



**TERMS AND CONDITIONS FOR THE NON-BINDING MARKET SURVEY
PROCEDURE FOR NEW TRANSMISSION CAPACITY IN THE NATIONAL
TRANSMISSION SYSTEM RELATED TO THE CONSTRUCTION OF A NEW
LNG TERMINAL**

July 2020

Pursuant to the provisions of section 2.2.1.12 of the applicable Transmission Network Code of the Gas Transmission Operator GAZ-SYSTEM S.A., the duties of the Transmission System Operator in Poland include "conducting periodic surveys of the market demand for new transmission infrastructure, the results of which will be taken into account when drawing up development or capacity allocation plans". Moreover, pursuant to section 4.1.3.2 of this network code, GAZ-SYSTEM conducts a dialogue with Market Participants regarding the need to expand the transmission network.

By carrying out the non-binding market survey procedure regulated by these Terms and Conditions, GAZ-SYSTEM intends to estimate the level of market demand for the capacity of the domestic transmission system, with particular emphasis on a new transmission capacity at the physical entry point to the national transmission system created as a result of the construction of a new LNG Terminal, as well as other additional services.

The results of the Procedure will be taken into account by GAZ-SYSTEM in future works related to the planning of the expansion of the national transmission system in terms of both, the off-take of gaseous fuel from the LNG Terminal and its delivery to the locations indicated by the participants of this survey.

1. DEFINITIONS

Gross calorific value - Gross calorific value of H_{SN} [298.15 K, 101.325kPa, V (273.15 K, 101.325 kPa)] - the amount of heat that would be released as a result of total combustion in the air of a specified volume of gaseous fuel if the reaction occurred under a constant pressure of 101.325 kPa, all the products of combustion except for water were in a gaseous state, the water formed in the combustion process condensed and all products of combustion (both in gaseous state and water in liquid state) were brought to the same temperature of 298.15 K as the parent substances;

Physical Entry Point from the LNG Terminal to the national transmission system (FPWE_{OIR}) - the planned place of gas delivery to the transmission system with a specific physical location;

Physical Exit Point - a place where gas is off-taken from the national transmission system with a specific physical location on the existing or planned connections with the transmission systems of neighbouring countries;

GAZ-SYSTEM or the Company - Gas Transmission System Operator GAZ-SYSTEM S.A.;

TNC - the Company'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/>

Questionnaire - the demand questionnaire made available as part the Procedure;

LNG - liquefied natural gas - a liquid product consisting mainly of methane, obtained from natural gas by cooling it to a temperature not higher than -159°C;

Contractual capacity – maximum hourly quantity of gas under Normal Conditions which should be off-taken by the user of the LNG Terminal at the exit point from the LNG Terminal corresponding to the Physical Entry Point from the LNG terminal to the national transmission system (FPWEOIR), established for the given Gas Year; expressed in kWh/h;

Regasification Plant Operator (OIR) - an energy company engaged in the unloading, process storage of LNG and regasification of liquefied natural gas (LNG);

Gaseous Fuel - High-methane natural gas and biogas, transmitted through the transmission grid and meeting the requirements specified in the TNC;

Procedure - a non-binding market survey procedure, the rules of which are described in these Terms and Conditions, aimed at estimating the market demand for new capacity in the national transmission system, which may be made available as a result of the construction of a new LNG Terminal along with its integration with the transmission system by creating a Physical Entry Point from the LNG Terminal to the national transmission system (FPWEOIR);

Capacity - the maximum hourly quantity of gaseous fuel expressed in energy units (kWh/h) that can be transferred for transmission at the Physical Entry Point from the LNG Terminal or received from the transmission system at the Physical Exit Point;

Terms and Conditions - this document describing the rules for carrying out the Procedure;

Gas Year - the period from 06:00 (CEST) on October 1 of a given calendar year to 06:00 on October 1 of the following calendar year;

Average Regasification Capacity - average hourly quantity of gas under Normal Conditions, which should be off-taken by the user of the LNG Terminal at the exit point from the LNG Terminal corresponding to the Physical Entry Point from the LNG terminal to the national transmission system (FPWE_{0IR}), established for the given Gas Year; expressed in kWh/h;

LNG Terminal - the facility planned to be located in the area of Gdańsk, including the FSRU (Floating Storage Regasification Unit), capable of LNG unloading, process storage of LNG and regasification, as well as providing additional services;

Participant - each entity that submitted the Questionnaire during the Procedure;

Normal Conditions - reference conditions for billing purposes: absolute pressure of 101.325 kPa and temperature of 273.15 K;

For the purposes of this Procedure, the adopted units of measurement are:

m³ : cubic metres of LNG (defined under normal conditions) for additional services

kWh: kilowatt hour (unit of energy determined using the Gross Calorific Value)

Reference to "Gaseous Fuel quantity" is to be understood as reference to the amount of Gaseous Fuel expressed in kWh, unless expressly stated otherwise.

2. GENERAL INFORMATION

One of the statutory tasks of GAZ-SYSTEM is to ensure the long-term capacity of the gas transmission system to meet the justified needs of gas transmission in domestic and cross-border trade, as well as the expansion of the gas transmission system.

Therefore, GAZ-SYSTEM is implementing a number of investments in line with the strategic goals set out in the Strategy of the Gas Transmission Operator GAZ-SYSTEM S.A. until 2025 and in the National Ten-Year Development Plan for the Transmission System, i.e. the development plan to meet the current and future demand for gaseous fuel for the years 2020-2029.

Implementation of the new LNG Terminal project in the Gdańsk region is part of the Polish and European policy of ensuring secure access to gaseous fuel. It is part of many strategies and policies¹ in terms of ensuring the security of gas supplies, as well as in response to the constantly growing demand for gaseous fuel in Poland as well as in Central and Eastern Europe. Therefore, it is a project that belongs to the group of programmes ensuring energy security and is part of the energy and economic transformation process of the country, assuming the transition to energy sources with lower emissions. In 2019, the LNG Terminal was entered by the European Commission on the fourth list of Projects of Common Interest to the European Union (PCI status)².

¹ See the Draft Energy Policy of Poland until 2040, National Security Strategy of the Republic of Poland, Assumptions of the Framework Strategy for a Resilient Energy Union COM(2015) 80 final.

² On February 12, 2020, the European Parliament adopted the fourth list of Projects of Common Interest, the so-called PCI list. Subsequently, the PCI list was published in the EU Journal in March 2020.

The investment that will result in the construction of the LNG Terminal includes:

- Placing the Floating Storage Regasification Unit (FSRU) and preparing it for operation,
- Design and construction of the offshore gas pipeline connecting the above-mentioned infrastructure with the National Transmission System,
- Design and construction of infrastructure enabling mooring of the FSRU and gas off-take from the unit, along with unloading infrastructure and accompanying systems,
- Design and construction of new or expansion of the existing onshore infrastructure that will enable gas off-take from the FSRU Terminal and distribution to the National Transmission System;

In this area, GAZ-SYSTEM, among other things, conducts activities aimed at estimating the market demand for new capacity in the National Transmission System, which may be made available as a result of the construction of a new LNG Terminal along with its integration with the transmission system by creating a Physical Entry Point from the LNG Terminal to the national transmission system (FPWE_{OIR}).

It is assumed that the new LNG Terminal will allow regasification of at least 4.5 billion m³ per year, but the final decision on the technical regasification capacities of the LNG Terminal, and thus offered Capacity will depend largely on market interest submitted under this Procedure and then confirmed in the binding phase of the market demand survey.

Preliminary analyses indicate that the Capacity could be made available on the market starting **from the gas year 2026/2027**.

The Procedure may result in a decision to admit access to the technical capacity at the Physical Entry Point from the LNG Terminal to the national transmission system (FPWE_{OIR}) and the parameterization of the LNG Terminal, identifying target technical regasification capacities and the list of additional services available.

The reported demand as a result of the Procedure will not constitute an obligation for GAZ-SYSTEM to make investment decisions.

2.1 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. The Company conducts transmission activities using the transmission network on the territory of Poland.

GAZ-SYSTEM is the owner of Polskie LNG S.A., which is the operator and is also expanding the Lech Kaczyński LNG Terminal in Świnoujście.

3. LEGAL BASIS

- 3.1 The legal basis for the Procedure are the provisions of Article 16 Section 5 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) and the provisions of the Energy Law.
- 3.2 The Procedure is conducted by GAZ-SYSTEM in accordance with the provisions of Sections 2.2.1.12, 4.1.2, 4.1.3.2 of the TNC, which obligate the Company to conduct periodic market demand surveys for new transmission infrastructure, the results of which will be taken into account when drawing up development plans or carrying out procedures for providing access to newly built or developed entry points.

4. PROCEDURE SCHEDULE

GAZ-SYSTEM intends to conduct the Procedure in accordance with the schedule presented below.

	DATE	Procedure Stage
1.	20.07.2020	Start of the Procedure along with the publication of the Terms and Conditions
2.	28.09.2020	Deadline for submission of the Questionnaire
3.	02.10.2020	Assessment of the Questionnaires submitted during the Procedure
4.	07.10.2020	Announcement of the Procedure results

Notwithstanding the foregoing, GAZ-SYSTEM 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 Company 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 entities participating in the Procedure, as defined by GAZ-SYSTEM.
- 5.2 Submission of the Questionnaire means that the Participant accepts the provisions of these Terms and Conditions.

- 5.3 As a result of the Procedure, GAZ-SYSTEM intends to estimate the level of market participants' demand for:
 - 5.3.1 Capacity at the Physical Entry Point from the LNG Terminal to the national transmission system (FPWE_{OIR}),
 - 5.3.2 Average Regasification Capacity that may be made available at the LNG Terminal,
 - 5.3.3 Capacity at Physical Exit Points,
 - 5.3.4 Additional services that can be provided at the LNG Terminal
- 5.4 Initial schedule assumptions indicate that the new capacity could be made available to the market starting from the gas year 2026/2027, therefore it is advisable to define the level of demand in the Questionnaire starting from 2026/2027 for a period of 20 Gas Years.
- 5.5 Participants interested in participating in the Procedure should fill out and send back the Questionnaire specifying their demand in accordance with the template constituting Appendix No. 1 hereto.
- 5.6 In the Questionnaire, the Participant will indicate:
 - 5.6.1 Participant's company details (all fields in the Questionnaire should be filled out)
 - 5.6.2 The following information/reporting regarding non-binding demand:
 - 5.6.2.1 Capacity in the Physical Entry Point from the LNG Terminal (FPWE_{OIR}) to the National Transmission System, expressed in kWh/h,
 - 5.6.2.2 Average Regasification Capacity, expressed in kWh/h along with additional information on the planned annual number of LNG deliveries/number of ship calls and the Contractual Capacity (maximum possible hourly regasification capacity).
 - 5.6.2.3 Capacity at Physical Exit Points (supplementary, non-obligatory information), expressed in kWh/h
 - 5.6.2.4 additional services provided at the LNG Terminal (supplementary, non-obligatory information), including
 - a) Extended process storage of LNG - storage of liquefied natural gas in a storage tank installed in the liquefied natural gas facility for a period longer than planned in the schedule for conducting the regasification process of this quantity of LNG with the Contractual Capacity;
 - b) Reloading to smaller units - loading of liquefied natural gas onto a smaller vessel mooring to the LNG Terminal. The service will include loading into a vessel with a total length from approximately 50 m to approximately 110 m and a draught of

up to 7 m and a cargo capacity from approximately 500 m³ to approximately 7,500 m³ of LNG.

The capacity allowing to load LNG into a vessel up to 1,000 m³ LNG/h;

c) Bunkering - loading LNG directly onto a vessel that uses LNG as fuel. The service will include loading LNG fuel directly to the vessel from the LNG Terminal with a capacity of 50 m³/h;

5.6.2.5 Gas Year (gas years) for which the demand for Capacity, Average Regasification Capacity, estimated frequency of ship calls and demand for additional services is expressed;

5.6.2.6 Anticipated LNG quality parameters (supplementary, non-obligatory information).

5.7 After receiving the Questionnaires, GAZ-SYSTEM will assess the Participants' demand for new capacity of the national transmission system, which would be made available as a result of the implementation of the new LNG Terminal along with its integration with the transmission system by creating a new Physical Entry Point from the LNG Terminal to the national transmission system (FPWE_{OIR}).

5.8 As a result of the Procedure, GAZ-SYSTEM may also decide to parameterize the LNG Terminal, define the target technical regasification capacity and the technical capacity of the Physical Entry Point from the LNG Terminal to the national transmission system (FPWE_{OIR}) and the list of the additional services available.

5.9 Based on the results of the Procedure, GAZ-SYSTEM will make a decision to initiate a binding procedure.

6. SUBMISSION OF THE QUESTIONNAIRE

6.1 The questionnaire should be submitted within the deadline consistent with the Schedule specified in Section 4 and in the form provided in Section 6 of the Terms and Conditions.

6.2 A scan of the filled out Questionnaire, signed by an authorised person, along with a filled out electronic version of the form in Microsoft Excel spreadsheet format, should be sent to GAZ-SYSTEM by electronic means to the e-mail address indicated in Section 10.1 of the Terms and Conditions.

6.3 Only Questionnaires signed by the person authorised to represent the Participant will be assessed under the Procedure.

6.4 Participants may submit a new Questionnaires by the date specified in the Schedule as the "Questionnaire Submission Deadline." 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.

- 6.5 If the Questionnaire contains omissions or errors, in particular when all necessary information is not provided, GAZ-SYSTEM reserves the right to contact the Participant in order to clarify the Questionnaire and explain any inaccuracies.

7. CONFIDENTIALITY

- 7.1 GAZ-SYSTEM treats all information obtained from Participants during the Procedure as confidential. GAZ-SYSTEM undertakes to use the information obtained during the Procedure solely for the purposes of the Procedure.
- 7.2 GAZ-SYSTEM may disclose information obtained from Participants during the Procedure within its ownership structure, and if required by legal regulations, a court decision, an administrative decision or if the information has already been made public at the time of disclosure. If it is necessary to disclose information obtained from Participants during the Procedure due to applicable law, GAZ-SYSTEM will inform the Participant about the disclosure.
- 7.3 Moreover, GAZ-SYSTEM may disclose information in an aggregate and anonymised form to third parties, if it will be required to continue the implementation of building LNG Terminal. 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 project.
- 7.4 Moreover, GAZ-SYSTEM may disclose information to any consultant or adviser engaged by GAZ-SYSTEM in the implementation of the project, provided that the consultant or advisor is obligated to keep the provided information confidential.

8. SUPPLEMENTARY INFORMATION

Considering the provisions of Section 7.1.1 of the currently binding TNC, GAZ-SYSTEM informs that in order to participate in a possible future binding phase of market demand survey and to effectively submit a binding bid for capacity, it will be necessary to have a framework transmission contract concluded with the TSO. The procedure of concluding the transmission contract is regulated in Chapter 6 of the TNC.

9. FINAL PROVISIONS

- 9.1 The costs related to participation in the Procedure are borne by the Participant and will not be reimbursed by GAZ-SYSTEM.
- 9.2 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 Civil Code (Journal of Laws of 2019, item 1145, as amended), and the Parties confirm that the Procedure is only preliminary and non-binding.
- 9.3 Neither the Participant nor GAZ-SYSTEM 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 as a result for wilful misconduct of the other party.
- 9.4 In matters not covered by the provisions of the Terms and Conditions, the provisions of Polish law shall apply.
- 9.5 GAZ-SYSTEM reserves 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, including the President of the ERO not envisaged in the Terms and Conditions. Such changes and additions will be published on GAZ-SYSTEM's website.
- 9.6 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 GAZ-SYSTEM to the extent that it is consistent with applicable law.
- 9.7 The Terms and Conditions and appendices to the Terms and Conditions have been prepared in Polish and English. In the event of any discrepancies between the documents in Polish and English, the Polish version shall apply.
- 9.8 Information clause resulting from Article 13 and Article 14 of the GDPR constitutes Appendix No. 2 to this procedure. 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.

10. NOTIFICATIONS AND CONTACT DETAILS

- 10.1 Within the time specified in the Schedule, the Participants shall submit to GAZ-SYSTEM the filled out questionnaire in electronic form via e-mail to the following address: badanierynku@gaz-system.pl
- 10.2 Any questions and electronic correspondence regarding the Procedure should be directed to the e-mail address specified in Section 10.1.

10.3 The binding language for all correspondence is Polish. GAZ-SYSTEM also allows correspondence in English.

APPENDICES:

1. Appendix No. 1 - Questionnaire
2. Appendix No. 2 - GDPR information clause