

PROJECT

Regulation of the auction of the two-year
bundled capacity product of storage cycle
2020/2021

Content

1. PURPOSE OF THE AUCTION.....3

2. OBJECT OF THE AUCTION.....3

3. PARTICIPATION IN THE AUCTION3

4. CONDUCT OF THE AUCTION AND SUBMISSION OF BIDS.....4

5. EVALUATION OF BIDS AND NOTIFICATION OF RESULTS5

6. CONCLUSION OF THE CONTRACT5

ANNEX 1.....7

BID FOR THE AUCTION OF A TWO-YEAR BUNDLED CAPACITY PRODUCT7

ANNEX 2.....8

ANNEX TO THE NATURAL GAS STORAGE SERVICE CONTRACT8

PROJECT

1. Purpose of the Auction

- 1.1. The purpose of the Auction is to ensure an effective, transparent and non-discriminatory allocation of the capacity of the Inčukalns underground gas storage facility (hereinafter – the Storage) in the circumstances, when the demand of natural gas storage system users (hereinafter – the System User) for natural gas storage service exceeds the available Storage capacity.
- 1.2. Joint Stock Company “Conexus Baltic Grid” (hereinafter – JSC “Conexus Baltic Grid”), unified registration number: 40203041605, address: Stigu iela 14, Riga, LV-1021, taking into account the obligations of the natural gas storage system operator specified in Article 15 and Article 112 of the Energy Law and Article 15(2) and Article 17(2) of regulation (EC) No 715/2009 as well as in compliance with Paragraph 21 of Regulations of Use of the Inčukalns Underground Gas Storage Facility (hereinafter – the Regulations of Use of the Storage) will allocate the storage capacity of the two-year bundled capacity storage by means of an auction procedure (hereinafter – the Auction).
- 1.3. This regulation establishes the procedure for the conduct of the Auction, including submission and evaluation of bids and allocation of storage capacity in accordance with the bids received.

2. Object of the Auction

- 2.1. JSC “Conexus Baltic Grid” offers in the Auction a two-year bundled capacity product – a constant capacity product, which entitles the System User to use the storage capacity in the amount allocated as a result of the Auction, to place natural gas in the storage and remove natural gas from the storage. The two-year bundled capacity product shall be applied to the storage capacity using in two storage cycles – in 2020/2021 and 2021/2022.
- 2.2. Maximum storage capacity available for the two-year bundled capacity product in storage cycle 2020/2021 – two (2) TWh.
- 2.3. Auction reserve price of the two-year bundled capacity product – 2.84 MWh/EUR.

3. Participation in the Auction

- 3.1. Any System User who has entered into a natural gas storage service contract and whose credit rating complies with the criteria laid down in Paragraph 80 of the Regulations of Use of the Storage, or submitted amount of the collateral security complies with Paragraph 86 and 87 of the Regulations of Use of the Storage, may participate in the Auction (hereinafter – the Auction Participant).
- 3.2. If credit rating or amount of collateral security of the Auction Participant does not meet the above criteria, the Auction participant shall submit additional collateral security (security deposit or financial service provider's guarantee) to JSC “Conexus Baltic Grid” before the Auction. The guarantee of the financial service provider must comply with Paragraph 84 of the Regulations of Use of the Storage Facility.

PROJECT

- 3.3. JSC "Conexus Baltic Grid" shall reserve the right not to accept a bid from an Auction Participant whose credit rating or the amount of collateral for performance of obligations does not correspond to Paragraph 3.1 and 3.2.

4. Conduct of the Auction and Submission of Bids

- 4.1. JSC "Conexus Baltic Grid" will hold a sealed bid auction on 3 March 2020, in one bidding round from _____ to _____ (EEST).
- 4.2. The bidder shall submit the bid (Annex 1) to JSC "Conexus Baltic Grid" by sending it to e-mail capacity@conexus.lv. JSC "Conexus Baltic Grid" shall provide protection of confidentiality of the bid content during submission and evaluation of bids.
- 4.3. An Auction Participant may submit one or more bids for the entire capacity specified in Paragraph 2.2 or a part thereof by indicating the capacity requested (TWh) and the unit price (MWh/EUR).
- 4.4. The amount of capacity requested in one bid may not be less than _____ TWh or exceed the volume specified in Paragraph 2.2. The Auction Participant shall indicate whether the capacity requested is fixed or variable to avoid the allocation of marginal capacity if conditions specified in Paragraph 5.2.2 occur.
- 4.5. Bid with a unit price (MWh/EUR) less than the one specified in Paragraph 2.3 will not be considered.
- 4.6. During the Auction, the Auction Participant may submit a new bid, which will completely replace the previously submitted bid.
- 4.7. The Auction Participant shall be responsible for the correctness of the bid and for its submission within the time limit specified in Paragraph 4.1. If the bid has been submitted before or after the Auction time specified in Paragraph 4.1, it does not specify all the necessary information or the information is incomprehensible, it shall be considered that the bid has not been submitted.
- 4.8. JSC "Conexus Baltic Grid" shall send to the Auction Participant a confirmation of receipt of the bid to the electronic mail address specified in the bid. The Bid shall be deemed to have been received only if the Auction Participant receives the referred to acknowledgement. Proof of receipt of the bid shall not be considered as a confirmation that the bid submitted by the Auction Participant has been drawn up or submitted in accordance with the requirements of this regulation.
- 4.9. JSC "Conexus Baltic Grid" will, as far as possible, make every effort to inform the Auction Participant whose bid has not been drawn up or submitted in accordance with the requirements of this regulation and has been rejected by indicating the reason for the rejection.
- 4.10. During the Auction, communication between JSC "Conexus Baltic Grid" and the Auction Participant shall take place electronically via the electronic mail address specified in Paragraph 4.2.
- 4.11. JSC "Conexus Baltic Grid" shall be entitled to cancel, postpone, suspend or re-launch the Auction for technical or organizational reasons, informing the Auction Participants

PROJECT

about it without delay and publishing the updated information on the conduct of the Auction on its website.

- 4.12. The Auction Participant shall fully bear all costs incurred by it in the preparation and submission of the bid. JSC "Conexus Baltic Grid" shall assume no responsibility for these costs regardless of the results of the Auction, including in the cases specified in Paragraph 4.11.

5. Evaluation of Bids and Notification of Results

- 5.1. After closing the Auction all valid bids shall be considered final and irrevocable.
- 5.2. JSC "Conexus Baltic Grid" shall arrange bids by price (MWh/EUR) in order of profitability by ranking the one with the highest price as the first until volume in Paragraph 2.2 is reached.
 - 5.2.1. If, the submitted bids exceed the capacity specified in Paragraph 2.2, the bids of the Candidates, which after arranging hereof in the order of profitability exceed such total capacity, shall be rejected. If the bid submitted by the Candidate exceeds the capacity specified in Paragraph 2.2 in a part, only the part exceeding that total capacity shall be rejected.
 - 5.2.2. If in the case referred to in Paragraph 5.2.1 more than one such a bid has been submitted that is the final in reaching the capacity specified in Paragraph 2.2, and these bids contain the same offered price in amount less than the total specified capacity of natural gas, such bids shall be included proportionally to the capacity submitted by the Candidate at that price.
- 5.3. JSC "Conexus Baltic Grid" shall electronically inform all Auction Participants about the results of the Auction until _____ on the Auction day by providing the following information:
 - 5.3.1. to the Auction winners – the allocated capacity within the two-year bundled capacity product and price (MWh/EUR);
 - 5.3.2. to other Auction participants – the total allocated capacity within the two-year bundled capacity product and highest offered price (MWh/EUR).
- 5.4. JSC "Conexus Baltic Grid" shall publish the information on the Auction results on its website.

6. Conclusion of the Contract

- 6.1. No later than within three (3) working days after the announcement of the Auction results, JSC "Conexus Baltic Grid" shall prepare and electronically send to the Auction winner an annex to the contract for the natural gas storage service (Annex 2), which shall specify the amount of storage capacity allocated within the scope of the two-year bundled capacity product as a result of the Auction, the applicable price (tariff) and the procedure for using the two-year bundled capacity product in storage cycle 2020/2021 and 2021/2022 (hereinafter – the Annex).

PROJECT

- 6.2. The Auction winner shall submit to JSC “Conexus Baltic Grid” the Annex signed by it in two copies within three (3) working days from the date of the Annex sending. Within three (3) working days from receipt of the Annex signed by the Auction winner, JSC “Conexus Baltic Grid” shall sign the Annex and send one copy to the Auction winner.
- 6.3. The Annex shall enter into force simultaneously with the entry into force of the tariffs set as a result of the Auction of JSC “Conexus Baltic Grid”.

Bid for the auction of a two-year bundled capacity product

_____ 2020 _____
 /Place of preparation/

Auction participant: _____

EIC code:

Registered office:

Phone number:

E-mail address:

Fax number:

Hereby we submit our offer in auction of two-year bundled capacity product in storage cycle 2020/2021 (hereinafter – the Auction) under the following conditions:

Bid (offer) No*	Capacity (TWh)	Fixed/variable capacity**	Price (MWh / EUR)
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* Bids are arranged according to the price in descending order, from the highest to the lowest.

** For each bid indicate whether the capacity specified in the bid is fixed or variable by marking with ✓ in the corresponding column.

By signing this bid we confirm that we comply with the requirements of the Auction Participant set out in the Auction regulations and agree with the procedure for the Auction conduct, bid evaluation, and allocation of storage capacity set out in the Auction regulations.

Information about the person signing the bid and contact details

Contact information:

Contact person: _____, tel.: _____ e-mail: _____.
 (name, surname)

Basis for representation of the person signing the bid: _____

 (signature) (signatory's position) (name, surname)

Annex to the natural gas storage service contract

_____ 2020

_____ (unified registration No _____), represented by its _____, who acts on the basis of the Articles of Association (commercial power of attorney) (hereinafter – the **System Operator**), on the one hand, and _____ (unified registration No _____), represented by its _____, who acts on the basis of _____ (hereinafter – the **System User**), on the other hand, both together further referred to as the Parties and each separately – the Party, based on Paragraph 9.2 of the Natural Gas Storage Service Contract concluded on ____ 20__ (hereinafter – the Contract) and results of the two-year bundled capacity product auction organized by the System Operator on _____ 2020, makes the following supplements to the Contract with the aim to concretize the application of Paragraph 2.2, 3.1, and 3.8 of the Contract:

1. As a result of the Auction, the System Operator has allocated storage capacity to the System User within the two-year bundled capacity product in amount of _____ TWh. The two-year bundled capacity product is a constant capacity product that entitles the System User to use the storage capacity in the amount allocated as a result of the Auction, to inject natural gas into the storage and to withdraw natural gas from the storage. The two-year bundled capacity product shall be applied to the storage capacity using two storage cycles – in 2020/2021 and 2021/2022.
2. The System User shall be obliged to pay to the System Operator for the two-year bundled capacity product under the Contract and in accordance with the tariffs set by the System Operator as a result of the Auction.
3. The System User shall use the two-year bundled capacity product in accordance with the provisions of the Regulations of Use of the Storage regarding the long-term bundled capacity products.
4. *[Applies only to a System User whose credit rating does not comply with the criteria laid down in Paragraph 80 of the Regulations of Use of the Storage]* The System User shall be obliged to ensure that the amount of collateral security it provides complies with the requirements of Paragraph 86 and 87 of the Regulations of Use of the Storage during the use of the two-year bundled capacity product.
5. The supplements are made in Latvian on _____ page(-s) and signed in two (2) copies; the System Operator shall hold one copy and the System User – the other copy of the supplements. Both copies shall have the same legal force.
6. The supplements to the Contract shall enter into force simultaneously with the entry into force of the tariffs set as a result of the Auction.

Details of the Parties:

System Operator:

Joint Stock Company "Conexus Baltic Grid"
Unified reg. No: 40203041605

System User:

Unified reg. No:

PROJECT

VAT payer No: LV40203041605
Registered office: Stigu iela 14, Riga, LV-1021,
Latvia
Phone number: + 371 67087900
E-mail: info@conexus.lv
Swedbank AS, HABALV22
Account No: LV08HABA0551042978827

_____/_____/_____
_____/_____/_____

VAT payer No:
Registered office:
Phone number:
E-mail:
Account No:

_____/_____/_____