

**Terms and conditions for electronic auction of the 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 29 September 2021 (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 29 September 2021 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 Article 50 Section 5 Letter a) of Market Rules
<i>Date Auction is held:</i>	29 September 2021, 10 a.m. (CE(S)T)
<i>Storage period:</i>	2 storage years reserved within the storage period from 1 April 2022, 6 a.m., and ending on 1 April 2024, 6 a.m.
<i>Storage capacity offered:</i>	<b>560 GWh</b>
<i>Maximum daily injection output:</i>	<b>8 090 MWh/day</b> (90 days of injection according to injection curve)
<i>Maximum daily withdrawal output:</i>	<b>10 140 MWh/day</b> (70 days of withdrawal according to withdrawal curve)

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### 1. Method of Calculation of the Minimum Unit Price for the First and Following Storage Years

Minimal (posted) unit 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 39 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).

### 2. Auction Date

Auction date has been set for 29 September 2021, at 10:00 a.m. (CE(S)T). The applicant must register in the information system of the Storage Operator no later than by 29 September 2021, 8:00 a.m., to participate in the Auction.

### 3. Progress and Completion of the Auction

Registered participant who provided Financial Security Deposit (hereinafter as “Participant”) will submit a bid for storage capacity in the applicable auction round by means of a figure with an accuracy of two decimal places expressing the percentage share in the total size of the offered storage capacity. A bid may be amended in the course of an auction round.

The value of a bid the Participant submits in a subsequent auction round may not exceed the value of the Participant’s bid submitted in the previous auction round. In case that the Participant submits no bid in an auction round or submits a bid with a zero value, the Participant may no longer submit bids in any subsequent auction rounds.

The bid for storage capacity may be submitted only under the condition that Participant paid the Financial Security Deposit according to the Section 5 of these Auction Terms and Conditions.

If the sum of all bids submitted in an auction round exceeds the total value of the offered storage capacity, a subsequent auction round is held. In the subsequent auction round, the auction price per unit of storage capacity will be increased by CZK 2.

Individual auction rounds will last 10 minutes. In case that during an auction round, all Participants submit their bids via the auction portal and simultaneously request the auction round to be shortened, the duration of the auction round will be reduced commensurately after a request for shortening the auction round is submitted by the last of the Participants.

The auction will be completed with the selection of the winning bid(s) when the sum of bids for storage capacity submitted by all Participants in an auction round is equal to or lower than the total value of the offered storage capacity, on condition that at least one Participants submits a bid with a value other than zero in the first auction round (“Successful Completion”).

The auction will be completed without the selection of a winning bid if no bid is submitted in the first round or if only zero-value bids are submitted.

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Upon Successful Completion, the Storage Provider will select the winning bids according to the following rules:

I. In case that the auction is terminated already in the first round, the Storage Provider will select bids submitted by all Participants who submitted a bid with a value other than zero.

II. In case that the auction continues after the first round, the conditions for selecting the winning bids will be as follows:

a. In case that the sum of all bids submitted by Participants in the last round is equal to the total value of the offered storage capacity, the Storage Provider will select bids submitted by Participants in the last round as the winning bids.

b. In case that the sum of all bids submitted by Participants in the last round is lower than the total value of the offered storage capacity, the winning bids will be as follows:

- bids submitted by all Participant in the last auction round, and
- the undivided part of the total storage capacity will be divided among Participants taking part in the penultimate round proportionately to their bids submitted in the penultimate round; in such a case, a bid submitted by a Participant in the penultimate round will be reduced, if applicable, by the value of storage capacity assigned to such a Participant in the last round.

The resulting storage capacity assigned to each Participant whose bid is selected as winning will be rounded off to integers of kWh. The foregoing value will be entered into the Storage Contract.

The ratio (size) of the maximum withdrawal and injection capacity to the assigned storage capacity (considering the auction outcome) set for Participants will be the same as the ratio of the total storage capacity to the total value of the maximum withdrawal and injection capacity. The foregoing value will be entered into the Storage Contract.

The annual unit price for storage capacity within the meaning of Section 1 of these Auction Terms and Conditions will be:

- a) the value of the starting price as per Section 1 of these Auction Terms and Conditions, provided that the sum of all bids for storage capacity submitted by Participants in the first auction round does not exceed the size of the offered storage capacity,
- b) the value of the weighted average of prices from the last and the penultimate auction rounds, where the weights will be the sizes of assigned storage capacity in the last and the penultimate auction rounds, provided that storage capacity is assigned to the Participant based on bids submitted in both the last and the penultimate auction rounds,
- c) the value of the auctioned price achieved in the last auction round in which storage capacity is assigned to the Participant, provided that the entire value of the offered storage capacity is booked.

#### **4. 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 Participants about such situation. During such failure the Auction will remain interrupted, and the Storage Operator will give notice of the resumption of Auction to Participants in the appropriate manner. Auction may continue from the last round that went ahead duly, and they managed to record (store) it in auction

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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](mailto: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);

## 5. Financial Security Deposit

The amount of financial security deposit for participation in the Auction has been set to:

**10 000 CZK or 400 EUR**

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

1. **In CZK:** 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.
2. **In EUR:** by a wire transfer to the benefit of the account **IBAN: CZ28 0100 0000 4382 2770 0227, SWIFT: KOMBCZPPXXX**; 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.

The financial security deposit must be received by the Storage Operator by 29 September 2020, 8:00 a.m. 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.

## 6. 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).

## 7. Additional capacity

The amount of additional storage capacity that can be activated in this auction: 0 GWh

## 8. 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 2022, 6 a.m. and ending on 1 April 2024, 6 a.m.; based on the results of the Auction.

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## 9. 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 capacity and assigned outputs for the duration of respective storage years reserved pursuant to the Auction results.

## 10. The minimum amount of storage capacity that shall be booked in the auction

The minimum amount of storage capacity that must be booked in this auction in order for the auctioneer to cancel the auction is not determined.

## 11. Method of setting a penalty for cancelling the reservation of storage capacity to Participant

Financial security corresponding to the booked storage capacity will not be returned to the Participant who has booked storage capacity based on the auction results and has not signed the relevant storage contract within 20 working days of the date of receipt of the contract proposal

## 12. Time Schedule

<i>by 29 September 2021, 8:00 a.m.</i>	Financial security deposit to be received
<i>by 29 September 2021, 8:00 p.m.</i>	Applicants to register for participation in the Auction
<i>29 September 2021, from 10:00 a.m.</i>	Beginning of the Auction
<i>Without undue delay after Auction is completed</i>	Successful Participants will receive an electronic confirmation on Auction results, including the value of final unit price
<i>Successful Participant: Within 5 business days from when Participant received electronic confirmation</i>	Storage Provider sends proposal of the gas storage contract
<i>Successful Participant: Within 20 business days after receipt of the storage contract proposal</i>	Participant must accept the proposal by returning the fully signed contract, otherwise capacity booking is cancelled and penalty under point 11 is applicable.
<i>Successful Participant: Within 3 days from signing of gas storage contract</i>	Storage Provider returns of the financial security deposit, unless agreed otherwise
<i>Unsuccessful Participant: Within 5 business days after Auction is ended</i>	Storage Provider returns the financial security deposit, unless agreed otherwise