

Regulations for the Market Screening Procedure related to the capacity increase in the:

- I. TGPS Mallnow reverse exit point**
- II. Through Tietierowka entry point to Grabówka exit point**
- III. Lasów reverse**

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1. GENERAL INFORMATION

In accordance with the provisions of item 2.2.1.12, of binding IRIESP, the Operator is obliged „to hold periodic market screening exercises to assess the demand for new transmission infrastructure, with a view to using the results of such surveys in the definition of the capacity development or allocation”.

By publishing of the Regulations, Gas Transmission Operator GAZ-SYSTEM S.A. opens the Market Screening Procedure in order to assess the market demand for the increase of the capacity in the following points:

- I. **TGPS Mallnow reverse (ID 87002)** - market expectations in the scope of the provision of the opportunities for gas transmission in the direction to Poland (the physical service of the reverse flow transmission). The service of the reverse flow transmission is being currently provided on the interrupted capacity basis, on the fourth level of certainty of gas supply, in accordance with the provisions of item 9.2 of the TGPS Tariff. The technical transmission capacity in the virtual reverse flow to Mallnow is equal to the sum of the technical transmission capacity of gas offtake points to the Polish system.
- II. **Tietierowka (ID 572405), the physical transmission in the BY-PL direction through Tietierowka entry point (ID 572405) to Grabówka exit point (ID 588010)**
- III. **Lasów reverse (ID 202411)** - market expectations in the scope of the provision of the opportunities for gas transmission in the direction to Germany (the physical service of the reverse flow transmission). The service of the reverse flow transmission is being currently provided on the fourth level of certainty of gas supply, in accordance with the current Tariff for gas transmission services of Gas Transmission Operator GAZ-SYSTEM S.A.

The Regulations describes the Market Screening Procedure in the scope of the demand for the increase in capacity for TGPS Mallnow reverse exit point in the DE-PL direction, through Tietierowka entry point to Grabówka exit point (in the BY-PL direction) and for the Lasów reverse exit point.

The goal of the proceedings under the Regulations is to estimate the demand for capacity at TGPS Mallnow reverse exit point in the DE-PL direction, through Tietierowka entry point to Grabówka exit point (in the BY-PL direction) and at Lasów reverse exit point.

The Market Screening Procedure is an effective instrument to assess the market demand for the increase in capacity. Its results will allow to develop plans for the expansion of gas pipelines in the region for the purposes of the long-term satisfaction of needs in the scope of gas transmission through TGPS Mallnow reverse exit point in the DE-PL direction, through Tietierowka entry point to Grabówka exit point (in the BY-PL direction) and at Lasów reverse exit point.

INFORMATION ABOUT THE GAZ-SYSTEM

During the Republic of Poland's period of pre-accession to the European Union, and due to the necessity to implement the Directive 2003/55/EC of the European Parliament and of the Council of 26 June 2003 concerning common rules for the internal market in natural gas, the adopted solution was that transmission and distribution systems shall be operated by entities that are legally and functionally independent from the gas company. On 16 April 2004, PGNiG-Przesył Sp. z o.o. was established. As a result of further transformation, from 2005 it operates under the new name of Gas Transmission Operator GAZ-SYSTEM S.A. At present, the sole owner of the company is the State Treasury of the Republic of Poland.

On 1 July 2005, the President of the Energy Regulatory Office granted to GAZ-SYSTEM S.A. the status of a gas transmission operator on the territory of the Republic of Poland.

On 17 November 2010, the President of the Energy Regulatory Office granted to GAZ-SYSTEM S.A. the status of the independent system operator of the Polish section of the Jamal gas pipeline for a period until 31 December 2025.

By the decision of 31 August 2011, the President of the Energy Regulatory Office approved the Transmission Network Code of the Polish Section of the Jamal – Europe Pipeline (IRiESP TGPS) and set up the date of entry into force of the Transmission Network Code on 31 August 2011.

The Company carries out transmission activity on the basis of the transmission network on the territory of the Republic of Poland, which is owned thereby. Therefore, the terms and conditions of the complete legal, functional, and proprietary separation, which are required both under the national and European legal provisions, have been met.

The amount of the Company's share capital is PLN 3 771 990 842.

1.1. DEFINITIONS

- 1.1.1. Market Screening – shall mean the procedure for the examination of the demand of potential users of the transmission system for the increase in capacity in TGPS Mallnow reverse exit point in the DE-PL direction, for Lasów reverse entry point in the PL-DE direction, and through Tietierowka entry point to Grabówka exit point (in the BY-PL direction);
- 1.1.2. Firm contracted capacity – shall mean the maximum hourly quantity of gas in normal conditions, which may be delivered for transmission in the entry point or may be offtaken in the exit point;
- 1.1.3. GAZ-SYSTEM/Company – shall mean the company under the name of The Gas Transmission Operator GAZ-SYSTEM S.A. with its registered office in Warsaw, Poland;
- 1.1.4. IRiESP – shall mean the Transmission Network Code established pursuant to the applicable provisions of law and posted on the GAZ-SYSTEM website. On the

day of announcement of the Regulations, GAZ-SYSTEM shall implement the Transmission Network Code, which constitutes Appendix No. 4 to the Regulations;

- 1.1.5. IRIESP TGPS – shall mean the Transmission Network Code of TGPS established pursuant to the applicable provisions of law and posted on the GAZ-SYSTEM website. On the day of announcement of the Regulations, GAZ-SYSTEM shall implement the Transmission Network Code of TGPS, which constitutes Appendix No. 5 to the Regulations;
- 1.1.6. Contracted capacity – shall mean the firm contracted capacity or the interrupted contracted capacity;
- 1.1.7. m³ (cubic meter) – shall mean one cubic meter of gas in normal reference conditions, i.e. at an absolute pressure of 101.325 kPa and a temperature of 273.15 K.;
- 1.1.8. kWh – shall mean a unit of energy, an equivalent of the quantity of transmitted gas, being the product of the gas transmitted in the given entry point or a given exit point and the gross calorific value, which is characteristic for this point;
- 1.1.9. Procedure – shall mean the procedure described in the Regulations for the Market Screening Procedure related to the capacity increase in the TGPS Mallnow reverse exit point in the DE-PL direction, for Lasów reverse exit point in the PL-DE direction and through Tietierowka entry point to Grabówka exit point (in the BY-PL direction);
- 1.1.10. Reverse flow – shall mean the supply of gas from Poland to Germany ;
- 1.1.11. Regulations – shall mean this document, which describes the Market Screening Procedure, including the appendices thereto;
- 1.1.12. Gas year – shall mean a period from 06 a.m. of 1 October of the current year up to 06 a.m. of 01 October of the subsequent year;
- 1.1.13. TGPS – the Transit Gas Pipeline System [TGPS] on the territory of Poland represents a part of the gas pipeline system measuring an estimated 4000 km, running from Russia through Belarus and Poland to Western Europe. The Polish section of the Transit Gas Pipeline System [the Jamal gas pipeline] is owned by Transit Gas Pipeline System EuRoPol GAZ S.A., a company seated in Warsaw, and is operated by Gas Transmission Operator GAZ-SYSTEM S.A.;
- 1.1.14. Transit Gas Pipeline System EuRoPol GAZ S.A., – shall mean the owner of the Polish section of the Transit Gas Pipeline System;
- 1.1.15. Tariff – shall mean a list of prices and payment rates along with the rules of application thereof, which has been set up by GAZ-SYSTEM and has been introduced as the binding tariff for the recipients specified therein. On the day of the announcement of the Procedure, Gaz- System shall apply the Tariff

approved by the President of the Energy Regulatory Office, which constitutes Appendix No. 7 to the Regulations;

1.1.16. Participant – shall mean every entity that has been registered by GAZ-SYSTEM as a participant in the Additional Capacity Allocation Procedure in the Lasów Entry Point;

1.1.17. Applicant – shall mean the Participant and each and every entity that has been registered by GAZ-SYSTEM as a participant in the Market Screening Procedure.

1.2. MARKET SCREENING SCHEDULE

GAZ-SYSTEM intends to carry out the Market Screening Procedure in accordance with the Market Screening Procedure Schedule placed herein below.

1.	16.08.2012	Publication of the Regulations
2.	16.08.2012– 7.09.2012	Submission of questionnaires under the Market Screening Procedure
3.	31.09.2012	Completion of the Market Screening and submission by GAZ-SYSTEM of the information about the future intentions of the Company in the scope of the transmission system development

2. INFORMATION ABOUT THE SCOPE OF DEVELOPMENT

2.1. TGPS MALLNOW REVERSE (ID 87002)

At present, the service of the reverse flow transmission is provided on the on the interrupted capacity basis, on the fourth level of certainty of gas supply, in accordance with the provisions of item 9.2 of the TGPS Tariff. The technical transmission capacity in the virtual reverse flow to Mallnow is equal to the sum of the technical transmission capacity of gas offtake points to the Polish system.

The increase in the capacity in Mallnow point will require investment activities in the GASCADE system.

Scope of studied changes:

- Firm capacity could be obtained after the upgrading of the Mallnow station to **620 000 m³/h**
- The time required for the upgrading of the Mallnow station is approximately **1,5 years**.
- The earliest possible time for the commencement of provision of the service: **2014**
- Period of testing: **2014-2028**

2.2. PHYSICAL TRANSMISSION THROUGH TIETIEROWKA ENTRY POINT (ID 572405) TO GRABÓWKA EXIT POINT (ID 588010)

The current gas flow to the Białystok region is:

- 21 506 m³/h;
- 65,191 mln m³/h;

- 2,45 MPa.

During the negotiations within the framework of the Polish-Belarusian working group for cooperation in the energy sector, OAO BIEŁTRANSGAZ offered an opportunity of transmission of the increased gas flow to Poland through Tietierówka gas transmission entry point. The upgrading of Wołkowyck – the Belarusian-Polish border gas pipeline that was performed by the Belarusian party, makes it possible to increase the gas flow from 27,000 m³/h to 42,800 m³/h given the gas supply pressure of 2,45 MPa. GAZ-SYSTEM has signed the operators' agreement with BIEŁTRANSGAZ. The increase in the capacity from the Tietierowka entry point to the Grabówka exit point will require GAZ-SYSTEM's investments.

Scope of studied changes:

- Firm capacity, which could be generated due to the development of the infrastructure, is **42 800 m³/h**
- The time required for the upgrading of the infrastructure is approximately **3 years**
- The earliest possible time for the commencement of provision of the service: **2016**
- Period of testing: **2016-2030**

2.3. LASÓW REVERSE (ID 202411)

At the current point, the service of the reverse flow transmission is provided on the fourth level of certainty of gas supply, in accordance with the updated GAZ-SYSTEM Tariff for gas transmission services.

Scope of tested changes:

- The time required for the extension is **approx. 6 years**.
- The earliest possible time for the commencement of provision of the service: **2018**
- Period of testing: **2018-2032**

3. THE COURSE OF THE MARKET SCREENING PROCEDURE

3.1. DECLARATION OF PARTICIPATION IN THE MARKET SCREENING PROCEDURE

Within the scope of the Market Screening, GAZ-SYSTEM intends to establish the demand for capacity by the users of the system:

- **for TGP Mallnow reverse exit point (in the DE-PL direction) in the quantity of 620 000 m³/h.** For this exit point, the 1 m³/h = 11.15 kWh/h flow computer shall apply.
- through Tietierowka entry point to Grabówka exit point (in the BY-PL direction) in the quantity of 15 300 m³/h. For this point 1 m³/h = 11.255 kWh/h flow computer shall apply.
- **for Lasów reverse point** (in the PL-DE direction) the accurate capacities will be the subject of negotiations with ONTRAS after the completion of the Procedure. For this point 1 m³/h = 11.15 kWh/h flow computer shall apply.

Provision of capacity for TGPS Mallnow reverse exit point (in the DE-PL direction) in the

quantity of 620 000 m³/h will require activities in the scope of development of the interconnector and transmission infrastructure on the German side. The said could also require activities on the Polish side, therefore, the results will not constitute an obligation of GAZ-SYSTEM to take an investment decision.

Provision of capacity through Tietierowka entry point to Grabówka exit point (in the BY-PL direction) in the quantity of 15 300 m³/h will require activities in the scope of the development of infrastructure on the Polish side. The said could also require activities on the Belarusian side, therefore, the results will not constitute an obligation of GAZ-SYSTEM to take an investment decision.

Provision of capacity for Lasów reverse exit point (in the PL-DE direction) will require activities in the scope of the development of interconnector and the transmission infrastructure on the part of GAZ-SYSTEM. The said could also require activities on the part of ONTRAS, therefore, the results will not constitute an obligation of GAZ-SYSTEM to take an investment decision.

In order to determine the market demand, GAZ-SYSTEM will address the users of the system with a proposal to participate in the Market Screening Procedure.

- Information about the demand for capacity for TGPS Mallnow reverse exit point shall be reported on questionnaire I (Appendix No. 1) in the period from **16.08.2012** to **07.09.2012, until 16.00 CET**.
- Information about the demand for capacity through Tietierowka entry point to Grabówka exit point (in the BY-PL direction) shall be reported on questionnaire II (Appendix No. 2) in the period from **16.08.2012** to **07.09.2012, until 16.00 CET**.
- Information about the demand for capacity for Lasów reverse exit point shall be reported on questionnaire III (Appendix No. 3) in the period from **16.08.2012** to **07.09.2012, until 16.00 CET**.

All interested entities who will be registered under the Market Screening Procedure could submit their questionnaires under the Market Screening Procedure, („Applicants”).

Under the Market Screening Procedure, the Applicant shall specify (in the questionnaire):

- 1) The data of the Applicant;
- 2) **Questionnaire I** – the demand for the firm capacity of the reverse flow transmission, for the gas transmission in the direction from Poland to German for TGPS Mallnow reverse exit point in specified years of **2014 – 2028**;
- 3) **Questionnaire II** - the demand for the firm capacity for gas transmission from Belarus to Poland through Tietierowka entry point to Grabówka exit point in specified years of **2016 – 2030**;
- 4) **Questionnaire III** – the demand for the firm service of the reverse flow

transmission for transmission of gas in the direction from Poland to German for Lasów reverse exit point in specified years of **2018 – 2032**.

Solely questionnaires signed by the persons authorized to represent the Applicant will be analyzed under the Market Screening Procedure. It is necessary to prove the authorization of persons, who place their signatures under the questionnaire, to represent the given entity by attaching the updated extract from the register and the powers of attorney. In addition, the updated extract of the relevant register shall be attached to the questionnaire.

The questionnaire and all documents, motions and statements attached thereto shall be made either in Polish or in English language.

If the Questionnaire contains any formal defects or errors, in particular, if not all necessary information has been provided or not all required documents have been presented, GAZ-SYSTEM shall call on the Applicant to supply the missing information or make corrections of defects or errors within ten (10) days from the receipt of the call. The formal defects or errors will be deemed made good, if the reply to the GAZ-SYSTEM's call is delivered at the address of the GAZ-SYSTEM's seat during the above-mentioned time-limit and contains all information and documents, which have been requested to be made good.

By signing the questionnaire, the Applicant accepts the terms and conditions of participation in the Market Screening as well as the rules for its conducting specified in these Procedure Regulations, particularly the requirement of preserving confidentiality.

The questionnaire is neither the order nor the offer, which means that it is non binding on the Applicant, in particular, that the Applicant is not obliged to make the agreement for provision of transmission services.

3.2. RESULTS OF THE MARKET SCREENING

Questionnaires and forms will provide the essential information for the assessment by GAZ-SYSTEM of the demand for the development of the following:

- I. TGPS Mallnow reverse exit point
- II. Tietierowka entry point and Grabówka exit point
- III. Lasów reverse exit point

GAZ-SYSTEM will consider the results of the Market Screening while assessing the demand and the scope of further upgrading activities in the transmission system and the adoption of investment decisions (if any).

After the completion of the Market Screening and having performed the necessary technical analysis, GAZ-SYSTEM will provide the information about the Company's further intentions with regard to the development of the transmission system in the above-mentioned points.

Any investment decisions, however, will be taken after the performance of the Open Season procedure and the confirmation by the users of the system of the demand for the further increase in capacity in these directions.

4. CONFIDENTIALITY

Any information obtained by GAZ-SYSTEM in the course of the Procedure shall be treated as confidential and shall not be made available to any third parties. However, GAZ-SYSTEM reserves the right to make the confidential information obtained during the course of the Procedure available to the following:

- 1) the corporate organs of the Company including the Minister of State Treasury;
- 2) the President of the Energy Regulatory Office, regulatory authorities competent for the location of the interconnector, as well as the European Commission;
- 3) undertakings financing the investment projects;
- 4) other entities that are entitled to obtain information on the basis of applicable provisions of law.

Furthermore, GAZ-SYSTEM shall publish information concerning the proper entry and exit points in the scope resulting from the binding provisions of the law.

5. FINAL PROVISIONS

Any expenses incurred by the Participant and Applicant resulting or charged in connection with participation in the Market Screening Procedure shall be borne by the Participant or the Applicant, respectively, and shall not be asserted against GAZ-SYSTEM.

These Regulations do not constitute an offer in the meaning of the provision of the Civil Code but a call for expression of interest.

Any correspondence conveyed to the Participants by GAZ-SYSTEM during the course of the Procedure, shall be considered delivered on the day of its sending, if it is sent on the business day by 04.00 CET by email or fax at the telephone number specified on the order form. If the correspondence was mailed after 04.00 CET, it shall be deemed delivered on the subsequent business day. Any correspondence of GAZ-SYSTEM directed to the Participants shall be additionally sent by registered mail.

GAZ-SYSTEM reserves the right to change or supplement the Regulations or its Appendices, including to extend time-limits specified therein. Such changes and supplements shall be published on the GAZ-SYSTEM website and the Participants shall be notified in writing.

Due to lack of legal requirements, the Regulations, including Appendices thereto, shall not be subject to approval by the President of the Energy Regulatory Office. In addition, changes or supplements of the Regulations are not subject to any approval either.

If any provision of the Regulations is acknowledged as unacceptable or unenforceable, this provision shall be acknowledged as being excluded from the Regulations, while the remainder of the Regulations shall be assumed as fully valid and binding; a provision similar in content, reflecting the original intention of the parties in the scope compliant with applicable provisions of law, shall supersede the provision assumed as unacceptable or unenforceable.

In terms of the Market Screening Procedure, neither GAZ-SYSTEM nor the Participant or the Applicant shall be mutually responsible, unless the party has suffered damage through the wilful misconduct of the other party.

The Parties shall strive to solve disputes (if any), which emerge in connection with the Procedure or the interpretation thereof in a spirit of mutual understanding. If the amicable resolution shall prove inefficient, any disputes resulting from or related to the Regulations shall be resolved by the Court of Arbitration at the Polish Chamber of Commerce in Warsaw in accordance with the binding regulations thereof applicable on the day of the announcement of the Procedure, i.e. on 16.08.2012.

To all matters not regulated by the provisions of the Regulations the provisions of Polish law shall apply.

The Regulations of the Procedure and the appendices thereto have been drawn up in the Polish and English language versions. The English language version of the document is available for information purposes only. In the event of any discrepancies between the documents in the Polish and English language versions, the provisions of the Polish language version shall be applicable.

Appendices to the Regulations:

Appendix No 1 - **Questionnaire I** – Market Screening for TGPS Mallnow Reverse

Appendix No 2 - **Questionnaire II** – Market Screening for transmission of gas in the direction from Belarus to Poland through Tietierowka entry point to Grabówka exit point

Appendix No 3 - **Questionnaire III** – Market Screening for Lasów Reverse

Appendix No 4 - Transmission Network Code of the Gas Transmission Operator GAZ-SYSTEM S.A. (binding)

Appendix No 5 - Transmission Network Code – TGPS of the Gas Transmission Operator GAZ-SYSTEM S.A. (binding)

Appendix No 6 - Transmission Network Code of the Gas Transmission Operator GAZ-SYSTEM S.A. (as of 1 December 2012)

Appendix No 7 - Tariff of GAZ-SYSTEM

6. ORGANIZATIONAL INFORMATION - CONTACT

Gas Transmission Operator GAZ-SYSTEM S.A.



Secretariat of the Development and Investment Division

ul. Mszczonowska 4

02-337 Warsaw

(Sekretariat Pionu Rozwoju i Inwestycji)

ul. Mszczonowska 4

02-337 Warszawa

With a note: „Market Screening Procedure”

Please direct any questions concerning the Procedure to the following e-mail address:

openseason@gaz-system.pl

The Polish language shall be the prevailing and binding language for any correspondence. GAZ-SYSTEM also admits correspondence in the English language.