

CITY GAS DISTRIBUTION BUSINESS

IN INDIA

KEY CHALLENGES, OPPORTUNITIES & WAY FORWARD

*Om Narayan (former MD, IGL)
Advisor, CGD, GAIL*

BACKGROUND

LATE 1990s WHEN THE POLLUTION IN THE CAPITAL CITY BECAME A SERIOUS CONCERN FOR HUMAN HEALTH, APEX COURT MANDATED CGD CONCEPT & GAIL TOOK UP THE CHALLENGE.

FURTHER IMPLEMENTATION ON BIGGER SCALE SUCCESSFULLY PIONEERED BY IGL & MGL LIKE COs IN THE INDIAN CONTEXT.

PEOPLE FELT THE DIFFERENCE & ACCEPTED WIDELY THIS GREEN FUEL

GREEN FUEL SUPPLY IN PUBLIC DOMAIN GOT BOOST AS BUSINESS GREW GRADUALLY FOR BETTER COST ECONOMICS VIS-À-VIS LIQUID FUELS.

AFTER SUCCESSFUL IMPLEMENTATION OF CGD THIS HAS BEEN SEEN AS AS HIGH VOLUME GROWTH & PROFITABLE BUSINESS BY THE DOMINANT MARKET PLAYERS. STRONG PARENTAGE OF THE PROMOTING COMPANIES HAS ALSO HELPED.

INITIALLY HIGH ENTRY BARRIERS PUT NOW REMOVED AFTER THE PROVEN TRACK RECORD OF CGD IMPLEMENTATION.

FOR WIDE PUBLIC DEMAND, THE COMPETITION CAME INTO PLAY SO THE REGULATION.

KEY CHALLENGES

1. NEED OF CREATING VAST CGD NETWORK WITH ACCELERATED PACE, COMMENSURATE TO WIDE PUBLIC DEMAND.
2. DEVELOPING SAFETY STANDARDS CGD SPECIFIC AND THEIR MONITORING BY THIRD PARTY.
3. DEVELOPING & MULTIPLYING CORE COMPETENCE TO HANDLE RAPID EXPANSION & OPERATIONS IN CITY AFTER CITIES.
4. MEETING PUBLIC EXPECTATIONS : FROM THE GOVERNMENT, THE REGULATOR, CGD ENTITIES FOR -

*CHEAPER FUEL/ COMPETITIVE PRICES
EASY AVAILABILITY ANYWHERE
FOOLPROOF SAFETY EVERYWHERE*

KEY CHALLENGES

5. COMMON UNDERSTANDING OF REGULATORY ACTS AND MECHANISM TO AVOID CONTRADICTIONS FOR SYNERGY WITH THE OBJECTIVES
 - *LOGICAL CLARITY IN THE REGULATION TO MANAGE CONTRADICTIONS FOR WIN - WIN SITUATION.*
 - *JUDICIOUS INTERPRETATION OF THE ACT -TO BE READ AS A WHOLE TO MAKE IT EFFECTIVE & WORKABLE FOR PUBLIC GOOD.*
 - *NATURAL JUSTICE APPEAR TO PREVAIL FOR COMPARING EQUAL WITH EQUALS AND NOT WITH UNEQUALS.*
 - *MUCH CONTROLS NOT TO DAMPEN SPIRIT OF FREE COMPETITION.*
6. TO EMPOWER REGULATOR TO HAVE SAY IN;
 - *GAS AVAILABILITY / ALLOCATION TO ALL CGD ENTITIES, WHICH ARE NOT GAS PRODUCER OR MAJOR GAS MARKETEEER*
 - *GAS PURCHASE PRICING FOR CGD AT AFFORDABLE PRICE FOR PUBLIC GOOD*
 - *SINGLE WINDOW CLEARANCE FROM VARIOUS STATUTORY BODIES*
 - *SHARING OF RESOURCES LIKE INVENTORIES AT REASONABLE PRICE*
 - *PIPELINE CONNECTIVITY FROM PIPELINE INFRASTRUCTURE PROVIDER*

KEY CHALLENGES

7. **PRIORITIZATION OF WHAT IS EXPECTED FROM CGD ???**
 - *CNG – PNG – INDUSTRIAL SEGMENT !!!*
8. **REGULATORY CONTROLS TO LOOK TO BE FACILITATOR OF EXPANSION & PROTECTING PUBLIC EXCHEQUER**
 - *KEEPING PUBLIC GOOD IN VIEW , EVEN LIMITED MONOPOLY OF REGULATOR FOR LIMITED PERIOD MAY NOT BE BAD, SO ALSO OF THE EXISTING CGD ENTITIES FOR MEETING PUBLIC EXPECTATIONS FAST.*
 - *HOWEVER, ABUSE OF MONOPOLY IS BAD FOR WHICH REGULATOR IS EMPOWERED TO CONTROL & CHECK IT.*

OPPORTUNITIES

1. **MORE THAN 200 CITIES MAY BE IMPLEMENTED WITH CGD PROJECTS WITH INVESTMENTS OF RS. 20,000 CR. PLUS IN NEXT 5-10 YEARS**
2. **GAS DEMAND ANTICIPATED – 30 TO 40 MMSCMD**
3. **CREATION OF LACS OF DIRECT & INDIRECT JOBS**
4. **DEVELOPING CNG CORRIDORS ALONG WITH NATIONAL HIGHWAYS**
5. **GROWTH TO NATIONAL EXCHEQUER BY HIGH REVENUE EARNING FROM CGD, CURTAILING OF SUBSIDY ON LPG/PETROL, GOOD RETURNS TO INVESTORS, CHEAP AND CLEAN FUEL TO THE PUBLIC**

WAY FORWARD

1. CREATION OF TRAINED/ SKILLED MANPOWER POOL
2. LONG TERM PLANNING IN ALL SPHERES OF BUSINESS ACTIVITY
3. ENTERING INTO LONG TERM GAS SUPPLY CONTRACTS WITH GAS COMPANIES
4. DEVELOPMENT OF WELL ESTABLISHED & ECONOMICAL INFRASTRUCTURE FOR CNG & PNG BUSINESS
5. PARTICIPATING & WINNING BIDS FOR MORE AREAS CONTIGUOUS TO EXISTING OPERATIONS
6. PRACTICAL & LOGICAL UNDERSTANDING OF REGULATORY ISSUES & LESSER CONTROL TO START WITH
7. DUE WEIGHTAGE TO PUBLIC OPINION AND ALREADY INVESTED PUBLIC MONEY

THANK YOU