

To,  
**The Secretary,**  
Petroleum & Natural Gas Regulatory Board,  
1<sup>st</sup> Floor, World Trade Centre, Babar Road,  
New Delhi – 110 001

**Subject: Views/Comments on the draft Petroleum and Natural Gas Regulatory Board (Gas Exchange) Regulations, 2020**

**Respected Sir/Madam,**

This is in reference to the public notice Ref No.: PNGRB/Tech/35-GasEx./(1)/2020 dated 10<sup>th</sup> July 2020, soliciting views from stakeholders on the “draft Petroleum and Natural Gas Regulatory Board (Gas Exchange) Regulations, 2020” (“**Draft GER**”).

We welcome the step taken by Petroleum and Natural Gas Regulatory Board (“**PNGRB**” or “**Board**”) proposing the Draft GER which is aimed at development of the gas marketplace in the country.

As you are aware, Indian Gas Exchange Limited (“**IGX**”) is already operating a Gas Trading Platform (“**GTP**”) since 15<sup>th</sup> June 2020. IGX is a wholly owned subsidiary of Indian Energy Exchange Limited, which has an experience of over a decade of operating a delivery-based exchange in the country. At the outset, we wish to apprise you that IGX has been operationalised on the structure where buyers and sellers of gas, either through themselves or through trading members participate in the trading of gas through the GTP. The participation at the IGX is limited to the members which are registered at the IGX and which represent the sellers or end users of gas. These entities are also governed by the Market Rules and Bye Laws of IGX. Further, in order to facilitate gas trading and with the intent to increase participation at the exchange, IGX also facilitates gas transportation on behalf of the buyers and sellers of gas under its delivered transactions route.

Based on our learnings from operationalising Gas Trading Platform at IGX, interactions with stakeholders in the Gas sector and discussions with regulators and other stakeholders in the electricity sector, we wish to submit comments that we have identified in respect of the Draft GER, which in our view will facilitate the further development of the gas market in India and increase participation:

- (i) On review of the Draft GER, it appears that certain provisions are similar to the provisions of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 issued by Securities and Exchange Board of India (SEBI) and the Power Market Regulations, 2010 issued by the Central Electricity Regulatory Commission (CERC).

It may please be considered that the nature and operations of a delivery-based gas exchange and trade undertaken at such exchanges are fundamentally different from the trading in securities on a stock/ equity/ derivatives exchange on the following accounts:

- Unlike a stock exchange, which is open for the public to participate in trades, the gas exchange is relevant only to its members and clients (buyers/ sellers) who are sellers or buyers of natural gas. Market participants have considerable understanding of gas sector unlike financial markets where a buyer may not be completely aware of the nuances of complex financial markets/ instruments.

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Indian Gas Exchange Limited

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- The number of trades and participants are very high on the equity/ derivative exchange as compared to a gas exchange;
- The delivery-based exchanges encompass stricter margin requirements;
- There exists an obligation to supply and deliver physical commodity for the trades in case of the delivery-based exchange (in this case, natural gas);
- Member/clients have outstanding positions/open interest at equity/ derivative exchange;
- Delivery percentage is very low compared to the total trades at equity/ commodity exchanges, the type of orders are manual and algorithmic, with latency playing an important role and hence market participants punch high number of orders per second thus more chances of fat finger errors due to high volume trades.
- The abovementioned differences also make the delivery-based exchanges least susceptible to market manipulation in the form of price rigging, circular trading, market abuse etc.

(ii) Further, reference can be drawn to the regulations pertaining to power exchanges whereby CERC while introducing the **Power Market Regulations in 2010 to promote and encourage wider participation at the power exchanges, has formulated a light handed and principle based regulations** with considerable independence to the power exchanges. Power exchanges were required to take prior approval only in the cases which have implications on the overall efficacy of the market. The independence given to the power exchanges facilitated competition which led to product innovation, efficiency in service delivery etc. This has enabled the power market to grow during last decade – the transaction volume (YoY growth 25%) and participation has increased over the years. Some areas where the power market regulations provide light handed approach are as follows.

- i. Power exchanges are allowed to propose new products and post approval of the Commission can change the specifications (barring the ones specified in the Regulations) with intimation to the Commission.
- ii. Power exchanges may stipulate any criteria for Membership including net-worth, security deposit, membership fees, transaction fees etc.
- iii. Under the regulations, constitution of key committees is restricted to 3 committees viz. Risk Management Committee (RMC), Market Surveillance Committee (MSC) and Settlement Guarantee Fund Management Committee. No stipulations for any committees beyond above mentioned oversight committee.
- iv. The strength of the company board to be as per Companies Act, company board to appoint the MD&CEO, shareholder directors, member directors.
- v. Power exchange to constitute SGF which may comprise of any sources of funds as may be determined by the exchange with approval of the Commission. Also the regulations does not prescribe any minimum amount for the SGF.

The Hon'ble Board has appropriately considered a multi exchange model wherein the competition amongst the gas exchanges to induce a greater number of consumers would incentivize the exchanges to bring in product innovation, efficiency in service delivery, competition in transaction fees etc. In this regard, we would like to submit that the gas exchanges would thrive, only if the exchanges are allowed enough flexibility to operate and take on their own business related decisions looking at the market scenario and within the broad principles of the regulations. The market players having the complete information of their capabilities are best suited to take business related decisions. Accordingly, the Regulations should ideally provide a level playing field with broad principles in place and allow the exchanges to function freely within the framework.

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(iii) Considering the differences between the delivery based exchanges and stock exchanges, the reference to the regulations pertaining to power exchanges noted above, and the manner in which the gas exchange would typically be operationalised, while the Draft GER aims to further develop the gas market through gas exchanges, our humble submission is that the gas exchange should not be over-regulated and that certain provisions including but not limited to the following should be made more lighter or should be omitted from the Draft GER:

- Base minimum capital for the members of the Gas Exchange;
- Provisions prescribing the shareholding pattern, governance structure of the Gas Exchange including the approval for appointment of managing director, approval for composition of Board of Directors, approval for appointment of compliance officer, formation of statutory committees, segregation of regulatory functions;
- Compliance with listing agreements;
- Prescribed contributions to settlement guarantee funds; Composition of settlement guarantee fund;

These provisions may lead to invariable delays in decision making some of which are of commercial nature and are internal to the operations of exchanges. Further, it may be appreciated that the market is at nascent stage and a principle-based regulation would enable the market to develop. Since the key objective of gas exchange is to also develop a trading platform to enable discovery of domestic gas prices and make gas market transparent, competitive, liquid and accessible to all, enabling regulations that provide independence to operate the gas exchange will foster the objective of early establishment of gas exchanges in the gas sector. We have suggested certain changes in the regulations keeping the above in view.

(iv) Having noted the structure and functioning of equity and power exchange, it is important to consider that gas sector in the country, has its own peculiarities especially in terms of limited market participants. A few large gas players anchor the sector directly or indirectly (through subsidiaries). These aspects should also be taken into consideration for the purposes of the Draft GER and accordingly aspects such as restrictions on the shareholding should be relaxed. These changes are requisite to be made to the Draft GER to make it conducive for the new concept of gas exchange and allow early adoption by all segments of the sector.

(v) The Draft GER also stipulates that no person shall conduct, organize or assist in organizing any gas exchange unless it has obtained authorisation from PNGRB. Further, for grant of the authorisation from PNGRB, an application is to be made. Further, since on the date of notification of Gas Exchange Regulations, IGX would already operating a Gas trading platform. Therefore, necessary enabling provisions are required to be built-in under the draft GER. It would be important to ensure that the process of authorisation for any such entity does not result in interruption of services for gas trading and impact the market participants and the business. We have therefore, proposed an enabling provision in this regard under the draft GER.

(vi) From our review of the Draft GER, we have come across certain inconsistent provisions and provisions which are redundant for a delivery-based exchange. Some of these issues are highlighted below for ready reference:

- Under Regulation 5, while at first the provision stipulates that PNGRB may permit introduction of contracts for transacting on the gas exchange, it then provides for a carve-out under the proviso where approval is not required. However, the carve-out is not clear and the proviso then further specifies that complete and detail specifications are required to be submitted to PNGRB for seeking permission.

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Indian Gas Exchange Limited

- While the definition of ‘base minimum capital’ provides that it should be INR 50 lakhs for a member, Clause 6(2)(v) provides that gas exchange at its discretion can stipulate any criteria for membership including minimum base capital/ security deposit.
- Further, while Regulation 34(6) suggests that the gas exchange has the option to retain the clearing and settlement function and that PNGRB may direct the gas exchange to set up a separate and independent clearing corporation as and when it deems appropriate, the Draft GER in various provisions have been drafted in light of a separate clearing corporation acting separately from the gas exchange.
- The definition of intermediary also has an exclusion of any foreign investor mutual fund or any collective investment scheme. This may not be relevant for a gas exchange.

In addition to the above, various defined terms such as Allocated Capacity, Annual Turnover, Banking Company, Broker, Intermediary, Insurance Company, Spot Market and Willful Misconduct are not used in the Draft GER. Further, various terms such as Gas Exchange have been defined but have not been capitalized or used as is, in the draft for reference. We request PNGRB to make requisite changes to the Draft GER to maintain consistency throughout the draft.

- (vii) The Draft GER, at various places has references to the Access Code which we understand are references to the proposed amended Access Code provisions. Since, these amendments have not been issued yet, we do not have clarity over these provisions. For instance, terms such as National Gas Grid Management System/ NGMMS, Gas Bulletin Board have been defined or referenced to their definition or related provisions which would be covered in the proposed amendments to the Access Code. In this regard, request you to issue these proposed amendments for the stakeholders to have a holistic understanding of the Draft GER and invite another round of views/ comments and discussions. Till such time NGGMS regulations are notified and NGGMS is established, it suggested that Gas exchange shall be authorised to directly book capacity with the transporters on behalf of the buyers without any separate requirement of a Gas Transportation Agreement, instead standard transportation rules covering rights and obligations of buyer, shipper, seller could be provided as part of Gas exchange regulations or Access code regulations.

In relation to the above mentioned, to substantiate on some of these high-level issues, we have noted our specific comments along with suggested changes to the Draft GER under Annexure-1 for your kind consideration.

We sincerely hope that you will find merit in our views/ comments and suggestions and consider our submissions. We await to participate in the open house on the 17<sup>th</sup> August 2020 and will be happy to discuss the same.

Yours sincerely,  
For **Indian Gas Exchange Limited**



**Rajesh K Mediratta**  
**Director**

**Annexure-1: Views/Comments on the Draft Petroleum and Natural Gas Regulatory Board (Gas Exchange) Regulations, 2020**

- Please note:
  - Proposed insertions in an existing provision are marked in **blue font**
  - New provisions are in normal black font
  - Proposed deletions have been ~~strikethrough~~

SI No.	Proposed under Draft GER	Proposed change by IGX/ Revised provision	Remarks
1.	2 (d) Allocated Capacity	Definition to be deleted  <del>“Allocated Capacity” shall have the meaning as described in the Access Code</del>	Definition has not been used in Draft GER.
2.	2 (e) Annual Turnover	Definition to be deleted  <del>“Annual Turnover” means such turnover in Million Metric British Thermal Unit (MMBtu) which is calculated considering the total number of units cleared in all types of transactions on a gas exchange in a financial year;</del>	The intent of defining the term “Annual Turnover” is not clear. The defined term has not been used in Draft GER.
3.	2 (h) Banking Company	Definition to be deleted  <del>“Banking Company” shall have the meaning as mentioned in in clause (c) of section 5 of the Banking Regulation Act, 1949 (10 of 1949);</del>	Definition has not been used in Draft GER
4.	2. (i) Base Minimum Capital  6 (2)(c)(v)	Definition to be deleted  <del>2(i): “Base Minimum Capital” shall mean exposure free deposits required from all members of the gas exchange. The Base Minimum Capital Requirement for any member shall be fifty (50) lakhs rupees;</del> Regulation to be modified as follows:	(1) While on one hand Regulation 2(i) prescribes that the base minimum capital requirement shall be Rs. 50 lakhs per member, on the other hand Regulation 6 (2) (c) (v) states that Gas exchange at its discretion can stipulate any criteria for membership including minimum base capital/ security deposit. Further, the last sentence of Regulation 6 (2) (c) (v) also specifies that the Gas Exchange has to seek approval of the PNGRB. It is submitted that Gas Exchange should be allowed to decide the amount of security deposit to be charged without prescribing any limits or seeking approvals

SI No.	Proposed under Draft GER	Proposed change by IGX/ Revised provision	Remarks
		<p>6(2)v: A gas exchange may, at its discretion, stipulate any criteria for membership to the gas exchange including net worth, <del>minimum base capital</del>/ security deposit requirement, liquid asset requirement. <del>However, under all circumstances, the gas exchange has to seek the approval of the Board.</del></p>	<p>from PNGRB. Accordingly, the statement under 2(i) of the provision and last statement of 6(2)(v) should be deleted.</p> <p>(2) It is further submitted that Exchange should be allowed to decide the amount of security deposit to be charged without prescribing any limits or seeking approvals from the regulator for the following reasons:</p> <p>a) as a delivery-based exchange, the trades are backed by stringent margins requirement (100% of trade value) and contracts are backed by physical delivery and supply of commodity, accordingly exchange can manage the risks through trading margins and such high deposits are not required.</p> <p>b) It may be noted that that the concept of Base Minimum Capital is prevalent in securities/ financial trades, wherein there are open interest/ position or outstanding trades to be settled. For Commodity Exchanges following is the Base Minimum Capital structure:</p> <ul style="list-style-type: none"> <li>• Members without Algorithmic trading – Rs. 10 Lacs</li> <li>• Members doing Algorithmic trading – Rs. 50 Lacs</li> </ul> <p>Rs. 50 lacs Base Minimum Capital is charged only from members who have availed algorithmic trading approval. This is on the higher side as they are using automated strategies to fire in orders which are higher in number. There is no manual order generation here and strategies are written to place the orders which are automatically generated, and the number of orders may go up to hundreds per second. Since the chances of fat finger error are more in such cases, Base Minimum Capital is on the higher side.</p> <p>For normal member, Base Minimum Capital is only Rs. 10 lacs. This covers the major portion of members as members conducting algorithmic trading are</p>

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			<p>usually very few in number. It may be noted that such issues are not relevant in a delivery-based exchange.</p> <p>(3) Open Interest - there is no open position of any client on the spot exchange as all matched trades are marked for deliveries and exchange is ensuring sufficient margin before a trade is placed.</p> <p>(4) Since above mentioned issues are not possible at a delivery based exchange, wherever, gas exchange is not getting exposed, enabling provisions could be incorporated to reduce the trading cost and accordingly additional control provisions, or barriers should be reduced which will enable for early adoption of gas exchange by market participants.</p> <p>(5) Parallel can also be drawn from Power Market Regulations (PMR) notified by Central Electricity Regulation Commission (CERC), applicable to delivery based Power Exchanges, wherein there is no concept of Base Minimum Capital or no stipulation regarding Security Deposit have been prescribed and the same has been left to respective exchanges to decide.</p> <p>(6) High amounts with low trades in the initial phase will amount to dead investments by the members. A high amount of security deposit could act as an entry barrier to many participants at the gas exchange. Further high costs in the initial period when the trades are low could also reflect in the higher cost of transactions. All the above will create entry barriers to the participation at the exchange. This could dissuade potential buyers and sellers to participate at the exchange and will interfere with the early adoption of transactions on the exchange and therefore adversely impact the development of gas marketplace and liquidity.</p>

SI No.	Proposed under Draft GER	Proposed change by IGX/ Revised provision	Remarks
			(7) As the market matures and transactions increase, PNGRB may consider prescribing Base Minimum Capital later.
5.	2(q) Clearing member	The definition to be modified as follows:  "Clearing member" means a person having clearing rights in any authorized clearing corporation or clearing house of the natural gas <del>derivatives</del> exchange or derivatives segment of an exchange, who may clear and settle transactions in natural gas;	The word derivatives could be deleted as it is superfluous
6.	2 (t) Company	The definition to be modified as follows:  "Company" shall mean a company as defined in <a href="#">section 2 (20)</a> of the Companies Act, 2013.	The definition of 'company' is provided under Section 2 (20) of the Companies Act, 2013 and Section 3 of the statute stipulates the procedure for formation of the company.
7.	2(u) Contracted Gas Volume	Definition to be replaced by:  "Contracted Gas Volume" means the <del>aggregate volume of gas agreed to be delivered by a seller at an Entry Point of a natural gas pipeline on a designated gas day</del> for each Gas Day (in MMBtu, GCV basis) cleared by Gas Exchange under a Contract for respective Buyer and Seller.	The Contracted Gas Volumes are quantity obligation of Buyer and Seller based on the trade cleared/ materialised and scheduled at the gas exchange and not the volumes which Seller alone has agreed to deliver at the Entry Point. Since quantity obligation could be applicable to both the Buyer and Sellers, therefore the definition should be applicable to both the parties.
8.	1(aa) Entry Point	Definition to be modified as follows:  "Entry Point" means the point at which the gas <del>delivered by shipper</del> is injected into a Natural Gas Pipeline;	It is suggested to keep the definition generic.

SI No.	Proposed under Draft GER	Proposed change by IGX/ Revised provision	Remarks
9.	1(bb) Exit Point	<del>“Exit Point” means the point at which the gas is withdrawn from the Natural Gas Pipeline for delivery to the shipper or end consumer as agreed between Transporter and shipper;</del>	As explained in SI. No. 8 above, the definition should be generic to avoid ambiguity on scope.
10.	1(cc) Gas Day	Definition to be modified as follows:  <del>“Gas Day” shall have the meaning as defined in the GTA;</del> “Gas Day” shall mean a period of consecutive 24 hours starting at 0600 hrs of a day and ending at 0600hrs of immediately succeeding day”	The definition of Gas Day is referred to under GTA, but draft GTA is not available as of now. Accordingly, a standardised definition could be included under Draft GER for uniformity across GTA’s
11.	1. (ee) Gas Exchange	Definition to be modified as follows:  “Gas Exchange” means an <b>exchange</b> authorized by the Board as per these regulations as a market where buyers, sellers (including but not limited to gas marketers, traders, CGD companies, consumers, etc.) as members or clients of the <b>exchange</b> transact on standardized contracts in, <b>including but not limited to for delivery of</b> gas and, pipeline capacity and where the gas exchange or clearing corporation is counterparty to such contracts <del>and further, scheduling is done by NGGMS unless actual delivery is dispensed with</del>	The insertion in blue will allow the company operating the Gas Exchange to open trading platforms for other products in future for example, industrial fuel (FO, Propane, LNG etc.) which may be out of purview of PNGRB. Accordingly, while the Gas Exchange will be regulated for trade of Natural Gas, the Company can introduce other products also. The deletion of part clause will allow operations without NGGMS being present i.e. until such time NGGMS regulations are notified and NGGMS becomes operational.
12.	1 (jj) Intermediary	Portion of definition to be deleted  “Intermediary” means an entity which includes a clearing member of a clearing corporation or clearing house and a trading member of a gas exchange <del>but does not include any foreign investor mutual fund or any collective investment scheme;</del>	Given that Gas Exchange will be delivery-based platform for commodity, accordingly the relevant section is proposed to be deleted.
13.	1 (jj) Insurance Company	Definition to be deleted	The definition has not been used in the Draft GER.

SI No.	Proposed under Draft GER	Proposed change by IGX/ Revised provision	Remarks
		<del>“Insurance Company” shall have the meaning as assigned in sub-section (8) of section 2 of the Insurance Act, 1938</del>	
14.	1(mm) Intra day Contract	Definition to be modified as below:  “Intra-day Contract” means contracts where transaction occurs on day (T) <del>or (T-1)</del> and the delivery of gas is on the <del>same</del> day (T) and which are scheduled by National Gas Grid Management Services;	Intra-day contracts are traded after closure of day-ahead market and before delivery next/same day. Accordingly, it is proposed to modify the definition suitably.
15.	1(rr) NGGMS	The definition to be modified as follows:  “National Gas Grid Management Services or NGGMS” shall have the meaning as defined in Access Code. <del>Till such time revised Access Code regulations are notified and NGGMS becomes operational, this definition shall not be used for the purpose of this regulations.</del>	The Access Code regulations are yet to be notified which we understand will detail out provisions pertaining to and roles and functions of NGGMS.  The proposed insertion will allow operations of a Gas Exchange even if NGGMS related regulations are not notified and NGGMS is not operational. Accordingly, such insertion may be suitably incorporated.  Further, it may be noted that the Draft GER refer to the NGGMS in several provisions and these provisions shall not be operational until NGGMS is notified and starts operating.
16.	1(uu) Netting	The definition to be modified as below:  <del>“Netting” means the determination by clearing corporation of net payment or delivery obligations of the clearing members of an authorized clearing corporation by setting off or adjustment of the inter- se obligations or claims arising out of buying and selling of natural gas, including the claims and obligations arising out of the determination by the clearing corporation or gas exchange, on the insolvency, winding up, liquidation or resolution of any clearing member or trading member or client or such other circumstances as the clearing corporation may specify in its bye-laws, of the transactions</del>	The definition is not clear. It is suggested to either delete or simplify the definition.

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		<del>admitted for settlement at a future date, so that only a net claim be demanded, or a net obligation be owed;</del>	
17.	2 (vv) Nomination and Remuneration Committee	Definition to be deleted and be replaced with the following: <del>“Nomination and Remuneration Committee” shall have the meaning as defined in Regulation 28 (2);</del>  “Nomination and Remuneration Committee” shall have the meaning provided in Section 178 of the Companies Act, 2013.	The Committee comes under the purview of Companies Act,2013. To avoid any conflict with the Companies Act, definition should be suitably modified.
18.	2 (fff) Public Financial Institution	Definition to be deleted  <del>“Public Financial Institution” shall have the same meaning as assigned to it in sub-section (72) of section 2 of the Companies Act, 2013</del>	Definition has not been used in Draft GER
19.	2 (hhh) Settlement Guarantee Fund	Definition to be replaced with the following.  “Settlement Guarantee Fund (SGF)” means a fund maintained by the gas exchange or clearing corporation used for settlement of defaults of its members as prescribed in the default remedy mechanism of gas exchange or clearing corporation and may comprise of any sources of funds as may be determined by the gas exchange or clearing corporation <del>with prior approval of the Board from time to time;</del>	Word “or” has been inserted which seems to have been missed out inadvertently.  Deletion of a section of definition is proposed as: <ul style="list-style-type: none"> <li>• Exchange will bear risk as counter party of each transaction therefore the decision regarding the composition of SGF may be left to the gas exchange on the basis of the risk involved.</li> <li>• Trades at Gas exchange will be delivery based wherein there are no open interest/ position or outstanding trades to be settled. However, at a delivery-based exchange, the trades are backed by stringent margins requirement (100% of trade value) and contracts are backed by physical delivery of the commodity.</li> <li>• Parallel can also be drawn from Power Market Regulations (PMR) notified by Central Electricity Regulation Commission (CERC), applicable to delivery based Power Exchanges, wherein regulations do not provide any stipulations pertaining to value or approval from the regulator and the same has been left to respective exchanges to decide.</li> </ul>

SI No.	Proposed under Draft GER	Proposed change by IGX/ Revised provision	Remarks
20.	2 (kkk) Shipper	The definition to be modified as follows:  "Shipper" means entity including a consumer, who intends to utilize the capacity in the pipeline for transportation of gas provided that it shall not be necessary for Shipper to hold title to Gas under the terms of the GTA.	Until NGGMS becomes operational and carries out activities related to nomination, scheduling, accounting of transportation and imbalances and financial settlement of transportation contracts, Gas Exchange should be authorised to book capacity with the transporter pipelines.  As per current provisions under the standardised GTAs of various transporters, Shipper is required to take title to gas, which is not possible for a Gas Exchange.
21.	2 (jjj) Shareholder Director	Definition to be modified as follows "Shareholder Director" means a director who represents the interest of shareholders, and elected or nominated by such shareholders who are not trading members or clearing members, as the case may be, or their associates and agents;	It is submitted that the concept of the Gas Exchange has been proposed for the first time in the country. Also, the Gas sector in India is developing and is expected to gain significant proportion in the energy mix, restriction on investment by the sectoral stakeholders will potentially affect the objectives of the developing a competitive and liquid marketplace. Therefore, flexibility should be provided on the shareholders who want to invest in the Gas Exchange. Detailed suggestions have been provided in SI. No. 36 & 38 with respect to shareholding structure and corporate governance keeping in mind the development of gas exchange.
22.	2 (ppp) Willful Default	Definition to be amended as follows:  "Willful Default"	We understand that while the term wilful default has not been used, the term default has been used to describe the actions mentioned in the definition. Hence, the term 'wilful' has been deleted.
23.	Regulation 3 (d) and Regulation 3 (e)	Regulation 3(d)  (d) Any new contract in pipeline capacity trading, forwards, futures, gas price indexing, gas balancing and other areas.  (e) These regulations may apply to derivative contracts for natural gas, as and when the Board is empowered either through the provisions of the Act or by any empowerment by the Central Government through relevant sections of the Act or any other means through which the Board is empowered	<ul style="list-style-type: none"> <li>Derivative contract and their trade and regulation is currently governed by SEBI and falls under the purview of the Securities Contract Regulation Act and for PNGRB to be allowed to regulate such commodity derivatives contracts for natural gas, relevant amendments would be required to be made in the applicable SEBI regulations. Hence, it is uncertain whether PNGRB would be able to regulate natural gas derivative contracts and this regulation 3 (e) may be deleted.</li> </ul>

SI No.	Proposed under Draft GER	Proposed change by IGX/ Revised provision	Remarks
		<del>thereof, to regulate by regulations licensing of derivative contract exchanges</del>	
24.	Regulation 5(1)	<p>The provision may be modified as follows:</p> <p>The Board may, on an application made in this behalf, permit any gas exchange to introduce such contracts as specified in Regulation 3, for transacting on the Exchange.</p> <p><del>Provided further that a gas exchange is not required to obtain any approval under these regulations but shall submit information as specified in Access Code and comply with the trade reporting requirement as specified in Regulation 56 hereof</del> An Exchange seeking permission under Regulation 5 shall submit to the Board the complete and detailed contract specifications</p>	<ul style="list-style-type: none"> <li>• A portion of the proviso is to be deleted as it is contradictory to what has been specified in the preceding initial paragraph. The initial paragraph states that for introducing new contracts, an application has to be made to PNGRB. However, the proviso specifies that the gas exchange does not require any approval.</li> <li>• Further, the current iteration of the Access Code Regulations do not specify any trade reporting requirement and hence reference to such requirement may be removed as well.</li> </ul>
25.	Regulation 5(2)	<p>Clause 5(2) to be modified as below:</p> <p>Contractual Deviation is the difference between the energy equivalent (in MMBtu) corresponding to contracted gas volume and actual gas delivered by the Gas Seller <b>or offtaken by the Buyer</b> at the designated Entry Point. <del>“The gas exchange while formulating any contract specification, shall consider the provisions as per the Petroleum and Natural Gas Regulatory Board (Imbalance Management Services) Regulations, 2016.”</del></p>	<p>The Contracted Gas Volumes are quantity obligation of Buyer and Seller based on the trade cleared/ materialised and scheduled at the Gas exchange and not the volumes which Seller alone has agreed to deliver at the Entry Point. Accordingly, the Contractual deviation between contracted and actual volumes could arise from any party i.e. Buyer and Seller i.e. Contract Deviation is the difference between obligation quantities will be compared with the actual supplies/ offtake for assessment of the deviation. Accordingly, it is proposed to modify the definition and Clause 5(2) suitably.</p> <p>The Imbalance Management Services Regulation should be made part of Access Code and/ or standardised transportation rules by NGGMS and Gas Exchange can incorporate relevant provisions under its Contracts based on market requirement.</p>
26.	Regulation 6(2)(a)(i)	The provision to be deleted	It is suggested that this provision be deleted. The intent and purpose of this Draft GER is to provide the framework and ground rules under which gas exchanges are to operate without controlling each and every aspect of the market including the manner of price discovery. The price discovery should happen by way of free, fair and non-discriminatory

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	Price Discovery Mechanism	<del>The economic principle of social welfare maximisation and to create buyer and seller surplus simultaneously during price discovery</del>	<p>interaction between buyers and sellers on the gas exchange and this requirement of social welfare maximisation ought not be imposed. Further, checking the adequacy of the price discovery model against the principles could also be debatable.</p> <p>Importantly, while social welfare maximization is possible under auction mechanism the same may not be possible under continuous trade process which is envisaged as a Price Discovery Mechanism under the draft GER. It is therefore proposed to modify the provision accordingly.</p>
27.	Definition 1(w) Regulation 6 (2) (b) (i) Capacity Tranche, 1 (ii) Gas Transportation Agreement (GTA)	<p>Certain insertions may be made in this provision:</p> <p><del>Participants at the gas exchange will comply with should have GTA(s) standard gas transportation regulations as provided under with Gas Exchange Regulations/ Access Code Transporter(s). Termination Date for such GTA should be minimum fifteen (15) days from the date when the transaction is executed at the gas exchange</del> <b>Gas exchange shall be authorized to directly book capacity (for the trades materialized) with the respective pipeline transporters without requirement of any GTA. However,</b> At the time of conducting a trade the Participant may or may not have a CT Agreement; <b>Upon the notification and establishment of the Gas Bulletin Board in the Access Code, and</b> in case participant does not have a CT Agreement, participants shall check the availability of capacity on the Gas Bulletin Board as per Access Code and subject to availability of capacity, Participants can trade the requisite contracts directly on gas exchange. Post execution of trade, the capacity would be automatically booked for the shipper and the available capacity in the Gas Bulletin Board <b>(as and when notified and established)</b> would</p>	<ol style="list-style-type: none"> <li>(1) The current iteration of the Access Code does not provide for the establishment of the Gas Bulletin Board and the NGGMS and hence the applicability of a part of this regulation will take place upon notification of the Gas Bulletin Board and the NGGMS being notified and mentioned in the Access Code.</li> <li>(2) Signing GTA should not be a pre-condition to booking capacity for transportation. The rules pertaining to transportation should be made part of Gas exchange regulations or Access Code. All market participants should comply with such standard gas transportation rules. The capacity booking rules can be laid out in a separate 'procedures' which should become part of Gas exchange regulation/ Access code regulation. Such an arrangement will be in line with the process followed in electricity sector where there are 'Procedure for Scheduling of Collective and Bilateral Transaction'. <b>Accordingly, gas exchange should be authorized to directly book capacity post trade with the transporters and no GTA requirement should be there.</b></li> <li>(3) The GTA and CTA definition will need to be modified accordingly.</li> </ol>

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		be updated on real time basis. Further, upon the establishment of the NGGMS and its notification in the Access Code, the gas exchange will inform NGGMS for the gas nomination and its scheduling.	
28.	Regulation 6 (2) (b) (iv) and Regulation 6 (2) (b) (v)	<p>Regulation 6(2)(iv) to be modified as follows:</p> <p>The scheduling and delivery of contracts on gas exchange shall be in coordination with NGGMS provided that <b>till such time NGGMS is established, the scheduling and delivery of contracts on the gas exchange shall be in coordination with the pipeline transporters</b> and in accordance with Access Code</p> <p>Regulation 6(2)(v) to be modified as follows:</p> <p>Booked Capacity i.e. with or without CT agreement shall comply with the provisions of the <b>GTA standard transportation rules notified by between Shipper and PNGRB Transporter</b> as per <del>Access Code</del> <b>Gas Exchange Regulations or Access Code Regulations.</b></p>	
29.	Regulation 6(2)(c)(vii) Principles of Market and Market Design	<p>A portion of this provision may be modified/deleted:</p> <p>Member may charge Member Service Charge for providing services to their clients. <del>This ceiling would be an overall ceiling including the service charges of any subordinate service providers</del></p>	The second sentence is superfluous as no ceiling is mentioned in the first sentence. Further, since the gas exchange is in the nascent stage and is not a business with regulated returns (unlike other gas pipeline infrastructure projects), it is suggested to not provide any ceiling on the Member Service Charge, which ought to be determined through competitive market forces.
30.	Regulation 7 Obligation to seek Authorization	<p>Regulation to be modified as follows:</p> <p>No person shall conduct, organize or assist in organizing any gas exchange or clearing corporation unless he has obtained</p>	Indian Gas Exchange is already operating a delivery-based Gas Trading Platform therefore adequate time and provision should be maintained under the regulations to comply with the notified regulations by the existing exchanges. Insertions in blue font will allow to do that.

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		<p>authorisation from the Board in accordance with these regulations.</p> <p>In case any entity is already operating a gas trading platform as on the date of notification of these regulations, then such entity shall apply for authorization within 3 months from the date of notification of the gas exchange regulations. However, such entity shall continue with the operations of gas trading platform till such time the Board takes a final decision on the authorization.</p>	
31.	Regulation 8(1)  Application for Authorization	<p>Regulation to be modified as follows:</p> <p>Subject to compliance with the provisions of these regulations, an application for authorisation as a gas exchange or as a clearing corporation shall be submitted to the Board in Form A of Schedule 1 as per Regulation 10.</p>	<p>The Form A seeks response to around 100 questions, these questions are similar to queries for which response is sought by SEBI from exchanges dealing in security/ derivative exchanges. Under Regulation 10 PNGRB has already listed all the relevant particulars required from the applicant.</p> <p>It may also be noted that PNGRB will be granting approval to Bye-laws &amp; Market Rules (Regulation 46). It is therefore proposed that submission should be made as per Regulation 10 and Form A should be deleted.</p> <p>PNGRB may consider keeping this as separate while seeking any queries from the applicant, however it is suggested that this may not be made part of regulations.</p>
32.	8(6) Application for Authorization	<p>Following insertion (in blue font) to be made to the clause 8(6):</p> <p>Following on consideration of further objections or suggestions received and the reply of the applicant thereto, if any, the Board may grant authorisation or reject the application within one month from the last date of receiving comments, for reasons to be recorded in writing if the application does not conform to the provisions of the Act or</p>	<p>Insertions blue font will help in streamlining and making the process time bound activity.</p>

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		any directive that the Central Government provides to the Board or the regulations thereunder.	
33.	Regulation 10 (1)  Documents and particulars for application	Provision to be modified as follows:  Application for authorisation as a gas exchange or a clearing corporation, as the case may be, shall be accompanied by a copy of the memorandum of association, articles of association, the bye-laws specified in regulation 46 and other documents as provided in <del>Annexure to Form A of Schedule 1</del> <a href="#">under this clause</a> .	Please refer to our comments for SI No. 31 above
34.	Regulation 11(3) (g)	Provision may be deleted:  <del>the applicant has the facility to disseminate information about trades, quantities and quotes in real time and shall, when the Board directs, disseminate such information to at least two information vending networks which are accessible to investors</del>	As such provision is relevant in the securities market where individual investors are participating.  It may be noted that information pertaining to volumes and trades shall be posted on the website of the gas exchange every day. Further in the auction mechanism information is not required to be disseminated on real time basis.
35.	Regulation 13 (1)	Provision may be modified  The Board may, after considering the application under regulation 8 for authorization of the gas exchange or clearing corporation, making such inquiries as may be necessary in this regard, after obtaining such further information as it may require and on being satisfied that the applicant has complied with the conditions laid down in regulation 11 and is eligible to act as such, grant authorisation <a href="#">within 3 (three) months from date of application</a> , subject to such conditions as deemed fit, for setting up and operate a gas exchange or a clearing corporation, as the case may be	The insertions in blue font will help in streamlining and making the authorisation process for gas exchanges, a time bound activity.

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36.	Regulation 20 (1)	<p>Clause 20 (1) to be replaced with the following:</p> <p>(1) The shareholding pattern for equity holders in the gas exchange shall be as follows:</p> <p>(a) A Member of the Gas Exchange can have a maximum (whether directly or indirectly) of 5 % shareholding the Gas Exchange.</p> <p>(i) Provided further that a member taking a promoter status at the Gas Exchange can have a maximum of 26% shareholding.</p> <p>(b) In total, a Gas Exchange can have a maximum of 49% of its total shareholding owned by entities (whether directly or indirectly) which are Members of the Gas Exchange</p> <p>(c) Any shareholder other than a Member of the Gas Exchange can have a maximum (whether directly or indirectly) of 25% shareholding in the Gas Exchange.</p> <p>(i) Provided further that there shall be no restriction on acquiring shareholding by any other authorised Exchange (Power, Commodity, Equity).</p> <p>For the purpose of this clause: “indirectly” means through an associate where an associate is:</p> <p>(a) one who owns or controls shares carrying not less than twenty-six percent of the voting rights of the shareholder intending to hold equity in the Gas Exchange; or</p>	<p>(1) We understand that restricting equity participation of Members or any individual entity is to ensure that Gas Exchange is not influenced by interest of any one party which can interfere with the business model of the Exchange. However, the above objective can also be met by below points and still provide greater flexibility to the Gas Exchange in garnering requisite interest from industry participants.</p> <p>(i) restricting overall equity of Members to 49%</p> <p>(ii) limiting maximum shareholding of a Member promoter entity up to 26%</p> <p>(iii) restricting the representation of Members in the Board of Director (up to 25% only, as proposed by us in the section - Composition of Board of Directors).</p> <p>(2) At present, limited players exist in natural gas universe, and these limited players, through their subsidiaries and JVs participate in all areas of gas value chain i.e. upstream, midstream and downstream. Since most of these companies would be member at the Exchange, equity limitation of to 5% (directly or indirectly), would mean that other subsidiaries/ JV’s will not be able to become shareholders if the parent company has taken up 5% shareholding. This will further reduce the universe of companies that can take shareholding at the exchange and will therefore make the shareholding pattern proposed under the draft GER difficult to achieve.</p> <p>(3) Exchange is a voluntary marketplace and without actual members trying to see better marketplace, it is difficult to achieve liquidity. Therefore, it is important to have representation from gas sector companies in the gas exchange to develop the gas marketplace in India. Companies having experience in gas sector will be able to add significant value to the business in terms of growing the exchange and also gas marketplace, this could be beneficial for all the market participants. However, companies may have no incentive to take up a minor shareholding of 5% and without Board representation as envisaged under draft GER. It is therefore proposed to have provision for higher equity participation for any such company who is also interested in becoming an anchor investor. Accordingly, for such anchor investor, shareholding up to 26% should be allowed. It may also be noted that despite higher shareholding,</p>

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		<p>(b) in respect of whom the shareholder intending to hold equity in the Gas Exchange owns or controls shares carrying not less than twenty-six percent of the voting rights; or</p> <p>(c) one who is under the same management as the shareholder intending to hold equity in the Gas Exchange.</p>	<p>the board structure can remain independent. <b>We have suggested that not more than 25% of the Board of Directors shall represent members of the Gas Exchange.</b></p> <p>(4) Since Exchanges are neutral players in the sectors and have diversified shareholding pattern, we have therefore proposed that there should be no restriction in acquiring shareholding in IGX by any other exchanges. It is further submitted that there are precedence available in the European market where Powernext, a gas exchange is 100% subsidiary of European Energy Exchange (EEX) (a leading Energy Exchange in Europe). Powernext held 100% of the shares of the Danish Gaspoint Nordic (a commodity exchange) and 51% of the shares in PEGAS CEGH Gas Exchange Services GmbH (PCG), which is a joint venture with Austrian Central European Gas Hub AG (CEGH) and operates the Austrian gas market. Parallel can also be drawn from European Energy Exchange (EEX) which own several exchanges and clearing house across the world (Refer <a href="https://www.eex.com/en/eex-ag/part-of-eex-group">https://www.eex.com/en/eex-ag/part-of-eex-group</a>). Further, the Deutsche Börse AG Group (is a marketplace organizer for the trading of shares and other securities) holds 75% of European Energy Exchange (EEX), which is a leading energy exchange in Europe and operates markets for energy and related products. The shareholding patters is provided in the link below. <a href="https://www.eex.com/en/eex-ag/shareholders">https://www.eex.com/en/eex-ag/shareholders</a></p> <p>(5) The proposed changes in equity and Board representation suggested by us will ensure representation of gas market participants at the Exchange and yet restrict the members participation at the board level at exchange.</p>
37.	Regulation 23	<p>Regulation to be amended as follows:</p> <p>The <a href="#">principles and norms</a> of corporate governance as specified in <del>clause 49 of Companies Act 2013</del> listing agreement for listed companies shall apply mutatis mutandis to an authorized gas exchange and an authorized clearing corporation except those specifically dealt in these regulations</p>	<p>It would be onerous for a gas exchange entity which is not listed to comply with the norms specified in the listing agreement considering that the norms are specifically provided for listed entities. Therefore, such stringent condition should be dispensed with.</p> <p>The intent of the corporate governance provisions in listing agreement is that the company which is listed at the stock exchange makes full disclosures/complies with corporate governance norms since investors or prospective investors are aware of the functioning of the company and the exposure. In case Gas exchange is not a listed entity and if in the</p>

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			future it does get listed, it shall at that point in time comply with listing regulations prescribed by SEBI.
38.	Regulation 24  Composition of the Board of directors	Regulation 24 (2) shall be replaced as follows:  (2) The chairperson of the Board shall be elected by the board of directors in accordance with the provisions of the Companies Act, 2013 and the charter documents of the gas exchange.  Regulation 24 (4) shall be replaced as follows:  (4) The board of directors of the company shall appoint a CEO and/ or/ cum Managing Director who shall be solely responsible for running the day to day operations of the Gas Exchange. The Managing Director shall not be directly or indirectly associated with any Member of the Gas Exchange or client or participant of the Gas Exchange or with a holding or subsidiary company thereof.  Regulation 24 (6) to be deleted  <del>No trading member or clearing member or their associates or agents, irrespective of the gas exchange / clearing corporation of which they are members, shall be on the board of directors of any authorized gas exchange or authorized clearing corporation</del>  Regulation 24 (7) to be deleted:	(1) We have proposed Member representation on the board of the company to be limited to maximum of 25% strength of the Board. (2) The Draft GER envisages high level of control on several aspects of the Company Board including appointment of Shareholder Directors, MD, Independent Directors etc. code of ethics, remuneration and compensation etc. This will interfere with speed with which Exchanges are required to operate in dynamic markets. PNGRB may only specify principles which should be followed with light-handed regulation to mandate independent and neutral operations of the exchange. (3) Such levels of controls could make external stakeholders question Exchange’s business and freedom to operate. This could be detrimental for any independent exchange. Gas exchange is envisaged to be a body corporate operating as per the Company’s Act and therefore we request that stipulations should not be related to formation of company/ board of directors as the same will tantamount to micromanaging the company. (4) Seeking PNGRB approval for appointment of Directors will also undermine the shareholder’s representation at the Exchange. (5) Parallel can also be drawn from Power Market Regulations governing Power Exchanges in the country, where Regulator has <b>only</b> limited the Member representation at the Board of Directors (Refer provisions 22 of PMR 2010 extracted below for ready reference).  <i>Quote</i> <i>Regulation 22 (iii) and (iv) of Power Market Regulations, 2010</i>  (iii) <i>The total strength of the Board shall be in accordance with the provisions of the Companies Act, 1956.</i> (iv) <i>Not more than one fourth of the Board of directors shall represent Members of Power Exchange.</i>  <i>Unquote</i>

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		<p><del>Appointment of independent directors shall be subject to the fulfilment of other requirements and to the satisfaction of the Board.</del></p> <p>Regulation 24 (8) to be deleted:</p> <p><del>An authorized gas exchange and authorized clearing corporation, shall monitor and ensure the compliance of sub-regulation (6) on a continuous basis, to ensure that directors appointed, on their board of directors, do not get associated with any trading member or clearing member after approval of appointment</del></p> <p>Schedule 2, Parts D and E to be deleted in this regard.</p> <p>Regulation 24 (9) to be deleted:</p> <p><del>(9) The number of independent directors shall not be less than the number of shareholder directors to constitute the quorum for the meeting of the board of directors.</del></p> <p>Regulation 24 (10) to be deleted:</p> <p><del>(10) Voting on a resolution in the meeting of the board of directors shall be valid only when the number of independent directors that have cast their vote on such resolution is equal to or more than the number of shareholder directors who have cast their vote on such resolution.</del></p> <p>Regulation 24 (11) to be deleted:</p>	<p>(6) With respect to compensation and tenure of key personnel it may be noted that necessary employee incentive is required to attract the talent from the industry. Stipulations proposed under regulations can hamper the recruitment of right people and can have an adverse impact on the operations and development of the Gas Exchange.</p> <p>The suggestions made hereunder are considering that the purpose of gas exchange regulations is to govern the Gas exchange and provide an enabling marketplace rather than controlling the company operating the Gas Exchange.</p> <p>Additionally, the following additions may be considered in relation to the company board:</p> <ol style="list-style-type: none"> <li>a) The board of directors of the company shall appoint a CEO cum Managing Director who shall be solely responsible for running the day to day operations of the Gas Exchange.</li> <li>b) The Managing Director, the Chief Executive or the Director in charge of day-to-day operations or any employee, of the Gas Exchange shall not be directly or indirectly associated with any Member of the Gas Exchange or client or participant of the Gas Exchange or with a holding or subsidiary company thereof.</li> <li>c) The Managing Director shall ensure that the individual bids of members of the Gas Exchange is not shared with the board of directors.</li> <li>d) Exchange shall on a periodical basis as informed by PNGRB from time to time inform PNGRB of any change in shareholding pattern or composition of board of directors.</li> </ol>

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		<p><del>(11) Casting vote in the meetings of the board of directors of an authorized gas exchange or an authorized clearing corporation shall be with the chairperson of the board of directors.</del></p> <p>Regulation 24 (12) to be replaced as follows:</p> <p>Foreign portfolio investor shall have representation not more than 20% in the board of directors of an authorized gas exchange or an authorized clearing corporation</p>	
39.	Regulation 25	<p>The heading of Regulation 25 to be modified as follows: 25. Conditions of Appointment of <b>Independent</b> Directors</p> <p>Regulation 25(1) to be deleted and replaced with the following: 25(1) Independent directors shall be selected by the Board of Directors of the gas exchange and shall be sent for approval by PNGRB. The Independent Directors shall be constituted of persons of repute and integrity from academics, professionals, industry representatives, public figures none of whom should have any interest in any Member of Gas Exchange and any fiduciary relationship with any shareholder of Gas Exchange.</p> <p>Regulation 25(10) to be modified as follows: <del>The application for appointment of Directors shall be made in the manner as specified under Part D of Schedule 2</del></p>	<p>With regards to modification proposed under Regulation 25(1), it is suggested that PNGRB may kindly approve the Independent Directors appointed and approved by the board of directors of the gas exchange. PNGRB has already provided conditions of Appointment of Independent Directors. Therefore, once the company board makes an appointment as per the conditions stipulated under the Gas Exchange Regulations, PNGRB can approve as per the conditions mentioned under the regulations. The approach is less iterative and reduces the time and efforts to constitute panel and seek approval from PNGRB for appointment of each of the Independent Directors and the Board continues to retain the right to approve Independent Directors at the gas exchange.</p>
40.	Regulation 26	Regulation 26(1) to be deleted	(1) It is understood that the objective of the regulations is to govern the Gas exchange and provide an enabling marketplace rather than controlling the company which is

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	Appointment of Managing Director and	<p><del>(1) The appointment, renewal of appointment and termination of service of the managing director of an authorized gas exchange or an authorized clearing corporation shall be subject to the prior approval of the Board.</del></p> <p>Regulation 26(2) to be deleted</p> <p><del>(2) Every authorized gas exchange or authorized clearing corporation shall, subject to the guidelines issued by the Board from time to time, determine the qualification, manner of appointment, terms and conditions of appointment and other procedural formalities associated with the selection/ appointment of the managing director.</del></p> <p>Regulation 26(3) to be deleted</p> <p><del>(3) The appointment of the managing director shall be for a term not exceeding five years:</del></p> <p><del>Provided that after the completion of the first term, the authorized gas exchange or the authorized clearing corporation shall conduct the appointment process for appointment of the Managing Director afresh:</del></p> <p><del>Provided further that a person may be appointed as the managing director by the authorized gas exchange or authorized clearing corporation for a maximum of two terms not exceeding five years each, subject to a maximum age limit of sixty five (65) years.</del></p>	<p>operating the Gas Exchange. Accordingly, it is proposed to delete such provisions which tantamount to controlling the company.</p> <p>(2) Appointment of Managing Director by PNGRB reflects a high level of control on the company. We believe this will interfere with the independence of Exchange and will be detrimental for the exchange. Gas exchange is envisaged to be a body corporate operating as per the Companies Act and therefore such stipulations are not required.</p> <p>(3) Parallel can also be drawn from other delivery-based exchanges such as Power Market Regulations, which have no stipulations on appointment of key officials (other than independent directors) by the regulator.</p>

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		<p>Regulation 26(5) to be deleted  <del>(5) The managing director shall be liable for removal or termination of services by the board of directors of the authorized gas exchange or authorized clearing corporation, with the prior approval of the Board for failure to give effect to the directions, guidelines and other orders issued by the Board, the articles of association, bye laws and regulations of the authorized gas exchange or authorized clearing corporation.</del></p> <p>Regulation 26(6) to be deleted  <del>The Board may suo motu remove or terminate the appointment of the managing director if deemed fit in the interest of gas market:  Provided that no managing director shall be removed unless he has been given a reasonable opportunity of being heard.</del></p> <p>Regulation 26 (7) to be deleted  <del>(7) The conditions specified under this regulation for appointment of directors shall be applicable to a person holding position as managing director in a gas exchange or a clearing corporation.</del></p>	
41.	Regulation 27  Regulatory Oversight	<p>Point No. 2 of Part B of Schedule 2 to be deleted:</p> <p><del><b>2. Regulatory oversight committee.</b>  For overseeing implementation of this Code, a regulatory oversight committee shall be constituted by every authorized</del></p>	The responsibility to lay down procedures for the implementation of these codes, prescribe reporting formats for the disclosures required and to ensure the compliance with these Code of Conduct can be given to the Board of the Company and for this purpose to form a separate committee is not required.

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	Committee (Part B of Schedule 2)	<p><del>gas exchange and authorized clearing corporation under the respective board of directors.</del></p> <p>Point No. 9 of Part B of Schedule 2 to be deleted:</p> <p><b>9. Board of the Company Regulatory Oversight Committee to lay down procedures</b></p> <p>(a) The <del>Board of the Company regulatory oversight committee</del> shall lay down procedures for the implementation of these regulations and prescribe reporting formats for the disclosures required under the code.</p> <p>(b) <del>The compliance with the Code of Conduct shall be subject to the review by the Board of the Company on annual basis. The Compliance Officer shall execute the requirements laid down by the regulatory oversight committee.</del></p>	The responsibility to lay down procedures for the implementation of these codes, prescribe reporting formats for the disclosures required and to ensure the compliance with these Code of Conduct can be given to the Board of the Company and for this purpose to form a separate committee is not required.
42.	Regulation 28  Compensation and Tenure of Key Management Personnel	<p>Regulation 28 (3) to be amended as below. Part E (Norms for compensation policy) of Schedule 2 to be deleted.</p> <p>(3) The compensation policy shall be in accordance with the norms <del>of remuneration policy of the company for compensation policy specified under Part E of Schedule 2.</del></p>	<p>(1) The Committee and its operation come under the purview of Companies Act, 2013 and related to company matters, accordingly the nomination and remuneration aspects of the company will be governed as per applicable laws. Accordingly, these regulations can dispense with such a condition.</p> <p>(2) With respect to compensation and tenure of key personnel it may be noted that necessary employee incentive is required to attract the talent from the industry. Stipulations proposed under regulations can hamper the recruitment of right people and can have an adverse impact on the operations and development of the Gas Exchange.</p>
43.	Regulation 29  Segregation of Regulatory departments	<p>Regulation 29 to be deleted along with Schedule 2</p> <p><del>The authorized gas exchange and authorized clearing corporation shall segregate its regulatory departments from</del></p>	<p>(1) There are certain key fundamental differences between a delivery-based commodity exchange and securities exchange.</p> <p>a. Less intensive trading: the trading at delivery exchanges is limited to 2-3 hours as against 6-10 hours securities/ commodity/ derivative exchanges</p>

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		<p><del>other departments in the manner specified in Part C of Schedule 2 of these regulations.</del></p>	<ul style="list-style-type: none"> <li>b. Number of transactions: The number of transactions at delivery exchange are significantly lower compared to securities transactions.</li> <li>c. Open Interest: since there is no open position of any client on the spot exchange as all matched trades are marked for deliveries and exchange is ensuring sufficient margin before a trade is placed, therefore</li> <li>d. Physical delivery of commodity: each transaction is backed by physical sale &amp; offtake of gas</li> </ul> <p>(2) Such stringent conditions are imposed by SEBI on stock exchanges to keep a close watch on numerous transactions, the same may not be relevant for a delivery-based contracts as there is no possibility of market rigging or manipulation. Therefore, it is suggested that such condition should be dispensed with.</p> <p>(3) Wherever there is no exposure to Gas exchange, additional costs and control measures could be reduced which will allow lower trading cost thereby enabling early adoption of the exchange.</p>
44.	<p>Regulation 30</p> <p>Statutory Committee</p>	<p>Regulation 30 (2) to be replaced with the following:</p> <p>Gas Exchange shall constitute following Functional committees</p> <ul style="list-style-type: none"> <li>(a) Member selection committee</li> <li>(b) Market advisory committee</li> </ul> <p>The composition and function of the committee shall be decided by the Gas Exchange and approved by the PNGRB.</p> <p>Clause 30(3) to be replaced with the following:</p> <p>Gas Exchange shall constitute oversight committee which will oversee following functions:</p>	<p>(1) There seem to be some inconsistency between the committees mentioned under Oversight Committee under Clause 30 and Clause 31 of draft GER. Committees mentioned under Clause 31 can be part of the Oversight committee under Clause 30(3) and will accordingly replace some of the committee names mentioned therein. It is proposed that instead of having multiple committees, an umbrella oversight Committee can be constituted which will be responsible for functions related to Risk management, market surveillance and SGF. This will reduce the time and efforts of having multiple independent committees operating parallelly.</p> <p>(2) The committee have been distributed in 2 parts the Functional Committee and Oversight Committee. It is requested that in the initial phase focus can be on constitution of oversight committee. These committees will also provide confidence to participants at the Exchange with respect adequate measure being taken to ensure transparency, restricting scope of any manipulation, risk management and any mitigations in case of any default.</p>

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		<p>(1) Risk Management Committee  (2) Market Surveillance Committee  (3) SGF Management Committee</p> <p>The constitution of above-mentioned committee under 30(3) shall be as per the provision of clause 31.</p> <p>Regulation 30 (4) to be partly deleted</p> <p><del>The composition, quorum and functions of the committees under sub-regulation (2) and sub-regulation (3) shall be as specified by the Board from time to time.</del> However, the constitution of the Risk Management Committee shall be as per the provisions of regulation 31.</p>	<p>(3) With regards to the <b>Functional committees</b>, it is requested that the constitution of the same may be left to the exchange given that these committee does not impact the participants or directly affect the operations of the exchange. Gas Exchanges operate in dynamic environment; therefore, management and constitution of Functional Committees should be left to Exchange rather than specified by PNGRB.</p> <p>(4) The Nomination and Remuneration Committee comes under the purview of Companies Act,2013 and related to company matters. To avoid any conflict with the Companies Act, definition should be deleted.</p> <p>(5) It is further proposed that Regulatory oversight committee is dispensed with since the responsibility to lay down procedures for the implementation of these codes, prescribe reporting formats for the disclosures required and to ensure the compliance with these Code of Conduct can be given to the board of the Company and for this purpose to form a separate committee is not required.</p> <p>(6) Similarly, the standing committee on technology if required can be put under Functional Committee and the composition of the same should be left to the gas exchange.</p> <p>The investor grievance redressal committee is not required as members would be trading at the gas exchange. Further the Bye laws and Market will cover the dispute resolution mechanism.</p>
45.	Regulation 31. Constitution of Risk Management Committee	<p>Regulation 31. Heading to be amended as follows:  Constitution of <b>Oversight Risk Management</b> Committee</p> <p>Regulation 31 (1), (2) &amp; (3) shall be deleted and replaced with the following:</p>	<p>(1) It is proposed that instead of having multiple committees, an umbrella oversight committee can be constituted which will be responsible for functions related to Risk management, market surveillance and SGF. This will reduce the time and efforts of having multiple independent committees operating parallely.</p>

SI No.	Proposed under Draft GER	Proposed change by IGX/ Revised provision	Remarks
		<p>(1) The authorised gas exchange and the authorised clearing corporation shall constitute an Oversight Committee headed by an independent director and shall have following functions:</p> <ol style="list-style-type: none"> <li>a. Risk Management</li> <li>b. Market Surveillance</li> <li>c. Settlement Guarantee Fund</li> </ol>	
46.	Regulation 32  Appointment of Compliance Officer	<p>Regulation 32 to be deleted</p> <p><del>(1) Every authorized gas exchange and authorized clearing corporation shall appoint a compliance officer who shall be responsible for monitoring the compliance of the Act, regulations, or directions issued thereunder and for redressal of members' grievances.</del></p> <p><del>(2) The compliance officer shall immediately and independently, report to the Board any non-compliance of any provision stated in sub-regulation (1) observed by him.</del></p>	Such levels of control of the governance of the company are not required. Such requirements would be tantamount to managing the internal governance of the company which would not be aligned to the objective of these regulations which is to provide a framework enabling participation of buyers and sellers in gas exchanges/marketplace and therefore it is suggested that this provision may be omitted.
47.	Regulation 33  Disclosure and Corporate Governance Norms	<p>Regulations 33 (1) (2) (3) to be deleted</p> <p><del>(1) The disclosure requirements and corporate governance norms as specified for listed companies shall mutatis mutandis apply to an authorized gas exchange and an authorized clearing corporation.</del></p> <p><del>(2) The board of directors of an authorized gas exchange or an authorized clearing corporation shall confirm compliance of sub-regulation (1) in writing on half-yearly basis.</del></p>	The Gas Exchange shall observe corporate governance norms as per the Companies Act and any other applicable laws. It would however be onerous for the gas exchange to comply with the norms specified in the listing agreement as certain gas exchanges may not in the nature of listed entities and under applicable laws such entities are not required to comply with the listing agreement norms.

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		<del>(3) An authorized gas exchange and an authorized clearing corporation shall disclose resources committed towards strengthening regulatory functions and towards ensuring compliance with regulatory requirements applicable to the authorized gas exchange or authorized clearing corporation, as the case may be, backed by an activity based accounting in the report under section 134 of the Companies Act, 2013.</del>	
48.	34(4): Risk Management by gas Exchange	Following insertions (in blue font) to be made:  Members shall be subject to margins on a net <b>or gross</b> basis across clients by the gas exchange. There shall be no offsetting of positions of different clients of a member in the same market	Change made to be consistent with Regulation 47 (1)
49.	Regulation 35(2) & (h)  Default remedy mechanism	Regulation 35(2)(h) to be deleted  <del>h. Equity Capital of the gas exchange.</del>	The condition is too stringent for the shareholders of Gas Exchange and it is requested that same may be removed.
50.	Regulation 36 (g)  Information Technology and Trading System	Following insertions (in blue font) to be made:  Gas exchange shall build a Disaster recovery site and alternate trading facility in case of emergency, within three (3) months from the date of start of trading at the gas exchange <b>or authorization, whichever is later.</b>	Provision is amended to ensure timely compliance by the Gas Exchange upon receiving requisite authorization from PNGRB.
51.	37 (5) Delivery Procedure	The existing clause to be modified as mentioned below: The gas exchange shall set aside sufficient funds in order to provide for settlement of any claims, pertaining to pending	For clarity, it is Trader Members and Clients that will be trading at Exchange.

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		arbitration cases, arbitration awards, liabilities/claims of contingent nature, if any, and unresolved <del>investors</del> complaints/grievances lying with the gas exchange.	
52.	39. Clearing and Settlement of Trades	Following insertions (in blue font) to be made:  Every authorized gas exchange shall, with effect from the date specified by the Board in this behalf, use the services of authorized clearing corporation(s) for clearing and settlement of its trades. <b>Provided that till such date is specified by the Board, the Gas Exchange shall also have the option to perform clearing and settlement of the trades.</b>	The insertion has been made to bring clarity on roles and responsibility of Gas Exchange under the Draft GER.
53.	41 (1) Settlement Guarantee Fund	Clause 41(1) to be modified as follows:  Every authorized Clearing Corporation or Gas Exchange, as the case may be, shall establish and maintain SGF, <del>for each category product authorized by the Board as per Regulation 41,</del> to guarantee the settlement of trades executed	SGF is maintained on a consolidated basis for all the transactions and not product-wise. Therefore, the provision may be amended as proposed.
54.	42(1), (2) & (3) Contribution to the Settlement Guarantee Fund	Clause 42 (1) (2) (3) to be deleted  <del>(1) The contribution to the SGF as specified in this regulation shall be made by the authorized gas exchange, the authorized clearing corporation and the clearing members, in the manner as may be specified by the Board from time to time.</del>  <del>(2) In case of shortfall in the SGF, the authorized clearing corporation and the authorized gas exchange shall replenish the Fund to the threshold level as may be specified by the Board from time to time.</del>	<ol style="list-style-type: none"> <li>1) The gas exchange should be allowed to determine the contribution towards the SGF from time to time since, the gas exchange will be counter party to transactions and as operating the business, the gas exchange is best positioned to understand the associated risks &amp; exposure based on trade value and volumes envisaged.</li> <li>2) At the start of the business maintaining high levels of SGF as proposed under the draft GER (INR 50 Crs) is a non-starter for the Gas Exchange. In the initial years, the exchange is expected to have low trades and maintain such high SGF would severely impact the feasibility of operating as Gas Exchange in the country.</li> <li>3) We have highlighted the difference between securities exchange and delivery-based exchange. Since the trades at the delivery-based exchange will be backed by stringent margins requirement (100% margin). Wherever, the gas exchange is not getting</li> </ol>

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		<p><del>(2) Components of the SGF</del></p> <p><del>(a) The initial contribution to SGF by the gas exchange or clearing corporation, as the case may be, shall be equal to 5% of the sum total of the Gross revenues of the gas exchange for the preceding five (5) years. However, prior to the start of any gas exchange subject to a minimum of Rs.50 crore.</del></p> <p><del>(b) Base minimum capital of member</del></p> <p><del>(c) Investment returns accrued on Base Minimum Capital</del></p> <p><del>(d) All penalties charged by the authorized gas exchange or authorized clearing corporation</del></p> <p><del>(e) Investment returns and any other income accrued on the investment of funds of SGF. (The income accruing on the funds belonging to SGF shall be credited to SGF by the gas exchange).</del></p>	<p>exposed, provisions which can either reduce trading cost or control measures will support freedom to operate and enable early adoption of exchange in the gas sector.</p> <p>4) It may also be noted that unlike, securities exchanges, the members of Gas exchange are limited, therefore contribution of such heavy amount even partly by members is unfeasible (ex. even if Rs. 25 Lacs is collected as security deposit and in the initial phase and membership nos. is considered to be at 20, the total contribution will be Rs. 5 Crs), this leaves a massive gap of Rs. 45 Crs to be provided by the Gas Exchange, which is a huge cost for a start-up company.</p> <p>5) Drawing parallel from Power Exchange Regulations, no conditions have been stipulated w.r.t SGF amount and the same has been left to the Exchange. The Power market regulations only refer to regulations with regards to safe investments of SGF, the same have been reproduced below for reference:</p> <p><b>Quote</b>  <i>Regulation 18 (iv) from Power Market Regulations</i></p> <p><i>(iv) Settlement Guarantee Fund (SGF)</i></p> <p><i>(a) The Power Exchange or Clearing Corporation shall invest the proceeds of SGF in safe investments and ensure that the principal amount is not at risk. Fifty percent (50 %) of the SGF proceeds shall be kept in safe liquid investments.</i></p> <p><i>(b) The SGF investment returns shall be retained by the Power Exchange till the Settlement Guarantee Fund is maintained by the Power Exchange. In case of hiving off of the Clearing Corporation, the SGF investment returns shall be retained by the Clearing Corporation.</i></p> <p><i>(c) The principles and methods of usage of the SGF shall be clearly communicated to the members and clients of Power Exchange through the bye laws of the Power Exchange.</i></p>

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			<p>(d) Details of investment of SGF shall be submitted to the Commission on an annual basis while submitting the Power Exchange's annual report or the Clearing Corporations annual report as the case may be</p> <p>(e) Additional Prudential Norms, SGF requirements for Power Exchanges and Clearing Corporations as required for financial derivative contracts on Power Exchanges may be notified by the Commission by order and once these are notified, the same shall be complied with in terms thereof.</p> <p><b>Unquote</b></p>
55.	46(1) Bye Laws and Rules of Gas Exchanges and Clearing Corporation	<p>Clause to be modified as follows:</p> <p>(1) An authorized gas exchange and authorized clearing corporation shall, with the prior approval of the Board, make bye-laws for the regulation of contracts and clearing and settlement, as per the scope of these regulations. <b>Provided that, for a Gas Exchange which has been established prior to the effective date of these Regulations, the entity shall within 3 months of notification of gas exchange regulations, submit its Market Rules and Bye laws for approval to the Board.</b></p>	Changes proposed inline with the suggestions made under Point No. 30
56.	46(2) Bye Laws and Rules of Gas Exchanges and Clearing Corporation	<p>Clause to be modified as follows:</p> <p><del>No memorandum of association, articles of association or any other constitution document, in so far as they relate to matters specified in these regulations and bye- laws of an authorized gas exchange or an authorized clearing corporation, shall be amended except with prior approval of the Board.</del></p>	We propose that Hon'ble Board's purview should be to govern the Bye laws and Market Rules of the Exchange and not the company operating the Gas Exchange. It is therefore proposed that only Market Rules and Byelaws should require regulators' approval. MoA/AoA should be kept out of the purview.

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57.	46(3)(a) Bye Laws and Rules of Gas Exchanges and Clearing Corporation	Clause to be modified as follows:  Price Discovery and matching mechanism <del>shall take into consideration the formats C-1, C-2 and C-3 for the various contracts mentioned as per regulation 3(1)(a);</del>	The format does not seem to be relevant to the purpose mentioned under the clause and hence it is proposed to be deleted. Further bid prices cannot be disclosed on a routine basis.
58.	46(3)(e) Bye Laws and Rules of Gas Exchanges and Clearing Corporation	Clause to be modified as follows:  The gas exchange shall formulate the Byelaws and Rules for Clearing and settlement procedure, <del>taking into consideration the Scheduling Priorities defined as per Section 5 of the Operating Code of the GTA</del>	The GTA and OC are not standardised yet, accordingly it is proposed to delete the same for now.
59.	46(3)(h) Bye Laws and Rules of Gas Exchanges and Clearing Corporation	Clause 46(3)(h) to be replaced with the following: <del>Levy of Brokerage and Commission Charges by its members</del> Member Service Charge	Member Service Charge is defined term
60.	46(3)(s) Bye Laws and Rules of Gas Exchanges and Clearing Corporation	Clause to be deleted  <del>Standardized Gas Sale and Purchase Agreement</del>	Trades at Gas Exchange will be governed by Market Rules and Bye laws and not by Gas Sales Agreement
61.	47. Settlement and Netting	Clause 47 (1) to be modified as follows:  (1) The payment and settlement in respect of a transaction in an authorized gas exchange and authorized clearing corporation shall be determined in accordance with the netting or gross procedure as specified in the bye-laws of such	The Settlement Procedure should be determined in accordance of the Market Rules and Bye Laws as contemplated by the Gas Exchange and no separate approval of PNGRB may be required.

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		authorized gas exchange and authorized clearing corporation, <del>with the prior approval of the Board</del>	
	52. Power of Inspection	<p>Clause 52 (1) to be modified as follows:            (1) The Board may at any time undertake inspection, conduct inquiries and audit of any authorized gas exchange or authorized clearing corporation,<del>any associate of such exchange or clearing corporation, any shareholder of such gas exchange or clearing corporation or any associate and agent of such shareholder.</del></p> <p>Clause 52 (2) to be modified as follows:            (2) Where an inspection under sub-regulation (1) is undertaken by the Board, such authorized gas exchange or authorized clearing corporation <del>or shareholder or affiliate</del> and every manager, director, managing director, chairperson or officer and other employee of such authorized gas exchange, authorized clearing corporation, <del>shareholder or associate</del> shall cooperate with the Board.</p>	Associate or shareholders of the Gas Exchange may be kept out of jurisdiction of the Board.
62.	56(3) Information Dissemination	<p>Clause to be deleted  <del>Traded Prices i.e., open, close, maximum, minimum, average of the month and average volume cleared shall be published in two leading newspapers once a month.</del></p>	This provision is not required as all information on trade will be available on the Gas Exchange website, publishing in newspaper is an additional requirement, which can be dispensed with.
63.	58(4) Transaction Reporting	<p>Clause 58(4) to be modified as mentioned below:            Gas exchange shall report price, transaction volume, <del>buyers and sellers on its platform on each day by 0900 hours for the immediately preceding day and consolidated of these</del></p>	<p>The bidding methodology will be closed auction and accordingly details of buyers and sellers cannot be made available in a routine manner.</p> <p>The details of trade will be available on Gas Exchange website and accordingly the daily reporting of trade and be dispensed with.</p>

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		<del>parameters on a monthly basis.</del> Provided that the Board may by order, review the other reporting details and reporting frequency depending on technology, type of market liquidity, volatility and other criteria in the market.	
64.	Schedule-1, Annexure to Form A	Form to be deleted	Reasoning for deletion has been explained above in SI. No. 36 above.
65.	Schedule-2 (Part A, B, C, D, E)	Form to be deleted	Reason for deletion has been explained under SI. Nos. 45, 46 and 48 above.