
Draft

Regulations Covering
the Guiding Principles
and Objectives for
Declaring Natural Gas
Pipeline and City or
Local Natural Gas
Distribution Network as
Common Carrier or
Contract Carrier

Petroleum & Natural Gas Regulatory
Board, New Delhi

December 31, 2007

NOTIFICATION

New Delhi, the.....

PETROLEUM AND NATURAL GAS REGULATORY BOARD

In exercise of the powers conferred by clause (r) of sub-section (2) to section 61 of the Petroleum and Natural Gas Regulatory Act, 2006 (19 of 2006), the Petroleum and Natural Gas Regulatory Board hereby makes the following regulations, namely:-

1. Short Title and commencement-

1.1 These Regulations may be called The Petroleum and Natural Gas Regulatory Board (Guiding Principles and Objectives for Declaring Natural Gas Pipeline and City or Local Natural Gas Distribution Network as Common Carrier or Contract Carrier) Regulations, 2007.

1.2 These Regulations shall come into force on the date of their publication in the Official Gazette.

2. Definition

2.1 In these Regulations, unless the context otherwise requires-

2.1.1 "Act", means the Petroleum and Natural Gas Regulatory Board Act, 2006;

2.1.2 "Appointed Day" means the date of October 1, 2007.

2.1.3 "Board" means the Petroleum and Natural Gas Regulatory Board established under sub-section (1) of Section 3 of the Act.

2.1.4 “CGD network” means a city or local natural gas distribution network.

2.1.5 “Natural Gas Pipeline” is as per the definition under the Regulations for Determination of Pipeline tariff for Natural Gas Pipelines.

2.2 All other words and expressions used herein but not defined shall have the same meanings respectively assigned to them in the Act.

2.3 Unless defined herein or in the Act, the provisions of the General Clauses Act, 1897 as amended from time to time shall apply to these Regulations.

3. **Scope**

These regulations shall apply to an entity -

3.1 which proposes to lay, build, operate or expand a natural gas pipeline or a CGD network on common carrier or contract carrier basis and has been authorized to do so under the Regulations for Authorizing Entities for the Development of Natural Gas Pipelines or under the Regulations Authorizing Development of City or Local Natural Gas Distribution Networks, as the case may be, or

3.2 which has been laying, building, operating or expanding natural gas pipeline or a CGD network before the appointed day and has been authorized under the Regulations for Authorizing Entities for the Development of Natural Gas Pipelines or under the Regulations for Authorizing Development of City or Local Natural Gas Distribution Networks, as the case may be, or

3.3 which is authorized by the Central Government before the appointed day for laying, building, operating or expanding natural gas pipeline or a CGD network on common carrier or contract carrier basis.

4. Rationale for Declaring a Natural Gas Pipeline or a CGD Network as Common Carrier or Contract Carrier

4.1 A natural gas pipeline is the preferred mode of bulk transportation of natural gas from a source (or sources) to a single (or multiple) delivery point (s) over a particular route. The concept of natural monopoly in transportation of natural gas is universally accepted in view of its capital intensiveness, safety factors and the need for protecting consumer's interests through minimum transportation tariff through optimization of infrastructural facilities. Similarly, transportation of natural gas in a CGD network to various categories of customers also has an element of monopoly, albeit necessary in the initial phases and for a limited period of time in order to ensure a quick spread of pipelines and an integrated development of the CGD network.

4.2 The consumer interest is best served in first ensuring development of an efficient infrastructure of natural gas pipelines and CGD networks that would ensure supply of natural gas at a reasonable tariff and thereafter allowing a fair and competitive natural gas market to develop.

4.3 The infrastructure in the form of natural gas pipelines and CGD networks for transportation of natural gas is presently in a nascent stage of development, and is inadequate to handle the major new natural gas finds in the country as well as to ensure an uninterrupted and adequate supply of natural gas in all parts of the country. It is expected that it would take quite some time for this infrastructure to develop in view of the heavy investments required and the time lag for implementation of these projects as authorized by the Board.

4.4 The capacity in an existing natural gas pipeline should therefore first be available to serve the existing consumers and then accommodate new consumers, both at regulated tariff. The existing consumer should also (to the extent not

restricted otherwise by an existing contract and without compromising the pipeline operations) have an unfettered right in renunciation (including trading) of the unutilized capacity booked earlier in favour of any other consumer (independent of the owner and operator of a natural gas pipeline).

5. Contract Carrier system for Natural Gas Pipelines

5.1 A contract carrier system implies that the capacity in a natural gas pipeline, over and above the entity's own requirement, shall be available to any other entity subject to the latter entering into a contract for transportation of a volume of natural gas for a period of minimum one year and agreeing to pay pipeline tariff as approved under the Regulations for Determining Pipeline Tariff for Natural Gas Pipelines.

5.2 The contract for transportation of natural gas shall only be for transportation of natural gas and without any obligation as to the sourcing of the natural gas and may include ship-or-pay commitments. The injection of natural gas in the natural gas pipeline shall be subject to meeting the requirements of the technical standards and specifications including safety standards as may be specified by the Board and the Regulations for Access Code for Natural Gas Pipelines and City or Local Natural Gas Distribution Networks.

6. Common Carrier system for Natural Gas Pipelines

6.1 A common carrier system implies that the capacity in a natural gas pipeline, over and above the entity's own requirement, shall be available to any other entity subject to the latter entering into a contract for transporting a volume of natural gas for a period of less than one year and payment of pipeline tariff as approved under the Regulations for Determining Pipeline Tariff for Natural Gas Pipelines.

6.2 The contract for transportation of natural gas shall only be for transportation of natural gas and without any obligation as to the sourcing of the natural gas and may include ship-or-pay commitments. The injection of natural gas in the natural gas pipeline shall be subject to meeting the requirements of the technical standards and specifications including safety standards as may be specified by the Board and the Regulations for Access Code for Natural Gas Pipelines and City or Local Natural Gas Distribution Networks.

7. Determination of Total Capacity in Natural Gas Pipeline and CGD Network

The Board shall assess the total capacity in Natural Gas Pipeline and CGD Network as per the Regulations for Capacity Determination.

8. Basis of allocation of surplus capacity

8.1 The entity laying, building, operating or expanding a natural gas pipeline shall publish the capacity that is likely to be available in the natural gas pipeline (hereinafter referred to as surplus capacity) by 15th of March before the beginning of a financial year on its website (with simultaneous uphosting, including updating of the information in the website of the Board). Subsequent availability of the capacity in the natural gas pipeline during the financial year shall also be published through the entity's website (including simultaneous uphosting, including updating of the information in the website of the Board).

8.2 Any entity desirous of booking the capacity in a natural gas pipeline shall apply in writing to the entity laying, building, operating or expanding the natural gas pipeline in the format prescribed in **Annexure-1**.

8.3 The entity laying, building, operating or expanding a natural gas pipeline shall allocate the surplus capacity available in a transparent manner and in this regard follow the basis given below–

8.3.1 Maintain a record of the applications received for booking of the capacity in the natural gas pipeline on a first-come-first serve basis in format prescribed in **Annexure-2**. This record shall be kept in the public domain and any person has a right to examine the same at any point in time.

8.3.2 Accept or reject the application for the volume requested for or that available, whichever is lower, on a non-discriminatory first-come-first serve basis, within a period of three days from the date of receiving the application by sending a notice of acceptance or rejection clearly stating the ground (s) for rejection or allocation of capacity lower than requested for.

8.3.3 The entity booking the capacity must send its confirmation to the notice of acceptance within a period of three days of the receipt of such notice and conclude the contract within one week of the receipt of the notice of acceptance, failing which it shall not have any right to book the capacity.

8.4 The capacity, to the extent not booked based on clause 8.3 above shall be available on a non-discriminatory and first-come-first serve basis to other entity (ies) interested in booking the same for any period less than one year.

8.5 The surplus capacity after booking of the capacity under clause 8.4 above, if any, shall be available to the entity laying, building, operating or expanding a natural gas pipeline.

8.6 Entity's own capacity requirements shall be assessed on a realistic basis in the beginning of the year (i.e., latest by the 1st of March preceding the financial year) on the following basis-

8.6.1 Last three years' average volume of natural gas transported by the entity considering the daily peak volumes on its own account, plus

8.6.2 Volume of natural gas likely to be transported by the entity during the financial year under new contracts on its own account.

8.7 The surplus capacity, to the extent not utilized out of the entity's own capacity requirement shall be made available on a common carrier basis. Such surplus capacity should not exceed 10% of the total capacity available in the natural gas pipeline as assessed by the Board as per clause 8 below.

8.8 In case such surplus capacity as per clause 8.7 above is in excess of 10% of the total pipeline capacity, except arising due to any justifiable operational or technical reasons subject to an assessment by the Board, the same shall be deducted from the entity's own capacity entitlement for the next financial year.

9. Nomination for Natural Gas

The entity booking capacity in Natural Gas Pipeline shall abide by the Gas scheduling procedure as prescribed under the Regulations for Access Code for Natural Gas Pipelines and City of Local Natural Gas Distribution Networks.

10. Contract Carrier or Common Carrier for CGD Networks

A CGD Network, after the end of the period of exclusivity from the purview of common carrier or common carrier allowed to the entity under the Regulations for Exclusivity for City or Local Natural Gas Distribution Networks, shall be made

available either as a contract carrier or as a common carrier, to be declared by the Board, considering the overall network coverage achieved at the end of such period of exclusivity and the demand for natural gas at that point in time. The Board may issue an appropriate order in this regard and in case no such order is issued before one month of the date of end of such exclusivity period, the CGD network shall be made available on a common carrier basis.

Annexure-1

Format for application by an Entity for booking of capacity in Natural Gas Pipeline

(Under clause 8.1 of the Regulations Covering the Guiding Principles and Objectives for Declaring Natural Gas Pipeline and City or Local Natural Gas Distribution Networks as Common Carrier or Contract Carrier)

1	Name of Entity	
2	Address & Contact details of Entity	
3	Name of Natural Gas Pipeline in which capacity required with details of injection point and delivery point (s).	
4	Capacity booking requirements (in MMSCMD) split over the duration of time at each tap-off/ delivery point in the natural gas pipeline	
5	Arrangements of the entity for injecting natural gas at the injection point and the delivery/ take-off points	
6	Entity agrees to abide by the Technical standards, specifications and safety standards as specified by the Board	Yes/ No
7	Entity agrees to abide by the Regulation for Access Code for Natural Gas Pipelines and City or Local Natural Gas Distribution Networks	Yes/ No
7	Entity agrees to accept booking of capacity on a pro-rata basis, in case its full capacity requirements fall short of the capacity available in the natural gas pipeline	Yes/ No
8	Entity agrees to enter into a contract for booking of natural capacity on such terms and conditions, including ship-or-pay, (if applicable) as may be prescribed in the notice of acceptance	Yes/ No
9	Entity agrees to pay the pipeline tariff as determined by the Regulations for Determining Pipeline Tariff for Natural Gas Pipelines	Yes/ No

Annexure-2

Format for maintaining records of applications for booking and allocation of capacity in Natural Gas Pipeline

(Under clause 8.3.1 of the Regulations Covering the Principles and Objectives for Declaring Natural Gas Pipeline and City or Local Natural Gas Distribution Network as Common Carrier or Contract Carrier)

1	Docket Number allotted to Application for booking of capacity in Natural Gas Pipeline on First-cum-First serve basis	
2	Date and Time of Receipt of Application	
3	Mode of Receipt of Application	
4	Total Capacity in Natural Gas Pipeline at each of the tap-off/ delivery point (s) (in MMSCMD)	
5	Own Capacity requirements of the entity laying, building, operating or expanding a natural gas pipeline (in MMSCMD) as declared by the entity before the commencement of the financial year and communicated to the Board	
6	Surplus capacity available in Natural Gas Pipeline (in MMSCMD) at all tap-off/ delivery point (s) before the date of receipt of the application	
7	Pipeline capacity allotted to the applicant entity on First-come-First serve basis (in MMSCMD) to be split over the time period (capacity allotted at each of the tap-off/ delivery point in the natural gas pipeline to be indicated). In case the capacity allotted is lower than the capacity requested, reasons for the same to be recorded. In case these reasons are attributable to any technical or operational factors, a written communication to be sent to the Board for seeking an approval.	
8	Date of sending the notice of acceptance of applicant entity's request for booking of capacity (if capacity booking is in part, disclose the reasons for doing so) and the date of acknowledgement of receipt of the notice.	
9	Date of entering into a contract for booking of capacity in the natural gas pipeline	
10	Capacity available in Natural Gas Pipeline after capacity contracted	
11	Actual volumes delivered against the capacity contracted	

