

Terms and Conditions of the Auctions for the Provision of Gas Storage in Gas Storage Facilities

The company NET4GAS, s.r.o., is a transmission system operator in the Czech Republic on the basis of a licence for gas transmission No. 230504730 whose obligations include also ensuring the safe and reliable operation of the transmission system (Section 58(8)(c) of Act No. 458/2000 Coll., on the Conditions of Business and the Exercise of State Administration in the Energy Sectors and on Amendments to Certain Acts (the Energy Act), as amended (hereinafter the “**Energy Act**”) and managing the gas system in a state of emergency (Section (58)(8)(q) of the Energy Act.

By the measure of the Ministry of Industry and Trade No. MPO 22638/22/41200/01000, dated 28 April 2022, issued pursuant to Section 12a of Act No. 240/2000 Coll., on Crisis Management and on Amendments to Certain Acts (the Crisis Act), as amended, an obligation has been imposed on the transmission system operator to secure energy needs by conducting an auction for the provision of gas storage in gas storage facilities within the territory of the Czech Republic and connected to the transmission system of the Czech Republic (hereinafter the “**Crisis Measure**”).

Taking into account the above-mentioned facts, the company NET4GAS, s.r.o., with its registered office in Prague 4 - Nusle, Na Hřebenech II 1718/8, Postal Code 14021, ID No.: 27260364, registered in the Commercial Register kept at the Municipal Court in Prague, Section C, Entry 108316, as the transmission system operator publishes

Terms and Conditions of the Auctions for the Provision of Gas Storage in Gas Storage Facilities within the territory of the Czech Republic

1. Subject of the Auction

1.1. The subject matter of the auctions shall be the selection of the most advantageous bid or bids for the provision of gas storage in a gas storage facility within the territory of the Czech Republic directly connected to the transmission system of the Czech Republic and the waiver of the right to free disposal of the stored gas or the selection of the most advantageous bid or bids for the waiver of the right to free disposal of gas already in storage (hereinafter the “**Auction(s)**”) in the following manner:

- (a) during the period from the execution of the Subcontract until 31 October 2022, the Auction Participant shall not be able to withdraw any quantity of gas from the Special Status Account or transfer gas from the Special Status Account; and
- (b) during the period from 1 November 2022 to the last day of the storage year 2022/2023, the Auction Participant shall not be able to withdraw gas from the Special Status Account or transfer more gas from the Special Status Account than the amount allowing in the period:
 1. from 1 November 2022 to 30 November 2022 (by the end of the gas day that begins in the course of 30 November 2022), at least 80% of the gas quantity in MWh corresponding to the Subcontract or the sum of the gas quantities under all Subcontracts tendered in the Auctions to be recorded on the Special Status Account;
 2. from 1 December 2022 to 31 December 2022 (until the end of the gas day that begins in the course of 31 December 2022), at least 60% of the gas quantity in MWh corresponding to the Subcontract or the sum of the gas quantities under all Subcontracts tendered in the Auctions to be recorded on the Special Status Account,
 3. and from 1 January 2023 to 31 January 2023 (by the end of the gas day that begins in the course of 31 January 2023), at least 34% of the amount of gas in MWh corresponding to the Subcontract or

the sum of the amount of gas under all Subcontracts tendered in the Auctions to be recorded on the Special Status Account.

1.2. The Special Status Account under Article 1.1. means the account established by the Gas Storage Operator according to the Framework Agreement on the Provision of Gas Storage and Restriction of the Stored Gas Disposal (hereinafter the “**Framework Agreement**”) concluded between the Transmission System Operator, Auction Participant and Gas Storage Operator affected by this Auction under which the Gas Storage Operator restricts the disposition of the quantity of gas recorded on the Special Status Account until the last day of the storage year 2022/2023 up to the amount described under Article 1.1.

1.3. Terms and conditions of the gas storage and the extent of the waiver of the right to free disposal of the stored gas will be negotiated in the Framework Agreement, subject to which a Subcontract shall be, whereas the Subcontract shall be negotiated with the submitters of the most advantageous bids as a result of the Auction.

1.4. The subject of the Auction is not a purchase of gas and transfer of ownership of gas in favour of the Transmission System Operator.

1.5. The Auction will be announced for the gas storage in the virtual gas storage facility operated by the company RWE Gas Storage CZ, s.r.o., registered in the Commercial Register kept by the Municipal Court in Prague, Entry No. C 124711, with its registered office at Limuzská 3135/12, Strašnice, 108 00 Prague 10, ID No.: 27892077 (hereinafter referred to as “**RWE GS**”) and in the virtual gas storage facility operated by the company MND Energy Storage a.s., registered in the Commercial Register kept by the Regional Court in Brno, Entry No. B 4925, with its registered office at Úprkova 807/6, 695 01 Hodonín, ID No. 27732894 (hereinafter “**MND ES**”).

1.6. All capitalized terms used in these Auction terms and conditions correspond to the same terms under the Framework Agreement, unless these terms and conditions expressly define such term otherwise.

2. Participation in the Auction

2.1. Participation in the Auction is open to a person that:

- a) in the sense of Section 50(4) et seq. of the Decree No 349/2015 Coll., on Gas Market Rules, as amended (hereinafter the “**Gas Market Rules**”) has reserved fixed storage capacity in a gas storage facility within the territory of the Czech Republic directly connected to the transmission system of the Czech Republic operated by the Gas Storage Operator at least to the extent of the minimum bid for gas storage that can be submitted in the Auction for the entire period from the announcement of the Auction until the last day of the storage year 2022/2023,
- b) concluded with the Transmission System Operator and Gas Storage Operator affected by the Auction the Framework Agreement, based on which the person has been established a Special Status Account for the allocation of stored gas, through which its waiver of the disposal of the gas to the extent and in accordance with the procedure set out in Article 2.2.3 of the Framework Agreement shall be implemented,
- c) is not a person on the European Union Sanctions Lists maintained in connection with the unlawful activities of the Russian Federation and the Republic of Belarus in relation to Ukraine¹,

¹) European Union Sanctions Lists mean the European Union Sanctions Lists maintained in connection with the unlawful activities of the Russian Federation and the Republic of Belarus with respect to Ukraine and shall mean, as of the date of the conclusion of this Agreement, in particular, but not limited to: all and also autonomous EU sanctions provided for in the basic sanctions legislation, which are, for example, Council Decision 2014/119/CFSP and Council Regulation (EU) No. 208/2014; Council Decision 2014/145/CFSP and Council Regulation (EU) No. 269/2014; Council Decision 2014/386/CFSP and Council Regulation (EU) No. 692/2014; and Council Decision 2014/512/CFSP and Council Regulation (EU) No. 833/2014; the list contained in Annex I to Regulation (EU) No. 269/2014; Council Decision (CFSP) 2022/395 (amending Decision 2014/512/CFSP concerning restrictive measures in view of Russia’s activities destabilising the situation in Ukraine); Council Regulation (EU) 2022/394

or a person controlled or whose capital is controlled by such a person on the European Union Sanctions Lists, or a person whose beneficial owner or co-owner is a person on the European Union Sanctions Lists

(hereinafter the “**Auction Participant**”).

2.2. The Transmission System Operator shall establish access to anybody who

- a) asks for it and
- b) proves that it meets the requirements to be an Auction Participant

to a secure web interface operated by the Transmission System Operator.

2.3. The Transmission System Operator may agree with the Gas Storage Operator to conduct the Auction through the secure web interface operated by the Gas Storage Operator; in such case, the Gas Storage Operator shall establish access to the secure web interface pursuant to Article 2.2 of these terms and conditions above and shall perform the acts of the Transmission System Operator during the Auction pursuant to Article 4 of these terms and conditions.

3. The Auction Date

3.1. The Transmission System Operator announces the Auction on the working day prior to its execution by publishing the Auction announcement on the website <https://www.net4gas.cz>.

3.2. The parameters of the announced Auction set and announced to the Transmission System Operator by the Ministry of Industry and Trade in accordance with the procedure under the Crisis Measure shall be sent by the Transmission System Operator to the Auction Participants immediately upon their announcement to the electronic contact of the Auction Participant.

4. Course of the auction and procedure for submitting bids

4.1. In the case of the RWE GS gas storage facility, the Auction is conducted on the basis of a multiple-round electronic auction with a descending bid price. In the case of a MND ES gas storage facility, the auction shall be conducted on the basis of a multiple-round electronic auction with an increasing auction discount, in which case Articles 4.2 to 4.9 shall apply mutatis mutandis.

4.2. The Auction is conducted through a secure web interface accessible from the Transmission System Operator's website, or the website of the Gas Storage Operator if the Auction is conducted through a secure web interface operated by the Gas Storage Operator.

4.3. Each Auction Participant may submit only one bid in each auction round. An Auction Participant may bid only to the extent that the bid as to the quantity does not exceed the maximum amount of fixed storage capacity reserved by the Auction Participant for the period from the announcement of the Auction until the last day of the storage year 2022/2023.

4.4. If in the first auction round there are bids submitted by the Auction Participants which in total do not exceed the quantity of auctioned gas, the Transmission System Operator shall accept all submitted bids at the initial price. Upon acceptance of the submitted bids, the Auction shall end.

4.5. If in the first auction round there are bids from the Auction Participants which in total exceed the quantity of auctioned gas, the next auction round shall follow and the auction price shall be reduced by

(amending Regulation (EU) 833/2014 concerning restrictive measures in view of Russia's activities destabilising the situation in Ukraine); Council Decision (CFSP) 2022/399 (amending Decision 2012/642/CFSP concerning restrictive measures in view of the situation in Belarus); Council Regulation (EU) 2022/398 (amending Regulation (EC) No. 765/2006 concerning restrictive measures in view of the situation in Belarus); Council Decision (CFSP) 2022/430 (amending Decision 2014/512/CFSP concerning restrictive measures in view of Russia's activities destabilising the situation in Ukraine).

the auction step. In the case of an auction on a gas storage facility operated by MND ES, the auction discount shall be increased by the auction step in the next auction round.

4.6. An Auction Participant may bid in the next auction round only up to the amount it bid in the previous auction round. If an Auction Participant has not bid in an auction round, it may not bid in any subsequent auction round.

4.7 The auction shall end if the sum of the bids of all Auction Participants in an auction round is less than or equal to the quantity of auctioned gas.

4.8. If all or part of the demand remains uncovered in the last auction round, the demand or the uncovered part of the demand shall be allocated to the auction participants from the penultimate round in proportion to the amount of their bids in the penultimate auction round, while the auction participant's bid being reduced by the bid submitted by the auction participant in the last auction round with the aim to calculate the allocation.

4.9. The Transmission System Operator shall send a confirmation of the selection of the bid to the Auction Participant whose bid has been accepted, together with the Auction price, immediately after the end of the Auction. If the Auction is conducted via a secure web interface operated by the Gas Storage Operator, the confirmation of the selection of the bid according to the first sentence shall be sent by the Gas Storage Operator.

4.10. The price for the provision of gas storage and the restriction of the disposition of stored gas shall be equal to the price of the last auction round for those bids accepted in the last auction round. The price for the provision of gas storage and the restriction of the disposition of stored gas shall be equal to the price of the penultimate auction round for those bids accepted by the pro rata mechanism pursuant to Article 4.8 following to the penultimate auction round.

5. Content of the Subcontract for the provision of gas storage and restriction of the stored gas disposal

5.1. In accordance with the Framework Agreement, the submission of a bid in the Auction is a proposal to conclude the Subcontract for the provision of gas storage and restriction of the stored gas disposal, provided that the amount of gas to be stored corresponds to the bid of the Auction Participant and the price will correspond to the price bid in the Auction.

5.2 Acceptance of the bid submitted by the Auction Participant by the Transmission System Operator shall result in the negotiation of the price and the quantity of gas to secure the storage of gas offered by the Auction Participant, confirmed by the Transmission System Operator or the Gas Storage Operator in accordance with Article 4.9 of these terms and conditions, and the conclusion of the Subcontract for the provision of gas storage and restriction of the stored gas disposal under the terms and in accordance with the concluded Framework Agreement.