

9.1 AFFILIATE CODE OF CONDUCT FOR ENTITIES ENGAGED IN MARKETING OF NATURAL GAS AND LAYING, BUILDING, OPERATING OR EXPAND

Rao-33004/99 REGD. NO. D. L.-33004/99 Che Gazette of Sftidia 611 No. 611 EXTRAORDINARY PART III—section 4 PUBLISHED BY AUTHORITY qq-«r, 19, 2014/•xrrq 300, 1935 NEW DELHI, WEDNESDAY, FEBRUARY 19, 2014/MAGHA 30, 1935 19 2014 qiT. 3fifzT3T, 2006 (2006 19) 61 me-a, Ä#r, a-ear fäkT 3-TERÜT æi@a-ri 2008 t, 1

2. RFaT(æiR7T) 2014 (2) atra füß-zrær, 2008 5 QT<, 703 GI/2014 (1) 2 THE GAZETTE OF INDIA : EXTRAORDINARY ART 4] Ru•rå, 31 FM, 2017 •r g-&r «•a-a•r 3gaar t.."1 , 3fiQdr (3TR) 2006 21 3ia•af7 aqT 2009 3i77t?T, 3Ä&r FT •r, (giv*rq ifr 3laÄr, 7*tvr, æi•taT) 2008 3i77t?T qrrnt TZ, 31.03.2017 '7*tor, 3q•ær erå t:— (11) mrr (iii) 2030" - 31.zrq-ai Ti•qr «r\$, *T7T, t 2016-17 &frl 3TN Gra•r III—voz 4] 3 (iv) R-•rzt, 3T7: (31.032017 31 a-rå, 2017 3q&r a-qvft•. æTrÄT.fi. 17-07-2008 PETROLEUM AND NATURAL GAS REGULATORY BOARD NOTIFICATION New Delhi, thel 9th February 2014 F. No. PNGRB /M(C)/42.—In exercise of the powers conferred by section 61 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 amend the Petroleum and Natural Gas Regulatory Board (Affiliate Code of Conduct for Entities Engaged in Marketing of Natural Gas and Laying, Building, Operating or Expanding Natural Gas Pipeline) Regulations 2008, namely:— 1

2. Short title and commencement.(I) These regulations may be called the Petroleum and Natural Gas Regulatory Board (Affiliate Code of Conduct for Entities Engaged in Marketing of Natural Gas and Laying, Building, Operating or Expanding Natural Gas Pipeline) Amendment Regulations, 2014. (2) They shall come into force on the date of their publication in the Official Gazette. Insertion•ofnew regulation 5A. After regulation 5 of the Petroleum and Natural Gas Regulatory Board (Affiliate Code of Conduct for Entities Engaged in Marketing of Natural Gas and Laying, Building, Operating or Expanding Natural Gas Pipeline) Regulations, 2008, the following shall be inserted, namely:— "5 A. Degree of Legal separation. An entity engaged in both marketing of natural gas and laying, building, operating or expanding pipelines for transportation of natural gas on common carrier or contract carrier basis, shall, on or before the 3 1st day of March, 2017, create a separate legal entity so that the activity of transportation of natural gas is carried on by such separate legal entity and the right of first use shall be available to the affiliate of such separate legal entity.". K. RAJESWARA RAO, OSD(R) [ADVT. 111/4/Exty./188/13] Explanatory Memorandum Under the provisions of section 21 (Right of first use) of the Petroleum and Natural Gas Regulatory Board Act, 2006, the Board may require an entity which is carrying on both the activities of marketing of natural gas and its transportation to separate these activities which may include separation of the ownership of the pipelines. Under the Petroleum and Natural Gas Regulatory Board (Guiding Principles for Declaring or Authorizing Natural Gas Pipeline as Common Carrier or Contract Carrier) Regulations, 2009, in cases where the activities of marketing of natural gas and transportation of natural gas are carried out by separate entities, the right of first use of the pipeline will continue to be 4 THE GAZETTE OF INDIA : EXTRAORDINARY [PART III—SEC. 4] available to the associate entity of the transporter till such time the separation of ownership (managerial ownership) takes places. Also, under the Petroleum and Natural Gas Regulatory Board (Affiliate Code of Conduct for Entities Engaged in Marketing of Natural Gas and Laying, Building, Operating, or Expanding Natural Gas Pipeline) Regulations, 2008 the rights and obligations between the transportation entity and its marketing affiliate have been laid down. The Board after issuing a concept paper on the unbundling of marketing and transportation activities of natural 2. gas and subsequent public consultation and deliberations, has decided to mandate legal separation of an entity engaged in marketing of natural gas and laying, building, operating or expanding pipelines for transportation of gas on common carrier or contract carrier basis on or before 31.03.2017 by creating separate legal entities so that the activity of transportation of natural gas is carried on by such separate legal entity and the right of first use shall be available to the affiliate of such separate legal entity. The primary considerations for mandating legal separation within the set timelines are: (ii) (iii) (iv) 3. It is an essential requisite for ensuring arms length transactions between gas transportation entities and their customers, thus leading to development of fair and competitive gas transportation markets. It would be a step further towards determination of fair and accurate transportation

tariffs,, Based on studies contained in the report titled "Vision 2030" - Natural Gas Infrastructure in India", the indicator of pipeline length, volumes, availability of natural gas from various sources and entities operating in the transportation infrastructure sector shows that market maturity would peak in 2016-17 therefore, synchronizing with the set timelines for ensuring legal separation of transportation activities from other activities of the entity. Since administrative, financial, technical, taxation and legal issues would arise in performing legal separation, sufficient time period (upto 31.03.2017) needs to be allowed to entities for resolving such issues. The proposed amendment to the Regulations accordingly mandates that an entity engaged in both marketing and transportation of natural gas shall, on or before the 31st day of March 2017, create a separate legal entity so that the activity of transportation of natural gas is carried on by such separate legal entity and the right of first use shall be available to the affiliate of such separate legal entity. Foot Note: Principal regulations were notified vide G.S.R. 540(E) 17-07-2008. Printed by the Manager, Government of India Press, Ring Road, Mayapuri, New Delhi-110064 and Published by the Controller of Publications, Delhi-110054.

