

**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 04 June 2020 (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 04 June 2020 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 4 Letter a) of Market Rules
<i>Date Auction is held:</i>	04 June 2020, 10 a.m. (CE(S)T)
<i>Storage period:</i>	1 storage year reserved within the storage period from 1 April 2022, 6 a.m., and ending on 1 April 2023, 6 a.m.
<i>Storage capacity offered:</i>	<b>800 GWh</b>
<i>Maximum daily injection output:</i>	<b>11 560 MWh/day</b> (90 days of injection according to injection curve)
<i>Maximum daily withdrawal output:</i>	<b>14 480 MWh/day</b> (70 days of withdrawal according to withdrawal curve)

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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 52 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 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 04 June 2020, at 10:00 a.m. (CE(S)T). The applicant must register in the information system of the Storage Operator no later than by 03 June 2020, 6:00 p.m., to participate in the Auction.

## 3. Auction Round Duration

The duration of one auction round is set to 10 minutes. In the event that all authorized bidders submit their bid in the auction portal and enter also a request for shortening the round, the duration of the auction round will be shortened adequately after the bidder's request for shortening the round has been submitted by the last authorized bidder.

## 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 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](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;

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- 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 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:

**3 500 CZK per each requested 1 GWh of the storage capacity or**

**130 EUR 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 2 800 000 CZK or 104 000 EUR)

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 15 June 2020; or
2. **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.
3. **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 04 June 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

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#### **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 2023, 6 a.m.; based on the results of the Auction.

#### **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 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.

#### **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 an active user**

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 will not be returned financial security corresponding to the booked storage capacity.

#### **13. 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.

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#### 14. Time Schedule

<i>by 03 June 2020, 06:00 p.m.</i>	Applicants to register for participation in the Auction
<i>by 04 June 2020, 08:00 a.m.</i>	Financial security deposit to be received
<i>04 June 2020, from 10:00 a.m.</i>	Beginning of the Auction
<i>Within 10 business days from receiving the confirmation on reservation</i>	Conclusion of the respective gas storage contract
<i>Within 5 days after Auction is ended (if no capacity was reserved for applicant)</i>	Return of the financial security deposit
<i>Within 5 days from signing of gas storage contract (if capacity was reserved for applicant)</i>	Return of the financial security deposit

#### 15. 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.