ONGC News as on 31 July 2023 (Print)

Publication : Financial Express	Editions : New Delhi
Date :31 July 2023	Page : 3, 15

Centre to get major HPCL stake after rights issue

PRESS TRUST OF INDIA
New Delhi, July 30

FIVE YEARS AFTER it exited the company, the government is set to get a significant stake in Hindustan Petroleum (HPCL) as it looks to infuse equity in fuel retailers that lost money on selling petrol and diesel at discounted rates last year, officials said.

In the FY24 Budget, a capital support of ₹30,000 crore was announced for state-run fuel retailers — Indian Oil (IOC), HPCL and Bharat Petroleum (BPCL) — to support their energy transition and net-zero initiatives.

In June, the government asked IOC and BPCL to launch rights issues (to get the capital), and advised HPCL to make a preferential share allotment to the government.

The IOC board earlier this month approved raising up to ₹22,000 crore by inviting existing shareholders to purchase additional new shares in the company (this type of issue gives existing shareholders securities called rights).

Continued on Page 15

ओएनजीसी
ONGC

Publication : Financial Express	Editions : New Delhi
Date :31 July 2023	Page : 3, 15

Centre to get major HPCL stake after rights issue

THE BPCL BOARD, too, has approved raising up to ₹18,000 crore through a rights issue but the HPCL board is yet to approve the preferential issue.

Officials involved in the matter said the HPCL board is awaiting guidance from the government before taking the preferential issue (which is nothing but the procedure of bulk allotment of fresh shares to a specific group of investors).

Considering all existing shareholders of IOC exercising the option under the rights issue, the government would for its 51.5% stake in the company chip in ₹11,330 crore. Similarly, in case of BPCL, the government may end up paying about ₹9,530 crore for its 52.98% stake in the company, they said.

While the final numbers would depend on how many shareholders participate in the rights issue, fully-subscribed rights issue of IOC and BPCL would mean the government is left with anything between ₹9,000 crore to ₹10,000 crore out of the ₹30,000 crore approved in the Budget for HPCL's preferential issue.

At HPCL's current market capitalisation of ₹39,650 crore, this would translate into a significant stake, they said, adding the exact equity holding would depend on the price at which shares are issued to the government.

The government had in January 2018 sold its entire 51.11% stake in HPCL to ONGC for ₹36,915 crore. While that transaction was part of a strategic divestment programme, the government continues to retain indirect control over HPCL through state-owned ONGC.

ओएनजीसी
ONGC

Publication : Millennium Post	Editions : New Delhi
Date :31 July 2023	Page : 9

Govt to get significant stake in HPCL post preference issue

In June, govt asked IOC and BPCL to launch rights issues (to get capital) & advised HPCL to make a preferential share allotment to government

OUR CORRESPONDENT

NEW DELHI: Five years after it exited the company, the government is set to get a significant stake in Hindustan Petroleum Corporation Ltd (HPCL) as it looks to infuse equity in fuel retailers that lost money on selling petrol and diesel at discounted rates last year, officials said.

The government had in the annual Budget for 2023-24 (April 2023 to March 2024 fiscal) announced Rs 30,000 crore of capital support to state-run fuel retailers — Indian Oil Corporation (IOC), HPCL and Bharat Petroleum Corporation Ltd (BPCL) — to support their energy transition and net-zero initiatives.

In June, the government asked IOC and BPCL to launch rights issues (to get the capital), and advised HPCL to make a preferential share allotment to the government. Board of IOC earlier this month approved raising up to Rs 22,000 crore by inviting existing shareholders to purchase additional new shares in the company (this type of issue gives existing shareholders securities called rights).

BPCL board too has approved raising up to Rs 18,000 crore through a rights issue but HPCL board is yet to approve the preferential issue.

At HPCL's current market capitalisation of Rs 39,650 crore, this would translate into a significant stake, the officials said

Officials involved in the matter said HPCL board is awaiting guidance from the government before taking the preferential issue (which is nothing but the procedure of bulk allotment of fresh shares to a specific group of investors).

Considering all existing shareholders of IOC exercising the option under the rights issue, the government would for its 51.5 per cent stake in the company chip in Rs 11,330 crore. Similarly, in case of BPCL, the government may end up paying about Rs 9,530 crore for its 52.98 per cent stake in the company, they said. While the final numbers would depend on how many shareholders participate in the rights issue, fully-subscribed rights issue of IOC and BPCL would mean the government is left with anything between Rs 9,000 crore to Rs 10,000 crore out of the Rs 30,000 crore approved in the budget, for preferential issue of HPCL.

At HPCL's current market capitalisation of Rs 39,650 crore, this would translate into a significant stake, they said, adding the exact equity holding would depend on the price at which shares are issued to the government. The government had in January 2018 sold its entire 51.11 per cent stake in oil refining and fuel marketing company HPCL to explorer Oil and Natural Gas Corporation (ONGC) for Rs 36,915 crore.

While that transaction was part of the government's strategic divestment programme, the government continues to retain indirect control over HPCL through state-owned ONGC. The government continues to appoint all directors on HPCL board and the company continues to work under administrative control of the oil ministry.

Because of this control, all three retailers — IOC, BPCL and HPCL — in unison decided not to pass on Russia's Ukraine-war induced spurt in international oil prices to consumers.

This led to the three posting a combined net loss of Rs 21,201.18 crore during April-September 2022, despite accounting for Rs 22,000 crore announced but not paid LPG subsidy for the previous two years. The freeze on fuel prices has continued ever since despite oil prices declining, helping the retailer make up for some of the losses.

Officials said while the capital support on the face of it to support energy transition projects of the three firms, it is indirectly making up for the losses they incurred on selling fuel below cost. The fact that the support is only for the three firms and not net-zero carbon emission projects of other state-owned firms like ONGC and GAIL means it is for a specific objective, they said.

Fitch Ratings had previously stated that the planned aggregate equity infusion may be higher than the budgetary allocation due to minority investors' participation in the rights issues.

"All three oil marketing companies (OMCs) last year announced targets to reduce scope 1 and 2 emissions (those directly emitted by the firm itself and those indirectly stemming from its energy or cooling purchases) to zero. BPCL and HPCL seek to do so by 2040, and IOC by 2046. "We believe the OMCs have the execution capabilities to carry out these plans, but such long-term targets inevitably remain subject to risks, including energy demand-supply mismatches, slow or insufficient technological or policy progress, and lack of infrastructure," it had said.

As part of its energy-transition goals, BPCL is also looking to expand its renewable power generation portfolio to 1GW by 2025 and 10GW by 2040, from 50MW currently. IOC is also looking to expand its renewable energy portfolio substantially from the current level of 238MW, and to install 10,000 electric vehicle charging stations in the next three years, from the 1,900 it has already.

ओएनजीसी ONGC

Publication : Mint	Editions : New Delhi
Date :31 July 2023	Page : 7

Sanctions hit Sibur petrochem plans with Indian Oil

Utpal Bhaskar
utpal.b@livemint.com

NEW DELHI

Russia's largest integrated petrochemicals company PJSC Sibur Holding's plan to build a large petrochemical plant with state-run Indian Oil Corp. Ltd (IOC) at Paradip has hit a roadblock due to the sanctions amid ongoing Russia-Ukraine war, said two people aware of the development.

The two partners were slated to sign an agreement for the facility but Sibur, also Russia's largest liquefied petroleum gas producer, has kept its plan on hold following the sanctions on Moscow amid the Ukraine war. This led IOC to go ahead with the project on its own.

Sibur's participation in the petrochemicals venture was billed to be part of a multi-pronged approach between India and Russia involving a joint collaboration in petrochemicals, energy sourcing and supplies, as well as upstream investments in both the countries. The last large investment from Russia in the Indian energy space was the $12.9 billion acquisition of Essar Oil Ltd in 2017 by a consortium led by Rosneft that included the sale of the 20 million-tonnes-per-year Vadinar refinery and the Vadinar port.

Mint reported on Sibur's proposed investment on 5 August 2021. The investment was explored given IOC's focus on expanding its petrochemical business amid growing demand for petrochemicals in India and worldwide. As of 2022, India was the sixth largest petrochemicals market in the world with a market size of $190 billion, and is expected to reach $1 trillion in 2040.

"While we are facing problems with our assets in Russia in the wake of sanctions, even proposed Russian investments in India such as that from Sibur are stuck. They were looking to partner with Indian Oil Corp. Nothing is happening on that front. While the project is moving ahead but Russian interest has waned," one of the persons said requesting anonymity.

Sibur is Russia's largest LPG producer.

Queries emailed to spokespersons of IOC, Sibur and India's petroleum and natural gas ministry on 18 July did not elicit a response till press time.

India is trying to leverage its position as a key refining hub in Asia to boost its petrochemical capacity

State-run firms are facing a host of issues with Russian ventures as reported by *Mint*, including ONGC Videsh Ltd (OVL) waiting to receive equity rights for its shares in Sakhalin-1 oil and gas fields; and OVL, Bharat Petroresources Ltd, IOC, and Oil India Ltd facing delays in getting about $400 million worth of dividend payments from CSJC Vankorneft and LLC Taas-Yuryakh given the ongoing difficulty in transferring it from Russia.

IOC's 15 million tonnes per annum Paradip refinery in Odisha was commissioned in 2016 and produces various grades of petrochemicals, with para-xylene and PTA plants under the implementation stage.

India is trying to leverage its position as a key refining hub in Asia to boost its petrochemical capacity.

Publication : The Telegraph	Editions : Kolkata
Date :31 July 2023	Page : 8

Northeast to get two gas pipelines

R. SURYAMURTHY

New Delhi: Two major pipeline projects are in the works in the northeast, which produce 20 per cent of the country's natural gas output of 75 million metric standard cubic metres per day(mmscmd).

Assam, Arunachal Pradesh and Tripura have established gas production potential in the region, while Manipur and Nagaland are believed to have substantial reserves.

Duliajan Numaligarh Pipeline Limited has proposed a 500km natural gas pipeline from Duliajan to Chandrapur near Guwahati through Jorhat, Golaghat, Karbi Anglong and Nagaon in the state.

DNP operates a dedicated pipeline supplying natural gas to the Numaligarh refinery.

The company said there was a huge business opportunity of around 5.5mmscmd with a pipeline which needs to target the city gas distributors and other bulk consumer industries at Bokajan, Diphu, Lumding, Hojai, Lanka, Nagaon, Morigaon and onwards to Chandrapur near Guwahati.

> **BUILD GRID**
>
> - Pipeline 1: Duliajan to Chandrapur near Guwahati. Length: 500km
> - Pipeline 2: North East Gas Grid. Connecting ONGC gas fields in Assam to major NE cities. Length: 1,656km

The pipeline can also be connected to the IGGL Phase-I pipeline near Borpothar (Golaghat district in Assam).

It can connect to the new gas sources along the route in Dibrugarh and Sibsagar districts.

DNP is also looking at sourcing gas from other players in the region such as HaEC, Oil Max and Vedanta.

ONGC project

Oil and Natural Gas Corporation and Indradhanush Gas Limited (IGGL) have signed pacts to transport natural gas from ONGC's gas fields in Jorhat, Silchar and Tripura to the demand centres and capital cities of all the eight northeastern states for which IGGL is laying a 1,656km pipeline — the NEGG (North East Gas Grid) project.

It has set a target of completing 70 per cent of its work in this fiscal and the entire project by March 31, 2024. The committed amount for the project in the current fiscal is Rs 3,929 crore.

The Petroleum and Natural Gas Regulatory Board (PNGRB) has said it is initiating the consultation process for the geographical areas (GAs) spread across the regions for building natural gas pipelines, as part of the 12th bidding round for city gas distribution projects.

The geographical area are Arunachal Pradesh, Meghalaya, Manipur, Mizoram, Nagaland and Sikkim.

The government has set a target to increase the share of natural gas in the energy mix to 15 per cent by 2030 from around 6.3 per cent. This includes expanding the country's national gas grid to about 33,500 km.

Publication : The Economic Times	Editions : Mumbai
Date :31 July 2023	Page : 1, 16

BPCL Plans to Invest ₹1.5 lakh crore over 5 Yrs to Expand Ops: Chairman

Bharat Petroleum Corporation plans to invest ₹1.5 lakh crore in the next five years to diversify operations as it targets net zero carbon dioxide emissions by 2040, BPCL chairman G Krishnakumar told ET's **Kalpana Pathak**. ▸▸ 16

ओएनजीसी ONGC

Publication : The Economic Times	Editions : Mumbai
Date :31 July 2023	Page : 1, 16

ET Q&A **G KRISHNAKUMAR**
CHAIRMAN, BPCL

'BPCL Plans to Invest ₹1.5 L cr in 5 Years to Diversify Operations'

Bharat Petroleum Corporation plans to invest ₹1.5 lakh crore in the next five years to diversify operations as it targets net zero carbon dioxide emissions by 2040, BPCL chairman G Krishnakumar told ET's **Kalpana Pathak** in an interview. The state-run oil marketing company, which reported a consolidated profit of ₹10,644 crore in the first quarter ended June on the back of handsome refining and marketing margins, also plans to raise up to ₹₹18,000 cr in a rights issue this fiscal year, he said. Edited excerpts:

COMPANY PHOTO

> BPCL has set itself a net-zero target by 2040. We have forayed into biofuels, CBG, green hydrogen, petrochemicals, while at the same time, staying committed to build a more resilient core biz

When does BPCL plan to launch its rights issue?
To meet our capital outlay for projects relating to net zero, we have proposed a right issue of equity capital of up to ₹18,000 crore. The rights issue will be completed within this financial year after compliance on the regulatory and statutory fronts. Currently, the process for appointment of intermediaries is underway. BPCL has set itself a net-zero target by 2040. We have forayed into biofuels, CBG (compressed biogas), green hydrogen, renewables, petrochemicals, while at the same time, staying committed to build a more resilient core business and undertake sustained effort to decarbonise our operations and develop our overseas oil and gas discoveries.

What about your five-year investment plans?
We are investing about ₹1.5 lakh crore in the next five years, which will be funded through a combination of internal generation and borrowings. This probably is more than what we did in the last 15 years. Petrochemicals, renewables, EV (electric vehicle) charging and the Mozambique LNG project will be our big bets in the coming years. We strongly believe the next phase of growth will come from semi-urban and rural markets, aided by infrastructure development and leveraging our core business of retail with over 21,000 outlets and 6,200 plus distributors. We get a footfall of about a crore customers every day. We are set for a big push in non-fuel business too.

How significant would the renewable energy segment be for BPCL in five years?
BPCL aspires to develop 1 GW renewable capacity assets (solar and wind) by 2025-26 and 10 GW by 2040. Currently, five solar projects across Kerala, Maharashtra and Madhya Pradesh are in various stages of execution with an aggregate capacity of 45.5 MW at an investment of ₹245 crore. BPCL is also implementing two wind power projects in Maharashtra and Madhya Pradesh with an aggregate capacity of 100 MW at an investment of ₹978 crore. We plan to invest about ₹6,000-7,000 crore over the next five to six years in the renewables space.

The street is expecting a fuel price cut from OMCs. Do we see that happening anytime soon?
We are constantly reviewing the crude prices and will take decisions on pricing once the international crude/product prices are more stable. Due to this high fluctuation in crude prices, recent OPEC+ cuts, we are reviewing the crude prices and will take decisions on revision in retail selling price once the int'l crude prices are more stable.

FOR FULL INTERVIEW, GO TO www.economictimes.com

ओएनजीसी
ONGC

Publication : Financial Express	Editions : New Delhi
Date :31 July 2023	Page : 10

Big Oil shows it can still deliver when prices ebb

Can the industry generate decent returns with low crude prices? The tentative answer is yes

FOR BIG OIL, the second three months of the year were the first "normal" quarter since 2021: run-of-the-mill oil and gas prices, average trading profits and unremarkable refining and chemical margins. All the ingredients for a rather boring—and perhaps disappointing—reporting period. And, in many ways, it was.

Exxon Mobil Corp., Chevron Corp., Shell Plc and TotalEnergies SE this week all reported profits significantly down year-on-year, in several cases even weaker than analysts were expecting. But precisely because the second quarter was so unexceptional, it's important. It answered a question that's worried many investors: Can Big Oil deliver decent returns with oil trading at $70 rather than at $100? The tentative answer is yes.

For the last two years, Exxon and its peers have been able to pay shareholders large sums, particularly by purchasing shares, thanks to the windfall created by the Russian invasion of Ukraine. That tailwind is dissipating.

The industry now has to rely more on its business acumen and financial strength rather than geopolitical upheaval: investing wisely, keeping cost under control, running assets hard and demonstrating an ability to take on debt to smooth out the cycle. Unfortunately for Big Oil, investors have very little faith in its judgement. And for good reason—returns on capital employed were rather poor for most of the 2000s.

JAVIER BLAS
Bloomberg

Yet, the second-quarter results offered a hint that maybe shareholders should have more faith—perhaps. Combined, the four major oil companies reported adjusted net income of $23.7 billion between April and June, down from $50.2 billion a year ago. Despite the more than 50% drop in profitability, Exxon, Chevron, Shell and Total were still able to return lots of money to investors, and showed that they should be able to sustain their buyback programs for the rest of the year. On average, the industry reported double-digit returns on average capital employed, or RoACE. So far so good. And a lot better than in 2007 to 2008, when oil prices surged well above current levels but RoACE was lower.

Capital spending appears well under control, a positive break with the past tradition of blowing up budgets. Even Shell, the most profligate among Big Oil, announced on Thursday a slightly lower spending target for the year. And Wael Sawan, its new-ish chief executive officer, spent most of his conference call with investors stressing his disciplined approach to employing capital. For a company that in the past invested hugely in unprofitable wind and solar projects, it was refreshing.

Operationally, the companies ran their assets as well as one would expect. Was it perfect? Nope—but when operating dozens of facilities full of flammable fossil fuels, the downtime during the quarter, whether scheduled or not, wasn't bad.

The quarter showed, nonetheless, that shareholders are making outsized demands on the oil majors. Despite paying investors handsomely for the last year and half, energy trades at the lowest price-to-earnings valuation of any sector in the S&P 500 index, according to data compiled by Bloomberg.

The boring second-quarter reveals that Big Oil can deliver strong-ish returns in weak-ish oil and gas markets. With balance sheets in much better shape after 18 months of high prices and exceptional trading and refining margins, there's room to take on debt, particularly for Exxon and Chevron. But the April-to-June period also indicates that Wall Street would react to boring quarterly results with a big yawn. Big Oil has survived a test; its close friends will stick with it. But that's about all it can hope for.

ओएनजीसी
ONGC

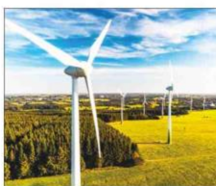
Publication : Millennium Post	Editions : New Delhi
Date :31 July 2023	Page : 9

Spain-based Capital Energy to sell $1 bn renewable energy portfolio

LONDON: Spain-based renewable energy investor Capital Energy has hired Lazard to sell a portfolio of 4.3 gigawatts (GW) of onshore wind and solar power plants in Spain, according to the documents of sale seen by *Reuters*.

The portfolio of assets is estimated to be worth up to $1 billion, according to two sources with knowledge of the deal, although final valuation will depend on due diligence of the projects.

The sale, named "Project One", consists of 48 projects ready to start construction within the next 15 months amounting to 1.6 GW, 0.7 GW of solar PV potential that can be integrated into the wind portfolio and 2 GW of early-stage wind assets.



The bidders could either offer to buy the projects that are closer to completion, a separate parcel of less developed assets, or both, the sources said.

Capital Energy and Lazard declined to comment.

One gigawatt of power is roughly equivalent to the average production from one nuclear plant, although renewable power is intermittent.

Spain has drafted a renewable strategy to increase targets for wind generation capacity to 62 GW, from 50 GW, photovoltaic solar generation capacity to around 76 GW, and power storage capacity to 22 GW.

According to the materials distributed by Lazard, the sale includes a team of 45 employees of Capital Energy.

Bidders should send indicative bids at the beginning of October. AGENCIES

ओएनजीसी
ONGC

Publication : The Hindu Business Line	Editions : New Delhi
Date :31 July 2023	Page : 2

New rules notifed to streamline States' subsidy payout to Discoms

Our Bureau
New Delhi

The Power Ministry has notified rules for streamlining the process of accounting, reporting, billing, and payment of subsidy by States to Discoms, in a bid to improve the financial health of the sector.

The rules, which were notified on July 26, mandate that a quarterly report shall be submitted by the Discoms within 30 days from end date of the respective quarter, and the State Electricity Regulatory Commission (SERC) shall examine the report and issue it within 30 days of submission of the quarterly report, said the Ministry.

The report will, inter-alia, cover the findings regarding raising of demands for subsidy based on accounts of the energy consumed by the subsidised categories; and the subsidy payable to these categories, as announced by the State government and the actual payment of subsidy, in accordance with section 65 of the Electricity Act, it added.

"The measures come in the wake of the need for a framework for sustainability of the sector, and the fact that improper and non-transparent accounting as well as non-payment or delayed payment of subsidy announced by States is one of the reasons for financial distress of Discoms," the Ministry pointed out.

ओएनजीसी ONGC

Publication : The New Indian Express	Editions : Bangalore
Date :31 July 2023	Page : 10

Sustainable development goals provide $90 tn biz opportunity

ENS ECONOMIC BUREAU @ New Delhi

ACHIEVING the Sustainable Development Goals (SDGs) and climate action needs an investment of about $5-6 trillion, which in turn will create business opportunities of about $90 trillion, G20 Sherpa Shri Amitabh Kant said in an interaction with the media recently.

He was addressing the media after the completion of a 2-day G20 policy workshop on 'A Green and Sustainable Growth Agenda for the Global Economy' in New Delhi.

Kant reiterated that there is no shortage of resources with around $350 trillion funds available globally for investment, of which $150 trillion are aligned with Institutional Funds.

He, however, pointed out that the challenge is lack of adequate bankable project pipeline, and emphasised on the need for a Global Project Accelerator Fund in order to de-risk projects.

Niti Aayog vice-chairman Suman Bery also reiterated that there is no shortage of funds for sustainable growth for emerging countries, but project preparation and data remain a big challenge.

Amitabh Kant cited IMF data saying that 80% of the global growth is going to come from emerging markets, and therefore, there is a need to alter the global financial architecture and the flow of resources to provide better impetus to this growth.

Emphasising the role of NITI Aayog in enabling the green transition, CEO, Niti Aayog, BVR Subrahmanyam, said that NITI has a fundamental role in creating ecosystems that facilitate the adoption of frontier technologies.

He cited the successful example of transformation in the electric vehicle space where NIiti Aayog played a pioneering role.

Further he highlighted that the role of States in the implementation of green energy projects will be pivotal and Niti Aayog will provide the required support to States in this endeavour.

The 2-day G20 policy workshop was organised by Niti Aayog in collaboration with International Development Research Centre (IDRC) and Global Development Network (GDN).

'Global growth will come from emerging markets'

Amitabh Kant cited IMF data saying that 80% of the global growth is going to come from emerging markets, and there is a need to alter the global financial architecture and the flow of resources to provide better impetus to this growth. He said there is no shortage of resources.

ओएनजीसी
ONGC

Publication : The Statesman	Editions : New Delhi
Date :31 July 2023	Page : 3

Govt puts in place additional measures to improve financial health of Discoms

STATESMAN NEWS SERVICE
NEW DELHI, 30 JULY

The government has put in place additional measures to improve the financial health of Discoms with streamlining the process of accounting, reporting, billing and payment of subsidy by states to distribution companies.

The measures come in the wake of the need for a framework for sustainability of the sector and the fact that improper and non-transparent accounting as well as non-payment or delayed payment of subsidy announced by the states are one of the reasons for financial distress of Discoms. The Ministry of Power notified the rules on 26 July.

The rules mandate that a quarterly report shall be submitted by the distribution licensee within 30 days from end date of the respective quarter and the state commission shall examine the report, and issue it within 30 days of submission of the quarterly report.

The report will inter-alia cover the findings regarding raising of demands for subsidy based on accounts of the energy consumed by the subsidised categories; and the subsidy payable to these categories as announced by a state government and the actual payment of subsidy in accordance with section 65 of the act.

Provision has been made that if subsidy accounting and the raising of bills for subsidy is not found in accordance with the act or rules and regulations issued thereunder, the state commission shall take appropriate action against those responsible for non-compliance as per provisions of the Act.

Under the framework for sustainability, in order to define a definite and reasonable goal for reduction of Aggregate Technical and Commercial (AT&C) loss, it is prescribed that the AT&C loss reduction trajectory would be approved by the state commissions for tariff determination in accordance with the trajectory agreed by the respective state governments and approved by the central government under any national scheme or programme, or otherwise. The trajectory for both collection and billing efficiency, for distribution licensees, has to be determined by the state commission, accordingly.

In order to ensure the recovery of full costs incurred by the distribution licensee in distributing electricity, it has been prescribed that all prudent costs of power procurement, done in a transparent manner, would be taken into account, while approving the tariff. Similarly, all the prudent costs incurred by the distribution licensee for creating the assets for development and maintenance of the distribution system would be accounted for subject to fulfillment of prescribed conditions.