Circular No.: IGX/MO/140/2024 September 03, 2024

Revision in Fertilizer Contracts at Exchange

Dear Members,

In accordance with the Byelaws and Market Rules of IGX, and in reference to Circular No. 90, Members may kindly note that IGX will introduce additional monthly contracts (Product Code ‘MF’) at delivery points Dahej, Hazira, and Mhaskal from September 06, 2024. These new contracts will be available to all registered sellers and buyers and will be termed as Flexible Contracts. Consequently, other Monthly (Product Code ‘MF’) and Fortnightly (Product Code ‘FF’) Contracts will be discontinued from September 06, 2024.

The contract parameters will be the same as those for the existing monthly contracts at these delivery points mentioned in IGX Master Circular ver3, except for the changes listed below: -

1. TRADING

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

#	Hub - State	Delivery Point	Gas Category	Location
1	Western - Gujarat	Dahej (DH)	Free Market	PLL Dahej (Petronet LNG Terminal)
2	Western - Gujarat	Hazira (HZ)	Free Market	Mora Delivery Point (Hazira LNG Terminal)
3	Western - Maharashtra	Mahskal (MS)	Free Market	Interconnection of PIL and GAIL

B. Contracts available for Trading - On any given trade date, the Contracts available for trading will be for next three Months (ex. during trading month of Sept’24, contracts available for trading for Oct’24, Nov’24 and Dec’24 delivery months)
The respective Contract Symbol will remain unchanged, i.e.
“MF-Delp-dd/mm/yy-mmm-yyyy” where

Product Code – MF stands for Monthly Flexible
Delivery Code – Delp stands for Delivery Point i.e. 'DH' for Dahej, 'HZ' for Hazira, and 'MS' for Mhaskal
dd/mm/yy: Delivery Start Date and mmm-yyyyy: month and year

C. Price Discovery - The matching mechanism shall be as per double sided uniform price auction methodology and on Price-Time Priority basis as specified under Matching Methodology (Annexure B) of Market Rules.

D. 1 Lot = 50 MMBtu/d, where Minimum Lot Size for bidding = 200 Lots. At the time of price discovery and auction outcome, in case of partial selection of bids subject to minimum volume of 1 lot, if buyer will be unable to operate its facility, then as per Rule 6.11 clause 1 of Market Rules, based on buyer's formal communication to the exchange, the exchange may cancel the trade with no compensation applicable on either of the party.

All other provisions related to Trading mentioned in Master Circular (ver. 3) shall remain the same as applicable in existing Contracts at Dahej, Hazira and Mhaskal delivery points.

2. RISK MANAGEMENT, CLEARING AND SETTLEMENT

A. Post Trade Margin ('TM') and Transport Margin ('TSM')- Bidders have to provide the following Post Trade Margins -

i. Seller Margin: - Post Trade Margin ('TM') of 15% of Trade value (cash/non-cash) latest by next banking day of the trade date. If the trading window is closing within 3 days of the delivery start date, the seller has to arrange the Post Trade margin on trade date.

ii. Buyer Margin: -
- In Ex-Hub transaction: Post Trade Margin ('TM') for 25% of Trade value (cash/non-cash) and Additional Margin for 55% of Trade value (cash/non-cash[1]) latest by next banking day of the trade date. If the trading window is closing within 3 days of the delivery start date, the buyer has to arrange the Post Trade margin on trade date.

[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.

- In Delivered transaction: Post Trade Margin ('TM') for 25% of Trade value (cash/non-cash) and Additional Margin for 55% of Trade value (cash/non-cash[1]) latest by next banking day of the trade date. If the trading window is closing within 3 days of the delivery start date, the buyer has to arrange the Post Trade margin on trade date.
  102% of estimated transportation margin plus taxes ('TSM') has to be submitted in cash within 5 days before delivery start date. If the trading window is closing within 5 days of the delivery start date, the buyer has to arrange the Post Trade margin on trade date.

B. Settlement, Invoicing and Payment Cycle: -

i. Invoice – The seller has to 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 2 (B) (ii) (a) above, by 2nd banking day from receipt of buyer Pay-In.
   b. In case of para 2 (B) (ii) (b) above, by 4th banking day of receipt of seller's Invoice.

C. 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 may 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.

D. 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.

E. 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.

The buyers shall be required to pay total transaction fees applicable i.e., INR 4/MMBTU in Ex-Hub transaction(s) and INR 6/MMBTU in Delivered transaction(s), and seller shall be required to pay Exchange transaction fees at INR 4/MMBTU. If the total scheduled quantity for the contract period is more than or equal to 90% of the total trade quantity, then the fees from buyer and seller for that trade will be charged at actual scheduled quantity. If the total schedule quantity is less than 90% of the total trade quantity, then the fees are charged at 90% of the total trade quantity. In case the traded quantity is not scheduled or partially scheduled due to reasons attributable solely due to transporter, then transaction fees on 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. <u>DELIVERY</u>

A. Booking of Capacity Tranche (CT) in the Pipeline of Transporter: -

In case of Ex-Hub Transaction, the buyer shall be responsible for booking of CT across the connected pipeline/s. Similarly, in the case of Delivered Transaction, the Exchange will facilitate the buyer for booking of CT. For trades under Ex-hub and Delivered transactions:

i. Each Bidder should have the necessary transportation agreements in Delivered or Ex-hub transactions to off-take the gas from the Delivery Point.
ii. In case of non-availability of CT in any of the pipeline/s because of denial from the Transporter/s, the trade executed between the buyer and seller shall be considered as null and void without any obligation on the buyer or seller.
The buyer has the right to request for cancellation of trade fully or partially without any obligation and compensation to seller, when the CT application requested by the buyer to the transporter for any gas day is rejected because of reasons solely attributable to the transporter like non-availability of capacity or any technical constraints in the pipeline.
iii. In case the CT is not booked in the pipeline/s because of any fault at the side of the buyer, Exchange has the right to terminate the trade and recover 10% of the respective trade value from the buyer and compensate it to the counter party seller.
iv. It is buyers responsibility to comply all minimum operating requirements including but not limited to the CT application timeline as prescribed by the transporter from time to time.

B. Nomination and Scheduling Procedure at Delivery Point:
i. Daily Contract Quantity (DCQ) - Once the trade is executed, the DCQ is deemed to be equal to the Daily Trade Quantity (DTQ).
ii. Total Contract Quantity (TCQ) is equal to the summation of the DCQs of each gas day of the trade.
iii. The buyer shall no later than 13:30 hours of one day prior to the day of actual gas flow, shall intimate the "Daily Nominated Quantity" (DNQ) along with CT details to the Exchange and seller. The buyer can nominate Gas quantity ranging from NIL to maximum up to lower of "Residual TCQ" and "30% of TCQ" on any gas day. "Residual TCQ" is the difference between TCQ and the quantity already scheduled by the seller. In case the buyer does not submit DNQ by 13:00 hours of one day prior to the gas flow, the DNQ is deemed to be equal to Zero.
iv. Buyer's DNQ is binding on the seller for scheduling of gas at the delivery point in all cases except the case when the total gas scheduled by the seller during the contract period is already equal to or greater than 90% of the TCQ.

v. In case of any scenario of reduction in gas supplies against buyer's nomination, seller shall inform the revised Scheduled Quantity (SQ) to the buyer and IGX immediately by 14:00 hours.

C. Take or Pay obligation on buyer: - The "Take or Pay Quantity" shall mean 90% 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 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 that is curtailed by any or all of the Transporters between Delivery Point and the location of gas consumption 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 90% 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.

D. Liquidated Damage to seller: - “Seller’s Shortfall Gas Quantity” of each gas day shall be the positive difference between “90% of DNQ” and actual quantity delivered by the seller at the Delivery Point.

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.
iii. Total gas already scheduled by the seller during the contract period is equal to or greater than 90% of the TCQ.

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. Summation of positive differences between 90% of DNQ & Allocated Quantity of all gas days of the contract period at the rate of the applicable tariff/s of the pipelines 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 September 06, 2024 till further notice.

For and on behalf of
Indian Gas Exchange Limited

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