



Government of India
Ministry of Petroleum and Natural Gas
Shastri Bhawan, New Delhi-110001 (Fax: 23389985)

Ref No. L-12022/3/2015-GP-II

Dated: 20th May, 2015

To

The Manager,
Govt. of India Press,
Ring Road, Maya Puri,
New Delhi - 110064.

Sub: Publication of Notification in the Extra Ordinary Gazette of India in part 2, Section 3, sub section (ii) regarding guidelines for pooling of gas in fertilizer (Urea) sector.

Sir,

Please find enclosed herewith a Notification on the above subject for publication in the Extra Ordinary Gazette of India. The notification may please be published at the earliest and 200 copies of the same may be made available to this Ministry. A soft copy of the notification is also forwarded herewith.

Encl: As Above.

Yours faithfully,

(U.P. Singh)

Joint Secretary to the Government of India
Tel. No. 2338-1832

[TO BE PUBLISHED IN PART-II, SECTION 3, SUB-SECTION (ii) OF THE EXTRA
ORDINARY GAZETTE OF INDIA]

Government of India
Ministry of Petroleum and Natural Gas

Notification

New Delhi, the 20th May, 2015

Guidelines for Pooling of Gas in Fertilizer (Urea) Sector,

F. No. L-12022/3/2015-GP-II – In pursuance of the approval of the Cabinet Committee on Economic Affairs (CCEA) for pooling of gas for Fertilizer (Urea) sector in its meeting held on 31.3.2015, Government of India hereby, notifies Guidelines for Pooling of Gas in Fertilizer (Urea) Sector, as hereunder:-

1. The domestic gas will be pooled with Re-gasified Liquefied Natural Gas (R-LNG) to provide natural gas at uniform delivered price to all Natural Gas Grid connected Urea manufacturing plants for the purpose of manufacturing of Urea. The Urea plant of M/s Brahmaputra Valley Fertilizer Corporation Ltd. will be kept outside the pooling mechanism for technical reasons. This pooling mechanism will come in to effect from 1st July, 2015.
2. Pooling will be carried out in following two Phases:
 - a) Phase I (2015-16 till 2017-18): Pooling of gas for existing Units along with the conversion Units which will be supplied gas as and when the pipeline connectivity is established.
 - b) Phase II (2018-19 onwards): Pooling of gas considering the requirement of existing Units (including conversion Units) and proposed Brownfield / Greenfield Units.
3. To monitor the pooling an Empowered Pool Management Committee (EPMC) has been constituted as follows:
 - i. Additional Secretary, MoPNG - Chairman
 - ii. Joint Secretary(GP), MoPNG - Convener Member
 - iii. Joint Secretary, Department of Fertilizers - Member
 - iv. Joint Secretary, Department of Expenditure - Member
 - v. Director General, PPAC - Member
 - vi. Executive Director, FICC - Member
 - vii. Director (Marketing), GAIL - Member

4. The EPMC shall have the following responsibilities:

- i. To approve the plant-wise gas supplies to be made under gas pool mechanism.
- ii. To approve the Liquefied Natural Gas (LNG) Purchase arrangements as required for the pooling purpose through medium term / spot LNG.
- iii. To monitor optimum utilization of domestic gas for the pool and monitor the efforts by GAIL/ authorized agency to get LNG at competitive prices in a transparent manner.
- iv. To decide the rate of interest that FICC shall charge on the amount paid by FICC to Pool Fund Account (PFA) on behalf of a fertilizer plant in case it fails to deposit full/ part amount to PFA against the debit note within due date.

5. GAIL (India) Ltd. has been designated as pool operator for this pooling.

6. GAIL (India) Ltd. as a pool operator shall have the following functions:

- i. To collect the data regarding anticipated quantity of gas to be supplied to fertilizer units on quarterly basis as per existing contracts.
- ii. Determine the additional quantity of R-LNG required for meeting the demand of fertilizer sector and communicate the same to EPMC.
- iii. Determine Plant wise and uniform weighted average delivered cost of gas based on the anticipated supply to be made as per existing contracts and additional quantity of R-LNG as decided by EPMC.
- iv. Determine actual plant wise delivered weighted average cost based on the information submitted to pool operator by FICC.
- v. Undertake bidding process as per the procedure determined by EPMC to source additional quantity of R-LNG required.
- vi. Ensure that the quantity of domestic gas is not sacrificed in the pool for commercial interests
- vii. On the 1st of every month, declare uniform delivered pool price of gas for fertilizer (Urea) sector for the month.
- viii. Maintain Pool Fund account (PFA).

7. Pool operation Mechanism:

- i. Department of Fertilizers will determine the Plant-wise gas requirement on quarterly basis, 45 days prior to the beginning of the quarter, (For eg. Department of Fertilizers should submit the requirement for quarter, July to September, 2015 to pool operator by 17th May, 2015) for urea production and draw the total requirement of natural gas for urea sector, which would be then informed to the Pool Operator.
- ii. The Pool Operator shall seek the quarterly anticipated quantity and projected price of domestic gas and contracted term RLNG going to be supplied by each supplier to the individual plant participating in the pooling. Each supplier has to submit the data to Pool operator, 45 days prior to the beginning of the quarter (eg. supplier

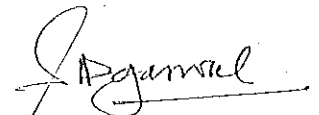
should submit the plant wise anticipated quantity of gas to be supplied and price for quarter July to September, 2015 to pool operator by 17th May,2015)

- iii. Considering the total anticipated gas availability received from various suppliers and the requirement projections of Fertilizer sector as submitted by DoF, the pool operator would determine the quantity of LNG required for bridging the gap between projected demand and the anticipated gas availability.
- iv. The requirement of such additional quantity of LNG shall be informed to EPMC by the pool operator, 43 days prior to beginning of a quarter, (eg. Pool operator should submit additional LNG required by fertilizer plants for quarter July to September, 2015 to the EPMC by 19th May,2015)
- v. The EPMC shall inform the pool operator 40 days prior to beginning of a quarter the plant wise additional quantity of LNG to be supplied during the quarter and the procedure to be undertaken by pool operator to source the LNG. (eg. EPMC should inform the pool operator plant wise additional LNG to be supplied and the procedure to source the same for quarter July to September, 2015 by 22nd May,2015)
- vi. Based on approval of EPMC, LNG Purchase arrangements as required for sourcing additional quantity of LNG through medium term / spot LNG shall be carried out by the pool operator. The necessary commercial agreement between individual fertilizer plants and concerned supplier for supply of additional quantity of LNG as decided by EMPC will be executed before the beginning of the quarter.
- vii. On 1st of every month the pool operator will declare a uniform delivered pool price (eg. the pool price for the month of July, 2015 will be declared by pool operator on 1st July). For determining the uniform delivered pool price the pool operator would first determine weighted average delivered price of individual urea plants. The plant wise weighted average delivered price shall be determined considering the individual Unit-wise delivered price of anticipated quantity of domestic gas and R-LNG to be supplied by pool operator as per the decision of EPMC, during the month. The pool operator shall consider the applicable taxes as per the most recent invoice and projected future prices of different gases (the projection of gas prices for this purpose will be made by the pool operator based on the projection of individual supplier) while calculating the delivered price. Then, a weighted average uniform delivered pool price of all fertilizer plants participating in the pool would be computed by accounting for weighted average delivered price of all units participating in the pooling. A sample calculation for determining plant wise and uniform delivered pool price is at **Annexure-I**.

- viii. Existing suppliers, in accordance with their existing contract, shall continue to raise invoices to their respective fertilizer (Urea) customers. This practice will also be followed for new/ additional gas to be supplied. Each Fertilizer Unit shall make the payment to their respective suppliers as per the invoices received.
- ix. After completion of a month, latest by 1st week of succeeding month, FICC will communicate to the pool operator the plant wise actual billing for different type of gas supplied to the plant during the previous month based on the actual invoices raised by various gas suppliers during the said period (eg. FICC will communicate to pool operator the plant wise actual billing of different gas during the month of July, 2015 based on the actual invoices raised by various gas suppliers, latest by 1st week of August, 2015)
- x. Based on above information, the pool operator will determine plant wise actual weighted average delivered price of gas during a month latest by 10th of succeeding month. (eg. pool operator should determine the plant wise actual weighted average delivered cost of gas for the month of July,2015 latest by 10th August, 2015).
- xi. It may so happen that the actual weighted average delivered cost of gas of a fertilizer plant for a month is less than or more than the uniform delivered pooled price declared for that month. So it has been decided that the pool operator should maintain a separate Pool Fund Account (PFA) and the difference between the actual weighted average delivered price as determined and the uniform delivered pooled price as declared by the pool operator shall either be paid-in by individual urea unit to the PFA or reimbursed by the pool operator from PFA.
- xii. After completion of a month the pool operator shall prepare debit note latest by 15th of succeeding month (if the uniform delivered pooled price so declared by the pool operator is more than actual weighted average delivered price of gas of the plant) and credit note (if the uniform delivered pooled price so declared by the pool operator is less than actual weighted average delivered price of gas of the urea plant) equivalent to the difference between declared uniform delivered pool price and actual weighted average delivered price for the entire quantity of gas supplied to individual urea plant during the month. The same debit or credit note will be forwarded by pool operator to individual fertilizer plant and FICC by 16th of succeeding month. (eg. the pool operator shall prepare debit/ credit note of individual plant for the difference in declared uniform delivered pool price and actual weighted average delivered price on the quantity of gas supplied during the month of July,2015 by 15th August, 2015 and forward the same to individual fertilizer plant and FICC by 16th August, 2015).
- xiii. Within four working days from the date of receipt of such debit note the amount mentioned in debit note shall be paid in full by individual fertilizer unit in to the

PFA. In case the fertilizer unit fails to deposit full/ part amount of the debit note in to the PFA within the due date then FICC shall deposit the same amount in to PFA by deducting equivalent amount from the plant's provisional monthly subsidy claim within one week from the due date. Further, FICC shall charge an interest rate as decided by EPMC on the amount it has paid to PFA on behalf of the fertilizer plant from the date the payment became due.

- xiv. The pool operator by 23rd of succeeding month shall release payment to individual fertilizer plants from PFA against their credit notes, in proportion to the amount collected in the PFA and amount needs to be paid to the individual plant from PFA against their credit note.
- xv. The pooled price will be adjusted on a monthly basis considering the share of domestic gas/ RLNG (including incremental domestic / RLNG) in the pool depending upon the gas requirement for Urea production in both the phases.
- xvi. In case, the pool operation is terminated, then the balance in PFA (positive or negative) shall be paid-in or paid-out by FICC. Further, as and when the requirement of existing units increases on account of efficiency or commissioning of new facilities, the pool would accommodate the same by augmenting the pool quantity through new sources.
- xvii. FICC shall monitor the utilization of pooled gas for the intended purpose only (for manufacturing of Urea) by Fertilizer units.



(S.P. Agarwal)

Under Secretary to the Govt. of India

The mechanism for arriving at the weighted average price is illustrated below:**For Unit U1**

V1 and V2 = Anticipated volume of domestic gas and RLNG respectively as decided by EPMC.

P1 and P2 = Projected price of domestic gas and RLNG respectively.

For Unit U2

V3 and V4 = Anticipated volume of domestic gas and RLNG respectively as decided by EPMC.

P3 and P4 = Projected price of domestic gas and RLNG respectively.

For Unit U3

V5 and V6 = Anticipated volume of domestic gas and RLNG respectively as decided by EPMC.

P5 and P6 = Projected price of domestic gas and RLNG respectively.

Step 1: Derivation of Unit-wise weighted average price**Derivation of weighted average price for Unit U1 (WAP1)**

$$WAP1 = \frac{P1 \times V1 + P2 \times V2}{(V1 + V2)}$$

Derivation of weighted average price for Unit U2 (WAP2)

$$WAP2 = \frac{P3 \times V3 + P4 \times V4}{(V3 + V4)}$$

Derivation of weighted average price for Unit U3 (WAP3)

$$WAP3 = \frac{P5 \times V5 + P6 \times V6}{(V5 + V6)}$$

Step 2: Derivation of Uniform Delivered Pool Price/ of weighted average price for all Units i.e. Fertilizer Sector (WAP)/

$$WAP = \frac{WAP1 \times (V1 + V2) + WAP2 \times (V3 + V4) + WAP3 \times (V5 + V6)}{(V1 + V2 + V3 + V4 + V5 + V6)}$$