



**Oil and Natural Gas Corporation Ltd.**

**Corporate Marketing Group**

1<sup>st</sup> Floor, Tower B, Deendayal Urja Bhawan,  
5, Nelson Mandela Marg, Vasant Kunj, New Delhi-110070  
Phone: +91-11-26751315/1430/1431

No. ONGC/DLH/Gas/Exchange/ PNGRB/2020

Date: 10.08.2020

To  
The Secretary,  
Petroleum and Natural Gas Regulatory Board,  
1<sup>st</sup> Floor, World Trade Centre, Babar Road,  
New Delhi - 110001

Sub: Comments / views on the draft Petroleum and Natural Gas Regulatory Board (Gas Exchange) Regulations, 2020

Dear Madam,

This is with reference to the Public Notice No. PNGRB/Tech/35-GasEx./(1)/2020 dated 10th July, 2020 seeking comments / views on the draft Petroleum and Natural Gas Regulatory Board (Gas Exchange) Regulations, 2020 from all stake holders.

Accordingly, comments / views of ONGC on the draft Petroleum and Natural Gas Regulatory Board (Gas Exchange) Regulations, 2020 is enclosed at Annexure A.

This issues with approval of Director (Onshore) - I/C Marketing, ONGC.

With Best Regards,

Yours Sincerely,

  
(Sanjay Kumar) 10/08/2020  
GGM-Chief Marketing

**Copy for Kind information to:**

1. Director (Finance) , ONGC
2. Director (Onshore) - I/C Marketing, ONGC
3. Chief - Commercial, ONGC

**A. Comments / views of ONGC on draft Petroleum and Natural Gas Regulatory Board (Gas Exchange) Regulations, 2020 are as under:**

S.No.	Clause No. & Description	Comments / Views
1	<p>2. Definitions (1) the: "Gas Exchange" means an Exchange 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 Exchange transact on standardized contracts in gas and, pipeline capacity and where the gas exchange or clearing corporation is counterparty to such contracts and further, scheduling is done by NGGMS unless actual delivery is dispensed with;</p>	<p>To include term "Gas Producer" being a seller in addition to gas marketers, traders, CGD companies, consumers etc. (please see next comment for details)</p>
2	<p>4. Applicability of these regulations (1) These regulations shall apply to all market participants including: a. Any entity authorized by the Board to lay, build, operate or expand a natural gas pipeline under the Petroleum and Natural Gas Regulatory Board (Authorizing Entities to Lay, Build, Operate or Expand Natural Gas Pipeline) Regulations, 2008 or authorized to do so by the Central Government before the appointed day, b. Gas Marketer c. NGGMS d. Gas Shipper; e. Intermediaries like brokers/traders f. gas exchange and the respective clearing corporations authorized by the Board; g. Members of gas exchange; h. Members of clearing corporation; i. Other Exchanges j. Any other party transacting at either the gas exchange or Other Exchanges</p>	<p>To include term "Gas Producer" as one of the market participants.</p>
3	<p><b>6. Principles of Market and Market Design</b> 2 (b) Delivery procedure (i) Participants at the gas exchange should have GTA(s) with Transporter(s)..... However, at the time of conducting a trade the Participant may or may not have a CT Agreement; In case, participant does not have CT agreement, participants shall check the availability of capacity on the Gas Bulletin Board</p>	<p>Regulation says that Participants at the gas exchange should have GTAs with Transporters but later mentions that capacity would be automatically booked for the shipper.</p> <p>Clarity may be sought that Producer-Sellers like ONGC need not have GTA if selling at the Hub as delivery point.</p>

	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 would be updated on real time basis.....	
4	<p><b>20. Share Holding Pattern of the Exchange</b></p> <p>(1) The shareholding pattern for equity holders in the gas exchange shall be as follows:</p> <p>a. No member of an authorised gas exchange, shall at any time, directly or indirectly, either individually or together with persons acting in concert, acquire or hold more than five (5) per cent of the paid-up equity share capital in an authorised gas exchange.</p> <p>b. At no time all the members of an authorised gas exchange shall in aggregate, directly or indirectly through associates, together with persons acting in concert for any of them, acquire or hold more than forty-nine (49) per cent of the paid-up equity share capital in an authorised gas exchange.</p>	No Change suggested. To be retained to avoid conflict of interest and to prevent any member whose is also a transporter or marketer to hold higher shareholding and affect independent functioning of the exchange.
5	<p><b>35. Default Remedy Mechanism on Gas Exchange or Clearing Corporation</b></p> <p>(2) In the event a member is declared a defaulter and the member fails to meet the clearing and settlement obligations, the gas exchange shall give precedence to the payment of transportation tariff and transportation charges, scheduling and system operation charges from the deposits of the member or client as the case may be.</p>	No mention of Gas cost recovery from defaulter (Buyer) in the order of precedence to protect gas producers' / Sellers' interest.
6	<p><b>60. Insider Trading Policy</b></p> <p>A person having non-public price sensitive information relating to outage of liquefied natural gas terminal or outage of compressors anywhere along the natural gas pipelines, outage at the plant of a major customer shall not transact on the gas exchange unless such information has been submitted to NGGMS.</p>	Gas may be sold by producer or seller on daily or short forward contracts due to scheduled/ unscheduled outage, Force Majeure events in a consumer plant and should not be construed as insider trading. (To ensure continuity of gas offtake by a gas producer).
7	Regulation/ Page no.: 18(2)c/17	<p>Maintain, at all times, a minimum net worth of rupees twenty five (25) crore <u>only</u> or capital as determined under this sub-regulation, whichever is higher.</p> <p>A view may be taken as to whether minimum net worth of Rs 25 crore would be sufficient considering the obligations</p>

		to be undertaken by the exchange and clearing corporation.
8	Regulation/ Page no.: 18(3)/17	<p>"An authorized gas exchange or an authorized clearing corporation shall not distribute profits in any manner to its shareholders if its net worth is below the minimum specified under this regulation."</p> <p>-A distribution lock may not be restricted to minimum net worth</p>
9	Regulation/ Page no.: 21/18  Shareholding Pattern of Clearing Corporation	<p>The capital structure in an authorized clearing corporation shall be such that at least fifty one (51) percent of its paid up equity share capital shall always be held by one or more authorized gas exchange(s):</p> <p>-Means majority shareholder will always be gas exchange/s. However, in case the exchanges are not sufficiently capitalized (kindly refer our comments wrt minimum net worth of Rs 25 crore), such stipulation may not be implementable. PSU Banks and public sector oil and gas companies should also be included in this category.</p>

Note: All other clauses not mentioned above may be retained without any change or modifications.

**B. Additional comments / views on key requisites for a gas exchange from ONGC perspective:**

ONGC as a producer have few concerns which need to be clarified and taken care of, in the wake of functioning of Gas Exchange / Trading Hub in India and are listed below:

1. In order to have a robust & transparent Natural Gas Market & pricing, unbundling of Marketing and transportation function of vertically integrated natural gas players is necessary to avoid conflict of interest. The transportation function should be on Annuity based model. Further, freedom to be given to producers to directly market its gas.
2. There should be Unified Tariff across all carriers (common as well as contract to avoid duplicity of pipeline tariffs for members not connected to the physical hub. Pricing mechanism for migration of present pipeline contracts to hub based may be made in line with the Unified Tariff Mechanism.
3. **Independent Transmission System Operator:** To avoid conflict of interest and to ensure non-discriminatory infrastructure access, the transmission system operator should be an independent body, not controlled by single or few market participants. We support for NGGMS as an independent body functioning like exchange controlled where interest of transporters as well as shippers are protected.
4. Adequate liquidity in the system need to be ensured by regulating the capacity term booking by the transporters.
5. In addition to deals made in Gas Trading Hub, option should be available to producers to make bilateral deals with Buyers.

6. Dismantling of Government allocation/ sectoral priority for domestic gas so that there is no difference between Domestic Gas/Imported Gas.
7. **Inclusion of natural gas under GST:** To provide uniform taxation to encourage free trade of natural gas across the country without any tax anomalies and to remove incentive for off-market transactions/ delivered sales for taxation efficiency is key to success of the hub. Therefore, gas should also be brought under GST regime.