



Annexure – 1

General Observations:

1. At the outset, we appreciate and welcome the step taken by PNGRB to establish regulatory framework for authorization and functioning of gas exchange in the country.
2. We believe that Gas exchange platform will facilitate promotion of competitive and dynamic gas markets and will enable multiple options for gas buyers and sellers to manage their gas portfolio.
3. Delivery mechanism for gas volumes traded through Gas Exchange, in most cases, will involve pipeline capacity booking / gas transportation and hence it would be important to address challenges and issues involved in modalities for capacity booking /gas flow for traded volumes, especially for intra-day and day ahead transactions.
4. In the proposed draft regulations, multiple references have been made to Access Code and national Gas Management Service (NGGMS) and we understand that proposed regulations regarding the NGGMS as well as revised Access Code regulations will also come up soon for the public consultation.
5. It may be appreciated that for meaningful comments/suggestions on the aspects of capacity booking, co-ordination mechanism and contract administration under the proposed regulations, availability of proposed NGGMS regulations and revised Access code documents will be essential. PNGRB is requested therefore to finalize current regulations only after taking views/suggestions of stakeholders on the NGGMS regulations and revised Access code documents.
6. Notwithstanding above, it is suggested that sanctity of the Gas Transportation agreements, which is the main pillar of the gas transportation service obligations of the transporter and shipper, should be maintained. Presently, all the operational obligations i.e. nomination, scheduling, allocation, congestion management, are governed through this document. In most of the cases, the shipper taking gas under the bilateral arrangement will be taking gas under the exchange transaction. Therefore, keeping separate operational activity arrangement for particular type of transaction will not only create additional administrative obligations and curtail shipper's flexibility but also increase the operation management complexities for the transporters.
7. Further, in foreseeable future, most of gas sale/purchase and transportation thereof is expected through bi-lateral agreements with Gas Exchange transactions are expected to be mainly for the top-up quantities for the short-term requirements.
8. In view of the above, it is important that regulatory provisions, particularly related to operational aspects of the transactions, are such that they not only facilitate the transactions at the exchange but at the same time maintain the fundamentals of the gas pipeline operations intact.
9. PIL's detailed views on the proposed regulation are as below. As mentioned above, there can be some additional comments/suggestions once the other related regulations like access code, NGGMS, etc will be available for the public review.

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S. No	Referred Clause	Issues	PIL Suggestion
1	Clause 2(d)-“Allocated Capacity” shall have the meaning as described in the Access Code	<ul style="list-style-type: none"> The term has not been used anywhere in the draft regulation except definition As per access code, allocated capacity is defined as “means the scheduled maximum daily quantity agreed between the shipper and the transporter”. Whereas in actual practice term is used as “allocated quantity” which is equal to the actual quantity delivered to or for the shipper as per the measurement methodology. 	This may be termed as “Allocated Quantity” and defined as “the quantity of Gas in MMBtu attributed to Shipper at the applicable Entry Point or at the applicable Exit Point, as the case may be, on a Day in accordance with the measurement and allocation procedures agreed between the transporter and shipper.
2	Clause 2(k) - Booked Capacity” means scheduled MDQ of Gas on any Gas Day to be delivered at Entry Points or off taken at an Exit Point as per GTA or access arrangement as the case may be	<ul style="list-style-type: none"> Booked capacity is referred to the maximum quantity booked by the Shipper, not the scheduled MDQ for any day. It is referred to scheduled MDQ, but MDQ is not defined 	<ul style="list-style-type: none"> It is suggested to refer this definition to Access code wherein it has been appropriately defined. Following additional definition is suggested for inclusion in access code also: “MDQ or Maximum Daily Quantity” means, maximum quantity of gas, contracted that Transporter is obligated to accept on behalf of or from Shipper at the relevant entry point on a Day or the quantity that Transporter is obligated to make available for redelivery to Shipper at the relevant exit point on a Day under the GTA.
3	Clause 2(u): Contracted Gas Volume: “means the aggregate volume”	<ul style="list-style-type: none"> Needs to maintain uniformity in Energy & volume unit for gas 	Contracted quantity should also be in MMBtu
4	Clause 2(z)“Day ahead contract” means contracts where transaction occurs on day (T) and delivery of gas is on the next day (T+1) and which are scheduled by National Gas Grid Management Services	<ul style="list-style-type: none"> Scheduling is done by the transporter. There is no clarity as of now on NGGMS. 	<ul style="list-style-type: none"> NGMMS may act as co-ordination point for scheduling with exchange customers. All operational activities i.e. nomination, scheduling, allocation, etc. should be with the transporter
5	dd. “Gas Day Contract Value” shall mean the product of the contracted gas volume and the gas price as per the terms of the contract;	<ul style="list-style-type: none"> Gas day contracted value is only defined in the document, however not further used in the document. 	This definition may be deleted.

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6	Clause 3.1 (a)	On-boarding of new shippers for intraday and day ahead would be challenging as same involves process of data collection and customer registration, ascertaining tax compliance issues, co-ordination with U/s & D/s operator and ensuring pipeline operational readiness for accommodating the new request.	There is need to bring clarity about the modalities of communication between the transporter and exchange to ensure the registration process and on boarding.
7	Clause 3.1 (b) “However, if during the tenure of the contract, the Shipper so decides to trade whole or portion of the capacity, the same could be transacted through an exchange platform	<ul style="list-style-type: none"> On-boarding of a replacement shipper would involve registration process, collection of data and other modalities as a part of GTA. Mechanism of such trading and consent/intimation of transporter needs to be clarified. <p>Pipeline capacity trading is possible when there is an option of using the same contractual path by more than one shipper. This is possible only in cases, where networks are common for use before reaching the consumption point.</p>	Modalities of capacity trading and role of transporter in such trading to be delineated clearly through Access Code and should be as per the GTA provisions with the existing shipper.
8	Clause 5(2) – “Contractual Deviation is the difference between the energy equivalent (in MMBtu) corresponding to contracted gas volume and actual gas delivered by the Gas Seller at the designated Entry Point	<ul style="list-style-type: none"> Deviation at the entry point is only dealt in this provision, there can be deviations at the exit point by Buyer for the transportation services. Provision regarding the exit point deviations also needs to be addressed Gas Seller is not a defined term, instead Gas Trader / Gas Marketer are defined terms 	<ul style="list-style-type: none"> Exit point deviations for the transportation services part can be as per the respective GTA. A provision in this regard may also be incorporated.
9	Clause 6 (2)(a) (iii): stipulates that “In case of congestion in natural gas pipelines, curtailment sequence, as specified in the Access Code shall be adopted by NGGMS	<ul style="list-style-type: none"> In case of Congestion in natural gas pipeline, the same will be for the volume being flown in that pipeline whether GTA is for the transaction under exchange or otherwise. Curtailment sequence will be applicable for the all such volume in the congestion section. It may not be possible to have different curtailment sequence for volume transported in the same section of the pipeline network. Currently the operating code of the GTA’s govern such curtailment sequencing principle 	<ul style="list-style-type: none"> GTA terms should govern all the operating code provisions including the curtailment sequence in case of congestion in natural gas pipelines.
10	Clause 6. 2(b) (i) “Post execution of trade, the capacity would be automatically booked for	<ul style="list-style-type: none"> Presently, the natural gas pipeline capacity booking practice is to sign the Framework Gas Transportation Agreement (FGTA) for the general commercial and operating terms 	<ul style="list-style-type: none"> More clarity on the process and modality of capacity booking through NGGMS, role of transporter and activation of

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	the shipper and the available capacity in the Gas Bulletin Board would be updated on real time basis.” – Shippers may have a GTA (FGTA in our case).	<p>and then sign GTA/CT for specific gas transmission agreement where in details of entry point, exit point, quantity, start date, end date etc. are agreed between the shipper and transporter.</p> <ul style="list-style-type: none"> • Clarity is needed on the process of auto booking of capacity and role of transporter in the same, since the para only states that gas exchange will inform NGMMS for nomination and scheduling. • Further, as mentioned above there is a requirement of registering the new shippers first before the start of gas transportation. 	<p>contracts for gas flow will be needed. Comments can be offered once draft Access Code / NGGMS regulations are available.</p> <ul style="list-style-type: none"> • However, role of NGGMS would be of co-ordination and any auto-booking of capacity without transporter confirmation should be avoided.
11	Clause 6.2(b)(v): Booked Capacity s i.e. with or without CT agreement shall comply with the provisions of the GTA between Shipper and Transporter as per Access Code	Booked Capacity is the maximum contracted quantity which is stated in the respective CT agreement, therefore, there cannot be a case of without CT	Language may be corrected accordingly
12	Clause 19(3): In case, clearing corporation is an integral part of gas exchange, the net worth and shareholding pattern shall be as applicable for gas exchange	Under clause 18 it is provided that gas exchange and clearing corporation shall have minimum net worth of 25 Cr. In case clearing corporation is an integral part of gas exchange, net worth condition should also include the provisions of 18.2 clause.	PNGRB is requested to make the necessary changes to bring clarity
13	Clause 37: Delivery Procedure: This clause stipulates scheduling of transaction and other operational and commercial issues shall be as per Access Code	<ul style="list-style-type: none"> • Under the transportation services all rights and obligations for delivery and redelivery of gas and related operational and commercial issues are governed by the mutually agreed Gas Transportation Agreement. This works as a main base for the total transaction and the same needs to be maintained irrespective of the basis of transaction i.e. through exchange or bilateral agreement. • Such GTA needs to be in compliance to the relevant regulations including access code 	<ul style="list-style-type: none"> • Comments can be offered once draft Access Code / NGGMS regulations are available. • However, as a principle, all the operational and commercial obligations and rights should be as per the GTA.

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