

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

Sub.: Views / Comments on Draft Petroleum and Natural Gas Regulatory Board (Gas Exchange) Regulations, 2020.

Ref.: Notice PNGRB/Tech/35-GasEx./(1)/2020 dated July 10, 2020

Dear Madam,

This is with reference to referenced Public Notice web-hosted by the Honourable Board for views / comments from stakeholders on the Draft Petroleum and Natural Gas Regulatory Board (Gas Exchange).

At the outset, we thank PNGRB for the various steps they are taking to develop a mature, transparent, and equitable gas market in India. Setting up regulations for a gas exchange is a significant milestone in this direction.

The growing importance of natural gas in India's energy mix has generated efforts to create trading platforms like in other mature gas markets in Europe and United State of America. The idea of creating a gas exchange/hub is attractive, and it should not just be a tool to create competitive prices but rather the outcome of the creation of an ecosystem in which market forces can flourish. Creating competitive market through a gas exchange/hub is a lengthy and painful process, especially for the incumbents that benefit most from the status quo.

Creating a competitive wholesale gas market is the primary requirement for any gas exchange or hub to be successful. An IEA¹ paper enumerates:

Institutional requirements like **a)** Separation of transport and commercial activities, and **b)** Wholesale price deregulation; and

Structural requirements like **a)** Sufficient network capacity and nondiscriminatory access to networks, **b)** Competitive number of market participants, and **c)** Involvement of financial institutions, for creating a wholesale market for natural gas and subsequently gas exchange/hub.

We understand that these suggestions by IEA hold good for the India's gas market as well and the Honourable Board is already in the process of implementing them in a phased manner.

With reference to the Draft regulations we would like to put forth the following views/ comments:

1) Clause 4 – Applicability

We understand that the gas exchange regulation will be in place only after formation of National Gas Grid Management Services (NGGMS), a body independent of the existing pipeline operator. In absence

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of this, equitable access to pipeline infrastructure, a critical ingredient for the success of gas exchange/hub cannot be assured and may be difficult. We humbly request the Honourable Board to implement necessary changes accordingly.

2) Clause 6 - Principles of Market and Market Design

“b) Delivery Procedure - 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.”

This requirement puts all buyers in a compulsive scenario to enter in to GTA(s) with all pipeline operator(s) and maintain validity of such GTA(s) at all time. Further, the Board has proposed Day Ahead, Intra-Day and Term Ahead Contract types on the exchange. In case gas is available on the exchange from any seller at a competitive price, the absence of GTA will restrict transactions. Our request to the Honourable Board is to device a mechanism to enable easy access of pipeline capacity through exchange/NGGMS. Till such time the NGGMS is functional, the Board may consider obligating pipeline operators to transport gas for trades concluded on the exchange by utilizing the 25% open access capacity in the common carrier pipelines. Based on experience of volumes traded on Electricity exchanges, it is expected that the volume of gas traded on gas exchange would be around 10% of total gas sold in India and therefore, the open access capacity of 25% should be sufficient to transport gas against the trades concluded on the gas exchange.

3) Clause 46 – Bye-laws and Rules of Gas Exchanges and Clearing Corporation

The draft involves provisions for a Gas Exchange. The byelaws and rules to be formulated by the Gas Exchange and Clearing Corporation will have direct impact on users. It is our humble request to the Honourable board that the byelaws/rules should be formulated in consultation with different stakeholders of the Gas Exchange and/or Clearing Corporation like regularly done by PNGRB for all regulations.

We hope you will find our inputs constructive and helpful and we remain available for further deliberations.

Thanking you,

Sincerely
For Adani Total Private Limited



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1. [IEA - Developing a Natural Gas Trading Hub in Asia \(2013\), by Warner ten Kate and Lászlo Varró, Anne-Sophie Corbeau](#)