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OIL MINISTRY SET TO FLOAT CABINET NOTE

Independent Natgas Transport System Operator Likely Soon

Move to allow transparent, non-discriminatory access to gas grid

Sanjeev Choudhary

Fair Play

Transport System Operator (TSO) needed for fair, non-discriminatory access to gas pipeline grid

Pipeline operators also market gas, compete with pure play gas marketers

Gas marketers have been demanding TSO for a level playing field

TSO will oversee common carrier capacity of all gas pipelines

Gas marketers will have to contact TSO (not pipeline operators) for booking capacity

TSO will publicly display real-time pipeline usage, charges

New Delhi: The oil ministry may soon float a cabinet note on setting up an independent transport system operator (TSO) to manage the common carrier capacity of natural gas pipelines to give all gas marketers a level playing field in the country, according to people with knowledge of the matter.

The common carrier capacity of a gas pipeline, which averages about a quarter of the full capacity, is managed by the company that laid the pipeline and now operates it. In most cases, these pipeline operators such as GAIL and GSPC also have gas marketing businesses. In this dual role, the operator also becomes a competitor for its pipeline customer in the gas marketing business.

To remove this perceived conflict of interest, and allow fair, transparent and non-discriminatory access to the gas grid to all gas marketers, the government is planning to set up the TSO, the people cited above said.

The TSO is aimed to be the single go-to source for all gas marketers to book common carrier capacity in gas pipelines. It will have a gas management control centre and a database management system. It will publicly display all relevant data on pipeline usage and charges.

ET was the first to report in December 2020 about the government's plan to set up a TSO. Finance minister Nirmala Sitharaman announced the plan in her budget speech in February 2021, following which the oil ministry prepared a detailed draft on the subject.

The draft proposed a government's stake of 51% in the TSO, with the balance equally owned by five state-run oil and gas companies. The proposed shareholding met with resistance from the finance ministry, which didn't favour creating a new state-run firm. Gradually, the oil ministry lost interest in the plan and buried the draft.

The plan has been resurrected now with industry players demanding it. The new draft is likely to propose a stake for the government in the TSO, but its extent is not yet clear, according to people with knowledge of the matter.

Indian Gas Exchange (IGX) CEO Rajesh Kumar Mediratta told ET recently that an independent TSO was needed to ensure fair access to the full capacity of pipelines for all market players. "The absence of transparent and non-discriminatory access to the gas grid impedes competition and, ultimately, stifles the growth of the gas market. The solution is to split the bundled entities into two, one to look after the marketing function and the other for transportation," he said.

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LNG imports in May-July hit a 4-year high driven by heatwave, power demand

Rishi Ranjan Kala
New Delhi

India's imports of liquefied natural gas (LNG) rose to a multi-year high during May-July 2024 driven by an unprecedented heatwave coupled with record high temperatures pushing electricity consumption to a new high.

According to energy intelligence firm Vortexa, India's monthly LNG imports in May, June and July 2024 hit a four-year record, averaging 2.57 million tonnes (mt).

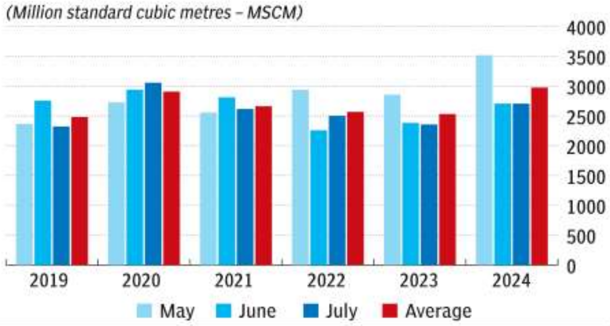
"This was largely driven by record high temperatures that plagued the country since May, resulting in a spike in gas-fired power generation to meet increased cooling demand. This comes despite Asian spot LNG prices reaching a seven month high of around $12 per million British thermal units," said Vortexa's LNG Analyst Miko Tan.

The previous LNG import highs across 2020 occurred in a significantly different market where LNG prices fell to record lows, creating an incentive for coal-to-gas switching in power generation across India, she added in a commentary earlier this week. However, power demand has softened in July with the start of the monsoon season and easing temperatures, thereby putting downward pressure on gas-fired power generation, Tan said.

POWER DEMAND

India's power demand has been rising at around 7-9 per cent on an annual basis driven by an expanding industrial and commercial base coupled with rising household consumption.

Rising LNG imports
(Million standard cubic metres – MSCM)



Source: PPAC

Tan pointed out that record high temperatures led to an uptick in total power generation across the country in May and June. While the increased demand was met largely by hydropower, the share of gas-fired power generation doubled from level in the first quarter.

Capacity utilisation and electricity generation by gas-based power plants, with 23.64 gigawatts (GW) capacity under operation, was the second highest on record during April-June 2024.

In April-June 2024, gas-based plants clocked a capacity utilisation, or plant load factor (PLF), of 25.8 per cent generating 13,338.23 million units (MU) on a provisional basis. This is second only to April-June 2020 when PLFs hit 28.6 per cent producing 14,961.55 MU of electricity.

Higher production by gas-based power plants pushed up gas' contribution in India's power generation mix increasing from 2 per cent in June 2023 to 2.8 per cent in June 2024, Crisil Market Intelligence & Analytics said in a report.

However, power demand fell in July with the start of the monsoon season and easing temperatures, thereby putting downward pressure on gas-fired power generation, Tan said.

"While LNG imports remained strong, demand is likely to taper off as the current price point is unattractive to most buyers in the country. GAIL and state-owned refiner IOC did not award their recent tenders seeking cargoes in September and October, as offers were deemed unattractive," she added.

US REPLACES QATAR

In June, the US overtook Qatar as India's largest LNG supplier, importing a monthly record 851,000 tonnes in 12 cargoes. The majority of volumes came from Sabine Pass and Cove Point LNG terminals, with which India's state-controlled gas distributor GAIL has term contracts totalling 5.8 million tonnes per annum (mtpa), said Tan.

"Historically, GAIL has optimised their contracted volumes by swapping US term cargoes with supplies in closer proximity. June marks the first time that monthly flows from Sabine Pass and Cove Point combined in mtpa equivalent have reached total contracted volumes, potentially indicating full offtake," she added.