

# GAIL Chief's Dissent Note Shows Rift in PNGRB Gas Reform Panel

Chairman Sandeep Gupta objects to proposal on domestic gas sales contracts and capping equity return on pipelines at 14%

Sanjeev Choudhary

**New Delhi:** GAIL chairman Sandeep Gupta has issued a formal dissent note on some of the key recommendations of the expert committee of the Petroleum and Natural Gas Regulatory Board (PNGRB), turning the panel into a battleground between the country's largest gas marketer-transporter and major consumers such as Adani Total, NTPC and Torrent. The committee, set up to recommend ways to expand domestic gas usage and deepen the market, has proposed sweeping reforms, including lifting restrictions on resale and destination in domestic LNG sale agreements; setting up an independent system operator for gas pipelines; a real-time bulletin board for all pipelines to book capacity; removal of excise duty

on CNG; viability gap funding for strategically important pipelines; subsidy for piped natural gas connections to homes; and bringing natural gas under goods and services tax in a lower tax bracket.

"The recommendations contained herein—numbering over eighty—are not novel inventions," DK Sarraf, the chairman of the committee, wrote in the preface to the report. "The challenge, therefore, is not one of diagnosis, but of delivery... What is now required is the administrative commitment, and institutional courage to act."

The committee comprised seven members, including Sarraf—former chief of ONGC and PNGRB—GAIL chairman Sandeep Gupta and the chief executives of NTPC, Adani Total Gas, Torrent Gas and Carmine Energy, along with a PNGRB official. Gupta objected to the panel's re-

## Bone of Contention

### GAIL Chairman:

To remove destination restrictions in domestic gas sales agreement by natural gas marketers is not practicable and will threaten energy security



### Committee's response:

Imposing both take-or-pay obligations & resale/destination restrictions simultaneously is inherently unfair to consumers

### Reforms proposed include:

- **Viability gap funding** for strategically important pipelines
- **Setting up** independent system operator for gas pipelines
- **Real-time bulletin board** for all pipelines to book capacity
- **Subsidy for piped** natural gas connections to homes
- **Bringing natural gas** under GST, in a lower bracket

commendation on domestic gas sales contracts. "The recommendation to remove destination restrictions in domestic gas sales agreement (GSA) contracts by natural gas marketers is not practicable and will threaten energy security by discouraging proactive sourcing by such marketers," he said. "The committee would like to emphasise that imposing both take-or-pay obligations and resale/destination restrictions simultaneously is inherently unfair to consumers," the committee responded. "This dual imposition significantly limits the buyer's ability to optimise gas usage, manage costs, and respond to market dynamics." Gupta also opposed the proposal to cap equity return on pipelines at 14%. "My viewpoint of recommending 15-16% ROE (return on equity) as is the case for power transmission lines instead of inventing pro-

posed 14%, devoid of any basis, has not been agreed to," he said.

The panel said PNGRB may implement a transparent, investor-friendly tariff framework based on capital-cost bids and the discounted cash flow methodology, shifting from return on capital employed to equity-based returns. "Key features should include a normative 70:30 debt-equity ratio, equity return capped at 14%, cost of debt linked to the SBI MCLR (marginal cost of funds-based lending rate), and empirically benchmarked opex," it said.

Gupta disagreed with the panel on establishing an independent system operator for pipelines. The panel said the ISO was aimed at "enhancing neutrality, transparency, and efficiency in gas transmission management—without altering ownership or marketing rights" of the pipeline companies.

# GAIL Chief Dissents from Gas Panel's Suggestions

The committee was set up to recommend ways to expand domestic gas usage and deepen the market

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## Opposing Views

### Contract Flexibility

**GAIL Chairman Gupta:** Removing destination restrictions will discourage proactive gas sourcing and hurt energy security

**Panel:** Dual restrictions on buyers are unfair and limit market efficiency

### Pipeline Returns

**Gupta:** ROE should be **15-16%** (like power sector)

**Panel:** Capped at **14%** under a new tariff model

### Independent System Operator

**Gupta opposed**

**Panel:** ISO ensures neutrality and transparency in pipeline access

practicable and will threaten energy security by discouraging proactive sourcing by such marketers," he said.

"The committee would like to emphasise that imposing both take-or-pay obligations and resale/destination restrictions simultaneously is inherently unfair to consumers," the committee responded to Gupta's comment. "This dual imposition significantly limits the buyer's ability to optimise gas usage, manage costs, and respond to market dynamics."

Gupta also opposed the panel's recommendation to cap equity return on pipelines at 14%. "My viewpoint of recommending 15-16% ROE (return on equity) as is the case for power transmission lines instead of inventing proposed 14%, devoid of any basis, has not been agreed to," he said.

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