

Islamic Republic of Pakistan

Islamabad, the 3rd September, 2003
License No. NG-002/2003

The License

The Oil and 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") and in exercise of its powers conferred by Section 22 of the Ordinance and Rule 3(3) of the Natural Gas Regulatory Authority (Licensing) Rules, 2002 (the "Licensing Rules") hereby grants to **Sui Northern Gas Pipelines Limited**, having its registered office at 21, Kashmir Road, Lahore, Pakistan (the "Licensee") a license (the "License") to undertake the following regulated activities subject to the terms and conditions given hereinafter;

(I) Transmission of natural gas

- i) Construction and operation of pipelines for the purpose of transmission of natural gas; and
- ii) Transmission of natural gas through the transmission system of the Licensee.

(II) Distribution and sale of natural gas

- i) Construction and operation of pipelines for the purpose of distribution and sale of natural gas throughout the territories of Province of Punjab, North West Frontier Province (NWFP), Federal Capital, Federally Administered Tribal Area (FATA), Azad Jammu and Kashmir (AJK) and those areas of Province of Sindh where the Licensee operates natural gas distribution system prior to the date of issuance of the License; and
- ii) Distribution and sale of natural gas through the distribution system of the Licensee within its authorized area, with an exclusive right till 30th June 2010 to distribute and sell natural gas to its existing consumers and such consumers as are connected to its distribution system on or before 30th June 2005.

Validity

The License shall be valid for an initial term of 30 (thirty) years from 25th March 2002 unless revoked earlier.

(Rashid Farooq)

Member (Oil)

(Jawaid Inam)

Member (Gas)/Vice Chairman

(Munir Ahmad)

Chairman

GENERAL CONDITIONS APPLICABLE

TO

THE LICENSEE

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 are assigned to them in the Ordinance and the Rules.

1.2. The following words shall have the following meanings:

1.2.1. \ 'authorized area\ ' means the area in which the Licensee has been authorized to undertake construction and operation of pipelines for the purpose of distribution and sale of natural gas;

1.2.2. \ 'bulk or wholesale consumer\ ' means a consumer who purchases natural gas for resale;

- 1.2.3. "connect" means the undertaking of the works necessary to enable gas to be conveyed through a pipeline system to premises or from one pipeline system to another pipeline system and may include the laying of any service pipe, the extension of any pipeline system and reinforcement or modification required to be made to a pipeline system as a result and "connection" shall be construed accordingly;
- 1.2.4. "consents" means all such approvals, consents, authorizations, notifications, concessions, acknowledgements, agreements, Licences, permits or decisions required to be obtained by the Licensee from any competent authority in connection with construction, testing and operation of a regulated activity;
- 1.2.5. '\distribution system\' means the pipelines and associated facilities and equipment used by the Licensee from time to time for undertaking the distribution and sale of natural gas;
- 1.2.6. "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;
- 1.2.7. '\Gas main\' means a distribution line that serves as a common source of supply of natural gas for more than one service line;
- 1.2.8. '\Rules\' means and includes the Licencing Rules and any rules framed under the ordinance;
- 1.2.9. "Standard Contract Terms" means the terms of the standard contracts which will apply as between Licensee and each category of its retail consumers for the sale of natural gas;

1.2.10. '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 for delivery to a distribution system or sale to a retail consumer; and

1.2.11. 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 and the Rules.

2.2. The breach of any law, including the breach of any provision of the Ordinance or any Rules or Regulations framed thereunder 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 License may be amended, varied, modified or revoked in accordance with the provisions of applicable laws.

4. Early Termination of License

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

5. Rate of Return and Tariff Determination

- 5.1. The Authority shall determine tariff or total annual revenue requirement of the Licensee for each regulated activity, in accordance with the relevant criteria laid down for such determination in the Ordinance and the Rules.
- 5.2. Subject to such adjustments as required under condition 21 or other efficiency related benchmarks fixed by the Authority from time to time in accordance with the rules, the Authority shall determine total revenue requirement of the Licensee to ensure it achieves 17.5 % return (before financial charges & tax) on the value of its average net fixed assets in operation for each financial year. For the purpose of calculating the above return the prevailing methodology and procedure shall continue to be in force unless the Authority may otherwise approve.
- 5.3. Notwithstanding the provision in sub-condition 5.2 above, the Authority may, in consultation with the Federal Government and the Licensee, and in accordance with the provisions of the Ordinance and the Rules review and prescribe revised rate of return or a different basis for determination of the return, and determine the total revenue requirement of the Licensee to ensure that the Licensee achieves such revised rate of return on the basis so re-determined.

- 5.4. 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 total annual revenue requirement of the Licensee.

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 0.5 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 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 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 overpayment.

7. Maintenance of proper Accounts of the Regulated Activities

7.1. 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.

7.2. 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. Commencing from 1st July 2005 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 Transmission, distribution and 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 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. 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 the Licence 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 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, producer of natural gas or any class of consumers or producers.

13. Provision of Regulated Activities

13.1. The Licensee shall provide Licensed regulated activities to all persons:

13.1.1. Who meet the eligibility criteria laid down by the Authority from time to time on the basis of the policy guidelines issued by the Federal Government or otherwise; and

13.1.2. 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 activities 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:

14.1.1. Research and development to improve operational efficiency and safety aspect of its regulated activities;

14.1.2. Training of Licensee's employees to carry out its regulated activities in efficient and economic manner; and

14.1.3. Training and education program for Pakistani Nationals in institutions other than the training institutes being run by the Licensee.

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:

17.1.1. the design,
construction, operation and maintenance of its pipelines; and

17.1.2. the equipment, materials and other resources required
for undertaking any of 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, which shall include public awareness and education campaign about the safe use of natural gas.

18.2. The Licensee shall submit the above mentioned programme to the Authority firstly, within one hundred and twenty (120) days of the issuance of the Licence, and thereafter on the 30th of June of each year or at such other date as may be approved by the Authority at the request of the Licensee.

18.3. 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:

18.3.1. Details of 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;

18.3.2. Details of the maintenance activities carried out by the Licensee in respect of each of the regulated activities including maintenance of meters;

18.3.3. Details of any amendments the Licensee proposes to make to the program; and

18.3.4. Any other information required by the Authority.

18.4. 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 activities.

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.

19.2. The Licensee shall, within ninety (90) days of the date of issue of the License or at such date as is 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 any regulated activity.

19.3. The Licensee shall submit a report to the Authority, not later than one hundred and eighty days (180) from the date of issue of License and thereafter every ninety (90) days, providing information specified in Condition 19.4 regarding the emergencies that had occurred in the preceding ninety (90) days and the action taken by the Licensee.

19.4. The report shall include:

19.4.1. Number of emergencies and their specific locations;

- 19.4.2. causes of emergencies;
- 19.4.3. Any injury and estimate of damages;
- 19.4.4. Action taken by the Licensee;
- 19.4.5. Average time taken to respond to an emergency and to handle the emergency;
- 19.4.6. Any action taken to prevent such emergencies in future; and
- 19.4.7. Any other information specified by the Authority.

19.5. In addition to the report required from the Licensee in Condition 19.3:

19.5.1. 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;

19.5.2. for the purpose of this Condition, "serious emergency"

means:

- 19.5.2.1. Injuries to or death of an individual;
- 19.5.2.2. Major damage to the property;
- 19.5.2.3. Damage to or rupture of transmission pipeline or distribution main;
- 19.5.2.4. Suspension or curtailment of natural gas to a city or town or an area or a retail/bulk consumer consuming more than 10 MMCFD; and
- 19.5.2.5. Any other factor prescribed by the Authority.

20. Action Against Theft

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 the Licensee's policy and procedures for:

20.1.1. addressing the incidence of the theft of natural gas;

20.1.2. Determination of the value of stolen gas; and

20.1.3. Recovery of value of stolen gas.

21. Unaccounted for Gas (UFG)

21.1. The Licensee shall take all possible steps to keep the UFG within acceptable limits. The Authority for this purpose in consultation with Licensee and experts, shall fix target of UFG for each financial year. The Authority may fix UFG target separately for each regulated activity.

21.2. The Licensee shall be entitled to claim the UFG to the extent of target fixed by the Authority under 21.1 for the purpose of determining its revenue requirement for each financial year.

21.3. In case the Licensee improves upon the UFG target prescribed by the Authority under Condition 21.1 for any financial year, the Licensee shall be entitled to retain the gain on that account. Conversely if the Licensee fails to meet the UFG target the loss on that account shall be borne by the Licensee and shall not form part of its total revenue requirements.

22. Complaints Resolution Procedure

22.1. 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.

22.2. 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.

22.3. 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 in Condition 22.4 below regarding handling of complaints by the Licensee under the Complaints Resolution System.

22.4. The report shall include:

22.4.1. Breakdown of complaints in various categories based on their nature including:

22.4.1.1. Application for connection;

22.4.1.2. Billing;

22.4.1.3. Metering;

22.4.1.4. Safety;

22.4.1.5. Service;

22.4.1.6. Tariff;

22.4.1.7. Miscellaneous; and

22.4.1.8. Any other category specified by the Authority.

22.4.2. Number of complaints in each category;

22.4.3. Breakdown of complaints by region;

22.4.4. Average time taken to resolve a complaint;

22.4.5. Aging of complaints by days; and

22.4.6. Any other information specified by the Authority.

23. Consumer Service Manual

23.1. The Licensee in respect of its distribution system and sale of natural gas shall, within one hundred and eighty (180) days of the date of issue of the Licence or at such date as is approved by the Authority, submit the Consumer Service Manual specifying the rights and obligations of consumers before and after the sale of gas, for approval by the Authority.

23.2. 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.

24. Performance and Service Standards

24.1. The Licensee shall conform to the performance and service standards as may be 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.

24.2. The Licensee shall submit an annual report, detailing the extent of conformance with the above mentioned standards in the manner and for the period specified by the Authority.

25. Capacity Information

25.1. The Licensee shall, within ninety (90) days of the date of issuance of the Licence or by such other date as is approved by the Authority, provide information regarding capacity on its transmission system and distribution system:

25.1.1. on its web site;

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

25.1.3. in writing to the Authority.

25.2. The information required in Condition 25.1 shall cover:

25.2.1. available capacity; and

25.2.2. un-contracted capacity.

25.3. The Licensee shall update the information specified in Condition 25.2 on six months basis.

26. Publication of Reports and Sale Prices

26.1. Upon the directions of the Authority the Licensee shall publish, in the manner as may be reasonably directed by the Authority:

26.1.1. report on complaints resolved provided in Condition 22;

26.1.2. consumer Service Manual provided in Condition 23;

26.1.3. performance report provided in Condition 24;

26.1.4. Sale price of natural gas for each category of retail consumer; and

26.1.5. any other report or information specified by the Authority.

27. Inspection by Authority

27.1.

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.

28. Technical Audit

28.1. 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. Subsequent audits shall be arranged by the

Licensee not later than every Ten (10) years of the first audit or such period which may be specified by the Authority.

28.2. 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.

29. Enforcement

29.1. 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.

30. Notices

30.1. 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,
Sui Northern Gas Pipeline Limited,
21, Kashmir Road,
Lahore, Pakistan.

Telephone Number: 92-42-9201277
Facsimile Number: 92-42-9201302

Authority: Registrar,

Oil and Gas Regulatory Authority

Tariq Chamber, Block # 2

Civic Center, G-6 Markez

Islamabad, Pakistan.

Telephone Number: 92-51-9221715-23

Facsimile Number: 92-51-9221714

30.2. Any notice given under the provisions of Condition 30.1 shall be deemed to have been duly served and received:

30.2.1. at the actual time of delivery, if delivered personally;

30.2.2. Seven (7) working days subsequent to the date of postage, if sent by registered mail; and

30.2.3. 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.

CONDITIONS APPLICABLE

TO

TRANSMISSION OF NATURAL GAS

Conditions applicable to Transmission of Natural gas

31. Extension of Transmission Pipeline

31.1. Subject to the approval of the Authority of a tariff, if applicable, the Licensee shall, if in its reasonable opinion it is technically feasible and economically viable to do so, comply with any request:

31.1.1. by any operator of a distribution pipeline for the connection of that Pipeline to the transmission pipeline operated by the Licensee;

31.1.2. by any other operator of a transmission pipeline for the connection of that transmission pipeline to any part of the transmission pipeline operated by the Licensee ; or

31.1.3. by any person for the conveyance of natural gas through any part of the transmission pipeline to any other part of the transmission pipeline operated by that Licensee.

32. Patrolling the Right of Way

32.1. 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.

32.2. 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:

32.1.1.

the incidence of encroachment and its impact on the safe

operation of the system; and

32.1.2. any action taken by the Licensee to remedy the situation.

CONDITIONS APPLICABLE

TO

DISTRIBUTION AND SALE OF NATURAL GAS

Conditions applicable to Distribution and Sale of Natural gas

33. Connection to Distribution System and Minimum Service

Obligations

33.1. The Licensee shall promptly respond to all requests for service after the date of their receipts and issue proposal letters within 90 days or any other period approved by the Authority on the application by the Licensee if:

33.1.1. It is technically feasible to connect the premises to the gas main;

33.1.2. such a connection would not create any anomalous situation or discrimination with other prospective consumers in the same locality;

33.1.3. a domestic or commercial premises is located perpendicularly within 25 metres of the existing gas main and where the extension of gas main or reinforcement is not involved; and

33.1.4. an industrial premises is located perpendicularly within 150 metres of the existing gas main and where extension of gas main or reinforcement is not involved.

33.2. If a domestic, commercial or industrial premises is not located within the distances specified in 33.1 above, the Licensee shall inform the applicant within 45 days of receipt of request as follows:

33.2.1. The Licensee's inability to provide the service;
or

33.2.2. The time frame within which the service can be provided to the applicant.

33.3. The Licensee shall be obligated to provide gas connection to an owner or occupier of a premises subject to payment of gas connection charges, gas supply deposit and availability of road cutting permission if applicable:

33.3.1. In case of domestic and commercial prospective consumers within 45 days or any other period approved by the Authority; and

33.3.2. In case of prospective Industrial consumer within 90 days or any other period approved by the Authority.

33.4. Subject to approval of Authority of tariff if applicable the Licensee shall comply, in so far as it is technically feasible and economically viable to do so, with any reasonable request:

33.4.1. by any person for connection of premises within its authorized area to the distribution pipeline operated by the Licensee;

33.4.2. by any operator of another distribution pipeline for connection of that pipeline to the distribution pipeline operated by the Licensee; or

33.4.3. by any person for the conveyance of natural gas through the distribution pipeline operated by the Licensee.

33.5. Conditions 33.3 and 33.4.1 shall not apply in respect of a request for a connection to enable the owner or occupier of the relevant premises to take a supply of gas which in the reasonable opinion of the Licensee could not at the time be made available to that person for the reasons set out in Condition 40.2.

33.6. Any question arising under Condition 33.3 and 33.5 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.

33.7. Licensee shall not enter into contract for supply of natural gas to any bulk or wholesale consumer having its own distribution pipeline within Licensee's authorized area except where the bulk or wholesale consumer possesses a licence under the Ordinance and Rules to carry out the regulated activities in respect of distribution or sale of natural gas.

33.8. The Licensee shall provide a list of all existing Bulk or wholesale consumers to the Authority within 90 days of issuance of the Licence or at such date as is approved by the Authority.

33.9. The Licensee shall deal with the existing bulk or wholesale consumers, as follows:

33.9.1. The Licensee shall give option to all such Bulk or wholesale consumers within 180 days of date of issue of the Licence either to transfer their

distribution pipelines to the Licensee or to obtain Licence from OGRA for distribution or sale of natural gas in accordance with the provisions of Ordinance and Licencing rules. All such consumers may be allowed a maximum period of 180 days to exercise their option;

33.9.2. The Licensee shall takeover those distribution pipelines as early as possible but not later than two years or any other period allowed by the Authority from the date where a bulk or wholesale consumer opts to transfer its distribution pipelines to the Licensee;

33.9.3. where a bulk or wholesale consumer fails to opt any of the two options pursuant to 33.9.1 above, the Licensee may, with the prior approval of the Authority, disconnect the supply of natural gas to any such bulk or wholesale consumer.

33.10. The Licensee may be allowed by the Authority for the cost incurred by it to acquire and upgrade the pipelines under the condition 33.9.2 to comply with the technical specifications set by the Authority, to be treated as its capital cost.

34. Security and Continuity of Supply

34.1. 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

of demands for natural gas considering all relevant conditions including historic weather conditions.

34.2. 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.

35. Priority During Interruption of Supply

35.1. Where the Licensee considers that, for reasons of safety or in order to undertake demand management measures to meet its seasonal or emergency requirements, the supply of natural gas to some or all consumers 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 consumers in the following order:

35.1.1. cement factories;

35.1.2. thermal power plants;

35.1.3. fertilizer factories;

35.1.4. general industrial consumers;

35.1.5. commercial consumers; and domestic consumers.

35.2. The Authority may, by an order in writing, change the priority list provided in Condition 35.1 from time to time.

35.3. Any question arising under Condition 35.1 as to the placement of a consumer in the priority list, the same shall be determined by Authority, after due consideration by it of any representation made to it by the consumer and Licensee.

36. Interruption for Maintenance, Expansion, and/or Modification of

the Distribution Pipeline

36.1. When the Licensee is required to interrupt the provision of its distribution service in order to perform work involving maintenance, expansion and/or modification of its distribution system it shall intimate such interruption to the affected customers. The intimation may be made by publication in one locally distributed English and one locally distributed Urdu daily newspaper circulated in the affected area. Such intimation must be given not less than forty eight (48) hours prior to interruption of the supply of natural gas and must indicate the limits of the area affected, the date, hours and duration of the interruption of service, and the approximate hour/day when the supply will be restored.

37. Interruption due to Unforeseeable Circumstances or Force

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37.1. 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.

38. Records of Distribution System

38.1. The Licensee shall, within two (2) years of the date of issuance of the Licence or such other period as may be approved by the Authority at the request of the Licensee, submit to the Authority a complete record of the distribution system then being operated by the Licensee, in such detail, form and format as may be specified by the Authority.

38.2. The Licensee shall, within ninety (90) days of the issuance of the Licence or at such date as is approved by the Authority at the request of the Licensee, submit a plan outlining how it proposes to prepare the record required under Condition 38.1 and it shall provide a progress report of its work in preparing such record every six (6) months, starting from the date of the issuance of the Licence.

39. Standard Contract Terms for Retail Consumers

39.1. 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.

- 39.2. The Licensee shall execute agreements/contracts with all such consumers, who are being supplied natural gas without a contract/ agreement, within 180 days of issuance of the Licence or by such date as is approved by the Authority on an application, submitted by the Licensee.
- 39.3. Within three 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 each category 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.
- 39.4. The Licensee may propose different terms and conditions for different categories of natural gas consumers.
- 39.5. Except with the prior written approval of the Authority, the Licensee shall not enter into any contract with any retail consumer on terms, which are inconsistent with the Standard Contract Terms.
- 39.6. The Licensee shall not amend the Standard Contract Terms without the prior written approval of the Authority.
- 39.7. The Licensee shall provide a copy of its Standard Contract Terms to any person upon that person's request.

40. Request for Sale of Natural Gas and Continuity of Supply

40.1. Except as provided in Condition 40.2, the Licensee shall, upon the reasonable request of any owner or occupier of premises which are connected to a gas main, offer to enter into a contract for the sale of natural gas on the applicable Standard Contract Terms, however different terms and conditions may apply in the case of consumers requesting for supply of gas in the volume of 5 MMCFD or more.

40.2. Condition 40.1 shall not apply where:

40.2.1. to comply with such a request:

40.2.1.1. would prejudice the ability of the Licensee to meet its existing contractual obligations to retail consumers; or

40.2.1.2. may give rise to a physical danger to any person or the public which could not be prevented by the Licensee's reasonable precautions; or

40.2.2. the Licensee has reasonable grounds to believe that gas fittings within the relevant premises:

40.2.2.1. do not meet the specifications provided by the Licensee; or

40.2.2.2. are not installed consistent with the technical standards specified by the Authority.

41. Installation Inside Premises

41.1. The Licensee shall, upon entering into a contract with a retail consumer to supply natural gas to its premises:

41.1.1. survey the premises of the retail consumer to ensure natural gas can be safely supplied;

41.1.2. provide a design of the installation for supply of gas; and

41.1.3. provide specification for materials and fittings for the installation.

41.2. The Licensee shall, upon completion of the installation and prior to providing natural gas to the premises:

41.2.1. check the installation to ensure it meets the requirements provided under Condition 41.1 and the standards of good workmanship for safe supply of natural gas; and

41.2.2. test the installation for leaks using the technical standards or testing established by the Authority. f

41.3. The Licensee shall:

41.3.1. annually check 2% of its consumers at random for leakages in the internal pipelines of the premises;

41.3.2. inform the consumer of the potential risks and hazards, and safe and efficient use of natural gas;

41.3.3. Educate and advise the consumers to use good quality gas appliances conforming to standard laid down by Pakistan Standards and Quality Control Authority; and

41.3.4. 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.

42. Disconnection of Supply of Natural Gas

42.1. 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.

42.2. 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.

43. Campaign through TV and Radio

43.1. During the winter months the Licensee shall launch a comprehensive campaign through print and electronic media including TV and Radio to create awareness amongst consumers regarding the conservation and safe use of natural gas.

44. Deposit by the Consumer

44.1. 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 months or for such other period as may be agreed between the Licensee and the consumer.

45. Pricing for Retail Consumers

45.1. The Licensee shall not charge a retail consumer an amount for supply of gas which is greater than the sale price and minimum charges notified by the Authority from time to time.

45.2. In addition to provision of 45.1 above, the Licensee may charge such other fixed or variable amounts as are

approved by the Authority from time to time. For the purposes of this condition \"Fixed or variable Charges\" my include, but not limited to the following:

- 45.2.1. meter rent;
- 45.2.2. late payment surcharge;
- 45.2.3. service line charges;
- 45.2.4. initial connection charges; and
- 45.2.5. reconnection charges.