

Terms and conditions for electronic auction of the gas storage operator, company MND Energy Storage a.s. (hereinafter the “Storage Operator”), for the reservation of the annual storage capacity with fixed output to be held on 16 November 2022 (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 Energy Storage a.s. (hereinafter the “Code”), in particular.

Fundamental prerequisite of participation in the auction to be held on 16 November 2022 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>	16 November 2022, 10:00 a.m. (CET)
<i>Storage period:</i>	from 1. 4. 2023, 6:00 a.m. until 1. 4. 2028, 6:00 a.m. (CE(S)T)
<i>Storage capacity offered:</i>	
<i>From 1.4.2023, 06:00 till 1.4.2024, 06:00</i>	1,500,000 MWh
<i>From 1.4.2024, 06:00 till 1.4.2028, 06:00</i>	2,500,000 MWh
<i>Maximum daily injection output:</i>	
<i>From 1.4.2023, 06:00 till 1.4.2024, 06:00</i>	21,700 MWh/day (90 days according to injection curve)
<i>From 1.4.2024, 06:00 till 1.4.2028, 06:00</i>	36,200 MWh/day (90 days according to injection curve)
<i>Maximum daily withdrawal output:</i>	
<i>From 1.4.2023, 06:00 till 1.4.2024, 06:00</i>	27,200 MWh/day (70 days according to withdrawal curve)
<i>From 1.4.2024, 06:00 till 1.4.2028, 06:00</i>	45,300 MWh/day (70 days according to withdrawal curve)

1. Method of Calculation of the Minimum Unit Price for the Storage Period

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 unit price for the storage services and is established in CZK per 1 MWh of the reserved storage capacity per 1 storage year during storage period;
- P_F represents fixed costs equal to **80** CZK per 1 MWh of the reserved storage capacity per 1 storage year during storage period;
- 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 per storage year“ (zero Czech crowns per one megawatthour per one storage year).

2. Gas for injection

MND Energy Storage a.s. further states that the applicant, with whom a storage contract will be concluded following the auction, will have the obligation as a storage user to secure gas for injection and deliver it to the storage provider at the virtual storage point so that from each injection nomination, 1.2 % of the given nomination is deducted and used to fulfil the above obligation and the rest will be credited to the Storage User's account (i.e. when nominating 100 MWh of injection during the gas day, the balance of the Storage User's account will be increased by 98.8 MWh and 1.2 MWh will be used to fulfil the obligation supply gas for injection). For more details, see the Sample Storage Contract attached as Annex 1 to these Terms and Conditions.

3. Auction Date

Auction date has been set for 16 November 2022, at 10:00 a.m. (CET). The applicant must register in the information system of the Storage Operator no later than by 16 November 2022, 09:30 a.m., to participate in the Auction.

4. Progress and Completion of the Auction

A registered participant (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 in all of the offered storage years at once. No bids for individual storage years can be entered during the Auction. 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.

If the sum of all bids submitted in an auction round exceeds 100 %, 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 100 %, 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.

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 100 %, 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 100 %, 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 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 100 %,
- 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 100 % of the offered storage capacity is booked.

5. 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 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 dispatching@mnd-es.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);

6. Financial security

The financial security is not required.

7. 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.

8. Additional capacity

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

9. The effective term from which the storage capacity is reserved, total duration of gas storage capacity reservation

Gas storage contract to reserve annual storage capacity with fixed output will be concluded for the period from 1 April 2023, 6 a.m. and ending on 1 April 2028, 6 a.m.

10. Injection/Withdrawal outputs

The course of withdrawal output and injection output depends on operating capacity (injection curve and withdrawal 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 regards to Auction result) will be set for the successful applicant in the same ratio as the total storage capacities against total max withdrawal and injection outputs in respective storage years.

11. 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.

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

The active applicant who has booked storage capacity based on the auction results and has not signed the relevant contract within 20 working days of the date of receipt of the contract proposal is obliged to pay Storage Operator a penalty in the amount of CZK 1,000,000 (in words: one million Czech crown). The penalty is payable within 10 days from delivery of an e-mailed request for payment to the applicant, by bank transfer to the bank account specified in such a request.

13. Time Schedule

<i>by 16 November 2022, 09:30 a.m.</i>	Applicants to register for participation in the Auction
<i>16 November 2022, 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 10 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>	Successful participant must accept the proposal by returning the fully signed contract, otherwise the reserved storage capacity will be offered again in the auction and the penalty under point 14 thereof applies