

PETROLEUM AND NATURAL GAS REGULATORY BOARD

1. These guidelines shall be called “Petroleum and Natural Gas Regulatory Board (Capacity Release for Natural Gas Pipeline) 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) “Assignment” means the assignment of capacity by the Releasing Shipper to the transporter in favour of replacement shipper for the specified duration through release of unused capacity.
 - (d) “Acceptance letter” means the letter issued by the transporter accepting the release of capacity to the replacement shipper, with a copy to the releasing shipper detailing the transportation tariff, capacity in pipeline, Contract Path (with Entry & Exit points), duration for which capacity is awarded along with other terms & conditions.
 - (e) “Releasing Shipper” means shipper or consumer having firm capacity contract with the Transporter for at least one year and who wants to release capacity for a specified duration.
 - (f) “Replacement Shipper” means shipper or consumer desirous of taking capacity released in part or full for the specified duration for own use wherein own use means for own consumption or own customer.
 - (g) “Transporter” means an entity authorized by the Board or authorized by the Central government for laying, building, operating or expanding a natural gas pipeline.

(h) "GTA" means Gas Transportation Agreement between transporter and shipper.

(i) "Capacity Release" means the capacity assigned to another shipper or consumer.

(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 of 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 holders of firm transportation contracts can temporarily release contracted capacity or part thereof to other shippers for mitigating their risk beyond flexibility provided by transporter as well as ensuring utilization of the pipeline.

(c) The process for capacity release envisaged in these guidelines is an initial step and will be followed by more elaborate procedures in future. During the initial period, the website of the transporter will be used as a platform for enabling the process with suitable compensation. In the long term with development and

maturity of markets, processes requiring migration to an independent platform or exchange would be considered.

6. Details of the guidelines.

- (a) The capacity release by the releasing shipper may be done either in full or part. The capacity release is not contingent on the fact that capacity (entry/exit) should be fully contracted.
- (b) The capacity would be released in favour of replacement shipper by invoking the “Assignment” clause of the existing Gas Transportation Agreements (GTAs) followed by a tripartite agreement between the releasing shipper, replacement shipper and transporter having procedures for enabling the capacity release transaction. The GTAs and tripartite agreements must be in accordance with the notified Regulations by the Board from time-to-time.
- (c) The releasing shipper may release either full or partial capacity for specified duration. The transporter will charge transportation charges as per GTA separately to the releasing shipper as per reduced/new capacity and replacement shipper for the released capacity for the same duration.
- (d) The assignment of capacity by the releasing shipper in favour of the replacement shipper shall be done with the agreement of the transporter.
- (e) Minimum capacity allowed to facilitate the assignment of capacity by the releasing shipper must not be less than 10% of the contracted capacity as per the applicable GTA unless otherwise agreed by the transporter.
- (f) The releasing shipper will inform the transporter along with all necessary details the extent of capacity to be released at Contract Path (entry & exit points) and period of capacity release as soon as releasing shipper is willing to release the capacity.
- (g) The period for which the capacity release can be undertaken should be minimum 15 days and not more than 365 days unused capacity to other shippers. The common carrier contracts which are meant for short-term durations will not be eligible for capacity release as per these guidelines.

- (h) Transporter will web-host the details of spare capacity to be so released within two business days from the time of intimation from the releasing shipper for each section in the pipeline between the entry and the exit points of the shipper along with duration of capacity release.
- (i) Transporter will provide a window of two business days for receiving requests from interested shippers for each such section where capacity is available for release along with the duration of requirement.
- (j) After the closure of the window for receiving requests for capacity requirement, the transporter shall allocate the capacity on a First-Come-First-Served basis for which appropriate documentation would be maintained by the transporter. In case more than one shipper has applied at the same time and the total capacity requirement is more than the available capacity, the capacity would be released on pro-rata basis in the ratio of requirement. If the capacity requirement of first shipper is less than the offered capacity then balance available capacity would be given to next shipper who has requested for the capacity and so on and so forth.
- (k) In case the delivery points are different between releasing shipper and replacement shipper and capacity constraints exist on the new entry or exit points, the transporter shall provide reasons for the same within two business day of closure of the window.
- (l) Replacement Shipper will pay as per the terms of the GTA for the capacity and duration agreed as per the Acceptance letter to the transporter at the transportation tariff applicable under the GTA being assigned. The releasing shipper shall remit all charges to the transporter as per the GTA for the new/reduced capacity. In addition, an amount not exceeding five percent of the revenues derived from the capacity release transaction will be allowed to be charged by the transporter to the releasing shipper as handling/administrative charges.
- (m) Transporter shall be required to provide the complete details of the assignment of capacity on its web-site and shall submit quarterly statement to the Board on regular basis.

7. Miscellaneous.

- (a) A dispute or grievance redressal mechanism would be appropriately covered in the tripartite agreement.
- (b) All contracts/agreements wherever necessary shall be suitably modified to ensure consonance with these guidelines.
- (c) If any dispute arises with regards to the implementation of any of the provisions of these guidelines, the decision of the Board shall be final.

(Ratan P Watal)
Secretary