

PETROLEUM AND NATURAL GAS REGULATORY BOARD

1. These guidelines shall be called "Petroleum and Natural Gas Regulatory Board (Development of Model GTA) Guidelines 2012".
2. These shall be effective from the date they are issued by the Petroleum and Natural Gas Regulatory Board.

3. **Definitions.**

(1) In these guidelines, unless the context otherwise requires,-

- (a) "Act" means the Petroleum and Natural Gas Regulatory Board Act, 2006;
- (b) "Board" means the Petroleum and Natural Gas Regulatory Board established under sub-section (1) of section 3 of the Act;
- (c) "Transporter" means an entity authorized by the Board or authorized by the Central government for laying, building, operating or expanding a natural gas pipeline;
- (d) "GTA" means Gas Transportation Agreement between transporter and shipper.

"

(2) Words and expressions used and not defined in these guidelines, but defined in the Act or in the rules or regulations made there under, shall have the meanings respectively assigned to them in the Act or in the rules or regulations, as the case may be.

4. **Applicability.**

These guidelines shall apply to a natural gas pipeline covered under the provisions of regulations 4, 17 and 18 of the Petroleum and Natural Gas Regulatory Board (Authorizing Entities to Lay, Build, Operate or Expand Natural Gas Pipelines) Regulations, 2008.

5. Objectives for issuing these guidelines.

- (a) These guidelines are being issued in furtherance to the mandate prescribed under clause (a) of section 11 of the Act which requires the Board to protect the interest of consumers by fostering fair trade and competition amongst the entities.
- (b) The objective of these guidelines is to create a basic framework whereby various provisions of the GTAs executed between transporters and shippers of natural gas ensure adherence to the principles of uniformity and equity for promoting fair play.
- (c) The provisions of these guidelines are to be viewed as an initial step arrived at based on representations from shippers and after engaging in elaborate discussions both with shippers and transporters. The Board reserves the right to make suitable additions or modifications from time-to-time as may be warranted by circumstances and after giving an opportunity to both shippers and transporters to present their views.

6. Details of the guidelines & other miscellaneous provisions.

- (a) The guidelines in respect of some provisions of the GTAs initially identified by the Board are elaborated in the enclosed Schedule A.
- (b) All contracts/agreements wherever necessary shall be suitably modified to ensure consonance with these guidelines and the accompanying Schedules.
- (c) If any dispute arises with regards to the implementation of any of the provisions of these guidelines and the accompanying Schedules, the decision of the Board shall be final.

(Ratan P Watal)

Secretary

Guidelines in respect of provisions which need to be incorporated/ revised in the GTAs for ensuring Uniformity & Equity

1. CHARGES:

(a) Presently, different provisions in respect of Ship or Pay are prevalent in the GTAs. To bring uniformity, it would be desirable to synchronize the upstream obligations with the obligations under the GTA and also to ensure minimum funds to the transporter for their operations and debt repayments, etc. For this purpose, it would be necessary to have a uniform provision of 90% Ship or Pay liability for the booked capacity on an annual basis to be levied provisionally at 95% on monthly basis which can be settled and finally accounted for on an annual basis.

(b) The prevalent GTAs in the industry exclude the quantities not supplied due to Force Majeure, but under some agreements Force Majeure at supplier's end is not fully allowed. It would be appropriate to allow Force Majeure in facilities of any of the party in the supply chain i.e., supplier, upstream transporter, downstream transporter and shipper facilities, and therefore all the GTAs should uniformly ensure adherence to this principle.

(c) Ship or Pay charges should contain specific exclusion on account of the following:-

- i. quantities of gas which can not be transported due to failure of Transporter;
- ii. the quantity for which the Transporter is unable to provide Gas Transmission Services due to Force Majeure;

- iii. the quantity of gas which Shipper is unable to tender Gas at the Entry Point for transportation or offtake Gas at the Exit Point due to Force Majeure;
- iv. quantities of gas which Shipper / Transporter is excused from providing services under the agreement due to Planned works period as per the provisions of the “Access Code”;
- v. quantities which have been reduced due to directions of Central/State Government or any Govt. agency which is beyond the control of shipper and transporter.

2. **TERM:**

Presently, GTAs are not having any provisions for extending the term in case shippers term with the supplier gets extended due to activation of restoration period clause for make up gas. There should be a mechanism with some notice period to extend the term of the GTA in case shippers restoration clause is getting activated under the agreement for gas sales.

3. **TRANSPORTATION SERVICES:**

Tariff for the transportation services should cover the cost of system use gas. However, if transporter requests shipper to provide the System Use Gas then shipper shall provide the same at the prevalent market price. In some of the GTAs this principle is not followed uniformly.

4. **SHORTFALL AND LIQUIDATED DAMAGES (LD):**

(a) Trigger point in respect of shortfall quantity should be uniformly followed as 90% of the booked/nominated capacity on an annual basis to be levied provisionally at 95% on monthly basis which can be

settled and finally accounted for on an annual basis. In case transporter has failed to transport 90% of the quantity booked/nominated due to the reasons attributable to transporter and which are not excused from transportation services under the agreement, then actual quantity less than 90% shall be entitled for LD. For working out shortfall quantities, any quantity which the transporter is excused under the agreement shall not be considered.

(b) Though the LD compensation is not an appropriate comparison with the ship or pay levels, at the same time transporter should provide for sufficient level of compensation which would work as a deterrent. Presently, under the GTAs prevalent in the industry compensation level at 50% of the tariff is followed in almost all the agreements which is not equitable and reasonable and needs to be modified to 90% of the tariff in order to move towards a fair and equitable arrangement.

(c) While working out the shortfall quantity which shipper has failed to ship or which transporter is excused under the agreement namely quantity which could not be transported due to Force Majeure, Planned works, curtailments, etc., would not be considered.

5. **FORCE MAJEURE:**

The prevalent GTAs in the industry are not uniformly covering the facilities eligible for claiming Force Majeure. It should be ensured that GTAs make all facilities in the supply chain i.e. seller's facilities, upstream transporter, downstream transporter and shipper facilities eligible for claiming Force Majeure.

6. **MISCELLANEOUS**

(a) GTAs should permit shippers to form voluntary “Close User Groups” in one business segment so as to allow merging of several GTAs in to one common GTA in one natural gas pipeline network for one Close User Group e.g., NTPC’s various power plants along one pipeline network etc.

(b) Parties may also cover detailed arrangements for trading/assignment of pipeline capacity based on guidelines which will be separately issued by the Board.
