

**Rules for Open Season Procedure
at Entry/Exit Points**

Capacity4Gas - DE/CZ (TRA-N-752)

and

Capacity4Gas - CZ/SK (TRA-N-918)

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1. INTRODUCTION

The TSO holds an exclusive licence for gas transmission in the territory of the Czech Republic. It operates a pipeline network for international transit and national transmission of natural gas with a total length of more than 3,800 km, with nominal diameters ranging from DN 80 to DN 1400 and nominal pressures ranging from 6.1 to 8.4 MPa. Its gas transmission system is interconnected with major gas pipelines in Germany, the Slovak Republic and Poland. The required gas pressure in the pipelines is provided by compressor stations located at Kralice nad Oslavou, Kouřim, Břeclav, Veselí nad Lužnicí. The total installed power of the compressor stations is 243 MW. Natural gas is taken over and handed over upon its entry into and exit from the Czech Republic, i.e. its volume and quality are measured at border transfer stations – between the Czech Republic and Slovakia at Lanžhot; between the Czech Republic and Germany at Hora Sváté Kateřiny, Hora Sváté Kateřiny Olbernhau, Brandov and Waidhaus; and between the Czech Republic and Poland at Cieszyn on the Polish side. In addition, there are almost one hundred stations connecting the TSO network to the national natural gas distribution networks.

The TSO transports approximately 49 billion cubic meters of natural gas a year (of which 15 % is delivered for domestic consumption). The TSO allows access to the gas transmission network and offers its customers transmission services on a transparent and non-discriminatory basis. The access regime is in full compliance with existing legislation and gas industry standards.

In the beginning of 2016, the TSO conducted a preliminary non-binding market research in order to identify additional market-based demand for capacity and to consider an appropriate development of the relevant gas infrastructure. The TSO evaluated data collected in this non-binding market research and concluded that relevant demand for new capacity potentially exists on the market.

The TSO decided to satisfy this demand for cross-border capacity between the German market area Gaspool and the Czech Republic on the one hand and Czech and Slovak market area on the other. In that context, the TSO issues these Rules as a part of a process intended to lead to the creation and allocation of new capacity at the Entry Point and the Exit Point.

The purpose of this Procedure is to allow the Participants to enter into the Contract with the TSO as a pre-requisite for their participation at the New Capacity Auction.

2. DEFINITIONS

- 2.1 “**Auction**” means an auction commencing on March 6, 2017 using PRISMA in accordance with ENTSOG’s auction calendar, NC CAM and PRISMA’s General Rules;
- 2.2 “**Auction Platform**” or “**PRISMA**” means the joint web-based booking platform PRISMA available at <https://platform.prisma-capacity.eu> as envisaged by Article 27 of the NC CAM;
- 2.3 “**Civil Code**” means Act No. 89/2012 Coll., the Civil Code;
- 2.4 “**Contract**” means the Contract for the Provision of Gas Transmission Service entered into between the TSO and the Participant (designated as a “Shipper” in the Contract) hereunder;
- 2.5 “**Contract Template**” means a template of the Contract forming Annex No. 1 to these Rules, published on the TSO website on February 21, 2017 (containing a correction in Section 4.13 compared to the version published on February 20, 2017);
- 2.6 “**Creditworthiness Test**” has the meaning assigned to it in Article 8 below;
- 2.7 “**Entry Point**” means the entry point designated as such in Article 4.1 below;
- 2.8 “**ERO**” means the Energy Regulatory Office of the Czech Republic (in Czech: *Energetický regulační úřad*);

- 2.9** “**Exit Point**” means the exit point designated as such in Article 4.1 below;
- 2.10** “**IP**” means an interconnection point;
- 2.11** “**NC CAM**” means Regulation (EC) No. 984/2013 establishing a Network Code on Capacity Allocation Mechanisms in Gas Transmission Systems and supplementing Regulation (EC) No. 715/2009;
- 2.12** “**New Capacity Auction**” means the part of the Auction whereby the Offered New Capacity is offered and allocated;
- 2.13** “**New Technical Capacity**” means the entire new technical capacity at the Entry Point and at the Exit Point; it consists of the Offered New Capacity and Set-aside New Capacity;
- 2.14** “**Offered New Capacity**” means the new capacity at the Entry Point and the Exit Point to be allocated via this Procedure and the New Capacity Auction; it is equal to the New Technical Capacity less the Set-aside New Capacity;
- 2.15** “**Participant**” means an entity with which the TSO has entered into the Contract;
- 2.16** “**Procedure**” means the open season procedure under these Rules;
- 2.17** “**Rules**” means this document entitled “Rules for Open Season Procedure at Entry/Exit Points Capacity4Gas - DE/CZ (TRA-N-752) and Capacity4Gas - CZ/SK (TRA-N-918)”;
- 2.18** “**Set-aside New Capacity**” means the new capacity at the Entry Point and the Exit Point set aside in accordance with Article 8, Paragraph 8 of the NC CAM; it is equal to the New Technical Capacity less the Offered New Capacity;
- 2.19** “**TSO**” means the company NET4GAS, s.r.o., ID No. 272 60 364, with its seat at Na Hřebeněch II 1718/8, Prague 4 – Nusle, Post Code 140 21, registered in the Commercial Register of the Prague Municipal Court, File No. C 108316

3. LEGAL GROUNDS

- 3.1** These Rules determine the principles for conducting the Procedure, as well as the rights and obligations of the parties participating in the Procedure. The Procedure complies with the requirements set out in the respective legal instruments, particularly Act No. 458/2000 Coll., the Energy Act, as amended; Decree No. 349/2015 Coll., the Gas Market Rules, as amended; Regulation (EC) No. 715/2009, on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No. 1775/2005; and of the NC CAM.
- 3.2** The Offered New Capacity shall be allocated by the TSO via the New Capacity Auction as an integral part of the Auction, i.e. in the PRISMA auction, as a matter of voluntary choice by the TSO. By entering into the Contract, the Participant agrees to be bound by the PRISMA rules to the same extent and in the same way as if the New Capacity Auction were held using PRISMA as a matter of statutory duty.

4. OFFERED NEW CAPACITY

4.1 Entry Point and Exit Point

The Offered New Capacity represents new transmission capacity at the following interconnection points:

- (a) New interconnection point Brandov – EUGAL, connecting the TSO transmission system with the GASCADE transmission system, in the direction of the Czech Republic (the “**Entry Point**”);

- (b) Interconnection point Lanžhot, connecting the TSO’s transmission system with the eustream transmission system, in the direction of Slovakia (the “Exit Point”).

Identification of the Offered New Capacity in the PRISMA auction:

Type	Name in PRISMA	EIC or Network point ID in PRISMA
New IP Brandov-EUGAL-offer level 1	EUGAL Bundle I	EUGAL DE->CZE I
New IP Brandov-EUGAL-offer level 2	EUGAL Bundle II	EUGAL DE->CZE II
New IP Brandov-EUGAL-offer level 3	EUGAL Bundle III	EUGAL DE->CZE III
New IP Brandov-EUGAL-offer level 4	EUGAL Bundle IV	EUGAL DE->CZE IV
Capacity extension at the Lanžhot IP	Lanzhot 2 (CZ->SK)	21Z000000000061Z2

Note: Lanžhot – Lanzhot 1 (CZ->SK) serves for the bundling of existing Lanžhot exit capacity with new entry capacity to be provided on the Slovak side by eustream.

4.2 Offered New Capacity Volume

The following volumes of entry capacity and exit capacity for each particular offer level will be offered in the New Capacity Auction. The Participant should be aware that making the capacity available is subject to conditions precedent and other terms set out in the Contract, and that the allocation of such capacity in the New Capacity Auction does not in itself guarantee that the allocated capacity will be made available.

Gas Year	EUGAL_Bundle_I	EUGAL_Bundle_II	EUGAL_Bundle_III	EUGAL_Bundle_IV	Lanzhot 2 (CZ->SK)
	Entry [GWh/d/a]	Entry [GWh/d/a]	Entry [GWh/d/a]	Entry [GWh/d/a]	Exit [GWh/d/a]
2019/2020	598.36	598.36	598.36	598.36	
2020/2021	916.37	959.57	1007.31	1007.31	299.43
2021/2022	916.37	959.57	1007.31	1007.31	299.43
2022/2023	814.55	852.95	895.39	895.39	299.43
2023/2024	814.55	852.95	895.39	895.39	299.43
2024/2025	814.55	852.95	895.39	895.39	299.43
2025/2026	814.55	852.95	895.39	895.39	299.43
2026/2027	814.55	852.95	895.39	895.39	299.43
2027/2028	814.55	852.95	895.39	895.39	299.43
2028/2029	814.55	852.95	895.39	895.39	299.43
2029/2030	814.55	852.95	895.39	895.39	299.43
2030/2031	814.55	852.95	895.39	895.39	299.43
2031/2032	814.55	852.95	895.39	895.39	299.43
2032/2033	814.55	852.95	895.39	895.39	299.43
2033/2034	814.55	852.95	895.39	895.39	299.43
2034/2035	814.55	852.95	895.39	895.39	299.43
2035/2036	814.55	852.95	895.39	895.39	299.43
2036/2037	814.55	852.95	895.39	895.39	299.43
2037/2038	814.55	852.95	895.39	895.39	299.43
2038/2039	814.55	852.95	895.39	895.39	299.43

4.3 Set-aside New Capacity

In accordance with Article 8, Paragraph 8 of the NC CAM, the TSO is obliged to set aside the Set-aside New Capacity as a defined portion of the New Technical Capacity. The Set-aside New Capacity will be offered in accordance with the NC CAM and is not the subject matter of these Rules or the New Capacity Auction.

5. STRUCTURE OF PROCEDURE

The process of allocating the Offered New Capacity is as follows:

5.1 Phase A: Conclusion of Contract

An interested entity submits its request to conclude the Contract by delivering two signed counterparts of its draft to the TSO (using the English version of the Contract Template); the interested party fills in its identification data at the beginning (page 1) and at the signature block(s) (page 14) of the draft Contract; the interested party leaves the number of the Contract in its title on page 1 empty.

Together with the documents as per the previous paragraph, the interested party submits documents proving that the entity meets the Creditworthiness Test.

The TSO verifies whether the entity meets the Creditworthiness Test. If the TSO is satisfied to that effect, it proceeds as set out below. If the TSO is not satisfied to that effect, it informs the interested entity accordingly and does not proceed.

The TSO concludes the Contract and returns one signed counterpart to the interested entity, which thereby becomes a Participant.

It will be noted that entering into the Contract does not bind the TSO to hold the New Capacity Auction, nor does it bind the Participant to submit its bid in the New Capacity Auction.

5.2 Phase B: Registration in PRISMA

The Participant registers with PRISMA in order to place bids in the New Capacity Auction. If the Participant is already registered with PRISMA, it does not need to do so again.

5.3 Phase C: Decision to Hold New Capacity Auction

The TSO decides whether it will hold the New Capacity Auction. It will do so at its discretion but will make a particular reference to the conditions set out in Section 2.2 of the Contract.

5.4 Phase D: Auction

Subject to Phase C, the TSO holds the New Capacity Auction. The Participant may place bids in the New Capacity Auction in accordance with the applicable NC CAM and PRISMA rules and in the maximum volume set out in Article 4.2 above. Allocation of capacity to the Participant as a result of the New Capacity Auction represents a binding obligation of the Participant under the provisions of the Contract.

5.5 Phase E: Assessment of Contract General CPs Fulfilment

The TSO assesses whether the general conditions precedent set out in Section 5.1 of the Contract have been met and notifies the Participant accordingly.

5.6 Phase F: Contract Consolidation and Continuation of Process

Subject to Phase E, the Contract will then be consolidated as set out in its Section 2, and the

process will continue as outlined in the Contract up to making the Offered New Capacity available, subject to the other terms and conditions of the Contract.

6. TIMING OF PROCEDURE

The Procedure will be carried out in accordance with the following timeline:

Phase A	
Participant submits signed draft Contract	By February 28 , 2017
TSO returns signed Contract	By March 3, 2017
Phase B	
Participant registers with PRISMA	By March 3, 2017
Phase C	
Decision on New Capacity Auction	By March 3, 2017
Phase D	
Auction starts	March 6, 2017, 08:00 AM UTC
Auction concludes	As necessary
Phase E	
General CPs Fulfilment Assessment	As per Contract
Phase F	
Consolidation of Contract	As per Contract
Subsequent steps	As per Contract

7. ALLOCATION MECHANISM

- 7.1** Allocation of the Offered New Capacity will take place using PRISMA via the New Capacity Auction. The New Capacity Auction will be held as an auction of standard yearly products using the Ascending Clock auction algorithm in line with principles set out in Articles 11, 17 and 19 of the NC CAM and the PRISMA General Terms and Conditions.
- 7.2** The Offered New Capacity will be offered in the New Capacity Auction via separate auctions for each interconnection point and each standard yearly product and, for the Brandov-EUGAL entry point, also for each offer level.
- 7.3** A Participant wishing to reserve a certain part of the Offered New Capacity shall participate in the New Capacity Auction by submitting a bid or bids in the separate auctions held for each standard yearly product for the Entry Point (and the respective offer level) or Exit Point, respectively, and the respective gas year.
- 7.4** If the Contract between the TSO and the respective interested party has not been concluded prior to the Auction in compliance with these Rules, any bid submitted by such interested party in the New Capacity Auction is null and void.

8. CREDITWORTHINESS TEST

- 8.1** The interested entity must fulfil the creditworthiness requirements set out in Annex No. 1 to the Network Code of N4G (the “**Creditworthiness Test**”) and must prove that it fulfils them together with submitting its request to conclude the contract as set out in Article 5.1 above.
- 8.2** If the interested entity does not prove that it meets the Creditworthiness Test as required above, the TSO has the right to decline to conclude the Contract.

9. SPECIAL CAPACITY UNDERTAKINGS

- 9.1** The Participant has an option to enter into the special capacity undertakings contained in

Section 11 of the Contract Template. In such a case, when submitting the signed draft Contract to the TSO pursuant to Article 5.1 above, the Participant fills in Annex No. 6 to the draft Contract, and defines the extent of its undertakings there.

- 9.2** Entering into any of the special capacity undertakings itself is not a condition of the Participant taking part in the Auction, nor of the validity or effectiveness of the Contract.
- 9.3** Entering into the special capacity undertaking(s) may contribute to the fulfilment of the general conditions precedent set out in Section 5.1, Letters d) and e) of the Contract.

10. FINAL PROVISIONS

10.1 Right to Cancel Procedure

The TSO reserves the right to cancel the Procedure at its sole discretion without (a) specifying a reason, and without (b) incurring any liability towards the Participant, until the moment the Auction is over.

10.2 Governing Law

These Rules are governed by Czech law with the exclusion of its choice of law rules referring to any other law.

10.3 Contact Information

All communication addressed to the TSO is to be sent to CapacityBooking@net4gas.cz or to following address (registered seat of the TSO):

NET4GAS, s.r.o.
Na Hřebenech II 1718/8
Prague 4 - Nusle, Postal Code 140 21
Czech Republic

EIC of the TSO: 27YG-RTN-TSO-CZW

Bank Contact Information of the TSO:
Československá obchodní banka, a.s.
Account held in CZK
Account No. 17470543/0300
IBAN: CZ8203000000000017470543
SWIFT: CEKOCZPP

<http://www.net4gas.cz/en/home/>

11. ANNEXES

Annex No. 1: Contract Template (published as a separate file)