



“

OGRA has been determining and notifying prices for natural gas, RLNG, LPG, Petroleum products, and wellhead gas prices. This function is being effectively performed through qualified and professional management accountants

”

Ms. Uzma Adil Khan
Chairperson, Oil and Gas Regulatory Authority (OGRA)



“Currently, OGRA has a significant number of Cost and Management Accountants in its core pricing teams and they are an integral part of the whole exercise for tariff setting and monitoring”

ICMA Pakistan: What is the regulatory role of OGRA, especially in protecting the public interest and consumer rights?

UAK: Oil and Gas Regulatory Authority is an independent regulatory body established on March 28, 2002 in pursuance of the OGRA Ordinance, 2002 with the objective to 'foster competition, increase private investment and ownership in the midstream and downstream petroleum industry, protect the public interest while respecting individual rights and to provide effective and efficient regulations'.

To protect the interest of consumers and licensees, OGRA accords topmost priority to the resolution of complaints about its regulated activities. It entertains the consumers' complaints against Gas, LPG, CNG and Oil companies without charging any fee and with almost no formalities. The complaints are resolved expeditiously and the public is largely appreciative of the efficient and judicious manner in which this department is providing remedy against the errant service providers or consumers.

An important aspect of OGRA's complaint resolution procedure is that the persons, not satisfied with the orders of the Designated Officer, deciding the complaint in the first instance, have the right

“To protect the interest of consumers and licensees, OGRA accords topmost priority to the resolution of complaints about its regulated activities”

to appeal to the Authority. Such appeals are normally disposed of by the Authority expeditiously, after providing an opportunity of hearing to both the parties.

ICMA Pakistan: Do you engage stakeholders while making policies and setting pricing structures?

UAK: OGRA is not a policy-making body. It implements the Government policies in mid and downstream petroleum sectors which are not consistent with its statute and relevant rules. As far as the pricing structure of natural gas is concerned, OGRA only determines the prescribed price i.e. the price determined by OGRA are allowed to the gas utility companies after engaging all stakeholders and forwards the same to the government who in turn decides sale price or consumer price as per its socio-economic agenda for various categories of consumers.

OGRA's regulatory framework is quasi-judicial in nature for issuance of licenses, tariff setting, and maintenance of proper standards and quality of services by the licensees. Therefore, the Authority is vested under the Ordinance and Rules with the power of passing decisions. The Authority is also vested under the law with the appellate power against the decisions of its delegates and also has the power to review its own decisions.

All petitions are examined in the light of relevant rules, which, inter-alia, involve an interactive process of consultation with all stakeholders including consumers through public hearings. This provides the general public an opportunity to put across its point of view on the cost and quality of service provided by the utility companies. This enables the Authority to have the benefit of a wider range of information and opinions, which it evaluates before reaching a decision.

“OGRA's regulatory framework is quasi-judicial in nature for issuance of licenses, tariff setting, and maintenance of proper standards and quality of services by the licensees”

ICMA Pakistan: Please briefly tell us about the criteria followed by OGRA to determine the gas and power tariff?

UAK: OGRA is mandated to determine the gas tariff of natural gas whereas the determination of power tariff is undertaken by NEPRA.

OGRA determines the revenue requirement / prescribed prices of natural gas utilities for carrying out regulated activities of transmission, distribution, and sale of natural gas under Section 8 of the OGRA Ordinance, 2002. The Gas Tariff determination process includes the following steps:

- a) Admission of petition
- b) Public notice seeking comments/interventions
- c) Public comments/interventions
- d) Public notice announcing program of hearing
- e) Public hearing
- f) Final scrutiny
- g) Determination of Revenue Requirement/Prescribed Prices and submission to the Federal Government

“OGRA's role is limited to the determination of gas tariff and the Federal Government has the mandate to set sale price for different categories of consumers”

- h) The Federal Government advises on sale prices for gas consumers for various categories of consumers in such a manner that the total Revenue Requirement of the gas companies is adequately met.
- i) Notification of Sale Prices of various categories of gas consumers is then issued by OGRA

ICMA Pakistan: How the increase in exchange rate has impacted the cost of gas. Is OGRA working to rationalize gas tariff structure?

UAK: The revenue requirement consists of the following major components:

- a) Cost of gas paid to the gas producers
- b) Transmission and distribution cost, including depreciation
- c) Prescribed rate of return (on net operating fixed assets)

The cost of gas, which constitutes the bulk of the revenue requirement of the gas utilities, is linked with international prices of crude oil and High Sulphur Fuel Oil (HSFO) according

“In the future, we expect positive developments in our energy sector as the law and order situation in the country has tremendously improved”

to the Gas Pricing Agreements between the Federal Government (GOP) and the gas producers. Any change in cost of gas is, therefore, practically a pass-through amount which is closely monitored by OGRA and its impact on revenue requirement is assessed on a half-yearly basis.

OGRA's role is limited to the determination of gas tariff and the Federal Government has the mandate to set sale price for different categories of consumers as explained earlier.

ICMA Pakistan: ExxonMobil, the world's largest O&G company would be investing after long time in Pakistan. Do you think it would pave the way for more investment in petroleum sector?

UAK: Various countries/investors have shown their interest to invest in Pakistan's energy sector, and in the future, we expect positive developments in our energy sector as the law and order situation in the country has tremendously improved.

ICMA Pakistan: UAE has recently announced USD 5 billion investment in establishing Oil Refinery in Pakistan. By when you expect this investment and from which other countries new investments are expected in energy sector?

UAK: Establishing a refinery is a long-term project and requires huge capital investment. In order to materialize this expected investment, different departments at both Federal and provincial levels are involved. Once the basic criteria are fulfilled and land acquired, the investor will approach the regulator for grant of licensing to establish the refinery.

ICMA Pakistan: Gas theft by means of illegal connections, especially by industrial sector concern has been a major issue as far as loss treasury is concerned. What ways are adopted to control these malpractices?

UAK: Gas losses known as UFG have many factors that cause this loss that includes above and underground leakages,

measurement error, billing errors and theft of gas, both by the consumers and non-consumers. This is major issue facing the gas utility companies, due to which not only the utility companies and government suffer huge losses in revenue, furthermore, the scarce resource is also wasted. Linking gas theft only to industrial consumers is not depicting the true picture of the issue. OGRA has set certain benchmarks, wherein gas utility companies are allowed up to fixed percentage of gas losses to be recovered from the consumers. The losses over and above that percentage are born by the companies themselves.

ICMA Pakistan: Do you think Management Accountants have a significant role in setting and monitoring of Energy prices?

UAK: Tariff setting is one of the main functions of OGRA which is fairly critical and sensitive requiring not only computational expertise but also analytical, evaluation and scrutinizing skills.

“OGRA has set certain benchmarks, wherein gas utility companies are allowed up to fixed percentage of gas losses to be recovered from the consumers”

Currently, OGRA has a significant number of Cost and Management Accountants in its core pricing teams and they are an integral part of the whole exercise for tariff setting and monitoring. Presently, OGRA has been determining and notifying prices for natural gas, RLNG, LPG, Petroleum products, and wellhead gas prices. This function is being effectively performed through qualified and professional management accountants.

The Editorial Board thanks Ms. Uzma Adil Khan, Chairperson, Oil and Gas Regulatory Authority (OGRA) for giving his exclusive interview for Management Accountant Journal.

