



CODE OF THE TRANSMISSION SYSTEM OPERATOR FOR TRANSIT OVER THE TERRITORY OF THE CZECH REPUBLIC

NET4GAS, s.r.o.

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A. COMMON PROVISIONS AND DEFINITIONS

1. GENERAL PROVISIONS

- 1.1. The code of the transmission system operator for transit over the territory of the Czech Republic of NET4GAS, s.r.o., (hereinafter referred to only as the "Transit Code") is structured into four sections:
 - 1.1.1. Section A – Common Provisions and Definitions
 - 1.1.2. Section B – Business and technical conditions under which NET4GAS, s.r.o. provides transit transport of natural gas through the transmission system over the territory of the Czech Republic and associated services based on the third party access right principle.
 - 1.1.3. Section C – Other Services Offered
 - 1.1.4. Section D – Common Concluding Provisions
- 1.2. The Transit Code is based on Regulation No. 1775/2005/EC (hereinafter referred to only as the "Regulation"), Act No. 458/2000 of Coll., on conditions of business and execution of state administration in energy sectors and amending some acts, as amended (hereinafter referred to as the "**Energy Act**") and the related implementing regulations.

2. DEFINITIONS

For the purposes of the Transit Code the following terms shall be defined as follows:

"Actual gas quantity" – gas quantity determined based on commercial metering values; for the purposes of evaluation and clearing of deviations actual gas quantity is hereafter defined as the value determined based on the allocation rules;

"Allocation procedure" – rules for the allocation of natural gas quantities to individual Shippers at entry and/or exit points into/from transmission system;

"Available transmission capacity" – the difference between the Technical capacity and the Contracted capacity in a given period of time while observing the contractual pressures and after subtracting the capacities necessary for the relevant license holder to ensure security and reliability of operation of the relevant gas equipment;

"Balancing point" – a virtual entry and exit point of the transmission system, which is used exclusively for the balancing of Imbalances of individual Shippers pursuant to the balancing rules. The transmission to/from the Balancing Point is not taken into account;

"Border point" – group of delivery points between the transmission system at the territory of the Czech Republic and foreign transmission or distribution systems;

"Continuous metering" – commercial metering, which registers the volumetric units of the delivered gas at the delivery point on hourly basis converted to the relative conditions¹;

¹ Section 1, Paragraph 7 of Public Notice No. 251/2001 of Coll., which defines the Rules of Operation of the Transmission System and Distribution Systems in the Gas Sector



“Contracted capacity” – route capacity expressed in cubic meters per day for each pair of entry and exit points, which is reserved on the basis of transmission contracts with firm capacity;

“Delivery point” – the point of delivery of gas from one market participant to another enabling metering of quantity and possibly also pressure of the transferred and accepted gas, gas flow regulation, metering of the quality of gas for the purpose of calculating its supply in kWh and data transmission to dispatch centers;

“Evaluation of Imbalances” – determination of the magnitude of Imbalance of individual Shippers in kWh for the particular Gas Day;

“Firm transmission capacity” – transmission capacity, which is available to the Shipper for the entire anticipated duration of the transmission contract;

“Gas Day” - “GD” – time period commencing at 06:00:00 a.m. of a calendar day and ending at 06:00:00 a.m. (time valid in the Czech Republic) of the following calendar day;

“Gas Month” – time period commencing on the first Gas Day of a calendar month and ending upon the end of the last Gas Day of the particular calendar month;

“Gas Year” – time period commencing on the first Gas Day of October and ending upon the end of the last Gas Day of September of the immediately following calendar year;

“Gross Calorific Value” – heat expressed in kWh, released by the complete combustion of 1 m³ of natural gas with stoichiometric quantity of oxygen or air under constant pressure (101.325 kPa and temperature of 20°C), whereas all combustion products cooled down to the initial temperature are in gaseous condition with the exception of water which condenses at the initial temperature; the initial temperature is considered to be 25°C;

“Hydrocarbon dew point” – temperature in degrees of Centigrade at which the hydrocarbons contained in gas start to condense under the Operating pressure;

“Imbalance” – a difference between the actual gas quantity delivered into the gas system and actual gas quantity taken from the gas system during the relevant Gas Day, the size of the imbalance is expressed in kWh;

“Interconnection agreement” – contract between the Transporter and adjacent transmission system operator which regulates mutual relations in particular as regards natural gas quantity metering, natural gas quantity allocation, and conditions for operation of mutually interconnected gas systems;

“Interruptible transmission capacity” – transmission capacity, which may be interrupted by the Transporter under the conditions defined in advance;

“Kilowatt-hour” – unit used to express the energy contained in natural gas based on its Gross Calorific Value; one Kilowatt-hour (kWh) equals 3.6 MJ;

“m³” – unit used to express gas volume measured at the temperature of 20°C, pressure of 101.325 kPa, and relative humidity of $\varphi = 0$;

“Nomination” – a notice by which a Shipper provides advance notification to the Transporter regarding to the quantity of gas which he intends to transport through the given route (entry/exit points pair);

“OBA” – Allocation procedure at entry and exit points under which the quantities nominated by Shipper at these points are considered delivered. The Transporter shall be responsible for this service and its establishment;



“Operating pressure” – relative pressure of gas in MPa, which is maintained by the Transporter in the transmission system with the objective of efficient system utilization; it is the difference between the absolute pressure and the atmospheric pressure;

“Delivery pressure” – the prompt value of Operating pressure at Delivery point

“Pro-rata” - Allocation procedure at entry and exit points in which quantities of the delivered gas are allocated to Shippers based on the actually metered figures proportionally to their Nominations;

“Renomination” – notification to the Transporter in which the Shipper changes a previously reported Nomination;

“Security certificate contract” – a contract on the basis of which the Transporter issues and delivers a security certificate to the User, which entitles him to enter the secured zone of the Transporter;

“Settlement of Imbalances” – execution of payments and reimbursements between the Shipper and Transporter for the evaluated and balanced Imbalances;

“Shipper” – User who has concluded a transmission contract with the Transporter;

“Technical capacity” – the total capacity of the route expressed in cubic meters per day for each pair of entry and exit points. Technical capacity represents the maximal deliverable quantity of natural gas per unit of time, which may be transmitted from an entry point of the transmission system to the relevant exit point while maintaining the minimal delivery pressures at the relevant Delivery points expressed in cubic meters per day. Maximal operating pressures, flow speed, and other parameters of the gas equipment used for transmission shall also be observed during such transmission. At the same time, it is necessary to observe all contractual values of natural gas transmission and transit influenced by such Technical capacity while observing the allocation key determined by the Energy Regulatory Office (hereinafter referred to only as **“ERO”**);

“Transmission capacity” – the maximal flow rate expressed in cubic meters/day, to which the Shipper is entitled pursuant to his transmission contracts;

“Transporter” – transmission system operator, i.e. NET4GAS, s.r.o.;

“TSO point” – a virtual point designated for the Transporter to purchase and sell natural gas;

“User” – customer who has requested the conclusion of a transmission contract conclusion;

“Water vapor dew point” – temperature in degrees of Centigrade at which the water vapor contained in gas starts to condense under the operating pressure;

“Web site of the Transporter” – the website is structured into three zones according to the security level. In the first zone the Transporter publishes all information that may be publicly distributed and that do not require any registration. The second zone enables registered Users to file electronic requests for transmission contracts. This zone also houses the secondary market in capacity. Access to this zone is designated for registered Users who provide only their contact information in order to register. The third zone is called secured zone and is used for the exchange of business information between the Transporter and Shipper based on the concluded transmission contracts. Since this information is confidential, the security of this zone is the highest and in order to enter the zone a concluded Security certificate contract is necessary;

For the purposes of this Transit Code the definitions specified in the relevant provisions of the Energy Act also apply.



3. SERVICES PROVIDED

The Transporter shall provide the following services within the framework of and pursuant to this Transit Code:

- 3.1. Gas transmission, which shall mean the transport of gas through the transmission system in the form of an obligation of the Transporter to take and deliver gas at the entry and exit points of the transmission system.
- 3.2. Balancing of Imbalances between the quantity of energy supplied and taken by the Shipper within the framework of the gas system in line with the respective transmission contract.
- 3.3. Other transmission and business services to customers.



B. BUSINESS AND TECHNICAL CONDITIONS

4. CONTRACTS ON GAS TRANSMISSION AND BALANCING

4.1. The Transporter shall conclude contracts on gas transmission with Users; these contracts are characterized by the following parameters:

4.1.1. Contract Duration:

4.1.1.1. Annual Contract – shall mean a contract concluded for the duration of at least 12 months or longer multiples of whole months. The contract shall be always concluded with effective date as of the first Gas Day of the calendar month when the gas transmission should start under such contract on gas transmission and it shall end upon the end of the last Gas Day of the last month of its effective duration (hereinafter referred to only as the “**Annual Contract**”). The force of an Annual Contract may be postponed. The upper limit for the period of postponement is the larger of the following two numbers – 60 months or the number of effective months of the contract. The postponement period shall start running on the first Gas Day of the month following the month when the request for Annual Contract was assessed by the Transporter;

4.1.1.2. Monthly Contract – shall mean a contract signed for a period of one month or longer multiples of whole months, no longer however than for the period of eleven months. The contract shall be always concluded with effective date as of the first Gas Day of the calendar month when the gas transmission should start under such contract on gas transmission and it shall end upon the end of the last Gas Day of the last month of its effective duration (hereinafter referred to only as the “**Monthly Contract**”). The force of a Monthly Contract may be postponed for at most 3 months starting from the first Gas Day of the month following the month when the request for Monthly Contract was assessed by the Transporter;

4.1.1.3. Daily Contract – shall mean a contract concluded for the duration of at least one day or its whole multiples, however, at most for the period of 30 Gas Days. The effective date of the contract shall be the first Gas Day when the gas transmission should start under such Contract on gas transmission and it shall end upon the end of the last Gas Day of its effective duration (hereinafter referred to only as the “**Daily Contract**”). The last Gas Day of the effective duration of the Daily Contract shall not belong to a Gas Month different from the Gas Month to which the first Gas Day, on which gas transmission is scheduled to start pursuant to the Daily Contract, belongs. A necessary prerequisite for the conclusions of the Daily contract is a concluded General Contract;

4.1.1.4. General Contract – shall mean a contract stipulating the obligation of the Transporter to conclude a Daily Contract with the Shipper provided that the terms and conditions stipulated in the Transit Code are met (hereinafter referred to only as the “**General Contract**”). A General Contract shall be concluded for a period of at least one month or its multiples. It shall be concluded with the effective date as of the first Gas Day of the Gas Month



following the month in which the request for General Contract was assessed by the Transporter and it shall end upon the end of the last Gas Day of the last month of the effective duration of the contract. The provisions of the General Contract shall form an integral part of each Daily Contract.

4.1.2. Transmission capacity type:

4.1.2.1. Contract on natural gas transmission with firm capacity – shall mean a contract stipulating the obligation of the Transporter to ensure gas transmission from the point of entry of gas into the transmission system to the point of exit of gas from the transmission system for the entire contracted period up to the level of the Transmission capacity reserved based on this contract on one hand and on the other hand the obligation of the Shipper to pay the defined price and to maintain the balance between the natural gas quantity supplied into and taken from the transmission system up to the level of the reserved Transmission capacity;

4.1.2.2. Contract on natural gas transmission with interruptible capacity - shall mean a contract stipulating the obligation of the Transporter to ensure gas transmission from the point of entry of gas into the transmission system to the point of exit of gas from the transmission system for the entire contracted period up to the level of the Transmission capacity reserved in accordance with the contract with the right of the Transporter to restrict or interrupt gas transmission on one hand, and on the other hand the obligation of the Shipper to pay the defined price and to maintain the balance between the natural gas quantity supplied into and taken from the transmission system up to the level of the reserved Transmission capacity. The method and conditions for the restriction or interruption are specified in Article 9, points 9.5 and 9.6 together with the procedure used by the Transporter to inform the Shipper about the restriction and interruption.

5. REQUEST TO CONCLUDE A CONTRACT ON GAS TRANSMISSION AND A GENERAL CONTRACT

5.1. A User may request to conclude a contract on gas transmission provided that he complies with the following conditions:

5.1.1. The User presents documents based on which he is able to prove the fulfillment of the conditions of financial eligibility specified in Appendix 1 of this Transit Code,

5.1.2. The User is able to communicate with the Transporter through the dedicated web interface and/or on the basis of the XML SSL² communication protocol,

5.1.3. The User is able to ensure 24-hour operative contact with the Transporter one (1) day before and throughout the effective duration of the transmission contract/ balancing contract.

² The handbook regarding communication between Transporter and Shipper on the basis of the XML and SSL communication protocol (Communication interface) is available on the Transporter's website.



- 5.1.4. In the case of request to conclude a Daily Contract the User has a General Contract concluded for the relevant period.
- 5.2. A request to conclude a contract on gas transmission shall be submitted in writing using the special form available at the Web site of the Transporter unless otherwise stipulated below. The User shall deliver the completed form together with the documents pursuant to point 5.5 hereof either personally or by registered mail³ or messenger to the following address:
- NET4GAS, s.r.o.
Capacity Sales
Na Hřebenech II 1718/8
P.O.BOX 22
140 21 Praha 4 – Nusle
Czech Republic
- 5.3. The User may request to conclude a contract on gas transmission using the electronic form available on the Web site of the Transporter. Should the User use this option, he shall deliver a hardcopy of the form together with other documents according to point 5.5 to the Transporter to the address stipulated in point 5.2 hereof within three (3) business days of the date on which the electronic form was submitted.
- 5.4. The Transporter shall be obliged to conclude a contract on gas transmission only in the scope and under the terms and conditions stipulated in the Regulation, Energy Act and this Transit Code.
- 5.5. A request for conclusion of a contract on gas transmission shall contain in particular the following data and documents:
- 5.5.1. User's contact details (name/company name, address/registered office, Business Identification No., Tax Identification No., contact person(s), telephone, fax, e-mail, bank account information), including information required in order to ensure 24-hour contact with the Transporter;
 - 5.5.2. proof of financial eligibility with the exception of the bank guarantee;
 - 5.5.3. statutory declaration on securing continuous (24-hour/day) communication with the Transporter through the dedicated web interface or on the basis of the XML SSL communication protocol including a list of persons to receive access rights to the Transporter's secured zone;
 - 5.5.4. duration of the gas transmission contract;
 - 5.5.5. requested pairs of entry and exit points with the indication of the required transmission capacities (capacity shall not be reserved in the case that one of the points is the TSO point or the Balancing point); based on these values the Transporter shall assess the User's financial eligibility pursuant to Appendix no. 1 of this Transit Code;

³ Delivery services with delivery confirmation note may be used to confirm the delivery.



5.5.6. information about other contracts utilized in connection with the gas transmission contract:

5.5.6.1. company name of the transmission system operator which provides transmission in an interconnected transmission system;

5.5.6.2. the code of the shipper of the interconnected transmission system (*upstream/downstream shipper*) supplying gas to/taking gas from the User;

5.5.6.3. information whether the agreed Nomination and Allocation procedures comply with the standard commercial conditions and/or the relevant transmission system operator's network codes or whether they have been negotiated on individual basis. If such conditions have been negotiated on individual basis, the User shall also inform about their content; the User shall notify the Transporter of any changes relating to this Article within 24 hours of the start of validity of such change.

5.6. A request to conclude a contract on gas transmission shall be submitted always for one or more pairs of entry and exit points of the transmission system. The minimal daily Transmission capacity that the User may request for one transmission system entry/exit point pair shall be 1 000 m³ per day.

5.7. The provisions of points 5.1 to 5.4, 5.5.1 to 5.5.3, 5.5.5, and 5.6 shall reasonably apply to requests for conclusion of a General Contract.

5.8. Should the request to conclude a contract on gas transmission or General Contract pursuant to the previous provisions of this Article fail to comprise all defined conditions or should the information provided as a part of the request to conclude a contract on gas transmission or General Contract pursuant to the previous provisions of this Article be insufficient for the proper assessment of the request, the Transporter shall prompt the User to complete such information without undue delay. The request shall be considered filed on the day on which all required conditions/information are delivered.

6. ASSESSMENT OF REQUESTS TO CONCLUDE A CONTRACT ON GAS TRANSMISSION AND A GENERAL CONTRACT

6.1. The Transporter shall assess the requests to conclude a contract on gas transmission or General Contract upon receiving all information necessary for the proper assessment of such request for the conclusion of a contract on gas transmission or General Contract pursuant to Article 5 of the Transit Code.

6.2. The User shall be entitled to request the conclusion the Annual Contract and/or the Monthly Contract and/or the General Contract every month. The request to conclude the Annual Contract and/or the Monthly Contract and/or the General Contract shall be assessed by the Transporter within a precisely specified time period, the so-called Assessment Window (hereinafter referred to only as the "**Window**"). A Window recurs periodically each and every month.

6.3. The time period of the Window shall begin every month on the ninth (9.) working day prior to the beginning of each calendar month (hereinafter referred to only as the "**Beginning of the Window Time Period**"). The Window time period shall end on the last working day of each calendar month.



- 6.4. The Beginning of the Window Time Period shall be the last day upon which the Transporter shall be obliged to accept a request to conclude the Annual Contract and/or the Monthly Contract and/or the General Contract for assessment within the respective Window. A request sent at a later date shall be assessed by the Transporter in the following Window.
- 6.5. No later than on the third (3.) working day prior to the beginning of the following calendar month till 16:00, the Transporter shall send to the User requesting to conclude the General Contract the draft General Contract and the draft Security certificate contract (hereinafter referred to only as the “**General Documents**”).
- 6.6. No later than on the third (3.) working day prior to the beginning of the following calendar month till 16:00, the Transporter shall inform the User requesting to conclude the Annual Contract and/or the Monthly Contract about the assignment of firm and/or Interruptible transmission capacity. Together with such notice, the Transporter shall send to the User the draft Annual Contract and the draft Security certificate contract (hereinafter referred to only as the “**Standard Documents**”).
- 6.7. Should the Transporter notify the User about the lack of Firm transmission capacity within the deadline specified in paragraph 6.6, the Transporter shall send to the User the draft Annual Transmission Contract with Firm transmission capacity and/or the draft Monthly Transmission Contract with Firm transmission capacity in the scope of the available demanded Firm transmission capacity and the Security certificate contract within this deadline. The Transporter shall send the draft Annual Transmission Contract with Interruptible transmission capacity and/or the draft Monthly Transmission Contract with Interruptible transmission capacity to the User also than within the deadline specified in paragraph 6.6.
- 6.8. No later than the last working day prior to the beginning of the following calendar month till 12:00, the User shall return the signed Standard Documents and/or the General Documents back to the Transporter pursuant to 6.6 or 6.5 and also the documents pursuant to point 6.7.
- 6.9. A User with the concluded General Contract shall be obliged to deliver the request to conclude the Daily Contract with Firm Capacity through the dedicated web site. The Transporter shall accept such request to conclude the Daily Contract with Firm Capacity (hereinafter referred to only as the “**Firm Daily Request**”) for assessment not earlier than the sixth (6.) working day before the beginning of the month in which transmission shall take place and not later than the third (3.) working day before the beginning of transmission (hereinafter referred to only as the “**Day of Firm Request Submission**”).
- 6.10. A User with the concluded General Contract shall be obliged to deliver the request to conclude the Daily Contract with Interruptible Capacity through the dedicated web site. The Transporter shall accept such request to conclude the Daily Contract with Interruptible Capacity (hereinafter referred to only as the “**Interruptible Daily Request**”) for assessment not earlier than the sixth (6.) working day before the beginning of the month in which transmission shall take place and not later than one (1) calendar day before the beginning of transmission (hereinafter referred to only as the “**Day of Interruptible Request Submission**”).
- 6.11. The Firm Daily Request or the Interruptible Daily Request delivered by the respective Day of Firm Request Submission or Day of Interruptible Request Submission shall be delivered



- before 08:00⁴. The Firm Daily Request and the Interruptible Daily Request delivered after this deadline shall be assessed on the next business and calendar day, respectively.
- 6.12. On the next business day after the Day of Firm Request Submission or on Day of Interruptible Request Submission before 12:00 p.m. (hereinafter referred to only as the “**Notification Day**”), the Transporter shall notify the User of Firm and/or Interruptible capacity allocation in electronic form and, together with this notice, the Transporter shall send the draft Daily Contract and Advance Invoice for daily transmission (hereinafter referred to only as the “**Daily Documents**”). The User shall be obliged to deliver electronically to the Transporter the Daily Contract or a counter-proposal of Daily Contract on the Notification Day before 1:00 p.m. The Transporter shall deliver its assessment of the counter-proposal of Daily Contract by 3:00 p.m. of the Notification Day and concurrently send the modified Daily Documents to the User. The User shall return the Daily Contract modified by the Transporter to the Transporter electronically by 4:00 p.m. of the Notification Day.
- 6.13. The User shall deliver the Signed General Documents, the Standard Documents, (hereinafter referred to only as the “**Contractual Documents**”) to the Transporter without specifying any reservations or restrictions or making any amendments or other modifications in two counterparts via post/messenger or by fax or electronically (scanned signed document, only one original copy of the bank guarantee). The provisions of the previous sentence shall reasonably apply also to the Daily Contract.
- 6.14. The User, who has delivered the Contractual Documents by fax or electronically, shall deliver to the Transporter two original counterparts of Contractual Documents within 3 business days of the day on which such Contractual Documents were delivered by the User to the Transporter by fax or electronically.
- 6.15. The time of delivery of the Contractual Documents and/or Daily Contract to the Transporter, if not later than the end of the relevant deadlines mentioned in 6.8, 6.12 shall be deemed the time of conclusion of the transmission contract (time when the acceptance of the proposal becomes effective). Should the User fail to deliver at least one counterpart of the Contractual Documents or Daily Contract to the Transporter at least by fax or through the web site within the defined period of time, or should the signed version contain any reservations, amendments, restrictions, or other modifications, the contract on transmission shall not be concluded. Should the User send the Contractual Documents by fax or by electronic means, however, failing to deliver two original counterparts of Contractual Documents within the deadline provided for this purpose in 6.14 hereof, the Transporter shall be entitled to withdraw from the transmission contract. Should two original counterparts of the Contractual Documents be delivered on time, the Transporter shall sign the received original counterparts of Contractual Documents and return one of them back to the User without any undue delay.
- 6.16. Should the Transporter be unable to fully allocate the required capacity as Firm capacity due to the lack of Firm transmission capacity, the procedure described in Article 7 hereof shall apply.

⁴ Time specification in this text complies always with the valid time in the Czech Republic.



- 6.17. Provided that requests to conclude a contract on gas transmission have been submitted within the deadlines defined for submission of such requests under Article 6, neither the time nor the order in which the requests have been submitted shall constitute the criteria for the assessment of the requests for conclusion of gas transmission contracts.
- 6.18. Documents that the Transporter shall send pursuant to 6.5, 6.6, 6.7 shall be sent to the User in electronic form only.

7. CONGESTION MANAGEMENT

- 7.1. The Transporter shall conclude a contract on gas transmission with Interruptible transmission capacity should a User request such contract or should there be a shortage of available Firm transmission capacity.
- 7.2. Should the Transporter announce a shortage of Transmission capacity to accommodate all requests to conclude contracts on gas transmission, the Transporter shall conclude contracts on gas transmission with interruptible capacity with the relevant Users.
- 7.3. Should it not be possible to accommodate all Users with the relevant contract type, Transmission capacity shall be allocated based on the Pro-rata principle based on the requested Firm Transmission Capacities. Should a User request Transmission capacity exceeding the remaining Available transmission capacity, before the application of the Pro-rata principle this requested capacity shall be reduced to the size of the remaining Available transmission capacity.
- 7.4. The Transporter shall take into consideration any changes in the shortage of Firm transmission capacity that might occur when some gas transmission contracts with Firm transmission capacity are not concluded or are modified.

8. OBLIGATIONS OF THE CONTRACTING PARTIES

- 8.1. The Transporter shall be obliged in particular to:
 - 8.1.1. deliver at the exit point such quantity of energy in the form of natural gas, which the Transporter received for transmission at the same moment at the entry point,
 - 8.1.2. observe the gas quality specification pursuant to Appendix 2 at the exit point from the transmission system,
 - 8.1.3. observe the pressure values according to the interconnection contract with the relevant operator of the connected transmission system at the exit points from the transmission system,
 - 8.1.4. communicate with sufficient advance the extent and dates of gas transmission equipment outages and notify of expected Transmission capacity reductions.
- 8.2. The Shipper shall be obliged in particular to:
 - 8.2.1. take at the exit point such quantity of energy in natural gas which the Shipper has supplied at the same moment at the entry point,
 - 8.2.2. observe the gas quality specification pursuant to Appendix 2 at the entry points into the transmission system,



- 8.2.3. ensure that pressure values at the entry points into the transmission system are observed as defined in Appendix 3,
- 8.2.4. observe the Contracted capacity,
- 8.2.5. pay in due time for transmission based on the concluded gas transmission contract,
- 8.2.6. provide Transporter with any and all information required on the basis of and in accordance with this Transit Code and/or transmission contract,
- 8.2.7. provide and uphold a guarantee with respect to the Shipper's financial eligibility in accordance with Appendix 1 for the entire effective duration of the transmission contract,
- 8.2.8. ensure daily continuous (24-hour per day) communication with the Transporter through the dedicated web interface or on the basis of the XML SSL communication protocol.

9. RESTRICTION OR INTERRUPTION OF GAS TRANSMISSION

- 9.1. The Transporter shall be entitled to restrict or interrupt gas transmission to all Shippers regardless of the type of their contract in the following cases:
 - 9.1.1. in the event of imminent risk to lives, health, or property of persons and during the resolution of these situations,
 - 9.1.2. in emergency situations or during activities directly preventing their occurrence,
 - 9.1.3. when performing planned reconstructions and planned repairs of transmission system equipment,
 - 9.1.4. in the event of a failures of transmission system equipment and consequent repair thereof,
 - 9.1.5. in the event of gas off-take by equipment jeopardizing lives, health, or property of persons,
 - 9.1.6. in the event of unauthorized gas off-take or unauthorized gas transmission,
 - 9.1.7. in other cases defined in the contract on gas transmission.
- 9.2. The right to indemnification and lost profit compensation shall be precluded in the cases stipulated in 9.1. This shall not apply if the Transporter fails to fulfill its notification obligation in cases specified in 9.1.3. pursuant to paragraph 10.1.1.3. of article 10 of this Transit Code.
- 9.3. In situations listed in 9.1., the Transporter shall be obliged to restore gas transmission immediately after eliminating the causes that led to the restriction or interruption of transmission.
- 9.4. In the event of transmission interruption pursuant to this article the Shipper shall be entitled to request the Transporter to provide substitute Transmission capacity in the scope of the above-mentioned restriction or interruption.
- 9.5. The Transporter shall be also entitled to restrict or interrupt Interruptible transmission capacity based on operational and/or commercial concerns, in particular should the



utilization of such Interruptible transmission capacity preclude the utilization of the contracted Firm transmission capacities. The Transporter shall notify the Shipper of any interruption immediately after identifying such condition as described in the previous sentence, however, not later than one hour before the interruption of the particular Interruptible transmission capacity or its part.

- 9.6. The Transporter shall interrupt the Interruptible transmission capacity to all Shippers with Interruptible transmission capacity in accordance with the Pro-rata principle based on the proportion of their Nominations reduced by their reserved firm transmission capacities. The Transporter shall execute the interruption so as to equalize the total interruption and the total shortage of the Firm transmission capacity.

10. INFORMATION ON TRANSMISSION CAPACITY AND ASSOCIATED SERVICES

- 10.1. The Transporter shall publish and update at least once every calendar month in particular the following information on its web site:

- 10.1.1. the extent and dates of transmission system equipment repairs and maintenance and the schedule of repair activities that could affect the Transmission capacity or quality of the services provided

- 10.1.1.1. not later than 30 calendar days before the beginning of the relevant Gas Year, the Transporter shall publish a preliminary schedule of repair activities for the particular Gas Year,

- 10.1.1.2. not later than 30 calendar days before the beginning of the relevant calendar quarter, the Transporter shall publish the schedule of repair activities for the particular calendar quarter. When elaborating the schedule of repair activities, the Transporter shall take into account the comments and proposals of Shippers relating to the preliminary schedule of repair activities published pursuant to the previous paragraph of this article,

- 10.1.1.3. the Transporter shall notify the affected Shippers of the commencement and termination of restrictions or interruption of gas transmission pursuant to the concluded contract not later than 30 business days before the beginning of the repairs.

- 10.1.2. long-term plan of transmission infrastructure expansion resulting in the increase of transmission capacities or improvement of quality of the services provided.

- 10.2. The Transporter shall furthermore publish the following information on capacities and associated services for pairs of entry and exit points of the transmission system:

- 10.2.1. every day:

- 10.2.1.1. numerical indicative values of Technical capacity, Contracted capacity, total reserved Interruptible transmission capacity and Available transmission capacity for the relevant time periods. The data shall be published at least for the period of the upcoming eighteen (18) months. Numerical values of Transmission capacity shall be published provided that there are at least three (3) Shippers with a contract on transmission for the particular pair of entry/exit



points of the transmission system. The previous sentence does not apply to the Technical capacity,

10.2.1.2. numerical indicative values of the availability of short-term services day-ahead and week-ahead based on daily and weekly Nominations,

10.2.2. monthly:

10.2.2.1. annual forecasts of Available transmission capacity for ten (10) years

10.2.2.2. historical maximum and minimum monthly capacity utilization rates and annual average flows for the past three (3) years.

10.3. Information provided monthly shall be published by the Transporter at the latest on the fifteenth calendar day of the particular month.

11. ENTRY AND EXIT POINTS

11.1. Entry and exit points into/from the transmission system shall mean Delivery points into/from the transmission system and/or Virtual points representing an aggregate of such Delivery points.

11.2. Entry points into the transmission system shall comprise:

11.2.1. 4 Border entry points,

11.2.2. 1 Balancing point

11.2.3. 1 TSO point

11.2.4. The list of entry points of the transmission system is presented in Appendix 3.

11.3. Exit points from the transmission system shall comprise:

11.3.1. 4 Border exit points,

11.3.2. 1 Balancing point

11.3.3. 1 TSO point

11.3.4. The list of exit points of the transmission system is presented in Appendix 3.

11.4. The ownership title to the gas transported on the basis of the transmission contract shall at no instant within the duration of the contract be transferred to the Transporter unless otherwise stipulated in the gas transmission contract.

12. NATURAL GAS QUALITY

12.1. Natural gas delivered and transferred at entry/exit points of the transmission system specified in the transmission contract shall satisfy the chemical and physical parameters defined in Appendix 2. The parameters stipulated therein have been determined on the basis of valid legal and binding technical rules and regulations.

12.2. Should the gas delivered by the Shipper for the purpose of its transmission by the Transporter fail to meet any of the natural gas quality parameters stipulated in Appendix 2,



the Transporter shall be entitled to reject such gas. Failure to reject such gas shall not affect the Transporter's right to indemnification for damage incurred in connection with transmission of such natural gas. Within the framework of compensation for damage in accordance with generally binding regulations, the Transporter shall be also entitled to receive a compensation for any detriment incurred in respect of extra costs spent due to the breach of Shipper's obligations. The Transporter shall adopt measures required in order to avoid or mitigate any damage and the Shipper shall provide the necessary cooperation in this context to the Transporter.

- 12.3. Should the gas delivered by the Transporter fail to meet any of the natural gas quality parameters stipulated in Appendix 2, the Shipper shall be entitled to reject such gas. The failure to reject such gas shall not affect the Shipper's right to indemnification for damage incurred in connection with receipt of such natural gas. Within the framework of compensation for damage in accordance with generally binding regulations, the Shipper shall be also entitled to receive compensation for any detriment incurred in respect of extra costs spent due to the breach of the Transporter's obligations. The Shipper shall adopt measures required in order to avoid or mitigate any damage and the Transporter shall provide the necessary cooperation in this context to the Shipper.

13. METERING

- 13.1. All quantity metering within the TS intended for commercial purposes shall comply with the metrological regulations pursuant to the provisions of Act on Metrology No. 505/1990 Coll., as amended. Metering shall be carried out using defined metering devices which are subject to inspection by the state metrology or by an Authorized Metrological Center (AMS).
- 13.2. All metering devices for the determination of gas composition shall be defined metering devices subject to the verification by state metrology. Relevant reference materials shall be metrologically linked and verified by the Czech Metrological Institute (ČMI) or Authorized Metrological Center. Values of gas composition shall be used for the calculation of the Gross calorific value, relative density, and Wobbe number. All calculations specified in this paragraph shall be performed in accordance with EN ISO 6976 (95).
- 13.3. Each Delivery point shall have a dedicated point from which it shall read the gas quality parameters including Gross calorific value. The average daily Gross calorific value at a given point shall correspond to the integrated flow per Gas Day. The gas energy content in kWh shall be determined by multiplying the above-mentioned average Gross calorific value by the daily volumes of delivered gas based on the commercial metering from data converters of the relevant Delivery points.
- 13.4. The following rules shall apply to the rounding of the metered values:
 - 13.4.1. Gross calorific value in kWh/m³ with the accuracy of three decimal places.
 - 13.4.2. Energy quantity in kWh rounded to whole numbers.
 - 13.4.3. Energy quantity in MWh with the accuracy of 3 decimal places.
 - 13.4.4. Volume in m³ rounded to whole numbers.
- 13.5. Other measured values shall be rounded pursuant to the valid legal and binding technical regulations and rules.



14. NOMINATIONS

- 14.1. The Shipper shall submit Nominations for the relevant transmission system entry/exit point pairs as preliminary weekly and binding daily Nominations. Nominations shall be specified in kWh.
- 14.2. The Shipper shall file preliminary weekly Nominations to the Transporter for registration at the latest by 14:00 of the particular Gas Day for the next seven Gas days.
- 14.3. Should the Shipper due to any reason fail to file the daily Nomination in line with the time schedule specified below, Nominations filed within the weekly Nomination shall be deemed by the Transporter binding for the relevant Gas Day.
- 14.4. The provisions set out in the paragraphs below relating to Nominations shall similarly apply also to Renominations, unless explicitly otherwise stated.
- 14.5. The Shipper shall file Nominations at most up to the Transmission capacity level. Should a Nomination exceed the Transmission capacity, such Nomination shall not be confirmed. The Shipper shall be also obliged to nominate such natural gas quantity so that the Nominations would correspond to the Nominations provided by the Shipper to other operators of interconnected gas systems based on the relevant contracts.
- 14.6. The communication between the Shipper and Transporter shall take place through the dedicated web interface and on the basis of XML SSL communication protocol. In the event of outage, both Shipper and Transporter shall use alternative communication means, especially fax, telephone, or e-mail.
- 14.7. Nominations may be sent repeatedly, the Transporter shall, however, deem only the last Nomination received before the specified deadline binding.
- 14.8. The “lesser rule” principle shall apply within the verification and confirmation of Nominations and Renominations; should the Nominations or Renominations of the delivering and receiving Shipper at the opposite ends of the interconnection between the transit transmission system and the adjacent transmission system differ, and should neither of the Shippers modify its Nomination, the higher of the two values shall be reduced by the Transporter to the lower value in order to avoid discrepancies on the interconnection.
- 14.9. Transporter shall enable revised Nominations and Renominations. The minimal requirement for Renominations is that each Renomination shall be submitted at least two (2) full hours before the time when the relevant Renomination should become effective.
- 14.10. Shippers shall provide their Nominations according to the following schedule:
 - 14.10.1. 1st deadline for the Shipper = 14:00 (Gas Day-1)

The Shipper shall send its Nomination for gas transmission during the Gas Day. By 15:00 p.m. the Transporter shall send a “confirmation message” to all Shippers. The Transporter shall do so after verifying the Nominations pursuant to paragraph 14.5.
 - 14.10.2. 2nd deadline for the Shipper = 16:00 (Gas Day-1)

The Shipper shall send a revised Nomination for gas transmission during the Gas Day. All Nominations received after the first deadline shall be considered Nominations



for the second deadline. The Transporter shall send a “confirmation message” by 18:00

14.10.3. 3rd deadline for the Shipper = 20:00 (Gas Day-1)

The Shipper shall send a Renomination for gas transmission during the Gas Day. All Nominations received after the second deadline shall be considered Nominations for the third deadline. The Transporter shall send a “confirmation message” by 22:00.

14.10.4. 4th deadline for the Shipper = 00:00. (Gas Day-1)

Shipper shall send an additional Renomination for gas transmission during the Gas-Day. All Nominations received after the third deadline shall be considered Nominations for the fourth deadline. The Transporter shall send a “confirmation message” by 02:00.

14.10.5. The Transporter shall allow for a continuous process of Renominations for the Gas Day even after the 4th deadline specified in 14.10.4., however, at the latest three (3) hours before the end of the particular Gas Day. Shippers shall file requests for Renominations so as to observe the response time of at least two (2) full hours from the whole hour during which the Renomination was filed. The Transporter shall issue a confirmation message to confirm the modified gas quantity for the relevant Gas Day within two (2) hours of the whole hour within which the Renomination was submitted.

14.11. When assessing the Renominations filed during the relevant Gas Day, the Transporter shall take into account the feasibility of the change of the last valid Re/Nomination while considering the time remaining until the end of the relevant Gas Day. The Transporter shall reject the new Renomination, if any of the following inequalities holds at any entry or exit point of the transmission system:

$$N_{rj} > N_{pj} + \frac{1}{24} \times K_{sj} \times (24 - T)$$

or

$$N_{rj} < N_{pj}$$

where

j is the relevant transmission system entry/exit point pair

N_{rj} is the Renomination of the particular Shipper for the particular transmission system entry/exit point pair for the given Gas Day expressed in kWh/day

K_{sj} is the Contracted capacity of the Shipper for the relevant entry/exit point pair expressed in kWh/day

T is the hour of the Gas Day starting from which the Renomination is effective; $T = 1$ pro 7:00 of the Gas Day, $T = 2$ for 8:00 of the Gas Day up to $T = 24$ for 6:00 of the following Gas Day.

N_{pj} Nominations and Renominations received and registered by time T defined as:

$$N_{pj} = \sum_{t=1}^T \frac{N_{jt}}{24}$$

t is the hour of the Gas Day; $t = 1$ for the interval [6:00, 7:00) to $t = 24$ for the interval [5:00, 6:00),



N_{jt} is the Nomination or Renomination of the given Shipper for the relevant entry/exit point pair effective at time t of the Gas Day expressed in kWh/day

- 14.12. Should the Transporter restrict or interrupt Interruptible transmission capacity, the Transporter shall be entitled to modify the Shipper's Nomination/Renomination. The Transporter shall communicate such change to the affected Shipper with sufficient advance but not later than one (1) hour before the restriction or interruption of Interruptible transmission capacity. During the period of such restriction or interruption, the Shipper subject to such restriction/interruption shall not be entitled to increase his Nomination/Renomination.
- 14.13. Should the Transporter receive information from neighboring transmission system operators that one or several importers failed to deliver or take the originally nominated natural gas quantities due to technical or commercial reasons, or should the Transporter be unable to transport such quantity due to reasons specified in article 9, the Transporter shall be entitled to change the affected Shipper's Nomination or Renomination. The Transporter shall notify all affected Shippers of such change sufficiently in advance, if possible. As long as the above-described situation persists, the affected Shipper shall not be entitled to increase its Nomination or Renomination.

15. NATURAL GAS QUANTITY ALLOCATION

- 15.1. The Allocation procedures applied at the border entry/exit points shall correspond to the Transporter's operating possibilities. In terms of transmission of gas designated for consumption in the Czech Republic including losses on the transmission system and the Transporter's own consumption the Allocation procedures described below shall apply. These procedures shall be updated on the basis of planned Interconnection agreements with relevant operators of interconnected transmission systems. Such updates shall not be subject to procedures laid down in article 28 of the Transit Code. The updated information shall be posted at the Web site of the Transporter and shall at the same time be communicated to all existing Shippers no later than 1 week prior to taking effect.
- 15.2. In the case of operational or other problems, the Transporter shall be entitled to change the currently presently valid Allocation procedure at the respective Border point to the Pro-rata procedure. The Transporter shall inform all affected Shippers as soon as possible. The Transporter shall notify Shippers with sufficient advance that the Pro-rata procedure is to be changed to the original Allocation procedure.
- 15.3. Two daily procedures are used for the allocation. The first procedure is identical with the definition of the Gas Day in chapter 2 from 6:00 till 6:00 of valid time (hereinafter 6-6), the second procedure defines the Gas Day as the period from 8:00 to 8:00 of the valid time (hereinafter 8-8). The following conversion shall be used to convert the allocation from the 8-8 regime to the 6-6 regime:

$$A_D^{6-6} = \frac{2}{24} \times A_{D-1}^{8-8} + \frac{22}{24} \times A_D^{8-8}$$



where

A_T^{X-X} is the allocation valid for the day T in the $X-X$ regime

15.4. In the case that after the end of the month the Transporter does not have business data from the Waidhaus border delivery station for the relevant Gas Days, the available data from operational metering shall be used.

15.5. Unless the OBA Allocation procedure is used by the Transporter, the Transporter shall apply the Pro-rata Allocation procedure or the procedure described in the Article 15.5.1.1. The Transporter is obliged to respect the allocation regimes already agreed under existing transmission contracts (hereinafter “**Existing Contracts**”)⁵.

15.5.1. Border point Lanžhot (connection to the transmission system operated by eustream, a.s.):

15.5.1.1. Entry Allocation procedure:

15.5.1.1.1. For all balancing Entities except the company, which ensure Existing Contracts

$$A_i = \frac{N_i}{\sum N} * (M_C - \sum N_C) + N_i$$

15.5.1.1.2. For the company, which ensure Existing Contracts

$$A_T = M_C - \sum A_i$$

where

A_i is amount allocated for a given Balancing Entity at Border point Lanžhot,

N_i is the total Nomination⁶ of a particular Balancing Entity at the Border point Lanžhot,

$\sum N$ is sum of all Nominations of all relevant Balancing Entities at the Border point Lanžhot,

⁵ Existing transmission contracts shall mean all contracts concluded with relation to transit obligations concluded before July 1, 2004

⁶ Only for this chapter's purpose it shall be understood under term „Nomination“ all Nominations on all contracts on natural gas transmission including Transit contracts.



- ΣN_C is sum of all Nominations of all relevant Balancing Entities at the Border point Lanžhot less by all Nominations belonging to Existing contracts,
- M_C is the total metered natural gas quantity at the Border point Lanžhot less by amounts allocated to Existing contracts,
- A_T is amount allocated for company, which ensure Existing Contracts at Border point Lanžhot less by amounts allocated to Existing contracts.

15.5.1.2. Exit Allocation procedure:

15.5.1.2.1. Exit Allocation procedure: OBA

15.5.1.2.2. For the purposes of daily balancing pursuant to the point 16.7 is allocated by Transporter on basis of agreed Gross Calorific Value, which are the Balancing Entities informed about. For the purposes of monthly balancing pursuant to the point 16.9 is allocated by Transporter on basis of real Gross Calorific Value.

15.5.2. Border point Hora Sv.Kateřiny - Olbernhau (connection to the transmission system operated by Wingas Transport GmbH&Co.KG):

15.5.2.1. Entry Allocation procedure: OBA

15.5.2.2. Exit Allocation procedure: Pro-rata

15.5.3. Border point Hora Sv. Kateřiny – Sayda (connection to the transmission system operated by Ontras - VNG Gastransport GmbH):

15.5.3.1. Entry Allocation procedure: OBA

15.5.3.2. Exit Allocation procedure: OBA

15.5.4. Border point Waidhaus:

15.5.4.1. Allocation in the Waidhaus station - connection to the transmission system operated by MEGAL GmbH&Co.KG:

15.5.4.1.1. Entry Allocation procedure: OBA

15.5.4.1.2. Exit Allocation procedure: Pro-rata

15.5.4.2. Allocation in the Waidhaus station - connection to the transmission system operated by E.ON Gastransport AG&Co.KG:

15.5.4.2.1. Entry Allocation procedure: OBA

15.5.4.2.2. Exit Allocation procedure: Pro-rata and/or SBA

15.5.4.3. The Transporter shall make daily allocations based on the standard ISO 5167/1- A1 (2003). Allocations on monthly/commercial basis shall comply with the standard ISO 5167-1 (1991).

15.6. The OBA principle applies to gas supply and off-take at the Balancing Point and the TSO point.



16. BALANCING

- 16.1. Balancing is a process within the framework of which the Transporter ensures the balance between the quantity/volume of natural gas entering into and exiting from the gas system. This activity shall be executed for each Shipper.
- 16.2. The Transporter shall evaluate and balance Imbalances for the Shippers based on which the Settlement of imbalances is performed.
- 16.3. For the purpose of balancing, Shippers shall provide the Transporter with data about their planned quantity of gas intended for transmission. The planned quantity of gas shall be submitted in the form of Nominations.
- 16.4. Physical balancing shall mean the preservation of balance between the gas quantity entering into and exiting from the gas system in real time. For physical system balancing the Transporter shall use flexible tools available for this purpose with subsequent commercial balancing by Shippers who caused the need for balancing.
- 16.5. Commercial balancing shall mean the commercial evaluation of the difference between the gas quantity delivered by Shippers into the transmission system and the gas quantity taken by the relevant Shippers from the transmission system.
 - 16.5.1. The Transporter shall carry out commercial balancing for each Gas Day and Gas Month.
 - 16.5.2. The Transporter shall carry out commercial balancing on the basis of Actual gas quantity.
- 16.6. Based on the technical characteristics of the transmission system, in particular the available linepack, the Transporter provides Balancing entities with a tolerance range for deviations for each Gas Day.
 - 16.6.1. The balancing tolerance range (B_t) provided by the Transporter to Shippers is determined via a function defined in the valid Transit Services Price List and is determined as a \pm value of such function.
 - 16.6.2. The Transporter shall not provide tolerance for a route for a period during which the OBA procedure is used concurrently both at the entry and exit point.
 - 16.6.3. Should a Shipper cause an Imbalance, the Transporter shall first determine whether or not the particular Imbalance is within the tolerance range. If the Imbalance is within the tolerance range, no further steps are taken by the Transporter. If the Imbalance exceeds the tolerance range, the Shipper has caused an off-tolerance Imbalance which shall be charged by the Transporter in line with valid Transit Services Price List.
 - 16.6.4. Within any particular Gas Month, Shippers shall receive only preliminary data about their Imbalances. Actual gas quantity values used for the calculation of the contingent fees shall be communicated by the Transporter to the Shipper within the 11th day of the month following the relevant Gas Month.
- 16.7. Daily balancing.



- 16.7.1. The Transporter shall execute daily balancing based on preliminary values (data received from individual operators of neighboring transmission systems, preliminary measured values received through remote data transmission from the relevant metering devices and allocation rules pursuant to article 15) separately for each Shipper and for each Gas Day.
- 16.7.2. By 13:00 of each day, the Transporter shall notify the individual Shippers of preliminary values of Imbalances for the preceding Gas Day (hereinafter referred to as “**Preliminary Imbalance**”). The Transporter shall publish the Preliminary Imbalance in the secured zone.
- 16.7.3. The Shipper shall be obliged to balance such Preliminary Imbalance within the Gas Day following the day on which such Preliminary Imbalance was announced. The Shipper shall carry out this balancing by nominating the gas value equal to the Preliminary Imbalance through the Balancing point.
- 16.7.4. Should the Shipper fail to carry out such Nomination and thus balance its Preliminary Imbalance, or should the value of the Nomination differ from the value of the Preliminary Imbalance announced by the Transporter, the Shipper shall forfeit the possibility to balance the actual Imbalance of Nominations through the Balancing Point pursuant to 16.10 in the amount of the unbalanced Preliminary Imbalance.
- 16.7.5. Should the value of the Preliminary Imbalance pursuant to the provisions of paragraph 16.7.2 be clearly incorrect and it is likely that a metering error has occurred, the Transporter shall notify the affected Shippers of such fact and they shall agree on an alternative Nomination. The Shipper shall be entitled to notify the Transporter of the metering error by 2:00 p.m. of the Gas Day on which the Preliminary Imbalance was reported to the Shipper.
- 16.8. The Transporter shall be entitled to carry out extraordinary daily balancing any time during the Gas Month based on the development of unbalanced Preliminary Imbalances as described in the following paragraphs.
- 16.8.1. For each Shipper the Transporter shall define the Limit Value derived from the particular Shipper’s credit exposure (see Appendix 1, hereinafter referred to only as the “Limit Value”). The Limit Value shall be defined in the following cases as follows:
- 16.8.1.1. The Shipper *I* has at least one transit contract on transmission, or at least one National Transmission Contract concluded with the Transporter and has assumed responsibility for the overall imbalance in national transmission from other Shippers:

$$MH_I = K_{TR,I} + \max \left(K_{P,I}^{vstupy} + \sum_{i=1}^n K_{P,i}^{vstupy} + \sum_{j=1}^m K_{B,j}^{vstupy} ; K_{P,I}^{vystupy} + \sum_{i=1}^n K_{P,i}^{vystupy} + \sum_{j=1}^m K_{B,j}^{vystupy} \right)$$

where

- MH_I is the resultant Limit Value of Shipper *I*
- $K_{TR,I}$ is the sum of transmission capacities derived from all valid transit contracts concluded by the Shipper *I* and the Transporter, expressed in kWh
- $K_{P,I}$ is the sum of daily transmission capacities at entries or exits, derived from all valid National Transmission



Contracts concluded by the Shipper *l* and the Transporter, expressed in kWh

$$\sum_{i=1}^n K_{P,i}$$

is the sum of daily transmission capacities at entries or exits, related to the overall imbalances, transferred to Shipper *l* from *n* National Transmission Contracts from other Shippers, with the resulting sum expressed in kWh

$$\sum_{j=1}^m K_{B,j}$$

is the sum of daily distribution entry or exit capacities, related to overall imbalances, transferred to Shipper *l* from *m* Balancing Contracts from other Shippers, with the resulting sum expressed in kWh

16.8.2. If the absolute value of the sum of negative unbalanced Preliminary Imbalances of the given Shipper is greater than or equal to 0.25 times the Limit Value:

16.8.2.1. The Transporter shall notify the Shipper and the operators of interconnected transmission systems of such fact.

16.8.2.2. The Shipper may request the Transporter to partly or entirely settle the sum of unbalanced Preliminary Imbalances in monetary terms through an extraordinary advance invoice. Negative unbalanced Imbalances shall be priced using the price for missing gas specified in the valid Transit Services Price List. The parties shall agree on the requirements of such invoice. The sum of negative Preliminary Imbalances shall be adjusted in accordance with the payment after the Shipper executes the payment.

16.8.3. The Transporter shall follow the same procedure as in 16.8.2. if the absolute value of the sum of negative unbalanced Preliminary Imbalances of the given Shipper is greater than or equal to 0.5 and 0.75 times the Limit Value

16.8.4. If the absolute value of the sum of negative unbalanced Preliminary Imbalances of the particular Shipper is greater than or equal to the Limit Value:

16.8.4.1. The Transporter shall notify the Shipper, affected operators of interconnected transmission systems.

16.8.4.2. The Transporter shall suspend transmission executed based on all gas transmission contracts.

16.8.4.3. The Transporter shall issue an extraordinary invoice for the amount equal to the product of the absolute value of the sum of negative unbalanced Preliminary Imbalances and price for the missing gas specified in the valid Transit Services Price List and shall send it electronically to the Shipper.

16.8.4.4. The extraordinary invoice shall be due within 4 calendar days of the shipping date.

16.8.5. Should the Shipper settle this extraordinary invoice, the Transporter shall:



- 16.8.5.1. inform the affected operators of interconnected transmission systems,
- 16.8.5.2. restore transmission pursuant to the concluded transmission contracts.
- 16.8.6. Should the Shipper fail to settle the extraordinary invoice by the due date or should the Shipper settle a different amount, the Transporter shall:
 - 16.8.6.1. inform the affected operators of interconnected transmission systems,
 - 16.8.6.2. withdraw from all contracts concluded with the Shipper with immediate effect unless otherwise agreed with the Shipper.
- 16.9. Monthly balancing
 - 16.9.1. The Transporter shall perform monthly balancing for the entire system separately for each Shipper. The Transporter shall execute the monthly balancing based on the actual gas quantity delivered by the Shipper at all entry points and actual gas quantity taken by the Shipper at all exit points for each Gas Day.
 - 16.9.2. The Transporter shall execute monthly balancing for the particular Gas Month after the end of the Gas Month. Based on the monthly balancing the Transporter shall determine the following in individual Gas Days:
 - 16.9.2.1. actual Imbalance
 - 16.9.2.2. unbalanced Preliminary Imbalance (hereinafter referred to only as "**Unbalanced Imbalance**") which is defined as the difference between the Preliminary Imbalance and the value nominated for its balancing in the relevant Gas Day,
 - 16.9.2.3. amount of unbalanced actual Imbalance (hereinafter referred to only as the "**Residual Imbalance**") which is defined as the difference between the actual Imbalance and the value nominated for the balancing of the associated Preliminary Imbalance in the relevant Gas Day.
 - 16.9.3. Within the monthly settlement based on the relation between the Residual and Unbalanced Imbalance the Transporter shall determine the quantity of gas that the Shipper shall be entitled to balance in kind in accordance with the procedure specified in 16.10 and also the gas quantity that the Shipper shall be obliged to preliminarily balance.
 - 16.9.3.1. If the Unbalanced Imbalance equals to zero and the Residual Imbalance is different from zero, the Shipper shall balance the Residual Imbalance following the procedure specified in 16.10.
 - 16.9.3.2. If the Unbalanced Imbalance is different from zero and it has the opposite sign of the Residual Imbalance, the Shipper shall balance the Residual Imbalance following the procedure specified in 16.10.
 - 16.9.3.3. If the Unbalanced Imbalance is different from zero, has the same sign as the Residual Imbalance and its absolute value is lower than the absolute value of the Residual Imbalance, the Transporter shall purchase/sell gas equal to the Unbalanced Imbalance from/to the Shipper for the fixed price for missing/excess balancing gas specified in the valid Transit Services Price List (hereinafter referred to only as the "**Price**"). The Shipper shall balance the



difference between the absolute values of the Residual and Unbalanced Imbalance following the procedure specified in 16.10.

- 16.9.3.4. If the Unbalanced Imbalance is different from zero, has the same sign as the Residual Imbalance and its absolute value is greater than the absolute value of the Residual Imbalance, the Transporter shall purchase/sell gas equal to the Residual Imbalance from/to the Shipper for the Price.
- 16.9.4. By the 11th day of each month following the relevant Gas Month by 13:00 the Transporter shall publish the following data for the relevant Gas Month for each Gas Day for each Shipper based on the actual gas quantity figures in the secured zone:
 - 16.9.4.1. size of the actual Imbalance,
 - 16.9.4.2. size of the Unbalanced Imbalance,
 - 16.9.4.3. size of the Residual Imbalance,
 - 16.9.4.4. size of off-tolerance Imbalance.
- 16.9.5. Within the deadline specified in 16.9.4. the Transporter shall publish a supporting document for billing and/or balancing of the unbalanced gas for the relevant Gas Month for each Gas Day for each Shipper based on the actual gas quantity figures in the secured zone. The document shall contain the following data:
 - 16.9.5.1. gas quantity that the Shipper shall balance following the procedure specified in 16.10.
 - 16.9.5.2. missing gas quantity determined pursuant to 16.9.3.3. and 16.9.3.4. that the Transporter shall sell to the Shipper for the Price.
 - 16.9.5.3. excess gas quantity determined pursuant to 16.9.3.3. and 16.9.3.4. that the Transporter shall purchase from the Shipper for the Price.
 - 16.9.5.4. gas quantity that should have been balanced pursuant to 16.10., which, however, has not happened. Articles 16.9.5.2. or 16.9.5.3. shall reasonably apply.
- 16.10. Should a Shipper cause Residual Imbalances pursuant to 16.9.2., and should he be entitled to balance them either fully or partly in kind pursuant to 16.9.3., the Shipper shall balance such Imbalances by nominating the sum of the Imbalances of the preceding Gas Month that may be balanced in kind for the fifteenth (15) Gas Day of the given month through the Balancing Point.
- 16.11. The correctness of the metering shall be ensured on the basis of Interconnection agreements with the relevant operators. In the event that any metering inaccuracies affecting the value of the actual gas quantity metered at the entry / exit point of the transmission system are discovered, the Transporter shall review the Evaluation of Imbalances for the particular Gas Month(s) and he shall subsequently issue a corrective invoice. Depending on regular inspections of metering devices, such retroactive review of Deviation evaluation may go back six (6) months as a maximum.
- 16.12. If the effective duration of the last Transmission Contract of a Shipper expires and the Shipper thus loses the option to execute daily balancing for the last two (2) Gas Days and the option to balance the sum of Imbalances within the monthly balancing pursuant to 16.10 for the last Gas Month of such contract, the following procedure shall apply:



16.12.1. The Shipper shall balance the Residual Imbalances caused in the preceding Gas Month designated for balancing in kind pursuant to 16.9.3. including actual Imbalances of the last two (2) Gas Days as follows

16.12.1.1. sell/purchase gas quantity that the Shipper shall balance for the fixed monthly gas balancing price specified in the valid Transit Services Price List.

16.12.2. Residual Imbalances caused in the preceding Gas Month designated for monetary settlement pursuant to 16.9.3. shall be settled by paying the price for the missing balancing gas or receiving the price for excess balancing gas pursuant to the Transit Services Price List.

17. PRICE

17.1. The price of daily Transmission capacity and the prices of services associated with transit transport and other fees are specified in the Transit Services Price List. The price of the daily Transmission capacity specified in the Transit Services price List valid at the time of contract conclusion shall be valid throughout the effective duration of the contract. Prices of services associated with transit transport and other fees are specified in the currently valid Transit Services Price List.

17.2. Should an additional obligation of the Shipper to pay any tax or fee (hereinafter referred to only as the "Tax") in connection to transmission and/or services associated with transit transport arise within the effective duration of the contract, the Transporter shall be entitled to request a financial coverage of the Tax from the Shipper.

17.3. The total discount for interruption of Interruptible transmission capacity for a given Gas Month shall be cleared in the aggregate tax document. This document is regulated by the procedures specified in chapter 19.

18. EXCEEDING THE TRANSMISSION CAPACITY

18.1. Should the Shipper exceed the Contracted capacity by more than the permitted tolerance, he shall be charged a fee for exceeding the Transmission capacity in accordance with the Transit Services Price List.

18.2. In the event of that Transmission capacity is exceeded multiple times as specified in 18.1. during one Gas Month, the Shipper shall pay a fee based on the highest recorded excess of the Transmission capacity. The payment of the fee for exceeding the capacity shall not entitle the Shipper to increase its Transmission capacity in the relevant Gas Month.

19. INVOICING AND PAYMENT TERMS

19.1. The Shipper shall be obliged to pay to the Transporter every month the monthly transmission price (monthly fee) incl. VAT based on the monthly advance invoice (hereinafter referred to only as the "**Monthly Advance Invoice**"). The Shipper shall be obliged to make payments for the daily transmission capacity including VAT based on the



- daily advance invoice (hereinafter referred to only as the “**Daily Advance Invoice**”). The Shipper shall be also obliged to make monthly payments based on a tax certificate, the so-called clearing invoice.
- 19.2. The Transporter shall issue and send the Monthly Advance Invoice to the Shipper not later than on the twentieth (20) calendar day of the month preceding the relevant Gas Month. The Transporter shall issue and send the Daily Advance Invoice for daily transmission to the Shipper electronically by 5 business days the Day of Request Submission, together with draft of Daily Contract
- 19.3. The Transporter shall issue and send the first Monthly Advance Invoice related to gas transmission contract effective from the first (1st) Gas Day of the following month to the Shipper no later than five (5) business days after the date of conclusion of the relevant transmission contract (pursuant to 6.15.), should the conclusion date is in the time period from 20th calendar day till the end of the month. Should the conclusion date is in the time period from 1st till 19th calendar day, the Transporter shall issue and send the first Monthly Advance Invoice pursuant to paragraph 19.2.
- 19.4. The advance invoice for the relevant Gas Month delivered by the Transporter to the Shipper pursuant to paragraph 19.2. and 19.3 shall be due within 14 calendar days of the date when it was sent .
- 19.5. The first advance invoice for Transmission capacity reservations with postponed effectiveness shall be issued at the earliest 15 and at the latest 8 business days before the effective date of the reservation of the transmission capacity and shall be due within 14 calendar days after it was sent.
- 19.6. The Shipper shall be obliged to pay extraordinary advance payments to the Transporter in the amount and under the conditions defined in article 16, paragraph 16.8.4. The Shipper shall be entitled to request the Transporter to issue an extraordinary invoice pursuant to 16.8.2.
- 19.7. The Transporter shall issue the tax document for the relevant Gas Month and send it to the Shipper no later than on the 14th calendar day, or on the next business day of the month following the relevant Gas Month should this day be Saturday, Sunday, or public holiday.
- 19.8. The tax document for the relevant Gas Month delivered by the Transporter to the Shipper pursuant to the previous paragraph shall be due within 14 calendar days of the date when it was sent.
- 19.9. The tax document sent to the Shipper shall comprise the billing of:
- 19.9.1. extraordinary advance invoices pursuant to 16.8.2. and/or 16.8.4.
 - 19.9.2. Monthly/Daily advance invoices and/or advance invoices pursuant to 19.2.,19.5 and 19.3.
 - 19.9.3. contingent discounts for interruptible capacity pursuant to article 17, paragraph 17.3.
 - 19.9.4. amounts due by the Shipper on monthly basis for:
 - 19.9.4.1. exceeding the Transmission capacity as defined in article 18
 - 19.9.4.2. off-tolerance Imbalances pursuant to 16.9.4.4.
 - 19.9.5. amounts due for missing gas in accordance with the monthly balancing:



- 19.9.5.1. for the part that shall be paid pursuant to paragraph 16.9.5.2. for the relevant Gas Month for which the tax document is issued
- 19.9.5.2. for the balanced part for the month preceding the relevant Gas Month, i.e., for the part which should have been balanced pursuant to 16.9.5.4., however, which did not happen
- 19.9.6. Contingent penalties
- 19.10. The Shipper shall issue the invoice for excess gas in accordance with the monthly balancing on the basis of supporting documents specified in paragraph 16.9.5.3. and provided by the Transporter. Such invoice shall be issued and sent no later than on the 18th calendar day of the month in which the Shipper received the supporting documents. The invoice shall be due within 14 calendar days of the date when it was sent. Paragraphs 19.12., 19.18. and 19.19. of this article shall reasonably apply.
- 19.11. The tax document issued by the Transporter shall contain all particulars defined by generally binding regulations including bank identification / bank account number to which the payment should be made.
- 19.12. The contracting parties shall pay their financial obligations (in particular the price for the consideration, default interest, and contractual penalties) by a bank transfer of the amount due to the bank account of the other contracting party whereas the payment shall mean crediting of the relevant payment to the bank account of the beneficiary.
- 19.13. Each contracting party shall pay for its banking fees related to payments of their financial obligations following from the transmission contract. The correspondent bank fees shall be paid by the contracting party providing the payment.
- 19.14. In the case of delays in the payment of monetary obligations pursuant to the contracts concluded between the Transporter and Shipper or between the Transporter and Shipper, the payer shall notify the other contractual party of such delays two (2) business days before the due date of the respective liabilities.
- 19.15. In the event of delay in payment of financial obligations under the contracts concluded between the Transporter and Shipper, the relevant contracting party shall pay to the other contracting party the default interest amounting to PRIBOR 1 month + 5 % per annum on the due amount. The calculation of the default interest shall be performed as follows: the rate specified in the previous sentence and expressed in percentage points valid on the first day of the delay divided by 100 shall be multiplied by the ratio of the actual number of the days of delay in the calendar year and the basic length of the year of 360 days (act/360) and the outstanding amount.
- 19.16. Default interest pursuant to the provisions of this article shall be due within 14 calendar days from the day of delivery of the default interest billing to the other contracting party.
- 19.17. The contracting party that has received the invoice shall be entitled to return it in the case that the invoice does not comprise all prescribed particulars or has other severe flaws. The returning contracting party shall indicate the reason for the return in the respective invoice. Depending on the nature of the incorrectness, the issuing contracting party shall either correct the invoice or issue a new one. The corrected or newly issued invoice shall be due within 14 calendar days of the date when it was sent.
- 19.18. Should any of the issue or due date of liabilities to which this Transit Code applies be a Saturday, Sunday, or public holiday, the due date shall be the next business day.



- 19.19. The maturity period shall be extended by one day for each day of Transporter's delay with tax document issue
- 19.20. In the case the Shipper is in delays with the payment of its liabilities pursuant to the gas transmission contract for a period longer than fourteen (14) calendar days, with the exception of obligations defined in 16.8.4.4., the Transporter shall be entitled to withdraw from the transmission contract effective on the 7th calendar day after the delivery of the withdrawal notice to the Shipper.
- 19.21. In this article sending is defined as electronic sending by e-mail. The invoice sent in such a way electronically is binding for the Shipper. The Transporter shall send the signed hard copy version of the invoice within two business days of the electronic sending.

20. CIRCUMSTANCES FORECLOSING LIABILITY

- 20.1. Circumstances foreclosing liability shall mean any obstruction occurring independently of the will of the liable party and preventing the liable party from the fulfillment of its obligation, unless it is possible to reasonably expect that the liable party could have averted or overcome this obstruction or its consequences and, furthermore, that it expected this obstruction at the time when the obligation was established. The obstructions foreclosing liability pursuant to the previous sentence shall be in particular:
- 20.1.1. strikes, provided that such event is organized by third parties, terrorist attack,
 - 20.1.2. wars, civil and military disorders, blockades, uprising, riot and civil commotion, epidemics, quarantine restriction,
 - 20.1.3. a strike of lightning, earthquakes, fire, storms, floods, land slides,
 - 20.1.4. events resulting in emergency situation declaration pursuant to the relevant provisions of the Energy Act and implementing legal regulation.
- 20.2. The circumstances foreclosing liability shall not be any obstructions which emerged only at the time when the liable party was in delay with the fulfillment of its obligation or which has developed from its economic situation. The effects foreclosing liability are limited only to the time of existence of the obstruction to which such effects relate.
- 20.3. The party breaching its obligation or the party that should know considering all circumstances that it will breach any of its obligations from the obligation relationship, shall be obliged to immediately notify the other party of the nature of the obstruction preventing it from the fulfillment of its obligation and its consequences; the information shall be provided without undue delay immediately after the liable party has learnt or could have learnt about the obstruction with proper care. Should the liable party fail to satisfy its notification obligation pursuant to the provisions of the previous sentence or should the notification be delivered late to the rightful party, the damaged party shall be entitled to indemnification for damages thus incurred.
- 20.4. If the breach of the obligation relationship was caused by a third party which the liable party entrusted with the fulfillment of its obligation, the liability of the liable party shall be excluded only if its liability is excluded by this Article and the third party would not be liable pursuant to this Article if it were directly obliged to the rightful party instead of the liable party.



21. SUBLETTING AND TRANSFER OF TRANSMISSION CAPACITY IN THE TRANSMISSION SYSTEM

- 21.1. The Shipper shall be entitled to sublet the Contracted capacity in the transmission system partially or entirely to another User without the Transporter's consent. The Shipper shall be fully liable towards the Transporter for any breach of the contractual obligations from the gas transmission contract by the other User.
- 21.2. The Shipper shall notify the Transporter of the subletting of the Contracted capacity within TS to another User not later than three (3) business days before the beginning of the gas transmission by that other User. The Transporter shall register the subletting of the Contracted capacity in the transmission system.
- 21.3. The Shipper shall be entitled to transfer the rights and obligations under Annual and/or Monthly Contract partially or entirely to another User/Applicant only with prior consent of the Transporter. This other User/Applicant shall become a new Shipper (unless the User/Applicant is already a Shipper based on other contracts concluded between the User and the Transporter) with all rights and obligations arising from this status. The rules that shall be followed by the Transporter and the User/Applicant are specified below:
 - 21.3.1. the request for the transfer of rights and obligations shall be submitted in writing on the form "Request to the contract for Transmission capacity transfer" available at the Web site of the Transporter.
 - 21.3.2. The User/Applicant shall file the request for the transfer of rights and obligations within the deadline set down for requests for conclusion of a Monthly Contract pursuant to article 6, paragraph 6.4, whereas the procedure for contract conclusion shall reasonably apply.
 - 21.3.3. The Transporter's consent shall be granted, provided that the User/Applicant to whom the rights and obligations are transferred, adequately complies with the terms to the extent set down in Article 5, especially if he proves his financial eligibility.
 - 21.3.4. The Transporter shall notify the Shipper and User/Applicant of whether the consent with the transfer of rights and obligations has been granted within the deadline set down in Article 6.6.
 - 21.3.5. The transfer of rights and obligations shall take effect no sooner than on the first Gas Day of the following month. The rights and obligations shall be transferred for the period of at least one Gas Month or its whole multiples.
- 21.4. The Transporter shall be entitled to reject the consent with such transfer of rights and obligations if the Shipper and/or the other User in delay with the fulfillment of their monetary obligations towards the Transporter.



C. OTHER SERVICES OFFERED

22. THE WHEELING SERVICE

- 22.1. At the Lanžhot Border point and/or Waidhaus Border point the Transporter enables the so-called “wheeling”. This is the possibility to enter at the Border Entry Point into the transmission system and at the same instant exit the system at the same Border Exit Point (hereinafter referred to only as the “wheeling service”). The Transporter does not enable this service currently at other Border Points.
- 22.2. The service shall be provided based on a concluded contract for the wheeling service. In order to use the wheeling service no reserved Transmission capacity is required.
- 22.2.1. This contract for the wheeling shall be concluded at least for the period of one month or its whole multiples.
- 22.2.2. The contract shall be concluded effective from the first Gas Day of the calendar month in which the service is to start based on the contract and shall expire upon the end of the last Gas Day of the last month of the effective duration of the contract.
- 22.3. Requests for the conclusion of contracts for the wheeling service may be filed on monthly basis.
- 22.3.1. The request shall be filed in writing on the form available on the Web site of the Transporter. In the request the Applicant shall provide in particular the following:
- 22.3.1.1. contact data of the Applicant (name/company, address/registered office, identification number, tax identification number, contact person(s), phone no., fax no., e-mail, bank details, assigned matching code);
- 22.3.1.2. statutory declaration concerning the provision of daily continuous (24 hour per day) communication with the Transporter through the dedicated web interface or on the basis of the XML SSL communication protocol including a list of persons to receive secured zone access rights;
- 22.3.1.3. the beginning of force and duration of the wheeling service contract;
- 22.3.1.4. maximum daily gas quantity for which the Applicant intends to order the wheeling service
- 22.3.2. The Applicant shall file a request for the wheeling service within the deadline for requests for the conclusion of the Monthly Contract pursuant to Article 6, paragraph 6.4 of the Transit Code whereas the procedure for the conclusion of the contract shall reasonably apply.
- 22.3.3. The Transporter shall be entitled to reject the consent with the conclusion of the contract for the wheeling service if the Applicant is in delay with the fulfillment of his financial obligations due to the Transporter.
- 22.4. In order to harmonize with the adjacent operator of the transmission system at the Border points Lanžhot and/or Waidhaus the Customer shall send information about natural gas quantity to the Transporter in the form of Nominations.
- 22.4.1. The Customer shall nominate the wheeling service within the deadlines pursuant to the Transit Code.



- 22.4.2. The Customer shall nominate the exit quantity with a negative sign whereas the Nomination of the natural gas quantity entering the transmission system shall equal the Nomination of the natural gas quantity exiting from the transmission system.
- 22.4.3. Nominations shall be expressed in kWh.
- 22.4.4. The procedure and deadlines specified in chapter 14 of the Transit Code shall reasonably apply.
- 22.4.5. Should the Customer nominate a higher quantity for the wheeling service than the quantity specified in the contract for the wheeling, this Nomination shall be automatically reduced to the contracted quantity.
- 22.5. The Customer undertakes to use the wheeling service treating the quantity entering and at the same time exiting as inseparable, i.e., the Customer shall be obliged to enter the transmission system and at the same time exit from the transmission system at the Lanžhot Border point with the same quantity.
- 22.6. The provisions of chapter 19 of the Transit Code and the provisions of chapter 4 of the Transit Services Price List shall reasonably apply to the terms of payment.

23. THE SHORThAUL SERVICE

- 23.1. The Transporter shall enable natural gas transmission from the Enter Border point Hora Sv. Kateřiny – Olbernhau into the Exit Border point Hora Sv. Kateřiny – Sayda and from Enter Border point Hora Sv. Kateřiny – Sayda into the Exit Border point Hora Sv. Kateřiny – Olbernhau. Hereafter from the Border point Hora Sv. Kateřiny – Olbernhau (Enter) into the Border point Hora Sv. Kateřiny – Olbernhau (Exit) and from Border point Hora Sv. Kateřiny – Sayda (Enter) into the Border point Hora Sv. Kateřiny – Sayda (Exit).
- 23.2. The service shall be provided based on a concluded transmission contract that shall be concluded for at least one Gas Month or its whole multiples.
- 23.3. When assessing the request for this service the procedure pursuant to the provisions of Section B. Business and Technical Conditions shall apply; for requests for transmission shorter than 12 months the procedure used for Monthly Contracts on transmission shall apply, for other requests the procedure used for Annual Contracts on Transmission shall apply.
- 23.4. Other provisions of Chapter B Business and Technical Conditions shall reasonably apply.
- 23.5. The Applicant submits the fulfillment of conditions of financial eligibility according to Appendix 1 Transit Code.

24. THE COUNTERFLOW SERVICE

- 24.1. The Transporter enables natural gas transmission in the direction opposite to the physical flow of gas:
 - 24.1.1. in the direction Waidhaus – Lanžhot,
 - 24.1.2. in the direction Waidhaus – Hora Sv. Kateřiny Olbernhau,



24.1.3. in the direction Hora Sv. Kateřiny Sayda – Lanžhot.

- 24.2. This service shall be provided for the period of at least one Gas Month or its whole multiples, however, at most for the period of 12 Gas Months.
- 24.3. When assessing the request for this service the provisions of section B. Business and Technical Conditions relating to requests for the conclusion of a Monthly Contract on Transmission shall apply.
- 24.4. Other provisions of chapter B. Business and Technical Conditions shall reasonably apply.
- 24.5. The Applicant submit the fulfillment of conditions of financial eligibility according to Appendix 1 Transit Code. The balancing-transmission risk of this service is equal to null and the Transporter doesn't use that in calculation of the total balancing-transmission risk (CE_{BT}) according to the letter b) of the point 2.2. of the above mentioned Appendix.

25. THE CAPACITY COUPLING SERVICE

- 25.1. The Transporter shall enable the reservation of capacity on a route with the possibility to change the direction of transmission.
- 25.2. The direction of the transmission may not be changed in the course of a Gas Day.
- 25.3. This service may be requested only when a new request for the conclusion of a contract on transmission is filed. This service may not be additionally ordered for already existing transmission contracts.
- 25.4. This service shall be provided for the period of at least one Gas Month or its whole multiples.
- 25.5. When assessing the request for this service the procedure pursuant to the provisions of Section B. Business and Technical Conditions shall apply; for requests for transmission shorter than 12 months the procedure used for Monthly Contracts on transmission shall apply, for other requests the procedure used for Annual Contracts on Transmission shall apply.
- 25.6. Other provisions of chapter B. Business and Technical Conditions shall reasonably apply.
- 25.7. The Applicant submit the fulfillment of conditions of financial eligibility according to Appendix 1 Transit Code.

26. THE CAPACITY SHIFT SERVICE

- 26.1. The Shipper shall be entitled to request the Transporter to exchange a part or the entire reserved Firm transmission capacity on one route for new Firm transmission capacity at another route with the exception of services specified in Chapter C. of the Transit Code.
- 26.2. This service shall be provided at any time within the effective duration of the transmission contract for the period of at least one Gas Month or its whole multiples.
- 26.3. When assessing the request for this service the procedure pursuant to the provisions of Section B. Business and Technical Conditions shall apply; for requests for transmission shorter than 12 months the procedure used for Monthly Contracts on transmission shall



apply, for other requests the procedure used for Annual Contracts on Transmission shall apply.

26.4. Other provisions of chapter B. Business and Technical Conditions shall reasonably apply.

26.5. The Applicant submits the fulfillment of conditions of financial eligibility according to Appendix 1 Transit Code.



D. COMMON CONCLUDING PROVISIONS

27. CONFIDENTIALITY

- 27.1. The Transporter shall maintain confidentiality about the transmission contract concluded between the Transporter and the Shipper as well as about other facts relating to the conclusion and execution of these contracts or information relating to the services provided by the Transporter (hereinafter referred to only as “**confidential information**”) until the time when such confidential information becomes publicly available without the Transporter breaching his obligation.
- 27.2. The Transporter undertakes in particular not to disclose confidential information to the public or to provide it otherwise to any third person unless the Transporter has received a prior written consent of the other contracting party with the disclosure or publication of the confidential information.
- 27.3. The confidentiality obligation pursuant to the previous paragraphs of this article shall not apply to the fulfillment of the Transporter’s obligations imposed by generally binding regulations.

28. TRANSIT CODE AMENDMENTS

- 28.1. The Transporter shall amend this Transit Code whenever such amendment is required to achieve accord with new provisions of generally binding regulations.
- 28.2. The Transporter shall be entitled to amend this Transit Code whenever such amendment reflects the practical experience in the operation and maintenance of the transmission system or common business practices used in the gas transmission sector or changes in the technology used for gas transmission.
- 28.3. The Transporter shall make the content of such planned amendment accessible at least by means of remote access to information (by publishing it on the Web site of the Transporter) at least 21 calendar days before the day upon which such amendment shall become effective.
- 28.4. The Shipper shall be entitled to withdraw from the transmission contract should the Transporter amend the Transit Code pursuant to the provisions of 28.2. provided that the following conditions are satisfied:
 - 28.4.1. the amendment of the Transit Code that shall constitute a reason for withdrawal from the contract by the Shipper provided that it was drafted by the Transporter only based on his own consideration (i.e., the amendment did not follow from a change in legal regulations or recommendation of any state authority, Czech or European professional organization operating in the gas transmission sector) and at the same time
 - 28.4.2. the amendment of the Transit Code contains such provision that the Shipper acting with the care of a good manager could not conclude the transmission contract knowing that such amendment to the Transit Code will be made.



- 28.5. The Shipper shall inform the Transporter about the withdrawal from the contract within 28 calendar days of the start of force of the relevant amendment. The withdrawal from the contract shall be effective starting on the 7th calendar day after the receipt of the notification of the withdrawal to the Transporter.

29. CONCLUDING PROVISIONS

- 29.1. This Transit Code of the transmission system operator has been elaborated by the Transporter pursuant to the provisions of Section 58 (9-v) of the Energy Act and Article 4, paragraph 1, letter a) of Regulation.
- 29.2. The provisions of the Transit Code do not apply to contracts concluded before July 1, 2006.
- 29.3. The Transporter shall publish this Transit Code including any amendments on its web site.
- 29.4. This Transit Code, as well as any and all legal relations established in connection with natural gas transmission by the Transporter pursuant to the provisions of this Transit Code and the transmission contracts shall be governed by the laws of the Czech Republic.
- 29.5. The following appendices form an integral part of this Transit Code of the transmission system operator:
- 29.5.1. Appendix 1: Conditions of Financial Eligibility of a User
 - 29.5.2. Appendix 2: Natural Gas Quality Parameters
 - 29.5.3. Appendix 3: List of Entry and Exit Points of the Transmission System
- 29.6. This Transit Code comes into force on 13.8.2010.



APPENDIX 1. CONDITIONS OF FINANCIAL ELIGIBILITY OF A USER

1. The User shall prove to the Transporter sufficient financial eligibility to fulfill his obligations pursuant to the Contract on transit transport (hereinafter referred to only as the "Contract"). The User shall prove its financial eligibility to the Transporter before the conclusion of each Contract. At the same time, the User shall be obliged to uphold this financial eligibility throughout the entire duration of these contracts. Should the User fail to uphold its financial eligibility throughout the duration of all concluded contracts, the User shall immediately notify the Transporter. Should the User at any time during the entire duration of all concluded Contracts fail to prove sufficient financial eligibility to meet its obligations under the Contract, the Transporter shall be entitled to withdraw from any of the Contracts.
2. For the purposes of this Article a User is considered sufficiently financially eligible to fulfill his obligations according to the contract if he satisfies one of the following:
 - 2.1. The credit exposure of the Transporter with respect to the User (CE) defined below in article 2.2. is lower than the minimum credit limit of CZK 100 thousand, or
 - 2.2. The User simultaneously fulfills the following five conditions:
 - 2.2.1. $Debt \leq 0.8 \times Equity$
 - 2.2.2. $EBIT / Interest\ Expense \geq 2.7$
 - 2.2.3. $3 \times EBITDA \geq Debt$
 - 2.2.4. $CE \leq Credit\ Limit^7$
 - 2.2.5. The User is a legal entity whose financial statements are verified by an auditor

whereas

Debt is interest bearing external capital of the User;

Equity is the equity of the User;

EBIT stands for earnings of the User before taxes plus the interest expense for the past fiscal year;

EBITDA stands for the earnings of the User before taxes plus the interest expense and depreciation of assets for the past fiscal year;

Credit Limit is the accepted value of the credit exposure (unsecured credit risk) of the Transporter with respect to the User. Credit Limits are differentiated according to the

⁷ When the financial statements are submitted in another currency than CZK, for recourt the last known exchange rate will be used (published by ČNB - http://www.cnb.cz/en/financial_markets/foreign_exchange_market/exchange_rate_fixing/daily.jsp).



User's rating and equity. If the User has a contract on the transfer of profit and loss concluded with a legal entity (hereinafter referred to only as the "Company"), the User may be assigned a Credit Limit corresponding to the rating of this Company. Credit Limits for Users with rating (solvency index) from Standard & Poor's, Moody's, Fitch or Creditreform are determined based on the table below. If a User possesses several ratings and if different limits are assigned to these ratings in the table below, only the rating with the higher limit is used.

Rating				Credit Limit
S&P Rating	Moody's	Fitch	Creditreform	
AAA to BBB-	Aaa to Baa3	AAA to BBB-	100-208	100 % Equity
BB+ to BB-	Ba1to Ba3	BB+ to BB-	209-244	80 % Equity
B+ to B-	B1 to B3	B+ to B-	245-280	20 % Equity

Credit Exposure (CE) is defined as the maximum possible value of the debt of the User due to the Transporter minus the value of the individual eligible forms of security defined below in article 3. We distinguish three basic types of this exposure:

- a) **CE_T** - transmission risk of the Transporter with respect to the User which shall be determined as the monthly price (monthly fee) for the Contracted capacity resulting from all Contracts of transit transmission in force, without VAT.
- b) **CE_{BT}** – balancing-transmission risk of the Transporter with respect to the User who has Contracts concluded with the Transporter. This risk shall be determined as the product of the total contracted daily capacity of the User resulting from all Contracts in force expressed in MWh, the number 2 (two) and 1,2 multiple of the fixed monthly price for the balancing gas specified in the currently valid Transit Services Price List without VAT.
- c) **CE_{NP}** – risk resulting from all contracts concluded between the Transporter and the User on the level of national transport, including other contractual risks assumed by the User from other Users. This risk shall be determined as the sum of all risks arising on the basis of such concluded contracts (see the credit exposure definition in Appendix no.1. of the Network Code of the Transmission System Operator (for national transmission).

The final exposure of the User shall be determined by the following formula:

$$CE_{KON} = CE_T + CE_{BT} + CE_{NP}$$

where

- CE_{KON}** final credit exposure of the Transporter with respect to the User
- CE_T** transmission risk of the User, determined according to point a)
- CE_{BR}** balancing-transmission risk of the User, determined according to point b)
- CE_{NP}** risk determined according to point c)



3. The following forms of security are eligible:
 - 3.1. Irrevocable and unconditional bank guarantee pursuant to Section 313 et seq. of Act No. 513/1991 of Coll., The Commercial Code, as amended by later regulations, issued in CZK for the benefit of the Transporter by a bank with a long-term rating from Standard & Poor's (Fitch) of at least A- or long-term rating from Moody's of at least A3 or a bank that proves the existence of a contract on the transfer of profit with a controlling entity with a long-term rating from Standard & Poor's (Fitch) of at least A- or long-term rating from Moody's of at least A3. Such guarantee shall be deemed eligible form of security as of the day of the assessment of the financial eligibility only if it is effective from this day for the period of at least 3 following calendar months (hereinafter referred to only as the "Bank Guarantee").
 - 3.2. Irrevocable and unconditional guarantee pursuant to Section 303 et seq. of Act No. 513/1991 of Coll., The Commercial Code, as amended by later regulations, by an eligible guarantor issued in CZK according to the attached sample "Statement of the Guarantor" for the benefit of the Transporter, whereas for this purpose an eligible guarantor may be only a company with a long-term rating from Standard & Poor's (Fitch) of at least A- or long-term rating from Moody's of at least A3 or a company that proves the existence of a contract on the transfer of profit with a controlling entity with a long-term rating from Standard & Poor's (Fitch) of at least A- or long-term rating from Moody's of at least A3. Such guarantee shall be deemed eligible form of security as of the day of the assessment of the financial eligibility only if it is effective from this day for the period of at least 3 following calendar months (hereinafter referred to only as the "Guarantee").
 - 3.3. Security pursuant to Section 555 et seq. of Act No. 40/1964 of coll., The Civil Code, as amended by later regulations, in the form of a deposit of a financial amount in CZK (security) to the account of the Transporter, whereas a contract on the deposit of a security shall be concluded between the User and the Transporter according to the "Contract on Security Deposit" (published at the Web site of the Transporter) specifying under what circumstances and how the Transporter may accommodate his receivables with the User from this security.
4. In order to demonstrate the fulfillment of the conditions of his financial eligibility specified in article 2.2, the User shall submit the following to the Transporter before the conclusion of a Contract and anytime upon the request of the Transporter/User in the course of the duration of any Contract:
 - 4.1. financial statements authorized by an auditor that are dated less than 15 months back⁸, the determination date is the day of certificate of financial statement by auditor and
 - 4.2. an economic report from the Creditreform rating agency containing the up-to-date solvency index (rating) of the User not older than six months or the User demonstrates that he possesses a rating from Standard & Poor's, Moody's or Fitch. In the case that the User requests that the Credit Limit is set based on the rating of the Company, the User shall demonstrate the existence of a contract on the transfer of profit and loss and an economic report from the Creditreform rating agency containing the up-to-date solvency index

⁸ In case of actual financial statements, the User is obliged to submit them without undue delay.



(rating) of the Company not older than six months or shall demonstrate that the Company possesses a rating from Standard & Poor's, Moody's or Fitch.

5. Should the User acquire a Bank Guarantee in order to satisfy the conditions of financial eligibility, before the conclusion of any contract and upon the request of the Transporter throughout the duration of any contract the User shall present to the Transporter an original copy of the valid Bank Guarantee. Should the User acquire a Guarantee in order to satisfy the terms of financial eligibility, before the conclusion of any contract and upon the request of the Transporter throughout the duration of any contract the User shall present to the Transporter an original copy of a valid statement of the guarantor filled out according to the sample "Statement of the Guarantor" available at the Web site of the Transporter.
6. Should the force of the last Contract of the Shipper expire and provided that the Shipper has settled all his obligations due to the Transporter, without any delay the Transporter shall return to the Shipper the securing instruments used for the securing that may be returned and whose validity has yet not expired.



APPENDIX 2. NATURAL GAS QUALITY PARAMETERS (25/20)

The natural gas supplied and transferred at the entry/exit points into/from the transmission system defined in the contract on transmission shall meet the following chemical and physical parameters:

a) Chemical composition

Substance		%mol
Methane	min.	85 %
Ethane	max.	7 %
Propane	max.	3 %
Butanes	max.	2 %
Pentanes and higher hydrocarbons	max.	0.5 %
Oxygen	max.	0.02 %
Nitrogen	max.	5 %
Carbon dioxide	max.	3 %
Hydrogen sulfide (H ₂ S)	max.	6 mg/m ³
Mercaptan sulfur (RSH)	max.	5 mg/m ³
Total sulfur	max.	30 mg/m ³
Wobbe number	min.	12.5 kW/m ³ (45.0 MJ/m ³)
	max.	14.2 kWh/m ³ (51.1 MJ/m ³)
Relative density	min.	0.56
	max.	0.70

Under the normal conditions $t_2=20^{\circ}\text{C}$ and $p=101.325\text{ kPa}$ and combustion gases temperature $t_1=25^{\circ}\text{C}$.

b) Water Dew Point

The value of the water dew point under the pressure of 4 MPa shall not exceed minus seven degrees Centigrade (-7°C).

c) Hydrocarbon Dew Point

The value of the hydrocarbon dew point under the Operating pressure shall not exceed zero degrees Centigrade (0°C).

d) Natural gas shall not contain any mechanical impurities.



APPENDIX 3. ENTRY AND EXIT POINTS OF THE TRANSMISSION SYSTEM

A. Border entry points

1) Lanžhot

Minimum delivery pressure: 5.67 MPa

Maximum delivery pressure: 6.10 MPa (central section: Lanžhot – Hora Sv. Kateřiny Sayda; Lanžhot – Hora Sv. Kateřiny Olbernhau) / 7.35 MPa (southern section: Lanžhot- Waidhaus)

2) Hora Sv. Kateřiny Sayda – (connection to the transmission system operated by Ontras - VNG Gastransport GmbH)

Minimum delivery pressure: 5.00 MPa

Maximum delivery pressure: 6.10 MPa

3) Hora Sv. Kateřiny Olbernhau – (connection to the transmission system operated by Wingas Transport GmbH&Co.KG)

Minimum delivery pressure: 4.91 MPa

Maximum delivery pressure: 8.40 MPa

4) Waidhaus

a) connection to the transmission system operated by MEGAL GmbH&Co.KG

Minimum delivery pressure: 4.91 MPa

Maximum delivery pressure: 7.35 MPa

b) connection to the transmission system operated by E.ON Gastransport AG&Co.KG

Minimum delivery pressure: 4.91 MPa

Maximum delivery pressure: 6.10 MPa

The Shipper shall deliver natural gas at the specified border entry points in accordance with the defined minimum and maximum delivery pressures and in the quality stipulated in Article 12 of this Transit Code.

B. Border exit points

1) Lanžhot



Minimum delivery pressure: 5.67 MPa

Maximum delivery pressure: 6.10 MPa (central section: Lanžhot – Hora Sv. Kateřiny Sayda; Lanžhot – Hora Sv. Kateřiny Olbernhau) / 7.35 MPa (southern section: Lanžhot- Waidhaus)

2) Hora Sv. Kateřiny Sayda – (connection to the transmission system operated by Ontras - VNG Gastransport GmbH)

Minimum delivery pressure: 4.32 MPa

Maximum delivery pressure: 6.10 MPa

3) Hora Sv. Kateřiny Olbernhau – (connection to the transmission system operated by Wingas Transport GmbH&Co.KG)

Minimum delivery pressure: 4.31 MPa

Maximum delivery pressure: 6.18 MPa

4) Waidhaus

a) connection to the transmission system operated by MEGAL GmbH&Co.KG

Minimum delivery pressure: 4.91 MPa

Maximum delivery pressure: 7.35 MPa

b) connection to the transmission system operated by E.ON Gastransport AG&Co.KG

Minimum delivery pressure: 4.91 MPa

Maximum delivery pressure: 6.10 MPa

The Transporter shall be obliged to the delivery pressure levels pursuant to the Interconnection agreements with the relevant operators of neighboring systems at the specified border exit points of the transmission system and the quality specified in article 12 of this Transit Code.

C. Balancing Point (BP)

Balancing Point – a virtual entry and exit point of the transmission system, which is used exclusively for the balancing of imbalances of individual Shippers in accordance with the balancing rules; transmission into/from the Balancing Point is not considered.

In order to determine the quality parameters of the gas designated for entry to or exit from the Balancing Point, the values metered at the relevant Delivery points from the transmission system shall be decisive.

D. TSO Point



TSO Point – a virtual entry and exit point of the transmission system designated for the purchase and sale of natural gas by the Transporter; transmission into/from this point is not considered.

In order to determine the quality parameters of the gas designated for entry into or exit from the TSO point, the values metered at the relevant Delivery points into the transmission system shall be decisive.