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Business of distribution and sale of natural gas

CCP takes notice of non-provision of level playing field to private sector

Gives Ogra, Petroleum Ministry 7 days to clarify their position

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The Competition Commission of Pakistan (CCP) has taken notice over not providing a level playing field to private firms to enter into country's gas distribution business ostensibly by OGRA and Petroleum Ministry despite the expiry of exclusivity of licenses of two state-owned gas utilities involved in the business of distribution and sale of natural gas.

A copy of the CCP letter available with this scribe disclosed that a concern had been raised that due to withholding of license, a level playing field was not provided to new entry in natural gas sector. And, in order to verify the facts, the commission has sought from both OGRA and the Ministry of Petroleum to present their stand in this very regard to the commission within seven days to the receipt of this notice.

Interestingly, subsequent to the expiry of exclusivity granted to Sui Northern Gas Pipelines Limited and Sui Southern Gas Company Limited, EGAS (Private) Limited applied for issuance of license for distribution and sale of natural gas. But, and Gas Regulatory Authority had

not issued the license so far.

The commission (CCP) in its letter to the ministry and regulator has asked both to respond to the following questions:

a) Whether the monopoly and/or exclusivity granted to SNGPL and SSGCL for the transmission, distribution and sale of natural gas has ended or is still continuing?

b) Whether OGRA has issued any license for distribution and sale of natural gas license to any company subsequent to expiry of exclusivity period mentioned in SSGCL and SNGPL licenses?

c) Whether EGAS (Private) limited has not fulfilled the legal requirements for issuance of license for distribution and sale of natural gas or is there any restriction/ban imposed on issuance of license for the distribution and sale of natural gas by OGRA or the government of Pakistan?

It will be appreciated if the aforesaid information is provided to this commission at the early date, preferably within seven (7) days of receipts of this letter, the commission said.

The regulatory authority (OGRA) in its reply has said that 'the exclusivity granted to SNGPL and SSGCL for transmission of natural gas was ended on 03.09.2003 whereas exclusivity granted to SNGPL

and SSGCL for distribution and sale of natural gas and expired on 30/6/2010'.

Similarly, the OGRA has also raised that it had not issued any license for distribution and sale of natural gas to any company subsequent to the expiry of exclusivity period mentioned in SSGCL and SNGPL licenses as no one applied for the same earlier.

Earlier, OGRA vide letter dated 18th July 2012 had informed the ministry (MNPR) that the two applicants have submitted their request for grant of licences for use of Oil and Gas Development Company Limited low pressure flare gas from Rajian, Chakwal field and Kunnar, Hyderabad fields. And, the licenses of Sui Northern Gas Pipelines Limited and the Sui Southern Gas Company Limited are for transportation, distribution and sale of natural gas whereas Mehr gas and EGAS projects are based on virtual pipelines technology, no transmission or distribution pipelines are required instead gas will be road transported via trailer mounted gas cylinders battery to the consumers.

Similarly, the petroleum and natural resources ministry had, on 31st August 2012, informed OGRA that Directorate General of Petroleum Concessions is working out modalities of pol-

icy on utilization of low pressure/flare gas and the same would be available as soon as it is finalized.

Subsequently the authority vide its letter dated 14th September 2012 had informed the MNPR that since the flare gas policy of the federal government dated 21.8.1998 is silent about the tariff determination of flare gas, therefore, policy and guidelines duly approved by the Economic Coordination Committee of the federal cabinet under section 21 of the OGRA ordinance 2002 conveying the mechanism/basis.

Energy experts deplored over not providing level playing field to the new entry into the country's business of distribution and sale of natural gas by both OGRA and Petroleum Ministry. They said new entry is not possible due to the existence of so-called monopoly cum cartel of both gas giants. Both gas utilities (SNGPL & SSGCL) have so far heavily fleeced the gas consumers only because of their monopoly in the business. "Both state owned gas companies have charged the consumers as per their sweet will under the head Unaccounted for Gas (UFG) and also manipulated company's losses successfully," an energy expert opined.