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(آئل اینڈ گیس ریگولیٹری اتھارٹی) OIL & GAS REGULATORY AUTHORITY
"SAY NO TO CORRUPTION"

ISLAMIC REPUBLIC OF PAKISTAN

LICENSE

FOR

SALE OF NATURAL GAS

TO

GASEOUS DISTRIBUTION COMPANY (Pvt.) LIMITED

(GDCL)

UNDER

OIL AND GAS REGULATORY AUTHORITY ORDINANCE,

2002

AND

OGRA'S NATURAL GAS REGULATORY AUTHORITY

(LICENCING) RULES, 2002

Licence No. NG-17 /2016

Oil and Gas Regulatory Authority

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The Licence

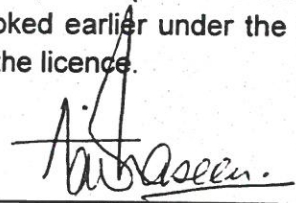
The Oil & Gas Regulatory Authority, (the 'Authority'), established under the Oil & Gas Regulatory Authority Ordinance, 2002 (Ordinance No. XVII of 2002) (hereinafter referred to as 'the Ordinance'), in exercise of its powers conferred by Section 22 (1) and 23(6) of the Ordinance and Rule 3(3) of Natural Gas Regulatory Authority (Licensing) Rules, 2002 (the 'Licensing Rules') hereby grants to Gaseous Distribution Company (Pvt) Ltd (GDCL), having its registered office at 507, 5th Floor, Business Centre, 19-A-1, Block 6, PECHS Main Shahrah-e-Faisal, Karachi (the 'Licensee') **a Licence (the 'Licence') to undertake regulated activity of Sale of Natural Gas to OGRA's licensed CNG Stations in the Sindh Province as per following model and subject to the terms and conditions given hereinafter:-**

- i) Natural gas will be transported from Transmission and Distribution (T&D) network of integrated gas company i.e. SSGCL under the terms and conditions of Gas Transportation Agreement (GTA) and Third Party Access (TPA) regime / applicable rules / law. GDCL will be exclusively responsible to purchase/arrange LNG and re-gasify at ETPL's Terminal or any other terminal with prior permission of the Authority, through finances arranged in accordance with SECP applicable regulations, being a commercial transaction, whereas, SSGCL will enter into GTA strictly in accordance with the applicable GoP Policies, applicable rules, laws, and allocations after satisfying technical and financial modalities in the GTA without construing the Licence an overriding document
- ii) GDCL will sale the natural gas to CNG Stations at CMSs in accordance with terms and conditions of Gas Sales Agreement between Licensee and Consumers.
- iii) Services of gas utility company will be obtained for the billing and metering under the mutually consented services agreement until and unless licensee set up its own metering / billing system with permission of the Authority

Validity

The Licence shall be valid from December 22, 2016 (effective date) for a period of Ten (10) years, unless the Licence is revoked earlier under the provisions of the Ordinance, Rules, terms and conditions of the licence.


(Noorul Haque)
Member (Finance)


(Aamir Naseem)
Member (Gas)


(Uzma Adil Khan)
Chairperson

Oil and Gas Regulatory Authority

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REGISTRAR
Oil & Gas Regulatory Authority
Islamabad


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General Conditions Applicable to the Licensee

1. Definitions

- 1.1. Words and expressions used in the Licence but not defined, unless the contrary intention appears, shall have the same meaning as assigned to them in the Ordinance and the Rules
- 1.2. The following words shall have the following meanings:
 - 1.2.1. 'Actual Turn over' means the value of total quantity sold at agreed / notified prices plus miscellaneous incomes generated in undertaking the regulated activity.
 - 1.2.2. "Consent" includes any license, lease, right, exemption, approval, concession, permission, sanction, permit, authorization, certification, clearance, privilege, option, entitlement, benefit or validation.
 - 1.2.3. 'Consumer' means OGRA's licensed CNG Stations or any other approved by the Authority subsequently in writing upon written request of the licensee.
 - 1.2.4. 'CMS' means Consumer Meter Station designed, installed and protected in accordance with provisions of applicable standards.
 - 1.2.5. "Financial year" means a period of twelve (12) months commencing on July 1st of one year and ending on June 30th of the following year.
 - 1.2.6. "Gas Sales Agreement" means Gas Supply Agreement between Licensee and consumer for supply of natural gas.
 - 1.2.7. 'License' means this Licence and any extension/renewal thereof and or any amendment/modification therein under the provisions of the Ordinance and the Rules.
 - 1.2.8. "Ordinance" means the Oil and Gas Regulatory Authority Ordinance, 2002(XVII of 2002).

- 1.2.9. 'Rules' means the licensing rules and any rules made under the provisions of the Ordinance.
- 1.2.10. "Standard Contract terms" means the terms of GSA which will apply as between licensee and consumers for sale of natural gas.
- 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

- 2.1. The Licensee shall ensure that it complies at all time with the applicable laws of Pakistan and in particular with the provisions of the Ordinance, rules, regulations, terms and conditions of a licence or a decision of the Authority.
- 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 and obtain all consents necessary under applicable laws for carrying out its Licensed 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 years prior to the expiry date of this License, the Authority may renew the Licence in accordance with the provisions of the Ordinance and the Rules.
- 3.2. The terms and conditions of the Licence may be amended, varied, modified or revoked in accordance with the provisions of applicable laws.

4. Effectiveness, Early Termination of Licence and its revocation

- 4.1. The Licence hereby granted will be effective subject to fulfillment of the following agreements:-
- 4.1.1. Execution of GTA with SSGCL.
- 4.1.2. Execution of service agreement with SSGCL for metering / billing to the consumers and safety issues.
- 4.1.3. Execution of LNG supplies agreement with LNG supplier.
- 4.1.4. Execution of agreement with LNG terminal operator.
- 4.2. In case the licensee could not comply the aforesaid covenant and failed to start operation within one (01) year of issuance of the licence, the Licence granted shall stand cancelled / revoked

forthwith. Thereafter, a fresh application along with fee will have to be submitted to the Authority for consideration.

- 4.3. The Authority may on an application by the Licensee at least 2 (two) years prior notice in writing to the Authority, terminate the Licence in accordance with the provisions of the applicable Laws.

5. Tariff Determination

- 5.1. The Licensee shall be entitled to charge RLNG/natural gas price in accordance with the GoP's Policy guidelines issued from time to time by the Federal Government.

6. Payment of Fee

- 6.1. The Licensee shall promptly and regularly pay the fees prescribed in the Rules.
- 6.2. Unless otherwise prescribed in the Rules, the Licensee shall pay annual fees of 0.25 percent of the annual turnover (as defined in the Licensing Rules) of the Licensee from the sale 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 aforesaid Condition.
- 6.4. The Licensee shall, if it has used an estimate of the annual turnover, 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 within forty-five (45) days of 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. Volume Balancing Maintenance of proper Accounts of the Regulated Activities

- 7.1. Natural gas volume balancing / reconciliation will be carried out periodically to meet Annual contracted quantity obligations and will be settled in GTA.
- 7.2. The Licensee shall keep and maintain separate proper books of accounts and records of its revenues, costs (including depreciation), expenses, assets and liabilities attributable to its

regulated activities separately from those in respect of its other businesses.

- 7.3. The financial statements prepared 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:

7.3.1. Charged from or to any other business of the Licensee; and

7.3.2. 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. Commencing from grant of licence or any other date approved by the Authority on an application by the Licensee, the Licensee shall keep proper books of accounts and records separately for sale of natural gas in such form as may be prescribed by the Authority.

8.2. The Licensee shall procure, in respect of financial statements prepared 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. 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 Licence 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 the Licence or any rights or obligations there under 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 record the transfer of the shares of its majority or controlling share-holder (s) without the prior written approval of the Authority.

10.3. 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 whose disposal shall in the opinion of Authority adversely affect its ability to perform its obligations under this Licence.

11. Transparency in Procurement Policies and Procedures

- 11.1. Licensee shall adopt transparent and competitive procurement policies and procedures in relation to any of its regulated activities and make available the same to any person upon request.
- 11.2. The Licensee shall enter into all contracts on an arm's length basis and shall seek such approvals from the Authority prior to entering into or amending a contract, as may be required by the Ordinance or the Rules.

12. Non Discrimination

- 12.1. The Licensee shall not exercise discrimination against or show undue preference towards any consumer.

13. Provision of Regulated Activities

- 13.1. The Licensee shall provide Licensed regulated activities to consumers: (a) Who meet the eligibility criteria and (b) Where Provision of service is technically and economically viable.
- 13.2. In the event that the Authority determines, after hearing the applicant and the Licensee, that the Licensee has failed to provide the service applied for within its authorized area, the Authority may on such terms and conditions as it may deem reasonable and appropriate, require the Licensee to provide the service applied for by the applicant.
- 13.3. The Licensee shall undertake its regulated activity without fear or favour and without any discrimination between its consumers other than as specifically authorised by the Ordinance or the Rules.

14. Training, Research and Development

- 14.1. The Licensee shall allocate appropriate resources for research and development to improve operational efficiency and safety aspect of its regulated activities; Training of employees to carry out its regulated activities in efficient and economic manner; and Training and education program for Pakistani Nationals.

15. Gas Quality

- 15.1. The Licensee shall supply natural gas of the quality and specifications determined from time to time by the Authority in accordance with the provisions of the Ordinance and the Rules.

16. Environmental Standards

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

17. Technical Standards

- 17.1. The Licensee shall conform to the technical standards prescribed by the Authority in accordance with the provisions of the Ordinance and the Rules from time to time for undertaking the regulated activities.

18. Maintenance and Safety Programme

- 18.1. The Licensee shall develop and implement an annual maintenance and safety programme for the Licenced regulated activities, to ensure safe use of natural gas.
- 18.2. The Licensee shall submit the above mentioned programme to the Authority from time to time.
- 18.3. The Authority may from time to time, in consultation with the Licensee direct the Licensee to make changes to the programme in order to enhance the safe operation of the regulated activity.

19. Emergencies

- 19.1. Licensee shall respond to emergency calls as stipulated in the performance and service standards specified by the Authority, from time to time and in accordance with the Licensee's plan and procedures for handling any emergency concerning or arising out of the regulated activity.
- 19.2. The Licensee shall submit a report to the Authority, providing information specified regarding the emergencies that had occurred in the preceding ninety (90) days and the action taken by the Licensee.
- 19.3. The report shall include:
- 19.3.1. Number of emergencies and their specific locations;
 - 19.3.2. causes of emergencies;
 - 19.3.3. Any injury and estimate of damages;
 - 19.3.4. Action taken by the Licensee;
 - 19.3.5. Average time taken to respond to an emergency and to handle the emergency;
 - 19.3.6. Any action taken to prevent such emergencies in future; and
 - 19.3.7. Any other information specified by the Authority.
- 19.4. In addition to the report required from the Licensee 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;

- 19.5. For the purpose of this Condition, serious emergencies means injuries to or death of an individual; major damage to the property; damage to or rupture pipeline main; suspension or curtailment of natural gas to a CNG Station and any other factor prescribed by the Authority.

20. Complaints Resolution Procedure

- 20.1. The Licensee shall, within sixty (60) days of the date of issue of the Licence or at such date as is approved by the Authority, submit to the Authority for approval of the Complaints Resolution Procedure.
- 20.2. Upon approval of such complaints resolution procedure by the Authority the Licensee shall establish a Complaint Resolution System to address complaints received from the public or its consumers in an efficient, transparent and effective manner.
- 20.3. The Licensee shall submit a report to the Authority not later than one hundred and eighty (180) days from the date of issue of the Licence and thereafter every ninety (90) days or at such date as is approved by the Authority, providing information specified regarding handling of complaints by the Licensee under the Complaints Resolution System. The report shall include: Breakdown of complaints in various categories based on their nature including application for connection; Billing; Metering; Safety; Service; Tariff; Miscellaneous; and any other category specified by the Authority.

21. Consumer Service Manual

- 21.1. The Licensee in respect of sale of natural gas shall prepare Consumer Service Manual specifying the rights and obligations of consumers before and after the sale of gas, for approval by the Authority.
- 21.2. The Authority may revise the draft of the proposed Consumer Service Manual in such manner as Authority deems expedient in accordance with the Ordinance and the Rules. Till it is approved by the Authority the Consumer Service Manual submitted by the Licensee shall be enforced on provisional basis.

22. Performance and Service Standards

- 22.1. The Licensee shall conform to the performance and service standards as specified by the Authority from time to time in respect of any aspect of the Licensee's performance including Service, efficiency and safe operation of its regulated activities.

- 22.2. The Licensee shall submit an annual report, detailing the extent of conformance with the above mentioned standards.

23. Publication of Reports and Sale Prices

- 23.1. Upon the directions of the Authority the Licensee shall publish, in the manner as may be reasonably directed by the Authority: report on complaints resolved; consumer Service Manual; performance report; Sale price of natural gas; and any other report or information specified by the Authority.

24. Inspection by Authority

- 24.1. 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. Audit

- 25.1. A technical audit of its operations shall be arranged by the Licensee for the first time within 3 years of issuance of the Licence or within such period as may be approved by the Authority.

26. Enforcement

- 26.1. If the Authority is of the opinion that the Licensee has contravened any condition of the Licence, the Authority shall take such action as prescribed in the Rules.

27. Connection to System and Minimum Service Obligations

- 27.1. The Licensee shall promptly respond to all requests for service after the date of their receipts if it is technically feasible for the gas companies to connect the premises to the gas main and such a connection would not create any anomalous situation or discrimination with other prospective consumers in the same locality.
- 27.2. The Licensee shall inform the applicant within 45 days of receipt of request regarding its inability to provide service or time frame within which the service can be provided.
- 27.3. The Licensee shall be obligated to provide gas connection to a consumer subject to payment of gas connection charges, gas supply deposit and availability of road cutting permission if applicable:
- 27.4. Any question arising as to whether a request by any person is a reasonable request shall be determined by the Authority, after due consideration by it of any representation made to it by the Licensee and the person.

- 27.5. Licensee shall not enter into contract for supply of natural gas to person not falling in definition of Consumer.
- 27.6. The Licensee shall provide a list of all consumers to the Authority within 90 days of issuance of the Licence or at such date as is approved by the Authority.

28. Security and Continuity of Supply

- 28.1. The Licensee shall at all times act to maintain the balance of its supplies and demands of natural gas such that it can maintain a continuous and reliable supply of natural gas to its existing consumers from time to time, and without prejudice to the generality the foregoing can meet all such demands for natural gas considering all relevant conditions including historic weather conditions.
- 28.2. The Licensee shall not interrupt its service to its consumers other than to comply with the requirements of the Ordinance and the Rules, and to the extent expressly provided for in the contract with such consumer.

29. Standard Contract Terms for Consumers

- 29.1. The Licensee shall not sell gas to consumers without a contract. All agreements or contracts should be negotiated, entered into or amended on an arm's length basis and in accordance with the provisions of the Ordinance and the Rules.
- 29.2. Within three (03) months of the issuance of the Licence the Licensee shall, unless it has done so prior to the issuance of the Licence, provide to the Authority for approval a copy of its proposed Standard Contract Terms in respect of consumers, which shall be consistent with the provisions of the Ordinance and the Rules as well as the terms and conditions of the Licence.
- 29.3. Except with the prior written approval of the Authority, the Licensee shall not enter into any contract with any consumer on terms, which are inconsistent with the Standard Contract Terms.
- 29.4. The Licensee shall not amend the Standard Contract Terms without the prior written approval of the Authority.
- 29.5. The Licensee shall provide a copy of its Standard Contract Terms to any person upon that person's request.

30. Installation Inside Premises

- 30.1. The Licensee shall from time to time check its consumers at random for leakages in the internal pipelines of the premises; inform the consumer of the potential risks and hazards, and safe and efficient use of natural gas; educate and advise the consumers to use efficient equipment duly approved by OGRA if applicable and provide a telephone number in writing which

the retail consumer can use any time during twenty four (24) hours to report emergency and service concerns.

31. Disconnection of Supply of Natural Gas

- 31.1. The Licensee shall within sixty (60) days of the date of issuance of the Licence, or any other period approved by the Authority at the request of the Licensee, submit to the Authority its detailed policy and procedure of disconnection and restoration of supply of natural gas in respect of consumers serviced by it.
- 31.2. ~~The Authority may, from time to time direct the Licensee to revise the draft of policy and procedure in such manner as the Authority deems expedient in the public interest.~~
- 31.3. The Licensee on written advice of the Authority shall disconnect the gas supply to a consumer who is in noncompliance, prolonged default of Authority's instructions or GoF policies.

32. Deposit by the Consumer

- 32.1. The Licensee may require a consumer to furnish a security deposit or bank guarantee of not more than an amount equivalent to the estimated average value of supply of natural gas to that consumer for a period of three (03) months or for such other period as may be agreed between the Licensee and the consumer.

33. Interruption due to Unforeseeable Circumstances or Force Majeure

- 33.1. When the Licensee interrupts, restrict or modifies the provision of a regulated service which is likely to continue more than 48 hours on account of unforeseeable circumstances or force majeure, it shall inform the affected consumers by publication in one locally distributed English and one locally distributed Urdu daily newspaper circulated in the affected area or by a communication means of greater dissemination in the pertinent locality of the scope, duration, and where possible the date and time when the said interruption, restriction or modification will end.

34 Priority During Interruption of Supply

- 34.1. Where it is considered that, for reasons of safety or in order to undertake demand management measures to meet seasonal or emergency requirements, the supply of natural gas to some or all consumers in any specified area must be interrupted, reduced or restricted, the same shall be done in accordance with GoP Policies.

35. Notices

35.1

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,
Gaseous Distribution Company Pvt Limited,
507, 5th Floor, Business Centre, 19-A-1, Block 6,
PECHS Main Shahrah-e-Faisal,
Karachi

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

35.2

Any notice given under the provisions of Condition shall be deemed to have been duly served and received at the actual time of delivery, if delivered personally; Seven (7) working days subsequent to the date of postage, if sent by registered mail; and 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.

Dr. Ali Basir
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Case No. OGRA-9(414)/2016
License No. NG-17/2016

IN THE MATTER OF

M/S GASEOUS DISTRIBUTION COMPANY (PVT.) LIMITED

**LICENCE TO UNDERTAKE REGULATED ACTIVITY RELATED
TO SALE OF NATURAL GAS**

UNDER

OIL AND GAS REGULATORY AUTHORITY ORDINANCE, 2002

AND

OGRA'S NATURAL GAS LICENCING RULES, 2002

DECISION

DECEMBER 22, 2016

Ms. Uzma Adil Khan, Chairperson

Mr. Aamir Naseem, Member (Gas)

Mr. Noorul Haque, Member (Finance)

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AUTHORITY'S DECISION

1. The Gaseous Distribution Company (Pvt.) Limited, Karachi [formerly Pak Gas Distribution Company (Pvt.) Limited] (hereinafter referred to as '**the petitioner**') applied under Rule 4 of the Natural Gas (Licensing) Rules, 2002 for the grant of licence to carry out the regulated activity of the sale of Natural Gas to the end consumers, CNG stations located in Sindh Province.
2. The petitioner informed that they shall purchase LNG from PSO/LNG suppliers. LNG will be re-gasified through execution of an agreement with terminal operator if required. RLNG i.e. Natural Gas will be injected into the existing pipeline infrastructure of the transporter i.e. Sui Southern Gas Company Limited (SSGCL), on the basis of OGRA Natural Gas (Regulated Third Party Access) Rules, 2012. The petitioner also intimated that it shall provide the list of its customer CNG station that are willing to take gas from the petitioner, to SSCGL for delivery in the same manner and pattern being practiced presently and there will be no modification required at CNG stations.
3. The Authority considered the matter and after admitting the application under Rule 5 of Natural Gas Licensing Rules, 2002 on 28-11-2016, invited all interveners and interested / affected persons and parties to furnish their comments / interventions / views, if any, on the petition filed by the petitioner through publication of the notice in the newspapers on 29-11-2016 within 15 days of said publication.
4. In response thereto, the following interveners filed intervention requests in writing, with the Authority:-
 - i) Mr. Sameer Gulzar, Director, Fancy Purchase Services
 - ii) Mr. Bashir Ali Akbar, Owner, Gasoline Industries
 - iii) Mr. Muhammad Ayaz, citizen
 - iv) Mr. Muhammad Imran Khan, Manager Legal, PSO
 - v) Mr. Anwar Kamal, Umair CNG
 - vi) Mr. Faraz Ahmed, Fine CNG Enterprises
 - vii) Mr. Muhammad Waseem Butt, Proprietor, Jannat Filling Station
 - viii) Mr. Wahid Hussian, Chief Executive, ESKAY Enterprises
 - ix) Mr. Wahid Hussian, Managing Director, QFS Int'l (Pvt.) Ltd.
5. The Authority also provided an opportunity of hearing to the interested/affected persons/parties and general public on 14-12-2016 at Karachi, which was attended by the following :-
 - a) **Representatives of the Petitioner**
 - i) Mr. Shabbir H. Sulemanjee, Chief Executive
 - ii) Mr. Muhammad Tahir, Sr. Vice President APCNG & Director






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- iii) S.M Safdar Hussain, Owner Al Barkat CNG & Shareholder
- iv) Mr. Irfanuddin, Partner Rizwan CNG & Shareholder
- v) Mr. Ahmad Ali Khan, Shareholder
- vi) Mr. Khurram Yahyha, Bismillah CNG, Shareholder
- vii) Mr. Sameer Najmul, Shareholder

b) **Interveners**





- i) Mr. Sameer Gulzar, Director, Fancy Purchase Services
- ii) Mr. Bashir Ali Akbar, Owner, Gasoline Industries
- iii) Syed Raza Abbass, Owner, RM CNG Enterprises
- iv) Mr. Muhammad Imran Khan, Manager Legal, PSO
- v) Mr. Anwar Kamal, Umair CNG
- vi) Mr. Faraz Ahmed, Fine CNG Enterprises
- vii) Mr. Muhammad Waseem Butt, Proprietor, Jannat Filling Station
- viii) Mr. Wahid Hussian, Chief Executive, ESKAY Enterprises
- ix) Mr. Wahid Hussian, Managing Director, QFS Int'l (Pvt.) Ltd.

c) **Participants (written/oral request during Public Hearing)**

- i) Abdul Sami Khan, Chairman, CNG Dealers Association
- ii) Malik Khuda Baksh, Chairman, CNG Stations Owners Association
- iii) Mr. Junaid Murtaza, Ex-Chairman Sindh Association
- iv) Sardar Abdul Rafi Abbassi, Sr. Vice Chairman, Sindh SNG Association
- v) Mr. Ghayas Abdullah Paracha, Central Chairman, AP CNG
- vi) Dr. Syed Waqar Ahmad, General Citizen
- vii) Mr. Mukhtair Khan, Burraque CNG
- viii) Mr. Anees Ali, Classic CNG
- ix) Mr. Tariq Hussain, Partner Khazan Associates
- x) Mr. Asadullah Sheikh, Asad Petroleum / CNG Station

d) **Representatives of General Public**

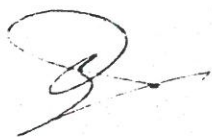
- i) Mr. Hussnain Fakhuruddin, General Consumer
- ii) Mr. Masood Azam, Natural Gas / LNG Consultant
- iii) Mr. Babar Ghaznavi, LNG Consultant
- iv) Cdr (R) S.M Malik, LNG Consultant BF
- v) Brig. (R) Iftikhar Ahmed, Chairman AP CNG Balochistan
- vi) Mr. Saeed A. Larik, Acting Sr. General Manager (D) South, SSGCL
- vii) Mr. Shoaib Ahmed, General Manager (RA), SSGCL
- viii) Mr. Mukhtair Sheikh, Vice Chairman, Sindh CNG Association
- ix) Mr. Vikaant Kaneria, Manager LPG, PSO
- x) Mr. Anwar Haider, Member Sami Cable
- xi) Mr. Muhammad Shoaib, Gas Drive CNG
- xii) Mr. M. Murtaza Ali, Patriotic CNG
- xiii) Mr. Ajjaz Ahmad Gul, Owner CNG Station
- xiv) Mr. Mujtaba Jatoti, Chief Executive Officer, GEIM
- xv) Dr. Parshtom, Owner CNG Station
- xvi) Mr. Kanaya Lal, Owner CNG Station
- xvii) Mr. Muhammad Asad, Owner CNG Station
- xviii) Mr. Naeem Khan, Bismillah CNG
- xix) Mr. Muhammad Aslam, Owner Express CNG
- xx) Mr. Shoaib Khanjee, Sr. Vice Chairman, AP CNG

   
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- xxi) Mr. Munir Qureshi, Stanley House Industries Ltd.
- xxii) Mr. Abdul Razak, Manager, Sardar CNG.
- xxiii) Mr. Hamid Hussain, Manager Moonlite CNG Intl.
- xxiv) Mr. Masood Bhatti, Head of Commercial, Behria Foundation
- xxv) Mr. Ghulam Murtaza Sheikh, Unique Service Station
- xxvi) Mr. Muhammad Awais, Analyst Pak Burnei
- xxvii) Mr. Ali Raza, Operation Manager, R&M Filling Station
- xxviii) Mr. Mohammad Hassan, Manager Hassan Petroleum
- xxix) Mr. Maqsood Ahmed, Retired Banker
- xxx) Mr. Baleegh Hussain, Manager KESB Bank
- xxxi) Mr. Usman Ali, Consumer

6. During the proceedings, the representative of the petitioner presented their stance at length and informed the Authority and participants of the hearing as under:-

- a) Statistics of present gas demand and supply in Pakistan generally and in Sindh more specifically. The petitioner while highlighting the reasons for conversion of CNG sector into RLNG informed that consumption of captive power drastically increased in past and demand of gas in domestic sector during winters increased manifold. In rest of the world, coal, hydel and furnace oil is used to produce electricity whereas in Pakistan gas being a cheaper fuel is being used for production of electricity by the power sector.
- b) The Federal Government in the last few years has made magnificent policies for LNG/RLNG sector, implementation of which has mitigated the energy crises in Pakistan. The private sector has been encouraged to participate in the RLNG/LNG import and has been incentivized. This cheaper fuel will provide great advantages to the CNG industry.
- c) Increasing UFG has reduced the gas supply in the country. Due to removal of subsidy on diesel and ever increasing prices of diesel has increased dependency on gas. Due to the shortfall of around 2000 mmcfcd of gas in country, ECC has kept the CNG sector at lowest priority for the supply of indigenous gas. Furthermore, exorbitant high sales tax charged to CNG stations and imposition of GIDC has made the CNG business uneconomical on local gas. Whereas on RLNG fiscal incentives like zero GIDC and 5% sales tax is allowed by the government. Moreover no compressor requirements and no load enhancement issued or involved in L-CNG. This is a dynamic idea first ever presented in the country.
- d) The petitioner also discussed gas transportation map, comparative cost analysis between indigenous gas and RLNG, methodology to be adopted in undertaking the project, transaction structure, its future plan






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of transporting RLNG through road including conversion of CNG station to L-CNG refueling stations and their technical and economic advantages. The petitioner also explain the corporate social responsibility and stated that it is committed to comply with international standards in order to have a comprehensive positive environmental, social impact over the local and national community of its area of operations, health, education, employment skills and environmental protection.


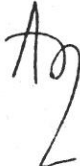
7. The interveners mentioned at para 5(b) above from Sr. No. (v) to (ix) have only submitted their written arguments alongwith intervention fee, while the rest of interveners presented their stance during the hearing. The list of the reservations / contentions of above interveners are as under:-

a) Mr. Sameer Gulzar submitted the following objections / reservations on the subject petition:

- False & Fake Board Resolution
- Unauthorized Transaction Structure
- Fake & Dubious Corporate Record
- Corporate Mismanagement
- Mismanagement of Shareholders' Contribution
- Fraudulent Declaration of Senior Management
- Unclear & Dubious Supply Arrangements
- Non-availability of Degasification Capacity
- Absence of Transportation Arrangements
- No Allocation by MP&NR

b) Mr. Bashir Ali Akbar, Syed Raza Abbass, Abdul Sami Khan and Malik Khuda Baksh strongly contested that the Licence should not be granted to PGDC in view of their following contentions / observations:

- Sindh Province is producing 70 to 75% of the total gas production of Pakistan, so there is no need to introduce RLNG in this province.
- Govt. of Sindh also discourages RLNG in this province in view of the Article 158 of the Constitution of Pakistan and production of gas in Sindh.
- SSGCL is also not agreed for LNG operation in Sindh.
- Since two separate categories of consumers will be created within the same sector having different terms and conditions, pricing mechanism and load curtailment criteria which may lead to serious complications and discriminating practices.
- In national interest RLNG may be supplied to bulk consumers like Textile Industry as there is no need of RLNG in CNG sector.



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The above interveners/participants strongly opposed the granting of Licence and requested the Authority that the subject licence may not be granted to PGDC.

- c) Muhammad Imran Khan, Manager Legal, PSO contended to the extent of name of **"Pak Gas"** as it is the brand name of PSO since 1982 with regard to PSO's business of Gas (LPG & CNG) wing. They object that Pak Gas Distribution Company Limited has shown its clear intent to ~~deceit the general public and especially PSO's customers of "Pak Gas" which is a well known brand.~~ PSO also contended that OGRA may not issue a RLNG license in the name of Pak Gas. However they did not oppose the issuance of the requisite Licence to any other name. In the end, PSO requested the Authority to direct PGDC to make necessary changes in their name with immediate effect and necessary rectification in name may also be made in the Security and Exchange Commission of Pakistan (SECP) and other relevant record / forum.
- d) The interveners mentioned at Para 5(b) from Sr. No. (v) to (ix) vide their written comments stated that the petitioner or any other company may not be issued a license for sale of RLNG due to the following reasons:-
- Since Sindh CNG stations are protected by the 18th amendment of the Constitution of Pakistan which gives them first right over natural gas that is produced in Sindh province. This makes the Sindh self sufficient in gas production therefore why should go for imported LNG.
 - As per economic survey report (2013-14) published in business recorder on 12-09-2016, Pakistan known gas reserves to date were estimated at 55.6 trillion cubic feet of which 30.9 trillion cubic feet have been exhausted but 24.7 trillion cubic feet still remain. Currently Pakistan posses almost as much gas as it has consumed in last six decades but all of this residual gas is being produced by three smaller provinces whereas the major consumer Punjab produces very little gas.
 - Punjab is producing 189 mmcf/d gas, accounting for 5% of the total national production against provincial consumption of 1691 mmcf/d. Sindh produces an estimated 2804 mmcf/d against consumption of 916 mmcf/d. Balochistan produces 656 mmcf/d against consumption of 266 mmcf/d and KPK produces 371 mmcf/d which is greater than its consumption and there is no gas load shedding there. The known remaining gas reserves of Sindh of about 15.2 trillion out of estimated 23 trillion is there which means more than half of sindh's gas reserves are still available to be tapped and there should be no load shedding in Sindh the artificial shortage created is a violation of the Constitution.
 - The import of LNG for Sindh will negate self reliance and even make CNG stations not viable. It will lead to increase in prices of milk, vegetables, transport fares and not only hits the CNG industry but common man.






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- Even at international level, uncapping of oil and gas reserves for self reliance is promoted than why we should go in opposite direction.
- Sindh government at various occasions opposed the RLNG for Sindh being a clear violation of the Constitution.
- The interveners requested that the application may be dismissed as there is no shortage of gas in Sindh.

8. During the hearing, the Authority provided an opportunity to the petitioner to rebut the objections/stance of the interveners. In response thereto, the representative of the petitioner, with the permission of the Authority responded to the objections / observation of the interveners as follows:

- In Pakistan the Federal Govt. has magnificently promulgated relevant laws and policies for the LNG / RLNG import regulations and after a through procedure, the Federal Govt. has issued relevant policies. There is no written decision from any provincial government restraining the petitioner to get the license from OGRA for sale of Natural Gas.
- The allegations leveled by some of the interveners are very personal as they want to gain undue advantage from the petitioner company. These persons have been removed from the directorship of the company and they have submitted all the relevant record/data before the SECP.
- There is no issue of GIDC involved in the LNG/ RLNG transactions. Further no sales tax, no compressor requirement and no load enhancement issues are involved in this process.
- SSGCL has not objected the RLNG operation in Sindh, however supported the same as SSGCL faces 1500 mmcf/d deficiency of gas in the province.
- The writ of Govt. is to facilitate, the general consumers by providing cheaper / alternate fuel.
- The representative of the petitioner also committed that they will approach SECP and PSO regarding appropriate name change of the company and will submit appropriate documents to OGRA in a short possible time.
- The petitioner emphasized that the Federal Government i.e. Ministry of Petroleum and Natural Resources vide its letter dated 21-04-2016 and 03-10-2016 for LNG import for servicing the CNG sector has advised the petitioner to obtain a license from OGRA for sale of Natural Gas to its designated consumers, prior to allocation of RLNG by Government of Pakistan.
- The petitioner also requested the Authority that in private sector the Authority has also issued a license to Universal Gas Distribution Company therefore, the license on the same terms and conditions may be granted to the petitioner.

9. On the other hand Sardar Abdul Rafi Abbassi, Mr. Junaid Murtaza, Dr. Waqar Ahmed (a citizen), Muhammad Tahir and Mr. Hussaini Fakhuruddin






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(Chartered Accountant) supported the stance of the petitioner by giving the following comments/suggestions:

- a) There are no written notifications / orders of Sindh Govt. wherein operation of RLNG in Sindh Province is discouraged or restraining OGRA to issue such license.
- b) There is a big demand / supply difference of natural gas in the country, therefore need of RLNG in Sindh Province also exists magnificently.
- c) There is no sufficient CNG available in Sindh, that's why the CNG Stations are operated only 16 days a month in Sindh instead of 30 days.
- d) Although there is no alternate fuel is available, therefore operation of RLNG in Sindh Province may be encouraged as an alternate fuel and the concept of L-CNG is a dynamic one which has different significance.
- e) RLNG is the best cheaper fuel which must be provided to the consumers.

10. Subsequently, the Authority directed the petitioner to submit comprehensive comments in writing w.r.t. objections/contentions raised especially by some of the interveners and also intimate the Authority about the issue of availability/non-availability of idle/excess capacity at EVTL or other supplier and arrangement of terminal capacity at proposed terminal of the petitioner.

11. In response thereto, the petitioner company submitted a detailed reply w.r.t. objections raised by various interveners alongwith following documentary evidences:-

- a) The application for change of name from Pak Gas Distribution Company Pvt. Limited to "Gaseous Distribution Company (Pvt.) Limited" dated 22-12-2016 alongwith Certificate of Incorporation of Petitioner's Company after change of name as "Gaseous Distribution Company (Pvt.) Limited" dated 21-12-2016 duly issued by Joint Registrar /Incharge SECP.
- b) A letter of Comfort issued by Global Energy Infrastructure (GEI) wherein it is stated that in reference to the petitioner's request dated 01-12-2016, GEI is interested to supply RLNG to the petitioner from their LNG terminal and LNG supply portfolio on an integrated long term basis (15 to 20 years). GEI has allocated terminal throughput services from GEIP and LNG supply from GEIL to the petitioner in integrated project structure with certain conditions. The overall document is intended for supply for long term of LNG/RLNG and LNG terminal services to the petitioner.









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- c) A letter of ETPL dated 21-12-2016 whereby ETPL informed that since the demand of RLNG is growing in the country at the rapid pace and excess capacity of 200 mmcf in the existing EETL is being discussed with SSGC for their utilization. ETPL will only be able to provide the desired regasification capacity to the petitioner unless it is not required by SSGC. ETPL has also informed that they are conducting a feasibility for a privately owned and operated LNG terminal which will service private entities and as such all entities interested in utilization of RLNG can enter into an arrangement with us and its partners for the same.

12. Now, the Authority, after detailed scrutiny of the petition, hearing viewpoints of the interveners and participants/general public and available record at this stage, has observed as under:-


- a) That the petitioner has responded the objections raised by the interveners in detail by support of documentary evidences and has also provided the letter of Federal Government i.e. Ministry of Petroleum and Natural Resources dated 21-04-2016 and 03-10-2016 for LNG import for servicing the CNG sector whereby the petitioner has been advised to obtain a license from OGRA for sale of Natural Gas to its designated consumers.
- b) The petitioner has requested the Authority to grant a license in its new name and also submitted the Certificate of Incorporation of change of its name as "**Gaseous Distribution Company (Pvt.) Limited**" dated 21-12-2016 duly issued by Joint Registrar/Incharge SECP as a documentary evidence. The Authority has accepted the request accordingly.
- c) The petitioner has submitted a letter of Comfort issued by Global Energy Infrastructure (GEI) wherein it is stated that in reference to the petitioner's request dated 01-12-2016, GEI is interested to supply RLNG to the petitioner from their LNG terminal and LNG supply portfolio on an integrated long term basis (15 to 20 years). GEI has allocated terminal throughput services from GEIP and LNG supply from GEIL to the petitioner in integrated project structure with certain conditions. The overall document is intended for supply for long term of LNG/RLNG and LNG terminal services to the petitioner.
- d) The petitioner has provided the letter of ETPL dated 21-12-2016 whereby ETPL has informed that since the demand of RLNG is growing in the country at the rapid pace and excess capacity of 200 mmcf in the existing EETL is being discussed with SSGC for their utilization. ETPL will only be able to provide the desired re-gasification

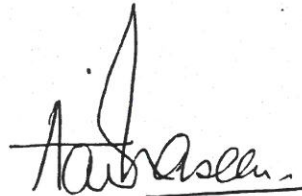
  
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capacity to the petitioner unless it is not required by SSGC.ETPL has also informed that they are conducting a feasibility for a privately owned and operated LNG terminal which will service private entities and as such all entities interested in utilization of RLNG can enter into an arrangement with us and its partners for the same.


13. In view of above, the Authority has arrived at the conclusion that the petitioner fulfills the legal requirements and is entitled to the requisite license. Therefore, the Authority, in exercise of its powers conferred under Section 6(1) & [2(a),(y)], Section 22(1) and 23(6) of the Oil and Gas Regulatory Authority Ordinance, 2002 read with Rule 3(3) of Natural Gas Licensing Rules, 2002, hereby grants a license subject to terms and conditions mentioned in the License Document to the petitioner in the name and style of **M/s Gaseous Distribution Company (Pvt.) Limited** to carry out regulated activity of Sale of Natural Gas to the end consumers, CNG stations in Sindh Province for a period of ten [10] years from [December 22, 2016] the date of approval including any renewal/extension thereof, whichever comes first, unless the License is revoked earlier under the provisions of the Ordinance and Rules made thereunder. However, the License shall be effective subject to fulfillment of conditions of the License Document.
14. The question relating to payment of fee, the licensee shall be liable to pay the fee in accordance with the Schedule II of Natural Gas Licensing Rules, 2002.
15. The terms and conditions imposed on the licensee are contained in the license document consisting of Fourteen [14] pages, which is issued to the licensee today along with this decision.

Dated: December 22nd, 2016


 (Noorul Haque)
 Member (Finance)


 (Aamir Naseem)
 Member (Gas)


 (Uzma Adil Khan)
 Chairperson


REGISTRAR
 Oil & Gas Regulatory Authority
 Islamabad