



# **GAZ-SYSTEM's Rules of the Auction of Bundled Product at IP Mallnow**

**DRAFT: 10.01.2014**

Warsaw, January 2014

**CONTENTS:**

- 1. GENERAL INFORMATION ..... 3
  - 1.1. INFORMATION ABOUT THE JAMAL – EUROPE TRANSIT GAS PIPELINE SYSTEM (TGPS) ..... 3
  - 1.2. DEFINITIONS ..... 3
  - 1.3. LEGAL BASIS..... 5
- 2. PRODUCT DESCRIPTION ..... 6
  - 2.1. UNIT CONVERSION ..... 6
- 3. GENERAL TERMS AND CONDITIONS FOR BUNDLED PRODUCT AUCTIONS ..... 6
  - 3.1. TERMS AND CONDITIONS FOR PARTICIPATION IN THE AUCTION ..... 6
  - 3.2. GAZ-SYSTEM’s REQUIREMENTS ..... 6
    - 3.2.1. EXCLUSION OF TGPS TNC PROVISIONS..... 6
    - 3.2.2. TERMS AND CONDITIONS FOR BUNDLED PRODUCT PROVISION ..... 7
    - 3.2.3. CONVERSION OF INTERRUPTIBLE CAPACITY (CONTRACTED CAPACITY) INTO FIRM CAPACITY (CONTRACTED CAPACITY)..... 8
  - 3.3. TRANSMISSION AGREEMENT WITH GASCADE..... 8
  - 3.4. REGISTRATION IN THE PRISMA PRIMARY PLATFORM..... 9
- 4. AUCTION PROCEDURES ..... 9
  - 4.1. TRANSMISSION TARIFFS AND COSTS ..... 10
  - 4.2. AUCTION PREMIUM ..... 10
- 5. EXECUTION OF A TRANSMISSION AGREEMENT ..... 11
- 6. TERMS AND CONDITIONS FOR TRANSMISSION SERVICE PROVISION ..... 12
  - 6.1. CHANGE OF AN ENTITY USING BUNDLED CAPACITY ..... 13
- 7. CONFIDENTIALITY ..... 13
- 8. FINAL PROVISIONS ..... 13
- 9. NOTICES AND CONTACT DATA..... 14

## 1. GENERAL INFORMATION

By publishing the Rules of the Auction of Bundled Product at IP Mallnow, Gas Transmission Operator GAZ-SYSTEM S.A. with its registered office in Warsaw (hereinafter referred to as "GAZ-SYSTEM") commences the Pilot Project related to the provision of bundled capacity at IP Mallnow.

The Rules provide for:

- executing transmission agreements;
- minimising the risk of differences in capacities at both sides of IP Mallnow;
- making transmission systems available to interested users and enabling gas supply to business partners;
- improving transmission system integration in the European Union;
- improving market liquidity in the EU Member States.

### 1.1. INFORMATION ABOUT THE JAMAL – EUROPE TRANSIT GAS PIPELINE SYSTEM (TGPS)

The Jamal-Europe Transmission Gas Pipeline system is a gas pipeline of DN 1400, working pressure of 8.4 MPa, around 684 km long, going from the border of Poland and Belorussia near Kondratki to the border of Poland and Germany on the Odra River. In the territory of Poland, gas pipelines owned by GAZ-SYSTEM S.A., i.e. the national transmission system, cooperate with the Jamal-Europe Transmission Gas Pipeline System.

On 17 November 2010, the Chairman of the Energy Regulatory Office issued a decision to appoint Gas Transmission Operator GAZ-SYSTEM S.A. as independent operator of the Polish section of the Jamal gas pipeline in the period till 31 December 2025.

On 21 November 2012, Gas Transmission Operator GAZ-SYSTEM S.A. and GASCADE Gastransport GmbH signed an agreement concerning the expansion of the Mallnow measurement station in order to enable the physical reverse, i.e. the transmission of gas fuel in the Jamal gas pipeline from Germany to Poland.

### 1.2. DEFINITIONS

- I. Starting Price: the permissible minimum fee during the auction which is equal to the sum of tariff fees for the transmission of gas in accordance with the TGPS Tariff and the GASCADE Tariff as currently applicable;
- II. DVGW: Deutscher Verein des Gas- und Wasserfaches e. V. – Technisch-wissenschaftlicher Verein, i.e. the German Technical and Scientific Association of Gas and Water in Bonn;
- III. EIC: Energy Identification Code;
- IV. GASCADE: GASCADE Gastransport GmbH with its registered office in Kassel;
- V. GASPOOL: GASPOOL Balancing Services GmbH with its registered office in Berlin;
- VI. GAZ-SYSTEM/TGPSO: Gas Transmission Operator GAZ-SYSTEM S.A. with its registered office in Warsaw, acting as the operator of the Transmission Gas Pipeline System (TGPSO);

- VII. Transmission Network Code of the Polish Section of the Jamal-Europe Transmission Gas Pipeline System ("TGPS TNC"): currently applicable Transmission Network Code of the Polish Section of the Jamal-Europe Transmission Gas Pipeline System prepared on the basis of applicable legal regulations and published in the website of GAZ-SYSTEM. The Rules are based on the Transmission Network Code of the Polish Section of the Jamal-Europe Transmission Gas Pipeline System approved by the Chairman of the Energy Regulatory Office (Decision No. DPK – 7111 - 2(4)/2011/AP of 31 August 2011), whose consolidated text forms Appendix No. 1 hereto or to each subsequent version of TGPS TNC which will replace or amend the above version of TGPS TNC;
- VIII. kWh (kilowatt-hour): an energy unit showing the quantity of gas transmitted which is calculated by multiplying the volume of gas transmitted at the entry or exit point by gross calorific value at that point;
- IX. m<sup>3</sup> in accordance with the GOST standard: one cubic meter of gas in accordance with the GOST standard, i.e. under the absolute pressure of 101 325 kPa and at the temperature of 293.15 °K;
- X. IP Mallnow: a cross-border intersystem connection point between the Polish section of the Transmission Gas Pipeline System and the GASCADE transmission system located in (point ID: 870002);
- XI. PRISMA: PRISMA European Capacity Platform GmbH, a company which provides an IT platform ("PRISMA primary") for the purpose of Bundled Product auctions;
- XII. Bundled Product: capacity (contracted capacity) connected at both ends to IP Mallnow and provided from Germany to Poland, which is subject to an auction for the same quarters of a year at the same quantity;
- XIII. Pilot Project: a pilot project described herein concerning the provision of Bundled Product, i.e. firm capacity of IP Mallnow, to be carried out by GAZ-SYSTEM and GASCADE, including auction procedures;
- XIV. Capacity (contracted capacity): the maximum hourly quantity of gas that may be transmitted via TGPS at IP Mallnow;
- XV. Rules: this document providing for the terms and conditions of auctions of Bundled Product, including Appendixes hereto;
- XVI. Tariff Regulation: the regulation of the Minister of Economy of 28 June 2013 on detailed principles for determining and calculating tariffs and settlements related to gas trading (Journal of Laws item 820);
- XVII. TGPS: a transmission system, i.e. the Transmission Gas Pipeline System in the territory of the Republic of Poland which is operated by GAZ-SYSTEM;
- XVIII. TGPS Tariff: the list of prices and fee rates, as well as terms and conditions for their application, prepared by EuRoPol GAZ and applicable to settlements with a Shipper;
- XIX. Participant: an natural or legal person or an unincorporated business unit that has legal rights who/which intends to buy capacity offered under the Pilot Project;
- XX. TGPS Owner: EuRoPol GAZ S.A. with its registered office in Warsaw;

XXI. Shipper: a natural person or a legal entity, as well as an unincorporated business unit which uses transmission services of TGPS on the basis of a transmission agreement with the TGPS Operator.

### 1.3. LEGAL BASIS

The Rules sets out GAZ-SYSTEM's requirements towards Participants taking part in auctions of Bundled Product at IP Mallnow. In addition, terms and conditions for participation in auctions are defined in the following documents:

- General Contract Terms and Conditions of GASCADE Gastransport GmbH, which describe principles for access to the GASCADE transmission network and service provision;
- currently applicable TGPS TNC, which describes principles for the provision of capacity and gas transmission services;
- currently applicable TGPS Tariff.

The Rules provide for terms and conditions for allocating Capacities (contracted capacity) offered under the Pilot Project and principles for transmission service provision. All matters not provided for herein are governed by currently applicable TGPS TNC and the TGPS Tariff (Appendixes No. 1 and 2 hereto) or a subsequent version thereof which will replace or amend the versions of TGPS TNC or TGPS Tariff attached hereto. The Rules prevail over the provisions of TGPS TNC. By accepting this document, the Participant also accepts the provisions of the currently applicable TGPS TNC and the currently applicable TGPS Tariff.

If the Chairman of the Energy Regulatory Office approves the new version of or amendments to TGPS TNC and, as a result thereof, the numbers used therein change, any reference herein to articles of TGPS TNC shall be deemed to be a reference to relevant articles of the new or amended version of TGPS TNC. If as a result of the above situation, particular articles of TGPS TNC which are referred to herein are deleted, then the deleted provisions of TGPS TNC shall not apply to the Pilot Project and principles for transmission service provision.

Auctions are based on the Energy Law of 10 April 1997 (consolidated text in the Journal of Laws No. 2012.1059, as amended) ("Energy Law"), the European Parliament and the Council Directive No. 2009/73/EC of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC ("Gas Directive"), the Regulations of the European Parliament and of the Council No. 715/2009 of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No. 1775/2005 ("Regulation No. 715/2009"), the Commission Regulation (EU) No. 984/2013 of 14 October 2013 establishing a Network Code on Capacity Allocation Mechanisms in Gas Transmission Systems and supplementing Regulation (EC) No. 715/2009 of the European Parliament and of the Council ("NC CAM"), as well as § 23 of the Regulation of the Minister of Economy of 2 July 2010 on detailed terms and conditions for the operation of a gas system (Journal of Laws No. 2010.133.891, as amended). In accordance with Appendix I item 2 to the Regulation 715/2009, the Rules must be agreed with the Chairman of the Energy Regulatory Office before implementation. All these regulations provide for transparency and the equal treatment of all Pilot Project participants.

The auction will be conducted in accordance with the General Terms and Conditions of the PRISMA capacity platform being in force as of the auction date.

## **2. PRODUCT DESCRIPTION**

1. Bundled Product at IP Mallnow will be made available under auctions for the following periods:
  - a) a quarter from 1 April to 1 July 2014;
  - b) a quarter from 1 July to 1 October 2014.
2. Capacity (contracted capacity) subject to the auction will authorise to the use of transmission services on a continuous basis.
3. Transmission direction: from the GASCADE transmission system in the German market area called GASPOOL to the transmission system of the TGPS Polish section in Poland.
4. For each of the described quarters, the capacity (contracted capacity) of 2 917 792 kWh/h ( 282 677 m<sup>3</sup>/h in accordance with the GOST standard) will be made available.
5. 30 days before the auction, the Parties will publish all necessary information concerning auction dates and products subject to auctions.
6. Allocation algorithm: an auction with an increased price in accordance with NC CAM.

### **2.1. UNIT CONVERSION**

The auction will cover Capacity (contracted capacity) expressed in kWh/h. Capacity (contracted capacity) that the Participant will obtain as a result of the auction for particular quarters to provide and settle transmission service will be adequately converted, depending on the regulations of TGPS TNC and the TGPS Tariff, in accordance with the following formula:

**1m<sup>3</sup>/h in accordance with the GOST standard = 10.322 kWh/h.**

## **3. GENERAL TERMS AND CONDITIONS FOR BUNDLED PRODUCT AUCTIONS**

### **3.1. TERMS AND CONDITIONS FOR PARTICIPATION IN THE AUCTION**

Any Participant that intends to take part in the Bundled Product auction should obey GAZ-SYSTEM requirements defined herein and register in GASCADE in accordance with the GASCADE regulations set out in the General Contract Terms and Conditions of GASCADE Gastransport GmbH. The Participant should also obey the requirements of the PRISMA primary platform defined in the General Terms and Conditions of the PRISMA Capacity Platform. The Participant should, in particular, meet the following requirements:

- a) obtain a DVGW code and a EIC code;
- b) register efficiently in the PRISMA primary platform for GASCADE and GAZ-SYSTEM ISO;
- c) register with GASPOOL and enter into the agreement concerning a balance group in the GASPOOL market area.

### **3.2. GAZ-SYSTEM's REQUIREMENTS**

#### **3.2.1. EXCLUSION OF TGPS TNC PROVISIONS**

The following provisions of TGPS TNC do not apply to the Pilot Project:

Part 1 of TGPS TNC – General Terms and Conditions for Using TGPS:

- a) 7.2.1,
- b) 7.2.3,
- c) 7.3.1-7.3.5.

### **3.2.2. TERMS AND CONDITIONS FOR BUNDLED PRODUCT PROVISION**

1. Bundled Product will be offered to Participants under a joint auction by GAZ-SYSTEM and GASCADE, separately for each of the quarters.
2. To take part in the auction, the Participant must prove that it meets formal and legal requirements necessary to execute a transmission agreement with the TGPS Operator. For such a purpose, any Participant that has commenced registration in the PRISMA primary platform for the purpose of GAZ-SYSTEM ISO, at the latest 7 (seven) days before the date of the auction, should submit the following documents in a written form to the offices of GAZ-SYSTEM at ul. Mszczonowska 4, 02-337 Warsaw:
  - a) documents confirming the legal form of the Participant's business activity, including, in particular, a valid transcript from the register of companies or a copy of a business activity incorporation certificate or another document confirming the Participant's legal capacity (for Participants without registered office within the Republic of Poland: a valid transcript from a relevant register of companies to be obtained on terms and conditions set out in the legal regulations of the state where the Participant's registered office is located);
  - b) documents confirming the right of the Participant's representatives to make commitments on the Participant's behalf; such a right may be set out in the transmission agreement, unless such a right results from the transcript referred to in item a) above;
  - c) a document confirming that the Participant has received a taxpayer identification number for the purpose of a tax on goods and services for entities having their registered office within the European Union, unless such information results from the document referred to in item a) above;
  - d) the Participant having its registered office in the Republic of Poland must submit a statement confirming its statistical ID (Regon), unless such information results from the document referred to in item a) above;
  - e) the Participant having its registered office in the Republic of Poland must submit the promise of concession, a concession copy or a statement that the Participant's activity is not subject to any concession stipulated by the Energy Law; such a statement must be signed by persons authorised to represent the Participant;
  - f) a power of attorney for persons that will represent the Participant during the auction in the PRISMA primary platform in accordance with the form attached hereto as Appendix No. 3.
3. The documents referred to in Art. 3.2.2.2 above should be submitted as originals or in the form of true copies certified by persons authorised to represent the Participant or a legal advisor or an attorney. In addition, the Participant without its registered office in the Republic of Poland, apart from documents referred to

in Art. 3.2.2.2 above, should also present document translation into Polish made by a sworn translator.

4. To prove that it meets formal and legal requirements necessary to execute the transmission agreement with the TGPS Operator, any Participant that has entered into the transmission agreement with the TGPS Operator must only present a power of attorney for persons that will represent the Participant during the auction in the PRISMA primary platform in accordance with the form attached hereto as Appendix No. 3. The power of attorney should be submitted in the way set out in Art. 3.2.2.2 above and meet the requirements set out in Art. 3.2.2.3 above.
5. During 2 (two) business days of the receipt of documents referred to in Art. 3.2.2.1 and 3.2.2.4, GAZ-SYSTEM will verify whether the Participant meets formal and legal requirements necessary to execute a transmission agreement with the TGPS Operator. If such verification is positive, the Participant will be admitted to take part in the auction in the PRISMA primary platform.
6. If GAZ-SYSTEM makes negative verification of the documents submitted by the Participant in accordance with Art. 3.2.2.2 or 3.2.2.4, the TGPS Operator will request the Participant by electronic mail to supplement the documents within 2 (two) business days of the receipt of the Operator's notice on negative verification. Having received the missing documents from the Participant, GAZ-SYSTEM will verify once more whether the Participant meets formal and legal requirements necessary to execute a transmission agreement with the TGPS Operator. If such verification is positive, the Participant will be admitted to take part in the auction in the PRISMA primary platform. If the Participant does not supplement the documents in accordance with the TGPS Operator's request within the defined period (however 2 (two) business days before the date of the auction at the latest), the Participant will not be admitted to take part in the auction of Bundled Product.

### **3.2.3. CONVERSION OF INTERRUPTIBLE CAPACITY (CONTRACTED CAPACITY) INTO FIRM CAPACITY (CONTRACTED CAPACITY)**

1. If, as a result of the auction of Bundled Product, firm capacity (contracted capacity) is acquired by a Participant that previously obtained, for the same period, interruptible Capacity (contracted capacity) under yearly, quarterly or monthly products, it has the right to resign from interruptible Capacity (contracted capacity) in whole or in part.
2. The statement of resignation from interruptible Capacity (contracted capacity) in the case of the purchase of firm Capacity (contracted capacity) under the auction of Bundled Product must be submitted to GAZ-SYSTEM together with documents that are submitted to register in the PRISMA primary platform.
3. The Parties will amend the transmission agreement in order to exclude interruptible Capacity.

### **3.3. TRANSMISSION AGREEMENT WITH GASCADE**

Terms and conditions for executing a transmission agreement with GASCADE are set out in the General Contract Terms and Conditions of GASCADE Gastransport GmbH.



### **3.4. REGISTRATION IN THE PRISMA PRIMARY PLATFORM**

To use the PRISMA primary platform, a user must efficiently register in the platform and accept currently applicable General Terms and Conditions of the PRISMA capacity platform. The agreement between the Participant and PRISMA concerning the use of the PRISMA primary platform will be executed as a result of efficient registration.

In addition, the Participant must be accepted in the PRISMA primary platform by GAZ-SYSTEM ISO and GASCADE. The acceptance of the Participant by GAZ-SYSTEM means that GAZ-SYSTEM confirms that the Participant meets formal and legal requirements necessary to execute a transmission agreement.

### **4. AUCTION PROCEDURES**

1. Auctions will be conducted in the PRISMA primary platform in accordance with the General Terms and Conditions of the PRISMA Capacity Platform applicable as of the auction date and on the basis of TGPS TNC, unless the Rules provide otherwise.
2. The first round of the auction for each of quarters is planned to be opened on 24.02.2014, unless GAZ-SYSTEM and GASCADE announce otherwise. More details will be presented in the auction calendar to be published in the PRISMA primary platform.
3. The auction, i.e. Bidding Rounds, will take place from 09:00 to 18:00 of the local time on all relevant Gas Days. Auctions will be fully anonymous.
4. Any Participant taking part in the auction may submit its offers at the maximum for the quantity of capacity available under the auction, as described in Art. 2 hereof.
5. The offer whose form and content complies with the regulations of the PRISMA primary platform, as submitted by the Participant during the auction of Bundled Product in accordance with the regulations of the PRISMA primary platform, will form an application for Capacity (contracted capacity) within the meaning of TGPS TNC.
6. If demand for Capacity (contracted capacity) at IP Mallnow does not exceed the available Capacity (contracted capacity), every Participant taking part in the auction will obtain Capacity (contracted capacity) at a quantity defined in its offer at the Starting Price.
7. Participants that take part in the auction of Bundled Product and submit valid offers at the auction settlement price will obtain Capacity (contracted capacity) in accordance with their offers.
8. Any offer providing for the settlement auction price of Bundled Product is a valid offer for executing a transmission agreement. The Participant is bound by its offer until a transmission agreement obtained from GAZ-SYSTEM is signed.
9. Auction results and the list of Participants taking part in the auction will be published as soon as possible, however not later than on the business day following the closure of the last Bidding Round.
10. Then, the final summarised auction results will be published.

#### 4.1. TRANSMISSION TARIFFS AND COSTS

1. GAZ-SYSTEM will charge fees on gas transmission services in accordance with the currently applicable TGPS Tariff and TGPS TNC.
2. Tariff rates will be calculated in accordance with applicable legal regulations.
3. In accordance with the General Terms and Conditions of the PRISMA Capacity Platform, a tariff rate resulting from the currently applicable TGPS Tariff for each of quarters subject to the auction will be published. The tariff rate will be expressed in eurocents per 1 kWh/h of Capacity (contracted capacity) for three months, i.e. during a quarter (**ct/(kWh/h)/quarter**).
4. GAZ-SYSTEM will convert the rate of a quarterly short-term service resulting from the applicable TGPS Tariff for each of quarters under the Bundled Product auction into ct/(kWh/h)/quarter in order to publish it in the PRISMA platform, in accordance with the following rules:
  - i. the rate will be converted into eurocent (ct) at an average EU exchange rate defined and published by the National Bank of Poland in Table A on 31.01.2014;
  - ii. the rate will be converted into kWh/h in accordance with a conversion rate defined in Art. 2.1 hereof;
  - iii. the rate will be defined for each quarter separately, including the number of hours in a given quarter.
5. Given the principle of nominalism, all settlements between GAZ-SYSTEM and the Shipper will be made in PLN
6. After the end of the Bundled Product auction, all settlements with the Shipper on account of the transmission service provided will be based on the currently applicable TGPS Tariff and TGPS TNC based on Capacity (contracted capacity) obtained by a given Shipper under the Bundled Product auction.

#### 4.2. AUCTION PREMIUM

Pursuant to § 12.2 of the Tariff Regulation, "*Fixed fee rates defined in the tariff for points located on intersystem connections are minimum rates if capacities at such points are offered during auctions*". If as a result of the auction, an auction premium is defined, the fee payable by the Shipper on account of transmission services will be reduced by such a premium.

The First Bidding Round will commence from the Starting Price, meaning the sum of tariff fees for gas transmission services in accordance with the TGPS Tariff and the currently applicable GASCADE Tariff. If the quantity of Capacity (contracted capacity) ordered, as resulting from the offers submitted during each of the auctions of Bundled Product, will be equal or smaller than the quantity of available Capacity (contracted capacity), then the auction will be closed at this stage at the settlement price equal to the Starting Price.

If, however, demand for Capacity (contracted power) resulting from the offers exceeds the available Capacity (contracted capacity), then another Bidding Round will be opened.

For the purpose of the auction, GAZ-SYSTEM will use the following price thresholds:

- a. a big price threshold = 2.5 ct/(kWh/h)/quarter for each quarter of short-term services;
- b. a small price threshold = 0.5 ct/(kWh/h)/quarter for each quarter of short-term services.

Similar price thresholds in each auction will be used by GASCADE.

The auction premium is the sum of respectively big and small price thresholds defined by GAZ-SYSTEM and GASCADE. The auction premium will be given in **ct/(kWh/h)/quarter**. As a result of the auction, an auction premium will be defined for each quarter.

A part of the auction premium payable to GAZ-SYSTEM will be the  $S_{os}$  rate defined for a quarter including three-monthly settlement periods. On the basis of  $S_{os}$  rate, GAZ-SYSTEM will calculate a system congestion management fee (CMF) in accordance with the following formula. The fee will be payable in each settlement period in accordance with §10.1.5) of the Tariff Regulation.

For Capacity (contracted capacity) bought under the Bundled Product auction, a monthly fee (CMF) for (contracted) system congestion management, TGPS TNC, will be charged by GAZ-SYSTEM in accordance with the following formula:

$$CMF = 1/3 * (S_{os} * M_p) * x$$

Where:

<i>CMF</i>	<i>a monthly fee for (contracted) system congestion management [PLN];</i>
<i>S<sub>os</sub></i>	<i>the rate of a congestion management fee equal to the auction premium [cent/(kWh/h)/quarter];</i>
<i>M<sub>p</sub></i>	<i>capacity (contracted capacity) allocated under the auction [kWh/h];</i>
<i>x</i>	<i>an average EUR exchange rate defined and published by the National Bank of Poland on 31.01.2014.</i>

## 5. EXECUTION OF A TRANSMISSION AGREEMENT

1. Any Participant that has bought Capacity (contracted capacity) under the Bundled Product auction will execute two separate transmission agreements with GAZ-SYSTEM and GASCADE providing for the same quantity of Capacity (contracted capacity) at both sides of IP Mallnow, provided that both operators, i.e. GAZ-SYSTEM and GASCADE will use different measurement units of Capacity (contracted capacity), as well as different durations of gas days.
2. The TGPS Operator will immediately, however not later than 2(two) business days after the closure of the action, notify the Participant by electronic mail of Capacity (contracted capacity) allocated to such Participant and the amount of financial security. The amount of the financial security will be determined on the basis of the quantity of Capacity (contracted capacity) obtained by a given Participant during the auction of Bundled Product.

3. The Participant of the auction must submit the financial security in accordance with TGPS TNC within 3 (three) business days of the receipt of the information referred to in Section 2 above.
4. To confirm that they have obtained Capacity (contracted capacity) in the transmission system of GAZ-SYSTEM at IP Mallnow, each Participant that has obtained Capacity (contracted capacity) as a result of the auction of Bundled Product and submitted the required financial security will receive a draft transmission agreement.
5. The Participant must submit a unilaterally signed transmission agreement and all necessary attachments within 14 (fourteen) days of the receipt of the draft transmission agreement from GAZ-SYSTEM.

## **6. TERMS AND CONDITIONS FOR TRANSMISSION SERVICE PROVISION**

1. Due to the fact that, according to the provisions of the TGPS TNC, gas day is a period between 08:00 am on a given day until 08:00 am on the following day, however at the same time, according to the provisions of the General Contracts Terms and Conditions of GASCADE, gas day is a period between 06:00 am on a given day until 06:00 on the following day, for the Bundled Products described in Art. 2, the following rules shall apply:
  - a. Capacity (contracted capacity) in the quarter beginning on the 1st of April 2014 will be made available from 08:00 am on the 1st of April 2014 until 06:00 am on the 1st of July 2014, unless until 31 st of March 2014 the rules concerning the gas day in both transmission systems are unified,
  - b. Capacity (contracted capacity) in the quarter beginning on the 1st of July 2014 will be made available from 08:00 am on the 1st of July 2014 until 06:00 am on the 1st of October 2014, unless until 30 th of June 2014 the rules concerning the gas day in both transmission systems are unified,
  - c. if the Shipper obtains the same amount of Capacity (contracted capacity) for each of the quarters that are offered, the Capacity (contracted capacity) will be made available from 08:00 am on the 1st of April 2014 until 06:00 am on the 1st of October 2014, unless until 31 st of March 2014 the rules concerning the gas day in both transmission systems are unified.
2. For each gas day, the Shipper will submit two separate nominations in accordance with principles set out in the TGPS TNC for a nomination submitted to GAZ-SYSTEM and in accordance with principles set out in the General Contract Terms and Conditions of GASCADE for nominations submitted to GASCADE.
3. A daily nomination defines the quantity of gas by hour, provided that an hourly quantity may not exceed Capacity (contracted capacity) obtained as a result of the auction of Bundled Product. The provisions of point 2.2.3 of part II of the TGPS TNC shall not apply.
4. The sum of quantities of gas defined in nominations and renominations for entry points should be equal to the sum of quantities of gas defined in such nominations for exit points.

## **6.1. CHANGE OF AN ENTITY USING BUNDLED CAPACITY**

1. The termination of one of two transmission agreements related to bundled Capacity (contracted capacity):
  - a) by the Shipper as a result of the application of procedures set out in TGPS TNC or the General Contract Terms and Conditions of GASCADE, or
  - b) by TSO in accordance with TGPS TNC or by GASCADE in accordance with applicable Contract Terms and Conditions of GASCADE,

will be without prejudice to the other transmission agreement concerning bundled Capacity (contracted capacity). Capacity (contracted capacity) available only at one side as a result of such termination may be provided by the transmission system operator as unbundled Capacity (contracted capacity) for short-term periods.

2. The Shipper may resell unused Capacity (contracted capacity) acquired under the Pilot Project only in the secondary market within the meaning of the Regulation 715/2009 as bundled Capacity (contracted capacity) at both sides of IP Mallnow. Apart from conditions set out in TGPS TNC, such resale will be efficient provided that a potential buyer is approved by GASC.

## **7. CONFIDENTIALITY**

Any and all information obtained by GAZ-SYSTEM under the Bundled Product auction will be confidential and will not be disclosed to any third persons. Nevertheless, GAZ-SYSTEM has the right to provide any confidential information obtained under the Bundled Product auction or the content of a transmission agreement to the following authorities:

- 1) the authorities of GAZ-SYSTEM;
- 2) the Chairman of the Energy Regulatory Office, regulators authorised in terms of the location of IP Mallnow, and the European Commission;
- 3) other entities authorised to obtain such information in accordance with applicable legal regulations.

Furthermore, GAZ-SYSTEM will publish information about IP Mallnow to the extent defined by law.

## **8. FINAL PROVISIONS**

All the Participant's costs resulting from or incurred in connection with the Pilot Project and the Bundled Product auction will be paid only by the Participant, and not GAZ-SYSTEM.

This document is not an offer within the meaning of the Polish Civil Code (Journal of Laws No. 1964.16.93, as amended). This document is only an invitation to submit offers.

Both the Participant and GAZ-SYSTEM will not be liable towards each other for damages resulting from the Pilot Project, unless caused intentionally by the other Party.

The procedure may be terminated by GAZ-SYSTEM without the allocation of Capacity (contracted capacity) because of the Company's important interest.

GAZ-SYSTEM may invalidate the allocation of Capacity (contracted capacity) (Pilot Project) for serious reasons any time. GAZ-SYSTEM will notify Participants and the Chairman of the Energy Regulatory Office of the invalidation of the Pilot Project and specify reasons for such invalidation and an expected date on which the procedure will be repeated.

GAZ-SYSTEM reserves the right to amend or supplement the Rules or Appendixes hereto, including the extension of time limits set out herein, in particular in the case of changes in legal regulations, a need to obtain administrative approvals or decisions from competent authorities, including regulators. Such amendments and supplements will be published in the website of GAZ-SYSTEM after they are agreed with the Chairman of the Energy Regulatory authority.

In the event any of the provisions hereof is found impermissible or unenforceable, such a provision will be deemed to be excluded herefrom. Other provisions of the Rules will remain in force and the provision that is considered impermissible or unenforceable will be replaced with a similar provision that reflects the original intention of the Parties to the extent it complies with the applicable law. All amendments hereto are binding for Participants taking part in the Bundled Product auction which have been registered for GAZ-SYSTEM ISO in the PRISMA primary platform provided that they have been delivered thereto by e-mail to the address specified in the PRISMA primary platform in accordance with Art. 384 of the Civil Code (Journal of Laws No. 1964.16.93, as amended)

The Parties will aim at solving all potential disputes arising from the Bundled Product auction or interpretation hereof in an amicable way. Otherwise, all disputes arising from or connected with the Rules will be resolved by the Arbitration Tribunal at the Polish Chamber of Commerce in Warsaw in accordance with its regulations applicable as of the claim submission date by three arbitrators to be appointed in accordance with the Arbitration Tribunal's regulations. Any Shipper that submits a binding offer under the auction under the Pilot Project automatically accepts the arbitration clause within the meaning of the Civil Procedures Code.

All matters not provided for herein will be governed by the Polish law.

These Rules and appendixes hereto were prepared in Polish and in English. English versions of the document are provided only for information. In the case of discrepancies between documents in Polish and English, Polish versions prevail.

Appendixes hereto:

Appendix No. 1 – TGPS TNC

Appendix No. 2 – TGPS Tariff

Appendix No. 3 – Power of Attorney Form

## **9. NOTICES AND CONTACT DATA**

Any and all questions and electronic correspondence on the Bundled Product auction must be addressed to the following e-mail address:

to GAZ-SYSTEM: pr@gaz-system.pl

The leading language of correspondence is Polish. GAZ-SYSTEM will also accept correspondence in English.