



**TERMS AND CONDITIONS
FOR THE NON-BINDING MARKET SURVEY PROCEDURE
FOR NEW TRANSMISSION CAPACITY IN GIPL**

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1. INTRODUCTION

The gas transmission system operators of Poland and Lithuania, Operator Gazociągów Przesyłowych GAZ-SYSTEM S.A. (hereinafter referred to as "GAZ-SYSTEM") and AB Amber Grid (hereinafter referred to as "AMBER GRID") (jointly – hereinafter referred to as the "TSOs"), are in the process of constructing a new cross-border gas pipeline, which will connect the natural gas transmission systems of Poland and Lithuania, i.e. the Gas Interconnection Poland – Lithuania (hereinafter referred to as the "GIPL"). The commissioning of GIPL project is planned so that GIPL will be operational since calendar year 2022. When the GIPL is completed, a bi-directional interconnection point between the gas transmission networks of Poland and Lithuania will be established (hereinafter referred to as the "GIPL interconnection point"), thus allowing for elimination of so called energy islands, i.e. regions not integrated with the EU energy market, such as Lithuania, Latvia and Estonia, as well as Finland.

Both TSOs believe that, in addition to the obvious SoS function, the GIPL project demonstrates a high commercial potential and might provide high economic value for market players, that will support the development of a competitive energy market in the region and contribute to the process of regional gas market integration. This interconnection should provide a variety of benefits: integration of gas markets of the Baltic States and Finland into a common EU gas market, diversification of access to alternative gas supply sources, routes, counterparties and increase of competition, increased security and reliability of gas supply, enabling more flexible and efficient use of LNG terminals and transmission infrastructure in Poland and Lithuania, enhancement of liquidity both, in Polish and Baltic gas areas, and strengthening of their regional role.

According to current status of works, the commissioning of GIPL project is planned so that GIPL will be operational since calendar year 2022 applying standard rules for the access to its capacity. However, the overall period concerned by the Market Survey is from the Gas Year 2022/2023 for the consecutive 15 Gas Years. By carrying out this non-binding market survey procedure (hereinafter referred to as the "Procedure"), regulated by these Terms and Conditions, GAZ-SYSTEM and AMBER GRID intend to investigate the possibilities which can enhance the commercial usage of GIPL and its positive economic impact for the gas markets, and, as a result, to evaluate what would constitute the most optimal design of the rules of access to the GIPL interconnection point, to maximise its commercial utilisation by the market. GAZ-SYSTEM and AMBER GRID are looking for an opinion of the gas market players, being our current and potential clients, as well as other relevant stakeholders, in order to propose the optimal conditions for the access to the GIPL interconnection point.

The Procedure is non-binding, i.e. neither GAZ-SYSTEM, nor AMBER GRID, will be bound by the results of the Procedure in any way, however the results of the Procedure may be

taken into account by GAZ-SYSTEM and AMBER GRID in the future works related to the creation of a business model of the GIPL interconnection point.

1.1 Information about the GAZ-SYSTEM S.A. Group

The core business activity of **GAZ-SYSTEM** is the transport of gas through the transmission network in Poland, supplying gas to the distribution network and to end users connected to the transmission system. The national transmission system also enables the transmission of gas to/from connected storage facilities and transmission systems in neighbouring countries.

On December 6, 2018, the President of the ERO issued a decision pursuant to which GAZ-SYSTEM has obtained the status of a Transmission System Operator on Polish territory until December 6, 2068. GAZ-SYSTEM conducts transmission activities using the transmission network on the territory of Poland. Moreover, GAZ-SYSTEM is the owner of Polskie LNG S.A., which is the operator of the LNG Terminal in Świnoujście.

1.2 Information about AMBER GRID

Natural gas transmission system operator **Amber Grid** ensures reliable and safe transmission of natural gas by high pressure pipelines to the system users, the operation, maintenance and development of natural gas infrastructure of Lithuania. AMBER GRID started its operations on 1 August 2013, when the fixed-term natural gas transmission licence came into effect. On 10 April 2015, AMBER GRID was issued with an open-ended gas transmission business license and was designated as the Transmission System Operator.

As of 1 June 2019, AMBER GRID administers the National Register of Guarantees of Origin of gas produced from RES. The Company performs the functions of issue, transfer and cancel of Guarantees of Origin, supervises and controls the use of it, as well as provides the recognition of Guarantees of Origin, issued in other countries.

AMBER GRID shares are listed on the Baltic Secondary List of the NASDAQ Vilnius Stock Exchange. The controlling stake of AMBER GRID is owned by the holding company EPSO-G, whose 100% of the shares are owned by the Ministry of Energy of the Republic of Lithuania.

2. SCOPE AND GOAL OF THE PROCEDURE

Taking into account the value, that the GIPL may bring to the gas market in the region, both TSOs see the need to investigate the possibilities which can enhance commercial usage of GIPL and thus maximise its positive economic impact. Through this Procedure, GAZ-SYSTEM and AMBER GRID would like to obtain a better understanding of the key drivers for designing the optimal conditions for the access to GIPL interconnection point in both directions of the flow and provide higher value for our customers. In particular, the TSOs wish to focus on the pricing of the GIPL interconnection point, as well as the methods of capacity allocation. The market survey will also allow to estimate the market demand for new capacity in the Polish and Lithuanian Transmission Systems, which will be available as a result of the construction of GIPL.

According to art. 9(2) of the Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas (OJ L 72, 17.3.2017, p. 29-56, hereinafter referred to as the "NC TAR") there is a possibility to apply discounts from regular tariffs, however not resulting in the tariffs below the level of covering variable costs. Despite the fact that currently NC TAR allows for discount only in the direction to the Member States whose isolation from the rest of the EU market will be ended, the TSOs would like to obtain information on the market's interest in the capacity of the GIPL interconnection point if the transmission tariffs in both directions of the flow (i.e. from Poland to Lithuania and from Lithuania to Poland) would be set at a discount applied using generally applicable price reference methodology. The considerations of network users are relevant in assessment of what might be additional capacity bookings in case a certain level of discounts is applied.

Furthermore, the TSOs are interested in market's opinion on what types of standard capacity products the stakeholders would be interested in using, as well as in which season, i.e. winter or summer season, do they foresee the need to use the GIPL interconnection point.

As the GIPL interconnection point will constitute an interconnection point between EU Member States within the meaning of the Commission Regulation (EU) 2017/459 of 16 March 2017 establishing a network code on capacity allocation mechanisms in gas transmission systems and repealing Regulation (EU) No 984/2013 (hereinafter referred to as the "CAM NC"), certain standards will have to be applied when offering transmission services in this interconnection point, primarily offering the capacity in the form of standard capacity products, in the auction procedure, on a booking platform, in line with the ENTSOG auction calendar. At GIPL interconnection point all capacity products will be offered as bundled capacity, i.e. capacity products which consists of corresponding entry and exit capacity at both sides of GIPL interconnection point. However, the CAM NC gives the possibility of deviating from its' standard rules when applying implicit capacity allocation methods. With this method, a variety of capacity

products is offered bundled with commodity at exchanges or through brokerage houses and outside the windows of auctioning. The TSOs would like the market participants to consider, whether it might be worth to apply Implicit Capacity Allocation (ICA) model on the GIPL interconnection point.

Moreover, the TSOs are also interested in gaining market's view, ideas and considerations regarding the access conditions to transmission services related to GIPL in general.

As a result of the Procedure, the TSOs intend, inter alia, to estimate the level of market's demand for the capacity of the GIPL interconnection point, depending on the levels of the tariff discount applied to the GIPL interconnection point, types of standard capacity products offered, as well as depending on the summer/winter season. Moreover, the TSOs are hoping that they will get to know market's view on the application and relevant design elements of the ICA model.

The results of this public consultation will be useful in the decision making process regarding tariffication of GIPL transmission services, defining capacity products and drafting other provisions in network rules both in Poland and Lithuania. However, the TSOs wish to emphasize, that the outcome of the Procedure shall be treated purely as non-binding and informative, and it will not constitute an obligation neither for GAZ-SYSTEM, nor for AMBER GRID, to make any binding decisions.

3. LEGAL BASIS OF THE PROCEDURE

3.1 The TSOs conduct this Procedure acting on the basis of the provisions of Article 16 Section 2 of the Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005 (OJ L 211, 14.8.2009, p. 36), as well as taking into account the provisions of art. 9 of the NC TAR.

3.2 Moreover, the Procedure is conducted by GAZ-SYSTEM in accordance with the provisions of Section 2.2.1.12 of the applicable TNC of GAZ-SYSTEM S.A.¹, pursuant to which the duties of the transmission system operator in Poland include *"holding 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 (...) offering procedure of newly built and expanded physical entry points"*.

¹ GAZ-SYSTEM's currently applicable Transmission Network Code, adopted in accordance with applicable regulations and published on GAZ-SYSTEM's website <https://en.gaz-system.pl/strefa-klienta/iriesp/instrukcja-ruchu-i-eksploatacji-sieci-przesylowej/>

4. PROCEDURE SCHEDULE

The TSOs intend to conduct the Procedure in accordance with the schedule presented below.

	DATE	Procedure Stage
1.	4 November 2020	Start of the Procedure along with the publication of the Terms and Conditions
2.	25 November 2020	Webinar on the non-binding market survey
3.	7 December 2020	Deadline for submission of the Questionnaire
4.	21 December 2020	Assessment of the Questionnaires submitted during the Procedure by the TSOs
5.	23 December 2020	Announcement of the outcome of the Procedure (general description of the summarized results only)

Notwithstanding the foregoing, the TSOs may at any time extend the duration of each stage of the Procedure before the deadline for a given stage. Changes to the deadline will be published by the TSOs without undue delay.

5. MARKET SURVEY PROCEDURE

- 5.1 The Terms and Conditions define the rules and conditions of the Procedure, as well as the rights and obligations of the entities participating in the Procedure (hereinafter referred to as "Participant"), as defined by the TSOs.
- 5.2 Submission of the Questionnaire means that the Participant accepts the provisions of these Terms and Conditions.
- 5.3 Schedule assumptions for the GIPL project indicate that the capacity of the GIPL interconnection point will be made available to the market in the beginning of calendar year 2022. It is foreseen, that any potential changes to the tariff or the capacity allocation model, if applied by the TSOs, due to the need of preparatory process, could be introduced not earlier than from calendar year 2023. Therefore

it would be appreciated if the level of demand in the Questionnaire is indicated starting from the Gas Year² 2022/2023 and for a period of 15 Gas Years.

- 5.4 Market players interested in participating in the Procedure should fill out and submit the Questionnaire specifying their demand, in accordance with the template constituting Appendix No. 1 hereto.
- 5.5 In the Questionnaire, the Participant indicates i.a.:
 - 5.5.1 Participant's company details (all fields in the Questionnaire should be filled out);
 - 5.5.2 The non-binding information/reporting regarding GIPL interconnection point:
 - 5.5.2.1 demand for Capacity of the GIPL interconnection point in both directions of the flow, i.e. from Lithuania to Poland, as well as from Poland to Lithuania, along with additional information on the planned utilisation, depending on:
 - (a) level of discount applied to the capacity-based transmission tariff of the GIPL interconnection point - for each of the levels analysed in the Questionnaire,
 - (b) type of standard capacity product,
 - (c) preference of winter/summer season,
 - 5.5.2.2 interest in the implicit capacity allocation (ICA) model, including further details of such model and the capacity products which may be booked using ICA. The general description of the ICA constitutes Appendix No. 2 to the Terms and Conditions,
 - 5.5.2.3 additional information (if any) on what kind of improvements to GIPL access design could be implemented by the TSOs to increase the use and value of GIPL.
- 5.6 After receiving the Questionnaires, GAZ-SYSTEM and AMBER GRID will assess the Participants' demand and preferences for capacity of GIPL interconnection point and its allocation options with different assumptions applied, which will be useful for the purpose of future optimization of access conditions to the GIPL interconnection point.

² The period from 05:00 (UTC) on October 1 of a given calendar year to 05:00 (UTC) on October 1 of the following calendar year

6. SUBMISSION OF THE QUESTIONNAIRE

- 6.1 The Questionnaire should be submitted within the deadline consistent with the Schedule specified in Section 4, in the form provided in Section 6 of the Terms and Conditions.
- 6.2 The Questionnaire shall be submitted in an electronic way, i.e. as a document with an electronic signature or as a scan of the filled out and signed Questionnaire, along with a filled out electronic version of the Questionnaire in Microsoft Excel spreadsheet format. The Questionnaire and relevant appendices shall be submitted in English language version. Subject to the provisions of clauses 6.4-6.5 below, the Questionnaire and relevant appendices should be sent to each of the TSOs to the e-mail addresses: badanierynku@gaz-system.pl and consultation@ambergrid.lt.
- 6.3 Only Questionnaires signed by the person authorised to represent the Participant will be assessed under the Procedure.
- 6.4 The Questionnaire submitted by the market participant which has signed a transmission service agreement with AMBER GRID and sent from the registered email address – for AMBER GRID only - may be submitted without any specific power of attorney. This however does not influence the way in which the Questionnaire should be submitted to GAZ-SYSTEM.
- 6.5 For GAZ-SYSTEM, together with the Questionnaire, a signed GDPR clauses for relevant persons (in line with the template that constitutes Appendix No. 3) should be submitted, in an electronic way, i.e. as a document with an electronic signature or as a scan of the filled out and signed document.
- 6.6 Participants may submit a new Questionnaires by the date specified in the Schedule as the "Deadline for submission of the Questionnaire". The new Questionnaire replaces the previous one and all information from the previous Questionnaire will be omitted. The new Questionnaire should meet the requirements referred to in the Terms and Conditions.
- 6.7 If the Questionnaire will not contain all relevant information, or the answers would raise questions for interpretation, the TSOs reserve the right to contact the Participant in order to clarify the Questionnaire and explain any inaccuracies.

7. CONFIDENTIALITY

- 7.1 The TSOs shall treat all information obtained from the Participants during the Procedure as confidential. The TSOs undertake to use the information obtained during the Procedure solely for the purposes of the Procedure.

- 7.2 The TSOs may disclose information obtained from Participants during the Procedure within their ownership structure, and during discussions or proceedings held by authorised administrative bodies, such as relevant NRA or European Commission, legal regulations, a court decision, an administrative decision or if the information has already been made public at the time of disclosure without breaching confidentiality rules defined herein.
- 7.3 Moreover, the TSOs may disclose information in an aggregate and anonymised form to third parties. Information in this form may be disclosed to market participants, during planned meetings, workshops, etc., as well as to relevant authorities in order to obtain approvals or to parties involved in the implementation of the GIPL project.
- 7.4 Moreover, the TSOs may disclose information to any consultant or adviser engaged by the TSOs in the implementation of the GIPL project, provided that the consultant or advisor is obliged to keep the provided information confidential.

8. FINAL PROVISIONS

- 8.1 The TSOs confirm that the Procedure is non-binding. The reported demand and proposals related to the GIPL access design obtained as a result of the Procedure will not constitute an obligation for the TSOs to make any binding decisions on the future allocation or tariffication models for the GIPL interconnection point.
- 8.2 The Procedure is open to all interested entities, regardless of having a transmission contract with GAZ-SYSTEM or AMBER GRID. The TSOs however want to emphasize, that any binding capacity reservation of the GIPL interconnection point, in any future allocation procedure(s) held by the TSOs, will be possible only for the market users having a framework transmission agreements concluded with each of the TSOs.
- 8.3 All costs related to participation in the Procedure are borne solely by the Participant and will not be reimbursed by the TSOs.
- 8.4 These Terms and Conditions do not constitute an offer submitted to Participants within the meaning of Article 66 § 1 of the Act of 23 April 1964 Polish Civil Code (Journal of Laws of 2019, item 1145, as amended) or the relevant provisions of the Civil Code of the Republic of Lithuania.
- 8.5 Neither the Participant nor the TSOs shall be liable to each other for any damage, including loss of profits, incurred in connection with the Procedure, unless the party has suffered a damage as a result of wilful misconduct of the other party.

- 8.6 All disputes between GAZ-SYSTEM and the Participant arising in connection with the provisions of these Terms and Conditions, shall be subject to the laws of the Republic of Poland.
- 8.7 All disputes between AMBER GRID and the Participant arising in connection with the provisions of these Terms and Conditions, shall be subject to the laws of the Republic of Lithuania.
- 8.8 The Promoters reserve the right to amend or supplement the Terms and Conditions, including the extension of the deadlines specified in these Terms and Conditions, in particular in the event of changes to the law, the need to obtain administrative approvals, or decisions of competent authorities. Such changes and additions will be published on the TSOs' websites.
- 8.9 Should any of the provisions of these Terms and Conditions prove to be illegal or unenforceable, such provision shall be deemed excluded from its content. The remaining provisions of the Terms and Conditions shall remain in force and the provision deemed illegal or unenforceable shall be replaced with a similar provision reflecting the original intention of the TSOs to the extent that it is consistent with applicable law.
- 8.10 Information clause resulting from Article 13 and Article 14 of the GDPR constitutes for GAZ-SYSTEM Appendix No. 3 to the Terms and Conditions, and for Amber Grid Appendix No. 4 to the Terms and Conditions. Entities participating in the Procedure undertake to read its content and to make it available to individuals whose personal data will be transferred in connection with the pending Procedure.

9. LANGUAGE, NOTIFICATIONS AND CONTACT DETAILS

- 9.1 The Terms and Conditions and appendices thereto have been prepared in English, Polish and Lithuanian language versions. The Polish and Lithuanian language versions have been prepared for informative purposes only. In the event of any discrepancies between those language versions, the English version shall prevail.
- 9.2 The preferred language for any questions and clarifications during Procedure is English, however GAZ-SYSTEM will accept correspondence also in Polish language version, and AMBER GRID in Lithuanian language version.
- 9.3 Within the time specified in the Schedule, the Participants shall submit to the TSOs the filled out Questionnaire via e-mail to each of the following addresses: badanierynku@gaz-system.pl and consultation@ambergrid.lt, in line with the formal requirements specified in clause 6. The same e-mails shall be used in case of any questions and clarifications regarding the Procedure.

APPENDICES:

1. Appendix No. 1 - Questionnaire
2. Appendix No. 2 – Description of implicit capacity allocation
3. Appendix No. 3 - GDPR information clause for GAZ-SYSTEM
4. Appendix No. 4 - GDPR information clause for Amber Grid