

Terms and conditions for electronic auction of the of gas storage operator, company MND Gas Storage a.s. (hereinafter the “Storage Operator”), for the reservation of the annual storage capacity with fixed output to be held on 1 February 2018 (hereinafter the “Auction Terms and Conditions”)

Legal disclaimer

This is an unofficial translation. Official documentation for the auction sale is drafted in Czech language. If any discrepancies arise between English and Czech wording, the Czech wording shall prevail.

Opening clauses

These auction terms and conditions have been developed in line with valid and effective, generally binding Regulation No. 349/2015 Coll. on the Rules of the Gas Market (hereinafter “Market Rules”), and Code of gas storage operator, company MND Gas Storage a.s. (hereinafter the “Code”), in particular.

Fundamental prerequisite of participation in the auction to be held on 1 February 2018 under the Auction Terms and Conditions (hereinafter “Auction”) are set in the Code.

Other matters concerning the Auction which are not specifically governed by these Auction Terms and Condition or the Code shall be governed by the Market Rules.

Basic parameters of Auction Terms and Conditions

<i>Type of storage capacity reserved:</i>	Annual storage capacity with fixed output under Section 51-53 of Market Rules
<i>Date Auction is held:</i>	1 February 2018, 10:00 a.m. (CET)
<i>Storage period:</i>	3 storage years reserved within the storage period starting from 1 April 2018, 6 a.m., and ending on 1 April 2021, 6 a.m.
<i>Storage capacity offered:</i>	730 GWh
<i>Maximum daily withdrawal output:</i>	31 500 MWh per day
<i>Maximum daily injection output:</i>	16 100 MWh per day

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1. Method of calculation of the minimum price for the first and following storage years

Minimal (posted) price for every storage year is to be determined according to the following equation:

$$P_U = P_F + K$$

Where:

- P_U represents a yearly unit price for the storage services and is established in CZK per 1 MWh of the reserved storage capacity for 1 storage year;
- P_F represents fixed costs equal to 37 CZK per 1 MWh of the reserved storage capacity for 1 storage year;
- K represents a coefficient on which the Auction participants bid within respective Auction rounds; for the first round of the Auction it equals „0 CZK per 1 MWh“ (zero Czech crowns per one megawatthour).

The price for the services providing alongside the storage shall be set in accordance with the provision of the storage contract (sample storage contract attached in an annex to these Terms and conditions).

2. Auction date

Auction date has been set for 1 February 2018, at 10:00 a.m. (CET). The applicant must register in the information system of the Storage Operator no later than by 31 January 2018, 6:00 p.m., to participate in the Auction.

Auction termination date has been fixed at 4:00 p.m. of the respective day. In the event the Auction at any day does not end (demand overhang) by the Auction termination time (4:00 p.m.), the Auction shall be interrupted. It will then continue in the immediate business days that will follow, and this always at the same time for Auction to start and end until the time the Auction is closed (capacity will be reserved).

3. The way of provided electronic communications and alternative communications

Auction will be organized via the secured Internet interface accessible from Storage Operator's website: www.gasstorage.cz (as per picture instructions).

Should Storage Operator's auction system (Portal) fail, then the Storage Operator shall notify active applicants in a proper way about such situation, without any undue delay from the time he/she learns about such fact. During such failure the Auction will remain interrupted, and the Storage Operator will give notice of the resumption of Auction to active applicants in the appropriate manner, 30 minutes before its continuation, at the latest. Auction may continue from the last round that went ahead duly, and they managed to record (store) it in auction system, or start again with first round (if information from Auction rounds carried out are not available or applicable).

Should it be that Storage Operator does not manage to put the auction system into operation within 5 working days from its failure, or by 50th working day before first day of the Storage Period for which the Auction has been called, then the Storage Operator has the right to stop the Auction for the period of max 30 calendar days in order to eliminate the error. Storage Operator will disclose the Auction resumption date no later than 5 working days before its continuation.

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In case the electronic communications fail over the course of the Auction on the side of applicant, then the alternative way of communication can be used via a fax using +420 518 315 327 along with the fact that the Auction request sent in this communication way must include the following:

- Applicant's exact identification;
- Auction marking incl. Auction round number for which the request is submitted;
- Level of storage capacity requirement in the manner that corresponds to the Auction Terms and Conditions (in the form of a number rounded off two decimal locations which expresses percentage share in the size of free storage capacity);
- Signature of person authorize to act on the behalf of the applicant.

In the event the applicant is forced to approach this alternative communication, then he/she shall be liable to announce this fact to the Storage Operator, and this via phone No. +420 518 315 907, and such notification shall be made by the end of relevant Auction round (during which failure has occurred) at the latest. Unless applicant makes so, the level of demand in relevant Auction round (where he/she was about to use alternative communication) will be deemed zero. Storage Operator has the right, in case of using alternative communication, to stop the Auction for the period necessarily required for the proper commissioning of alternative communications.

4. Financial security deposit

The amount of financial security deposit will be determined depending on applicant's level of maximal demand for reservation of storage capacity in the Auction, and this in the way as per the formula:

3.80 CZK per each requested 1 MWh of the storage capacity

(e.g. if applicant aims to request the whole storage capacity offered, the amount of financial security deposit equals to 2 774 000 CZK)

The applicant may fulfil the duty to provide financial security deposit:

1. either by providing original of an unconditional and irrevocable letter of credit to the sum equal to the financial security deposit required, which should be valid at least by 1 March 2018; or
2. by a wire transfer to the benefit of the account No. 17402743/0300, for international wire transfers IBAN: CZ9803000000000017402743, SWIFT: CEKOCZPP; provided with a variable number that equals the National ID No. of the company or day, month and year of the birth for physical persons.

Under Section 52 para. 1 of the Market Rules, the financial security must be received at least 2 business days before the day of the Auction. Therefore, the financial security deposit must be received by the Storage Operator by 30 January 2018, 0:00 a.m. (ie. before the start of day). In case of the letter of credit, the day of receipt is the day at which the original of the letter of credit is received by the Storage Operator. In case of wire transfer, the day of receipt is the day at which the amount is credited to the bank account of the Storage Operator.

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5. Gas storage contract sample

Sample contract for gas storage is included in Annex No. 1 of these Auction Terms and Conditions, and it will be signed with applicants pursuant to the procedure specified in the Code. Those participants who are successful in reserving storage capacity will be invited to provide proof of meeting financial eligibility criteria pursuant to annex No. 1 of the Code. In case such proof cannot be provided, the Storage Operator may exercise its rights pursuant to III. chapter of the Rules – article 10, section B, letter a).

6. Duration of the gas storage contract

Gas storage contract to reserve annual storage capacity with fixed output will be concluded for three storage years, based on the result of the Auction, within the storage period starting from 1 April 2018, 6 a.m. and ending on 1 April 2021, 6 a.m.

7. Size of free (offered) storage capacity

Total storage capacity offered:

- Total storage capacity of 730 GWh of gas.
- Total max injection output of 16 100 MWh per day.
- Total max withdrawal output of 31 500 MWh per day.

The course of withdrawal output and injection output depends on operating capacity (injection curve and recovery curve) and is given in Annex No. 1 of the sample gas storage contract.

Ratio (size) between max withdrawal and injection output and reserved storage capacity (with regard to Auction result) will be set for the applicant in the same ratio like the total storage capacity against total max withdrawal and injection output. Storage User shall be entitled to use the reserved storage capacity and assigned outputs for the duration of respective storage years reserved pursuant to the Auction results.

8. The level of price increase in between Auction rounds

The level of increase of price per 1 MWh of operating capacity in between Auction rounds during entire Auction will be + 2 CZK.

9. Position regarding vertically integrated gas undertakings

Considering the existing storage contracts, the Storage Operator declares that as of the day these Auction terms and conditions are announced, none of its clients who belongs to the same group of companies as the Storage Operator will have reserved at least 80 per cent of the overall storage capacity of the Storage Operator whether by itself or in combination with other subjects belonging to the same group of companies as the Storage Operator as of the first day of the storage period for which this Auction is announced (ie. 1st April, 2018).

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10. Total duration of gas storage capacity reservation

Duration of the offered storage capacity is set by the Storage Operator to 3 storage years.

11. Time Schedule

<i>by 30 January 2018, 0:00 a.m. (CET)</i>	Financial security deposit to be received
<i>by 31 January 2018, 6:00 p.m. (CET)</i>	Applicants to register for participation in the Auction
<i>1 February 2018, from 10:00 a.m. (CET)</i>	Auction course
<i>Within 8 business days from receiving the confirmation on reservation</i>	Conclusion of the respective gas storage contract
<i>Within 10 days after Auction is ended (if no capacity was reserved for applicant)</i>	Return of the financial security deposit
<i>Within 10 days from signing of gas storage contract (if capacity was reserved for applicant)</i>	Return of the financial security deposit

12. Possibility to conclude an agreement on application for short-term products

Participant to whom the Storage Operator reserved any storage capacity will be offered to conclude an agreement on application for short-term products alongside the main contract on the reservation of the storage capacity. The content of such agreement is presented in annex No. 2 of the sample storage contract. If the participant is willing to conclude such agreement, it shall execute respective signatures on the annex as well thereby manifesting its will to be bind by such respective rules and include the annex to the framework of the main storage contract.