Circular No.: IGX/MO/107/2024 February 02, 2024

Purchase of Natural Gas by Urea Manufacturers through IGX

Dear Members,

This is in pursuance to Department of Fertilizers ('DoF'), Ministry of Chemicals and Fertilizers issued Office Memorandum dated 22.01.2024 (Attached as annexure - 1), where it is allowed for the urea manufacturing units to procure total 0.5 MMSCMD of natural gas available from domestic sources through Exchange for the urea production on pilot basis for a period of 3 months from March to May 2024.

In accordance with DoF advice and as per Byelaws and Market Rules of IGX, Members may kindly take note of new segment of contracts being offered from trading date February 05, 2024. The contract parameters i.e., terms and conditions are as mentioned below:

1. TRADING

A. Gas Hubs and Delivery Points – Following are the Gas Delivery Points, where the Contracts shall be available for trading on any given trade day:

#	Hub - State	Delivery Point	Gas Category	Location
1	Western - Gujarat	Suvali (SV)	Free Market	Exit point of the facility at Suvali (Hazira) connecting with GSPL's Low Pressure Gujarat Gas Grid and/ or GAIL's HVJ Network
2	Western - Gujarat	Ankot (AN)	Free Market	Interconnection point of GAIL's integrated HVJ pipeline and PIL – Kakinada to Bharuch Pipeline (PIL Pipeline) in Gujarat at Ankot
3	Western - Gujarat	Mhaskal (MS)	Free Market	Interconnection point of GAIL's DUPL/DPPL and PIL - Kakinada to Bharuch Pipeline (PIL Pipeline) in Maharashtra at Mhaskal
4	Western - Gujarat	Bhadbhut (BD)	Free Market	Interconnection point of GSPL's Network and PIL – Kakinada to Bharuch Pipeline (PIL Pipeline) in Gujarat at Bhadbhut

#	Hub - State	Delivery Point	Gas Category	Location
5	Central - MP	Shahdol (SH)	Free Market	Entry point into RGPL's Shahdol – Phulpur p/l

B. Contracts available for Trading - On any given trade date, the Contracts available for trading will be for –

   i. Next three Months (ex. during trading month of Feb'24, contracts available for trading for Mar'24, Apr'24 and May'24 delivery months), and
   ii. Fortnights of next two months (ex. during trading month of Feb'24, contracts available for trading for 1st and 2nd fortnight of Mar'24 and 1st and 2nd fortnight of Apr'24 delivery months).

   The respective Contract Symbol will be:

   i. For Monthly - "MF-Delp-dd/mm/yy-mmm-yyyy" where
      MF: Monthly Fertilizer
      Delp: 'SV' for Suvali, 'SH' for Shahdol, 'AN' for Ankot, 'MS' for Mhaskal and 'BD' for Bhadbhut
      dd/mm/yy: Delivery Start Date
      mmm-yyyyy: month and year
   ii. For Fortnightly - "FF-Delp-dd/mm/yy- dd/mm/yy^2" where
      FF: Fortnightly Fertilizer
      Delp: 'SV' for Suvali, 'SH' for Shahdol, 'AN' for Ankot, 'MS' for Mhaskal and 'BD' for Bhadbhut
      dd/mm/yy: Delivery Start Date
      dd/mm/yy^2: Delivery End Date

C. Price Discovery - The matching mechanism shall be as per double sided uniform price auction methodology and on Price-Time Priority basis.

D. Eligible Buyers -
   i. M/s GAIL as Aggregator
   ii. Urea manufacturing companies/units as Member and/or Client of a Member

Eligible Sellers – Sellers with gas available from domestic sources. In case any seller is selling Ceiling price gas at any of the Delivery point under this segment of contracts, then the Seller shall ensure compliance with IGX Circular No. IGX/MO/81/2022 dated 20th January 2023.

All other provisions related to trading mentioned in Master Circular (ver. 3) dated September 01, 2023 and as amended from time to time, shall remain the same.

2. RISK MANAGEMENT, CLEARING AND SETTLEMENT

A. Post Trade Margin ('TM') and Transport Margin ('TSM')- Bidders have to provide following Post Trade Margins in the form of cash or non-cash collaterals latest by next banking day of the trade date –

i. Seller Margin: - Post Trade Margin ('TM') of 15% of Trade value (cash/non-cash)

ii. Buyer Margin: -

a. Monthly Contract –

- In Ex-Hub transaction: Post Trade Margin ('TM') of 80% of Trade value (cash/non-cash) (cash/non-cash[1]).
- In Delivered transaction: Post Trade Margin ('TM') of 80% of Trade value (cash/non-cash), and 102% of estimated ship or pay transport margin plus taxes ('TSM') in cash/non-cash.

b. Fortnightly Contract –

- In Ex-Hub transaction: Post Trade Margin ('TM') for 115% of Trade value (cash/non-cash).
- In Delivered transaction: Post Trade Margin ('TM') for 115% of Trade value (cash/non-cash), and 102% of estimated ship or pay transport margin plus taxes ('TSM') in cash/non-cash.

[1] Non-cash margins in the form of Bank Guarantee or Letter of Credit provided by buyer and seller to the Exchange should have a minimum validity till 20 days after end of the Contract period.

B. Settlement, Invoicing and Payment Cycle: -

i. Invoice – The Seller shall raise invoices on Fortnightly basis, for the applicable trade price plus applicable taxes to Buyer within two banking days from the last day of the fortnight.

ii. Buyer Pay-In – The Buyer shall have to make the payment to the Exchange by 4th banking day succeeding the last day of the respective fortnight equivalent to-

a. Seller's Invoice amount, if Seller's invoice is received within 2 banking days succeeding the last day of the respective fortnight or,
b. In case of non-receipt of Seller's Invoice within 2 banking days, the Buyer has to make the payment to the Exchange for provisional pay-in based on Allocated Quantity 'AQ' for the entire fortnight with taxes. In case 'AQ' is not available then the provisional pay-in will be collected at Daily Contracted Quantity 'DCQ' for the entire fortnight with taxes. On receipt of Seller's Invoice, the Exchange will do the final settlement process for the respective fortnight within 2 banking days of receipt of Seller's invoice, where the debits or credits will be carried for any outstanding amount.

iii. Seller Pay-Out – The Exchange will make the payment to the Seller as below –

a. In case of para 5 (ii) (a) above, by 2nd banking day from receipt of Buyer Pay-In.
b. In case of para 5 (ii) (b) above, by 4th banking day of receipt of Seller's Invoice.

C. In Delivered transaction: In addition to 5 (ii) above, the Transporter shall raise invoices on Fortnightly basis, for the applicable trade price along with taxes for sale of allocated quantities to Buyer, after the end of each fortnight.
Accordingly, the Buyer will make payment to the Exchange equivalent to transporter's invoice, within 2 days of receipt of transporter's invoice.

D. Delay in payment: In case of delay in the payment from Buyer, the Exchange has the right to terminate the Contract and liquidate the available cash/non-cash margins for final settlement as per Clause 11.5 of IGX Market Rules. For any delay in payments by Buyer, the Seller shall have right to raise late payment invoices, and the Buyer will be required to make such payments to the Exchange within four business days from the date of late payment invoice. Such late payment charges shall be calculated based on one month State Bank of India Marginal Cost Lending Rate ("SBIMCLR") plus six and a half (6.50) percentage points (the "Default Interest Rate") per annum computed for each day payments are overdue until paid.

E. Release of Trade Margin ('TM') and Transport Margin ('TSM') - Exchange shall be releasing the Trade Margin and Transport Margin (both cash and non-cash margins) at the time of final settlement process.

F. Transaction Fees - The transaction fees in respect of a contract are the product of the total trade quantity and the transaction fee rate, where the Exchange will issue the Transaction fees Invoice based on CT receiving date basis.

As per DoF advice there shall be no payment of transaction charges during the pilot phase. Accordingly, for these contracts the exchange transaction fee from Buyer(s) will be NIL.

Seller(s) will be required to pay Exchange transaction fees at INR 4/MMBTU. The transaction fees in respect of a contract shall be the product of i) the total trade quantity and ii) the transaction fee rate at INR 4/MMBTU subject to:

i. If the total scheduled quantity for the contract period is more than or equal to 80% of the total trade quantity, then the fees from the seller for that trade will be charged for actual scheduled quantity. If the total scheduled quantity for the contract period is less than 80% of the total trade quantity, then the fees will be charged for 80% of the total trade quantity.
ii. In case the traded quantity is not scheduled or partially scheduled due to reasons attributable solely due to transporter, then such truncated quantity shall not be charged by the exchange.

All other provisions related to Risk Management and Clearing & Settlement mentioned in Master Circular (ver. 3) shall remain the same as applicable in existing Contracts.

3. DELIVERY

A. **Take or Pay obligation on Buyer: -**

The "Take or Pay Quantity" shall mean 80% of the total DCQ for the contract period less quantity of Gas that Buyer was unable to offtake during such Contract Period for the reasons mentioned below (without double accounting of any of the quantities mentioned below) -

i. any quantity of Gas up to DNQ for the relevant Gas Day that Buyer could not offtake due to Force Majeure.
ii. any quantity of Gas up to DNQ for the relevant Gas Day where Seller failed to make available for delivery unless such failure was due to Buyer's failure to comply with the terms of IGX Bye laws and Market Rules.
iii. any quantity of Gas up to DNQ for the relevant Gas Day that Buyer rejected because it failed to meet the Specifications.
iv. any quantity of Gas up to DCQ, the Buyer fails to nominate because of extra gas already supplied by the Seller during the previous Gas Day as mentioned in above clauses of 5(C)(iii) and 5(C)(iv) of Master Circular (ver. 3).
v. any quantity of Gas up to DNQ for the relevant Gas Day which Transporter curtailed the quantity because of any limitation at Transporters facility.

The "Buyer's Take or Pay Deficiency Quantity" shall be the positive difference between: - i) Take or Pay Quantity and ii) Seller's Allocated Quantity at the entry point.

For each contract, the Buyer shall be obligated to take and pay for, or pay for if not taken, a quantity of Gas at least equal to the Take or Pay Quantity for such contract period. In respect of each contract, if the quantity of Gas taken by Buyer is less than the Take or Pay Quantity (as mentioned above), then Buyer shall in addition to payments for Gas actually taken, shall also pay for Buyer's Take or Pay Deficiency Quantity. The take or pay obligation of the Buyer (hereinafter referred to as the "Take or Pay Obligation") shall be equal to summation of the following two parameters-

a. Product of (A) 20% of Trade Price for such contract and (B) Buyers Take or Pay Deficiency along with applicable taxes, and
b. In delivered transactions, positive difference between 80% of the total DCQ and total Allocated Quantity for the contract period at the rate of the applicable tariff/s (to be paid to transporter) of the pipeline/s connected between the source and destination of gas traded.

B. **Liquidated Damage on Seller: -**

"Seller's Shortfall Gas Quantity" for the contract period shall mean the positive difference between aggregate of 80% of lower of DCQ and DNQ of each Gas Day of the Contract Period and aggregate actual quantity delivered by the Seller at the Entry Point during such contract period.

Provided that Seller's Shortfall Gas Quantity shall exclude quantities that Seller could not deliver due to the following reasons:

i. Any quantity of Gas not delivered by Seller due to Force Majeure event;
ii. The Buyer's failure to accept delivery of Gas tendered for delivery by the Seller in accordance with IGX Bye laws and Market Rule.

Liquidated Damage on Sellers shall be equal to summation of the following two parameters-

a. Twenty percentage (20%) of the Trade Price multiplied by the Seller's aggregate Shortfall Gas Quantity for the contract period, and
b. Positive difference between 80% of the summation of lower of DCQ and DNQ of each gas day & total Allocated Quantity of the contract period at the rate of the applicable tariff/s of the pipelines of the pipeline/s connected between the delivery point and destination of gas traded, in which the capacity has been booked by the respective Buyer or IGX.

All other provisions related to Delivery mentioned in Master Circular (ver. 3) shall remain the same.

Members are requested to kindly make a note of all above changes and act accordingly. This Circular will come into effect from Trading date February 05, 2024 till further notice.

For and on behalf of
Indian Gas Exchange Limited

(Sd/-)
Mritunjay Srivastava
Vice President
(Regulatory and Surveillance)

Annexure -1

No.12019/45/2021-UPP (E-29841)
Government of India
Ministry of Chemicals and Fertilizers
Department of Fertilizers

Shastri Bhawan, New Delhi
Dated 22nd January, 2024

OFFICE MEMORANDUM

Subject: Procurement of natural gas through IGX portal by urea manufacturing units- regarding.

The undersigned is directed to refer to the subject mentioned above and to state that with the approval of Competent Authority, it has been decided to allow the urea manufacturing units to procure total 0.5 MMSCMD of natural gas available from domestic sources at IGX portal for the Urea production on pilot basis for a period of 3 months i.e. from March to May 2024. Procurement of natural gas through IGX after the end of pilot phase will be decided based on experience during the pilot phase.

2. Detailed provisions for the procurement of natural gas available from domestic sources at IGX portal for the Urea production during the pilot phase are as under:

a. Only gas available from domestic sources will be procured through IGX portal.
b. M/s GAIL has been nominated as aggregator in case of procurement of natural gas available from domestic sources through the IGX.
c. Urea manufacturing companies/units may procure the natural gas available through domestic sources either directly or through Aggregator i.e. M/s GAIL.
d. The urea units will be required to procure the IGX gas quantity by 7th of the preceding month in which gas is to be utilized for the production of Urea. Thereafter, the units will inform about the shortfall quantity to FICC and FICC will inform the required quantity to EPMC by 10 th of the preceding month for procurement through EPMC. For example, for the month of March, 2024 the units may complete the procurement of domestic gas through IGX till 7th February, 2024. Thereafter, based on quantity of IGX gas as on 7th February, 2024, FICC will inform the shortfall quantity to be procured through EPMC by 10th February, 2024. Thereafter, by the end of February, the remaining natural gas shall be procured through EPMC.

P.T.O.

e. There shall be no payment of transaction charges during the Pilot Phase.

3. This issues with the approval of the competent authority.

22/1/24

(Robin Gangte)
Under Secretary to the Government of India
Tel. 23389364

To

1. Secretary, Ministry of Petroleum and Natural Gas, Shastri Bhawan, New Delhi: with request to issue clarification as requested under point 2(b) above at the earliest.
2. CMD GAIL, GAIL (India) Ltd., New Delhi: With request to work as aggregator as specified under point 2(d) & (e) above.
3. ED-FICC, New Delhi
4. MD/CMD all urea manufacturing companies: with request to take action positively.
5. MD&CEO, IGX, Noida

Copy to:

PPS to AS (AM)/PPS to Director (UPP)/JD(SSA)-FICC/ JD(HHP)-FICC.