

آئل اینڈ گیس
ریگولیٹری اتھارٹی



Oil & Gas
Regulatory Authority

ISLAMIC REPUBLIC OF PAKISTAN

LICENSE

FOR

**CONSTRUCTION AND OPERATION OF PIPELINE FOR
TRANSMISSION OF NATURAL GAS**

TO

INTER STATE GAS SYSTEMS LIMITED (ISGS)

UNDER

OIL AND GAS REGULATORY AUTHORITY ORDINANCE, 2002

AND

**NATURAL GAS REGULATORY AUTHORITY (LICENCING)
RULES, 2002**

Licence No. NG-19/2019

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Islamabad, the 28 January, 2019

License No. NG-019/2018

THE LICENSE

The Oil and Gas Regulatory Authority (the “**Authority**”), established under the Oil & Gas Regulatory Authority Ordinance, 2002 (Ordinance No. XVII of 2002), and in exercise of its powers conferred by Sections 22(1) and 23(1) of the said Ordinance and Rule 3(3) of the Natural Gas Regulatory Authority (Licensing) Rules, 2002 (the “**Licensing Rules**”) hereby grants to Inter State Gas Systems Limited (ISGS) (the “**Licensee**”) having its registered office at 8th Floor, Petroleum House, Attaturk Avenue, Sector G-5/2, Islamabad, Pakistan a license (the “**License**”) to undertake the following activities (the “**regulated activities**”), subject to the terms and conditions (the “**Conditions**”) given herein:

Construction and Operation of Natural Gas Pipelines along with ancillary / connected facilities for the purpose of Transmission of Natural Gas for the following Projects:

- a) *Iran-Pakistan (IP),*
- b) *Turkmenistan-Afghanistan-Pakistan-India (TAPI), and*
- c) *North South Gas Pipeline Projects (NSGP).*

Validity

The License shall be valid for an initial term of 15 years from 29/01, 2019 (effective date), unless the License is revoked earlier under the provisions of the Ordinance, Rules, terms and conditions of the License.



(Dr. Abdullah Malik)
Member (Oil)



(Noorul Haque)
Member (Finance)



(Uzma Adil Khan)
Chairperson

General Conditions applicable to the Licensee

1. Definitions

1.1 The Words and expressions used in the License but not defined herein shall have the same meaning as are assigned to them in the Oil and Gas Regulatory Authority Ordinance, 2002 (XVII of 2002), and the rules, regulations and Network Code framed there under.

1.2 In this License, unless there is anything repugnant in the subject or context,-

1.2.1 "**Access Arrangement**" means an agreement between transporter and shipper for transportation of gas by utilizing capacity of gas pipeline transportation system, as approved by the Authority.

1.2.2 "**Authority**" means Oil and Gas Regulatory Authority as defined in OGRA Ordinance, 2002.

1.2.3 "**Capacity Allocation**" means the maximum daily quantity in MMCF of gas allocated by a transporter to a shipper which can be received at a certain entry point and delivered at a certain exit point and, as and when necessary arrangements have been made by the transporter in this regard, the capacity allocation will be made in MMBTU terms.

1.2.4 "**Consents**" means all such acknowledgements, agreements, approvals, authorizations, concessions, consents, decisions, licenses, notifications or permits required to be obtained by the Licensee prior to construction, testing, operation and related activities of the transmission system.

1.2.5 "**Dispute**" means any dispute or difference arising between the parties to the access arrangement or the interconnection and operation arrangement.

1.2.6 "**Financial Year**" means a period of twelve (12) months commencing on July 1st of each year and ending on June 30th of the following year.

1.2.7 "**Ordinance**" means Oil and Gas Regulatory Authority Ordinance, 2002 (XVII of 2002).

- 1.2.8 **"Party"** means a transporter, shipper or connected system operator who has entered into an access arrangement or interconnection and operation arrangement under these rules and includes any user of the gas pipeline transportation system.
- 1.2.9 **"Project"** means transmission of natural gas through a specified route or in a geographical area, where the applicant proposes to build the requisite pipelines and other infrastructure.
- 1.2.9 **"Regulated Activities"** means the scope of activities that is confined to the construction and operation of the transmission system by the Licensee and provision of gas transmission services to the shippers under the applicable Rules.
- 1.2.10 **"RLNG"** means the natural gas obtained after gasification of liquefied natural gas.
- 1.2.11 **"Rules"** means the Natural Gas Regulatory Authority (Licensing) Rules, 2002, OGRA Gas (Third Party Access) Rules, 2018, Natural Gas Tariff Rules, 2002 and any other applicable rules framed under the Ordinance;
- 1.2.12 **"Shipper"** means a person holding a valid licence issued by the Authority for transmission, distribution or sale of gas through an Access Arrangement for transportation of gas by utilizing capacity of gas pipeline transportation system above such thresholds as may be specified in the Network Code;
- 1.2.13 **"Transmission"** means the activity of transporting natural gas through pipelines and other facilities at a pressure of not less than 300 PSIG or such pressure as the Authority may prescribe from time to time except through pipelines situated wholly within the boundaries of an area to which petroleum rights apply and are owned or operated by the holder of petroleum right;
- 1.2.14 **"Transmission System"** means the pipeline and associated facilities and equipment used by the Licensee from time to time for undertaking the transmission of natural gas from an entry point to exit point;
- 1.2.15 **"Transportation Tariff"** means the charges payable by a shipper to the transporter for the transportation of gas under the access arrangement and which shall be determined in accordance with the tariff methodology as specified in Schedule -1 of OGRA Gas (Third Party Access) Rules, 2018.

1.2.16 “**Transporter**” means a person holding a valid license issued by the Authority for construction and operation of pipeline for transmission, distribution or sale of gas through a gas pipeline transportation system.

1.3. Any reference to a statute or a delegated legislation shall be deemed to mean and include its modification, amendment, replacement or substitution by a subsequent law.

2. Compliance with Laws / Ordinance / Rules

2.1 The Licensee shall ensure that it complies at all times with the applicable laws of Pakistan including the provisions of the Ordinance and the Rules, Regulations made thereunder.

2.2 The breach of any law, including the breach of any provision of the Ordinance or any Rules or Regulations framed there under or a decision of the Authority shall be deemed to be a breach of the terms and conditions of the License.

2.3 The Licensee shall apply for, obtain and maintain all consents necessary under applicable laws for carrying out the regulated activities properly and in a timely manner and shall diligently pursue all such applications.

3. Renewal, Modification and Revocation of Conditions

3.1. On an application by the Licensee to the Authority at least two (02) years prior to the expiry date of this License, the Authority may renew the License in accordance with the provisions of the Ordinance and the Rules, as amended from time to time.

3.2. The terms and conditions of the License may be amended, varied, modified or revoked by the Authority in accordance with the provisions of the applicable laws.

4. Effectiveness, Early Termination of License

4.1 The license hereby granted will be effective subject to fulfillment of the following activities under Natural Gas Regulatory Authority (Licensing) Rules, 2002.

a. Construction and operation of Gas Transmission Pipeline Projects, i.e. Iran-Pakistan (IP), Turkmenistan-Afghanistan-Pakistan-India (TAPI) and North South Gas Pipeline Projects (NSGP).

- b. In case the Licensee could not comply with the aforesaid covenant and failed to start operation of any of the above Projects, within three (03) years of issuance of the license, the license granted shall stand cancelled / revoked forthwith. Thereafter, a fresh application along with fee will have to be submitted to the Authority for consideration.
- c. In case works related to any of the above Project (s) are initiated and development works w.r.t. other Project (s) is delayed, the Licensee may approach OGRA, at least 6 months before expiry period of 3 years of this license as stated above, for extension / revision of its Projects timelines with tangible / cogent reasons.
- d. In case the Project is on BOOT (Build, Own, Operate and Transfer) basis, the SPV (Special Purpose Vehicle) Company shall also apply to OGRA for the requisite Licence, under NGRA (Licensing) Rules, 2002.
- e. In case of SPV, being Owner / Operator of the Project, separate licence will also be required, as per Rules.

5. Transportation Tariff

- 5.1. The Authority shall approve the transportation tariff of the licensee under the access arrangement, for each project separately or otherwise, undertaken by it in respect of regulated activity / activities in accordance with the relevant criteria laid down for such determination in the Ordinance and the Rules, or any decision thereof by the Authority, as amended from time to time.
- 5.2. The Licensee shall not charge or collect any fees or other charges except upon approval of the Authority.
- 5.3. Any penalty or fine imposed on the Licensee under the Ordinance or the Rules shall not form part of admissible expenditure for the purposes of working out transportation tariff of the Licensee.

6. Payment of Fee

- 6.1 The Licensee shall promptly and regularly pay the fees prescribed under the Rules, as amended from time to time.
- 6.2 Unless otherwise prescribed in the Rules, the Licensee shall pay annual fees of 0.5 percent of the annual turnover (as specified in the Licensing Rules) of the Licensee from the Transmission of natural gas, in respect of the most recent completed financial year.
- 6.3 If the annual turnover for the most recent completed financial year is not certain then the Licensee shall use a reasonable estimate of the



annual turnover for calculation and payment of the annual fees under Condition 6.2.

- 6.4 The Licensee shall, if it has used an estimate of the annual turnover under Condition 6.3, file with the Authority a revised account showing the actual annual turnover and the annual fee on the basis of such actual amount on or before September 30th of the year in which the estimate was made, or any other date approved by the Authority in respect of the annual fee where an estimate of annual turnover was used as the basis for calculation of the annual fee. Any short payment in annual fee made evident as a result of filing of the revised account shall be paid to the Authority within forty-five (45) days of filing of such revised account.
- 6.5 The Authority shall, if it has received overpayment of annual fees, refund the amount equal to the amount by which it was overpaid after filing of the above mentioned revised account. The Licensee shall not be entitled to any interest or other additional amount in respect of such over-payment.

7. Maintenance of proper Accounts of the Regulated Activities

- 7.1 The Licensee shall keep and maintain proper books of accounts and records of its revenues, costs (including depreciation), expenses, assets and liabilities attributable to the regulated activities separately from those in respect of its other businesses.
- 7.2 The financial statements prepared under Condition 7.1 shall set out and fairly present the costs (including depreciation) revenues, assets employed and liabilities of, or as may be reasonably attributable to, the regulated activities and show separately the amounts of any revenue, cost, expense, assets or liability which has been:
- 7.2.1 Charged from or to any other business of the Licensee; and
- 7.2.2 Determined by apportionment (in accordance with the rules previously approved by the Authority) and divided among other businesses of the Licensee together with a description of the basis of the charge or apportionment.



8. Separate Accounts for Regulated Activities

- 8.1 The Licensee shall keep proper books of accounts and records for Transmission of natural gas in such form as prescribed in Natural Gas Uniform Accounting Regulations 2003.
- 8.2 The Licensee shall procure, in respect of financial statements prepared in accordance with the Condition 8.1 in respect of a financial year, a report by the auditors and addressed to the Authority stating whether in their opinion the set of financial statements have been properly prepared.

9. Continuing Obligations

- 9.1 Time shall be of essence in respect of any obligation which is required to be performed by the Licensee within a specified time period.
- 9.2 Subject to just exception under the law, where the Licensee is required to perform an obligation within a specified time limit and fails to do so, the Licensee shall be in breach of its License even if such obligation is subsequently complied with.

10. Sale, Assignment and Transfer

- 10.1 The Licensee shall not charge or otherwise encumber, assign or transfer, in whole or partly, the License or any rights or obligations thereunder without having obtained the prior written approval of the Authority in accordance with the provisions of the Ordinance and the Rules.
- 10.2 The Licensee shall not (except for securing repayment of a loan or other financing facility obtained in the normal course of business), without the prior written approval of the Authority, encumber any of its operating assets which shall, in the opinion of the Authority, adversely affect its ability to perform its obligations under this License.

11. Transparency in Procurement Policies and Procedures

- 11.1 The Licensee shall adopt transparent and competitive procurement policies and procedures in relation to the regulated activities and make available the same to any person upon request.



11.2 The Licensee shall obtain approval from the Authority prior to entering into or amending an access arrangement or interconnection and operation arrangement.

12. Provision of Regulated Activities

12.1 The Licensee shall provide the regulated activities to all shippers in accordance with the provisions of the Ordinance and the Rules.

12.2 The Licensee shall undertake the regulated activities without fear or favour and shall not exercise discrimination against or show undue preference towards any shipper or retail consumer for natural gas.

13. Training, Research and Development

The Licensee shall allocate appropriate resources for Training, Research and Development to improve operational efficiency and safety aspect of the regulated activities.

14. Gas Quality

The Licensee shall deliver natural gas of the quality and specifications as agreed in access arrangement and which shall conform to the parameters determined / approved, from time to time, by the Authority in accordance with the provisions of the Ordinance and the Rules.

15. Environmental Standards

The Licensee shall conform to the requirements of the Pakistan Environmental Protection Act, 1997 (XXXIV of 1997), as amended from time to time.

16. Technical Standards

The Licensee shall conform to the Natural Gas Transmission (Technical Standards) Regulations, 2004 and Standard Technical Specifications for Equipment and Materials as prescribed by the Authority for undertaking the regulated activities or other related technical standards, issued from time to time by the Authority.

17. Maintenance and Safety Program



- 17.1 The Licensee shall develop and implement an annual maintenance and safety program for the regulated activities.
- 17.2 The Licensee shall, after consultation with the shippers and other parties, submit the annual maintenance and safety programme to the Authority, firstly, within one hundred and eighty (180) days of the issuance of the License, and thereafter on the 1st of July of each financial year or at such other date as may be approved by the Authority at the request of the Licensee.
- 17.3 The Licensee shall not later than sixty (60) days after the end of each financial year submit to the Authority a report on the result of the implementation of the program during such financial year including details of:
- 17.3.1 Any incidents concerning the safety of each of the regulated activities carried on by the Licensee and the action taken by it in response thereto;
- 17.3.2 The maintenance activity carried out by the Licensee in respect of the regulated activities including maintenance of meters, and measurement devices;
- 17.3.3 Any amendments the Licensee proposes to make to the program; and
- 17.3.4 Any other information required by the Authority.
- 17.4. The Authority may, from time to time, in consultation with the Licensee, direct the Licensee to make changes to the program in order to enhance the safe operation of the regulated activities.

18. Emergencies

- 18.1 The Licensee shall maintain or cause to be maintained emergency services and all emergency calls shall be responded as stipulated in the performance and service standards specified by the Authority, from time to time.
- 18.2 The Licensee shall, within ninety (90) days of the date of issuance of the License or at such later date as may be approved by the Authority, submit to the Authority for approval the Licensee's plan and procedures for handling any emergency concerning or arising out of the regulated activities.

18.3 The Licensee shall submit a report to the Authority not later than one hundred and eighty days (180) from the date of issuance of the License and, thereafter, every ninety (90) days, providing information specified in Condition 18.4.

18.4 The report shall include:

18.4.1 Number of emergencies and their specific locations;

18.4.2 Causes of emergencies;

18.4.3 Any injury and estimate of damages;

18.4.4 Action taken by the Licensee;

18.4.5 Average time taken to respond to an emergency and to handle the emergency;

18.4.6 Any action taken to prevent such emergencies in future; and

18.4.7 Any other information specified by the Authority.

18.5. In addition to the report required from the Licensee under Condition 18.3:

18.5.1 The Licensee shall inform the Authority promptly but not later than twenty four (24) hours of any serious emergency having taken place and provide daily update on the emergency and action being taken by the Licensee until such time the emergency has been completely addressed;

18.5.2 For the purpose of this Condition, 'serious emergency' means:

18.5.2.1 Injuries to or death of an individual;

18.5.2.2 Major damage to the property;

18.5.2.3 Damage to or rupture of transmission pipeline;

18.5.2.4 Suspension of natural gas to a shipper or a city;

18.5.2.5 Any other factor prescribed by the Authority.

19. Action against Theft

The Licensee being the owner of the transmission system shall comply with the "Gas (Theft Control and Recovery) Act, 2016", the Ordinance and all other relevant laws, rules and policies for prosecution of the cases of gas theft.

20. Unaccounted For Gas (UFG)

20.1 The Licensee shall take all possible steps to keep the UFG within acceptable limits.

20.2 The quantum of system use gas and the Transportation Loss (TL) shall be specified in the access arrangement.

21. Performance and Service Standards

The Licensee shall conform to the relevant "Performance and Service Standards for the Gas Utilities" of 2003 in respect of any of the Licensee's performance including Service, efficiency and safe operation of the regulated activities.

23. Capacity Information

23.1 The Licensee shall, after construction of its pipeline project(s), provide information regarding capacity as per Schedule -II of OGRA Gas (Third Party Access) Rules, 2018:

23.1.1. on its web site;

23.1.2. to any interested party who requests the same; and

23.1.3. in writing to the Authority.

23.2 The Licensee shall update the information specified in condition 23.1 promptly where it vary significantly from the previously reported. The Licensee shall duly and timely provide all such information about capacity and the regulated activities that may be required by the Authority under the OGRA Ordinance and the Rules.

23.3 The Licensee shall report each capacity allocation, within a period of seven (7) days of its allocation, to the Authority.

24. Inspection by Authority

The Licensee shall permit any person duly authorised by the Authority to carry out such inspection and examination of any of its assets or records as may be required to be undertaken by the Authority to comply with its functions or to exercise its powers under the Ordinance and the Rules.

25. Technical Audit

25.1 A technical audit of its operations and license conditions shall be arranged by the Licensee for the first time within three (3) years of issuance of the License or within such other period as may be approved by the Authority. Subsequent audits shall be arranged by the Licensee not later than every ten (10) years of the first audit or such other period as may be specified by the Authority.

- 25.2 The criteria for the prequalification of technical auditors and terms of reference shall be developed by the Licensee and submitted in writing to the Authority for its approval. Such technical auditors shall be appointed by the Licensee in strict accordance with the criteria approved by the Authority.
- 25.3 Where the Authority requires any other type of audit with respect to the regulated activities, the Licensee will arrange such audit through a well reputed auditor and submit the audit report to the Authority.

26. Enforcement

If the Authority is of the opinion that the Licensee has contravened any condition of the License or Authority's decision or direction, the Authority shall take such action as prescribed in the Ordinance and the Rules.

27. Extension of Transmission Pipeline

27.1 The Licensee shall, if in its reasonable opinion it is technically feasible and economically viable to do so, comply with any request:

27.1.1 by a Licensee of a distribution pipeline, for the connection of that pipeline to the transmission pipeline operated by the Licensee;

27.1.2 by any other Licensee of a transmission pipeline, for the connection of that transmission pipeline to any part of the transmission pipeline operated by the Licensee; or

27.1.3 by a shipper, for the conveyance or transportation of natural gas through one part of the transmission pipeline to any other part of the transmission pipeline operated by that Licensee.

28. Patrolling the Right of Way

28.1 In accordance with the technical standards specified by the Authority, the Licensee shall institute a program of patrolling the transmission pipeline right of way to observe factors affecting the safe operation of the transmission system including encroachment of the pipeline right of way and the prescribed safe distance along side the right of way.

28.2 The Licensee shall take reasonable steps permissible under the relevant law to remedy any encroachment, including reporting such

encroachment to the relevant authorities and the Licensee shall inform the Authority regarding:

28.2.1 The incidence of encroachment and its impact on the safe operation of the system; and

28.2.2 Any action taken by the Licensee to remedy the situation.

29. Security and Continuity of Supply

The Licensee shall at all times act to maintain the balance of the supplies and demands of natural gas such that it can maintain a continuous and reliable supply of natural gas to its shippers from time to time. The Licensee shall determine and maintain the level of system reliability in the transmission system, and apply methods and policies to secure the technical functioning of the system, in accordance with the Network Code.

30. Interruption of Supply

30.1 The Licensee shall submit each access arrangement or inter connection arrangement alongwith applicable fee and shall obtain prior approval of the Authority under the rules.

30.2 Where the Licensee considers that, for reasons of safety or emergency requirements, the supply of natural gas to some or all the shippers in any specified area must be interrupted, reduced or restricted, it shall, so far as reasonably practicable in the circumstances, interrupt, reduce or restrict natural gas supply to the shippers in accordance with the provisions of the Network Code and in an equitable, non-discriminatory and transparent manner.

31. Approval of Access Arrangements

31.1 The Licensee shall submit each access arrangement or inter connection arrangement alongwith applicable fee and shall obtain prior approval of the Authority under the rules.

31.2 The Licensee shall not amend the approved access arrangements without the prior written approval of the Authority.



32. Information on website

The Licensee shall place on the website the information, as required under the OGRA Gas (Third Party Access) Rules, 2018 and Pakistan Gas Network Code.

33. Penalty on Contravention

The Authority may, on contravention by the Licensee of the Rules, Regulations, applicable Standards, conditions of this License, Authority's decisions or instructions, impose a fine or revoke the License in accordance with the provisions of the Rules.

34. Notices

34.1 All notices to be given under any Condition shall be given in writing and shall be deemed to have been properly served if delivered in person or sent by registered mail or transmitted by facsimile to the relevant party at the address set out below or at such other address as that party may from time to time specify in writing to the other:

Licensee:

Managing Director,
Inter State Gas Systems Limited,
8th Floor, Petroleum House, Sector G-5/2,
Islamabad
Telephone: +92-51-9217667-69
Fax: +92-51-9217671

Authority:

Registrar,
Oil and Gas Regulatory Authority
54-B Fazal-e- Haq Road, Blue Area,
Islamabad, Pakistan.
Telephone No. 051-9244296, 051-9244090-98
Fax No. 051-9244310
Website: www.ogra.org.pk

34.2 Any notice given hereunder shall be deemed to have been duly served and received:

34.2.1 at the actual time of delivery, if delivered personally;

34.2.2 seven (7) working days subsequent to the date of postage, if sent by registered mail; and

34.2.3 at the time of receipt, if transmitted by facsimile where there is confirmation of uninterrupted transmission by a transmission report and provided that the original of the notice is then delivered personally or sent by registered mail as soon as reasonably practicable.

