

REF No: IGX/2020-21/39

27th October 2020

To,

The Secretary,

Petroleum & Natural Gas Regulatory Board,
1st Floor, World Trade Centre, Babar Road,
New Delhi – 110 001

Subject: Views / Comments on draft “PNGRB (Access code for city or Local Natural Gas Distribution Network”.

Respected Madam,

This has reference to the public notice Ref No.: PNGRB/Auth/1-CGD(16)/2020 dated 06th October 2020, soliciting views from stakeholders on the proposed draft “PNGRB (Access code for city or Local Natural Gas Distribution Network”.

With regards to the said regulations, kindly find our specific comments along certain suggestions/ clarification under Annexure-1.

We believe (i) transparency (ii) equitability and (iii) ease of access to common carrier infrastructure will remain key to success of Access Code regulations providing open access. Accordingly, most of our suggestions pertain to making access arrangement standardized and convenient for the end buyers.

We also believe that Access Code regulations require certain modifications which can enable buyers to efficiently source gas through Gas exchange in the country.

We hope that you will find merit in our views/ comments and suggestions and consider our submissions for implementation. We will be happy to participate in the open house to discuss the same

Yours sincerely,

For **Indian Gas Exchange Ltd.**



Vikas Guliani

VP

Annexure-1: Views / Comments on draft “PNGRB (Access code for city or Local Natural Gas Distribution Network)”

| S.N | Clause No. & Description | Comments / Views / Suggestion by IGX |
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| 1 | <p>Clause 4(2): Capacity Declaration</p> <p>CGD Network capacity available for open access</p> | <p>The current proposal of providing open access of 20% means that the authorized entities who have completed marketing exclusivity period in their respective GAs will continue to have marketing exclusivity up to 80%, which is contrary to open access principle. We believe a limit of 20% is too low for granting open access. Further, the basis of limiting open access to 20% is also not known.</p> <p>Since, under open access most of the volumes will be replacement volumes and will continue to provide Authorized Entity revenues from Transportation rate of CGD & CNG, the open access could be linked to minimum technically feasible volumes than can be drawn, for ex. 100 mmbtu instead of linking to pipeline capacity. Example: all consumers can avail open access however such consumers will have to draw a minimum gas volume of 100 mmbtu/ day.</p> <p>Further, we believe that open access volumes offered as proposed in the draft amendment would result in blocking of capacity and only a few handful of consumers will be able to avail open access. We believe the objective of the regulations is provide all consumers an equitable distribution of gas and access to infrastructure and free gas markets and not just to a select few. This is also envisaged by MoPNG while conceptualizing Gas exchange in the country.</p> <p>Drawing parallel from Power Sector in India, open access is linked to volume and not with the percentage of distribution capacity. We therefore suggest that open access be provided to all consumers with a minimum technically feasible threshold for withdrawal of gas be kept, for example: 100 MMBtu/ day</p> |
| 2 | 5. Capacity Booking | <p>In wake of Point No.1 mentioned above, capacity booking provision as mentioned under 5(1),(2),(3),(4),(5) will not be required and mechanism similar to natural gas pipeline, wherein capacity is available on a regular basis can be incorporated through CGD’s portal instead of carrying out an auction process with timelines.</p> |

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| 3 | <p>2. (1). a - "access arrangement"</p> <p>Reference to mutual agreement under Regulations & Access Arrangement</p> <p>Regulation 8(7), 8(9), 9(2)(b), 13(g).</p> <p>Access Arrangement Guidelines – 2(f), 2(c)(ii), 2(c)(iii), 3(c)(ii), 6(a)(ii), 6(b), 6(d), 7(a), 7(d),</p> | <p>The regulations and access arrangement guidelines at multiple places refer to "mutual agreement" between authorized entity and the Shipper. This provides scope for negotiations and could create an entry barrier for the Shipper to access the common carrier. CGD consumers are mostly small enterprises and may not have much negotiating power. Standardized Access Agreement will eliminate the points for negotiations between the small industries and authorized entity for accessing the CGD infrastructure.</p> <p>In the interest of end consumers & shippers and for fair and transparent competition it is suggested that PNGRB should provide standard "Access Agreement". These standard Access Agreement should be part of Access Code and there should not be any need to execute any other document for availing open access. The fact that the Access Agreement is part of the Access Code Regulations means that any shipper availing open access will be bound by the provisions of the Access Arrangement. Such Access Agreement could made available on CGDs website.</p> <p>Separately only a capacity booking mechanism would be required between the Shipper and Authorized CGD entity, wherein Buyer/ Shipper can provide details such as Entry Point, Exit Point, Quantity & Duration for booking capacity.</p> |
| 4 | <p>Definitions: 2. (1). ze - "shipper"</p> | <p>PNGRB is requested to kindly add the following to the definition:</p> <ul style="list-style-type: none"> (i) authorized Gas Exchange can also be a shipper, and (ii) Shipper is not required to hold title to the gas <p>Based on our experience, we have observed that natural gas pipeline transporters insist on shipper holding title to the gas under the Gas Transportation Agreement, despite PNGRB's Access Code providing no such condition. We would therefore request the Board that a clarification on the above lines is included at the time of notifying the regulation to avoid any confusion later.</p> |
| 5 | <p>5(3) Entry point & Exit point MDQ</p> | <p>PNGRB is requested to kindly consider the Entry & Exit Point quantity as same. For example, 100 MMBtu/day. This would allow buyers an option to directly engage with Sellers/ Gas Exchange for purchasing their gas quantity in addition of purchasing through the aggregators. Such enablers will truly result in a free market, where even the small gas consumer has the access to free gas markets as envisaged by MoPNG while conceptualizing a Gas exchange in the country.</p> <p>As per the Entry & Exit quantities mentioned in the draft regulations, an aggregator/ Trading & Clearing Member at Gas Exchange would necessarily have to identify say 10 buyers (50 MMBtu each) for every trade</p> |

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| | | at the Gas exchange. In case even one buyer is not available, the balance 9 customers would also not be served. |
| 6 | 5.(4) Capacity Allotment | In case of the available common carrier capacity is less than total booking quantity by all the shippers, capacity allotment should be done on first come, first served basis. |
| 7 | 5(6) Capacity Booking on a regular basis | <p>It is requested that clear timelines could be incorporated under Access Code within which the authorized CGD entity has to revert confirming the capacity booking. To have efficient gas exchange model, it is proposed that capacity should be confirmed within 1 working day of making the request for Weekday, Weekly, Fortnightly and Monthly contracts and within the same day of making the request for Daily & Intraday contracts.</p> <p>Relevant provisions will also need to be incorporated under the CGD Access Code wherein the Ship or pay under the natural gas pipeline are not applicable unless CGD capacity confirmation is recd. and vice versa. Absence of this provision could result in exposure to the shipper.</p> <p>Enabling provisions for the natural gas pipeline transporter and CGD entity working in a coordinated manner will be required for capacity booking arrangement without putting end buyer at risk and open exposure.</p> |
| 8 | 8(9), separate meter reading charges Meter reading charges to be borne by shipper | Authorised entities can consider costs under the head "Operating costs" while determining transportation rate for CGD and transportation rate for CNG under the Petroleum and Natural Gas Regulatory Board (Determination of Transportation Rate for CGD and Transportation Rate for CNG) Regulations, 2020. It is therefore requested to kindly remove this additional charge. |
| 9 | 13. (1). g. (iii. & iv.) Charges to be borne by shipper as mentioned iii. technical upgradation of system & iv. R&D. | <p>Authorised entities can consider costs while determining transportation rate for CGD and transportation rate for CNG under the regulations "Petroleum and Natural Gas Regulatory Board (Determination of Transportation Rate for CGD and Transportation Rate for CNG) Regulations, 2020". PNGRB is requested to kindly remove the applicability these charges to shipper.</p> <p>Further, these charges especially on a "mutually agreed" basis could create significant entry barriers for seeking open access.</p> |

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| 10 | Schdule-1, Access Arrangement Guidelines, 3(c)(iii) Payment guarantees by shipper to authorized entity | Payment guarantees of 60 days maximum daily quantity (MDQ) would act as a significant cost to small industries. It is proposed that the same be reduced to 15 days of MDQ through revolving LC/ BG. |
| 11 | Schedule-I, Access Arrangement Guidelines 8.0 (4). Balancing Clause 16(7) of the regulations | <p>Provision of "Reconciliation" could be incorporated as the practice is prevalent in natural gas pipeline i.e. after the expiry of the relevant capacity booking Agreement, 3 days additional balancing period should be provided wherein the Parties shall reconcile the total quantities of Gas delivered at the relevant entry Point with the total quantities of Gas redelivered at the relevant exit Point. Imbalance penalty of gas molecules should be applied on non-cured gas within these 3 days Reconciliation period.</p> <p>It is further proposed that settlement of imbalances should be carried out before end of Capacity booking period or fortnight whichever is earlier. It may be noted that Gas exchanges would be offering multiple contracts such as Daily, Weekday, Weekly which are of a duration shorter than a fortnight.</p> |
| 12 | Schedule-I of Access Arrangement Guidelines, 10 Authorized entity's shortfall charges | <p>Clarity is sought for keeping Rs. 15 for the PNG, Industrial and commercial capacity booking as Authorized Entity's shortfall charges. And additional Rupees one for CNG capacity booking as an Authorized entity's shortfall charges.</p> <p>It is proposed that shortfall charges on non-availability to supply gas volumes should be in line with that prevailing in the natural gas pipeline.</p> <p>It is further suggested that the shortfall charges be applicable as per the penalty limits applicable to the shipper of +/-5% instead of current 80% proposed. Infact an authorized entity given the diversity factor at entity level is in a better position to handle imbalances of any single shipper.</p> <p>Further, it is suggested that FM under Transportation pipelines & Sellers is considered as FM under CGD Regulations and vice versa. Again a coordinated approach between Transporter Pipeline and CGD Network will be required to ensure that Open Access consumer is not exposed for undue risks.</p> |



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| 13 | Provision of rights of deciding priority of gas booking at buyers' end | Relevant Clause could be incorporated regarding buyer's right to decide priority of gas booking in case of multiple sellers to single buyer. |
| 14 | Volumes for Gas Exchanges | It is proposed that to enable liquidity creation at Gas exchanges a small portion upto 10% capacity be reserved for authorized Gas exchanges. |