

REVIEW OF THE GENERAL TERMS AND CONDITIONS OF THE TRANSMISSION CONTRACT (GTC)

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AGENDA

1. Why GTC revision?
2. New GTC implementation process.
3. Revision of the financial security catalogue.
4. Minimum threshold of financial security for Shippers with transmission ability allocation (PZ).
5. Principles regarding increased financial security for resumption of transmission service by TSO.
6. Other significant GTC changes.

WHY GTC REVISION?



GTC adaptation to new legal provisions



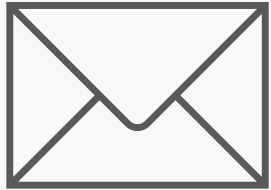
enhanced protection of the interests of gas market participants and customers by reducing their risk of costs of imbalance in the transmission system



improved cooperation mechanisms and introduction of changes proposed by system users

NEW GTC IMPLEMENTATION PROCESS

Effective date of new GTC - 1 November 2020



- ✓ new GTC are already available on GAZ-SYSTEM website
- ✓ hard copy of new GTC communicated to customers
- ✓ email notification
- ✓ direct contact

The System User (National Transmission System) or the Shipper (TGPS) is bound by new GTC after 30 days of the date of receipt of the written information, unless they choose to terminate the transmission contract

The transmission contract may be terminated within 14 days of the date of receipt of GTC revision notification, with a 14-day notice period

REVISION OF THE FINANCIAL SECURITY CATALOGUE

INSURANCE GUARANTEE NO LONGER ACCEPTED

- a form of security almost never used by Shippers

THE REQUIREMENT FOR AN EU OR EFTA/EEA LOCATION OF AN ENTITY SUBMITTING A BANK GUARANTEE OR SURETY AND AN ENTITY USING A PROMISSORY NOTE

- to limit TSO's risk associated with enforcement of Financial Security from an entity located in a third country

ENTITY SUBMITTING A BANK GUARANTEE OR SURETY MAY NOT BE SUBJECT TO SANCTIONS

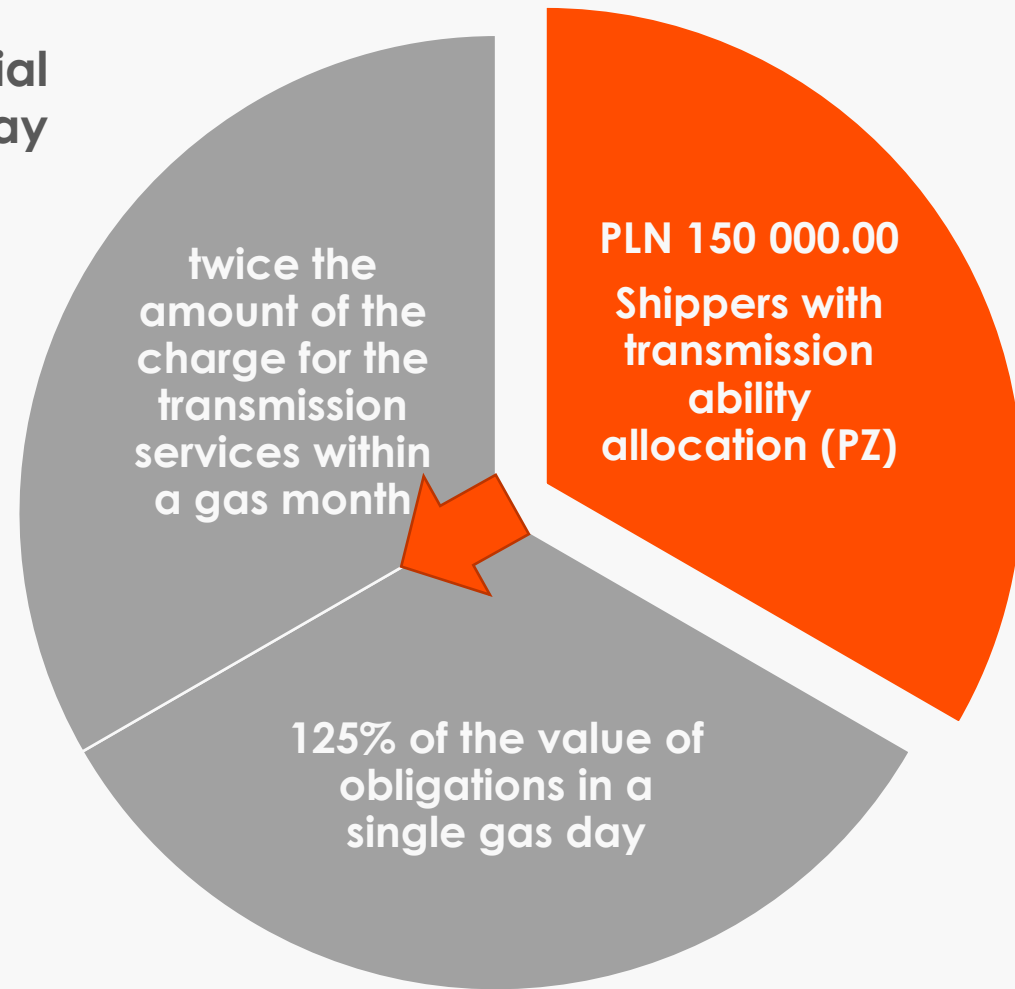
- protection against non-recovery of possible claims from Financial Security

CAP ON SURETY AT 10% OF GUARANTOR'S SHARE CAPITAL

- protection against non-recovery of possible claims from Financial Security

MINIMUM THRESHOLD OF FINANCIAL SECURITY FOR SHIPPERS WITH TRANSMISSION ABILITY ALLOCATION (PZ)

As of 1 November 2020, the submitted Financial Security may not be lower for a single gas day than the highest of:



MINIMUM THRESHOLD OF FINANCIAL SECURITY FOR SHIPPERS WITH TRANSMISSION ABILITY ALLOCATION (PZ)

Why the minimum threshold of Financial Security?

- ▶ no requirement of Financial Security from the Shippers with inactive transmission ability allocation (PZ)
- ▶ Financial Security submitted by some Shippers, for instance those using the OTC market, is relatively low in relation to potential risks arising from imbalance costs



How was PLN 150 000.00 determined?

The minimum threshold level of Financial Security was determined based on assessment of:

- ▶ performance of transmission contracts concluded with Shippers, and
- ▶ solutions introduced by other TSOs in relevant regulations

MINIMUM THRESHOLD OF FINANCIAL SECURITY FOR SHIPPERS WITH TRANSMISSION ABILITY ALLOCATION (PZ)

TSO identified 48 Shippers with Financial Security below PLN 150 000,00 - each of those Shippers was individually notified about possible measures to reduce the risk of suspension from the moment of implementation of GTC changes

creation of Balancing Group and the jointly determined appropriate Financial Security

increase of Financial Security to the required level

the option to terminate transmission ability allocation (PZ)

joining one of the existing Balancing Groups



PRINCIPLES REGARDING INCREASED FINANCIAL SECURITY FOR RESUMPTION OF TRANSMISSION SERVICE BY TSO

Upon suspension of transmission services by TSO, resumption of these services by TSO will be possible when the Financial Security submitted by System User **is not lower, for a single gas day, than the highest of:**



1	2	3
200% of the value of System User's obligations towards TSO in a single gas day	Threefold of the amount of the charge for the transmission services within a gas month	PLN 400 000.00

The above rules apply to the System User only for a **period of 3 consecutive months** of the date of resumption of transmission services by TSO



As per Article 29 of Commission Regulation (EU) 312/2014 establishing a network code on gas balancing of transmission networks, the transmission system operator shall not gain or lose by the payment and receipt of imbalance charges and to this end the operator may pass on to network users any costs and revenues arising from imbalance charges.



OTHER SIGNIFICANT GTC CHANGES

- ✓ more clear provisions on TSO's consent to reduce the Financial Security
- ✓ tolerance mechanism, i.e. **the option for the TSO to refrain from requesting increase of Financial Security when the amount is at or below PLN 1 000.00**
- ✓ simplified billing - **pro-forma invoicing withdrawn**
- ✓ more clear provisions on mutual offsetting of receivables and payables
- ✓ more clear provisions regarding GDPR



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THANK YOU FOR YOUR ATTENTION.

