

MINISTRY OF PETROLEUM AND NATURAL GAS  
GOVERNMENT OF INDIA

GUIDELINES FOR SELECTION OF  
CUSTOMERS FOR DOMESTIC GAS  
AVAILABLE FROM SMALL/ ISOLATED  
FIELDS

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## **1. Background on allocation of non-APM gas from nominated fields**

- 1.1. Government has been formulating policy with regard to allocation and pricing of natural gas from time to time. The allocation of gas produced by NOCs has historically been done by MoPNG/GLC considering various aspects like sectoral gas usage, which is linked to priorities of the Government from time to time, keeping in regard the development of core sectors of economy like Power and Fertilizer, extraction of higher fraction of hydrocarbons in the form petrochemicals and LPG, city gas distribution, synchronization of development of upstream facilities of suppliers and downstream facilities of customers, the need for balanced regional development, etc.
  
- 1.2. Keeping in view availability of gas from new fields developed by NOCs MOP&NG brought out guidelines dated 28.6.2010 for pricing and commercial utilization of non-APM gas produced by NOCs from their nominated blocks.
  
- 1.3. These guidelines, while drawing from the principles earlier approved by the EGOM inter-alia brought out that:
  - (i) NOCs shall have the freedom to market non-APM gas produced from its nominated blocks.
  - (ii) Guidelines were laid for determination of gas price on a region-wise basis based on delivered price of dominant KG-D6 gas
  - (iii) Sectoral priority for identifying/ prioritizing the customers was specified in a definite order.
  - (iv) In the ladder of priorities, within each priority sector, the existing customer's APM shortfall was to be given priority over new demand.
  - (v) Gas was to be used outside the supply zone only if customers from above priority were not available.

- (vi) In case of new fields from which gas production could immediately start, the NOCs would straight away indicate the likely availability of non-APM gas, the likely customers to be identified and the list submitted to the Government for approval.
- (vii) Price of the gas was also fixed depending on the location of field, i.e. in West/North, Southern Cauvery, Southern KG Basin or NE
- (viii) All such gas production would be allocated by MOPNG.

## **2. Need for new guidelines for selection of customers in case of small/isolated fields not connected to the grid**

It is imperative that NOCs are able to quickly monetize the output of their discoveries. It has been felt that small discoveries where production is small and fields are isolated can be allocated to customers expeditiously without referring each case to MOPNG. The following guidelines define such small fields and prescribe the process to be followed for allocation amongst customers interested in this gas. The pricing of this gas shall be as per the guidelines of pricing and commercial utilization of non-APM gas produced by NOCs from their nominated blocks vide MOPNG order dated 28.6.2010 and any further orders issued in this regard, from time to time. Further, where applicable, separate compression charges may be levied by the NOCs.

## **3. Definition of the Fields to which these guidelines will apply**

The Fields that will be covered by this Policy will be the existing producing or new fields from nominated blocks satisfying one of the following two conditions:

“Fields whose peak production is less than 0.1 mmscmd and they are situated more than 10 Kms away from the gas grid,

**OR**

Fields whose peak production is less than 0.1 mmscmd and have a gas pressure which is less than the grid pressure”

These fields will be called **small and isolated fields** hereafter.

**4. Methodology for allocation of Gas from Small/Isolated and Marginal Fields to be followed**

- i. An advertisement / NIT and e-Tender will be brought out on the gas available from small and isolated fields from NOCs in at least one local language daily & one national daily mentioning the salient features of gas available from the isolated fields.
- ii. This will indicate, to the extent feasible, inter alia the quality, date of availability, compression charges (if any), duration of availability, quantity, location and delivery point of the gas field. Detailed information on the evaluation criteria along with broad salient features of Gas Sale/Transportation Agreement (as applicable) to be executed shall also be made known.
- iii. It will invite Expression of Interest (EOI) from those interested, henceforth called applicant, in the use of the gas as advertised. It will also indicate the compression/transportation charges, as applicable, to each field in advance and clarify that these shall have to be borne by the applicant (s).
- iv. EOIs shall be submitted in a sealed cover superscribing the priority sector they belong to. The sectors have been prioritized as given below.
  - a. Gas-Based Urea fertilizer plants
  - b. LPG Plants
  - c. Power Plants supplying power to the grid/state utilities at regulated rates under PPA.
  - d. CGD systems for domestic and transport sectors
  - e. Steel/Refineries/Petrochemicals for feedstock purposes.
  - f. CGD for industrial and Commercial Consumers.
  - g. Any other customers for captive and merchant power, feedstock or fuel purpose.

- v. The bid in the EOI shall indicate the quantity of gas required and date of offtake/delivery commencement of gas that is being promised by the applicant.
- vi. Applicants may be asked to furnish other financial/operational/commercial details as may be deemed fit in the EOI.
- vii. The EOIs so received will be segregated into sectors and must be processed in the sequential order of sectoral priority as listed in para 4(iv) above.
- viii. Allocation shall start from applicants highest in the priority in para 4(iv). Further, only if the full gas demands of all applicants in the preceding sector are met, will the succeeding priority sector be taken up for allocation in that sector.
- ix. Each applicant will also have to commit in the said sealed bid the date of offtake/delivery commencement of gas from that field. In case of multiple applicants in a sector, the gas will be first fully allocated to the applicant who indicates the earliest date of offtake/delivery commencement of gas. If more than one applicants indicate the same date of offtake/delivery commencement of gas, it will be allocated to all such applicants in proportion to their requirement. Allocation letters will be issued to such applicants and Gas Supply Agreements are concluded with successful applicants. Thereafter, these applicants would be called as customers. If any surplus gas is left after such allocation then applicants with later dates of use in that sector can be considered, and the process shall be repeated until all gas is exhausted. The balance applicants shall be kept in a sector-wise waitlist.
- x. All applicants, without relaxation of any kind whatsoever, are to furnish Security Deposit (SD) as part of the EOI to cover minimum six weeks Gas cost in form of either:
  - a. Unconditional Irrevocable Bank Guarantees (BGs) (six separate BGs each covering 1 week of cost of gas allocated)

OR

- b. Irrevocable Letter of Credit with instructions which allow the beneficiary to perform multiple part encashment.

Such SD shall be issued by a scheduled/nationalized bank. The Security Deposit/s should be valid for at least one year from the date of opening of bids or for a period of six months beyond the promised date of utilization, whichever is later. It should be ensured that funds can be realised on a weekly basis in the event of delay in utilization of gas as per the end-use stated by the customer in the bid document beyond the deadline promised in the bid. The delay should be attributable to the delay on part of customer. After retaining the pro-rata amount for the actual number of days delayed from the SD amount, the balance amount shall be refunded to the customer. In case of allocation lesser than that required by the applicant, this SD shall be moderated to the actual allocation level. The copy of SD shall also be communicated to the banker (of the customers providing the SD) to ensure that SD is in order. These provisions shall be adequately and a priori be explained to the customers and written consent of these conditions will be obtained from the customers.

- xi. In case of delay by customer beyond six weeks, the allocation need not be cancelled provided the customer provides additional SD for a further period of 6 weeks are provided by the customer on the same terms and conditions as in para 4(x). In case it is not provided within seven days from the expiry of the first 6 week period, the allocation to that customer shall stand cancelled and gas can be allotted to the next applicant in the queue from the previous bid, or a new bid can be undertaken if no valid prior bids are available for that sector.
- xii. In case there is any difficulty in invoking the SD as envisaged in para 4(x), opportunity may be given to the customer to provide the equivalent SD amount due through a bank draft within 5 working days, failing which the allocation will be liable to be cancelled forthwith without any further notice and that gas can be allotted to

- the next applicant in the queue from the previous bid or a new bid can be undertaken if no prior bids are available.
- xiii. The SD will be invoked for the delay in taking the gas on part of the customer as described in para(ix) above.
  - xiv. The final allocation of gas made shall be hosted on the company's website and also communicated to MOPNG.
  - xv. Any existing and contracted production from small/isolated fields shall not be affected by this policy. Gas not yet allocated from such fields can be allocated under this policy.
  - xvi. Cases not covered under these guidelines, if any, may be referred to Government for a decision.
  - xvii. In case gas production exceeds 0.1 mmcmd after the initial allocation, the matter shall be brought to the notice of MOPNG for further orders.
  - xviii. The applicants shall be informed that in case the overall production from the small/isolated field increases beyond 0.1 mmcmd and the field gets connected to the grid at a later stage, the existing customers shall be assured of the domestic gas supply only for a period of one year from such connection to the grid in case there is unfulfilled gas demand from a higher priority customer on the grid at any point in time after connection to the grid. Thereafter, only RLNG shall be made available to them in lieu of the domestic gas at the prevailing delivered RLNG prices.
  - xix. In case the production increases to a higher level than initially expected/advertised as part of the buildup (but remains lesser than 0.1 mmcmd) and is expected to remain so on a sustained basis, the additional gas can be offered to existing allottees up to their indicated requirement in their bids, and thereafter can be offered to the customers in the waitlist as per the guidelines.
  - xx. In case of decrease in production, cuts will be first made within the lowest priority sector, and within the sector the cuts will be made on a pro-rata basis.

- xxi. The policy shall be subject to review by MOPNG after 1 year.
- xxii. NOCs shall regularly send a status report to MOPNG on the fields that are proposed to be allotted before and after the allotment and MOPNG shall reserve the right to allot the gas outside this policy.