



ONGC Petro additions Limited

CIN: U23209GJ2006PLCO60282

Regd. Office: 4th Floor, 35, Nutan Bharat Co-operative Housing Society Limited, R.C. Dutt Road, Alkapuri, Vadodara - 390007, Gujarat, India | Tel.: 0265-6192600 | Fax.: 0265-6192666

OPaL/Dahej/President/PNGRB/17-18

Date: 1st December, 2017

To,
Petroleum & Natural Gas Regulatory Board
First Floor, World Trade Centre,
Babar Road, New Delhi – 110001
Fax No.: 011 – 23709151
E-mail: contact@pngrb.gov.in

Subject: Gas transmission Arrangement of OPaL **Petrochemical Complex at Dahej.**

Dear Sir,

ONGC Petro additions Limited (OPaL), is promoted by Oil and Natural Gas Corporation (ONGC) and co-promoted by Gas Authority of India Ltd (GAIL) and Gujarat State Petroleum Corporation (GSPC) to set up grass root mega petrochemical project of 1.1 MMTPA ethylene capacity in Dahej SEZ, Gujarat. OPaL is also an anchor tenant of the Dahej Petroleum Chemical and Petrochemical Investment Region (PCPIR). OPaL.

OPaL has set up a gas based Captive Power Plant (CPP) of 195 MW capacity to cater the steam and power requirement for its petrochemical complex.

The Daily Contracted quantity (DCQ) of natural gas for CPP is approx.1.45 MMSCMD. To avail the Gas supply, OPaL needs to have Gas transmission agreement (GTA) in place. Accordingly, OPaL has signed the Connection Agreement dated 08.04.2013 with GSPL for transportation of Gas and developing interconnection up to the OPaL. OPaL has deposited Rs.6 crores with GSPL towards the same. GTA dated 12.08.2014 was entered between OPaL and GSPL (transporter) with following brief understanding

- First year DCQ (16th Aug'14 to 15th Aug'15) was 0.4 MMSCMD
- Second year DCQ (16th Aug'15 to 15th Feb'17) is 0.5 MMSCMD.

OPaL had started off-taking Gas since August 2014 under this Agreement for pre-commissioning of its plant. After commissioning of OPaL, the DCQ of RLNG increased more than 0.5 MMSCMD (contracted qty.) and accordingly the transporter (GSPL) was asked to provide the capacity tranche (CT) in line with OPaL requirement (based on contractual provision) since Sept'16. However, GSPL has been denying additional CT, citing that their capacity already booked and has advised OPaL to look for alternate arrangement. Presently GSPL has provided CT of 0.80 MMSCMD against current OPaL firm requirement of 1.20 MMSCMD. From January, 2018 onwards, they offered CT of 0.75 MMSCMD for which OPaL has signed an agreement for two years.

To cater the RLNG requirement beyond CT capacity provided by GSPL, one of the options explored by OPaL during that juncture was asking Suppliers to supply at GAIL –GSPL connectivity which is in turn linked to PLL –GSPL line connected to OPaL. The arrangement



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was such that the suppliers shall source gas at GAIL-GSPL connectivity and later GSPL deliver the same Gas till OPaL premises. Even though this arrangement is expensive for OPaL (GAIL tariff Rs.42/MMBTU and GSPL tariff: Rs.24.21/MMBTU), considering the criticality of running of plant, the same option was materialised. It is pertinent to mention that this arrangement was informed to GSPL well in advance. However after the agreement with L-1 bidder for sourcing of RLNG at GAIL-GSPL connectivity got finalized, GSPL refused to provide CT beyond GAIL-GSPL connectivity stating capacity constraint.

Hence GSPL left no option to OPaL but to seek quotation for Gas supply of qty. beyond available CT from prospective bidders on Delivered basis (i.e. Supply + Transmission). Many bidders like GAIL, BPCL informed that based on OPaL RFQ condition, they requested GSPL to allot CT to them, but GSPL stated the same reason to other suppliers also. However GSPCL has been supplying OPaL RLNG since Oct'16 on Delivered basis (i.e supply and transmission in GSPCL scope). GSPCL have informed that they have been managing the transmission qty. by utilizing their contracted CT with GSPL. It may be noted that though GSPL and GSPCL are different entities, however they fall under same group of Companies. Due to their arrangement, OPaL is paying for RLNG cost as per the monopolistic rate offered by GSPCL. The data available with OPaL shows that the rate offered by GSPCL has been higher than prevailing RLNG rate at every occasion except few and OPaL is forced to pay this higher price. The additional financial implication on OPaL due to bundling of gas supply with transmission arrangement has been approx. Rs.37.45 Crs since Dec'16 .

In the past, during commissioning of OPaL plant, OPaL had intimated GSPL to arrange for additional CT well in advance, However GSPL after almost 15-20 days of drawing of RLNG, informed that they cannot offer the CT as required by OPaL and intimated that imbalance and unauthorised over run charges shall be applicable on the excess Gas withdrawn. At that juncture, halting the commissioning activities at OPaL was not at all feasible and OPaL had to draw the RLNG as required by plant by paying extra charges. During that stage GSPL throttled the Gas supply valve without giving sufficient notice to OPaL, thereby creating abrupt shut down in OPaL complex delaying the commissioning activities. It may be also noted that apart from production loss, delay in commissioning schedule, sudden shut down in continuous hydrocarbon plant impacts the high value equipment's besides huge financial loss. Such incidents happened 3 times during commissioning of OPaL plant.

During various meetings with GSPL, it was repeatedly conveyed to OPaL that due to the capacity constraint in their existing pipeline, GSPL cannot meet the complete requirement of OPaL. In view of above, OPaL had no option but to explore alternate arrangement to run its plant. GAIL understood the requirement of OPaL and extended its support being a co-promoter, hence it was agreed between OPaL and GAIL to create interconnection from their DUPL pipeline to OPaL premises. The work against the creation of interconnection was started after requisite approval has been granted by the Unit approval of Committee of Dahez SEZ, Ministry of Commerce, Government of India, to GAIL for laying the pipeline.

It is reiterated that OPaL plant with investment of Rs.30,000 crores, cannot rely on single source for such critical service which is essential to run the plant.



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It has been informed that DSL (Developer of Dahej SEZ) has entered in to an agreement with GSPL as a co-developer for transmission of gas to various units in SEZ. Based on this agreement, GSPL has filed a special civil application in Honourable Gujarat High court on 30.11.2017 to restrain GAIL from carrying out any pipeline activity in Dahej SEZ area for transportation of Natural gas.

OPaL has already put its submission in above paras with respect to GSPL inability to fulfill OPaL requirement and the financial consequences due to controlling behavior of GSPL. Though GSPL is a Co-developer for transmission of Gas, this position is utilized to forced sale of GSPCL gas at monopolistic manner by bundling gas sales and transmission. Moreover giving exclusive right of transmission, without considering the concern of unit holders, is unfair and ultra vires.

Hence OPaL earnestly requests your intervention in the matter and allow OPaL to have alternate transmission arrangement to run the OPaL complex in reliable manner. This arrangement will facilitate in OPaL to fulfill its mission of following good governance practice and adhering to transparent method in procurement.

Thanking you,

Yours sincerely


Manoj Srivastava
President-OPaL
ONGC Petro additions Limited

