

SNGPL, SSGCL allowed increase in gas prices

ISLAMABAD: The Oil and Gas Regulatory Authority (OGRA) has allowed Sui Northern Gas Pipelines Limited (SNGPL) an average gas price increase by 47 percent and Sui Southern Gas Company Limited (SSGCL) an average price increase by 28 percent for financial year 2019-20.

However, the federal government will take the final decision of revenue requirement of Rs 564 billion for both Sui companies for the next financial year.

In their separate petitions, Sui companies SNGPL and SSGCL demanded an increase of 144 percent and 30 percent respectively to meet the revenue shortfall of previous year and financial requirement for fiscal year 2019-20.

In the decision, the OGRA has argued that it has significantly slashed the gas companies' demand for increase in gas prices for financial year 2018-19. The main reason for increase, however, is due to cost of gas owing to current dollar rupee exchange rate parity which for the financial year 2019-20 has been taken at Rs 150 per US \$1. In case of SNGPL, 1/5th previous year's revenue shortfall and in case of SSGCL pertaining to financial year 2018-19, has been accounted for in the instant determination.

The oil and gas regulator has allowed SNGPL, a total revenue requirement of Rs 293.3 billion against demand of the gas company of Rs 474.6 billion. These revenue requirements include Rs 264.5 billion for financial year 2019-20 and revenue shortfall of Rs 28.7 billion of financial year 2018-19. The SNGPL demanded Rs 309.5 billion for financial year 2019-20 and previous year revenue shortfall of Rs 165.1 billion.

The OGRA has allowed prescribed price of gas at Rs 738 per mmbtu against the demand of SNGPL of Rs 1223.7 per mmbtu. The existing average prescribed price of gas is Rs 501.19 per mmbtu. So, the total increase in prescribed price is Rs 236.81 per mmbtu. Sale volume of gas is 376,578 bbtu.

The regulator has also approved Rs 270.7 billion revenue requirement of SSGCL for next financial year 2019-20 against the demand of Rs 279.6 billion. The total revenue requirement is Rs 245 billion for next year while Rs 24.9 billion are for previous years up to financial year 2018-19 revenue requirements.

The regulator has determined an increase of Rs 159.58 per mmbtu in prescribed price for SSGCL against demand of an increase of Rs 176.41 per mmbtu. The existing average prescribed price is Rs 577.97 per mmbtu which is Rs 737.55 after an increase of Rs 159.58 per mmbtu.

The OGRA has determined the revenue requirement of gas companies SNGPL and SSGCL for financial year 2019-20 and has sent the same to federal government for gas sale price advice in respect of each category of consumers. In order to rationalise the tariff structure, the category wise prescribed prices in respect of the domestic and special commercial consumers in first two slabs have been decided at half of the average cost of service, 3rd slab has been determined at 75 percent of average cost of service, the 4th slab has been determined at 100 percent of cost of service and last slab has been determined at 150 percent of cost of service. The previous slab benefit has also been suggested. The remaining unabsorbed revenue shortfall determined by OGRA has been recouped by rest of categories of consumers across the board. Accordingly, bulk consumers of SNGPL and SSGCL observe average increase of 31 percent and 20 percent respectively.

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