



CS/2020-11/PSX-Info/OGRA

16 November 2020

The General Manager
Pakistan Stock Exchange Limited (PSX)
Stock Exchange Building
Stock Exchange Road
KARACHI.

Dear Sir,

DISSEMINATION OF MATERIAL INFORMATION

**Determination of Re-Gasified Liquefied Natural Gas (RLNG) Weighted Average Sales
Provisional Price / News item published in the Daily Dawn November 12, 2020**

Reference to news item published in the Daily Dawn November 12, 2020 regarding slashing of losses allowed to SSGC and SNGPL for re-gasified LNG by OGRA for the purposes of determination of RLNG prices, we would like to make the following communication in accordance with Section 96 of the Securities Act, 2015 and Clause 5.6.1(a) of PSX Regulations.

The pricing components of RLNG were approved by ECC vide its decision dated 14 June, 2016 whereby the costs (including UFG) as well as revenue of RLNG related gas have been ring-fenced. The said ECC decision inter alia allowed UFG losses to be determined and charged at actual to RLNG consumers. The pricing model adopted by the ECC was based on the principal that the companies should not be exposed to, or be worse off due to any adverse impact of RLNG handling.

OGRA implemented the decision of ECC dated 14 June 2016 referred above vide its decision Ref. OGRA-10-11(8)/2015 dated 7 October 2016 wherein besides other components T&D losses at actual were also allowed. Since FY 2014-15 to FY 2016-17, OGRA implemented the ECC policy guidelines in true letter and spirit and allowed UFG at an actual. Further the same methodology for calculation of UFG has been adopted by the Authority.

However the permissible practices are being discontinued vide issuing the notification of provisional prices for the month of August to November 2020 on 11 November 2020. We believed that OGRA is in contravention with Petroleum Levy Ordinance 1961 and against the Cabinet decision of Allowance of actual UFG for RLNG pricing by imposing unilateral decision of 6.3% benchmark in isolation for distribution consumers only. OGRA remains obligated to follow the Government policy parameters as per the Supreme Court decision which had clearly held that the Federal Government policy guidelines are binding on OGRA:

"The language of Section 21 of the ordinance is very clear in that the FG can issue guidelines and there is no check on the power of the FG to that effect. It is also absolutely clear that OGRA in terms of such guidelines has to perform its functions, however the only condition is that the guidelines should not be inconsistent with the provision of OGRA"

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Sui Southern Gas Company Limited

SSGC House, Sir Shah Suleman Road, Gulshan-e-Iqbal, Karachi

Presently, natural gas consumers are subject to consolidated benchmark of nearly 7% for both the transmission and distribution consumers and no separate benchmark exist for transmission and distribution consumers. Instead OGRA has now assumed separate benchmark of 0.12% for Transmission and 6.3% for Distribution. OGRA therefore has effectively implemented UFG benchmark on RLNG in contravention of ECC / Cabinets decision, as against the legal position that under the Petroleum Levy Ordinance the mandate to determine allowable UFG in case of RLNG does not rest with OGRA unlike Natural Gas Pricing, which is done pursuant to OGRA Ordinance.

The Company has raised its concerns with OGRA to reconsider the pricing as per governing laws.

Thanking you,

Yours Sincerely,



Shoaib Ahmed
Company Secretary

Encl: As stated above

CC:

The Registrar of Companies
Securities & Exchange Commission of
Pakistan
State Life Building No. 2
Wallace Road
KARACHI

The Director / HOD
Surveillance, Supervision & Enforcement
Department
Securities and Exchange Commission of
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NTC Building, 63 Jinnah Avenue, Blue Area
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