

Auction Regulations of the Storage Facility
Cycle Injection Capacity Priority Product
for 2020/2021

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1. Purpose of the Auction

1.1. The Auction shall be aimed to ensure the efficient use of Inčukalns underground gas storage (hereinafter referred to as the Storage Facility) in circumstances where demand of the natural gas storage System Users (hereinafter referred to as the System User) for placement of the injection capacity for natural gas within the Storage Facility grouped capacity product exceeds the available capacity of the Storage Facility.

1.2. Joint Stock Company “Conexus Baltic Grid” (hereinafter referred to as the AS “Conexus Baltic Grid”), unified registration number: 40203041605, address: Stigu Street 14, Riga, LV – 1021, taking into account the obligations of the natural gas storage system operator specified in Sections 15 and 112 of the Energy Law and Section 15, Paragraph two and Section 17, Paragraph two of Regulation No. 715/2009, as well as taking into account the requirements specified in Paragraph 21 of the Regulations of Use of the Inčukalns Underground Gas Storage Facility (hereinafter referred to as the Regulations

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of Use of the Storage Facility), will organise an auction of the injection capacity priority product (hereinafter referred to as the Auction).

- 1.3. The present Regulations shall determine the procedures for conduct of the auction, including submission, valuation of offer bids and allocation of the priority product of the injection capacity in conformity with the offer bids received.

2. Subject-matter of the Auction

- 2.1. AS "Conexus Baltic Grid" offers in the Auction an injection capacity priority product, which provides the System User with the right to use the capacity of the Storage Facility as a priority in the event of overload to place natural gas at a specified level within the Storage Facility grouped capacity product. The injection capacity priority product shall be applied for one calendar month (beginning on the first day of the month), taking into account the constant amount of injection capacity determined for the gas day D of the calendar month. The injection capacity priority product shall be offered at the Auction two months before the calendar month when the System User intends to place natural gas in the Storage Facility.
- 2.2. The maximum constant amount of the gas day D injection capacity available within the injection capacity priority product shall be determined by reference to the technological regime flows of the Storage Facility and published on its website not later than at 10 (ten) working days prior to the Auction date referred to in Paragraph 4.1 in the month concerned.
- 2.3. The Auction reserve price of the injection capacity priority product shall amount to 0 (zero) MWh/EUR.

3. Participation in the Auction

- 3.1. Any System User, having entered into a natural gas storage service contract, having reserved the capacity of the Storage Facility within a grouped capacity product, and having a credit rating in compliance with the criteria set out in Paragraph 80 of the Regulations of Use of the Storage Facility, or the submitted amount of collateral for performance of obligations meeting the requirements of Paragraphs 86 and 87 of the Regulations of Use of the Storage Facility (hereinafter referred to as the Bidder) may participate in the Auction.
- 3.2. If a credit rating of the Bidder or the amount of collateral for performance of obligations does not meet the above criteria, the Bidder shall submit to AS Conexus Baltic Grid an additional collateral for performance of obligations (a security deposit or a guarantee from the financial service provider) prior to the Auction. A guarantee of the financial service provider must comply with the requirements of Paragraph 84 of the Regulations of Use of the Storage Facility.
- 3.3. AS "Conexus Baltic Grid" reserves its right not to accept an offer bid from the Bidder which credit rating or the amount of collateral for performance of obligations does not comply with provisions of Paragraphs 3.1 and 3.2.

4. The Auction procedure and submission of the offer bids

- 4.1. AS “Conexus Baltic Grid” will hold the Auction in closed form (*sealed bid auction*) on the first working day of April, May, June and July 2020 regarding use of the injection capacity priority product during the month of June, July, August and September 2020. The Auction takes place in one bidding round from ____ to ____ (EEST).
- 4.2. The Bidder shall submit an offer bid (Annex 1) to AS “Conexus Baltic Grid” by sending an e-mail to capacity@conexus.lv. AS “Conexus Baltic Grid” provides protection for confidentiality of the offer bid content in the course of submitting and evaluating offer bids.
- 4.3. The Bidder may submit one or several offer bids for entire or part of the amount referred to in Paragraph 2.2, indicating the required constant amount of gas daily priority injection capacity (GWh/gas day D) and the unit price (MWh/EUR).
- 4.4. The constant gas day priority injection capacity requested in a single offer bid may not be less than ____ GWh/gas day D or exceed the amount referred to in Paragraph 2.2. The Bidder shall indicate whether the requested amount is fixed or variable in order to avoid the allocation of a minor amount if the circumstances specified in Paragraph 5.2.1 arise.
- 4.5. An offer bid will not be considered, in which the unit price indicated (MWh/EUR) is less than the one specified in Paragraph 2.3 (i.e. negative).
- 4.6. At the time of the auction, the Bidder may submit a new offer bid, which is going fully to replace the previous offer bid submitted.
- 4.7. The Bidder shall be held responsible for accuracy and submission of the offer bid within the time limit specified in Paragraph 4.1. If the offer bid has been submitted before or after the Auction time specified in Paragraph 4.1, it does not contain all the necessary information or be incomprehensible, the offer bid shall be deemed not to have been submitted.
- 4.8. AS “Conexus Baltic Grid” shall send a certification to the Bidder regarding receipt of the offer bid to the e-mail address indicated in the offer bid. The offer bid shall be deemed to have been received only if the Bidder receives the said certification. A certification regarding receipt of an offer bid shall not be regarded to be certification that the offer bid submitted by the Bidder has been drawn up or submitted in conformity with requirements of the present Regulations.
- 4.9. AS “Conexus Baltic Grid” will, as far as possible, make every effort in order to notify the Bidder, which submitted offer bid has not been drawn up or submitted in accordance with the requirements of the present Regulations, and has been rejected, stating the reason for rejection.
- 4.10. During the Auction, communication between AS “Conexus Baltic Grid” and the Bidder shall take place electronically using the electronic mail address specified in Paragraph 4.2.
- 4.11. AS “Conexus Baltic Grid” shall be entitled to cancel, to suspend, to stay or to re-launch the Auction for technical or organisational reasons, by notifying the Bidders immediately and publishing the updated information regarding conduct of the Auction on its website.
- 4.12. The Bidder shall bear in full all the costs incurred by them in connection with preparation and submission of the offer bid. AS “Conexus Baltic Grid” shall not assume

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any responsibility for these costs, regardless of the results of the Auction, including in the cases specified in Paragraph 4.11.

5. Evaluation of the offer bids and communication of results

- 5.1. After closing the Auction, all the valid offer bids shall be deemed to be final and irrevocable.
- 5.2. AS "Conexus Baltic Grid" arranges the offer bids according to price (MWh/EUR) in the order of benefit, the first being ranked at the highest price until capacity in Paragraph 2.2 is reached.
 - 5.2.1. If the offer bids submitted exceed the amount specified in Paragraph 2.2, the offer bids submitted by the Candidates for which the capacities submitted exceed that total amount in the order of convenience shall be rejected. If the offer bid submitted by the Candidate exceeds the amount referred to in Paragraph 2.2 in part, only the part exceeding that total amount shall be rejected.
 - 5.2.2. Where, in the case referred to in Paragraph 5.2.1, more than one offer bid has been submitted, which is the final one to reach the amount referred to in Paragraph 2.2, and the said offer bids have equal price offered, up to the determined total amount of natural gas, those offer bids shall be included proportionally for that price to the quantity submitted by the Candidates.
- 5.3. If the total required constant gas day priority injection capacity in the offer bids does not reach the amount referred to in Paragraph 2.2, AS "Conexus Baltic Grid" shall grant to the Bidder maximum amount of the injection capacity priority product requested in the offer bid.
- 5.4. AS "Conexus Baltic Grid" shall electronically notify all the Bidders regarding results of the Auction by _____ on the Auction date, indicating the following information:
 - 5.4.1. For the Auction winners, the allocated amount (GWh/gas day D) and price (MWh/EUR) of the injection capacity priority product.
 - 5.4.2. For other Bidders, total allocated amount (GWh/gas day D) and highest price (MWh/EUR) of the injection capacity priority product.
- 5.5. Information regarding the Auction results shall be published by AS "Conexus Baltic Grid" on its website.

6. Conclusion of a contract

- 6.1. Not later than within 3 (three) working days following announcement of the Auction results, AS "Conexus Baltic Grid" shall prepare and electronically send to the Auction winner an annex to the natural gas storage service contract (Annex 2), which specifies the amount of the injection capacity priority product granted as the Auction result, the applicable price (tariff) and the procedure for use during the annual Storage Facility cycle for 2020/2021 (hereinafter referred to as Annex).
- 6.2. The Auction winner shall submit the Annex signed by AS "Conexus Baltic Grid" in duplicate within 3 (three) working days from the date of dispatch of the Annex. AS

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“Conexus Baltic Grid” within 3 (three) working days from the receipt of the Annex signed by the Auction winner, shall sign the Annex and send one copy to the Auction winner.

6.3. The Annex shall become effective at the same time as entry into force of the tariffs determined as resulting from the Auction of the AS “Conexus Baltic Grid”.

Offer bid for auction of the injection capacity priority product

_____ 2020 _____
/Preparation site /

The Bidder: _____

EIK code:

Legal address:

Phone number:

Email address:

Fax number:

We are hereby submitting our offer bid for auction of the injection capacity priority product for the storage cycle of 2020/2021 ("Auction") under the following conditions:

Offer (promise) No *	Capacity volume (GWh/gas day D)	Fixed/variable capacity amount **	Price (MWh/EUR)
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** Offer bids are arranged according to price in reverse order, from top to bottom.*

*** For each offer bid, it shall be indicated whether the amount indicated therein is fixed or variable by marking with ✓ in the relevant column.*

By signing this offer bid, we certify that we comply with the requirements for the Bidders set out in the Auction Regulations and agree with the procedures for award of the Auction process, the valuation of offer bids and the injection capacity priority product.

Information and contact details of the person signing the offer bid

Contact details:

Contact person: _____, phone _____, e-mail

(given name, surname)

Representation basis of the person signing the offer bid: _____

(signature)

(position of signatory)

(given name, surname)

Annex to the natural gas storage service contract

_____ 2020
 _____ (unified registration No. _____), in accordance with the articles of association (commercial power of attorney) represented by _____ (hereinafter referred to as the **System Operator**), on the one hand, and _____ (unified registration No. _____), in accordance with _____ represented by _____ (hereinafter referred to as the **System User**), on the other hand, hereinafter collectively referred to as the Parties, and each separately as the Party, on the basis of Paragraph 9.2 of the Natural Gas Storage Service Contract (hereinafter referred to as the Contract) concluded on _____ and the results of Auction for injection capacity priority product arranged by the System Operator on _____ 2020 (hereinafter referred to as the Auction), shall make supplements as follows to the Contract aimed at clarification of application of Paragraphs 2.2, 3.1 and 3.8 of the Contract:

1. As a result of the Auction, the System Operator has assigned to the System User the injection capacity priority product, which entitles the System User to use storage capacity as a priority in the event of overload in the amount of _____ GWh/gas day D for the injection of natural gas into storage within the group capacity product.
2. The System User has an obligation to settle accounts with the System Operator for the injection capacity priority product in accordance with the procedures specified in the Contract, pursuant to the tariffs specified by the System Operator as a result of the Auction.
3. The System User shall use the injection priority capacity product in the amount specified in Paragraph 1 for each _____ month (from first date to last date) gas day D.
4. *[Applicable only to the System User which credit rating does not meet the criteria set out in Paragraph 80 of the Storage Use Rules]* The System User shall be obliged to ensure that the amount of collateral for performance of obligations they submit complies with the requirements of Paragraphs 86 and 87 of the Storage Use Rules during use of the injection capacity priority product.
5. Supplements are drawn in Latvian on _____ page/s and signed in 2 (two) counterparts, one of which is stored with the System Operator, the other with the System User. Both counterparts shall have the same legal effect.
6. The Contract supplements shall enter into force at the same time as the entry into force of the tariffs resulting from the Auction.

Details of the Parties:

System Operator:

Joint Stock Company "Conexus Baltic Grid"
 Unified Reg. No: 40203041605
 VAT payer No: EN 40203041605
 Legal address: Stigu Street 14, Riga, LV-1021, Latvia
 Phone number: +371 67087900
 Email: info@conexus.lv
 "Swedbank" AS, HABALV22

System User:

Unified Reg. No:
 VAT payer No:
 Legal address:
 Phone number:
 Email:

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Account No: LV08HABA0551042978827

_____ / _____ /

Account No:

_____ / _____ /

_____ / _____ /