

Marketing Discipline Guidelines 2014

For LPG Distributorship



21st February 2014

MARKETING DISCIPLINE GUIDELINES – 2014

LPG Distributorship

INTRODUCTION -

Liquefied Petroleum Gas (LPG) marketing commenced in India during the year 1955 at (Bombay) Mumbai by then M/s Burma Shell. Since then LPG market in India has evolved over the last five decades or more from a miniscule level to the present position of over 14 crore customers on Industry basis. LPG marketing activities are expected to grow further because of the focus on expansion in rural areas.

There is a network of over 13,000 LPG distributors in the country to meet the requirement of LPG consumers. LPG marketing is unique. LPG consumers are tied to LPG distributor with very little freedom to choose their distributors. Such a vast and complex marketing activity requires proper discipline among the LPG distributors from whom the entire LPG customers are serviced.

LPG distributorships are appointed by Public Sector Oil Marketing Companies (OMCs) and are governed by the terms & conditions of agreement entered into between the OMCs & the Distributors. The various clauses of the distributorship agreement spell out the several responsibilities that have to be performed by the distributorships as well as by the OMCs. Besides the responsibilities spelled out in the distributorship agreement, there are operating policies, procedures and practices that are required to be followed by the distributors to serve the LPG consumers. Further there are prohibited activities that have to be avoided by the distributors. In order to ensure that distributors follow operating policies, procedures and practices, various actions to be taken against erring distributors are made which are called Marketing Discipline Guidelines (MDG). MDG form part & parcel of the instructions as issued from time to time under relevant clause on 'Faithful Performance' of the Distributorship/Dealership Agreement. These guidelines do not preclude any action under the Distributorship Agreement.

The MDG for LPG distributorships has been in existence for over 30 years. The 1st MDG for LPG distributorships was introduced in 1982. It was subsequently revised in 1988, 1994 and thereafter in 2001.

These guidelines need to be constantly updated to meet **challenges of IT**, the growing customer expectations, ensuring quality of product and services, enforcing discipline amongst the distributorship net work and prevent malpractices in the sale of petroleum products.

1. PROCEDURE FOR HANDLING OF LPG CYLINDERS BY DISTRIBUTORS

It will be the responsibility of the Distributors to sell product of correct Quality & Quantity and provide excellent customer service.

1.1 RECEIPT OF PRODUCT

At the time of arrival of truck carrying filled LPG cylinders, the Distributor should match the details of the Invoice with the receipt of consignment in the following manner:

- i) Truck No.
- ii) Type of cylinders
- iii) Number of cylinders
- iv) The time when truck left Supply Point
- v) The time when truck reported at godown

1.2 Unloading of Filled LPG Cylinders at LPG Storage Godown

The Distributor to carry out the following:

- i) Separate area should be marked in the LPG storage godown for keeping filled, empty and defective cylinders for each type of cylinders.
- ii) The platform type of Weighing Scale should be checked with standard weight for accuracy.
- iii) While unloading filled LPG cylinders, weight of 10% cylinders taken randomly should be checked and records should be maintained in the prescribed format given by OMCs.
- iv) Cylinders that have net weight beyond permissible limit should be returned in the same truck. Record of the same should be maintained.

1.3 STOCK / PRICE CONTROLS

- i) Distributor to display opening stock and Retail Selling Prices of products / various categories of cylinders.

- ii) Distributor to maintain a daily stock-register for filled, empty and defective cylinders for all types / categories of cylinders.

1.4 QUALITY / QUANTITY CONTROL MEASURES

- a) Presently, for a 'Household' ['Household' as defined in the Liquefied Petroleum Gas (Regulation of Supply and Distribution) Order, 2000 as amended on 10 September' 2009 or as notified from time to time] domestic consumers would be provided at subsidized rate upto 11 cylinders of 14.2 Kg in 2013-14 and upto 12 cylinders of 14.2 Kg in 2014-15 or the number of cylinders as notified from time to time. Any cylinders beyond 11 in 2013-14 & 12 in 2014-15 or the number as notified from time to time will be given at non-subsidized domestic rate. Non-Domestic Exempted Category (NDEC) customers are also treated as domestic LPG customers and allowed the supply of LPG at subsidized rates till the cap as is applicable to domestic LPG customers.
- b) 100% cylinders should be visually inspected for dents and cuts on the body of cylinders and such damaged cylinders should be segregated and returned to Bottling Plant. Similarly, the cylinders which are due for Statutory Testing should also be segregated and returned to the Bottling Plant.
- c) All the cylinders taken out for delivery should be checked for correctness of net weight on the platform type weighing scale prescribed in the Legal Metrology (Packaged Commodities) Rules, 2011 as amended from time to time. Cylinders that have net weight beyond permissible limit prescribed in the Legal Metrology (Packaged Commodities) Rules, 2011 as amended from time to time should be segregated and returned to concerned Bottling Plant.
- d) Cylinder with correct net weight only should be taken out for delivery to the customers.
- e) While delivering the filled LPG cylinder to the customer, distributor staff should verify the address of the customer. In each and every case, the delivery man of the distributor should carry weighing equipment and deliver the cylinder after demonstrating weight to the customer or his representative.
- f) Distributor to ensure that in each and every case, the delivery man carries weighing equipment and the cylinder is delivered to the customer after demonstrating weight in his/her presence.
- g) The delivery man should also show the seal on the cylinder and open the seal of the cylinder with permission of customer to check the valve leakage and 'O' ring leakage.

- h) The delivery man should take permission of customer to demonstrate the soundness of cylinder by connecting it with the Gas stove.
- i) The delivery man should ensure to make proper entries of all the relevant information in the Domestic Gas Consumer Card (DGCC) regarding the refill supplies made to the respective customers.
- j) Cash Memos should carry the message "Get cylinder checked for weight and leakage at the time of delivery" and till such time the cash memos do not carry the above message, distributor to ensure that the above message is prominently stamped on the customer's copy of cash memos.
- k) Cylinder with any defect should be brought back to the godown. Only sound cylinders should be delivered to the customers.
- l) Distributor to maintain record of defective cylinders returned from customer. Distributors should return these cylinders to concerned LPG Bottling Plants after certification by the respective OMC Officer.
- m) Delivery boy should convey and deliver any message / instruction to the customer relating to LPG marketing as intimated from time to time.

1.5 OBSERVANCE OF STATUTORY AND OTHER REGULATIONS

- i) All statutory rules and regulations in connection with storage and sale of petroleum products must be followed and implemented.
- ii) To observe rules and regulations of the Department of Explosives.
- iii) Distributor will not buy, sell or exchange domestic Pressure Regulators / LPG Cylinders / petroleum products with any other Distributor or anybody other than the principal Oil Company unless authorized by the concerned Oil Company in writing.
- iv) Distributor to maintain files wherein all Inspection Reports, correspondence received from Oil Company from time to time, copies of invoices etc., are available at the distributorship for ready reference.

1.6 CUSTOMER SERVICES AND GENERAL AMENITIES TO BE PROVIDED AT SHOWROOM / GODOWN

- i. LPG Distributor should ensure availability of sufficient filled cylinders of correct quantity and quality for timely delivery of filled cylinders to the customers by placing timely and sufficient indents for filled cylinders at Bottling Plants of OMCs. Normally filled cylinders stock equivalent to two days of average daily off-take and turnaround time of the truck from the supply point must be

- available and an indent available at supply point should be the basis for placing the next indent by the distributor.
- ii. The LPG distributor should provide adequate delivery infrastructure for making home delivery of LPG cylinders commensurate to the average daily refill sales and also to take care of breakdowns/absenteeism. In case of backlog situation, additional delivery infrastructure as per requirement is to be provided. However, in case of RGGLV, home delivery of LPG cylinders/Cash & Carry rebate is not presently applicable.
 - iii. LPG Distributor should ensure prompt service and courteous behaviour at all times.
 - iv. A suggestion/complaint book must be maintained and made readily available to customers on demand. A message indicating availability of this book must be prominently displayed.
 - v. The working hours of the LPG Distributorship should be prominently displayed. Holiday notices should be displayed well in time.
 - vi. The Distributor shall provide one telephone connection for every 4000 refill sales in a month e.g. a Distributor having an average monthly refill sales of 10000 should provide 3 telephone connections. However, in cases where the average monthly refill sales exceeds 8000 and IVRS refill booking facility is available/fully operational, two telephones shall be considered adequate.
 - vii. Distributor must prominently display his Name/Telephone number(s) and also Name/Telephone number(s) of the Oil Company personnel who are to be contacted by the customer in case of complaints. In addition, the Distributor should display messages on the Customer Service Cell and posters on Customer Education as provided by the respective Oil Companies from time to time.
 - viii. First Aid Box should be available at the distributorship, with necessary medicinal aids.
 - ix. Distributor to ensure that their distributorship is kept in clean condition and have sufficient sitting space. All required facilities should be adequate.
 - x. Safety equipments at LPG storage go-down and showroom should be provided as per the statutory requirements and maintained in good working condition. The Distributor and staff should be fully trained in handling and operating these equipments.

TYPE OF IRREGULARITIES BY LPG DISTRIBUTORSHIPS

Marketing of Domestic LPG cylinders is unique in which customer and distributors have a lasting relationship that may continue for generation if the services of distributor are good and have satisfied customers. In order to ensure that the distributors provide good service to the customer a discipline has to be enforced and certain acts are not permitted and also not expected in course of operations. Further, certain efficiency in operation such as on time delivery is expected from distributors and if such norms are not met, then penalties are liable to be imposed. In the operation of distributorships, depending on their nature, irregularities have been classified into 3 different categories i.e. Critical, Major and Minor based on severity of the irregularity. Their aim is to provide a graded disincentive for acts of commission/omission.

2.1 Critical Irregularities:

Critical Irregularities are those irregularities that are willfully committed on a large scale by the distributor or its staff or representatives (who would operate the distributorship in the absence of nominated distributor) for undue pecuniary (financial) gains. Such irregularities are listed below: -

- 2.1.1 Proprietor/Partner or his representative or his staff caught/found indulging in transfer of LPG from cylinder to another cylinder or container.
- 2.1.2 More than 25 % of Filled LPG cylinders loaded in a delivery vehicle for delivery to customers found under weight beyond permissible limit prescribed in the Legal Metrology (Packaged Commodities) Rules, 2011 as amended from time to time.
- 2.1.3 Detection of more than 10 spurious cylinders or domestic pressure regulators or both put together during the inspection or on the date of inspection.
- 2.1.4 Release of more than 10 Nos of Subsidized/non-subsidized domestic connections to ineligible persons/consumers/household detected during the inspection or on the date of inspection. Such connections will be treated as 'ineligible connections'
'Ineligible connection' means more than one domestic LPG connection provided to a person/consumer/'Household' [('Household' as defined in Liquefied Petroleum Gas (Regulation of Supply and Distribution) Order, 2000 as amended on 10th September 2009 and any further amendments

thereto notified by Government], LPG connection released in contravention of the Distributorship Agreement and/or any OMCs guideline in vogue.

- 2.1.5 Shortage of more than 5 domestic LPG cylinders or domestic pressure regulators or both put together detected during the inspection or on the date of inspection.
- 2.1.6 Unaccounted sale of more than 50 filled LPG cylinders in 14.2 Kg & 5 Kg (supplied by OMCs at subsidized and non-subsidized domestic LPG rates) detected during the inspection or on the date of inspection.

This will include supply of filled cylinders to ineligible customer including customer/s already transferred/terminated/fake/blocked. All refills supplied to such customers will be treated as unaccounted sale. It will also include filled cylinder sale accounted in the name of a genuine customer but not delivered to him and/or selling more than the permitted domestic subsidized 14.2 kg/5 Kg LPG cylinders as per entitlement to household/Non-Domestic Exempted category customers.

- 2.1.7 Tampering / Hacking of the OMCs authorized software used for maintaining the customer data/transactions.
- 2.1.8 Manipulation of mandatory records including waitlist register, Subscription Voucher (SV)/ Termination Voucher (TV) for pecuniary gains.
- 2.1.9 Sale of non BIS / Sub Standard equipments including Gas Stove/ LPG Hose (Rubber Tube).
- 2.1.10 More than 100 cases detected of incorrect recording of 'Aadhaar' number against consumer number resulting in advance subsidy /subsidy amount being transferred to wrong person's bank account.
- 2.1.11 More than 50 cases detected of updating delivery of cylinder for a customer in the OMC software by distributor or his staff whereas cylinder has actually not been delivered to the customer leading to wrong transfer of advance/subsidy to customer's bank account.

2.2 Major Irregularities:

Major Irregularities are those irregularities that are committed by the distributor or its staff or its representative by taking extra money from the customers and/or denying services to the customer on his request. Such irregularities are listed below: -

- 2.2.1 More than 10 % and upto 25% of Filled LPG cylinders loaded in a delivery vehicle for delivery to customers found underweight beyond permissible limit prescribed in the Legal Metrology (Packaged Commodities) Rules, 2011 as amended from time to time.
- 2.2.2 Detection of upto 10 spurious cylinders or domestic pressure regulators or both put together during the inspection or on the date of inspection.
- 2.2.3 Subsidized/non-subsidized domestic connections upto 10 Nos detected to have been released to ineligible persons/consumers/household during the inspection or on the date of inspection. Such connections will be treated as 'ineligible connections'
'Ineligible connection' means more than one domestic LPG connection provided to a person/consumer/'Household' [('Household' as defined in Liquefied Petroleum Gas (Regulation of Supply and Distribution) Order, 2000 as amended on 10th September 2009 and any further amendments thereto notified by Government], LPG connection released in contravention of the Distributorship Agreement and/or any OMCs guideline in vogue.
- 2.2.4 Shortage of upto 5 domestic cylinders or domestic pressure regulators or both put together detected during the inspection or on the date of inspection.
- 2.2.5 Unaccounted sale of more than 5 and upto 50 filled LPG cylinders in 14.2 Kg & 5 Kg (supplied by OMCs at subsidized and non-subsidized domestic LPG rates) detected during the inspection or on the date of inspection.

This will include supply of filled cylinders to ineligible customer including customer/s already transferred/terminated/fake/blocked. All refills supplied to such customers will be treated as unaccounted sale. It will also include filled cylinder sale accounted in the name of a genuine customer but not delivered to him and/or selling more than the permitted domestic subsidized 14.2 kg/5 Kg LPG cylinders as per entitlement to household/Non-Domestic Exempted category customers.

- 2.2.6 Overcharging on release of new connections/additional cylinders
- 2.2.7 Overcharging on refill delivery
- 2.2.8 Overcharging other services or charging for any activity for which charges are not permissible.
- 2.2.9 Forced sale of hot plates/other accessories to both enrolled and wait listed customers.
- 2.2.10 Not giving rebate on non-home delivery.

- 2.2.11 Unapproved / unauthorized non home delivery of filled cylinder.
- 2.2.12 Deliberate Non-attendance of complaints of delay in refill supply / leakage of cylinders.
- 2.2.13 Deliberate withholding of Corporation's payment collected from customer as Security Deposit.
- 2.2.14 Supply of partially used / underweight cylinder beyond permissible limit prescribed in Legal Metrology (Packaged Commodities) Rules, 2011 as amended from time to time.
- 2.2.15 Non-compliance of pre-delivery checks for refills before delivery of refills by distributor's staff/distributor.
- 2.2.16 Storage of LPG in cylinders exceeding 100 Kg in premises not approved by Chief Controller of Explosives (CCOE), Petroleum and Explosives Safety Organization (PESO).
- 2.2.17 More than 50 and upto 100 cases detected of incorrect recording of 'Aadhaar' number against consumer number resulting in advance subsidy /subsidy amount being transferred to wrong person's bank account.
- 2.2.18 Upto 50 cases detected of updating delivery of cylinder for a customer in the OMC software by distributor or his staff whereas cylinder has actually not been delivered to the customer leading to wrong transfer of advance/subsidy to customer's bank account.

2.3 Minor Irregularities:

Minor Irregularities are basically of the nature of procedural lapses and functional deficiencies. Such irregularities are listed below: -

- 2.3.1 Upto 10 % of Filled LPG cylinders loaded in a delivery vehicle for delivery to customers found underweight beyond permissible limit prescribed in the Legal Metrology (Packaged Commodities) Rules, 2011 as amended from time to time.
- 2.3.2 Unaccounted sale of upto 5 filled LPG cylinders in 14.2 Kg & 5 Kg (supplied by OMCs at subsidized and non-subsidized domestic LPG rates) detected during the inspection or on the date of inspection.

This will include supply of filled cylinders to ineligible customer including customer/s already transferred/terminated/fake/blocked. All refills supplied to such customers will be treated as unaccounted sale. It will also

include filled cylinder sale accounted in the name of a genuine customer but not delivered to him and/or selling more than the permitted domestic subsidized 14.2 kg/5 Kg LPG cylinders as per entitlement to household/Non-Domestic Exempted category customers.

- 2.3.3 Unauthorized out of turn delivery of refill excluding normal bunching of refills or for backlog clearance as approved by Field Officer / Sales Officer of OMC.
- 2.3.4 Non-use of prescribed intimation letter for new LPG connection.
- 2.3.5 Non-issuance of receipt or cash memo for amount collected from customer
- 2.3.6 Rude/discourteous behavior of distributor/staff/deliveryman without any provocation by customer.
- 2.3.7 Showroom kept closed on working days / during working hours without approval of concerned OMC, (excepting extraordinary circumstances)
- 2.3.8 Refusal to register request for new connection / Double Bottle Connection (DBC).
- 2.3.9 Non-placement of timely and sufficient indents at Bottling Plants to cover demand for each type of filled cylinders.
- 2.3.10 Delay in refill supplies against refill booking.
- 2.3.11 Delay / inaccuracies in submitting reports / returns.
- 2.3.12 Unauthorized out of turn release of new connections/additional cylinders.
- 2.3.13 Not having adequate number of telephone lines for refill booking/customer services.
- 2.3.14 Not complying with the directions of demonstrating weight of the cylinder before its delivery to the customer.
- 2.3.15 Not recording the entries in the DGCC or recording the entries in an improper manner in the DGCC or not taking acknowledgement of the customer / customer's representative in the DGCC and on the distributor's copy of the refill cash memo.
- 2.3.16 Distributors not having adequate delivery infrastructure for home delivery
- 2.3.17 Showroom Staff / Mechanic / Deliverymen found not in uniform / without identity card while on duty
- 2.3.18 Not having functional internet connection for LPG distributorship operation.
- 2.3.19 Not regularly (at least once in a week) transferring computer data to the OMC server, i.e. deliberately not uploading computerized data

2.3.20 NON-MAINTENANCE OF SPECIFIED RECORDS

Distributors are required to maintain the following records :-

- i. Inspection record for previous three financial years
- ii. Sales Bills pertaining to enrollment of new connections/DBC's for the current and previous two financial years
- iii. To retain the acknowledged copy of refill cash memos for a minimum period of 15 months or for a time period specifically advised in writing by Area Office / Territory Office / Regional Office of the concerned OMC
- iv. Selling license, Explosives License and such other licenses which are needed for continued operation of the LPG Distributorship
- v. Insurance policies as required for operation of LPG Distributorship
- vi. Complaint and suggestion Book.
- vii. Any other record as specified by OMCs in writing.

2.3.21 Non-Display of updated Standard Notices as communicated from time to time

2.3.22 Upto 50 cases detected of incorrect recording of 'Aadhaar' number against consumer number resulting in advance subsidy /subsidy amount being transferred to wrong person's bank account.

The above lists of irregularities though exhaustive, may have some omissions. In case any item is identified later the same will be added by the OMCs in consensus.

ACTION TO BE TAKEN UNDER THE MARKETING DISCIPLINE GUIDELINES

3 Action has been prescribed in proportion to the size of Distributorship which is as per refill sale of the distributor and also liable for recovery against quantum of irregularity detected and compensation to customer (if any). Following action is prescribed for different categories of irregularities:-

3.1 Critical Irregularities:

- i. **1st instance:** Fine equivalent to 50% of average monthly distributor's commission based on sale comprising of subsidized & non-subsidized domestic LPG in 14.2 kg & 5 kg cylinders including sale to Non-domestic exempted category customers for the preceding six months from the month of detection of irregularity plus quantum of irregularity
- ii. **2nd instance:** Fine equivalent to 75% of average monthly distributor's commission based on sale comprising of subsidized & non-subsidized domestic LPG in 14.2 kg & 5 kg cylinders including sale to Non-domestic exempted category customers for the preceding six months from the month of detection of irregularity plus quantum of irregularity
- iii. **3rd instance:** Termination plus quantum of irregularity

Quantum of irregularity –

- Transfer/ pilferage of LPG from cylinder and / or detection of underweight cylinders loaded in a delivery vehicle for delivery to customers – recovery based on RSP of 19 kg NDNE cylinder prevailing at the time of detection of irregularity shall be made for the LPG pilfered/found short.
- Unaccounted sale of LPG in 14.2 kg & 5 kg cylinders (supplied by OMCs at subsidized & non-subsidized domestic LPG rates) - The pro-rated Retail Selling Price (RSP) of 19 kg NDNE (Non Domestic Non Essential) cylinder to be applied for the unaccounted category of cylinders. To arrive at the amount to be recovered, the difference between the pro-rated RSP as given above and RSP of the category of cylinder established as unaccounted is to be applied. In both the cases, the RSP as applicable at the time of detection of the irregularity should be considered.

- Detection of spurious equipment- recovery at penal rate as applicable and prevailing at the time of detection of irregularity would be levied for the spurious equipment along with confiscation of equipment.
- LPG connection releases to ineligible consumers – Rs. 5000/- multiplied by number of such connections released.
- Shortage of equipment – penal rate as applicable at the time of detection of irregularity would be levied.
- Recording of incorrect Aadhaar number against consumer number – recovery of the amount transferred to wrong person's bank account.
- Updating delivery of cylinder for a customer in the OMC software by distributor and his staff whereas cylinder has actually not been delivered to the customer – recovery of the amount transferred to wrong person's bank account.

3.2 Major Irregularities:

- i. **1st instance:** Fine of equivalent to 20% of average monthly distributor's commission based on sale comprising of subsidized & non-subsidized domestic LPG in 14.2 kg & 5 kg cylinders including sale to Non-domestic exempted category customers for the preceding six months from the month of detection of irregularity plus due compensation to the customers and /or quantum of irregularity.
- ii. **2nd instance** Fine of equivalent to 30% of average monthly distributor's commission based on sale comprising of subsidized & non-subsidized domestic LPG in 14.2 kg & 5 kg cylinders including sale to Non-domestic exempted category customers for the preceding six months from the month of detection of irregularity plus due compensation to the customers and /or quantum of irregularity.
- iii. **3rd instance:** Fine of equivalent to 45% of average monthly distributor's commission based on sale comprising of subsidized & non-subsidized domestic LPG in 14.2 kg & 5 kg cylinders including sale to Non-domestic exempted category customers for the preceding six months from the month of detection of irregularity plus due compensation to the customers and /or quantum of irregularity.

- iv. **4th instance** : Termination plus due compensation to the customers and / or quantum of irregularity.

Compensation to the Customers – refund of excess amount charged from the customer including applicable rebate on non-home delivery of refill / free replacement of underweight cylinder if supplied to the customer.

Quantum of irregularity –

- Detection of underweight cylinders loaded in a delivery vehicle for delivery to customers and / or supply of partially used cylinders - recovery based on RSP of 19 kg NDNE cylinder prevailing at the time of detection of irregularity shall be made for the LPG found short / supplied short.
- Unaccounted sale of LPG in 14.2 kg & 5 Kg cylinders (supplied by OMCs at subsidized & non-subsidized domestic LPG rates) - The pro-rated Retail Selling Price (RSP) of 19 kg NDNE cylinder to be applied for the unaccounted category of cylinders. To arrive at the amount to be recovered, the difference between the pro-rated RSP as given above and RSP of the category of cylinder established as unaccounted is to be applied. In both the cases, the RSP as applicable at the time of detection of the irregularity should be considered.
- Detection of spurious equipment - recovery at penal rate as applicable and prevailing at the time of detection of irregularity would be levied for the spurious equipment along with confiscation of equipment.
- LPG connection releases to ineligible consumers – Rs. 5000/- multiplied by number of such connections released.
- Shortage of equipment – penal rate as applicable at the time of detection of irregularity would be levied.
- Recording of incorrect Aadhaar number against consumer number – recovery of the amount transferred to wrong person's bank account.
- Updating delivery of cylinder for a customer in the OMC software by distributor and his staff whereas cylinder has actually not been delivered to the customer – recovery of the amount transferred to wrong person's bank account.

3.3 Minor Irregularities

- i. **1st instance:** Warning-cum-guidance letter.
- ii. **2nd instance:** Fine of equivalent to 5% of average monthly distributor's commission based on sale comprising of subsidized & non-subsidized domestic LPG in 14.2 kg & 5 kg cylinders including sale to Non-domestic exempted category customers for the preceding six months from the month of detection of irregularity plus quantum of irregularity.
- iii. **3rd instance:** Fine of equivalent to 10% of average monthly distributor's commission based on sale comprising of subsidized & non-subsidized domestic LPG in 14.2 kg & 5 kg cylinders including sale to Non-domestic exempted category customers for the preceding six months from the month of detection of irregularity plus quantum of irregularity.
- iv. **4th instance or more:** Fine of equivalent to 15% of average monthly distributor's commission based on sale comprising of subsidized & non-subsidized domestic LPG in 14.2 kg & 5 kg cylinders including sale to Non-domestic exempted category customers for the preceding six months from the month of detection of irregularity plus quantum of irregularity.

Quantum of irregularity –

- Detection of underweight cylinders loaded in a delivery vehicle for delivery to customers – recovery based on RSP of 19 kg NDNE cylinder prevailing at the time of detection of irregularity shall be made for the LPG found short.
- Unaccounted sale of LPG in 14.2 kg & 5 Kg cylinders (supplied by OMCs at subsidized & non-subsidized domestic LPG rates) - The pro-rated Retail Selling Price (RSP) of 19 kg NDNE cylinder to be applied for the unaccounted category of cylinders. To arrive at the amount to be recovered, the difference between the pro-rated RSP as given above and RSP of the category of cylinder established as unaccounted is to be applied. In both the cases, the RSP as applicable at the time of detection of the irregularity should be considered.
- Recording of incorrect Aadhaar number against consumer number – recovery of the amount transferred to wrong person's bank account.

3.4 Treatment in case of Multiple Irregularities : In case of multiple category of irregularities detected during one instance of inspection/investigation, then the fine as applicable to the highest category of irregularity established will be levied upon the distributor i.e. the order of precedence for imposition of fine will be Critical over Major and Major over Minor.

In addition to the fine imposed, penalty as per the 'quantum of irregularity' would be levied as applicable for each established irregularity.

Further, the distributor will also have to pay compensation to the customer as applicable to each established case of irregularity.

3.5 The cycle for calculating instances of irregularities shall be two years from the date of the report of inspection / investigation. In other words, if an irregularity is established and recorded in an inspection report, based on the date of the said inspection report, the records of the preceding 2 year period from this date will be seen to determine whether the present irregularity is the first, second, third instance etc. of that category of irregularity (Critical, Major & Minor).

3.5.1 Instances of irregularity for each category (Critical, Major & Minor) established during inspections/investigations shall be counted separately.

3.5.2 If the instance of irregularity is only of one category, it will be counted as 1st instance of the said category provided there is no established irregularity of same category in the preceding 2 years.

3.5.3 In case multiple categories of irregularities are established during one instance of inspection/investigation, it will be counted as 1st instance of each established category of irregularity provided there is no established irregularity of same category in the preceding 2 years.

For example:

a) During the first instance all the 3 categories of irregularities i.e. Critical, Major & Minor are established, then in such case the instance shall be considered as 1st Critical, 1st Major and 1st Minor but the punishment will be levied as applicable for 1st Critical along with penalty as per the 'quantum of irregularity' and compensation to the customer as applicable to the irregularities detected.

Next instance (within 2 years of 1st Instance) of established Major & Minor categories of irregularities shall be considered as 2nd Major and 2nd Minor but the punishment will be levied as applicable for 2nd instance of Major irregularity along with penalty as per the 'quantum of irregularity' and compensation to the customer as applicable to the irregularities detected.

Any subsequent instance (within 2 years of 1st Instance) of established minor category shall be considered as 3rd Minor and punishment will be levied as applicable for 3rd instance of minor irregularity along with penalty as per the 'quantum of irregularity'.

- b) During the first instance, major and minor categories of irregularity are established, then in such case the instance shall be considered as 1st Major and 1st Minor but the punishment will be levied as applicable for 1st instance of Major irregularity along with penalty as per the 'quantum of irregularity' and compensation to the customer as applicable to the irregularities detected.

Subsequently next instance (within 2 years of 1st Instance) of established Critical & Minor categories of irregularity shall be considered as 1st Critical and 2nd Minor but the punishment will be levied as applicable for 1st instance of critical irregularity along with penalty as per the 'quantum of irregularity' and compensation to the customer as applicable to the irregularities detected.

Subsequently next instance (within 2 years of 1st Instance) of only minor category of irregularities shall be treated as 3rd Minor and punishment will be levied as applicable for 3rd instance of minor irregularity along with penalty as per the 'quantum of irregularity'.

- 3.5.4 In case the punishment in critical category of irregularity happens to be lower than punishment of next instance of irregularity in major category, then the established critical category of irregularity will attract punishment of next instance of Major category of irregularity.

For example:

If there are 3 established cases of major irregularities in two years and again another instance of irregularity is established which is of critical category then

instead of punishment for 1st critical category of irregularity, the punishment of 4th major instance of irregularity should be levied i.e. the distributorship will be terminated.

Similarly, if within a span of two years, there are 2 established cases of critical irregularities and again there are two instances of major irregularities, then punishment in the various instances shall be as under:

Instance	Category of irregularity	Punishment
1 st	Critical	As applicable for 1 st instance of Critical
2 nd	Critical	As applicable for 2 nd instance of Critical
3 rd	Major	As applicable for 3 rd instance of Major
4 th	Major	Termination (as applicable for 4 th Major)

In case of a vice versa situation, the treatment / punishment will be as follows:

Instance	Category of irregularity	Punishment
1 st	Major	As applicable for 1 st instance of Major
2 nd	Major	As applicable for 2 nd instance of Major
3 rd	Critical	As applicable for 1 st instance of Critical
4 th	Critical/Major	Termination (as applicable for 4 th Major)

Like-wise, in the following examples, the punishment is detailed below:

Instance	Category of irregularity	Punishment
1 st	Critical	As applicable for 1 st instance of Critical
2 nd	Major	As applicable for 2 nd instance of Major
3 rd	Critical	As applicable for 2 nd instance of Critical
4 th	Major	Termination (as applicable for 4 th Major)

Instance	Category of irregularity	Punishment
1 st	Major	As applicable for 1 st instance of Major
2 nd	Minor	As applicable for 2 nd instance of Minor
3 rd	Major	As applicable for 2 nd instance of Major
4 th	Minor	As applicable for 4 th instance of Minor

Instance	Category of irregularity	Punishment
1 st	Critical	As applicable for 1 st instance of Critical
2 nd	Minor	As applicable for 2 nd instance of Minor
3 rd	Major	As applicable for 2 nd instance of Major
4 th	Major	As applicable for 3 rd instance of Major

Instance	Category of irregularity	Punishment
1 st	Critical	As applicable for 1 st instance of Critical
2 nd	Critical	As applicable for 2 nd instance of Critical
3 rd	Major	As applicable for 3 rd instance of Major
4 th	Minor	As applicable for 4 th instance of Minor

Instance	Category of irregularity	Punishment
1 st	Minor	As applicable for 1 st instance of Minor
2 nd	Critical	As applicable for 1 st instance of Critical
3 rd	Major	As applicable for 2 nd instance of Major
4 th	Minor	As applicable for 4 th instance of Minor

Instance	Category of irregularity	Punishment
1 st	Critical/Major	As applicable for 1 st instance of Critical
2 nd	Minor	As applicable for 2 nd instance of Minor
3 rd	Major/Minor	As applicable for 2 nd instance of Major
4 th	Minor	As applicable for 4 th instance of Minor

3.5.5 Once these guidelines are made effective, the earlier established cases of irregularities will remain in the same categories as applicable under previous MDG and shall be counted within the cycle period of 2 years under the current MDG.

3.6 Process of imposition of action : In respect of all cases of irregularities, a show cause notice will be issued by the concerned Area Manager (AM)/Territory Manager (TM)/Regional Manager (RM) to the Distributor, within 30 days from the date of report of inspection/investigation, indicating all the irregularities. The show cause notice should be issued along with all reports and other documents, etc. which forms the basis of the notice.

3.7 The Distributor would be given a period of 15 days to reply from the date of receipt of show cause notice. Based on the request from the Distributor, the concerned Area Manager/Territory Manager/Regional Manager may allow

additional time extension(s) upto a maximum period of 30 days beyond the period of 15 days from date of receipt of show cause notice for submitting the reply.

- 3.8 Upon receipt of the reply to the show cause notice, the concerned Area Manager/Territory Manager/Regional Manager will review the charges leveled in the Show cause notice and the reply received and then pass a speaking order within a period of 45 days from the date of receipt of the reply. The speaking order issued by AM/TM/RM shall indicate complete details of the irregularities committed, the reply of the Distributor, detailed reasons as to why the reply is not acceptable and the penal action attracted. The speaking order will also clearly specify a time period of 30 days for depositing the amount of fine/quantum of irregularity, if applicable to the concerned OMC. However, in cases where authority for imposition of action rests with higher offices{detailed below in Para 3.10(1) }, the approval for taking action under MDG shall be taken prior to the issuance of above mentioned speaking order.
- 3.9 The concerned LPG Head of State office/Regional office/Zonal office, before recommending the termination of Distributorship other than SC/ST category, will provide a personal hearing to the signatories to the Distributorship Agreement. In case of SC/ST distributorships, the personal hearing will be given by the State Head in case of IOC & by ED (LPG) at HQ level in case of BPC/HPC. If all the signatories are not able to attend the personal hearing, the signatories attending the personal hearing should have the authority letter from other partners. Additionally, if the distributor, so desires, he can bring along a co-Distributor for the personal hearing. In case if the signatories to the Distributorship Agreement fail to attend the hearing on an appointed date, one more chance may be given and after that, case may be processed ex parte based on available facts.
- 3.10 **Authority for imposition of action to be taken:**
1. For all LPG distributorships other than SC/ST category, State Head/Regional Head/Zonal Head of IOC, BPC and HPC respectively will approve the action of termination. In respect of SC/ST category Distributorships, termination will be approved by the Director Marketing of the OMC.
 2. In all other cases of critical & major irregularities not leading to termination and minor irregularities, the approving authority would be the Head of Area/Territory/Regional office of IOC, BPC and HPC respectively.

3.11 Appellate proceedings:

1. In all cases of critical and major irregularities where orders are issued for taking action under MDG, the Distributor will have the right to appeal within a period of 30 days from the date of receipt of order to the appropriate authority who will be empowered to decide the matter. The appellate authority shall dispose off the appeal within 60 days from the date of filing of the appeal.
2. The appeal would be allowed only after the amount of fine/quantum of irregularity as levied has been deposited by the Distributor with the OMC. In case the verdict on the appeal goes in favour of the distributor, the Corporation will refund the amount as applicable without interest after the disposal of the appeal.
3. In the case of termination of the LPG distributor other than SC/ST category, the appellate authority will be the ED (LPG) in the Head Office of the respective OMCs. In the case of termination of SC/ST category distributorship, the appellant authority will be a Director (HR) of the OMC.
4. For all appeals in case of critical and major irregularities not leading to termination, the appellate authority will be LPG Head of the State/Region/Zone of IOC, BPC & HPC respectively for both SC/ST and Non SC/ST category distributorships.
5. Prima Facie, if the appellate authority observes merit in the appeal, the said authority will have the power to stay further action under MDG only in the case of Termination till the appeal is finally disposed off.

DELIVERY CONTROL

4.1 Targeted Delivery Time Norms

- i) The distributor will have to deliver the cylinder within the "Targeted Delivery Time" (TDT).
- ii) Delivery time would be the time between the booking date and the delivery date.
- iii) The TDT performance envisages rating of distributors based on its quarterly performance (Q1 : Jan-Mar, Q2 : Apr-Jun, Q3: Jul-Sep, Q4: Oct-Dec) with respect to delivery time as per the following categories :

5 Star = 85% delivery in < =2 day 'Excellent'

4 Star = 85% delivery in < =4 days 'Good'

3 Star = 85% delivery in <= 6 days 'Average'

2 Star = 85% delivery in <= 8 days 'Below Average'

1 Star = 85% delivery in > 8 days 'Poor'

- iv) The distributor should ensure that the distributorship operation is not rated with '1' Star, i.e. 'Poor' rating and '2' Star, i.e. 'Below Average' rating in a quarter, failing which action shall be taken as defined in clause No. 4.2 below.
- v) Relevant information regarding the TDT performance will be available on the Transparency Portal of the respective OMCs.

4.2 Action to be taken for not meeting TDT norms

- i) The norms on TDT compliance shall become effective from the beginning of April-June'14 quarter, i.e from 01.04.2014. In case of new distributors commissioned, the TDT norms will become effective from the quarter following the quarter in which the distributorship is commissioned.
- ii) The TDT performance available on the Transparency Portal of the respective OMCs will be taken into consideration for evaluating the TDT performance.
- iii) The TDT compliance norms will not be applicable to the distributor in case the delivery of cylinder to customers is affected due to circumstances beyond

control viz. natural calamities, strikes/ bandhs, law & order situation, Government directives, product availability/supply constraints with OMCs etc.

iv) The information regarding the TDT performance available on the Transparency Portal of the respective OMCs will be taken into consideration along with the actual situation with regard to the supplies of LPG.

v) **Action against Distributors performing at "Poor" rating:**

(a) In case it is established that the distributorship is at 'Poor' rating in 1st or 2nd quarter during the period of first six months from the implementation of MDG, a Warning-cum guidance letter shall be issued to the distributor.

(b) In all established cases wherein a distributor performs at "Poor" rating during any quarter subsequent to (a) above, a fine equivalent to 25% of one month's distributor's commission shall be imposed.

(c) In all established cases wherein a distributor performs at "Poor" rating during any quarter subsequent to (b) above, a fine equivalent to 50% of one month's distributor's commission shall be imposed on every instance of "Poor" performance rating in a quarter.

(d) In case it is established that the distributorship performance is rated as "Poor" in any four completed quarters during the preceding 2 years (i.e. 8 quarters), it would lead to Termination of the LPG distributorship.

(e) In order to arrive at the quantum of penalty, i.e. fine of 25% or 50% of one month's distributor commission as given in (b) & (c) above, the cycle consisting of preceding 8 quarters (excluding the first 2 quarters from the implementation of MDG) will be considered.

vi) **Action against Distributors performing at "Below Average" rating :**

(a) In case it is established that the distributorship is at 'Below Average' rating in 1st or 2nd quarter during the period of first six months from the implementation of MDG, a Warning-cum guidance letter shall be issued to the distributor.

(b) In all established cases wherein a distributor performs at "Below Average" rating during any quarter subsequent to (a) above, a fine equivalent to 10% of one month's distributor's commission shall be imposed.

(c) In all established cases wherein a distributor performs at "Below Average" rating during any quarter subsequent to (b) above, a fine equivalent to 25% of one month's distributor's commission shall be imposed on every instance of "Below Average" Performance rating in a quarter.

(d) In order to arrive at quantum of penalty, i.e. fine of 10% or 25% of one month's distributor commission as given in (b) & (c) above, the cycle consisting of preceding 8 quarters (excluding the first 2 quarters from the implementation of MDG) will be considered.

One month's distributor commission as mentioned in clause No. 4.2(v)(b)& (c) & 4.2 (vi)(b) & (c) shall be calculated based on average monthly sale of subsidized & non-subsidized domestic LPG including sale to Non-domestic exempted category customers in 14.2 kg & 5 kg cylinders for the quarter during which TDT performance is rated at 'Poor' and 'Below Average' as applicable.

- vii) Action for not meeting the TDT norms as given above shall be taken independent of the actions as stated in Chapter 3 which are applicable for different type of irregularities (described in Chapter 2).
- viii) In respect of all established cases of not meeting the TDT norms as mentioned above at clause No. 4.2- (v) & (vi), a show cause notice will be issued by the concerned Area Manager (AM)/Territory Manager (TM)/Regional Manager (RM) to the Distributor, within 30 days from the completion of preceding quarter. The show cause notice should be issued along with the relevant report(s) from the transparency portal which forms the basis of the notice.
- ix) The Distributor would be given a period of 15 days to reply from the date of receipt of show cause notice. Based on the request from the Distributor, the concerned Area Manager/Territory Manager/Regional Manager may allow additional time extension(s) upto a maximum period of 30 days beyond the period of 15 days from date of receipt of show cause notice for submitting the reply.

- x) Upon receipt of the reply to the show cause notice, the concerned Area Manager/Territory Manager/Regional Manager will review the charges leveled in the Show cause notice and the reply received and then pass a speaking order within a period of 45 days from the date of receipt of the reply. The speaking order issued by AM/TM/RM shall indicate complete details of the non-compliance to the TDT norms, the reply of the Distributor, detailed reasons as to why the reply is not acceptable and the penal action attracted. The speaking order will also clearly specify a time period of 30 days for depositing the amount of fine/quantum of irregularity, if applicable to the concerned OMC. However, in cases where authority for imposition of action rests with higher offices {detailed below in Para 4.3 (i) }, the approval for taking action under MDG shall be taken prior to the issuance of above mentioned speaking order.
- xi) The concerned LPG Head of State office/Regional office/Zonal office, before recommending the termination of Distributorship other than SC/ST category, will provide a personal hearing to the signatories to the Distributorship Agreement. In case of SC/ST distributorships, the personal hearing will be given by the State Head in case of IOC & by ED(LPG) at HQ level in case of BPC/HPC. If all the signatories are not able to attend the personal hearing, the signatories attending the personal hearing should have the authority letter from other partners. Additionally, if the distributor, so desires, he can bring along a co-Distributor for the personal hearing. In case if the signatories to the Distributorship Agreement fail to attend the hearing on an appointed date, one more chance may be given and after that, case may be processed ex parte based on available facts.

4.3 Authority for imposition of action to be taken for not meeting TDT norms:

- i. For all LPG distributorships other than SC/ST category, State Head/ Regional Head/Zonal Head of IOC, BPC and HPC respectively will approve the action of termination. In respect of SC/ST category Distributorships, termination will be approved by the Director Marketing of the OMC.
- ii. In all other cases where the penalty is imposed in the form of fine, not leading to termination, the Head of Area /Territory / Regional office of IOC, BPC and HPC respectively will approve the action.
- iii. In respect of issuance of Warning cum guidance letter, the approving authority would be the head of Area /Territory / Regional office of IOC, BPC and HPC respectively.

- iv. In case it is evident that the Distributors are not meeting the TDT performance owing to circumstances beyond control viz. natural calamities, strikes/ bandhs, law & order situation, Government directives, product availability/supply constraints with OMCs etc, action to be taken as under :
- (a) The Field officer should recommend in writing the reasons/events due to which action is not warranted against such distributors. While giving the recommendations, the Field Officer must also ensure to verify the facts related to supply issues, if any from the Bottling Plant.
 - (b) The Head of Area/ Territory / Regional office of IOC, BPC and HPC respectively should accord approval on the recommendations of the Field officer as to why the action is not warranted. Such records to be maintained in the Distributors file.

4.4 Appellate proceedings:

1. In all cases of orders of termination of the LPG distributorship, the Distributor will have the right to appeal within a period of 30 days from the date of receipt of order to the appropriate authority who will be empowered to decide the matter. The appellate authority shall dispose off the appeal within 60 days from the date of filing of the appeal.
2. In the case of termination of the LPG Distributor other than SC/ST category, the appellate authority will be the ED (LPG) in the Head Office of the respective OMCs. In case of termination of SC/ST category distributorship, the appellate authority will be a Director (HR) of the OMC.
3. Prima Facie, if the appellate authority observes merit in the appeal, the said authority will have the power to stay further action under MDG till the appeal is finally disposed off.

General Guidelines

- i) The above are general guidelines. The competent Authority of the concerned Oil Company can however take appropriate higher action against the erring Distributor, if deemed necessary including termination in the first or any instance in line with the provisions of the Distributorship Agreement.
- ii) All cases of irregularities need to be established before any action is taken against a Distributor. While carrying out inspection/investigation, the investigating officer will collect documentary evidence, circumstantial evidence including written statements/feedback and other material which will help in establishing the irregularity. Every action would be taken only after a show cause notice is issued and giving the Distributor the minimum prescribed time to submit his explanation.
- iii) Counseling of the distributor to be done by the Officer(s) must be communicated through a warning cum guidance letter.
- iv) In case the exact date from which the irregularity has commenced could not be ascertained the same shall be limited to maximum period of two years preceding the date of report of the inspection / investigation.
- v) Under existing laws, Control Orders of various authorities of Central Government/State Government – in addition to Oil Company Officers – are empowered to carry out checks of the Distributorship for determining and securing compliance with such laws/Control Order. If any “malpractice or irregularity” is established by such authorities after checking, the same would also be taken as a “malpractice or irregularity” under these guidelines and prescribed punitive action would be taken by the Oil Company, on receipt of advice from such authority. In the meantime, if the oil company on its own detects a malpractice / irregularity of the same nature; action is to be taken under MDG independent of the case pending with the Government Authority for the purpose of counting of the number of irregularities under the particular category.
- vi) Wherever fine is not paid within specified period, it will be recovered from the distributors account with the OMCs under intimation to the distributor.

Definition of various Terms:

(a) **Spurious LPG cylinder** (2.1.3 & 2.2.2):

Cylinders which are not conforming to the specifications laid down in IS 3196 and not meeting the norms as given in LP Gas Manual applicable to OMCs.

(b) **Spurious Pressure Regulator** (2.1.3 & 2.2.2) :

Pressure Regulators which are not conforming to the specifications laid down in IS 9798 and not meeting the norms as given in LP Gas Manual applicable to OMCs.

(c) **Ineligible LPG Connection** (2.1.4 & 2.2.3) :

ineligible connection means more than one domestic LPG connection provided to a 'Household' [('Household' as defined in Liquefied Petroleum Gas (Regulation of Supply and Distribution) Order, 2000 as amended on 10th September 2009 and any further amendments thereto notified by Government], LPG connection released in contravention of the distributorships agreement and/or any OMCs guideline in vogue.

(d) **Delivery Vehicle** (2.1.2, 2.2.1 & 2.3.1) : Any vehicle, as specified in the Gas Cylinder Rules, 2004, which is put into service by the Distributor for transporting and distributing/delivering LPG cylinders to the registered customers.

(e) **Unapproved / unauthorized non-home delivery of Refill supplies** (2.2.11) : Ex-Godown/Point Delivery of LPG cylinders made without written authorization by the OMCs excluding to those 'cash and carry' customers residing outside the area of operation of the distributor and have furnished an undertaking for taking ex-Godown refill deliveries.

(f) **Penal Rate (3.1 & 3.2)** : means the rate fixed by OMCs from time to time for recovery against shortage of cylinders / domestic Pressure Regulators loaned to the LPG distributors
