:

SNGPL envisaged phase-II to strengthen the capacity of N-leg of the system i.e., between Qadirpur Rawan and Lahore. The plan involved diversion of around 300 MMcfd to 650 MMcfd natural gas from KAPCO and Muzaffargarh power stations to meet the requirement of six IPPs and additional load of general industries including Packages and Sunder Industrial Estate near Lahore. The project phase was approved by the Authority in FY 2007-08 costing Rs.8,681 million, after establishing its prudence, efficiency and cost effectiveness.

The project-IX is likely to be completed during the current year however the company sought approval of Rs. 348 million on account of unfinished civil work. Approval for the same was granted by the Authority since the cost was a spill over concerning the work in progress.

Furthermore, the following two loop lines were approved by the Authority to mitigate the low pressure problem.

Charsadda / Khazana Loop line

The project involves 8 inch diameter, 45 Km loop line. It is estimated that the after laying of loop line the capacity of the system will enhance from 20 MMcfd to 40 MMcfd which would therefore result in minimizing low pressure problem in the Peshawar region. The company projected an amount of Rs.395 million through its petition for the determination of the estimated revenue requirement. The project being cost effective was approved by the Authority during the current year.

Jahangira/ Swabi Loop line

The project involves 8 inch diameter, 40.40 Km loop line. As planned the system capacity will increase from 25 MMcfd to 50 MMcfd which would also help rectify low pressure problem in the Peshawar region. An amount of Rs.355 million was approved by the Authority.

4.2.5 Addition of Assets / Natural Gas Network

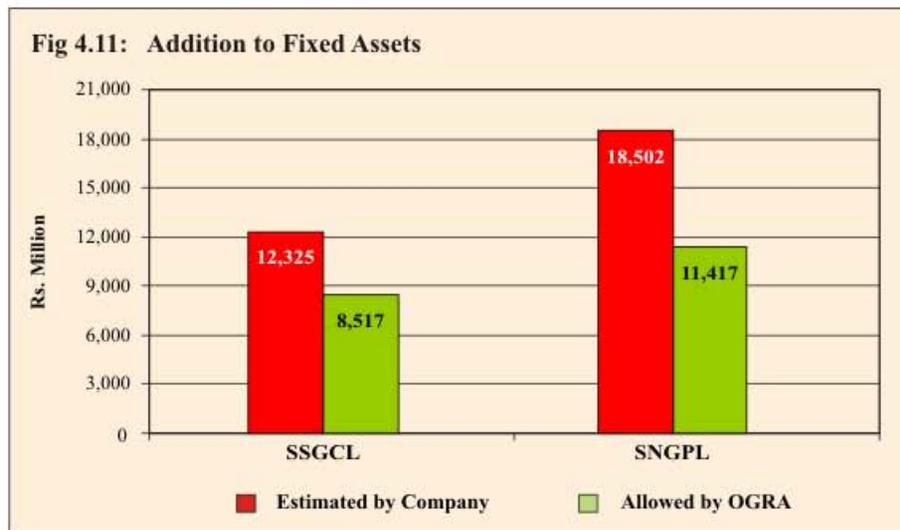
On annual basis, the licensees submit their petitions to the Authority for the determination of estimated revenue requirements under Rule 4(2) of Natural Gas Tariff Rules. Along with other details, the petition comprises of major portion pertaining to the increase in the asset base which includes investments for the infrastructure development projects for the expansion of transmission and distribution network. The same is scrutinized in detail and determined by the Authority as per section 8(1) of the OGRA Ordinance, 2002, on the basis of value, prudence and efficiency.

In the light of the expenditures allowed to the licensees as per the determination of the estimated revenue

requirement the licensees are enabled to expand their transmission and distribution (T&D) network and thereby increase their consumer base.

Increase in Assets

Fig 4.11 shows an increase in assets requested by the companies in their revenue requirement petition for FY 2009-10, and allowed by OGRA. The figure shows that SSGCL and SNGPL requested for an increase in assets to the tune of Rs. 12,325 million and Rs. 18,502 million respectively. After giving due consideration to their request and scrutinizing the petition in complete details OGRA allowed a sum of Rs. 8,517 million and Rs. 11,417 million respectively as per its determination of estimated revenue requirement under section 8 (1) of the OGRA Ordinance, 2002 and rule 4 (2) of the Natural Gas Tariff Rules, 2002.



Addition to Transmission and Distribution Network

As for the laying of transmission network, the 18"dia × 18 Km Dhadar to Gokart transmission loop line segment of SSGCL, planned to be laid/completed by the company during the current year, but delayed due to litigation on the procurement of line pipe. The company expects to complete the same during FY 2010-11. SNGPL has expanded its transmission network by 237 Km. The distribution network of SSGCL and SNGPL expanded by 2,503 Km and 8,205 Km respectively during FY 2009-10. **Figs 4.12** and **4.13** show province-wise break-down of increase in transmission network of SNGPL and distribution network of SSGCL & SNGPL respectively during FY 2009-10

Number of Consumers

During FY 2009-10, SSGCL has added 112,732 and SNGPL 277,688 consumers to their network. **Table 4.12** shows increase in the number of consumers in their respective regions of operation, category-wise during FY 2009-10.

New Towns and Villages Connected

During FY 2009-10, SSGCL and SNGPL have connected 369 and 377 new towns and villages respectively to their networks. Region-wise break up of new towns and villages' for SSGCL & SNGPL is given in **Figs 4.14** and **4.15** respectively.

Fig 4.12 Addition to Transmission Network (SNGPL)

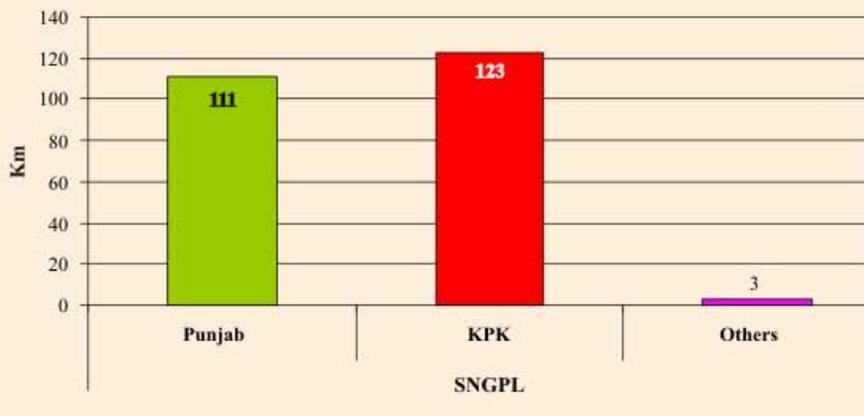


Fig 4.13 Addition to Distribution Network (SSGCL & SNGPL)

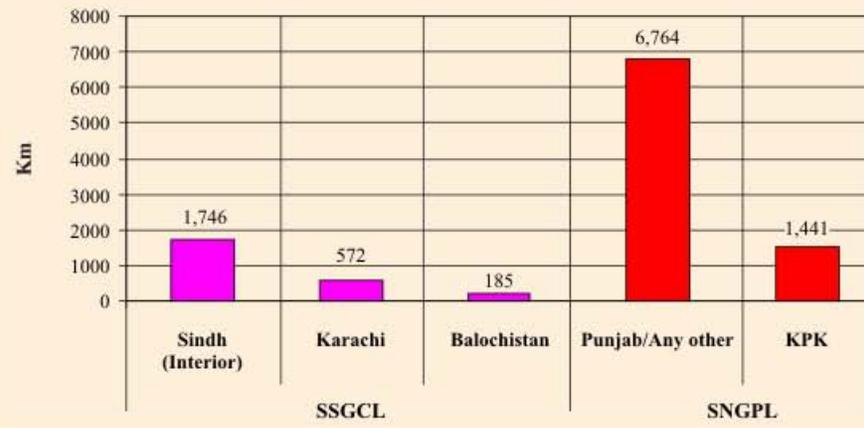


Table 4.12: Addition to SSGCL and SNGPL Consumer Base

Description	SSGCL				SNGPL			G-Total
	Sindh (Interior)	Karachi	Balochistan	Total	Punjab/Any other	KPK	Total	
Domestic	42,300	57,002	11,184	110,486	232,453	41,010	273,463	383,949
Commercial	439	1,368	161	1,968	3,443	378	3,821	5,789
Industrial	38	237	3	278	375	29	404	682
Total	42,777	58,607	11,348	112,732	236,271	41,417	277,688	390,420

Fig 4.14: New Towns and Villages Connected - SSGCL

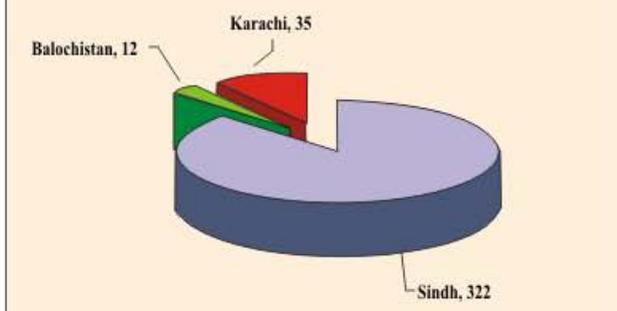


Fig 4.15: New Towns and Villages Connected - SNGPL



4.2.6 Enforcement of Regulatory Framework

Enforcement of Licence Conditions and Anticipated Developments Next Year

4.2.6.1 Standard Technical Specifications for Equipment and Material to be used in Natural Gas Network

The licence condition no. 17 obligates the licensees to conform to the technical standards prescribed by the Authority in accordance with the provisions of the Ordinance and the Rules from time to time for the equipment, materials required for undertaking any of the regulated activities.

Furthermore, section 6 (2) (e) of the Ordinance empowers the Authority to specify and review standards, in consultation with the licensees.

Therefore, in order to comply with the provisions of the Ordinance and to bring the functions / operations of the licensees in line with technical standards, a robust in-house activity was started and initially nascent standards were developed. All the care was taken to keep in view / consideration, viable, internationally acclaimed and accepted prevalent specifications and standards. These standards were sent to different licensees of OGRA to obtain their inputs / comments. The licensees to whom these standards were sent include the following:

- Sui Southern Gas Company Limited (SSGCL)
- Sui Northern Gas Pipelines Ltd (SNGPL)
- Mari Gas Company Ltd (MGCL)
- Pakistan Petroleum Ltd (PPL)
- Oil and Gas Development Company Ltd (OGDCL)
- Fauji Fertilizer Company Limited (FFCL)
- Engro Chemicals Pakistan Limited (ECPL)
- Central Power Generation Company Limited (CPGCL)
- Fatima Fertilizer Company Limited (FFCL)
- Foundation Power Company (Daharki) Limited (FPCDL)
- Star Power Generation Limited (SPGL)

Valuable inputs were received from the licensees and were made part of the standards to the necessary extent. Thereafter, a final draft was prepared which was sent to the two licensees of major concern i.e., SNGPL and SSGCL, for seeking their final comments. Inputs received from them were scrutinized in detail to ensure that appropriate standard specifications are made part of the final document/ draft.

The specifications and standards for equipment and materials have been approved and notified by the Authority on July 29, 2009 in the official gazette of Pakistan.

4.2.6.2 Emergencies (Serious and Non-Serious)

The licence condition no. 19 obligates the licensee to respond to emergency calls as stipulated in the Performance and Service Standards specified by the Authority. Furthermore, the licensee is also bound to submit to the Authority a report on quarterly basis containing the following:

- Number of emergencies and their specific locations
- Causes of emergencies

- Any injury and estimate of damages
- Action taken by the licensee
- Average time taken to respond to an emergency and to handle the emergency
- Any action taken to prevent such emergencies in future
- Any other information specified by the Authority

(i) Non-Serious Emergencies

A comparative report on the non-serious emergencies of SSGCL for FY 2007-08 and FY 2008-09 was prepared. It has been observed from the comparative report that the average time taken to respond to the emergencies in Balochistan region is on the higher side when compared with other. A number of suggestions have been made to SSGCL to develop a 'Standard Operating Procedure' (SOP) for minimizing the response time to deal with the emergency cases.

(ii) Serious Emergencies

For the purpose of this Condition, "Serious Emergency" means:

- Injuries to or death of an individual.
- Major damage to the property.
- Damage to or rupture of transmission pipeline or distribution main.
- Suspension or curtailment of natural gas to a city or town or an area or a retail/bulk consumer consuming more than 10 MMcfd.
- Any other factor prescribed by the Authority.

As per the licence condition, in case of any serious emergency the licensee is bound to promptly report to the Authority within a stipulated timeframe of 24 hours.

SSGCL has been following the obligations of the licence and has been submitting reports on quarterly basis. A consolidated report pertaining to the serious emergencies occurred on the SSGCL network during FY 2008-09 was prepared and following was observed:

Volume lost due to sabotage activities (This pertains to the terrorist acts of blowing up of the gas pipelines, usually transmission main pipelines) = 255 MMcfd.

Volume lost due to Third Party Damages (This pertains to the damages done to the pipeline(s) (usually distribution pipelines) by the other agencies or any individual, normally within the city / town limits) = 67 MMcfd.

The assessment of the volumes of natural gas lost given by the company through these reports was cross-checked through calculations carried out in-house, to ascertain the extent of deviation.

Further, it was observed that all 16 sabotage cases were recorded in Balochistan region and no such incident took place in Sindh region.

The company was however advised to minimize the response time in case of serious emergencies and develop an effective SOP for the same. SSGCL has informed that SOP is being prepared/reviewed and OGRA will be kept posted in this regard.

4.2.6.3 Action against Theft

Theft of natural gas means use / consumption of gas in unauthorized / un-lawful manner for which the user / consumer has neither been billed nor he/ she has paid for such consumption. Theft of gas is one of the major causes for the increase in UFG. Realizing this Authority has embedded a provision in the licence, issued to the gas companies, which formally addresses this matter.

The licence condition 20 obligates gas utilities to take measures such as restricting the account to theft of gas. For this, the companies have to address the incidence of the theft of natural gas, determine the value of stolen gas and also recover the same.

4.2.6.4 Procedure for Dealing with Gas Theft Cases 2006

Considering above, the Authority formulated the "Procedure for dealing with gas theft cases" and approved in the year 2005-06 which is being followed by the licensees to address the impact of theft of natural gas, determine the value of stolen gas and recover the same.

4.2.6.4.1 Theft Rules, 2010

In addition, the Authority in exercise of powers conferred under section 41 of the OGRA Ordinance, 2002 has developed Natural Gas Theft Rules, 2010.

The basic intent of these rules is to,

- i) Provide legal cover to already approved and enforced 'Procedure for dealing with gas theft cases'.
- ii) To facilitate gas utility companies / licensees to recover value of gas stolen from the consumers who have been established to be involved in stealing natural gas.
- iii) The said rules present a scope, which can bring incarceration and imposition of fines to the consumers.

4.2.6.4.2 Salient Features of Theft Rules, 2010

Through these rules the licensees / gas utilities shall be empowered to lodge application to OGRA against theft of gas by the consumers/ non-consumers. A pre-requisite for lodging the application means that the licensee has made all the efforts in respect of claim/ recovery of the value of stolen gas. OGRA shall ensure that same has been done by the licensees before admitting the application of the licensee.

In order to seek the advice and to make these rules acceptable to all, these were sent to all the stakeholders whose comments have been received and the same is under consideration of the Authority for a final outcome.

4.2.6.4.3 Natural Gas Utility Companies Theft Act 2010

It is evident from the above that a firm regulatory framework to curb theft of gas has been put in place in the form of "Procedure for dealing with gas theft cases" by the Authority; furthermore, the Authority has also taken the initiative to develop Natural Gas Theft Rules. However, Ministry of Petroleum and Natural Resources has proposed that the said Rules do not treat the theft of gas as a criminal offence and therefore the

Natural Gas Utility Companies Theft Act 2010 has been referred to OGRA to be finalized in consultation with OGRA and other stakeholders.

Natural Gas Utility Companies Theft Act 2010 broadly covers matters which are major contributors towards the theft of gas and its non-payment. The Natural Gas Utility Companies Theft Act 2010 calls for the formation of courts that should be responsible to penalize the gas pilferers and make recoveries from them and impose incarceration in case of non-payment by the consumers and non-consumers. The courts shall be empowered to penalize the offenders either by imposing fine or imprisonment for 2 to 3 years depending upon the nature of the offence committed.

OGRA has placed the Natural Gas Utility Companies Theft Act 2010 on its website to seek comments from all the stakeholders, on the advice of MP&NR.

4.2.6.5 Consumer Service Manual

The licensee in respect of its distribution system and sale of natural gas is obligated as per the licence condition no. 23 to submit the Consumer Service Manual, specifying the rights and obligations of consumers before and after the sale of gas, for approval by the Authority.

In compliance of the above, SSGCL and SNGPL submitted their Consumer Service Manuals. The manuals were scrutinized thoroughly and it was observed that the manuals are short of some details which should be the part of the manuals. The licensees were therefore advised to include following in the manuals:

- a. Application procedure and process for new connections.
- b. Billing procedures policies etc.
- c. Procedure for responding to complaints.
- d. Disconnection and Reconnection Policies.
- e. Modifications and relocations procedures.
- f. Additions /alterations in gas load procedure.
- g. Procedure for dealing with gas theft.
- h. Standard Gas Sales Contracts including 'Industrial, Commercial and Domestic.
- i. Performance and Service Standards.
- j. Safety and Energy Conservation.
- k. Compensation to the Consumers.

The manual re-submitted by the licensees have been transformed into a concise/complete and comprehensive document by integrating some changes/ amendments and also by the inclusion of "compensation procedure" approved separately by the Authority. The manuals shall be notified shortly. The Consumer Service Manual is a document that is subject to change with the emergence of new scenarios in the natural gas sector and therefore cannot be considered final at any time.

4.2.6.6 Performance and Service Standards

Under licence condition no. 24, licensees are required to take full care and treatment in service delivery, maintenance, efficiency and safe operation of their regulated activities to meet certain standards. Pursuant to the foregoing the companies submit their annual reports on performance and service standards.

It has been observed that the reports submitted by the licensees appear to be unrealistic as their performance has always remained within the range of 95-100% of the compliance. It was therefore felt necessary to get them verified and checked.

SSGCL has informed that its internal audit department is carrying out the performance audit. The company submitted an interim "Performance Audit Report" whereby it was informed that the auditors' observations have been communicated to the concerned departments for implementation. However, the response from the SNGPL is awaited.

Compensation Procedure

Clause-26 of the performance and service standards is concerned with the "Payment of compensation to consumer adversely affected by non-compliance of service standards." A precondition for the provision implies that a complete procedure is developed for addressing, as to how compensation may be requested to the company in case of non-compliance with performance and service standards.

Pursuant to this a compensation procedure has been developed/ prepared by the Authority after carrying out consultations with the licensees.

The procedure provides cover and guidance to the registered consumers to seek compensation for negligence by the owner of the construction, maintenance, operational activities on its transmission and distribution pipeline network.

The Authority approved the compensation procedure for compliance by both licensees i.e., SSGCL and SNGPL in FY 2009-10.

4.2.6.7 Technical Audit

The licence condition 28 obligates the gas utility companies to conduct a technical audit of their operations on a periodic basis. In pursuance of the same, both the gas utility companies conducted the technical audit of their operations by hiring audit firms namely, M/s SGS Pakistan (Private) Limited by SSGCL and M/s Velosi International by SNGPL.

The audit reports submitted by the gas utility companies were examined. It was observed that a number of gaps and shortcomings in their operations have been pointed out by the audit firms which need to be addressed. Therefore, the companies have been advised accordingly to take necessary steps to address the shortcomings.

4.2.6.8 Connection to the Distribution System and Minimum Service Obligations

SNGPL and SSGCL are obligated under licence condition no. 33 to issue the 'proposal letters' i.e., 'sanction for gas connections' to the applicants who request a domestic, commercial or industrial connection. The proposal letter has to be issued within 90 days from the date of receipt of application for online cases, or any other period approved by the Authority. As the security and other 'fixed and variable' charges are deposited by the applicant, the connection for the domestic and commercial use has to be provided within 45 days and within 90 days for the industrial category.

The above is being followed by SSGCL however; SNGPL has not been able to comply with the licence

condition thereby causing problems and particularly the pending cases of domestic category have reached an alarming level. This has resulted in public unrest and concern.

OGRA in order to guard the public interest and to streamline the progress took up the matter with the SNGPL and the company was advised to address the issue by providing a work plan for the resolution of the issue.

Government of Pakistan has also intervened in the matter by recommending to OGRA for temporarily relaxing the targets for provision of domestic gas connections. Subsequent to that the Authority directed SNGPL to submit a petition for the review of the same. SNGPL submitted the petition seeking review in the timeline. The matter was deliberated and following policy guidelines have been sought from GoP with the following recommendations by the Authority:

- i) Annual target be increased from 213,000 connections to 400,000 connections and
- ii) Large scale expansion be decreased from 5000 Km to 2000 Km.

A policy guideline as regards above is awaited from the GoP.

4.2.6.9 Standard Contract Terms for Retail Consumers

The licence condition no. 39 obligates the licensees to sell natural gas to, domestic, commercial and industrial consumers, through a written contract duly approved by the Authority. A revised contract for the supply of gas to domestic category of consumers was approved by the Authority in the year 2005 whereas later on, the commercial and industrial contracts were approved in FY 2007-08.

- **Standard Contracts for “Special Domestic”, “Bulk Domestic” and “other” Category of Consumer**

At present the “Special Domestic” and “Bulk Domestic” consumers are treated as domestic consumers. However, the above two categories are supplied gas at a pressure higher than 8 inch water column (The pressure at which domestic consumers are provided gas supply) but the same is not accounted for, in the tariff application and domestic tariff is applied to these consumers. Considering this, SSGCL requested the Authority in FY 2008-09 to revise the contract to cover the higher pressure aspect for tariff application for such consumers which may include Government and Semi-Government offices and hospitals, Government guest houses, armed forces messes, langers, mosques, churches, temples, madrassas, other religious places etc (treated as 'Special domestic') along-with hostels and residential colonies where gas is supplied in 'bulk' through a 'bulk meter'.

Agreeing with the proposal of SSGCL, both the licensees were directed by the Authority to prepare a draft contract for Special domestic/ Bulk consumers. The drafts have been received from the licensees which are under scrutiny of the Authority and a final uniform contract shall be finalized in due course of time.

4.2.6.10 Revision of Security Deposit of Domestic Consumers

Under the licence condition 44 the licensee is obligated to ask consumer to furnish security deposit or bank guarantee of not more than the estimated average value of supply of natural gas for a period of three months or for such other period as may be agreed between the licensee and the consumer.

SNGPL has stated that in respect of industrial and commercial consumers company keeps reviewing the amount of security deposit held on the basis of average billing of those consumers, on regular intervals and replenishes the amount of shortfall accordingly. However, in case of domestic consumers the amount of security deposits equivalent to Rs. 1,500 for house up to 10 marlas and Rs. 2,000 for house more than 10 marlas is being collected in accordance with Ministry of Petroleum and Natural Resources directives. The company further stated that due to increase in gas price the ability of consumers to pay gas bill has been affected.

Based on the above, the company presented a detailed analysis and thus proposed/ requested the following:

1. For consumers up to 2 HM3, the amount of security deposit should be limited to Rs. 2,800 and company should be allowed to recover the difference between the amount of security held and Rs. 2,800 in gradual manner over a period of six months through normal billing.
2. For consumers consuming more than 2 HM3, the amount of security deposit should be linked with the winter months average of the last season ended December 2008 through February 2009 and company should be allowed to replenish the amount of security deposit based on individual consumers winter consumption in a gradual manner over a period of six months through normal billings.
3. For new consumers, the amount of security deposit should be fixed at Rs. 2,800 and the company should be allowed to recover the shortfall in security deposit, if required, in a manner set out in 1 and 2 above. Present distinction between 10 marlas and more than 10 marlas may be abolished and above mechanism of consumption based security deposit should be adopted.

The matter is under consideration of the Authority and a suitable decision shall be taken shortly.

4.2.6.11 Major Miscellaneous Activities Performed

- o **All Pakistan CNG Association's (APCNGA's) Draft CNG Policy 2010**
OGRA being a stakeholder was asked by the Ministry of Petroleum and Natural Resources to comment on the 'All Pakistan CNG Association's Draft CNG Policy 2010'. Gas department furnished comments on the relevant portions concerning billing and theft of gas issues.
- o **Working Group on “Discovery, Mining and Transportation of Fuels such as Gas, Oil, Uranium and their Imports” for 10th Five Year Plan**
A draft working group's report/10th Five Year Plan was forwarded to the Gas Department for comments. The plan along with others also covers the gas sector scenarios in respect of the current reserves, gas demand and supply, current load on the transmission and distribution systems, future options and certain solutions as regards the future requirements.

The plan was analyzed in detail and critical comments as regards the current gas reserves position in the country, country-wide gas supplies, natural gas distribution and consumption, gas consumers and total gas network length.

On an overall basis it was suggested to the concerned that the plan is little overambitious and may be looked into over again.

o **Steel Line Pipe Internationally Recognized Accreditation**

The basic purpose of API accreditation is to ensure that the products/ equipments are being manufactured in accordance with internationally acclaimed standard specifications to minimize the gas leakages and adherent risk to general public.

SNGPL requested the Authority to withdraw the SRO 138(1)/2008 dated February 04, 2008, relating to mandatory requirement of acquiring API accreditation for the steel line pipe manufacturers due to which the company is restricted only to a few manufacturers leading them to form cartel and quote high prices.

In view of extensive deliberations with the Pakistan Steel Line Pipe Industry Association (PSPA) and the two major licensees (SSGCL & SNGPL) as well as the amendment made in the Natural Gas Distribution Technical Standards 2004 vide SRO No. 116(1)/2008 dated 4th February 2008, it has been decided by the Authority that there is no justification for withdrawal of the SRO138(1)/2008 dated February 04, 2008.

Liquefied Natural Gas (LNG)

o **Engro Vopak Terminal Limited (EVTL)**

Engro Vopak Terminal Limited (EVTL), a joint venture of Engro Chemicals Pakistan Limited and Royal Vopak Limited informed OGRA that it is planning to setup a staged LNG terminal at Port Qasim, Karachi. The basic intent of the project is to help bridge the demand and supply gap of natural gas in the country. EVTL has planned to supply Re-gasified-LNG (RLNG) to KAPCO (a volume of 80 MMcfd), KESC (a volume of 100 MMcfd) and Engro Chemicals Private Ltd (a volume of 100 MMcfd).

EVTL has requested OGRA to provide certain inputs as regards the following issues:

- Guidelines on “Regulated Cost plus Tariff”. Since this is a policy matter therefore, OGRA has sought guidelines from the GoP which are awaited.
- GTA between SNGPL and SSGCL to transport RLNG from EVTL. The GTA has yet to be finalized between the parties.
- Terms of payment between buyers and sellers. EVTL has been apprised that LNG Policy, 2006 covers the issue.

o **Pakistan Gas Port Limited (PGPL) LNG Project**

PGPL submitted an application to OGRA invoking Rule 33 of LNG Rules 2007 for grant of a provisional licence for construction of LNG Terminal. The project involves an addition of 300 MMcfd gas (re-gasified from LNG) to national grid. The project also envisages yielding a quantity of 1000 MT/ day of LPG as by product.

Application for grant of provisional licence was analyzed in detail in the light of rule 33 of LNG Rules, 2007 and a provisional licence was issued on May 14, 2009 for a period of one year. Through the provisional licence PGPL was also advised to submit a formal application for the construction of LNG terminal after fulfilling the formalities as required under the rule 4 of the LNG Rules, 2007.

In view of the above, PGPL has submitted a formal application / documents for the issuance of a licence for the construction of LNG terminal. The documents have been analyzed to check their conformity to the rule 4 of the LNG Rules, 2007. However, as per rule 31 of LNG Rules, 2007 and clause 11.4 of LNG Policy 2006 a consultant firm amongst the already approved list, by the Authority, to assist in evaluation of the application for grant of licence, shall be hired and a final decision for the issuance of the licence shall be taken in due course of time by the Authority, in the light of the recommendations of the consultant.

4.3 Liquefied Petroleum Gas (LPG)

4.3.1 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.

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

- Grant of licence for construction of LPG production, storage & filling plants and auto refueling stations.
- Grant of production licence for production/extraction of LPG from Oil/Gas fields and refineries.
- Grant of marketing licence for sale and distribution of LPG.
- Grant of operational licence for auto refueling stations (filling LPG in automotive cylinders).
- Regular periodic inspection of LPG works and facilities to ensure their conformity with the laid down standards.
- Monitoring supply of mandatory quota of LPG to Northern Areas, FATA, Hilly areas, AJK and Balochistan.
- Determination of reasonable prices and monitoring.
- Action against unauthorized activities like decanting, etc.
- Redressal of consumer complaints and resolution of disputes between or among the licensees.



An overview of LPG Production Plant

4.3.2 LPG Licences and Operating Rules

The Authority is empowered for issuing licences to construct and operate LPG production, storage & filling facilities and refueling stations under the LPG (Production and Distribution) Rules, 2001. The licence is

granted in two stages for an overall period of 15 years. A provisional licence is granted for one year for the construction of the LPG facilities. The licence for operation is granted after completion of works to the satisfaction of Authority.

4.3.3 Licensing Procedure

Any person can apply for grant of a licence to the Authority on the prescribed Form 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 and licensed oil marketing companies are also eligible for licence for construction of auto refueling stations. The required application form is available on OGRA's website. Application of licence for storage and filling plant is evaluated on the basis of the following criteria/requirements:

- Application on the prescribed proforma.
- Pay Order / Bank Draft of Rs. 100,000/- in favour of Oil & Gas Regulatory Authority, as Licence fee (Payable at Islamabad).
- Attested copy of proof of registration of the Company / Firm (company incorporation certificate).
- Attested copy of Memorandum and Articles of Association.
- Attested copies of ID cards of all Directors / Partners.
- Exact location of the plant site.
- Proof of financial competence of the company.
- Proof of technical competence of the company.
- Comprehensive marketing plan specifying location and capacity of plant at present and in coming years, area of operation, no. of cylinders and details of no. of distributors (Province / City wise).
- Duly executed agreement with local or international LPG production sources committing supplies of LPG at least for a period of five years.
- Last three years audited reports (if applicable).
- Minimum Work Program:
 - Number of storage tanks and capacity of storage tanks.
 - Bottling facility capacity.
 - Quantity of LPG to be distributed per day or per month.



LPG Production Facility (Night view)



LPG Cylinder Filling Operation in Progress

- Identification of areas where distribution / marketing of LPG is planned

OGRA has simplified the procedure for grant of LPG licence and the same is granted on fast track once the requirements are met / complied. During FY 2009-10, 03 licences for marketing of LPG and 07 licences for construction of LPG storage and filling plants were issued. In addition, OGRA has also issued 2 licences for production of LPG to M/s PPL and M/s Boscicor and 7 licences for construction of LPG auto refueling stations during FY 2009-10. Pre-commissioning inspection of the first LPG auto refueling station has been carried out by OGRA's 3rd party inspector in accordance with LPG Rules, 2001. Investors are further provided comfort through one window facility where prompt guidance and information is provided to the applicants.

4.3.4 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'/dealers premises meet the requirements / guidelines of NFPA-58 standard as given in the LPG (Production and Distribution) Rules, 2001. A list of minimum 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 DCO's and taking necessary action against the defaulters in their areas to ensure public safety.
- The authorized manufacturers of LPG storage tanks / bullets / bowzers / cylinders and cylinder valves have been pre-qualified by the Authority based on their experience / expertise, capability, documentation and thorough inspections by an independent committee. All LPG licences have been advised to get their equipment manufactured only from OGRA's authorized manufacturers.
- In order to ensure safe transportation of LPG from production sources / storage terminals to LPG storage plants, through bowzers, the Authority has decided to bring bowzers under regulation and work is in progress in this regard.
- The layout plan(s) for LPG autogas stations in accordance with Regulatory Framework for use of LPG in automotives, LPG (Production & Distribution) Rules, 2001 have been developed and placed at OGRA's website for guidance and convenience of potential investors. In addition, the layout plan(s) have also been distributed to all LPG marketing companies as well as to all Provincial Governments for information and necessary action.
- In order to stop/minimize the illegal decanting of LPG, marketing companies have been advised to promote the usage of small sized LPG cylinders in their distribution network.
- Action against the illegal LPG decanting continued through the Provincial Governments and public awareness campaign launched in the print media to curb such malpractices.



LPG Storage Tanks

- Enforcement of international 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 their distributors only distribute company's branded cylinders.
- Thirty nine (39) inspections and re-inspections of LPG marketing and production facilities were carried through 3rd party inspectors during FY 2009-10. In addition, 19 site verifications for LPG auto refueling stations were carried out during FY 2009-10.
- LPG supplies were monitored to help uninterrupted supplies to consumers.
- All LPG marketing companies were monitored to ensure compliance in respect of supply of mandatory quota of LPG according to GoP policy for AJK, FATA and Northern Areas. The quantities of LPG supplied to these areas by LPG marketing companies were regularly forwarded to the concerned Provincial Governments in order to confirm the actual distribution of LPG quantities in the specified areas.
- LPG consumer prices of marketing companies were monitored in accordance with the provisions of LPG Production and Distribution Policy, 2006.
- Twenty seven (27) complaints during FY 2009-10 on decanting and excessive prices were received and appropriate actions were taken to address the complaints.
- Show cause notices were issued to number of companies which were not in compliance with LPG Rules, 2001.
- To ensure safety throughout the supply chain OGRA carried out inspections of the storage and filling plants of LPG marketing companies, distributor premises in major cities of the country.
- Penalties were also imposed upon those companies which were found in violation of LPG Rules, 2001.
- Checklist of technical parameters for 3rd party inspection for LPG storage and filling plants is provided at the stage of issuance of licence so that the requisite facilities are completed in accordance with the applicable standards.



A View of LPG Distributor Premises

4.3.5 Investment in the LPG Sector

OGRA is playing its vital regulatory role to increase private investment in midstream and downstream petroleum industry. OGRA has inducted additional third party inspectors for expeditious inspection/verification and for ensuring quality assurance/safety of LPG works. As a result of this and investor friendly policies of GoP, OGRA has succeeded in attracting significant investment in the LPG supply and distribution infrastructure. It has been an intention of the government to improve the current LPG production levels to accommodate the ever increasing LPG demand and its access to the poor at low price. During the fiscal year 2009-10, an investment of Rs. 0.85 billion has been made in the LPG supply infrastructure whereas total investment in the sector till date, is estimated at about Rs. 14.5 billion.

4.4 Compressed Natural Gas (CNG)

4.4.1 Regulation

The Government of Pakistan introduced Compressed Natural Gas (CNG) in Pakistan in the year 1992, as alternative fuel for automobiles to reduce environmental degradation and save the foreign exchange. The CNG (Production & Marketing) Rules, 1992 along with Standard Code of Practice were framed to regulate construction as well as operational phases of CNG refueling stations. OGRA, since transfer of powers to regulate CNG sector with effect from March 15, 2003, played a vital role in the promotion of natural gas as motor fuel in transport sector.

The rapid growth in CNG sector in a short span of time is attributed to investor's confidence and effective regulatory mechanism. OGRA has facilitated the process of grant of licences through simplification of licensing procedure and provision of one window facility for guidance to the investors. Salient regulatory functions of OGRA pertaining to CNG sector are as under:

- Grant of licence for construction of CNG refueling station after submission of complete requisite documents/information.
- Grant of licence for operation after certification of conformity to the laid down technical standards by the third party inspector appointed by the Authority.
- Regular periodic safety inspections of CNG stations. The inspections include annual safety audit inspection, pre-commissioning and re-inspection to confirm rectification of violations or compliance of CNG rules, standard code of practice in case of any alteration in CNG station equipment.
- Determination and notification of CNG consumer prices at CNG stations in accordance with policy guidelines of the Federal Government. Ensuring that no CNG station sells CNG over and above the notified price to the consumers.
- Redressal of consumer complaints in accordance with the Complaint Resolution Procedure Regulations, 2003.
- Imposition of penalties for contravention of the provisions of the OGRA Ordinance 2002, rules and regulations made thereunder, and terms and conditions of a licence or a direction of the Authority.
- Certification of CNG equipment after confirmation that it meets the requirement of CNG Rules 1992, Standard Code of Practice and any other requirement set out as a policy guideline by the Federal Government from time to time.



CNG Station under Construction

4.4.2 Licensing Procedure

Any activity for the purpose of storing, filling or distributing CNG is rendered illegal under rule-3 of CNG Rules, 1992 unless a licence has specifically been obtained for the purpose. The procedure for obtaining CNG licence is briefly explained below:-

4.4.2.1 Licence for Establishment/Construction of CNG Station

In order to facilitate consumers, the licensing procedure has been simplified. The procedure requires complete application which is available free of cost from OGRA's office and can be downloaded from website (www.ogra.org.pk), on the prescribed format along with the requisite documents. The applicants are also briefed and guided on the application procedure at the one window facility available in the office.

The Authority grants a licence for construction of CNG station initially for a period of two years under rule-6 of CNG Rules 1992, during which period the licensee after acquisition of requisite NOCs from the concerned Federal/Provincial/Local authorities in light of policy in vogue including permission from the Chief Inspector of Explosives under Rule 18 of CNG Rules 1992, and then completes construction of the CNG station.

The grant of new CNG licences for construction of CNG stations have been held up with effect from 7th February, 2008, in pursuance of the decision of the Government of Pakistan. However, the ban on new licences was subsequently lifted for Balochistan Province in August, 2008.

4.4.2.2 Licence for Marketing/Operation of CNG Station

The licensee, after acquisition of requisite NOCs from the concerned Federal/Provincial/Local authorities, licence from the Chief Inspector of Explosives, is required to meet the requisite safety and technical standards as prescribed in the CNG Rules, 1992/Standard Code of Practice.

The licensee, then requests the Authority for appointment of third party inspector to verify conformity of the CNG works to the Standard Code of Practice of CNG (Production & Marketing) Rules, 1992. The Authority appoints third party inspector for carrying out inspection of CNG Works/ Installations/ Station under rule-10 of CNG Rules 1992. The licence for Operation/Marketing is granted for a period of 15 years after satisfactory report of the third party inspector. Upon expiry of the licence, a licence is extended for a period of 5 years on payment of prescribed fee under rule-7 of CNG Rules 1992. The following are approved third party inspectors to carry out inspections from time to time, on behalf of the Authority:-

- a) M/s Imtech (Private) Limited
- b) M/s Bureau Veritas Pakistan Private Limited
- c) M/s Velosi Asset Integrity Private Limited
- d) M/s Republic Engineering Consortium

The applicants fulfilling the requisite legal formalities, are granted licences within fortnight. The investors are further assisted at one window facility where prompt guidance and information is provided to the applicants. During the year 2009-2010 a total number of almost 3,000 visitors were extended help and guidance with respect to CNG matters at one window facility.

OGRA has always given focused attention in conducting effective third party inspections, standardization of CNG equipment to provide comfort to the investors thereby adhering to requirements of safety code of



CNG Compressor

practice and effective regulation of CNG sector in light of latest technological developments to ensure safe, reliable and convenient service to consumers.

4.4.3 Regulatory Enforcement

The scheduled annual and surprise inspections, coupled with follow-up procedure, through designated third party inspectors has enhanced compliance to safety standards and overall monitoring process. The following regulatory activities have been under taken in FY 2009-2010:-

- a) Fines/penalties were imposed under the CNG Rules 1992, on the licensees involved in repeated safety violations, in addition to disconnection of gas supplies to ensure public safety.
- b) Monitoring of standards for new brands of CNG cylinders and conversion kits as per applicable rules.
- c) Public awareness campaign launched through print media to promote use of approved brands of CNG conversion kits and cylinders to ensure public safety.
- d) Surprise inspections to check measurement accuracy and safety violations on specific complaints.
- e) Annual safety audit inspections on regular basis through the designated third party inspectors.
- f) Re-inspections to confirm rectification of safety violations reported in annual safety audit inspections or in complaint inspections.
- g) Confirmation of adherence to the notified consumer price of CNG.



Storage Cylinders

4.4.4 Investment in CNG Sector

In fiscal year 2009-10 about 301 new CNG stations have come in operation bringing the total number to 3,171. It is envisaged that an investment of about Rs. 6.5 billion has been made in this fiscal year thus contributing to an overall investment of Rs. 83 billion (direct and indirect) in this sector. The activities in the sector have generated more than 7,000 direct and indirect employment opportunities.

4.4.5 Local Manufacturing of CNG Equipments

In a step towards national self reliance and foreign exchange saving, the Authority has always encouraged the local investors in manufacturing and assembling of CNG equipments. The local manufacturing of CNG equipments including CNG compressors, dispensers, priority panels and CNG conversion kits allows local industry to manufacture and compete with the imported brands. The Authority, during the last few years has approved five different brands of CNG conversion kits for local manufacturing subject to stringent regulatory criteria. Presently, there are three companies involved in local assembling/ manufacturing of CNG Dispensers. With the recent addition of one local company at present there are two approved local manufacturers/assemblers of Compressor.



Night View of an Oil Refinery

4.5 Mid and Downstream Oil Sector

4.5.1 Regulation

The Federal Government enforced the provisions of sub-section (3) of section 23; and (a) and (b) of sub-section (3) of section 44 of the OGRA Ordinance 2002 w.e.f. 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.

4.5.2 Powers and Functions

In view of the above mentioned notification, the powers and functions conferred under the OGRA Ordinance / Pakistan Petroleum (Refining, Blending and Marketing) Rules, 1971 mainly pertain to the following areas:-

- Grant of licences to construct or operate any refinery, construct or operate any pipeline for oil, construct or operate any oil testing facility; oil storage facility (other than storage associated with a refinery) or oil blending facility, construct or operate any installation relating to oil, undertake storage of oil or undertake marketing of refined oil products.
- In consultation with the licensees, specify and review the standards for the equipment and the materials to be used in undertaking regulated activity.
- Promote effective competition and efficiency in the activities within the jurisdiction of the Authority.
- Resolve complaints and other claims against licensees for contravention of the provisions of the OGRA Ordinance, rules and regulations.
- Enforce standards and specifications for refined oil products as specified by the Federal Government



Crude Distillation Unit

4.5.3 OGRA's Activities in the Oil Sector

The details of the activities carried out by the Authority to regulate the mid and downstream oil sector are as under:-

4.5.3.1 Formulation of New Draft Rules

The new draft Rules viz Pakistan Oil (Refining, Blending, Transportation, Storage and Marketing) Rules 2009, developed by the Authority for regulating the oil sector, have been sent to the Federal Government for its approval / notification, after incorporating the comments and feedback from oil industry and Ministry of Petroleum and Natural Resources



Aviation Fuelling

4.5.3.2 Preparation / Promulgation of Technical Standards

In pursuance of section 42(2)(b) of the OGRA Ordinance 2002 and to facilitate oil sector, OGRA has notified following technical standards after consultation with the licensees (oil industry):

Sr. No	Technical Standards	SRO No./Notification Date
i	Oil Transportation (Pipeline) Technical Standards	622 dated July 2, 09
ii	Technical Standards for Petroleum Industry (Retail Outlet)	623 dated July 2, 09
iii	Technical Standards for Petroleum Industry (Depots for Storage of Petroleum Products)	623 dated July 2, 09
iv	Technical Standards for Oil Refineries	819 dated Sept 24, 09
v	Technical Standards for Petroleum Industry (Road Transport Vehicles, Containers and Equipment used for the Transportation of Petroleum Products)	900 dated Oct 19, 09

Further, draft “Technical Standard for Lube Blending, Reclamation, Grease and Transformer Oil” has been prepared by OGRA and is being finalized in consultation with licensees for onward notification by the Authority.

4.5.3.3 Enforcement of Technical Standards

In order to ensure compliance with the technical standards notified, OGRA advised existing and new oil companies to construct / up-date their infrastructure in accordance with the provisions and time limit specified in the standards notified by OGRA, which would be subject to third party inspection by OGRA on completion of dead line mentioned therein. In addition to it, all the forthcoming infrastructure is to be built on these technical standards.



Storage Tanks and Associated Auxiliaries

Further, OGRA has recently conducted inspection of oil terminals of M/s. Bakri Trading Company Pakistan, Port Qasim and M/s. Byco Petroleum Pakistan Ltd. at Hub to ascertain the compliance with technical standards

4.5.3.4 Quality Assurance

OGRA in its endeavor to ensure the quality of POL products and in line with section 6 (2) (x) of the OGRA Ordinance, continued to undertake the quality testing through HDIP at the OMCs' depots and lube oil blending /reclamation plants on bi-annual/quarterly basis as under:-

- OMCs' Depots/Terminals (on bi-annual basis)
- Blending/Reclamation Plants (on quarterly basis)

Similarly, as per directives of the Authority, the OMCs carry out inspections / POL product testing at their respective retail outlets on regular basis and submit quarterly report to OGRA.

In the same way, the Authority has enforced through HDIP the monitoring and quality testing of the imported petroleum products on vessels (before unloading) in light of the GoP policy guidelines. Moreover, quality checks/inspections for ethanol blended gasoline (E-10) has also been made at depot & retail outlets from May 2010.



A View of Laboratory

During FY 2009-10, 122 and 276 quality checks/ inspections were carried out at OMCs depots and imported cargoes respectively. Moreover, 408 quality checks/inspections were carried out at 175 lube blending plants. Numbers of quality checks for the first three quarters made on retail outlets across the country were 29,961. During May & June 2010, 04 quality checks/ inspections were carried out at retail outlets selling E-10 situated at Karachi.

A SOP was issued for all OMCs in Pakistan on how to deal with adulterated product if found at the fuel retail outlets.

In addition to the mandatory technical requirements, environmental considerations were also included in the checklist while extending permission of operation to any oil blending/ reclamation plant in the country.

4.5.3.5 Licence for Offshore Loading/Unloading Facility

M/s. Coastal Refinery Limited (CRL) in collaboration of M/s. Bosicor Pakistan Limited (BPL) intends to install a Single Buoy Mooring System (SBM) for loading/unloading



Off-Shore Unloading of Petroleum Products

of crude oil and furnace oil near Khalifa Point at Hub Balochistan. A pipeline of 20 Km (12.7 Km offshore and 7 Km onshore) will be laid down, connecting with SBM, located near Khalifa point, west of Karachi coast and storage tanks of M/s. BPL. The proposed project of CRL is under construction in line with the guidelines issued by OGRA. The company has been advised to comply with the International Technical/Safety Standards for installation/ construction of SBM and associated pipeline, which should not be inconsistent with any applicable standards for the time being enforced.

4.5.3.6 Renewal/Extension of Licences for Oil Marketing Companies

The provisional oil marketing licences of M/s Bakri Trading Company Pakistan (Pvt.) Ltd., M/s Askar Oil Service (Pvt) Ltd., M/s. Overseas Oil Trading Co. (Pvt.) Ltd. were extended for further one year period, while M/s Hascombe Storage Ltd was granted an extension in its provisional marketing licence for 3 years, so that these OMCs could develop their committed/requisite infrastructure as per their work plan.

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

M/s Attock Petroleum Ltd. has completed construction/ installation of oil terminal / storage facility at Machike having capacity of 7,300 M.Ton. After satisfactory compliance report with the technical standards, the company has been granted permission for commercial operation.



Storage Tanks

4.5.3.8 New Licences for Lube Oil Blending/ Reclamation Plants

Nine applicants requested for registration of their lube oil blending/reclamation plants in accordance with rule 16 of the Pakistan Petroleum (Refining, Blending and Marketing) Rules 1971. The Authority registered six plants after certifying through HDIP, the conformity of the plants with the mandatory technical requirements given in the aforementioned rules while rest of the applications are under process.



Lube Oil Blending Plant

4.5.4 Oil Pricing

Federal Government mandated OGRA on March 2, 2006 to fix prices of petroleum products namely MS 87 RON, HOBC, Kerosene Oil, Light Diesel Oil, JP - 1 and JP- 4, w.e.f. April 01, 2006, in accordance with the prescribed formula, under section 6(2) (r) and section 21(2)(b) of the OGRA Ordinance 2002.

The Federal Government has also issued policy guidelines to the Authority in respect of parameters for computing the said prices of petroleum products. The Federal Government has advised OGRA to fix and announce ex-depot sale prices of regulated products as per approved formula in line with international trend without seeking GoP approval w.e.f. December 01, 2009.

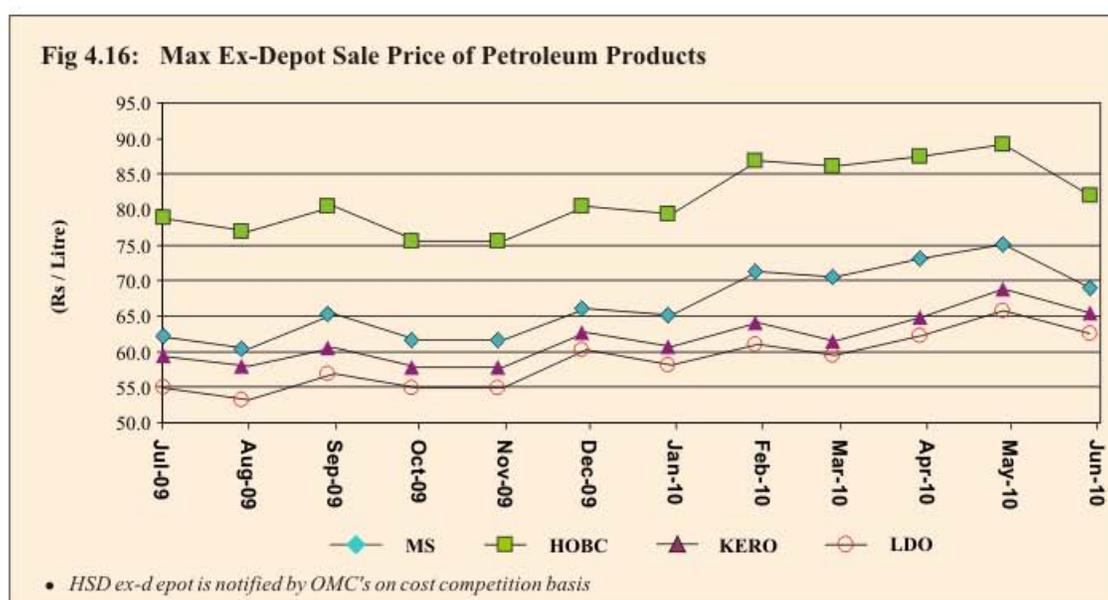
Briefly, under the said pricing formula the ex-depot sale prices are being computed as under:

- Ex-refinery import parity price, computed per formula approved by ECC on Dec 23, 2000 (vis-a-vis the then formula) and the subsequent modifications made from time to time.
- Inland Freight Equalization Margin (IFEM).
- 4% Distribution Margin and Dealer Commission at 5% per formula decided by the Federal Government with a lower and upper limit of \$45-80 per barrel average price of Arabian Light crude oil on Motor Spirit (petrol), HOBC (high octane blending component), SKO (kerosene) and LDO (light diesel oil). The OMC and dealer margin on HSD has been fixed at Rs. 1.35/litre and 1.50/litre respectively.
- Petroleum Levy (PL) as fixed and notified by Ministry of Petroleum & Natural Resources.
- General Sales Tax @ 16% of depot price on the amount including all above elements

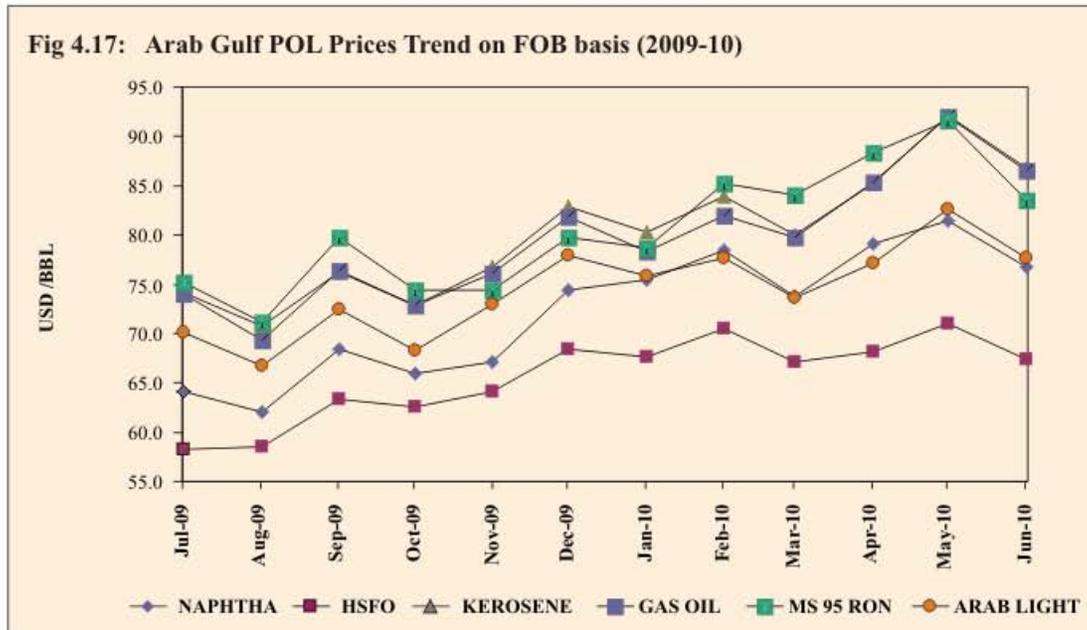
PL is an integral part of ex-depot price of petroleum products which has been fixed on Petroleum Products as follows:

Sr.No.	Product	Rs./Litre
1.	MOGAS	10.00
2.	HSD	8.00
3.	HOBC	14.00
4.	KERO	6.00
5.	LDO	3.00

The price trend of ex-depot sale prices of petroleum products notified by OGRA during FY 2009-10 is shown in Fig 4.16



International petroleum prices showed increasing trend during FY 2009-10 as compared to the sharp decline in previous year due to recession in the international market. A graphical representation of changes in Arab Gulf Crude Oil as well as petroleum products is given in Fig 4.17.



4.5.4.1 Inland Freight Equalization Margin (IFEM)

Inland Freight Equalization is an integral part of oil pricing formula. Federal Government has 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, HOBC, LDO, MS, SKO at 12 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 price.

4.5.4.1.1 IFEM Management

OGRA is managing the 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 12 depots spread throughout the country despite disparity in transportation costs. IFEM has three components, listed below:

- Actual transportation cost on the movement of petroleum products to 12 storage depots, spread throughout Pakistan, as per movement plan of oil marketing companies.
- 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. PARCO pricing is based on Average Arab Gulf price of last three days per Platts Oil Gram, while the other refineries price is worked out on the basis of last 30 days average of the same.

- c. ARL is allowed to recover southern i.e Badin as well as Northern fields i.e Adhi and Dhurnal crude transportation cost from the IFEM.

IFEM effective during the period under consideration is placed at **Appendix –V**.

4.5.4.1.2 Improving IFEM Mechanism

OGRA after transfer of management of IFEM has taken the following steps to improve the efficiency of the mechanism while ensuring smooth supplies.

- a. White Oil Pipeline (WOP) access has now been extended to APL, Byco, Hascol, OOTCL etc which was previously used by Pakistan State Oil (PSO), Shell Pakistan Limited (SPL) and Chevron Pakistan Limited (CPL) to move white product up country, owing to OGRA's relentless efforts. This has resulted in provision of level playing field to the smaller OMCs (new entrants) while moving an additional 193,561 M.Ton product through WOP, thereby, reducing GoP guarantee in this regard. It is now obligatory on all OMCs to move HSD through WOP only, which is resulting in considerable freight savings.
- b. To check the misuse of IFEM, OGRA has started physical reporting of tank lorries at Juglot, Chitral and Tarrujabba w.e.f June 1st, 2010. As a result, the dumping of petroleum products in these areas have been curtailed and the benefit in terms of reduced transportation cost has started to pass on to the consumers. OGRA intends to widen the scope of physical reporting over the coming months.



Complaints Resolution

5. COMPLAINTS RESOLUTION

5.1 Complaints Resolution Procedure/Performance

OGRA deals with the complaints against the licensees and their dealers in accordance with the Complaint Resolution Procedure Regulations, 2003 (CRPR). It entertains the consumer's complaints without fee and with almost no formalities. The consumers are not required to come to OGRA for filing the complaint. They can file the same through e-mail, fax and normal post.

OGRA is protecting the consumers (weakest stakeholders) from mistreatment and exploitation of the utilities. Utilities are being persuaded to improve their system, provide gas connections in stipulated time, improve bill collection and efficiency, no inaccurate meter reading, and no late delivery of bills.

In conformity with CRPR the Authority has designated specific officers for handling complaints with specific jurisdictions. The Designated Officers resolve mostly complaints through correspondence i.e. obtain the comments / report on the complaint from licensee and counter-comments from the complainant and issue their decision / judgment through mail. Any party (the complainant or licensee), if, aggrieved with the decision of the Designated Officer, may file an appeal before the Authority under section 12 of the OGRA Ordinance and the Authority decides the appeal after providing an opportunity of hearing to the parties.

To facilitate the consumers / complainants / applicants OGRA has adopted public friendly approach:

- “OPEN DOOR” Policy for consumers / complainants. Visitors can see the concerned officers without prior appointments. Further, the visitors do not have to wait for more than 15 minutes to see the officers.
- A focal person has been appointed to facilitate the public.
- OGRA publicizes the Complaint Form through the newspapers and also disseminates through its website. The telephone no. & e-mail address of OGRA have been printed on gas bills being sent to the consumers monthly with the advice that if their complaints are not resolved by the companies, they can approach OGRA and this has resulted in tremendous inflow of complaints in OGRA.
- The complainant is allowed to file application on a plain paper.
- The complainant is kept informed of the progress.
- The complainants are guided how to fill and file the application form.
- Ensures the following facilities for the visiting public:-
 - o Reception
 - o Seating arrangement
 - o Safe drinking water
 - o Toilet
- Treat every one with the same respect and dignity, irrespective of socio-economic status, or background.
- No act of discretion.
- Grievances redress procedure is in detailed form.

OGRA held public hearing with respect to SNGPL and SSGCL's estimated revenue requirements for FY 2010-11 at Karachi, Lahore, Faisalabad, Peshawar, Hyderabad and Quetta. Officers/ officials of OGRA, separately, at the complaints desk available at the said venue, explained the procedure of complaints redressal system of OGRA and received complaints of public/consumers against the gas utilities.

Through a dedicated system OGRA is providing resolution of complaints at doorstep of the consumers particularly domestic consumers.

5.1.1 Complaints and Appeals

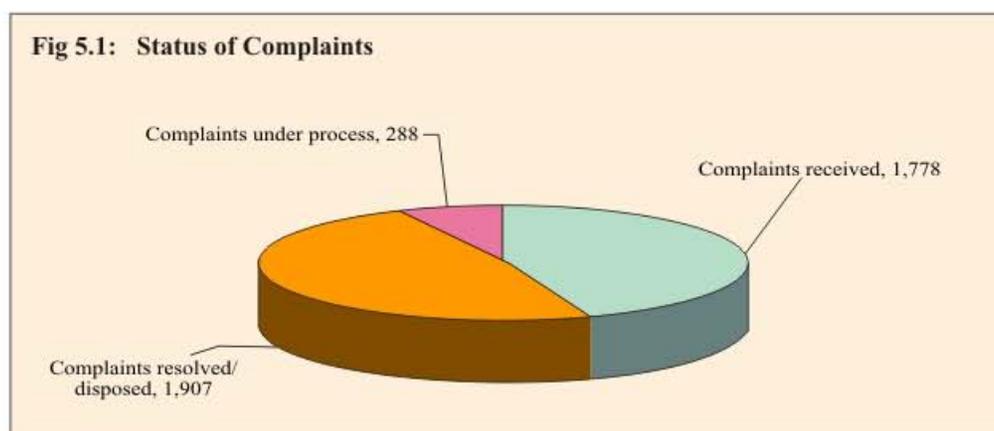
During 2009-10 Designated Officers of OGRA resolved 1,838 complaints, received from all over the country in the Gas sector for delay in provision of gas supply and gas connection, excessive/estimated billing due to sticky meter, malfunction of EVC/Emcorrector, alleged tampering/theft charges and enhancement in delivery pressure, low pressure of gas, late delivery of gas bills and waive of LPS and demand of additional security for natural gas. OGRA also resolved 69 complaints related to Oil, CNG and LPG during 2009-10.

The Authority also decided 70 appeals/review petitions. The status of Complaints and Appeals is given as under:-

Table: 5.1 Summary of Complaints and Appeals handled by OGRA (2009-10)

Description	Natural Gas, Oil, CNG & LPG
Complaints received	1,778
Complaints resolved/dispensed	1,907*
Complaints under process	288
Appeals to the Authority against decisions of the Designated Officers / Review Petition	166
Appeals/ Review Petitions decided by the Authority	70

* Includes carry forward complaints of last year



On OGRA's intervention, gas utilities provided 469 gas connections during FY 2009-10 and relief of Rs. 56 million to consumers in gas billing. On receipt of complaints from the residents of a number of localities/areas inhabited by weaker sections of the society, OGRA issued necessary directions to SNGPL and SSGCL to provide gas to these localities / areas.



Enforcement

6. ENFORCEMENT

6.1 Need for Enforcement Department

In accordance with the Oil and Gas Regulatory Authority's endeavors to ensure the delivery of quality products in the correct quantity and at notified prices to the public, it became indispensable to establish stringent and pragmatic dedicated Enforcement Department in accordance with the OGRA Ordinance, 2002.

Oil and Gas Regulatory Authority aims to protect and safeguard the interests of all stakeholders. The licensing of OMCs, storages, CNG filling stations, LPG storage/filling plants, authorized LPG & CNG cylinder manufacturers has brought into consideration that these licensees to ensure quality standards and maintenance of required service. However, the need for an effective mechanism of checks and balance on the operation of the licensees was necessary to ensure efficient functioning of standards promulgated by the Authority. This system of checks and balance could be institutionalized through premeditated surprise technical inspections.

OGRA has clearly defined the standards for attaining the licence therefore there was a dire need that failure of licensee to comply with the Authority's specified standards to be addressed. Any violation to these standards has to be dealt in accordance with the OGRA Ordinance, 2002 and relevant rules. The licence agreement between the Authority and licensee serves as contract whereby the licensee is subject to the act in cognizance with the OGRA Ordinance and rules.

Monitoring the activities of the licensees of Oil, LPG, CNG and Natural Gas sectors and enforcement of rules/standards and licence conditions required full focus, in order to find out the ground realities and ensure the authenticity of data/information, supplied to OGRA. This task/objective was difficult with the existing tasks of the officers. The officers in each department were busy in order to resolve issues and accomplish day to day tasks and fulfill requirements of their respective sectors. Enforcement and implementation of prevailing rules, regulations, standards, instructions of the Authority and terms and conditions of the licences, is a full time job and required designated officer(s) / staff.

Regulation of LPG, CNG, Oil and Natural Gas sectors is directly related to public interest/safety and lack of dedicated Enforcement Department was affecting the quality of service. In order to resolve the issue of monitoring and enforcement of prevailing rules, regulations, standards and terms & conditions of licence and in order to make the above monitoring/checking more transparent and effective it was required to establish a separate Enforcement Department responsible primarily for following activities:

- i) Arrange surprise and unannounced inspections on regular basis.
- ii) Constitute the inspection teams in collaboration with 3rd party inspectors for conducting the inspection/monitoring.
- iii) The inspection teams to conduct the scrutiny of the concerned site with professionalism, impartiality and transparency.
- iv) Monitoring of the quality checks and maintenance of the standards.
- v) To take necessary action against all violators, as per provisions of the Ordinance and rules

6.2. Activities Performed by Enforcement Department

Enforcement Department was created for effective enforcement and monitoring 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 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 focused and brought in the competitive regulatory environment. The various activities performed by the Department are summarized hereunder:-

6.2.1 Petrol Pumps Inspections

Prices of petroleum products as per Government's policy are notified by OGRA at the end of every month, according to the approved formula. With the forecast of the possible increase /decrease in prices, many pump owners were previously observed suspending the sale of two main products i.e. MS and HSD. OGRA has taken cognizance of the issue of profiteering by suspending oil sales by the pump owners and started to detail its teams ahead of the notification of POL prices. So far more than 401 petrol pumps have been inspected in the last six months. Six leading OMCs have been fined Rs 2.3 million on non-availability of POL stocks and overcharging. Such imposition of fine on public and private sector companies have sent a powerful message in the industry. OGRA is in the process of evaluating the outcome of its exercise and more stern action will be initiated against violator OMCs in near future.

6.2.2 Inspections of LPG Distributors

In accordance with the LPG Policy 2006 all LPG marketing companies receiving LPG from sources in Punjab and KPK are obligated to supply at least 7% of their locally produced LPG in Northern Areas, 7% in AJK and 6% in FATA. Further all LPG marketing companies receiving LPG from sources in Sindh and Balochistan are obligated to supply at least 10% of their locally produced LPG in Balochistan Province. The said policy is formulated with a view to ensure adequate supplies of LPG in remote, rural and hilly areas of the country, and to halt deforestation. Further to ensure safety throughout the LPG supply chain, LPG storage tanks, cylinders bowzers, and distribution outlets of the licensees are require to meet the minimum safety standards as laid down in applicable rules. Further decanting of LPG from cylinder to cylinder is prohibited to ensure safety of general public.

There was general perception that LPG marketing companies fail to deliver the required quantity of LPG to the said areas especially in winter. In order to ensure smooth supply of LPG at the notified rates, OGRA deputed its teams in the said areas. During the said visits 45 LPG distributors of 15 LPG Marketing companies were inspected. It was observed that sufficient stock was available and there was no shortage in this winter. However 14 LPG marketing companies have been fined Rs 1.3 million on overcharging and failure in adherence to minimum safety requirements. LPG marketing companies have been conveyed in their personal meetings that OGRA will initiate stern action on any violation in future.

6.2.3 LPG Bottling Plants Inspections

There is a mandatory requirement for LPG marketing companies to supply and market their LPG through exclusively owned cylinders. However, the bigger companies were having complaints that smaller companies are involved in cross filling of their cylinders. Such illegal practices were against the investor friendly policy as proper competitive and level playing field was not established. In order to curb such illegal activities LPG bottling plants of 9 LPG marketing companies have been inspected by OGRA's inspection teams in various parts of country. The four companies involved in cross filling have been served with the notices. Further action will be taken thereafter as per rules.

6.2.4 Inspections of CNG Stations

CNG stations are legally bound to dispense CNG at pressure of 200 bar and strictly observe the refueling procedure appended with Pakistan CNG Rules 1992 which inter alia includes checking of vehicle cylinders, posting of filling instructions etc. Third party inspection of CNG stations is conducted once in year. In order to put the stations under continuous check Enforcement Department has carefully planned its inspections. Unlike third party inspections these visits are not properly scheduled and surprise in nature. Now stations are under continuous pressure to strictly follow the rules as OGRA's officer may inspect them at any time. Detail of visits is given below:-

- Inspection teams were deputed in mega cities to check adherence to refueling procedure and overcharging in the month of October 2009. 47 deficient CNG Stations were issued warning letters.
- In order to determine the dispensing price of CNG surprise inspection of the CNG stations situated on both sides of Motorway (M-2) Islamabad – Lahore were conducted in January, 2010. During these inspections, 04 stations were found overcharging the general consumers and OGRA has imposed fine of Rs. 0.2 million.
- Surprise inspections of about 18 CNG stations were carried out in Islamabad/Rawalpindi during the gas load shedding. However, no site was found overcharging.
- In order to check safety arrangements at the CNG stations including observance to refueling procedure, filling of vehicles at prescribed pressure, posting of filling instructions etc, 20 CNG stations has been inspected in central Punjab in the month of June 2010 and 15 violator CNG stations are served with show cause notices.

6.2.5 Miscellaneous Issues

- A Refinery has been penalized Rs 1.0 million on supply of LPG to a non licensee.
- A fine of Rs 0.05 million has been imposed on an OMC on non conformance of their products with referenced specifications.
- A lube oil blending plant has been fined Rs 25,000/- for non conformance of its products to approved specifications.

6.2.6 Complaints

Enforcement Department also handles various complaints relating to CNG, LPG and Oil sector. Illegal activities like decanting, operation of daba stations etc are referred to the district authorities. Whereas the

complaints relating to the various violations like cross filling, overcharging, shortage of stocks etc by the licensees / authorized dealers are added in the complaints database and physical verification is done when the inspection teams are deputed in the said areas. In case of an urgent requirement, immediate inspection by OGRA team or third party inspectors is done.

Table 6.1: Summary of Inspections

Description	Number
Inspections	580
Show Cause Notices	329
Warnings	129
Fines	113
Total Fine (Rs.)	4,975,000
Fine Collected (Rs.)	2,450,000
Outstanding Fine (Appeal) (Rs.)	2,000,000
Other Outstanding Fine (Rs.)	525,000



Anticipated Developments Next Year

7. ANTICIPATED DEVELOPMENTS NEXT YEAR

7.1 Regulatory Framework

(a) Rules/Act under Preparation by OGRA - (2009- 10)

- Finalization/Formulation of Natural Gas Utility Companies Theft Act, 2010.
- Natural Gas Theft Rules
- OGRA Fee Rules

(b) Rules Drafted (under Process with the Federal Government) - (2009-10)

- The Pakistan Oil (Refining, Blending, Transportation, Storage and Marketing) Licensing Rules, 2005.
- OGRA (Fines and Recovery) Rules, 2009.
- Amendment in OGRA Ordinance, 2002 (Section 43, Bio Fuels)
- Amendment in OGRA Ordinance, 2002 (Section 21, Ethanol)

(c) Oil Technical Standard under Process

- Technical Standard for lube oil blending, reclamation, grease and transformer oil plant.

(d) Development as per the Licence Conditions in Natural Gas Sector

- Approval of the Consumer Service Manuals of both the Gas Utilities SNGPL and SSGCL.
- A decision to be taken on the “Revision of Security Deposit for the domestic Consumers”.
- Finalization of a uniform Standard Contract for “Special Domestic”, “Bulk Domestic” and “Other” Categories of Consumers.
- Approval for a uniform Standard Operating Procedure (SOP) to deal with the emergencies by the gas utilities.

7.2 Determination of Revenue Requirement

Determination of the revenue requirement of natural gas utilities is one of the more important functions of the Authority. The Authority has recently completed the estimated revenue requirement of SSGCL and SNGPL for FY 2010-11. The Authority shall make the following determinations of both the gas utilities during the next financial year.

1. Final revenue requirement for FY 2009-10 based on the actual audited results.
2. Review of estimated revenue requirement for FY 2010-11 after incorporating the actual changes in well-head prices of natural gas and other relevant factors.
3. Estimated revenue requirement for FY 2011-12.

7.3 Price Notification

- i) 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.

- ii) The process of notification of oil prices on monthly basis will also continue.
- iii) The deregulation of POL pricing and IFEM
- iv) The process of determination and notification of CNG under Section 43 (B) of the OGRA Ordinance, 2002.

7.4 Implementation of New Tariff Regime

OGRA has developed a new tariff regime for regulated natural gas sector of Pakistan, which is in the course of legally mandatory consultation process with the Federal Government, and expected to be finalized during next year.

7.5 Licensing

7.5.1 Natural Gas

OGRA will continue to process applications for licences under NGRA (Licensing) Rules, 2002 during FY 2010-11.

7.5.2 Gas Sales Agreements

Approval of Gas Sales Agreements between Producers and Licensees and Gas Supply Contract between Licensees and the Consumers shall be processed promptly.

7.5.3 LPG

It is anticipated that the LPG marketing companies and OMC's will apply for a number of LPG refueling stations in light of regulatory framework for use of LPG in automotives. Further, it is expected that 4-6 companies will be granted licences for marketing of LPG once satisfactory inspection of their LPG facilities is completed.

7.5.4 CNG

It is envisaged that about 300 marketing licences for commercial operation of CNG stations shall be granted. Evaluation and approval of about 3 manufacturers in the list of already approved CNG equipment. Redressal of public complaints more than 30 number in respect of regulated activities in accordance with OGRA's Complaint Resolution Procedure Regulations, 2003.

7.5.5 LNG

OGRA would be processing applications for licence for production, transportation and distribution of LNG under Liquefied Natural Gas Rules, 2007 from prospective investors next year. During FY 2010-11 finalization of decision regarding issuance of LNG construction and storage licence to LNG project proponents is expected.

7.5.6 Midstream and Downstream Oil Sector

Processing of following cases is expected:

- Commissioning of new oil refinery namely M/s Boscior Oil Pakistan Ltd. having name plate capacity of 115,000 bbl/day

- Commercial Operation of oil storage of M/s. Bakri Trading Company Pakistan at Port Qasim, having capacity 68,000 M.Ton, after verification by Third Party Inspector for conformity with technical standards and accordingly approval granted by the Authority.
- Commercial operation of oil storage of M/s Byco Petroleum Pakistan Ltd., within existing oil refinery at Hub, having capacity of 10,000 M.Ton, after verification by Third Party Inspector for conformity with technical standards and accordingly approval granted by the Authority
- New lube oil blending/reclamation plants will be granted permission.
- New OMCs expected to be registered after the revision in criteria of for issuance of petroleum products marketing license

7.6 Future Vision of Enforcement

In addition to the inspections summarized above Enforcement Department is planning to include more activities which will further strengthen the general consumers / end users as regulator's active role will help to resolve their grievances. Some of the future planning is summarized hereunder sector wise:-

CNG

- i) Dispensing accuracy and pressure
- ii) Checking validation of storage cylinders
- iii) Ensure that expired and non-approved vehicle cylinders are not filled by CNG stations

PETROL PUMPS

- i) Inspection of quality checks at OMC's retail outlets.
- ii) Inspection checks for less fillings at OMC's retail outlets.
- iii) Specification check of lubricants at blending/reclamation plants.

LPG

- i) Surprise visits of manufacturing facilities of authorized manufactures of LPG cylinders and equipments.
- ii) Verification of LPG specifications at plants / terminals/ premises.

GAS

- i) Inspection at the city gates (Sales Meter Stations) of SNGPL and SSGC to ensure that proper Energy units (BTUs) are being billed to its consumers.
- ii) Surprise inspections to verify “ Minimum Performance and Service Standards” parameters at the Customer Service Centers of both gas utility companies.
- iii) Random verification of projects and other major assets.
- iv) Sampled meter checking at metering workshops.

7.7 Complaints

Redressal of complaints shall continue in accordance with OGRA's Complaint Resolution Procedure Regulations, 2003 in the same spirit as for current year.

7.8 Capacity Building Future Aspects

The following strategy will continue to be followed in future to nurture the requisite expertise:

- Professionals will continue to be sent for attending relevant and specialized training programs pertaining to regulatory affairs/management in leading institutes in an effort to continually upgrade the competencies and effectiveness of its staff.
- The services of international/national consultants to conduct specialized technical sectoral studies will also be hired. These studies would help in ensuring efficient and effective economic and social regulation of the petroleum sector.
- In future, the option of organizing lectures from retired experienced regulatory professionals to impart their knowledge / learning to our staff is also under consideration.

7.9 OGRA Building Project

At present OGRA's offices are located in rented space in two buildings. This temporary arrangement is conducive neither to efficient, cost effective operation nor to cultivating a sense of belonging among the employees. For permanent housing of OGRA offices and to meet future expansion needs, it is envisaged that a building be constructed at Plot No. 37 & 39, Mauve Area, G-10/4, Islamabad which have already been allotted to OGRA by CDA for this purpose with the approval of the Prime Minister of Pakistan.

Development Working Party (DWP) for OGRA has approved the PC-1 of the Project in principle. Building design has also been approved by CDA. The foundation stone is expected to be laid in 2011.



Appendices

Appendix - I

Regulatory Framework**Rules, Notified and Adopted**

Sr. No.	Rules	Notification/Adoption Date
i	Natural Gas (Licensing) Rules, 2002 ^o	February 26, 2002
ii	Natural Gas (Tariff) Rules, 2002	November 23, 2002
iii	Compressed Natural Gas (Production and Marketing) Rules, 1992*	March 15, 2003
iv	Liquefied Petroleum Gas (Production and Distribution) Rules, 2001*	March 15, 2003
v	Budget Committee Rules, 2004	December 30, 2004
vi	Pakistan Petroleum (Refining, Blending & Marketing) Rules, 1971*	March 15, 2006
vii	Amendments in LPG (Production & Distribution) Rules, 2001	March 10, 2007
viii	Liquefied Natural Gas (LNG) Rules, 2007	May 26, 2007

Note : Inherited from Natural Gas Regulatory Authority*

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

Regulations/Standards Notified

Sr. No.	Regulations	Notification Date
i	Complaint Resolution Procedure (Natural Gas, CNG and LPG) Regulations, 2003 (CRPR)	September 3, 2003
ii	Performance and Service Standards for Gas Utilities	September 3, 2003
iii	Natural Gas Uniform Accounting Regulations, 2003	February 17, 2004
iv	Natural Gas Transmission (Technical Standards) Regulations, 2004	August 5, 2004
v	Natural Gas Distribution (Technical Standards) Regulations, 2004	August 5, 2004
vi	OGRA Financial Regulations, 2005	January 11, 2005
vii	OGRA Service Regulations, 2005	January 31, 2005
viii	Amendment in CRPR incorporating oil	November 17, 2006

Amendments in Rules, Regulations and Standards

Sr. No.	Rules	Notification Date
i	Amendment in LPG Rules, 2001 (Appendix V)	October 17, 2008
ii	Amendment in CNG Rules, 1992 (Rule 2)	October 21, 2008
iii	Amendment in OGRA Ordinance, 2002 (section 43C)	February 17, 2009
iv	Amendment in CNG Rules, 1992 (Rule 2)	April 04, 2009

Safe Operations of Regulated Activities

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 specifications for refined oil products.
- CNG and LPG Rules.
- Codes of Technical Standards for construction of terminals/storages.

OGRA carries out regularly the following:

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

Appendix - II

Natural Gas Licences Issued by OGRA

Sr. No	Company	Type of Licence	Date of Issue
i	Sui Northern Gas Pipelines Limited	Transmission, Distribution and Sale of Natural Gas in the province of Punjab, KPK and AJK, FATA & some parts of Sindh	September 3, 2003
ii	Sui Southern Gas Company Limited	Transmission, Distribution and Sale of Natural Gas in the province of Sindh and Balochistan	September 3, 2003
iii	Mari Gas Company Limited (MGCL)	Sale of Natural Gas to Fauji Fertilizer Company Limited (FFCL), Engro Chemicals Pakistan Limited (ECPL) and Central Power Generation Company Limited (CPGCL)	August 11, 2004
iv	Pakistan Petroleum Limited (PPL)	Sale of Natural Gas to Central Power Generation Company Limited (WAPDA)	November 23, 2004
v	Oil & Gas Development Company Limited (OGDCL)	Sale of Natural Gas from Bhal Syedan Gas Field	December 30, 2004
vi	OGDCL	Sale of Natural Gas from Nandpur and Panjpir Gas Fields.	December 30, 2004
vii	OGDCL	Sale of Natural Gas from Uch Gas Field.	December 30, 2004
viii	Fauji Fertilizer Company Limited	Transmission of Natural Gas	April 7, 2005
ix	Engro Chemicals Pakistan Limited	Transmission of Natural Gas	April 7, 2005
x	Central Power Generation Company Limited	Transmission of Natural Gas	April 7, 2005
xi	Fatima Fertilizer Company Limited	Transmission of Natural Gas	April 16, 2007
xii	Foundation Power Company Limited	Transmission of Natural Gas	August 27, 2007
xiii	Star Power Generation Company Limited	Transmission of Natural Gas	January 30, 2008
xiv	Sui Northern Gas Pipelines Limited	Gas Storage Facility at Lilla Town-Punjab	April 30, 2008
xv	Pakistan Gas Port Limited	For the Construction of LNG Import Terminal (Provisional Licence)	May, 14, 2009

Field-wise Well-Head Gas Prices

Sr. No.	Field Name	Units	Price Effective 01-07-09	Price Effective 01-01-10
1	Adhi	Rs. per MMBTU	119.65	124.03
2	Bhangali	Rs. per MMBTU	168.65	174.56
3	Bhit	\$ per MMBTU	3.15	3.76
4	Badin Deep fields	\$ per MMBTU	2.83	3.40
5	Badin-II, Badin-II Revised, Badin-III (Head of Agreement)	\$ per MMBTU	2.83	3.40
6	Badin Compression	Rs. per MMBTU	184.05	188.08
7	Badin Non-Golarchi Non-Associated	\$ per MMBTU	343.00	535.62
8	Badar	\$ per MMBTU	2.34	*
9	Bhadra	\$ per MMBTU	3.15	3.76
10	Chachar	\$ per MMBTU	2.50	2.49
11	Chanda	\$ per MMBTU	2.73	2.72
12	Dakhani	Rs. per MMBTU	120.05	124.26
13	Daru	Rs. per MMBTU	105.54	109.24
14	Dhodak	Rs. per MMBTU	239.86	248.27
15	Dhurnal	Rs per MMBTU	21.70	22.39
16	Hassan	\$ per MMBTU	2.42	*
17	Kandkot	Rs. per MMBTU	115.74	143.87
18	Kadanwari	\$ per MMBTU	6.17	-
19	Khipro Mirpurkhas Block	\$ per MMBTU	2.64	2.53
20	Loti	Rs. per MMBTU	112.79	116.75
21	Makori w.e.f 01. 07 to 30.09.09	\$ per MMBTU	2.68	2.72
	Makori w.e.f 01.10. to 31.12.09	\$ per MMBTU	2.73	
22	Mehran Fateh Shah	Rs. per MMBTU	2.64	2.63
23	Meyal / Dhulian	Rs. per MMBTU	104.64	108.68
24	Miano	\$ per MMBTU	2.93	3.50
25	Mela	\$ per MMBTU	2.66	2.65
26	Mari	Rs. per MMBTU	43.21	43.21
27	Manzalai (January 01, 2010 to March 23, 2010)	\$ per MMBTU	2.73	2.72
	Manzalai (March 23, 2010 to June 30, 2010)	\$ per MMBTU	2.73	2.83
28	Nandpur Panjpir	Rs. per MMBTU	303.80	314.47
29	Pariwali	\$ per MMBTU	3.15	3.76
30	Pindori	\$ per MMBTU	3.15	3.76

Sr. No.	Field Name	Units	Price Effective 01-07-09	Price Effective 01-01-10
31	Pirkoh	Rs. per MMBTU	112.79	116.75
32	Qadirpur	Rs. per MMBTU	213.17	227.68
33	Ratana	Rs. per MMBTU	325.19	321.79
34	Sadkal	Rs. per MMBTU	342.95	498.94
35	Salsabil Rodho	Rs. per MMBTU	2.83	2.83
36	Sara / Suri	Rs. per MCFT	118.54	2.64
37	Sari Hundi	Rs. per MMBTU	294.80	491.35
38	Sawan	\$ per MMBTU	2.93	3.50
39	Sui	Rs. per MMBTU	115.74	143.87
40	Turkwal	\$ per MMBTU	3.15	3.76
41	Uch	\$ per MMBTU	3.92	3.92
42	Zamzama SSGCL	\$ per MMBTU	2.84	3.41
43	Zamzama SNGPL	\$ per MMBTU	2.84	3.41
44	Zamzama Wapda/Guddu	\$ per MMBTU	2.88	3.45
45	Zamzama - Phase - II <i>(From 01.01.2010 to 05.06.2010)</i>	\$ per MMBTU	2.83	3.40
46	Zamzama - Phase - II <i>(From 06.06.2010 to 30.06.2010)</i>	\$ per MMBTU		3.50

* Not applied for notification.

Consumer Selling Price

1. Sui Northern Gas Pipelines Ltd.
2. Sui Southern Gas Company Ltd.

		Rs. per MMBTU	
		From 01-07-2009 to 31-12-2009	From 01-01-2010 to 30-06-2010
Category			
i.	Domestic Consumers		
	(a) Upto 200 M³ per month		
	(i) 0 – 50 M ³ per month	80.65	95.01
	(ii) Over 50 – upto 100 M ³ per month	84.45	99.48
	(iii) Over 100 – upto 200 M ³ per month	153.73	181.10
	(b) Over 200 M³ – upto 300 M³ per month		
	(i) 0 – 100 M ³ per month	84.45	99.48
	(ii) Over 100 – upto 200 M ³ per month	153.73	181.10
	(iii) Over 200 – upto 300 M ³ per month	325.48	383.42
	(c) Over 300 M³ – upto 400 M³ per month		
	(i) 0 – 200 M ³ per month	153.73	181.10
	(ii) Over 200 – upto 300 M ³ per month	325.48	383.42
	(iii) Over 300 – upto 400 M ³ per month	423.42	498.80
	(d) Over 400 M³ – upto 500 M³ per month		
	(i) 0 – 300 M ³ per month	325.48	383.42
	(ii) Over 300 – upto 400 M ³ per month	423.42	498.80
	(iii) Over 400 – upto 500 M ³ per month	550.44	648.43
	(e) Over 500 M³ per month		
	(i) 0 – 400 M ³ per month	423.42	498.80
	(ii) Over 400 – upto 500 M ³ per month	550.44	648.43
	(iii) All over 500 M ³ per month	730.17	860.15
<i>For hostels and residential colonies to whom gas is supplied through bulk meters.</i>			
	(a) Upto 200 M³ per month		
	(i) 0 – 50 M ³ per month	80.65	95.01
	(ii) Over 50 – upto 100 M ³ per month	84.45	99.48
	(iii) Over 100 – upto 200 M ³ per month	153.73	181.10
	(b) Over 200 M³ per month		
	<i>All off-takes at flat rate of</i>	325.48	383.42
ii.	Commercial Consumers	393.33	463.76
iii.	Ice Factories	393.33	463.76
iv.	Special Commercial Consumers (Roti Tandoors)		
	(a) Upto 200 M³ per month		
	(i) 0 – 50 M ³ per month	80.65	95.01

		Rs. per MMBTU	
		From 01-07-2009 to 31-12-2009	From 01-01-2010 to 30-06-2010
Category			
	(ii) Over 50 – upto 100 M ³ per month	84.45	99.48
	(iii) Over 100 – upto 200 M ³ per month	153.73	181.10
(b) Over 200 M³ – upto 300 M³ per month			
	(i) 0 – 100 M ³ per month	84.45	99.48
	(ii) Over 100 – upto 200 M ³ per month	153.73	181.10
	(iii) Over 200 – upto 300 M ³ per month	325.48	383.42
(c) Over 300 M³ per month			
<i>All off-takes at flat rate of</i>		393.33	463.76
v.	Industrial Consumers	324.30	382.37
vi.	Compressed Natural Gas Stations	427.15	503.64
vii.	Cement Factories	454.95	536.42
viii.	Fertilizer Companies		
(i) Pak American Fertilizer Company Ltd.			
	(a) <i>For gas used as feed-stock</i>	36.77	102.01
	(b) <i>For gas used as fuel for generating steam and electricity and for usage in housing colonies for fertilizer factories.</i>	324.30	382.37
(ii) Dawood Hercules Chemicals Ltd., Chichoki Mallian, Sheikhpura			
	(a) <i>For gas used as feed-stock</i>	102.01	102.01
	(b) <i>For gas used as fuel for generating steam and electricity and for usage in housing colonies for fertilizer factories.</i>	324.30	382.37
(iii) Pak Arab Fertilizer Ltd., Multan			
	(a) <i>For gas used as feed-stock</i>	102.01	102.01
	(b) <i>For gas used as fuel for generating steam and electricity and for usage in housing colonies for fertilizer factories.</i>	324.30	382.37
(iv) Pak China Fertilizer Ltd., Haripur			
	(a) <i>For gas used as feed-stock</i>	102.01	102.01
	(b) <i>For gas used as fuel for generating steam and electricity and for usage in housing colonies for fertilizer factories.</i>	324.30	382.37
(v) Hazara Phosphate Fertilizer Plant Ltd., Haripur			
	(a) <i>For gas used as feed-stock</i>	102.01	102.01
	(b) <i>For gas used as fuel for generating steam and electricity and for usage in housing colonies for fertilizer factories.</i>	324.30	382.37
(vi) ENGRO Fertilizer Company Ltd.			
	(a) <i>For gas used as feed-stock</i>	56.70	56.70
	(b) <i>For gas used as fuel for generating steam and electricity and for usage in housing colonies for fertilizer factories.</i>	324.30	382.37
(vii) Fauji Fertilizer Bin Qasim Limited			

		Rs. per MMBTU	
		From 01-07-2009 to 31-12-2009	From 01-01-2010 to 30-06-2010
Category			
	(i) For gas used as feed-stock for Fertilizer upto 60 MMCFD	102.01	102.01
	(ii) Additional allocation for 10 MMCFD (Provisional)	56.70	56.70
	(iii) For gas used as fuel for generating steam and electricity and for usage in housing colonies for fertilizer factories.	324.30	382.37
ix.	Power Stations		
	(i) WAPDA's & KESC's power stations and other electricity utility companies excluding WAPDA's natural gas turbine power station, Nishatabad, Faisalabad	333.98	393.79
	(ii) WAPDA's Gas Turbine Power Station, Nishatabad, Faisalabad	333.98	393.79
	(iii) Liberty Power Ltd.'s Gas Turbine Power Plant (Phase I) at Dharki	1060.39	860.55
x.	Captive Power	324.30	382.37
xi.	Independent Power Producers	281.88	332.36
3.	Mari Gas Company Ltd.		
	(i) ENGRO Chemicals Pakistan Limited:		
	(a) For gas used as feed-stock	102.01	102.01
	(b) For gas used as fuel for generating steam and electricity and for usage in housing colonies for fertilizer factories.	324.30	324.30
	(ii) Fauji Fertilizer Company Ltd.(FFCL) - Machi Goth, District Rahim Yar Khan & FFCL, Mir Mathelo, District Ghotki (ex-PSFL):		
	(a) For gas used as feed-stock	102.01	102.01
	(b) For gas used as fuel for generating steam and electricity and for usage in housing colonies for fertilizer factories.	324.30	324.30
	(iii) Fatima Fertilizer		
	(a) For gas used as feed-stock	56.70	56.70
	(b) For gas used as fuel for generating steam and electricity and for usage in housing colonies for fertilizer factories.	324.30	324.30
	(iv) Foundation Power Company (Daharki) Ltd	281.88	281.88

Appendix -V

Inland Freight Equalization Margin

Rs./Litre

Effective Period	MOGAS	HOBC	KERO	LDO	HSD
1-Jul-09	3.37	8.79	4.16	4.06	2.22
1-Aug-09	3.49	9.02	4.21	4.28	2.00
1-Sep-09	2.83	6.69	3.22	3.43	2.04
1-Oct-09	2.53	5.76	2.76	3.25	1.89
1-Nov-09	2.58	5.76	0.74	1.42	1.89
1-Dec-09	3.38	6.73	1.34	2.56	2.16
1-Jan-10	3.22	6.44	1.12	1.81	1.84
1-Feb-10	4.42	8.29	1.53	2.25	2.50
1-Mar-10	4.26	8.06	1.28	2.10	2.57
1-Apr-10	4.09	6.82	1.17	2.11	2.43
1-May-10	4.50	6.87	1.24	2.26	2.44
1-Jun-10	3.38	5.27	1.04	2.29	1.92

Employees





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