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Regulations for  
Authorizing  
Development of  
City or Local  
Natural Gas  
Distribution  
Networks

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Petroleum & Natural Gas Regulatory  
Board, New Delhi

November 15, 2007

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# Regulations for Authorizing Development of City or Local Natural Gas Distribution Networks

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## NOTIFICATION

New Delhi, the.....

### PETROLEUM AND NATURAL GAS REGULATORY BOARD

In exercise of the powers conferred by clauses (n), (p), (r) and (y) 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 (Authorization for Development of City or Local Natural Gas Distribution Networks) 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, when the Central Government notified the establishment of the Petroleum and Natural Gas Regulatory Board, 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 "City Gas Development Plan" – means the document prepared by the entity and submitted along with the Expression of Interest (EOI) to the

Board, indicating entity's plan to develop city or local natural gas distribution network (hereinafter referred to as CGD Network).

2.1.5 "City Gate Station" – means the point where custody transfer of natural gas from high / medium pressure transmission pipeline to the CGD network takes place.

2.1.6 "Development of a CGD network" - means laying, building, operating or expanding a City or local natural gas distribution network.

2.1.7 "Network tariff" – means the weighted average unit rate of tariff (in Rs. per thousand standard cubic meter or Rs./ MSCM) for all the categories of consumers of natural gas (including natural gas supplies to a CNG station before compression) connected to/ served by the CGD network.

2.1.8 Piped Natural Gas (also referred as PNG) – means natural gas transmitted through carbon steel, galvanized iron & polyurethane pipelines, and copper tubing for consumption by any consumer in domestic, commercial or industrial segment and including natural gas supplied to a CNG station before its compression.

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

3.1 These regulations shall apply to an entity which is laying, building, operating or expanding, or which proposes to lay, build, operate or expand a city or local natural gas distribution network (hereinafter referred to as CGD Network).

3.2 A CGD network shall normally operate at a pressure as per the mandated code/ standard by the Board, presently not more than 19 Kg/ cm<sup>2</sup> (g) and for supply

of a volume not exceeding 50,000 SCMD per consumer per annum. The consumer shall have the option to source natural gas for volume exceeding 50,000 SCMD from any entity (including the entity laying, building, operating or expanding a CGD Network), but not through the CGD network.

#### **4. Proposal to lay, build operate or expand a CGD network**

##### **4.1 Initiation of Proposal**

###### **4.1.1. Expression of Interest (EOI) route**

An entity desirous of laying, building, operating or expanding a CGD network shall submit an Expression of Intent (EOI) to the Board in the format at **Annexure-A**.

###### **4.1.2. Suo-Motu by Board**

The Board may also suo-motu invite EOI from entities interested in laying, building, operating or expanding a CGD network for any specified geographical area.

##### **4.2 Criteria for selection of entity**

###### **4.2.1 For Expression of Interest (EOI) route**

4.2.1.1 The Board shall carry out a preliminary assessment of the EOI with respect to the following-

4.2.1.1.1 Natural Gas availability position.

4.2.1.1.2 Possible connectivity with an existing or proposed natural gas pipeline for supply of natural gas to the city gate of the proposed CGD network, including LNG supplies by tank trucks/ tank wagons & CNG by cascades.

#### 4.2.1.1.4 Any other relevant issue

4.2.1.2 The Board shall, within 15 days of the receipt of EOI and based on its preliminary assessment, either issue an open advertisement in at least one national and one vernacular daily newspaper (including webhosting) notifying receipt of an EOI and commencement of “Open Season” period of 30 days or reject the proposal. In the latter case, the Board shall inform the entity of the decision immediately along with the reasons for rejecting the proposal.

4.2.1.3 During the period of “Open Season”, any person, entity, body, organization, etc. may submit, in writing, to the board, its views, suggestions and comments, if any on the EOI.

4.2.1.4 The Board may, based on the views and suggestions received, firm-up the geographical spread for the proposed CGD network, i.e., whether it should be different from that expressed in the EOI. In case the geographical spread is more than the municipal area, the area outside the municipal limits may be appropriately sub-divided by the Board into charge-areas.

4.2.1.5 The Board may, within a period of 15 days of the end of the “open season” period, notify through an open advertisement in at least one national and one vernacular daily newspaper (including webhosting), the proposal for the development of CGD network and invite bids for the same.

#### 4.2.1.6 Minimum Eligibility Criteria

The Board shall scrutinize the bids received in response to the advertisement in respect of only those entities, which fulfill the following minimum eligibility criteria:

4.2.1.6.1 Entity should be technically capable of laying and building CGD network as per the following qualifying criteria-

- a) Entity has on its own in the past laid and built either a hydrocarbon pipeline of a length not less than 300 kilometers or a CGD network; or
- b) Entity has a joint venture with another entity (with at least 11% equity holding by that entity) which in the past has laid and built either a hydrocarbon pipeline of a length not less than 300 kilometers or a CGD network; or
- c) Entity intends to lay and build proposed city or local gas distribution network on Lump Sum Turnkey/ Project Management Consultancy basis through one or more technically competent firms, which in the past have laid and built either a hydrocarbon pipeline of a length not less than 300 kilometers or a CGD network. The entity may also enclose a list of such firms along with aforesaid proof of their technical competence, along with their financial bid proposal. The entity will have the freedom to choose from amongst such firms at the time of execution of the project. The Board reserves the right to cross verify the credential of the party (ies) included in the list and seek clarifications, if any; or
- d) Entity has an adequate number of technically qualified personnel with experience in construction, pre-commissioning & commissioning of hydrocarbon pipelines and also has a credible plan to independently undertake and execute the CGD project on a standalone basis.

4.2.1.6.2 Entity should be technically capable of operating and maintaining a city or local gas distribution network as per the following qualifying criteria-

- a) Entity on its own has an experience of at least one year in operations and maintenance of a CGD network; or
- b) Entity has a Joint Venture with another entity (with 11% holding of that entity) which has an experience of at least one year in operations and maintenance of a city or local gas distribution network; or
- c) Entity intends to operate and maintain the proposed CGD network through an appropriate firm technical assistance agreement for a period of at least one year, with another party having experience of at least one year in operations and maintenance of a CGD network; or
- d) Entity has an adequate number of technically qualified personnel with experience in commissioning & operation & maintenance (O&M) of hydrocarbon pipeline(s) and also has a credible plan to independently undertake the O&M activities for a CGD project on a standalone basis.

Note:

- i) In case of c) above, the entity shall submit in its application-cum-bid, a list of proposed parties with whom it desires to have a firm technical assistance agreement, along with the proof of relevant and credible experience of such parties. The list may be exhaustive and the entity may choose party (ies) from

amongst the parties in this list for operation and maintenance of the proposed CGD network.

- ii) The entity should also submit a credible plan along with the bid to develop an in-house O&M team for city or local gas distribution network.
- iii) The Board reserves the right to cross verify the credential of the party (ies) included in the list and seek clarifications, if any.

4.2.1.6.3 The applicant has agreed to abide by such technical standards and specifications including safety standards, as may be prescribed by the Board from time to time for the development of CGD network.

4.2.1.6.4 The applicant has adequate financial strength to execute the proposed project, operate & maintain the same in the city or local area besides meeting the following financial criterion:-

Tier (city or local area)	Population as per Census of India in 2001	Combined Net worth (*) along with co-promoters (Equity share capital + Free (excluding revaluation) reserves)
I	5 million and above	>Rs.150 crore
II	Between 1 million and 5 million	>Rs.100 crore
III	Less than 1 million	>Rs.50 crore

(\*) As per Chartered Accountant's certificate on the latest financial position of the entity and its co-promoters.

4.2.1.6.5 The applicant is a body corporate or else undertakes to become a company registered under the Companies Act, 1956 on being declared a successful bidder.

4.2.1.6.6 The entity should have a credible plan for sourcing natural gas for supply in the proposed CGD network and submit along with the application, a copy of the Memorandum of Understanding (MOU) or Heads of Agreement (HOA) with the entity from whom it intends sourcing natural gas (hereinafter referred to as other entity). The other entity should-

- a) either be the owner of natural gas or have a firm natural gas supply arrangement with a supply source, and
- b) must be willing to supply the same to the entity at the time of commissioning of the project subject to the two entities agreeing to the commercial terms.

The Board reserves the right to directly approach the other entity to ascertain the credibility of the MOU/ HOA and also assess the ability and willingness of the other entity to supply natural gas to the applicant entity in case the latter were to get authorization for city or natural gas distribution network project.

4.2.1.6.7 The applicant furnishes a bid bond for an amount equal to:

- a) Rs.5 crore for Tier I city or local area.
- b) Rs.3 crore for Tier II city or local area.
- c) Rs.2 crore for Tier III city or local area.

This bid bond is prescribed with a view to ensure that only serious and committed bidders participate in the financial bidding. The bid bond will be encashed if a bidder wins the bid and walks out. The Bid bond in respect of the

unsuccessful bidders shall be released immediately while that of the successful bidder retained till the prescribed performance bid is furnished at the time of authorization.

4.2.1.6.8 In case the bidder does not fulfill the requirements of any criteria under clauses 4.2.1.6.1 to 4.2.1.6.7 above, the application shall be summarily rejected and a communication in this regard shall be sent to the applicant. In such a case, the financial bid shall not be opened for that bidder.

#### 4.2.1.7 Application-cum-Bid Format

The application-cum-bid, to be submitted in two separate, properly earmarked and sealed envelopes, shall be in two parts –

- a) Part I (Technical bid) covering general particulars of the applicant and technical details of the project (including minimum eligibility criteria) under clause 4.2.1.6.
- b) Part II (Financial bid) covering the financial details under clause 4.2.3.

The format of the Application-cum-bid is specified in **Annexure – B**.

4.2.1.8 A time period of 45 days shall be allowed for submission of the application-cum-bid for grant of authorization for laying, building, operating and expanding the CGD network. Application-cum-bid received after the notified date shall not be considered.

4.2.1.9 The Board may, if required, extend the date of submission of bids through an advertisement in the same manner as under clause 4.2.1.5, including a situation where only a single application-cum-bid is received in response to the original advertisement.

#### 4.2.2 Invitation by Board for laying, building, operating or expanding of CGD network

The Board may, suo-motu, through an open advertisement in at least three national and two vernacular daily newspapers (including hosting on its website) invite application-cum-bids from entities interested in laying, building, operating and expansion of city or local gas distribution network in a specific city or a geographic area and the provisions in clauses 4.2.1 (except that the details of the EOI shall be replaced by Project details as perceived by the Board) shall apply.

#### 4.2.3 **Bidding Criteria**

4.2.3.1 The Board, while considering a proposal for authorization, shall tabulate and compare all financial bids meeting the minimum eligibility criteria by applying suitable weights against the bidding criteria given below:

##### 4.2.3.1.1 Overall unit Network Tariff

Lowness of the present value of the overall unit network tariff charge for usage of the proposed CGD network by all categories of customers of natural gas (including supply of natural gas to CNG station before compression) over the economic life of the project (25 years). The entity is required to bid for the tariff charge for each year of the economic life of the project. This shall have a weightage of 40%.

##### 4.2.3.1.2 Inch-Kilometer of Steel Pipelines in CGD network

Highness of the present value of the inch-kilometer of steel pipelines proposed to be laid in the CGD network during the period of exclusivity in terms of an exemption from the purview of the contract carriage or common carrier. This shall have a weightage of 30%.

#### 4.2.3.1.3 Number of PNG domestic connections

Highness of the present value of the number of domestic customers proposed to be connected by Piped Natural Gas by the entity during the period of exclusivity in terms of an exemption from the purview of common carrier or contract carriage in the proposed CGD network. The entity is required to bid for the number of domestic customers to be connected by PNG for each of the year of the exclusivity period. This shall have a weightage of 30%.

4.2.3.2 The present value in the criteria at clauses 4.2.3.1.1, 4.2.3.1.2 & 4.2.3.1.3 above shall be calculated by the entity using a discount rate not exceeding the Reasonable Rate of Return (RoR). The RoR shall be fixed as equal to the average rate of long-term Government securities issued by the RBI during the period of 12 months prior to the last date for obtaining the application-cum-financial bid documents + X%.<sup>1</sup>

4.2.3.3 Entity with the highest composite score considering the criteria under clauses 4.2.3.1.1 to 4.2.3.1.3 above shall be declared as successful in the bid subject to the provision under clause 4.2.3.4 below.

4.2.3.4 In case of a single bid, the Board may scrutinize the Detailed Feasibility Report (DFR) of the project and assess the reasonability of the proposed plan to develop the CGD network. In case the same is found to be sub-optimal, the Board reserves the right to reject the bid.

### 4.3 Performance Bond

4.3.1 Grant of authorization shall be issued to the selected entity after it furnishes a Performance bond of an amount equal to-

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<sup>1</sup> The criteria for determining “X” is as explained under the Regulations for Determination of Network Tariff for City or Local Natural Gas Distribution Networks.

- a) Rs.10 crore or 10% of the estimated project cost, whichever is higher for Tier I city or local area.
- b) Rs.6 crore or 10% of the estimated project capital cost, whichever is higher for Tier II city or local area.
- c) Rs.4 crore or 10% of the estimated project cost, whichever is higher for Tier III city or local area.

4.3.2 The performance bond has been prescribed for guaranteeing timely commissioning of the proposed CGD network as per the prescribed milestones and for meeting the performance undertakings of the selected entity during the operating phase of the project.

4.3.3 In case of not meeting the prescribed milestone of timely commissioning of the city or local gas distribution network, the board shall service a notice for such shortfall and requiring the entity to fulfill the same within the time prescribed in the notice. Further, in the event of non-compliance to the requirements of such notice, the performance bond may be encashed and the entity shall have to replenish the same within the period prescribed in the encashment order. However, for not meeting the performance undertakings during the operating phase, the performance bond may be encashed in terms of clause 4.11.

#### 4.4 Grant of Authorization

4.4.1 The authorization shall be granted to the selected entity in the Format at **Annexure-C** within a period of 30 days of the last date of submitting the bid.

4.4.2 The grant of authorization to the selected entity cannot be transferred or assigned or surrendered, except with the prior express consent of the Board. The entity is obliged to give prior intimation to the Board, of any proposed change in the constitution of ownership and / or management of the

authorized entity. The Board reserves the right to review the authorization granted earlier, with such modifications as it may deem fit.

#### 4.5 Natural Gas tie-up & financial closure

4.5.1 The selected entity shall be required to achieve a firm Natural Gas Supply Agreement with the entity with which it had entered a MOU or HOA as stated under clause 4.2.1.7.6 or with any other entity. The volume of natural gas agreed should be equal to at least 50% of the volumes projected in each year of the exclusivity period for exemption from the purview of common carrier or contract carriage allowed as per the provisions of the **Regulations for Exclusivity for City or Local Natural Gas Distribution Networks**. Further, the agreement should be entered into a transparent manner and be based on the principle of “At an Arm’s Length”. The entity must submit a copy of the Natural Gas Supply Agreement to the Board within a period of 45 days of the date of the issue of the authorization.

4.5.2 The selected entity with the authorization by the Board may proceed for seeking financial closure of the project by Banks/ Financial Institutions and it is required to achieve a financial closure within a period of 90 days from the date of the authorization. However, in case of an internally financed project, the entity is required to submit its Board’s approval of the Detailed Feasibility Report (DFR) of the project. The Board reserves the right to ask the entity to submit any further details.

4.5.3 In case of not meeting the milestones at clauses 4.5.1 and 4.5.2 above, the authorization to the entity shall be cancelled and performance bond encashed. The Board shall have the right to re-reward the authorization in any way it deems fit in a transparent manner and the entity shall have no right whatsoever against the Board for seeking any compensation or remedy on this account.

## 4.6 Network Tariff

The network tariff for transportation of natural gas (including natural gas supplied to CNG station before compression) for all categories of consumers within the CGD network shall be as per the network tariff bid. However, in case of a single bid, the network tariff shall be as per the bid or as normatively determined by the Board, whichever is lower. The procedure for determination of normative network tariff by the Board shall be as per the provisions in **Regulations for Determination of Tariff for City or Local Natural Gas Distribution Network**.

## 4.7 Network Tariff Recovery, CNG Compression charge & transportation cost of CNG cascade mounted system

4.7.1 The entity shall recover the network tariff, CNG compression charge and transportation cost of cascade mounted system per the following procedure-

4.7.1.1 The entity shall charge network tariff through an invoice as determined under clause 4.6 above on a non-discriminatory basis (i.e., without any premium or discount) to all consumers of PNG and for supply of natural gas to CNG stations before compression in the CGD network.

4.7.1.2 The entity may separately charge compression charge for compression of natural gas into CNG and transportation cost of CNG in a cascade mounted system to CNG station, if any through an invoice on a non-discriminatory basis (i.e., without any premium or discount) from CNG consumers only.

4.7.1.3 Recovery of the unit network tariff, CNG compression charge and the transportation cost of CNG in a cascade mounted system, if any shall be linked to the actual volume of PNG or CNG supplied to the consumers.

## 4.8 Post-authorization monitoring of activities

### Pre-Commissioning

4.8.1 An authorized entity is required to provide, on a quarterly basis, a progress report detailing the clearances obtained, milestones achieved, expenditure incurred, works-in-progress and any other relevant information as per the format at **Annexure - D**.

4.8.2 The Board shall seek compliance by the entity to the notified technical standards and specifications including safety standards through conduct of technical and safety audits during the commissioning phase, as well as on an on-going basis thereafter, for ensuring safe commissioning and operation of the CGD network.

4.8.3 The Board shall monitor the progress in achieving various milestones as regards the CGD network project and advise remedial action, if any, to the entity.

## 4.9 Exclusivity Period

The exclusivity to lay, build, operate or expand a city or local natural gas distribution shall be as per the provisions in **Regulations for Exclusivity for City or Local Natural Gas Distribution Network**.

## 4.10 Service Obligations of authorized entity (Post Commissioning)

4.10.1 The entity may take an interest-free refundable security deposit from-

4.10.1.1 domestic PNG consumer towards security for the metering unit and other related equipment installed by the entity in the consumer's premises for an amount not exceeding Rs.2,000 per connection.

4.10.1.2 non-domestic customer for an amount not exceeding the cost of the metering unit and other related equipment installed by the entity in the consumer's premises.

4.10.2 The entity shall not exert any undue influence on any domestic PNG consumer to purchase natural gas burner stove or avail of any other service not connected with the supply of natural gas either from itself or its affiliate. Further, the entity shall be obligated to convert the existing LPG burner stove of a prospective domestic PNG consumer into natural gas burner stove free of charge.

4.10.3 The authorized entity shall maintain separate books of accounts (including detailed activity-based costing records) to segregate direct, indirect and common costs (along with the basis of allocation) and the revenues earned in respect of the activities of-

4.10.3.1 transportation of natural gas in the CGD network;

4.10.3.2 transportation cost of a cascade mounted system, if any;

4.10.3.3 compression of natural Gas into CNG and its dispensing;

4.10.3.4 purchase of natural gas, compression in the CGD network, if any and its odourization, and

4.10.3.5 marketing/ distribution (including commission allowed to any agency for distribution/ marketing) of natural gas and CNG in the CGD network.

The costs and revenues associated with activities other than those stated in clauses 4.10.3.1 to 4.10.3.5 above should be reflected separately in the books of accounts of the entity.

4.10.4 The authorized entity shall strictly adhere to the provisions under the **Regulations for Affiliate Code of Conduct** right from the stage of submission of its application-cum-bid and onwards, including the operation of the CGD network.

4.10.5 The entity shall be obligated to take all steps in adhering to the requirements of unbundling of the activity of transmission from the activity of distribution/ marketing of natural gas in the CGD network, as and when so decided by the Board.

4.10.6 Technical & Safety audit

4.10.6.1 The authorized entity shall be responsible for getting technical & safety audit (s) carried out by independent technical experts at regular intervals, during the commissioning phase as well as on an on-going basis thereafter to ensure compliance of the technical standards and specifications including safety standards as notified by the Board. The audit report along with the findings shall be submitted to the Board. The Board may review the same and advise remedial action, if any, to the entity.

4.10.6.2 Third party technical & safety audits shall be carried out by independent technical expert (s)/ accredited agencies out of the panel approved by or registered with the Board.

4.10.7 Obligations during exclusivity period

During the exclusivity period, as also post-exclusivity, the entity shall have to meet the regulatory obligations as stated under the **Regulations for Exclusivity for City or Local Natural Gas Distribution Networks**.

#### 4.11 Consequences of Default and Termination of Authorization procedure

4.11.1 An authorized entity shall abide by all the terms and conditions specified in the Regulations and a failure in doing so, except for force majeure, shall be dealt with as per the following procedure:

4.11.1.1 The Board shall issue a notice to the defaulting entity allowing it a reasonable time to fulfill its obligations under the Regulations.

4.11.1.2 No further action shall be taken in case remedial action is taken by the entity within the specified period to the satisfaction of the Board.

4.11.1.3 In case of failure to take remedial action the Board may, after issuing a notice giving one month's time encash the performance bond of the entity.

4.11.1.5 The entity shall be required to replenish the performance bond to its original level, within a period of 15 days from the date of its encashment. While the entity replenishes the performance bond, but fails to take remedial action, the Board may, after giving a notice giving one month time, may terminate the authorization of the entity.

4.11.1.6 In case of entity not replenishing the bond within 15 days, the Board may terminate the authorization of the entity.

4.11.1.7 The procedure for implementing the termination of an authorization will be as laid out in **Annexure - G**.

4.11.1.8 Notwithstanding the above, the Board may also levy civil penalty as per Section 28 of the Act in addition to taking action as prescribed for offences and punishment under Chapter IX of the Act.

## 5. Entities engaged in laying, building, operating or expanding CGD network before the Appointed Day

### 5.1 Entity authorized by the Central Government for laying, building, operating or expanding CGD Network before the Appointed Day

5.1.1 The entity shall submit relevant information alongwith supporting documents in the format as per **Annexure - E** within a period of 180 days from the Appointed Day.

5.1.2 The entity shall abide by the terms & conditions of the authorization by the Central Government including obligations, if any.

5.1.3 The entity shall abide by the technical standards, specifications including safety standards as prescribed by the Board from time to time.

5.1.4 The Board may consider grant of exclusivity on such terms and conditions as per the provisions in the **Regulation for Exclusivity for City or Local Area Natural Gas Distribution Network**.

5.1.5 The Board shall approve the network tariff to be charged in the CGD network based on the methodology for determination of tariff as applicable to a single bid as per the **Regulations for Determination of Network Tariff for City or Local Natural Gas Distribution Networks**.

5.1.4 The activities of the entity may be subject to such other regulations as may be applicable to them as per different provisions of the Act.

5.2 Entity not authorized by the Central Government for laying, building, operating or expanding CGD Network before the Appointed Day

5.2.1 An entity laying, building, operating or expanding a CGD network at any time before the Appointed Day but not duly authorized to do so by the Central Government shall apply immediately for obtaining an authorization in the format as per **Annexure- F**.

5.2.2 The Board may consider the following criteria while considering the application for grant of authorization-

5.2.2.1 The entity should possess all necessary statutory clearances, permissions, NOCs', etc. from the Central/ State Governments and other statutory authorities/ bodies.

5.2.2.2 The actual physical progress made and the financial commitment thereof till immediately before the Appointed Day in comparison with the entity's detailed feasibility report appraised by a financial institution. Normally, a physical progress of around 25% and a financial commitment of around 25% of the capital expenditure identified for the CGD project (as identified in the DFR appraised by a financial institution) immediately before the appointed day may be considered as adequate. The Board may get the physical progress certified by an authorized third party or Government valuer. Similarly, the certification of the financial commitment shall be done by a Chartered Accountant.

5.2.2.3 Ability to meet the applicable technical standards, specifications and safety standards as may be prescribed in the Regulations on the subject. These would apply both for laying, building or expanding and for operating the CGD network. It is for the entity to satisfy the Board on the adequacy of its capability in this regard, besides being obligated to abide by the Board's directives in this issue.

5.2.2.4 The Board may scrutinize the entity's DFR and in case the same is found to be sub-optimal to meet the CGD Network requirements of the city or local area, the Board may seek modifications on techno-economic considerations and the entity would need to abide by the Board's directives.

5.2.2.5 Assessment of the financial position of the entity in timely & adequately meeting the financial commitments in developing the CGD network project as appraised by a Financial institution and examination of the audited books of accounts of the entity.

5.2.2.6 Firm arrangement for supply of Natural Gas to meet the demand in the city or local area to be covered by the CGD network.

5.2.2.7 Any other criteria considered as relevant by the Board based on the examination of the application.

The evaluation of the application in terms of the criteria at 5.2.2.1 to 5.2.2.7 shall be done in totality considering the composite nature and the inter-linkages of the criteria.

5.2.3 The Board, after examining the application in terms of the criteria under clause 5.2.2 above and also taking into account the

requirements in other regulations may form a prima-facie view as to whether the case should be considered for authorization. In case of prima-facie consideration, the Board shall issue a public notice in one national and one vernacular daily newspaper (including webhosting) giving brief details of the project and seek comments and objections, if any, within 30 days from any person on the proposal.

5.2.4 The Board, after examining the comments and objections, if any under clause 5.2.3 above, may either consider or reject the case for authorization for the CGD network. In case it is decided to grant authorization, the same shall be in the format at **Annexure-C**. In case of rejection of the application, the Board shall pass a speaking order after giving a reasonable opportunity to the concerned party to explain its case and proceed to select an appropriate entity for the project in terms of clause 4.2.2 above. In case of rejection, the entity shall not be entitled for any compensation. The existing assets, if any, would be taken into account by the Board while selecting the new entity for the project.

5.2.5 In case the entity is selected for grant of authorization for CGD network-

5.2.5.1 The Board shall approve the network tariff to be charged in the CGD network based on the methodology for determination of tariff as applicable to a single bid as per the **Regulations for Determination of Network Tariff for City or Local Natural Gas Distribution Networks**.

5.2.5.2 The Board may consider grant of exclusivity on such terms and conditions as per the provisions in the **Regulation for Exclusivity for City or Local Area Natural Gas Distribution Networks**.

5.2.5.3 The entity shall abide by the technical standards, specifications including safety standards as may be prescribed by the Board from time to time.

5.2.5.4 The provisions under clauses 4.3, 4.8, 4.10 & 4.11 above shall apply to the entity.

## **6 Role of Consultants**

The Board may engage consultant (s) for rendering assistance to the Board in carrying out the activities covered under these regulations. The role of the consultant (s) shall be recommendatory in nature and not binding on the Board.

## **7 Miscellaneous**

If any dispute arises with regards to the interpretation of any of the provisions of these regulations, the decision of the Board shall be final. Further, the Board may at any time effect appropriate modifications in these regulations.

## Annexure- A

### **Format for submitting Expression of Interest (EOI) desirous of laying, building, operating or expanding a CGD network (as per Clause 4.1.1 of the Regulations Authorizing Development of City or Local Natural Gas Distribution Networks)**

<b>1</b>	<b>General Details</b>
A	Name of the Applicant
B	Type of firm – Public Limited Company / Private Limited Company / Partnership firm / Proprietorship firm / Others (please specify)
C	Date of incorporation & date of commencement of business
D	Address of Registered office
<b>2</b>	<b>Financial Details</b>
A	Share Capital / Proprietor's own Funds
B	Loans – amount, tenure, moratorium period, rate of interest, taken from and asset mortgaged / hypothecated for securing the same (if any)
C	Reserves (if any)
<b>3</b>	<b>Business Activities</b>
A	Previous experience in laying & building of hydrocarbon pipelines or City or Local Area Natural Gas Distribution Network and also previous experience in operations & maintenance of City or Local Area Natural Gas Distribution Network
B	Details of existing city gas distribution network of the entity, if any
C	Details of other business, if any, being carried out by the promoters
<b>4</b>	<b>Technical Details</b>
A	Details of the city / town/ area. A map may be attached showing wards within the city. In case the proposed area is beyond municipal limits, that should be segregated into appropriate charge areas. Also indicate ward/ charge area-wise estimated population.
B	Preliminary Technical details of the project in terms of likely facilities, also depicted in the map.
C	Development Plan envisaged for the project along with preliminary details of phasing out of facilities.
D	Preliminary Assessment of potential demand for natural gas in the proposed CGD network.
E	Likely source of supply of natural gas and plans for access to transmission pipeline
F	Whether the State, in whose jurisdiction the CGD network is located, has enacted any legislation/ taken administrative action to promote the use of natural gas in the said city? If the reply to the question is Yes, then provide copy of the said enactment/ administrative order.
G	Is the proposed development of city gas distribution network in line with the development plans of the City Administration / Local Government? Attach copy of notified development plans for the city.

**Application-cum-bid for grant of authorization for CGD network (as per Clause 4.2.1.8 of the Regulations Authorizing Development of City or Local Natural Gas Distribution Networks)**

To,  
**Chairman,**  
**Petroleum & Natural Gas Regulatory Board,**  
1st Floor, World Trade Centre  
Babar Lane, Connaught Place,  
New Delhi – 110 001.

**Sub: Application-cum bid for Grant of Authorization for City or Local Natural Gas Distribution project in the city of \_\_\_\_\_  
in the State/ Union Territory of \_\_\_\_\_**

(Attach separate sheets for providing information wherever necessary)

<b>Part-I – General details of the Applicant and Technical details of the Project (to be submitted in a properly earmarked, sealed and separate envelope)</b>		
<b>1</b>	<b>Details of the Applicant</b>	
A	Name of the Applicant	
B	Type of firm – Public Limited Company / Private Limited Company / Partnership firm / Proprietorship firm / Others (please specify) (Attach copy of Articles of Association / Partnership Deed, etc.)	
B	Date of incorporation & date of commencement of business	
C	Address of Registered office	
D	Name, addresses, telephone numbers, E-mail ID of all Directors / Partners / Proprietor (please provide full details with STD Code and Pin Code)	
<b>2</b>	<b>Financial Details</b>	
A	Share Capital / Proprietor's own Funds	
B	Loans – amount, tenure, moratorium period, rate of interest, taken from and asset mortgaged / hypothecated for securing the same (if any)	
C	Reserves (if any)	

D	Fixed Assets	
E	Current Assets	
F	Current Liabilities	
G	Sales Turnover	
H	Profit After Tax	
	(Attach copies of audited Profit & Loss Account & Balance Sheet for last 3 financial years) - In case applicant is a subsidiary company, copies of audited Profit & Loss Account & Balance Sheet for last 3 financial years of the Parent Company to be attached.	
<b>3 Business Activities of the Applicant</b>		
A	Details of all existing city gas distribution network of the entity, if any (design specifications, installed capacity, capital cost, year-wise details of operating cost, age of the network, gas volumes transported in the network along with details of consumer profile, distribution network map & drawings showing details of existing facilities and future plan, natural gas source (s), average unit network tariff being charged, etc)	
B	Details of tie-up or collaboration with any other authorized entity for gas supply, marketing or utilities	
C	Details of other business, if any, being carried out by the promoters for the last 3 years	
<b>4 Ownership &amp; Affiliate Details</b>		
A	Details of promoters	
B	Details of all affiliates of the applicant mentioning the business relationship between the applicant and the affiliates ("Affiliate" means as defined in the Regulations for Affiliate Code of Conduct)	
C	The applicant undertakes to produce all relevant records / documents of itself and its related entities on demand by the Board.	Yes / No

D	The applicant undertakes to abide by the Affiliate Code of Conduct as notified by the Board.	Yes / No
E	Is the entity a body corporate registered under Companies Act, 1956?	Yes / No
F	Is the entity promoted by body corporate(s) registered under Companies Act, 1956?	Yes / No
G	The entity undertakes to become a body corporate (incase it is not at the time of application) registered under Companies Act, 1956 on being selected for grant of authorization	Yes / No
<b>5</b>	<b>Technical details of the city or local natural gas distribution project</b>	
A	Name of the city or local natural gas distribution project	
B	Details of the city / town/ area, earmarked in developmental zones, in respect of the city or local natural gas distribution project along with a sketch showing all existing and facilities proposed.	
C	Technical specifications of the project. (Attach copy of the feasibility report)	Full details regarding pipeline design, pressure, length of network, pipeline diameter, pipeline thickness, route details, corrosion protection arrangements, city gate station, natural gas source / tap-off details, main block valves / isolation valves / emergency shutdown valves, odourization facilities, metering arrangements, CNG stations, HSE measures, etc to be submitted.
D	Development Plan envisaged for the project - design & installed capacity of the CGD network along with details of phased-out plans including year when the same is envisaged.	
E	Volume of natural gas (including	

	<p>supplies to CNG stations before compression) proposed to be transported and/ or sold year-wise (category-wise)</p> <p>Also, give details of consumer tie-up, if any.</p>	
F	Number of PNG connections to be achieved category-wise and year-wise.	
G	Source (s) of supply of natural gas and capacity tie-up with the natural gas transmission company (including existing / proposed connectivity) and the details of tie-up phase wise.	
H	Demand assessment over life of project – estimated yearly demand for each category of customer (domestic, commercial, industrial and CNG).	
I	Time schedule for phase wise completion of the project from the date of commencement of operations. (Complete details of all the activities associated with the completion of the project may be provided separately).	
J	Whether the State, in whose jurisdiction the CGD network is located, has enacted any legislation/ taken administrative action to promote the use of natural gas in the said city? If the reply to the question is Yes, then provide copy of the said enactment/ administrative order.	Yes / No
K	Are all applicable technical standards, specifications including safety standards, as notified by the Board, have been considered and complied with while designing, laying or operating the system? Provide details.	
L	Is the development of the CGD network in conformity with the development plans of the City Administration / Local Government? Explain deviations, if any, with suitable explanations. Attach copy of the notified development plans for the	Yes / No

	city.	
M	Attach copy of the Disaster Management Plan.	
N	Is the project entitled to any subsidy or entitled for any exemption or deferment or waiver of any statutory levy from the State / Central Government? If yes, give complete details indicating the year-wise utilization plan of the entity.	Yes / No
O	Non-refundable Application Fee	Rs. <_____>
	DD / Cheque	
	DD / Cheque No. & Date	
	Name of Issuing Bank	
<b>Part-II: Financial bid (to be submitted in a separate earmarked sealed envelope) to be opened for those entities qualifying the minimum eligibility criteria</b>		
<b>A</b>	Present Value (PV) of the Weighted Average Network Tariff Bid for laying, building, operating or expanding the CGD network over the economic life of the project (which is 25 years from the date of commencement of operations of the project), year-wise overall unit network tariff bid and the Project IRR considered in the calculation of the year-wise weighted average network tariff.	<p>PV of the weighted average unit network tariff bid each year of the economic life of the project - Rs.&lt;_____&gt; per SCM considering the Reasonable Rate of Return.</p> <p>Year-wise weighted average unit network tariff bid  Year 1: Rs.&lt;___&gt; per SCM  Year 2: Rs.&lt;___&gt; per SCM  :  :  Year 25: Rs.&lt;___&gt; per SCM</p> <p>Overall Project IRR considered for arriving at the unit network tariff bid</p>
<b>B</b>	Present value (PV) of inch-kilometer of steel pipeline in the CGD Network during the period of exclusivity in terms of exemption from purview of common carrier or contract carriage.	<p>PV of inch-kilometer of steel pipeline proposed in CGD network considering the Reasonable Rate of Return</p> <p>Year-wise Inch-Kilometer Bid  Year 1: &lt;___&gt; Inch-kilometer  Year 2: &lt;___&gt; Inch-kilometer  Year 3: &lt;___&gt; Inch-kilometer  etc.  (Each year of such exclusivity)</p>

<p><b>C</b></p>	<p>Present Value of the Number of PNG domestic customers proposed to be connected by the entity during the exclusivity period in terms of exemption from the purview of common carrier or contract carriage along with year-wise number of PNG domestic connections bid</p>	<p>PV of the number of PNG domestic connections bid considering the Reasonable Rate of Return &lt;Number&gt;</p> <p>Year-wise number of PNG domestic connections bid</p> <p>Year 1: &lt; ___&gt; Number Year 2: &lt; ___&gt; Number Year 3: &lt; ___&gt; Number etc. (Each year of such exclusivity)</p>
	<p><b>Note:</b> Detailed calculation sheets (including a soft copy of the same) in support of the weighted average unit network tariff bid, inch-kilometer of the steel pipeline bid and the PNG domestic connections bid to be submitted along with the application-cum-bid in the formats in <b>Attachment-1</b>.</p>	

**DECLARATION**

1. Certified that the above information is true to the best of my / our knowledge and belief and the information and data given in the annexure, attachments, enclosures and calculation sheets accompanying this application-cum-bid are correct, complete and truly stated, and if any statement made herein is found to be incorrect, the application-cum-bid shall be rejected, the application fee shall be forfeited and I / We shall be liable to be proceeded against and punishment under the provisions of the Act.
2. I / We also undertake to pay any Security Deposit, which may be levied by the Board from time to time.
3. I / We certify that the above application-cum- bid is the only application-cum-bid submitted and no other application-cum-bid has been or is being submitted

separately for this city or local area by me / us either directly or through any affiliate entity.

Date:

Place:

**Name & Signature of Applicant/ Authorized Signatory**

**Official Seal**

**Instructions for filling the Application-cum-bid:**

1. All entries in the form and annexed documents should be legible with no cuttings.
2. Details requiring separate annexure / statement may be provided giving clear reference of the point against which the same is being attached.
3. All pages of the application-cum-bid and all annexure, statements, etc. need to be serially numbered and initialed by the person / official authorized by the entity through a notarized Power of Attorney.
4. Any information / data filled in the application-cum bid needs to be substantiated by attaching relevant proof of the same.
5. The applicant is required to submit 5 (Five) true copies of the application-cum-bid with all the enclosures in addition to the original.
6. Incomplete application-cum-bid is liable to be summarily rejected.

**Grant of authorization for setting-up / operating / expanding CGD network (As per Clause 4.4.1 and clause 5.2.4 of the Regulations Authorizing Development of City or Local Natural Gas Distribution Networks)**

---

To,

\_\_\_\_\_  
\_\_\_\_\_

**Subject: Grant of Authorization for laying, building, operating or expanding CGD network in the city of <\_\_\_\_\_> in the State/ UT of <\_\_\_\_\_>**

Sir / Madam,

With reference to your application-cum-bid for grant of authorization for laying, building, operating or expanding the CGD network in <name of city> in the State / UT of <name of State / UT>, it has been decided to grant the authorization for the same to you / your company. This grant of authorization is subject to the provisions under clauses 1 to 6 of the **Regulations for Development of City or Local Natural Gas Distribution Networks** and the following terms and conditions:

1. The activity/ activities of laying / building / operating / expansion < delete whichever is not applicable > of the said CGD Network to commence within a period of \_\_\_\_\_ days from the date of this authorization unless specific extension is approved by the Board.
2. The activities permitted above, shall have to be completed as per the approved time schedule enclosed. Any failure on the part of the entity in complying with the milestones prescribed in the time schedule may lead to default and termination of authorization under clause 4.11 of these Regulations.

3. The entity is obligated to design and install in phases as identified in its DFR (depending upon the potential demand for natural gas), an optimal size of the infrastructure in terms of pipelines of various types (including steel belting of the city or local area), CNG stations, compressors of adequate capacity, allied facilities and other equipments in the CGD network. The infrastructure in the CGD network should be adequate to maintain uninterrupted flow of natural gas at 19 kg/ cm<sup>2</sup> in the steel pipelines and be also able to maintain supplies at adequate pressure to online CNG stations.
4. The entity shall maintain an uninterrupted supply of natural gas to all categories of consumers in the CGD network. In the event of any disruption in the supply of PNG to domestic consumers, the entity shall be obligated to provide alternative delivered supply of LPG (including making free-of-cost change in the burner appliance to LPG use and restoring the same to its original use later) at an all-inclusive price of domestic PNG.
5. The CGD network shall be operated on a contract carriage or common carrier basis and third party access to the network would be allowed to any other entity on a non-discriminatory basis, subject to the provisions of the exclusivity period allowed as per point 6 b) below.
6. The entity, from the <date>, is allowed an exclusivity period as per the **Regulations for Exclusivity for City or Local Natural Gas Distribution Network**, in respect of the following:
  - a) \_\_\_\_\_ months for laying, building and expansion of the CGD network;
  - b) \_\_\_\_\_ months in terms of an exemption from the purview of common carrier or contract carriage for the CGD network.
7. The authorized entity shall be required to take prior approval from the Board for creation of any lien / charge / hypothecation of the city or local gas distribution network to secure finances for the project and furnish details of utilization of funds. However, in case of raising funds from any financial institution/ scheduled

bank, the entity will be required to only inform the Board of the sanction of the funds, within a period of 7 days.

8. The entity is obligated to submit a detailed and clear financial closure report to the Board within a period of 90 days from the date of authorization issued by the Board as per the provisions of clause 4.5.2 of these Regulations.
9. The entity shall publish the approved network tariffs for transportation of natural gas (including supply of natural gas to a CNG station before compression) in the CGD network in the city or local area.
10. The entity shall publish the applicable retail selling price of PNG for all categories of consumers and also display the retail selling price of CNG at all the CNG stations.
11. The furnishing of Performance bond of Rs.\_\_\_\_ crore is a guarantee for timely commissioning of the project as per the prescribed milestones submitted in the bid and for meeting the performance undertakings during operating phase of the project.
12. The entity shall abide by the service obligations specified by the Board as per **Annexure-H**. The entity shall also abide by the service obligations under the Regulations for Exclusivity for City or Local Natural Gas Distribution Networks.
13. In case the entity fails to comply with the service obligations or any term and condition specified herein, in full or in part, the Board may proceed for action as per the provisions in clause 4.11 of these Regulations, including cancellation of this authorization while assigning the rights & obligations to any agency/ another entity, on such terms and conditions, as it may deem fit. In the event of termination of authorization, the entity may be required, as per the directions of the Board, to continue the operations of the CGD network at the same level till another agency/ entity appointed by the Board takes over the full control of the CGD network.

14. The entity is obligated to comply with the provisions of any other Regulations and the provisions of the Act.

15. Any other term or condition, which may be notified by the Board in public interest, from time to time.

You are requested to confirm your acceptance in the space provided below and return the same in original.

Yours faithfully,  
Sd/-

**Name & Designation of Officer  
On behalf of the PNGRB  
Official Seal**

I / We hereby agree to all the terms and conditions subject to which I/ We have been granted authorization for laying, building, operating or expanding city or local natural gas distribution in the city of \_\_\_\_\_ in the State/ UT of \_\_\_\_\_.

Date:

Place:

**Signature of Applicant  
Name and Official Seal**

## Annexure-D

Quarterly submission of data by Authorized Entity (as per clause 4.8.1 of the Regulations Authorizing Development of City or Local Natural Gas Distribution Networks)

<b>A</b>	<b>Name of Authorized Entity</b>	
<b>B</b>	<b>Project Name</b>	
<b>C</b>	<b>Date of grant of authorization</b>	
<b>D</b>	<b>Date of commencement of operations</b>	
<b>E</b>	<b>Details of composition of the ownership of the entity (give details of variations, if any, since the date of authorization)</b>	
<b>F</b>	<p><b>Self certification by the Entity in terms of compliance with the requirements of the Affiliate Code of Conduct, to the extent applicable.</b></p> <p><u>Note:</u></p> <p>Board reserves the right to seek any information/ data from the entity, as it may deem to be fit, to satisfy itself to the compliance.</p>	

	<b>Information / data</b>	<b>For the Quarter</b>	<b>Cumulative for the year</b>
<b>G</b>	<b>Financial Details (in Rs. Lakh)</b>		
1	<b>Capital Investment</b>		
	(a) <u>Fixed Assets</u>		
	Opening Balance		
	Direct Additions		
	Transfer from CWIP		
	Deletions, if any		
	Closing Balance		
	(b) <u>Capital Work-in-progress (CWIP)</u>		
	Opening Balance		
	Additions		
	Transfer to Fixed Assets		
	Deletions, if any		
	Closing Balance		

2	<b>Operating Expenses</b>		
	Consumables & Chemicals		
	Utilities- (Power, Fuel)		
	Salaries		
	Repair & Maintenance		
	Gen Administrative Expenses		
	Insurance		
	Any other Expenses (to be detailed)		
3	<b>Financial Expenses</b>		
	Interest on Working Capital Borrowings (WCB)		
	Interest on Term Loans		
4	<b>Depreciation</b>		
5	<b>Revenue Earned</b>		
	Gas Transportation		
	Marketing of Gas		
	Other Income - Interest, etc		
6	<b>Loans Status</b>		
	(a) <u>Term Loans</u>		
	Opening		
	Added		
	Repaid		
	Closing		
	(Provide details of each loan - interest rate, moratorium period, term, terms and conditions, etc.)		
7	<b>Information to be submitted</b>	<b>For the</b>	<b>Cumulative for</b>
		<b>Quarter</b>	<b>the year</b>
	(b) <u>Working Capital Loans</u>		
	Opening		
	Added		
	Repaid		
	Closing		
	(Provide details of each loan - interest rate, moratorium period, term, terms and conditions, etc.)		

8	<b>Average Tariff Charged - Rs./MSCM</b>		
	CNG		
	Residential		
	Commercial		
	Industrial		
	Overall unit tariff		
<b>H</b>	<b>Physical Details</b>		
1	<b>Quantity of gas transported in the CGD Network (in MSCM)</b>		
	CNG		
	Residential		
	Commercial		
	Industrial		
2	<b>Average Calorific Value of Gas (in Kcal/SCM)</b>		
3	<b>Number of Consumers connected with PNG supplies</b>		
	Residential		
	Commercial		
	Industrial		
	<u>Note:</u> In respect of PNG domestic connections- a. Actual to be compared with the targets for PNG domestic connections bid. b. Shortfall, if any. c. Action plan of the entity to rectify the shortfall, if any, by providing additional connections to the extent of the shortfall in the next period.		
4	<b>Pipeline Length</b>		
	Till last quarter		
	Laid & Built in the current quarter		
	Length as at the end of the quarter		
	(Provide separately for all types of pipelines based on material (Steel/ PE), diameter, pressure rating, etc.)		
5	<b>CNG Stations</b>		
	Till last quarter		
	Added now		

	Total as on date		
	(To be Indicated against each type of CNG stations - mother, online & daughter stations)		
6	<b>Project Completion Status (in % terms)</b>		
	(as per approved schedule)		
	Provide details for each activities as per approved time schedule to the Grant of Authorization and reasons for deviation from the same, if any		
7	Any other information / data as may be prescribed by the Board or may be considered relevant by the entity.		

**Note :**

The Information / data in the above format should be certified by a firm of Chartered Accountants.

DRAFT

## Annexure - E

**Information to be provided for CGD network authorized by Central Government before the Appointed Day (as per Clause 5.1.1 of the Regulations Authorizing Development of City or Local Natural Gas Distribution Networks)**

To,  
**Chairperson,**  
**Petroleum & Natural Gas Regulatory Board,**  
1st Floor, World Trade Centre  
Babar Lane, Connaught Place,  
New Delhi – 110 001.

**Sub: Information in respect of CGD network in the city of \_\_\_\_\_ in the State/ Union Territory of \_\_\_\_\_**

(Attach separate sheets for providing information wherever necessary)

<b>Part-I – General details of the Entity and Technical details of the Project</b>		
<b>1</b>	<b>Details of the Entity</b>	
A	Name of the Entity	
B	Type of firm – Public Limited Company / Private Limited Company / Partnership firm / Proprietorship firm / Others (please specify) (Attach copy of Articles of Association / Partnership Deed, etc.)	
B	Date of incorporation & date of commencement of business	
C	Address of Registered office	
D	Name, addresses, telephone numbers, E-mail ID of all Directors / Partners / Proprietor (please provide full details with STD Code and Pin Code)	
E	Full particulars of the authorization granted by the Central Government for laying, building, operating or expanding the CGD network before the appointed day. Details of NOCs', clearances, etc. considered relevant by the entity to be provided. (Copies of the authorization and other documents to be enclosed).	
<b>2</b>		
<b>Financial Details</b>		
A	Share Capital / Proprietor's own Funds	
B	Loans – amount, tenure, moratorium period, rate of interest, taken from and	

	asset mortgaged / hypothecated for securing the same (if any)	
C	Reserves (if any)	
D	Fixed Assets	
E	Current Assets	
F	Current Liabilities	
G	Sales Turnover	
H	Profit After Tax	
	(Attach copies of audited Profit & Loss Account & Balance Sheet for the last 3 financial years) - In case the entity is a subsidiary company, copies of the audited Profit & Loss Account & Balance Sheet for the last 3 financial years of the Parent Company to be attached.	
<b>3</b>	<b>Business Activities of the Entity</b>	
A	Original cost & WDV of assets along with year of commissioning, detailed break-up of the operating costs, unit network tariff consumer category wise, unit average CNG compression cost, average unit transportation cost of cascade mounted CNG systems and retail selling price charged from each category of consumers during the last three years, etc.	
B	Details of technical or operational tie-up or collaboration with any other entity for laying, building, operating or expanding of CGD network	
C	Details of other business, if any, being carried out by the promoters for the last 3 years	
<b>4</b>	<b>Ownership &amp; Affiliate Details</b>	
A	Details of promoters	
B	Details of affiliate(s) of the entity mentioning the business relationship ("Affiliate" means as defined in the Regulations for Affiliate Code of Conduct)	
C	The entity undertakes to produce all relevant records / documents of itself and its related entities on demand by the Board.	Yes / No
D	The entity undertakes to abide by the Regulations for Affiliate Code of Conduct.	Yes / No
E	Is the entity a body corporate registered	Yes / No

	under Companies Act, 1956?	
F	Is the entity promoted by body corporate(s) registered under Companies Act, 1956?	Yes / No
G	The entity undertakes to become a body corporate (in case it is not a body corporate at the time of providing the information herein) registered under Companies Act, 1956 on grant of exclusivity as per the Regulations for allowing Exclusivity to an entity for City or Local Natural Gas Distribution Network.	Yes / No
<b>5 Technical details of the CGD Network</b>		
A	Name of the CGD Network	
B	Wards in the municipalities and charge area identified by the entity for the CGD Network along with a physical map indicating all the existing and proposed facilities.	
C	Technical specifications of the existing infrastructure in the CGD network, comparison with projections in the DFR and reasons for variation. (Attach copy of the feasibility report)	Full details regarding the pipelines design pressure, diameter, thickness, class, etc., area of the CGD network, route details, pipeline corrosion protection arrangements, city gate station(s), main block valves / isolation valves / emergency shutdown valves, odourization facilities, metering arrangements, CNG stations, HSE measures, etc. to be submitted.
D	Development Plan envisaged for the project - design & installed capacity of the CGD network along with details of phased-out plans including year when the same are envisaged.	
E	Year-wise growth achieved in physical infrastructure along with value till the appointed day	Details of number, length and type of pipelines laid and number and type of connections provided to consumers & CNG infrastructure in existence to

		be provided.
F	<p>i) Volume of natural gas transported in the CGD Network and sold (consumer category-wise) during last year-years till the appointed day</p> <p>ii) Reasons for variations in actual volumes transported and sold versus the projections in the DFR.</p> <p>iii) Volume of natural gas proposed to be transported and sold on an annual basis during the rest of the economic life of the project for each category of consumer.</p> <p>Also, give details of consumer tie-up, if any.</p>	
G	Number of PNG connections achieved category-wise and year-wise and reasons for variation with the projections in the DFR.	
H	Source (s) of supply of natural gas and capacity tie-up with the entity owning and / or operating natural gas transmission pipeline (including existing / proposed connectivity). Details of the natural gas source tie-up (s) to be provided phase-wise. (Enclose copies of agreements, MOU/ HOA reached.)	
I	Demand assessment over the economic life of project – estimated yearly demand for each category of consumers.	
J	Time schedule for phase wise completion of the project from the date of commencement of operations. (Complete details of all the activities associated with the completion of the project may be provided separately)	
J	Whether the State, in whose jurisdiction the CGD network is located, has enacted any legislation/ taken any administrative action to promote the use of natural gas in the said city? If the reply to the question is Yes, then provide copy of the said enactment/ administrative order.	Yes / No
K	Are all applicable technical standards, specifications including safety standards, as notified by the Board been considered and complied with while designing, laying, building, expanding or operating the CGD	

	network? Provide details.	
L	Is the development of city gas distribution network in line with the development plans of the City Administration / Local Government? Attach copy of notified development plans for the city.	Yes / No
M	Attach copy of the Disaster Management Plan in place.	
N	Is the project entitled to any subsidy or entitled for any exemption or deferment or waiver of any statutory levy from the State / Central Government? If yes, give complete details indicating the year-wise utilization plan of the entity.	Yes / No
O	Has the entity availed any period of exclusivity for laying, building, operating or expanding the CGD network till the appointed day?	
P	Details of future approved capex plans? What is the percentage of year-wise actual capex during the last three years to the projected capex in the DFR and reasons for variation? (The data is required to be provided for last three financial years and for the period till the appointed day)	
<b>Part-II: Any other submission considered as relevant by the entity</b>		
<b>Part-III: Detailed justifications for seeking exclusivity for laying, building, operation or expansion of CGD network</b>		
<b>A</b>	Justification for seeking exclusivity in laying, building or expansion of the CGD network. Please indicate the period of exclusivity sought.	Data, analysis and documents in support of the argument may be provided as attachments.
<b>B</b>	Justification for seeking exclusivity in terms of seeking exemption from the purview of common carrier and contract carriage. Please indicate the period for which the exemption is sought.	-do-

## **DECLARATION**

1. Certified that the above information is true to the best of my / our knowledge and belief and the information and data given in the Annexure and statements are correct, complete and truly stated, and if any statement made herein is found to be

incorrect, I / We shall be liable for proceeding and punishment under the provisions of the Act.

2. I/ we also undertake to provide any further information or data as may be required by the Board within the stipulated time.

Date:

Place:

**Name & Signature of Authorized Signatory**

**Official Seal**

**Instructions for providing information:**

1. All entries in the form and annexed documents should be legible with no cuttings.
2. Details requiring separate annexure / statement may be provided giving clear reference of the point against which the same is being attached.
3. All pages of the information format and all annexure, statements, etc need to be serially numbered and initialed by the person / official authorized by the applying entity through a notarized Power of Attorney.
4. Any information / data filled in the information format needs to be substantiated by attaching relevant proof of the same.
5. The information format is required to be submitted in 5 (Five) copies with all the enclosures in addition to the original.
6. Incomplete information format is liable to be summarily rejected.

## Annexure - F

### **Application for grant of authorization for CGD network (as per Clause 5.2.1 of the Regulations Authorizing Development of City or Local Natural Gas Distribution Networks)**

To,  
**Chairman,**  
**Petroleum & Natural Gas Regulatory Board,**  
1st Floor, World Trade Centre  
Babar Lane, Connaught Place,  
New Delhi – 110 001.

**Sub: Application for Grant of Authorization for City or Local Natural Gas Distribution project in the city of \_\_\_\_\_  
in the State/ Union Territory of \_\_\_\_\_**

(Attach separate sheets for providing information wherever necessary)

<b>General details of the Applicant and Technical details of the Project</b>		
<b>1</b>	<b>Details of the Applicant</b>	
A	Name of the Applicant	
B	Type of firm – Public Limited Company / Private Limited Company / Partnership firm / Proprietorship firm / Others (please specify) (Attach copy of Articles of Association / Partnership Deed, etc.)	
B	Date of incorporation & date of commencement of business	
C	Address of Registered office	
D	Name, addresses, telephone numbers, E-mail ID of all Directors / Partners / Proprietor (please provide full details with STD Code and Pin Code)	
<b>2</b>	<b>Financial Details</b>	
A	Share Capital / Proprietor's own Funds	
B	Loans – amount, tenure, moratorium period, rate of interest, taken from and asset mortgaged / hypothecated for securing the same (if any)	
C	Reserves (if any)	
D	Fixed Assets	
E	Current Assets	
F	Current Liabilities	

G	Sales Turnover	
H	Profit After Tax	
	(Attach copies of audited Profit & Loss Account & Balance Sheet for last 3 financial years) - In case applicant is a subsidiary company, copies of audited Profit & Loss Account & Balance Sheet for last 3 financial years of the Parent Company to be attached.	
<b>3 Business Activities of the Applicant</b>		
A	Original cost & WDV of assets along with year of commissioning, detailed break-up of the operating costs, unit network tariff consumer category wise, unit average CNG compression cost, average unit transportation cost of cascade mounted CNG systems and retail selling price charged from each category of consumers during the last three years, etc.	
B	Details of technical or operational tie-up or collaboration with any other entity (enclose copies of such agreements, MOUs/ HOA)	
C	Details of other business, if any, being carried out by the promoters for the last 3 years	
<b>4 Ownership &amp; Affiliate Details</b>		
A	Details of promoters	
B	Details of all affiliates of the applicant mentioning the business relationship between the applicant and the affiliates ("Affiliate" means as defined in the Regulations for Affiliate Code of Conduct)	
C	The applicant undertakes to produce all relevant records / documents of itself and its related entities on demand by the Board.	Yes / No
D	The applicant undertakes to abide by the Regulations for Affiliate Code of Conduct.	Yes / No
E	Is the entity a body corporate registered under Companies Act, 1956?	Yes / No

F	Is the entity promoted by body corporate(s) registered under Companies Act, 1956?	Yes / No
G	The entity undertakes to become a body corporate (in case it is not at the time of application) registered under Companies Act, 1956 on being selected for grant of authorization	Yes / No
<b>5 Technical details of the CGD Network</b>		
A	Name of the CGD Network	
B	Wards in the municipalities and charge area identified by the entity for the CGD Network along with a physical map indicating all the existing and proposed facilities.	
C	Technical specifications of the existing infrastructure and a comparison with that projected in the DFR and reasons for variation. (Attach copy of the feasibility report)	Full details regarding the pipelines design pressure, diameter, thickness, class, etc., area of the CGD network, route details, pipeline corrosion protection arrangements, city gate station(s), main block valves / isolation valves / emergency shutdown valves, odourization facilities, metering arrangements, CNG stations, HSE measures, etc. to be submitted.
D	Development Plan envisaged for the project - design & installed capacity of the CGD network along with details of phased-out plans including year when the same is envisaged.	
E	Year-wise growth achieved in physical infrastructure along with value.	Details of number, length and type of pipelines laid and number of connections customer over their types & CNG infrastructure in existence to be provided. Gross and Net block Value to be indicated over each asset-head.
F	i) Volume of natural gas transported in the CGD Network and sold (consumer category-wise) during last year-years till the appointed day	

	<p>ii) Reasons for variations in actual volumes transported and sold versus the projections in the DFR.</p> <p>iii) Volume of natural gas proposed to be transported and sold on an annual basis during the rest of the economic life of the project for each category of consumer.</p> <p>Also, give details of consumer tie-up, if any.</p>	
G	Number of PNG connections achieved category-wise and year-wise and reasons for variation with the projections in the DFR.	
H	Source (s) of supply of natural gas and capacity tie-up with the entity owning and / or operating natural gas transmission pipeline (including existing / proposed connectivity). Details of the natural gas source tie-up (s) to be provided phase-wise. (Enclose copies of agreements, MOU/ HOA reached.)	
I	Demand assessment over the economic life of the project – estimated yearly demand for each category of consumer.	
J	Time schedule for phase wise completion of the project from the date of commencement of operations. (Complete details of all the activities associated with the completion of the project may be provided separately)	
K	Whether the State, in whose jurisdiction the CGD network is located, has enacted any legislation/ taken any administrative action to promote the use of natural gas in the said city? If the reply to the question is Yes, then provide copy of the said enactment/ administrative order.	Yes / No
L	Whether applicable technical standards, specifications including safety standards, as notified by the Board been considered and complied with while designing, laying, building, operating and expanding the CGD network? Provide details.	

M	Is the proposed development of city gas distribution network in line with the development plans of the City Administration / Local Government? Attach copy of notified development plans for the city.	Yes / No
N	Copy of Disaster Management Plan to be attached	
O	Is the project entitled to any subsidy, tax waiver or exemption or deferment from the State / Central Government? If yes, give details.	Yes / No
P	Has the entity availed any period of exclusivity for laying, build, operate or expand the existing CGD network?	
Q	Details of of future approved capex plans? What is the percentage of year-wise actual capex to the projected capex in the DFR in the last three years and reasons for variation?	
R	Non-refundable Application Fee	Rs. <_____>
	DD / Cheque	
	DD / Cheque No. & Date	
	Name of Issuing Bank	
<b>Part-II: Any other submission considered as relevant by the entity with regards to the application for grant of authorization for CGD network by the Board</b>		
<b>Part-III: Detailed justifications for seeking exclusivity for laying, building, operation or expansion of CGD network</b>		
<b>A</b>	Justification for seeking exclusivity in laying, building or expansion of the CGD network. Please indicate the period of exclusivity sought.	Data, analysis and documents in support may be provided
<b>B</b>	Justification for seeking exclusivity in terms of seeking exemption from the purview of common carrier and contract carriage. Please indicate the period for which the exemption is sought.	-do-

## **DECLARATION**

1. Certified that the above information is true to the best of my / our knowledge and belief and the information given as Annexure and statements accompanying this application are correct, complete and truly stated, and if any statement made herein

is found to be incorrect, the application shall be rejected, the application fee shall be forfeited and I / We shall be liable for proceeding and punishment under the provisions of the Act.

2. I / We also undertake to furnish a Performance Bond, which may be prescribed by the Board.
3. I / We certify that this is the only application submitted and no other application has been or is being separately submitted for this city / geographic area by me / us directly or through any affiliate.

Date :

Place :

**Name & Signature of Applicant/ Authorized Signatory**  
**Official Seal**

**Instructions for filling the Application form:**

1. All entries in the form and annexed documents should be legible with no cuttings.
2. Details requiring separate annexure / statement may be provided giving clear reference of the point against which the same is being attached.
3. All pages of the application form and all annexure, statements, etc need to be initialed by the person / official authorized by the applying entity through a notarized Power of Attorney.
4. Any information / data filled in the application form needs to be substantiated by attaching relevant proof of the same.
5. The applicant is required to submit 5 (Five) copies of the application with all the enclosures in addition to the original.
6. Incomplete application is liable to be summarily rejected.

**Procedure for implementation the termination of Grant of authorization of CGD network (As per Clause 4.11.1.7 of the Regulations Authorizing Development of City or Local Natural Gas Distribution Networks)**

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The procedure for implementing the termination of the authorization of the entity to lay, build, operate or expand a CGD network following default by the entity as per the provisions of clause 4.11 of these Regulations, is as under:

1. On approval of termination of the authorization by the Board, the entity shall be required to submit a detailed statement of the ongoing activities in the CGD network, investments, liabilities and such other information as may be directed by the Board within a period of 30 days from the date of receipt of notice of termination by the entity.
2. The authorized entity shall be required to continue the operations of the CGD network at the same level till such time another agency/ entity, as per the decision of the Board, takes over the full control of the CGD network. The Board reserves the right to appoint any other entity/ agency to manage & operate the CGD network till such period of time and on such terms & conditions, as it may deem fit.
3. The Board may, in any manner as it deems fit (including through an issue of an advertisement), invite expression of interest or bids from entities interested in taking over the management and operation of the CGD network.
4. On receipt of expression of interest or bids, as the case may be, the Board may take an appropriate view on the procedure for evaluation and subsequent grant of authorization and an entity shall be selected to take over the operations of the CGD network from the defaulting entity.
5. The defaulting entity shall assign/ transfer its rights and ownership vested over all the assets created or acquired by it in the CGD network in favour of the entity selected by the Board.

6. The selected entity shall be required to make the full payment, to the defaulting entity for the assets taken over, within a period of 180 days from the date of assignment/ transfer of the assets. The quantum of payment shall be arrived at as follows:

Net Book Value of Assets (-) any loan outstanding (-) any other liability (-) penalty as may be imposed by the Board as per the provisions of section 28 of the Act and/ or Chapter IX of the Act.

7. The defaulting entity shall have to provide an undertaking to indemnify the newly authorized entity for any liability, which may arise later as a result of its past actions.
8. The selected entity shall deposit with the Board, the amount of penalty earlier deducted from the payment made to the defaulting entity, within a period of 15 days from the date of its final payment to the defaulting entity.

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## **Service Obligations of an Entity**

**( As per Clause 10 of the Format of Grant of Authorization in Annexure-C of the Regulations Authorizing Development of City or Local Natural Gas Distribution Networks)**

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### **1. General:**

- a) The entity shall obtain all statutory permits, clearances and approvals from the concerned approving authorities and shall at all times ensure the validity of said permits, clearances and approvals.
- b) During the continuance of the authorization, the entity shall supply natural gas to the city and its inhabitants in accordance with the terms of this authorization, charge the approved tariff, not change the domestic PNG price for the end consumers by more than once in a year and abide by the extant rules and regulations, including such revisions as the case may be.
- c) The entity shall enter into a firm agreement for delivery of natural gas till the city gate station for such quantity and period of time, as shall be necessary for ensuring an uninterrupted supply in the CGD network.
- d) The entity shall put in place an appropriate systems & procedures for:
  - i. protection of its property;
  - ii. prevention of loss and waste in the operation of the network;
  - iii. safe operation of network following the Technical standards and specifications including safety standards as prescribed by the Board;
  - iv. addition of odorant to natural gas as a safety requirement;
  - v. undertaking periodic safety awareness campaigns;

- vi. sale and distribution of natural gas;
- vii. redressal of consumer grievances;
- viii. specifying obligations of consumers & distributors, and
- ix. extension of the CGD network.

A documented copy of the said systems & procedures shall be provided by the authorized entity to the Board and shall widely publish the same in the interest of general public. Modifications, if any, suggested by the Board shall be carried out by the entity.

- e) The entity selling natural gas to a consumer, shall:
  - i. provide all relevant information with regards to the delivered price of natural gas including the tariff to be paid for using the CGD network and other relevant terms proposed in the contract;
  - ii. not exert any undue pressure on the consumer for shifting to natural gas usage;
  - iii. not make any offer for supply of natural gas conditional on the consumer availing any non-regulated service; and
  - iv. not make any representation or statement or give any answer or take any measure that is false or is likely to mislead a consumer.
- f) The entity shall enter into contract with its proposed consumers with appropriate clauses to ensure compliance to the obligations specified in clause 1(d) above as well as with respect to the following:
  - i. the time period for the validity of the contract; and
  - ii. frequency of billing or smart-card based pre-paid gas supply system.

- g) The entity reserves the right to discontinue supply of natural gas and / or dismantle the infrastructure created, in case of a failure on the part of the consumer in fulfilling its obligations specified in 1(d) above.
- h) The entity shall insure all the assets used in the business of city gas distribution and the insurance policy, in this regard, shall also cover third party liabilities.

## **2. Construction, Operation & Maintenance:**

- a) The entity shall not undertake any excavation or related work, which shall disturb or interfere with the surface of the traveled portion of any road / highway unless a permit for the same has been first obtained from the approving agency / agencies of the city / local administration and all works subsequently undertaken by the entity up to and including the restoration work shall be carried out to the satisfaction of the city / local administration.
- b) The entity shall not deviate from the permission granted in clause 2 (a) above without the prior approval of the approving agency / agencies of the city / local administration.
- c) The entity shall, in the construction, maintenance and operation of the city / local natural gas distribution system, use all reasonable precaution to avoid damage or injury to any person or property. The entity shall further be liable for any loss, injury or damage attributed to the negligence of the entity or its agents and also indemnify the affected parties.
- d) The entity shall establish a centralized control room for monitoring & control of the CGD network and be responsible for operationalizing the disaster management system.
- e) The entity shall put in place a supply chain management system including natural gas accounting system.

- f) The entity shall furnish on regular basis to the city / local administration, the map including detailed “as built” drawings, accurately depicting the size, depth & location of pipelines, related equipment, location of marker posts indicating the route, pipeline gradient, etc. of the CGD network and regularly update the same for any change, addition or deletion.
- g) The entity shall ensure that main pipeline, service pipelines and all other associated equipment, are installed in such a manner so as not to obstruct or interfere with the use of a public or private drain, sewer, water pipe, or other public utility already installed including street, alley, avenue, road and other public place in the city.
- h) In the event of the city proposing to construct, change or repair any water main, sewer, pipe, drain or other public improvement or change the status of any of its street, alley, road or public ground, which is being used by the entity for its main pipeline or related equipment, then the entity shall be under an obligation to raise, lower or relocate its facilities at its own expense.
- i) The entity shall ensure compliance of all necessary quality checks and inspection certification before providing connectivity to any gas delivery system.
- j) The entity shall properly purge, isolate, blind or dismantle any gas pipeline segment, equipment etc, which is not in use for long time or has been abandoned, so as to ensure complete safety and necessary modifications shall be carried out in the maps & drawings.
- k) The entity shall have proper systems & procedures including designated facilities for the purpose of undertaking inspection, testing, calibration & repair of meters & equipments etc.
- l) Any other service obligation, which the Board shall specify in consultation with City / Local Administration.

**3. Services and database to be maintained by the entity:**

- a) The entity shall have a current mailing address and telephone number in the geographic area / city where the city gas distribution network is being set-up / operated.
- b) The entity shall maintain a database and provide to the Board on request:
  - i. details of the consumers;
  - ii. the contract with the consumer;
  - iii. details of contract renewal or extension.

**4. Confidentiality of Consumer Information:**

- a) The entity shall not disclose consumer information to any person other than the Board, without the consent of the consumer in writing, except when the information has been sufficiently aggregated such that an individual consumer's information cannot be separately identified, or where the consumer information is required to be disclosed:
  - i. for billing or market operation purposes;
  - ii. for law enforcement purposes; and
  - iii. when past due accounts of the consumer have been transferred to a debt collection agency.
- b) The entity shall inform consumers regarding the conditions described in clause 4 (a) under which consumer information may be released to a third party without the consumer's consent.
- c) The entity shall not use consumer information obtained for a purpose other than for which it was obtained.

## 5. **Complaints:**

- a) The entity shall provide the address and telephone number of its consumer service centre for lodging of any complaint and widely advertise the same from time to time.
- b) The entity shall make all reasonable efforts in resolving the complaints received in a time bound manner.
- c) The entity shall maintain and periodically provide to the Board, the details of:
  - i. complaint received by the entity or referred to by the Board;
  - ii. method and time of disposal of complaint;
  - iii. complaint pending for redressal; and
  - iv. comment on the quality of service provided by the entity and suggestions, if any.