

# THE NATURAL GAS RULES, 1960

24th June 1960

**Rules governing the transmission, distribution and use of natural gas**

Notification No. BMR (II)-12 (1) 60. [Gazette of Pakistan, Extraordinary, 24th June 1960]. In exercise of the powers conferred by section 2 of the Regulation of Mines and Oilfields and Mineral Development (Federal Control) Act 1948 (XXIV) of 1948), and in supersession of the late Ministry of Works, Irrigation and Power's Notification No. P-8 (70)/58, dated 7th July 1958, the Central Government is pleased to make the following Rules, namely:

## PART I

**1. Short title and commencement.** (1) These Rules may be called the Natural Gas Rules, 1960.

(2) They shall come into force at once.

**2. Definitions.** In these Rules unless there is anything repugnant in the subject or context:

- (a) 'area of supply' means the area within which a licensee is authorised to lay transmission lines, distribution lines and service pipes and to operate them for the purpose of supply of gas ;
- (b) 'Authority' means the Bureau of Mineral Resources, Government of Pakistan;
- (c) 'consumer' means any person who is supplied with gas by a licensee, or whose premises are for the time, being connected with the works of a licensee for the purpose of supply of gas ;
- (d) 'Corporation' include any Corporation, Joint Stock Company, partnership association, business trust, organized group of persons whether incorporated or not, and receiver or trustee of any of them ;
- (e) 'distribution line' means a pipeline or network of pipelines for the distribution and supply of gas in the area of supply, for sale to any consumer;
- (f) 'gas' means natural gas unmixed and natural gas mixed with artificial gas and includes all other fluid hydrocarbons not defined as oil;
- (g) 'licensee' means a person who holds a licence under Part II of these Rules ;
- (h) 'meter' means all equipment installed for the purpose of measuring the quantity of gas supplied in a specified time and includes all kinds of apparatus upon whose reading or indication charges for the supply of gas are wholly or partly determined;
- (i) 'pipe-line' means any gas supply line through which gas is, or intended to be, supplied by a licensee ;
- (j) 'reasonable returns' means the maximum return per annum which the Authority may prescribe taking into consideration appropriation to reserves, depreciations, interest and all other relevant factors;
- (k) 'transmission line' means a pipeline for the bulk transportation and sale of gas by one licensee to another licensee for the purpose of resale ;
- (l) 'works' includes transmission lines, distribution lines, pipe-lines, service lines, pumping stations, surface reservoirs owned, controlled, operated or managed in connection with or to facilitate the transmission, storage, distribution or delivery of gas.

## Part II Licensees

**3. Licence compulsory.** No persons shall undertake or cause to be undertaken the construction or laying of a pipeline for the transmission, distribution or supply of gas without first obtaining a licence for the purpose from the Authority :

Provided that this Rule shall not apply to flow line, that is the pipe-line used for the transportation or conduct of gas within lease area or from the well-head to a purification plant or connections with the main transmission line within such area.

Explanation. In this Rule 'lease area' means the area, leased under the Pakistan Petroleum (Production) Rules 1949, for the exploration of natural gas or oil or petroleum.

**4. Application for licence.** (1) A Corporation entitled by its memorandum of association, deed of partnership or other appropriate charter to engage in the transmission or distribution of gas may submit an application for a licence to the Authority.

(2) An application for licence shall be in triplicate and shall be accompanied by -

(a) when it is an application for transmission of gas, three copies of,--

(i) a map showing ; - (a) the proposed general route and the principal places to be served ;

(b) the approximate location of principal river crossings ;

(c) the approximate location of other works ;

(d) the length and diameter of the pipeline of lines ;

(ii) a report stating,

(a) the estimated initial demand of gas ;

(b) the estimated maximum capacity of the pipeline or lines;

(c) the estimated time required to construct and make the pipeline or lines ready for operation ;

(d) the source of supply of gas ;

(e) the estimated gas consumption in the areas which it is intended to supply; and

(iii) a report on,--

(a) the proposed financial structure and financing plans of the Corporation ;

(b) ability of the Corporation to carry out its financial and technical obligations in the event of a licence being granted ; and

(c) the economic of the project.

(b) when it is an application for distribution and sale of gas, three copies of,-

(i) a map showing the area of supply within which the applicant wishes to supply gas ;

(ii) a report stating, -

(a) general plan for development of the distribution system;

(b) sources of supply of gas ; and

(iii) a report on,--(a) the proposed financial structure and financing plans of the Corporation;

(b) ability of the Corporation to carry out its financial and technical obligations in the event of a licence being granted; and

(c) the economics of the project.

(3) Every application for a licence shall be accompanied by a fee of one thousand rupees, which shall in no case be refunded.

(4) A Corporation shall, within fourteen days of submitting an application to the Authority, publish by public advertisement notice of submission of the application and any objections by interested persons shall be forwarded to the Authority within thirty days of the date of publication of the notice.

**5. Consideration of application.** (1) The Authority shall consider the application having regard to all the circumstances which appear to it to be relevant and in particular, but not so as to limit the generality of the foregoing, to-

(a) the public and national interest;

(b) the financial and technical competence of the applicant; and

(c) the objections, if any, of interested persons.

(2) The Authority may require such changes and alterations in the plan and in the details to be made as it may deem expedient.

(3) A licensee shall be bound by the provisions contained in these Rules and such other terms and conditions as may be specified in the licence.

**6. Authority may grant or refuse licence.** (1) The Authority may grant a licence for transmission or distribution and sale of gas in accordance with the plan and details approved by it for a period not exceeding fifty years, and for such further periods as it may fix from time to time, and may specify in the licence such terms and conditions as it may think fit to impose on the licensee, or it may refuse to grant the licence.

(2) In case of refusal to grant a licence an appeal shall lie from the decision of the Authority to the Central Government.

**7. Revocation or amendment of licences.** (1) The Authority may, if in its opinion the public interest so requires, revoke a licence in any of the following cases, namely:

(a) where the licensee, in the opinion of the Authority, makes wilful and unreasonably prolonged default in doing anything required of him by these Rules ;

(b) where the licensee violates any of the terms or conditions of his licence ;

(c) where the licensee is, in the opinion of the Authority, unable, by reason of his insolvency, fully and efficiently to discharge the duties and obligations imposed on him by his licence.

(2) Where, in the opinion of the Authority, the public interest so requires, the Authority may instead of revoking a licence under sub-rule (1), permit it to remain in force in relation to the whole or any part of the area of supply, upon such alterations or amendments in the terms and conditions of the licence as it thinks fit to make, or upon such new terms and conditions as it may impose upon the licensee.

(3) In case of revocation of a licence or alterations or amendments in the terms and conditions, thereof an appeal shall lie

from the decision of the Authority to the Central Government.

**8. Licensee not to sell, assign, transfer or lease his licence or works.** No licensee shall-

- (a) sell, assign, transfer, convey or lease his licence or his works or any interest therein in whole or in part;
  - (b) enter into any agreement or contract for :-
    - (i) the amalgamation of his works with those of any other person ; or
    - (ii) the operation of his works by any other person;
  - (c) mortgage or otherwise create a charge upon the works or any interest therein;
- unless approval of the Authority, permitting the same, has first been obtained.

**9. Execution of work after commencement of licence.** The licensee, after the commencement of the licence, shall execute to the satisfaction of the Authority his works within a period of two years or such further period as the Authority may allow under special circumstances proved by the licensee to be beyond his control.

**10. Addition to extension of pipeline.** A licensee shall not make any major alteration in, addition to or extension of his transmission or distribution lines as given in his plan approved by the Authority, unless the alteration, addition or extension is authorised by the Authority, and the provisions of these Rules shall apply to all such alterations, additions and extensions.

**11. Laying down further distribution lines and disputes to be referred to the authority.** (1) The authority may require a licensee to lay, within a specified time, pipelines and distribution lines in any particular area within the area of supply of the licensee.

(2) Where any difference or dispute arises between the licensee and the Authority the matter shall be referred to the Central Government whose decision thereon shall be final.

**12. Order to alter or discontinue pipeline.** Except with the permission granted by the Authority, a licensee shall not substitute, alter or discontinue any pipeline or works or any part thereof, if such substitution, alteration or discontinuance is likely to result in the discontinuance of supply of gas to a consumer:

Provided that a licence may temporarily discontinue supply of gas when such discontinuance may become necessary at any time as an emergency action for public safety or routine maintenance of the works.

**13. Authority may direct diversion or relocation of pipeline for public works.** At any time after the granting of licence, the Authority may,--

- (a) on such terms and conditions as it may specify, direct the licensee to divert or relocate a pipeline, if, in its opinion, the diversion or relocation is necessary to facilitate the construction, reconstruction or relocation of highway or any other work affecting public interest;
- (b) direct the licensee to change or alter the plan of the pipeline to conform to the diversion or relocation of the pipeline under clause (a); and
- (c) amend, rescind or add to the terms and conditions specified in the licence.

**13A. Supply of gas at the request of occupant of premises.** It shall be lawful for any licensee to supply gas to any premises on the application of the occupant of those premises for the time being and to take all steps necessary for the purpose ; and neither the licensee nor the occupant of any premises shall be required to secure the consent of the owner of the premises to gas being so supplied.

**14. Licensee can refuse supply.** If a licensee proves to the satisfaction of the Authority that further demand cannot be met on account of limited quantity of gas at the source of supply, the licensee may, with written approval of the Authority, refuse the supply of gas to any person or may refuse to increase the existing supply to any consumer.

### PART III Charges Accounts

**15. The Authority to fix maximum rates.** (1) The prices for gas supplied by the licensee shall be charged in accordance with the method of charges approved by the Authority and shall not exceed the maximum rates fixed by the Authority.

(2) In fixing the rates under sub-rule (1) the Authority shall allow a reasonable return to the licensee.

**16. Minimum charges.** A licensee may charge a consumer a minimum charge for supply of gas determined in such manner as may be approved by the Authority, and such minimum charge shall be payable notwithstanding that no gas has been used by the consumer during the period for which such minimum charge is made.

**17. Meters.** (1) In the absence of an agreement to the contrary, the amount of gas supplied to a consumer shall be ascertained by means of a correct meter, and the licensee, shall, if so required by the consumer, cause the consumer to be supplied with such a meter.

(2) The licensee may require the consumer to give him security for the price of a meter or to enter into an agreement for the hire thereof, and where the consumer enters into such an agreement the licensee shall keep the meter correct, and in default of his doing so, the consumer shall, for so long as the default continues, cease to be liable to pay for the hire of the meter.

(3) The licensee or any person duly authorised by the licensee shall, at the reasonable time, have access to, and be at liberty, inspect and test any meter, and unless such inspection and test shows the meter to be incorrect all reasonable expenses of, and incidental to, such inspection and test if done, at the instance of the consumer, shall be recovered from the consumer, and if any difference or dispute arises as to the amount of such reasonable expenses, the matter shall be referred to the Authority

whose decision thereon shall be final.

Explanation. A meter shall be deemed to be correct if it registers the amount of gas supplied within the limits of error approved by the Authority and complies with such conditions as may be prescribed by the Authority.

**18. Rates and charges to be reasonable and under preferences, etc., not to be granted.** (1) All rates and charges made, demanded, or received by any licensee for, or in connection with the transportation or sale of gas and all rules and regulations affecting or pertaining to such rates or charges shall be just and reasonable.

(2) Except with the permission of the Authority, no licensee shall with respect to any transportation or sale of gas make or grant any undue preference or advantage to any person or subject any person to any undue prejudice or disadvantage or maintain any unreasonable difference in rates, charges, services, facilities, either as between one locality and another or as between one class of consumers and another, when the gas is supplied in the same conditions of supply and for the same class of use.

**19. Disputes on rates and charges to be referred to the Authority.** In case of disputes over rates and charges of the licensee or in respect of any provision of Rules 15, 16 or 18 the matter shall be referred to the Authority whose decision thereon shall be final and binding on the disputing parties.

**20. Records and accounts.** Every licensee shall make, keep and preserve for such period such accounts, records of cost accounting, procedures, correspondence, memoranda, papers, books and other records as the Authority may specify or require for examination and inspection, and shall submit to the Authority such accounts, statistics and information in such forms and for such period as the Authority may prescribe.

**21. Audit of accounts of licensee.** The licensee shall also observe the following provisions as to the audit of accounts :-

(a) the annual statement of accounts of the undertaking shall, before being submitted under Rule 20 to Authority, be examined and audited by a registered Accountant;

(b) the Authority may in its discretion have the accounts further edited by an auditor appointed by the Authority, and in that event the licensee shall afford to such auditor, his clerks and assistants, access to all such books and documents relating to the undertaking of the licensee as are necessary for the purpose of the audit and shall, when required, furnish to them all vouchers and information requisite for that purpose and afford to them all facilities for the proper execution of their duty ; and

(c) any report made by the auditor or such portion thereof as the Authority may direct shall be appended to annual statement of accounts of the licensee and shall thenceforth form part thereof.

**22. Wilful hindrance in submitting records, etc., unlawful.** No person shall wilfully hinder, delay, or obstruct the making, submitting or keeping of any information, document, report, memorandum, or record or account required to be made, submitted or kept under these Rules.

#### PART IV

##### General

**23. Entry, inspection and enforcement of the Rules.** The Authority may authorise its officer or officers of specified rank or class to enter, inspect and examine any place in which he has reason to believe that there is any appliance or apparatus used in the transmission, supply or use of gas, and take other necessary steps for the due observance of the provisions of these Rules by licensees, consumers or any other person connected with the transmission, distribution, supply and use of gas.

**24. Protection for acts done in good faith.** No suit, prosecution, or other proceedings shall be instituted against any officer authorised under Rule 23, for anything done, or purporting to be done in good faith under the provisions of these Rules.

**25. Protection to public.** A licensee shall locate, construct and operate his pipeline and all works connected therewith in accordance with the Petroleum Rules, 1937, so as not to endanger the public health or safety.

**26. Making entrance, etc., on pipelines.** A licensee shall mark with conspicuous signs on the limits of a public highway, surveyed road or road allowance outside the boundaries of a city, town or village, the place at which the pipeline enters and leaves or crosses under the public high-way, surveyed road or road allowances.

**27. Penalty for breach of Rules.** Whoever commits a breach of these Rules shall be punishable for every such breach with fine which may extend to fifty thousand rupees.