

PLL – Views/Comments on Draft PNGRB Regulations for Gas Exchange

S.No.	Regulations under Draft PNGRB (Gas Exchange) Regulations, 2020	Suggestions / Modifications	Remarks / Comments
1.	<p>[Number of this regulation]. In furtherance of the Directives issued by the Central Government under sub-section (2) of Section 42, and in the exercise of the powers conferred by Section 11 (j), with Section 11 (a) read with Section 61 (za) of the Petroleum and Natural Gas Regulatory Board Act, 2006 (19 of 2006), the Petroleum and Natural Gas Regulatory Board hereby makes the following Regulations to regulate the establishment and operation of the gas exchange and matter connected therewith or incidental thereto namely.</p>	<p>[Number of this regulation]. In furtherance of the Directives issued by the Central Government under sub-section (2) of Section 42, and in the exercise of the powers conferred by Section 11 (j), with Section 11 (a), (e) & (f) read with Section 61 (za) of the Petroleum and Natural Gas Regulatory Board Act, 2006 (19 of 2006), the Petroleum and Natural Gas Regulatory Board hereby makes the following Regulations to regulate the establishment and operation of the gas exchange(s) and matter(s) connected therewith or incidental thereto namely.</p>	<p><i>It is requested to incorporate the modifications.</i></p>
2.	<p>Regulation 2: Definition 2(1)b. “Access Code” shall have the meaning as Petroleum and Natural Gas Regulatory Board (Access Code for Common Carrier or Contract Carrier Natural Gas Pipelines) Regulations, 2008;</p>	<p>2(1)b. “Access Code” shall have the meaning as Petroleum and Natural Gas Regulatory Board (Access Code for Common Carrier or Contract Carrier Natural Gas Pipelines) Regulations, 2008 as amended from time to time;</p>	<p><i>It is requested to incorporate the modifications.</i></p>
3.	<p>Regulation 2: Definition 2(1)g. "Associate" in relation to a person shall include another person: i. who, directly or indirectly, by himself, or in combination with other persons, exercises control over the first person; ii. who holds control of at least twenty percent of the total voting power of the first person; iii. who is a holding company or a subsidiary company of the first person;</p>	<p>The definition should mention that any of the sub-points i) to vi) shall be considered as Associate.</p>	

PLL – Views/Comments on Draft PNGRB Regulations for Gas Exchange

	<p>iv. who is a relative (as defined in the Companies Act, 2013) of the first person;</p> <p>v. who is a member of a Hindu Undivided Family wherein the first person is also a member;</p> <p>vi. such other cases where the Board is of the view that a person shall be considered as an associate based on the facts and factors including the extent of control, independence, conflict of interest;</p>		
4.	<p>Regulation 2: Definition</p> <p>2(1)g."Associate" in relation to a person shall include another person:</p> <p>ii. who holds control of at least twenty percent of the total voting power of the first person;</p>	<p>Regulation 2: Definition</p> <p>2(1)g."Associate" in relation to a person shall include another person:</p> <p>ii. who holds control of at least twenty Six percent of the total voting power of the first person;</p>	<i>It is requested to incorporate the modifications.</i>
5.	<p>Regulation 2: Definition</p> <p>2(1)j."Board" means the Petroleum and Natural Gas Regulatory Board or the Board</p>	<p>Regulation 2: Definition</p> <p>2(1)j."Board" means the Petroleum and Natural Gas Regulatory Board or the Board.</p>	<i>It is requested to incorporate the modifications.</i>
6.	<p>Regulation 2: Definition</p> <p>2(1)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:</p>	<p>Base Minimum Capital – In order to promote growth of the Gas market and considering the fact that gas exchange will comprise members of varying business sizes, the amount of Base Minimum Capital may be reduced appropriately or left at the discretion of gas exchange.</p>	
7.	<p>Regulation 2: Definition</p> <p>2(1)n."Cartelization" means an act by market participants to form an association to control or attempt to control storage, transportation, distribution, marketing and sale or prices or transaction in gas;</p>	<p>Regulation 2: Definition</p> <p>2(1)n."Cartelization" means an act by market participants to form an association to control or attempt to control storage, transportation, distribution, marketing and sale or prices or transaction in gas or any action resulting into appreciable</p>	<i>It is requested to incorporate the modifications.</i>

PLL – Views/Comments on Draft PNGRB Regulations for Gas Exchange

		adverse effect of competition in the gas market;	
8.	Regulation 2: Definition 2(1)q “Clearing member” means a person having clearing rights in any authorized clearing corporation or clearing house of the natural gas derivatives exchange or derivatives segment of an exchange, who may clear and settle transactions in natural gas;	Clearing member - Delivery-based transactions should also be mentioned specifically in the definition.	
9.	Regulation 2: Definition 2(1)w. “Capacity Tranche (CT) Agreement” shall have the meaning as described in the Access Code;	This definition or term could not be located in the Access Code, 2008.	
10.	Regulation 2: Definition x. “Credit risk” means risk emanating in a contract due to change in financial condition of any of the contracting parties;	Regulation 2: Definition x. “Credit risk” means risk emanating in a contract due to any adverse change in financial condition of any of the contracting parties;	<i>It is requested to incorporate the modifications.</i>
11.	Regulation 2: Definition 2(1)aa. “Entry Point” means the point at which the gas delivered by shipper is injected into a Natural Gas Pipeline;	Regulation 2: Definition 2(1)aa. “Entry Point” means the point at which the gas delivered by shipper is injected into a Natural Gas Pipeline and includes the point of entry of Natural Gas into Pipeline from LNG Terminal after regasification;	<i>It is requested to incorporate the modifications.</i>
12.	Regulation 2: Definition 2(1)ee. “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,	Regulation 2: Definition 2(1)ee. “Gas Exchange” means an Exchange authorized by the Board as per these regulations as a market (also termed as “Gas 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	<i>It is requested to incorporate the modifications.</i>

PLL – Views/Comments on Draft PNGRB Regulations for Gas Exchange

	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;	the gas exchange or clearing corporation is counterparty to such contracts and further, scheduling is done by NGGMS unless actual delivery is dispensed with;	
13.	Regulation 2: Definition 2(1)gg. “Gas Trader” means an entity that on its own has any economic interest in either production or consumption of natural gas and who participates at the gas exchange either as a buyer or a seller to transact any contract;	The definition of Gas Trader should also include the wordings “acts as the agent or broker for a seller of gas to a consumer; or acts or offers to act as the agent or broker of a consumer in the purchase of gas” as is included in the definition of “Gas Marketer”.	
14.	Regulation 2: Definition 2(1)hh. “Gas Marketer” means an entity who, sells or offers to sell gas to a consumer; acts as the agent or broker for a seller of gas to a consumer; or acts or offers to act as the agent or broker of a consumer in the purchase of gas;	Regulation 2: Definition 2(1)hh. “Gas Marketer” means an entity who, sells or offers to sell gas to a consumer; acts as the agent or broker for a seller of gas to a consumer; or acts or offers to act as the agent or broker of a consumer in the purchase of gas and includes LNG Terminal entity selling natural gas after regasification;	<i>It is requested to incorporate the modifications.</i>
15.	Regulation 2: Definition “Gas Transportation Agreement” (GTA) shall mean an agreement between shipper and gas transporter as per the Access Code;	Regulation 2: Definition “Gas Transportation Agreement” (GTA) shall mean an agreement between shipper and gas transporter as ascribed in per the Access Code;	<i>It is requested to incorporate the modifications.</i>
16.	Regulation 2: Definition 2(1)nn. “Key Management Personnel” includes a person serving as head of any department or in such senior executive position that stands higher in hierarchy to the head(s) of the department(s) in the gas exchange or the	Regulation 2: Definition 2(1)nn.“Key Management Personnel” includes a person serving as head of any department or in such senior executive position that stands higher in hierarchy to the head(s) of the department(s) in the gas exchange or the authorized	<i>It is requested to incorporate the modifications.</i>

PLL – Views/Comments on Draft PNGRB Regulations for Gas Exchange

	authorized clearing corporation, or any person who directly reports to chief executive officer or to the director on the Company Board of the gas exchange or authorized clearing corporation, or any person up to two levels below the chief executive officer or managing director, or any other person as may be identified by its Nomination and Remuneration Committee;	clearing corporation, or any person who directly reports to chief executive officer or to the director on the Company Board of the gas exchange or authorized clearing corporation, or any person up to two levels below the chief executive officer or managing director, or any other person as may be identified by its Nomination and Remuneration Committee of the gas exchange or authorised clearing corporation;	
17.	Regulation 2: Definition 2(1)oo. “Market” means a forum / platform where buyers and sellers through, gas Exchanges (authorized by the Board) to buy or sell gas;	Regulation 2: Definition 2(1)oo. “Market” or “Gas Market” means a forum or — platform where buyers and sellers through, gas Exchanges (authorized by the Board) to buy or sell gas;	<i>It is requested to incorporate the modifications.</i>
18.	Regulation 2: Definition	Following terms should be included / given clear meaning: a. Disputes: Disputes: disputes w.r.t trades and their settlement arising out between Gas Exchanges, other entities shall be dealt in consonance to sections 12, 24, 30, 31, 33, 34, 35, 36, & 37 of PNGRB Act. b. MDQ: shall have the same meaning as given under Access Code, PNGRB. c. Target Company d. Settlement Guarantee Fund: Definition is vast i.e. any source of fund – should be limited.	
19.	Regulation 4: Applicability of these regulations e. Intermediaries like brokers/traders;	Regulation 4: Applicability of these regulations e. Intermediaries like brokers/traders including LNG importers, regasifiers;	<i>It is requested to incorporate the modifications.</i>

PLL – Views/Comments on Draft PNGRB Regulations for Gas Exchange

20.	<p>Regulation 4: Applicability of these regulations</p> <p>f. gas exchange and the respective clearing corporations authorized by the Board;</p>	<p>It should be applicable to already existing Gas exchange(s).</p>	
21.	<p>Regulation 5: Approval / Suspension of the Contracts by the Board</p> <p>5(1) 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>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. An Exchange seeking permission under Regulation 5 shall submit to the Board the complete and detailed contract specifications.</p> <p>5(2) The Board may, prior to granting such authorisation to gas exchange(s) as specified in Regulation 5, examine but not limited to the following and such other parameters of contracts as considered appropriate having particular regard to the following:- (a to i)</p> <p>Provided that during approval of any new type of contract, the complete contract specification shall be submitted to the Board for approval.</p>	<p>Under Clause 5(1) it is mentioned “...Provided further that a gas exchange is not required to obtain any approval under these regulations...”</p> <p><i>Whereas</i> Under Clause 5(2) it is mentioned “Provided that during approval of any new type of contract, the complete contract specification shall be submitted to the Board for approval.”</p> <p>Therefore, the aforementioned issue may be clarified by the Board.</p>	
22.	<p>Regulation 6: Principle of Market and Market Design:</p> <p>(1) A gas exchange shall function with the following objectives:</p> <p>a. Ensure fair, neutral, efficient and robust price discovery;</p> <p>b. Provide extensive and quick price dissemination;</p> <p>c. Design contracts to increase liquidity</p>	<p>The term “liquidity” should be elaborated / defined as follows:</p> <p>“Liquidity is a measure of ease of entering or exiting into a transaction (generally large transaction) with minimal impact in the market price of the transacted contract.”</p>	<p><i>It is requested to incorporate the modifications / additions.</i></p>

PLL – Views/Comments on Draft PNGRB Regulations for Gas Exchange

23.	<p>Regulation 6: Principle of Market and Market Design: (2)b.i. Delivery Procedure</p>	<p>It should not be mandatory for the Gas Marketers / Sellers offering supplies on ex-terminal basis to have GTA with the Transporter(s). It is requested to insert a suitable provision to this effect.</p> <p>Further, gas nominations should also be informed to Gas Marketers / Sellers.</p>	
24.	<p>Regulation 6: Principle of Market and Market Design: (2)b. Delivery Procedure</p> <p>i. Participants at the gas exchange should have GTA(s) with 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. 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 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. Further, the gas exchange will inform National Gas Grid Management System (NGGMS) for the gas nomination and its scheduling.</p>	<p>Regulation 6: Principle of Market and Market Design: b. Delivery Procedure</p> <p>i. Participants at the gas exchange should have GTA(s) with Transporter(s). Termination Date for such GTA should be minimum fifteen (15) days after from the date when the transaction is executed at the gas exchange and delivery/purchase is completed. 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 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. Further, the gas exchange will inform National Gas Grid Management System (NGGMS) for the gas nomination and its scheduling.</p>	<p><i>It is requested to incorporate the modifications.</i></p> <p><i>Further, the term CT Agreement should be defined.</i></p>
25.	<p>Regulation 6 : Principle of Market and Market Design</p> <p>c. Membership in Gas Exchange</p> <p>i. Membership in gas exchange shall be of the following categories: a. Trading Members</p>	<p>The term “Trading and Clearing Members” should be defined.</p>	

PLL – Views/Comments on Draft PNGRB Regulations for Gas Exchange

	<p>b. Clearing Members c. Trading and Clearing Members d. Proprietary Members</p>		
26.	<p>Regulation 6: Principle of Market and Market Design</p> <p>c. Membership in Gas Exchange</p> <p>vii. Member may charge Member Service Charge for providing services to their clients. This ceiling would be an overall ceiling including the service charges of any subordinate service providers.</p>	<p>Regulation 6: Principle of Market and Market Design</p> <p>c. Membership in Gas Exchange</p> <p>vii. Member may charge Member Service Charge for providing services to their clients. This ceiling would be an overall ceiling including the service charges of any subordinate service providers.</p>	<p><i>The term Member Service Charge should have some value (%age or capping).</i></p>
27.	<p>Regulation 11: Grant of Authorisation</p> <p>(2) An applicant seeking authorisation as a gas exchange or a clearing corporation shall comply with the following conditions, namely:</p> <p>a. the applicant is a company limited by shares;</p> <p>b. the applicant is demutualised;</p> <p>c. the applicant, its directors and its shareholders who hold or intend to hold shares, are fit and proper persons as specified in these regulations;</p> <p>d. the applicant satisfies the requirements relating to the ownership and governance structure specified in these regulations;</p> <p>e. the applicant satisfies the net worth requirements specified in these regulations;</p> <p>f. the applicant satisfies the requisite capability, including its financial capacity, functional expertise and infrastructure;</p> <p>Explanation – For the</p>	<p>Additions:</p> <p>g. Applicant must be incorporated under the Companies Act 1956 or 2013.</p> <p>h. Applicant must have a permanent registered office in India with physical address.</p>	<p><i>It is requested to incorporate the modifications / insertions.</i></p>

PLL – Views/Comments on Draft PNGRB Regulations for Gas Exchange

	<p>purposes of this sub-regulation, the term "demutualised" means that the ownership and management of the applicant is segregated from the trading rights or clearing rights, as the case may be, in terms of these regulations.</p>		
28.	<p>Regulation 11: Grant of Authorisation</p> <p>11(3) An applicant seeking authorisation as a gas exchange shall, in addition to the conditions as specified in sub-regulations (1) and (2), comply with the following conditions, namely:—</p> <p>e. the applicant has adequate Settlement Guarantee Fund</p>	<p>Adequacy of the Settlement Guarantee Fund shall be stated. Following points may be included:</p> <p>i. Minimum balance to be maintained despite any situation.</p> <p>ii. No siphoning of fund.</p> <p>iii. In case of minimum balance is reduced, intimation to PNGRB and members by notice/e-mail within 2 days.</p>	
29.	<p>Regulation 11: Grant of Authorisation</p> <p>11(3) An applicant seeking authorisation as a gas exchange shall, in addition to the conditions as specified in sub-regulations (1) and (2), comply with the following conditions, namely:—</p> <p>h. applicant's business feasibility plan has been appraised by a reputed agency having expertise in gas market;</p>	<p>h. applicant's business feasibility plan has been appraised <i>and approved</i> by a reputed agency having expertise in gas market.</p>	<p><i>It is requested to incorporate the modifications.</i></p>
30.	<p>Regulation 11: Grant of Authorisation</p> <p>11(3) An applicant seeking authorisation as a gas exchange shall, in addition to the conditions as specified in sub-regulations (1) and (2), comply with the following conditions, namely:—</p>	<p>PNGRB must lay down the required experience in years as well as qualifications for such professionals.</p>	

PLL – Views/Comments on Draft PNGRB Regulations for Gas Exchange

	<p>j. the applicant has in its employment, sufficient number of persons having adequate professional and other relevant experience to the satisfaction of the Board;</p> <p>The gas exchange shall employ at least two full-time proficient professionals having, relevant qualifications and experience and expertise in the domain of oil or gas or commodities trading or exchange as key management personnel; and</p>		
31.	Regulation 16: Withdrawal of Registration	A provision should also be inserted for full settlement of trades to the satisfaction of the parties and survival of arbitration provisions after withdrawal of the authorisation of gas exchange, as may be required.	
32.	<p>Regulation 20: Shareholding Pattern of Gas Exchange</p> <p>20(1) The shareholding pattern for equity holders in the gas exchange shall be as follows:</p> <p>c. No person, other than a 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 fifteen (15) per cent of the paid-up equity share capital in an authorised gas exchange.</p> <p>Provided that the persons, other than members of an authorised gas exchange and promoters of the gas exchange may hold more than 15 % of the paid up equity share capital of the gas exchange. However, they would be required to divest shareholding in excess of 15% within 5 years of authorization of gas exchange.</p>	The time limit to divest shareholding in excess of 15% within 5 years of authorization of gas exchange for persons other than members and promoters should be reduced to 3 years.	

PLL – Views/Comments on Draft PNGRB Regulations for Gas Exchange

33.	Regulation 22: Requirement and Criteria of Fit and Proper Person	<p>Firstly, this clause is very vague, there should be some definitive point to declare the person fit. Definitions can be used from Indian contract act or companies act.</p> <p>Secondly it is talking only about persons and not legal persons.</p>	
34.	<p>Regulation 22: Requirement and Criteria of Fit and Proper Person</p> <p>(2)b. such person has not incurred any of the following disqualifications:</p> <ul style="list-style-type: none"> i. the person or any of its directors has been convicted by a court for any offence involving moral turpitude or any economic offence; ii. an order for winding up has been passed against the person; iii. order, restraining, prohibiting or debarring the person or any of its directors has been passed by the Board or any other regulatory authority and a period of three years from the date of the expiry of the period specified in the order has not elapsed; 	<p>Regulation 22: Requirement and Criteria of Fit and Proper Person</p> <p>(2)b. such person has not incurred any of the following disqualifications:</p> <ul style="list-style-type: none"> i. the person or any of its directors has been convicted by a court for any offence involving moral turpitude or any economic offence; ii. an order for winding up has been passed against the person; iii. order, restraining, prohibiting or debarring the person or any of its directors has been passed by the Board or any other regulatory authority and a period of three years from the date of the expiry of the period specified in the order has not elapsed; 	<i>Not applicable when talking about dictionary definition of person and not legal person</i>
35.	<p>Chapter VI: Governance Structure of Gas Exchange and Clearing Corporation</p> <p>Regulation 23: The corporate governance norms as specified in clause 49 of 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>Clause 49 of listing agreement has been replaced with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.</p>	<i>It is requested to make suitable modifications.</i>
36.	<p>Regulation 24: Composition of the Board of Directors:</p> <p>24(1) The board of directors of every authorized gas exchange and every</p>	<p>Regulation 24(6) should be deleted.</p> <p>A Member who is also a shareholder should be allowed to be on the Board of Directors of gas exchange as its expertise</p>	<i>It is requested to delete the provision.</i>

PLL – Views/Comments on Draft PNGRB Regulations for Gas Exchange

	<p>authorized clearing corporation shall include:</p> <ul style="list-style-type: none"> a. shareholder directors; b. independent directors; and c. a managing director. <p>24(6) 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.</p>	<p>in the gas business will add value in decision making at the Board level.</p>	
<p>37.</p>	<p>Regulation 24: Composition of the board of directors: 24 (2) Subject to the prior approval of the Board, the chairperson shall be elected by the board of directors from amongst the independent directors.</p>	<p>Regulation 24: Composition of the board of directors: 24 (2) Subject to the prior approval of the Board, the chairperson shall be elected by the board of directors from amongst the independent directors.</p>	<p><i>Should it be amongst Independent Directors only?</i></p>
<p>38.</p>	<p>Regulation 24: Composition of the board of directors: 24 (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.</p>	<p>Regulation 24: Composition of the board of directors: 24 (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.</p>	<p><i>PNGRB should not provide regulation in this connection and this should be out of the purview of Board.</i></p>
<p>39.</p>	<p>Regulation 35: Default Remedy Mechanism on Gas Exchange or Clearing Corporation (1) A member may be declared a defaulter by direction or circular of the gas exchange or clearing corporation if: (f) one fails to abide by the arbitration award as laid down under the Bye Laws and Regulations of gas exchange or clearing corporation; or</p>	<p>Should a Member/Entity be declared as defaulter on the basis of Arbitration Award and without its right to appeal before several appellate authorities as mentioned under the PNGRB Act.</p>	

PLL – Views/Comments on Draft PNGRB Regulations for Gas Exchange

40.	<p>Regulation 37: Delivery Procedure</p> <p>c. In addition, the detailed procedure may cover, though not limited to, the following aspects:</p> <ul style="list-style-type: none"> i. Submission and processing of the application for scheduling of transactions for different contracts ii. Scheduling of day-ahead transactions iii. Procedure for real-time curtailments iv. Coordination with NGGMS for availability of pipeline capacity and estimating flows for the traded contracts v. Transportation tariff, Operating Charges, Application Fees and other Commercial Conditions vi. Payments and defaults in payments vii. Any other issue pertaining to operationalisation of scheduling of multiple transactions through the gas exchange(s). 	<p>Minimum level of obligations (say 100% or 95%) related to delivery and purchase of gas including provisions for remedy of defaults should also be included as part of important commercial condition.</p>	
41.	<p>Regulation 40: Agreement between Gas Exchange and Clearing Corporation</p> <p>Regulation 40 (1): Subject to provisions of sub-regulation (2), an authorized gas exchange shall avail the service of an authorized clearing corporation pursuant to an agreement in writing between them stipulating their rights and obligations, the conditions for admission of gas volumes for clearing and settlement, risk management measures, charges for clearing and settlement and other incidental and consequential matters.</p> <p>Regulation 40 (2): The authorized gas exchange shall extend its arbitration</p>	<p>As mentioned under Regulation 40(2), arbitration mechanism may be the first step for mutual settlement, if arbitration does not succeed then the party against whom the Arbitration Award is unfavourable, may/may not contest vide the appeal mechanism. Such appeal mechanism shall be the same as provided under the PNGRB Act.</p>	

PLL – Views/Comments on Draft PNGRB Regulations for Gas Exchange

	mechanism for settlement of disputes or claims arising out of clearing and settlement of trades executed on such gas exchange		
42.	<p>Regulation 42: Contribution to the Settlement Guarantee Fund</p> <p>Regulation 42(3): Components of the SGF</p> <p>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.</p> <p>b. Base minimum capital of members</p> <p>c. Investment returns accrued on Base Minimum Capital</p> <p>d. All penalties charged by the authorized gas exchange or authorized clearing corporation</p> <p>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).</p>	<p>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 or maximum limit upto _____ whichever is less. However, prior to the start of any gas exchange subject to a minimum of Rs.50 crore.</p> <p>Further, the Board is requested to insert a suitable provision clarifying that a member's contribution to SGF shall be restricted to Base Minimum Capital only. A member shall not be responsible to meet the target amount of SGF as mentioned in regulation 42(3)a.</p>	<p><i>It is requested to incorporate the modifications.</i></p> <p><i>It is requested to insert required clarification.</i></p>
43.	<p>Regulation 46: Bye-laws and Rules of Gas Exchanges and Clearing Corporation</p> <p>(3) The gas exchange shall function according to its Byelaws and Rules formulated by the gas exchange and as approved by the Board, which amongst other requirements would cover the following:</p>	<p>A specific reference (Section 5) to a Section of Operating Code of GTA should not be made in the regulations as there is no standard GTA. Further, references in a standard GTA shall also be subject to change.</p>	

PLL – Views/Comments on Draft PNGRB Regulations for Gas Exchange

	<p>e. The gas exchange shall formulate the Byelaws and Rules for Clearing and settlement procedure, taking into consideration the Scheduling Priorities defined as per Section 5 of the Operating Code of the GTA;</p>		
44.	<p>Regulation 46: Bye-laws and Rules of Gas Exchanges and Clearing Corporation</p> <p>(3) The gas exchange shall function according to its Byelaws and Rules formulated by the gas exchange and as approved by the Board, which amongst other requirements would cover the following:</p> <p>I. Mechanism for redressal of grievances;</p>	<p>I. Mechanism for redressal of grievances / complaints;</p> <p>u. Mechanism for levying of taxes.</p>	<p><i>It is requested to incorporate the modifications / additions.</i></p>
45.	<p>Regulation 50: Other Circumstances requiring Intervention</p> <p>(1) The Board may, on being satisfied that any of the below mentioned circumstances exist or is likely to occur in the market, by an order, give such directions to whom as may be necessary:</p> <p>(c) Sudden high transaction volumes on a gas exchange.</p>	<p>Regulation 50: Other Circumstances requiring Intervention</p> <p>1. The Board may, on being satisfied that any of the below mentioned circumstances exist or is likely to occur in the market, by an order, give such directions to whom as may be necessary:</p> <p>(c) Sudden high transaction volumes on a gas exchange.</p>	<p><i>This can be market based, so this should not be covered in this section</i></p>
46.	<p>Regulation 56: Information Dissemination</p>	<p>A provision should be inserted to keep the information related to trading participants anonymous.</p>	
47.	<p>Regulation 57: Market Surveillance</p> <p>(5) The surveillance department shall analyse bidding patterns and transactions of participants. The analysis report to be submitted to the Board on quarterly basis shall be in the following particular areas but not limited to:</p> <p>(f) Dominant participants and market concentration;</p>	<p>Regulation 57(5)(f) should include abuse of position by Dominant participants and market concentration,</p> <p>(as participants which were established / having early experience in this field, if compared to participants incorporated / established in recent years, then former participants shall appear to be dominant/having market concentration as they have attained such position after</p>	<p><i>It is requested to incorporate the modifications / additions.</i></p>

PLL – Views/Comments on Draft PNGRB Regulations for Gas Exchange

		overcoming of several factors/costs (like infrastructure cost, marketing, clientage, etc.)	
48.	Regulation 58: Transaction Reporting 58(4) Gas exchange shall report price, transaction volume, buyers and sellers on its platform on each day by 0900 hours for the immediately preceding day and consolidated of these parameters on a monthly basis. 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.	As is the case with exchanges across the globe, the Board should allow the gas exchange not to report information related to identity of buyers and sellers on its platform.	
49.	Regulation 59: Whistle Blower Policy (2) The provider of the above information shall be entitled to request that its identity be kept confidential and be not disclosed. The Board shall, if so requested by the provider of such information, keep its identity confidential and not to be disclosed.	Regulation 59: Whistle Blower Policy (2) The provider of the above information shall be entitled to request that its identity be kept confidential and be not disclosed. The Board shall, if so requested by the provider of such information, keep its identity confidential and not to be disclosed. <i>Shall not disclose the same; There should be some provision for protection of whistleblower.</i>	
50.	Regulation 59: Whistle Blower's Policy	Addition: (4) The Board shall not be bound to take action on Pseudonymous/Anonymous complaint(s).	<i>It is requested to incorporate the modifications / additions.</i>
51.	Inclusion of Penalty Clause:	Suitable penalty provisions should be inserted in regulations. i. General Provision under the regulations. ii. Under regulation 16: Withdrawal of Registration.	

PLL – Views/Comments on Draft PNGRB Regulations for Gas Exchange

52.	Issues like: i. Change in the Constitution of the Board of the Gas Exchange; ii. Change in promoters of Gas Exchange, etc.	Such changes need to be timely disclosed to PNGRB.	
53.	Other Suggestions:	i) There could be frequent Force Majeure (FM) claims by parties (Sellers / Traders / Transporters / Exchange / Consumers / any other relevant intermediary) on account of defaults in meeting their obligations. The Board may suitably consider inserting provisions relating to mechanism for implementing FM. The issues which may be addressed may include the kind of parties which will be allowed to claim FM, the process of claiming, establishing, notifying and mitigating FM. It should be mentioned that in case of disputes whose decision will be considered as final. ii) Relevant provisions should be present under regulations for Membership Fee (Admission Fee, Renewals, etc.), Client Fee, Transaction Charges (ex-terminal / delivered transactions), etc.	