

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 2 October 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 2 October 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>	2 October 2018, 10 a.m.
<i>Storage period:</i>	1 to 3 storage years reserved within the storage period from 1 April 2019, 6 a.m., and ending on 1 April 2022, 6 a.m.
<i>Storage capacity offered:</i>	250 GWh in storage year 2019/2020 1 050 GWh in storage years 2020/2021 and 2021/2022
<i>Maximum daily injection output:</i>	5 450 MWh/day (60 days of injection according to injection curve) for storage year 2019/2020 22 750 MWh/day (60 days of injection according to injection curve) for storage years 2020/2021 and 2021/2022
<i>Maximum daily withdrawal output:</i>	10 550 MWh/day (30 days of withdrawal according to withdrawal curve) for storage year 2019/2020 44 400 MWh/day (30 days of withdrawal according to withdrawal curve) for storage years 2020/2021 and 2021/2022

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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 36 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 megawatt-hour).

The price for the storage services shall be increased by the price for the services providing alongside the storage which shall be calculated based on the price formula set in the sample contract (see Art. IV, Sec. 1, Letter b) of the sample storage contract).

2. Auction date

Auction date has been set for 2 October 2018, at 10:00 a.m. The applicant must register in the information system of the Storage Operator no later than by 1 October 2018, 6:00 p.m., to participate in the Auction.

3. The way of provided electronic communications and alternative communications

Auction will be organized via the secured Internet interface accessible from <http://mndgs.proebiz.com/>.

Should Storage Operator's auction system fail, then the Storage Operator shall notify active applicants about such situation. 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. 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).

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 email send to obchod@gasstorage.cz; with the following minimum content:

- 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);

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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:

3 600 CZK per each requested 1 GWh of the storage capacity

(e.g. if applicant aims to request the whole storage capacity offered, the amount of financial security deposit equals to 900 000 respectively 3 780 000 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 IBAN: CZ98 0300 0000 0000 1740 2743, 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 Marker 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 27 September 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.

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 capacity reservation and gas storage contract

Gas storage contract to reserve annual storage capacity with fixed output will be concluded for the period from 1 April 2019, 6 a.m. and ending on 1 April 2022, 6 a.m.; based on the results of the Auction.

For the abovementioned period, applicants may request the reservation of 1, 2 or 3 storage years; if an applicant requests a one-year reservation, it may request any year within the mentioned period, and if the applicant requests a two-year reservation, it is not required to book for two consecutive years (ie. It is allowed to request reservation only for the first and the third year of the period).

7. Injection/Withdrawal outputs

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

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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, there is no gas supplier in the meaning of Section 51, Paragraph 4 a 5 of the Market Rules.

10. Time Schedule

<i>by 27 September 2018, 0:00 a.m.</i>	Financial security deposit to be received
<i>by 1 October 2018, 6:00 p.m.</i>	Applicants to register for participation in the Auction
<i>2 October 2018, from 10:00 a.m.</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

11. 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.