

OPEN CONTEST REGULATIONS

**RENOVATION OF 4 GAS PRODUCTION WELLS AT INCUKALNS
UNDERGROUND GAS STORAGE OF JSC “CONEXUS BALTIC GRID”**

Riga 2018

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1. GENERAL TERMS

1.1. Purpose

- 1.1.1. The purpose of this Open contest (hereinafter – the Contest) is to openly and publicly select a contractor company (hereinafter – the Tenderer) for the qualitative and economically advantageous works for Renovation of 4 gas production wells at Incukalns Underground Gas Storage of JSC “Conexus Baltic Grid” (hereinafter – the Renovation Works) with competition ensured.
- 1.1.2. The Joint Stock Company “Conexus Baltic Grid” (registered as “Akciju sabiedrība „Conexus Baltic Grid””), hereinafter – the Contracting Authority, calls for tenders for the performance of Renovation Works of 4 gas production wells at Incukalns Underground Gas Storage of JSC “Conexus Baltic Grid” in accordance with the Technical Requirements (Appendix No. 1 in English).
- 1.1.3. Renovation Works of 4 gas production wells at Incukalns Underground Gas Storage of ontest (hereinafter – Contractor) in accordance with Gazpom VNIIGAZ, LLC Project (hereinafter – Project) requirements and the Contract signed.

1.2. Organiser of the Contest

- 1.2.1. The Organiser of the Contest is:
Joint Stock Company “Conexus Baltic Grid”
Unified Reg. No. 40203041605,
Aristida Briana iela 6, LV-1001, Riga, Latvia
Incukalns Underground Gas Storage,
Ragana, Krimulda parish, Krimulda district, LV-2144, Latvia
- 1.2.2. The authorized representatives of the Contracting Authority who will provide information with regard to the procedure of the Open contest Head of the Procurement Divison of the Legal Department of JSC “Conexus Baltic Grid” – Sandris Strazdiņš, phone: +(371) 67087972, phone: +(371)29511577, email:sandris.strazdins@conexus.lv and with regard the technical requirements in the Contest Documents is Project manager of Technical Development and Investments Department of JSC “Conexus Baltic Grid”: Kristaps Martinsons, phone: +(371) 28602449, e-mail:kristaps.martinsons@conexus.lv).

1.3. Type of the Contest

- 1.3.1. The Contest is organised as an open procurement procedure in accordance with the requirements of Interior procurement order of JSC “Conexus Baltic Grid”, with the Contracting Authority organising open calls for the Tenderers to submit their Tenders.
- 1.3.2. Participation in the Contest is open to any person or a group of persons registered in any country who meets the required qualifying criteria.
- 1.3.3. Participation in the Contest is a demonstration of the free volition of Tenderers, based on equal terms and conditions for all Tenderers.

1.4. Instructions for Tenderers

- 1.4.1. Each Tenderer may submit only one Tender for the whole scope of Renovation Works. The Tenderers who submit more than one Tender or the Tender is submitted not in a whole scope of Renovation Works will be disqualified.
- 1.4.2. The Tenderer may submit the Tender in compliance with Clause 2 of the Contest Regulations (hereinafter – Contest Regulations) and the requirements of Technical Requirements (Appendix No.1).

- 1.4.3. The Tenderer shall carefully examine the Contest Regulations and shall assume all responsibility for the Tender's compliance with the requirements of the Contest Regulations and its Appendixes.
- 1.4.4. The submission of the Tender implies a clear and outright intention to participate in the Contest and acceptance of terms and conditions of the Contest Regulations. The above-mentioned Tender is legally binding for the Tenderer who submitted it.
- 1.4.5. The submission of the Tender implies the Tenderer's acceptance of all terms and conditions of the Contest Regulations. Any condition in the Tender contrary to the terms set by Contest Regulations may result in rejection of the Tender.
- 1.4.6. The Tenderer shall bear all costs associated with the preparation and submission of its Tender. The Contracting Authority will in no case be responsible or liable for those costs, regardless of the outcome of the tendering process.
- 1.4.7. In case the Tender is submitted by an unregistered group of persons (association of subcontractors), it shall be clearly stated in the Tender letter and register as a general partnership in accordance with the procedure provided by the law of Latvia no later than before signing the Contract.
- 1.4.8. In case when the Tender is submitted by a group of persons, requirements applicable to the Tenderer, shall refer to the group of persons together except for the requirements stated in Clause 3 refer to each member of the group of persons individually.
- 1.4.9. Subcontracting is permitted providing that the whole contractual liability remains with the Tenderer. An intention by the Tenderer to sign subcontract with regard to a certain part of the Contest shall be clearly stated in the Tender, and documents confirming the Subcontractor(s) qualification, in accordance with Clause 3 shall to be provided.
- 1.4.10. The Contracting Authority will exclude the Tenderer from further participation if the Tenderer:
 - 1.4.10.1. has tax or social security contributions' debts in accordance with the legal provisions of his country of registration exceeding in total the amount of 150 eur (one hundred fifty *euro*);
 - 1.4.10.2. is declared insolvent or wound up, has suspended or ceased his business activities or is the subject of proceedings with regard to termination of the Tenderer's activities, insolvency or bankruptcy;
- 1.4.11. Tenders shall be submitted for the full scope of works specified in Clause 2.1 of Contest Regulations in accordance with the requirements of Technical Requirements (Appendix No.1) filling data in the Tender Letter Form (Appendix No.2) and the prices of Tenders indicated in the Forms of the Financial Bid – (Appendix No.4).
- 1.4.12. The Contest Regulations are prepared in English. The Technical Requirements are made in English languages.

2. INFORMATION ON THE SUBJECT OF THE CONTEST

2.1. Subject of the Contest, its Quantitative and Qualitative Characteristics

- 2.1.1. The Subject of the Contest and the subsequent Contract is the renovation of 4 (four) gas production wells at JSC "Conexus Baltic Grid" Incukalns Underground Gas Storage.
- 2.1.2. The Renovation Works shall be completed till December 15, 2019.
- 2.1.3. The scope of Renovation Works of every well includes the following main activities:
 - Preliminary works (mobilization, as-built drawing of performance of well Renovation works, well-site preparation);

- Well killing;
- Dismantling of wellhead equipment and pull-up of subsurface well equipment;
- Replacement of casing head and Christmas tree equipment;
- Well logging;
- Sealing of all casing couplings (liquidation of inter casing gas leakages)
- Bottomhole recovery;
- Perforation (if it is prescribed in Technical Requirements);
- Installation of well subsurface equipment;
- Development of the well;
- Testing of the well;
- Landscaping and surrounding of the territory and access roads.

2.2. Contract Place and Time of Completion

- 2.2.1. The place of the Renovation Works of gas wells: JSC “Conexus Baltic Grid”, Incukalna Underground Gas Storage, Ragana, Krimulda district, Krimulda region, Latvia.
- 2.2.2. **The Renovation Works specified in the Technical Requirements and Project shall be completed till 15 December, 2019.**

2.3. Price of Tender

- 2.3.1. The price shall be quoted in EUR. The total price of Tender and all unit prices shall be quoted in the same currency.
- 2.3.2. Taxes and duties shall be included in the price of Tender in accordance with the following procedure:
- a) All taxes and duties payable in Latvia and abroad with regard to the performance of the Contract shall be included in the price of the Tender, except for the 21% VAT of the Republic of Latvia, except in the event of Sub-clauses 2.3.2. b);
 - b) If the Tenderer is not a company registered in the Latvia or the other EU country, but intends to invite a company registered in Latvia or other EU country as subcontractor, all taxes and duties payable in Latvia and abroad with regard to the performance of the Contract shall be included in the price of the Tender, including the 21% VAT of the Republic of Latvia, which shall be payable to the subcontractor.
- 2.3.3. Prices of Tenders shall be indicated in the Tender Letter (the Form of Tender Letter – Appendix No.2) and in accordance with the Financial Bid (the Form of the Financial Bid – Appendix No.4) completing the forms enclosed herewith. The Tenderer shall propose a full scope of the Renovation Works. Tenderers for part of the required scopes shall not be considered.
- 2.3.4. The Tender price shall be fixed during the period of Tender validity and any extension thereof if such is requested and agreed upon in accordance with Clause 6.2 of the Contest Regulations. (Tender validity).
- 2.3.5. The Contracting Authority may, upon signing of the Contract with the successful Tenderer, decrease or increase the scope of Works by up to 20% of the price of the Tender without changes in unit prices.
- 2.3.6. The Contest Committee shall evaluate the Tender price without the Latvian Republic VAT except for the case referred to in Sub-clause 2.3.2.b).

3. TENDERER'S QUALIFICATION REQUIREMENTS AND QUALIFICATION DOCUMENTS

3.1. Requirements to Tenderer's Qualification and Documents Establishing the Tenderer's Qualification

Tenderers shall comply with the following qualification requirements and shall submit documents establishing that the selection and qualification criteria are met:

No	Qualification requirements	Document											
1)	The Tenderer is registered in the Commercial Register or Company Register in accordance with the requirements of regulatory enactments of his home country	A copy of the company registration certificate or an extract from the Commercial Register of the Tenderer's home country, or from equalled registers, in accordance with the regulation of the state where the Tenderer is registered											
2)	The Tenderer is registered as a tax payer in accordance with the legislation of the Tenderer's home country	A copy of the Tenderer's tax payer's registration certificate											
3)	The Tenderer has no taxes or social security contributions' debts in the total amount exceeding 150 <i>euro</i> (EUR)	A statement issued by the State Revenue Service (for foreign Tenderer – a statement issued by the respective state revenue authority) confirming that the Tenderer has fulfilled obligations relating to the payment of taxes or social security contributions in the Republic of Latvia or in any other country of his registration. A statement and other documents issued by the competent authorities of the Republic of Latvia are accepted and recognized by the procurement commission, if they are issued maximum 1 (one) month prior to the day of submission, but statement and other documents issued by foreign competent authorities are accepted and recognized by the contracting authority if they are issued maximum six months before the day of submission unless the issuer of a notice or document has stated a shorter validity period.											
4)	The Tenderer has not been declared insolvent or wound up and its business activities have not been suspended or ceased	A statement issued by the Enterprise Register (Commercial Register) (for foreign Tenderer – a statement issued by the respective state institution) not earlier than 30 days before the deadline for the submission of Tenders confirming that The Tenderer has not been declared insolvent or wound up and its business activities have not been suspended or ceased											
5)	The Tenderer's turnover in each of the last two years (2016 and 2017) has been at least equivalent to the price of the Tender without VAT	Copies of consolidated profit and loss accounts of the Tenderer for the years of 2016 and 2017. For foreign Tenderer – other financial or accounting statements confirming that the annual turnover is acceptable.											
6)	The Tenderer has at least 3 years (2015, 2016, 2017) experience in similar projects (wells repair, renovation,	1) Information prepared in acc. with the following table: <table border="1" data-bbox="715 1899 1479 2004"> <thead> <tr> <th data-bbox="715 1899 911 2004">The Contracting Authority,</th> <th data-bbox="911 1899 1118 2004">Description of similar works (well</th> <th data-bbox="1118 1899 1310 2004">Year/month of works</th> <th data-bbox="1310 1899 1479 2004">Contract amount (excl.VAT)</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table>				The Contracting Authority,	Description of similar works (well	Year/month of works	Contract amount (excl.VAT)				
The Contracting Authority,	Description of similar works (well	Year/month of works	Contract amount (excl.VAT)										

<p>reconstruction of wells) at underground gas storages.</p>	<p>contact person, name, position, phone</p>	<p>repair, renovation, reconstruction or construction) performed by the Tenderer</p>		<p>EUR</p>				
<p>The information shall cover a period of the last 3 years. 2) At least 3 positive references from the former Contracting Authoritys about finished wells repair, renovation, reconstruction works, at least one from an underground gas storage.</p>								
<p>7) For partners and sub-contractors the following requirements have been fulfilled (if applicable): 1. Statements of participation in the performance of the Contract signed by the subcontractors. 2. Partners' consents for participation in the performance of the Contract. Compliance of each Tenderer's partner and sub-contractor with the requirements of the Sub-clauses 3.1. 1) - 4)</p>	<p>The subcontractors documents (if applicable): 1. The list of subcontractors in the following table:</p> <table border="1" data-bbox="715 745 1461 880"> <thead> <tr> <th data-bbox="715 745 906 835">Name and registration number</th> <th data-bbox="914 745 1461 835">Scope performed by the subcontractor, amount of supplies in EUR without VAT</th> </tr> </thead> <tbody> <tr> <td data-bbox="715 846 906 880"></td> <td data-bbox="914 846 1461 880"></td> </tr> </tbody> </table> <p>2. Statements of participation in the performance of the Contract signed by the subcontractors; 3. Partners' consents for participation in the performance of the Contract 4. The documents listed in Sub-Clauses 3.1. 1) - 4)</p>				Name and registration number	Scope performed by the subcontractor, amount of supplies in EUR without VAT		
Name and registration number	Scope performed by the subcontractor, amount of supplies in EUR without VAT							
<p>8) The Tenderer and its subcontractors have the appropriate qualified, educated and experienced personnel.</p>	<p>A list of proposed main personnel, copies of CV and valid certificates or licenses.</p>							
<p>9 The Tenderer (together with his subcontractors) has to have the technical capabilities necessary to perform works, or there has to be a possibility to purchase, take on lease or procure them in some other way.</p>	<p>A list of available (owned rented) equipment and machinery for the performance of works.</p>							

4. ADDITIONAL INFORMATION REGARDING THE CONTEST

4.1. A Tenderer requiring any clarification of the Contest Regulations may send the questions to the Contracting Authority's contact person specified in Sub-Clause 1.2.2 by mail at any time, but not later than 10 (ten) days prior to the deadline for the submission of Tenders. The Contracting Authority shall respond in writing to such requests for clarification no later than 6 (six) days prior to the deadline for the submission of Tenders by sending the responses to all Tenderers (without identifying the questioner) by mail. The Tenderer shall, within 1 (one) business day from receipt of each clarification, confirm the receipt by sending a notice by mail to the Contracting Authority's contact person specified in Sub-Clause 1.2.2.

- 4.2. A site visit and clarification meeting of the Tenderers will be organized by the Contracting Authority's at the Incukalns Underground Gas Storage of the Joint Stock Company "Conexus Baltic Grid", Krimulda parish, Ragana on **October 22, 2018 at 10.00**. The Tenderer shall give at least 1 day's notice to the Contracting Authority's contact person Kristaps Martinsons specified in Sub-Clause 1.2.2 about participation and the number of representatives.

5. PREPARATIONS AND PROCESSING OF TENDER

5.1. Preparation of Tender

- 5.1.1. The Tenderer shall prepare and submit its Tender in accordance with the requirements of the Contest Regulations and Clause 5.3. of the Contest Regulations. Failure to provide all information required by the Contest Regulations or submission of a Tender that, in any respect, does not comply with the requirements of the Contest Regulations shall be at the Tenderer's risk and may result in rejection of its Tender.
- 5.1.2. The Tender Letter and table of the Financial Bid shall be signed by the duly authorised person or persons on behalf of the Tenderer. The full name and position of each of such persons having signed the Tender shall be indicated below the signature. In case of the Tender being submitted by a group of persons, all persons shall sign it.
- 5.1.3. The Tender shall be submitted in Latvian, Russian or English. The documents with the original language other than Latvian, Russian or English shall be submitted in the original language accompanied by a translation attested by the Tenderer in any of the languages of the Tender.

5.2. Tender Security

- 5.2.1. The Tenderer shall submit, together with the Tender, the original Tender Security in the amount of: 50,000 (fifty thousand) EUR. The Tender Security shall be valid for up to 90 days after the deadline for submission of Tenders.
- 5.2.2. The Tender Security shall be in the form of a bank guarantee (Appendix No. 3) issued by a reputable bank acceptable to the Contract Authority and located in Latvia or abroad.
- 5.2.3. Any Tender not accompanied by an acceptable original Tender Security will be rejected and will not be considered for evaluation.
- 5.2.4. The original of the Tender Security will be returned to Tenderers within 10 days in the following cases:
- 5.2.4.1. to the Tenderers whose Tenders are rejected – after the notice of rejection;
 - 5.2.4.2. to unsuccessful Tenderers – after signing the Contract with the successful Tenderer;
 - 5.2.4.3. to the successful Tenderer – after the day when the successful Tenderer submits the Contract Performance security;
 - 5.2.4.4. to all Tenderers – after sending a notice in case the Tender is cancelled without awarding the Contract;
 - 5.2.4.5. if the Tenderer has withdrawn his Tender before the deadline for submission of Tenders, after the submission of notice of withdrawn of Tender

5.3. Content of Tender

A Tender shall contain the following documents and information:

- 5.3.1. **Tender Letter and a document certifying signature.** The Tender Letter shall be in the form attached to the Contest Regulations (Appendix No.2) and signed in accordance with Sub-Clause 5.1.2. of the Contest Regulations. The Tender Letter shall be accompanied by a document certifying signature – an extract from the Company Register, the company’s statutes or the original power of attorney.
- 5.3.2. **Original Tender Security** in accordance with Clause 5.2 of the Contest Regulations (Appendix No.3).
- 5.3.3. **Qualification documents** listed under Clause 3 establishing the Tenderer's and subcontractor's qualification and eligibility.
- 5.3.4. **Financial Bid** – Financial bid in accordance with requirements stated in Clause 2.3 and Appendix No.4 (Form of Financial Bid).
- 5.3.5. **Technical Bid** – including at least:
- 5.3.5.1. Time schedule for the performance of works
 - 5.3.5.2. Outline plan for the organization of the works.
 - 5.3.5.3. Description of the activities ensuring against-well-springing safety of gas wells repairs.
 - 5.3.5.4. List of subcontractors and suppliers (naming the persons who will supervise the installation of the equipment).
 - 5.3.5.5. List of well equipment to be supplied and installed by the Tenderer and copies of certificates of equipment.
 - 5.3.5.6. Warranty time for the works performed by the Tenderer.
 - 5.3.5.7. Technical Tender information handed by the Tenderer in accordance with Technical Requirements (Appendix No.1).

5.4. Form of Tender

- 5.4.1. Tender must be put in an envelope, which must be closed, sealed and must bear the following:

***JSC “Conexus Baltic Grid”
Incukalns Underground Gas Storage
Ragana, Krimulda parish, Krimulda district, LV-2144, Latvia,
Tender for the Contest of JSC “Conexus Baltic Grid”
“Renovation of 4 gas production wells at JSC “Conexus Baltic Grid” Incukalns
Underground Gas Storage
Not to be opened before November 2, 2018, 14:00
To be opened only in the presence of the Contest Committee.***

- 5.4.2. The envelope shall contain one original of the Tender marked respectively as “**Original**” and one copy marked respectively as “**Copy**”.
- 5.4.3. The Original and Copy of the Tender shall be printed; pages shall be numbered and bound together, indicating the quantity of numbered and bound pages.
- 5.4.4. If the Tender is not sealed and marked as required above in these Contest Regulations, the Contracting Authority will assume no responsibility for a premature opening of the Tender, but such event will not constitute grounds for rejection of the Tender.
- 5.4.5. The Tenderer shall undertake the risk for delivery of the Tender.

5.4.6. For avoidance of any doubt or misunderstanding, all words and figures in the Tender must be clearly legible, without any insertions or erasures.

6. SUBMISSION OF TENDER

6.1. Place and Time for Submission of Tenders

6.1.1. The Tenderer shall submit for incorporation the Tender and documents attached to it to *JSC “Conexus Baltic Grid” Incukalns Underground Gas Storage, Ragana, Krimulda parish, Krimulda district, LV-2144, Latvia*, to the secretary (tel. Nr. +371 67048000) or send by registered mail to be received till **November 2, 2018, 14:00 (Latvian time)**.

6.1.2. The Tender has to be submitted to the Contract Authority within the term set by the Contest Regulations. The Tender may be delivered by courier or personally to the secretary at business days starting from 8:00 a.m. till 15:00 p.m. The Tenders received after the prescribed time deadline shall be rejected regardless of the reasons.

6.2. Tender Validity

6.2.1. Tenders shall remain valid for 90 days after the deadline for the submission of Tenders specified in Sub-clause 6.1.1. Tenders with a shorter period of validity shall be rejected. The Tender shall remain binding upon the Tenderer during the entire validity period of the Tender.

6.2.2. In exceptional circumstances, the Contracting Authority may request the Tenderers to extend the validity period of the Tender by a specified period of time. The Tenderer vested by such extension will not be permitted to modify his Tender, Tender prices or content. If the Tenderer agrees to extend the validity period of the Tender, the validity period of the Tender Security shall be extended accordingly, otherwise the Tender will be rejected.

6.3. Amendment and Withdrawal of Tenders

6.3.1. The Tenderer may, without forfeiture of the Tender Security, modify or withdraw his Tender, provided that a written notice of the amendment and withdrawal is received by the Contracting Authority prior to the deadline for submission of Tenders. Any amendments to the Tender or notices of withdrawal received after the deadline for the submission of Tenders or any extension thereof will not be taken into account.

6.3.2. The Tender's modification or withdrawal notice shall be prepared, sealed, marked and submitted in the same way as the Tender marked respectively as **“Tender Amendment”** or **“Tender Withdrawal”**.

6.4. Opening of Tenders

6.4.1. Tender documents, including Tender Amendments and Tender Withdrawals, shall be opened by the Contest Committee, consisting of at least three members, in the conference room of the Incukalns underground gas storage, JSC “Conexus Baltic Grid”, Ragana, Krimulda parish, Krimulda district, Latvia on **November 2, 2018, 14:00** (Latvian time).

6.4.2. Opening of Tenders before the due time is not permitted.

6.4.3. Only those Tenders received by the Contracting Authority on or before the date and time specified in the Contest Regulations will be opened by the Contest Committee. For late Tenders and the Tenders the withdrawal of which is accepted, the Tender will be returned unopened to the address specified on the envelope.

6.4.4. Envelopes bearing the inscription “Tender Withdrawal” shall be opened first. Tender documents in respect of which a notice of withdrawal is submitted, shall not be opened.

- 6.4.5. Members of the Contest Committee shall put their signatures on the Tenders and Amendments submitted by the Tenderers.
- 6.4.6. Envelopes bearing the inscription "Tender Amendment" shall be opened consecutively with the opening of the respective Tenderer's envelope with Tender documents.
- 6.4.7. During the Tender opening procedure the names of the Tenderers and the Prices of the Tender shall be stated in the record of the Contest Committee.
- 6.4.8. Representatives of the Tenderers **are allowed to participate in the opening of Tenders.** During the Tender opening procedure the Tenderers' representatives present with an identity document shall submit a power of attorney that authorises them to present the company, announce the name and address of the Tenderer they represent, as well as their name, surname, position, phone number and e-mail.
- 6.4.9. The Chairman of the Contest Committee or another member of the Contest Committee shall open the Tenders in the order of their submission and naming the tenderer, the time of the submission of the tender, the price tendered and other information, which characterises the tender, indicating them in the record of the Contest Committee.
- 6.4.10. Tenderers' representatives do not participate in further process of the Contest.

7. TENDER SELECTION CRITERIA AND PROCEDURE

7.1. Procedure for the Selection of Tenders

- 7.1.1. The content and evaluation of Tenders is confidential and only members of the Contest Committee, as well as experts invited, are permitted to take part in the Tender evaluation.
- 7.1.2. The Contest Committee shall carry out the evaluation of Tenders in the following procedure:
 - a) examination of the Tenderer's qualification and conformity of the Tenders in accordance with Clause 7.2;
 - b) technical evaluation of the Tenders in accordance with Clause 8.1;
 - c) financial evaluation of the Tenders in accordance with Clause 8.2;
 - d) final evaluation of the Tenders in accordance with Clause 8.3.
- 7.1.3. During the Tender evaluation, the Contest Committee has the right to ask any Tenderer:
 - a) to provide a written clarification of his Tender. The Tenderer shall send replies to such requests to the Contracting Authority by fax by the date and time specified in the request;
 - b) to attend a clarification meeting in order to specify the Tender details.

7.2. Examination of the Tenderers' Qualification and Conformity of the Tender

- 7.2.1. Prior to the Tender evaluation the Contest Committee shall assess the Tenderers' qualification and the Tenderers' compliance by examining the documents submitted in accordance with Clause 3. The Contest Committee shall reject any Tenderer without further evaluation of its Tender if the Tenderer is acknowledged as noncompliant or not sufficiently qualified for performance of the Contract.
- 7.2.2. Prior to the Tender evaluation the Contest Committee shall also check whether each Tender complies with the requirements of the Contest Regulations and whether the Tender Security has been furnished. The Tender shall be considered substantially responsive, if it complies, without essential deviation, with the terms and conditions of the Contest Regulations. The Tenders acknowledged by the Contest Committee as non-

compliant or without the Tender Security furnished in accordance with the Contest Regulations or lacking other required documents or information shall be rejected without further evaluation.

7.2.3. The Contest Committee will evaluate each Tender, except for those rejected under Sub-Clauses 7.2.1 and 7.2.2 on the basis of criteria specified in Clause 7.3 of the Contest Regulations.

7.3. Evaluation Criteria

The Contract shall be awarded to the most economically advantageous Tender, in accordance with the following evaluation criteria:

Evaluation criteria	Weight,%
Financial criteria	40
<i>Tender price (without Latvian Republic VAT)</i>	40
Technical criteria	60
<i>Tender compliance with the Technical Requirements (Appendix No.1) and conformity of the Technical bid to Clause 5.3.5. of Contest Regulations</i>	50
<i>Warranty time</i>	10
Total weight of technical and financial criteria	100

8. EVALUATION OF TENDERS

8.1. Technical Evaluation

8.1.1. The Tender compliance with the Technical Requirements and conformity of the Technical bid to Clause 5.3.5 of Contest Regulations will be evaluated by awarding grades:

- 10 The technical solutions used to provide scope of Renovation Work are excellent (even better than required in the Technical Requirements), the scope of Renovation Work fully corresponds to Technical Requirements. The Technical bid is prepared in accordance with Clause 5.3.5 of the Contest Regulations;
- 6-9 The used technical solutions and the scope of Renovation Work fully correspond to the Technical Requirements. The Technical bid is prepared in accordance with Clause 5.3.5 of the Contest Regulations;
- 1-5 The used technical solutions and (or) the scope of Renovation Work are prepared with derogations from the Technical Requirements. The Technical bid is prepared with derogations from Clause 5.3.5 of the Contest Regulations;
- 0 The used technical solutions and the scope of Renovation Work do not correspond to the Technical Requirements.

8.1.2. The above-mentioned score of Tender compliance with the Technical Requirements and conformity of the Technical bid to Clause 5.3.5 of the Contest Regulations will be calculated as follows:

Score of Tender compliance with the Technical Requirements = grade * weight of the criterion / 10

e.g. $9 * 50 / 10 = 45$ (of the maximum score 50)

8.1.3. Warranty time is evaluated by awarding the scores for the proposed warranty time:

10	5 years and more
8	4 years
6	3,5 years
4	3 years
0	Less than 3 years

8.1.4. The Tender with no Warranty or Warranty under 3 years after delivery will not be accepted and will be rejected.

8.1.5. The scores of technical criteria of each Tender will be summed up, and the Tenders with less than 60% of the maximum technical criteria score (i.e., less than 36 of the maximum score of 60) shall be rejected as technically not acceptable and shall not be evaluated financially. If none of the Tenders has obtained the minimum technical criteria score, i.e. 36, the Contracting Authority reserves the rights to reject all Tenders.

8.2. Evaluation of Tender Price

8.2.1. The Contest Committee will increase or decrease the Tender price by the following amounts:

- a) corrections of arithmetic errors as described below;
- b) the scope of Works included in the Tender price in order to compare, during the Tender evaluation, the Contracting Authority's expenses for the whole scope of Works.

8.2.2. The Contest Committee will check the Tenders for arithmetic errors and correct them as follows:

- a) if the total price of the cost item will differ from the unit price multiplied with the quantity of units, the total price of the cost item will be corrected;
- b) if the total price will differ from the sum of cost items, the total price will be corrected.

8.2.3. The Tenderer shall confirm in writing the corrections of arithmetic errors made by the Contest Committee and the new prices will be regarded as binding on the Tenderer. If the Tenderer does not accept the correction of errors pursuant to the procedure above, the respective Tender will be rejected.

8.2.4. When evaluating the Tender price, the price exclusive of the 21% VAT payable in the Republic of Latvia will be considered. The Tender price will be evaluated as follows: the Tender with the lowest price will be awarded the maximum score (equal to the weight of criterion), but the score of the other Tenders will be determined as a proportion in relation to the lowest cost:

$$\text{Lowest price / price of Tender "N" x 40}$$

8.2.5. The Tender with payment conditions not in accordance with the Conditions of Contract (Appendix No.5) will be rejected.

8.2.6. The financial criteria scores of each Tender will be summed up.

8.3. Final Evaluation

8.3.1. Total score will be calculated as follows:

$$\text{Total score} = \text{Total score of technical criteria} + \text{Total score of financial criteria}$$

- 8.3.2. The Contest Committee shall award the Contract to the Tenderer whose Tender is determined as the most advantageous and having obtained the highest total score.
- 8.3.3. The Contest Committee is not bound to award the contract to the Tender with the lowest Tender price.
- 8.3.4. The Contest Committee reserves the right to cancel the Contesting process at any time prior to the deadline for submission of Tenders, or terminate the Contest without awarding the Contract prior to the signing of the foreseen Contract with the successful Tenderer, without thereby incurring any liability to the Tenderers.
- 8.3.5. If only one Tender is submitted, the Contest Committee shall decide whether it is responsive and advantageous and whether it is possible to award the contract to the sole Tenderer.
- 8.3.6. If none of the Tenders submitted complies with the requirements of the Contest Regulations, the Contest Committee reserves the rights to reject all Tenders and close the Contest without awarding the Contract.
- 8.3.7. All Tenderers shall be notified in writing of the Contest results.

9. CONTRACT NEGOTIATIONS AND SIGNING OF CONTRACT

- 9.1. The Contracting Authority shall invite the successful Tenderer to the Contract negotiations. Shall the Contract negotiations prove unsatisfactory, the Contracting Authority reserves the rights to invite the next highest ranked Tenderer to the Contract negotiations or decide to close the Contest without awarding the Contract.
- 9.2. The main contract conditions included in the Contest Regulations (Appendix No.5) shall be included in the Contract.
- 9.3. The successful Tenderer shall, within the period of 30 days after receiving by fax an official letter from the Contracting Authority of the results of the Contest, sign the Contract with the Contracting Authority.
- 9.4. Described Terms of payment in Contest Regulation (Appendix No.5 Clause 3) could not be changed during Contract negotiations. After signing the Contract the Tenderer shall furnish to the Contracting Authority the Performance Security in the amount of the advance payment. The Performance Security shall be in the form of a bank guarantee (Contract Appendix No.6) issued by a reputable bank acceptable to the Contracting Authority and located in Latvia or abroad. The received Performance Security is a premise for making the Advance payment.
- 9.5. If the successful Tenderer fails to sign the Contract in accordance with Sub-Clause 9.3 of the Contest Regulations, the Contracting Authority reserves the right to annul the results of the Contest and withhold the Tender Security.
- 9.6. In cases mentioned in Sub-Clause 9.5 of the Contest Regulations, the Contracting Authority reserves the rights to award the Contract to the next highest ranked Tenderer or decide to close the Contest without awarding the Contract.

10. CONFIDENTIALITY

- 10.1. Information related to the number and names of the Tenderers is confidential and shall not be disclosed until the Tender opening. Contents of the Tenders and meetings of the Contest Committee's are confidential and shall not be disclosed to other Tenderers or third parties.

10.2. The information and Requirements included in Appendix No.1 of the Contest Regulations are restricted access information.

Head of Contest Committee,
Head of Procurement Division
of JSC “Conexus Baltic Grid”

S. Strazdins

TECHNICAL REQUIREMENTS
FOR RENOVATION OF 4 GAS PRODUCTION WELLS Nos. 59, 87, 70, 74 AT
INCUKALNS UNDERGROUND GAS STORAGE
OF JSC “CONEXUS BALTIC GRID”

Introduction.

These technical requirements have been developed and worked out for to the Contest Regulations “Renovation of 4 gas production wells at Incukalns Underground Gas Storage of JSC “Conexus Baltic Grid”.

Information about the object

The renovation works on the wells are executed at the Incukalns Underground Gas Storage (Incukalns UGS) of JSC “Conexus Baltic Grid” located at a distance of 40 km northeast from Riga (Latvia) near the village Ragana.

1. Summary of geological characteristics of the object

The object of gas storage is a reservoir of terrigenous aquifer type, represented by Cambrian middle-grained quartz sandstones with an aleurolitic texture and the average thickness of 60 m, which occurs on the crust of weathering of Archaean foundation. The reservoirs depth varies from 650 m to 765 m and deeper, the reservoir has good properties such as permeability up to 4 D (Darcy), porosity up to 32% and piezoconductivity of 15 000 sm²/sec. The reservoir’s pressure changes during the process of gas storage operation – starting from 33 bars (min.) at the end of extraction, to 110 bars (max.), after the injection period. The hydrostatic pressure of reservoir is 70 bars. The period of minimum pressures (lower than hydrostatic) is mostly from March till June. The reservoir contains sodium chloride waters with a mineralization which varies from 94 to 106 g/l, and the average reservoir temperature is 22⁰C.

The reservoir is covered by a 15-20 meter thick layer of early Ordovician age clays, very solid, partially shale, which form a cap rock above the reservoir bed. Thick and hard carbonates of early, middle and late Ordovician are situated overtop. The total thickness of these deposits reaches 200 m and that is enough to secure the reservoirs tightness.

Full technical Specification Tenderer can request by e-mail : Kristaps.martinsons@conexus.lv

FORM OF TENDER LETTER

_____, 2018

_____ *place*

To: Joint Stock Company “Conexus Baltic Grid”
Incukalns Underground Gas Storage
Ragana, Krimulda parish, Krimulda district, LV-2144, Latvia

Project: Renovation of 4 gas production wells at JSC “Conexus Baltic Grid” Incukalns Underground Gas Storage

Having examined the Contest Regulations, we, the undersigned, undertake to perform the **Renovation of 4 gas production wells at Incukalns Underground Gas Storage** for the Joint Stock Company „ Conexus Baltic Grid” for the amount of

Price of the Tender _____

VAT (21%) _____

Price of the Tender with VAT (in figures and words) _____

1. Hereby we certify that:

- we are not in any respect interested in any other Tender and are not participating in any other Tender submitted for this Contest;
- our Tender is valid for a period of 90 days after the date for the submission of Tenders and can be accepted at any time prior to the expiry of its validity;
- information and documents included in our Tender are complete and true;
- we have examined all the documents of the Contest Regulations, their clarifications, amendments and modifications (if any) and fully understand the requirements and conditions of the Contest;
- our Tender is in compliance with the regulations of safety, employment and labour protection effective in the Republic of Latvia;
- we have carefully examined the scope of Works and found the Technical Requirements, and our Tender includes all costs associated with full performance of the scope of works and supplies until the completion of the works, including personnel, material, transport, travel and other costs. And we understand that the Contracting Authority will not accept any additional costs apart from those related to unforeseen works.

2. We hereby agree that the Contracting Authority has the right to decrease or increase the scope of the Contract by up to 20% of the Tender price without changes in unit prices, when signing the Contract with the successful Tenderer.

3. We understand that you are not bound to accept the lowest or any Tender you may receive.

4. **Dates**

If our Tender is accepted, we undertake to perform Renovation works in accordance with the attached time schedule and to complete them by _____.

5. Terms of warranty

We undertake to provide a warranty of _____ months after the day of commissioning. We undertake to remedy all the damages, defects and unconformities with the Contract of the goods, works and services free of charge.

6. Information about the contact person

Our contact person authorized to make decisions with regard to our Tender and the subsequent Contract:

Full name: _____
 Name of the company: _____
 Position: _____
 Address for
 correspondence: _____
 Telephone: _____
 Fax: _____
 E-mail: _____

7. Performance security

If our Tender is accepted, we undertake to submit a bank guarantee in the amount equivalent to 25% of the Contract price for the performance of our contractual obligations.

8. Partners and subcontractors (delete one or both of them, where applicable)

8.1. The Tender was submitted by a group of partners consisting of:

Leader _____
 Partners _____

If our Tender is accepted, we undertake, at the Contracting Authority’s request, to set up a partnership or any other legal form for the performance of the Contract in accordance with the procedure established by the law.

An undertaking signed by all partners of the group to participate in the Contest and subsequent performance of the Contract is enclosed.

8.2. We intend to subcontract the following part of the Contract to the following subcontractors (value of the works to be performed or of the services to be provided by whom shall be at least 10 per cent of the total contractual value of the construction works, service or supply):

Name of the subcontractor	Part of the Contract to be performed

A statement signed by the subcontractors confirming their participation in the performance of the Contract is enclosed.

Hereby we submit our Tender consisting of the Tender Security, Tenderers’ qualification documents in accordance with Clause 3 of the Contest Regulations and Technical proposal and Financial proposal.

Name of the Tenderer:
 Name and position of the authorized person:
 Signature of the authorized person:

Tender Security Form

_____, 2018

_____ *place*

To: Joint Stock Company “Conexus Baltic Grid”
Unified reg. No. 40203041605
Aristida Briana iela 6, LV-1001, Riga, Latvia

Project: Renovation of 4 gas production wells at JSC “Conexus Baltic Grid” Incukalns Underground Gas Storage

Whereas

(name, reg. No. and address of the company)
(hereinafter called “the Tenderer”) has submitted his Tender dated _____ 2018
(hereinafter called “the Tender”) for the Contest on the Renovation of 4 gas production wells at
Incukalns Underground Gas Storage,

hereby we

(name, reg. place, reg. No. and legal address of the credit institution)
(hereinafter called “the Bank”) certify that we are bound unto JSC “Conexus Baltic Grid”,
Aristida Briāna street 6, Rīga, Latvia (hereinafter called “the Contracting Authority”) for the
amount of 50 000,00 (fifty thousand) EUR for which payment well and truly be made to the said
Contracting Authority by the Bank, as well as the legal successors and legatees of rights thereof.

1. The Bank undertakes to pay the Contracting Authority 50 000,00 (fifty thousand) EUR upon
receipt of his first written demand, provided that in his demand the Contracting Authority will
note that the amount claimed by him is due to him owing to the occurrence of one or more of the
conditions stated in points 1 to 3:

1. If the Tenderer withdraws his Tender during the period of Tender validity specified by the
Tenderer in the Tender Letter, or any extension thereof;
2. If the Tenderer deliberately has provided false or misleading information to the Contest
Committee;
3. If the successful Tenderer fails or refuses:
 - to sign the Contract during the period of Tender validity, or
 - to furnish the Performance Security in terms and conditions requested by Contract.

This guarantee will remain in force until _____ 20___, and any demand in respect
thereof shall reach the Bank not later than the above date.

_____ (Name and signature of the Bank’s representative)

Form of Financial Bid
for
Renovation of 4 gas production wells at JSC “Conexus Baltic Grid” Incukalns
Underground Gas Storage

_____, 2018

_____ place

To: Joint Stock Company “Conexus Baltic Grid”
Incukalns Underground Gas Storage
Ragana, Krimulda parish, Krimulda district, LV-2144, Latvia

Project: Renovation of 4 gas production wells at JSC “Conexus Baltic Grid” Incukalns Underground Gas Storage

Table No.1
SUMMARY

Nº	Cost Item	Quantity	Sum	Currency
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
1.	Renovation of the gas production well No. 59	In accordance with Table No. 2		
1.	Renovation of the gas production well No. 70	In accordance with Table No. 2		
2.	Renovation of the gas production well No. 74	In accordance with Table No. 2		
3.	Renovation of the gas production well No. 87	In accordance with Table No. 2		
	<i>TOTAL AMOUNT</i>			
	<i>TOTAL with reserve (to be included in the Tender Letter (without VAT 21% of Latvian Republic)</i>			
	<i>VAT 21%)</i>			
	<i>TOTAL with VAT 21%</i>			

* The Publicity measures organized in accordance with Guide to European Union Publicity Requirements for Structural & Cohesion Funds are included in the total price. In particular, the following means of publicity will be used: billboards near the road, in site during the construction period and permanent commemorative plaques after completion of construction.

If an unforeseen amount of works appears in the course of performance of the scope of Renovation Works, we will perform them for _____ EUR/hour without VAT 21% (excluding price for the equipment for additional instalation). This price includes manpower, muds and equipment costs used for the unforeseen amount of works).

Name, family name, position of authorized person:

Signature of the Tenderer _____

TABLE No.2
RENOVATION WORKS ON GAS PRODUCTION WELL No. ____

To be filled for each well

No	Cost Item	Price	Currency
1	2	3	4
1.	delivery of drilling rig, and other equipment, and manpower from accommodation to Incukalns UGS;		
2.	preparation of detailed plan of works, which include chemical composition of well killing and squeezing liquids		
3.	preparation of well for reconstruction works		
4.	preparation of well killing and squeezing liquids		
5.	killing of well		
6.	installation of drilling rig		
7.	dismantling of old christmas tree		
8.	installation of retrievable paker		
9.	installation or change of wellhead		
10.	mounting of preventer		
11.	dismantling of tubing		
12.	scraping and cleaning of production casing		
13.	sealing of all casing couplings (liquidation of intercasing gas leakages)		
14.	perforation (if it is prescribed in Technical Requirements)		
15.	investigation works (special logging works)		
16.	mounting and installation of underground equipment (with filter if it is necessary)		
17.	dismantling of preventer		
18.	dismantling of drilling rig		
19.	development of well		
20.	re-cultivation of earth after reconstruction works preparation of well area and mounting of fence		
TOTAL PRICE FOR THE WELL No. __ (INSERT TABLE No.1)			

Name, family name, position of authorized person:

Signature of the Tenderer:

Appendix No. 5
to the Contest Regulations
"Renovation of 4 gas production wells at
Inchukalns Underground Gas Storage"

DRAFT CONTRACT
(minimal content)

BETWEEN

**JOINT STOCK COMPANY
"CONEXUS BALTIC GRID"**

AND

(name of the Contractor (hereinafter the winner of the Contest))

FOR

**RENOVATION OF 4 GAS PRODUCTION WELLS AT INCUKALNS UNDERGROUND
GAS STORAGE OF JSC "CONEXUS BALTIC GRID"**

.

Riga 201__

Riga, _____. _____20__

The contract is entered into on the ____th____, 201_ by and between:

Joint Stock Company "Conexus Baltic Grid" (registered name Akciju sabiedrība "Conexus Baltic Grid"), unified Registration, No. 40203041605, Aristida Briana street 6, Riga, LV-1001, Latvia (hereinafter – the Contracting Authority), represented by Zane Kotāne, Chairman of the Board and Gints Freibergs, Member of the Board, in accordance with the company's Articles of Association and

....., registration No....., adress –
..... (hereinafter – the Contractor), represented by
..... acting in accordance with
_____ on the other hand,

together referred to as the contracting parties (hereinafter – the Parties) have concluded this contract (hereinafter – the Contract) on the following:

1. Subject of the Contract

1.1. As required by the Contracting Authority, the Contractor shall, for payment, using his own technical resources and labour force and supplying the necessary equipment, perform the **renovation of 4 (four) gas production wells at JSC Incukalns Underground Gas Storage of JSC "Conexus Baltic Grid"** (hereinafter – the Works), in compliance with the terms and conditions of the Contract and in accordance with the Project requirements (Contract Appendix No. 1), Detail Geological and Technological working plan (Contract Appendix No. 2) and Contractor Technical Support (Contract Appendix No. 5).

1.2. The Works include the supply of materials and equipment, the preparation of a detailed working plan for each well, the construction of wellsites, the re-equipment of wells and connection to the piping loop system, the testing of wells, the supervision of Works and other activities resulting from the Project requirements and the Contract.

1.3. The Contractor shall provide the publicity measures in accordance with Guide to European Union Publicity Requirements for Structural & Cohesion Funds. In particular, the following means of publicity shall be used: billboards near the road and in site during the Contract period and permanent commemorative plaques after completion of the Works.

1.4. The Contractor shall perform the Works in accordance with the following appendices of the Contract, which are considered to be an integral part thereof:

- Contract Appendix No. 1 – Project requirements;
- Contract Appendix No. 2 – Detail Geological and Technological working plan;
- Contract Appendix No. 3 – Price Schedule;
- Contract Appendix No. 4 – Time Schedule;
- Contract Appendix No. 5 – Technical Support;
- Contract Appendix No. 6 – Performance Security Form.

1.5. Equipment shall be supplied and the Works performed in compliance with the requirements of the European Standards adapted in the Republic of Latvia – LVS EN ISO 10423 (API 6A or GOST P 51365 -99), legislation of the Republic of Latvia and the relevant authorities such as the State Fire Fighting and Rescue Service, as well as the requirements of other standards, regulatory enactments issued by the respective municipality and legislative acts applicable to the particular Works.

1.6. The Contractor hereby certifies that he has duly examined the Project requirements and the Detail Geological and Technological working plan that the said documents comply with the requirements of the legislative acts, are feasible and no deficiencies or inadequacies have been found in them. The Contractor also certifies that all the Contracting Authority's expenses associated with implementation of the Project requirements are included in the Contract Amount.

1.7. The place for performance of the Works shall be the site of the production wells at JSC "Conexus Baltic Grid" Incukalns Underground Gas Storage (hereinafter - Incukalns UGS), Ragana, Krimulda parish, Krimulda district, LV-2144, Latvia (hereinafter – the Site).

1.8. The Works specified in the Contract shall be carried out in an enterprise which has not ceased its industrial operation and stated as a production unit with high dangerousness. The Works shall be performed in the manner that does not impede the normal operation of the enterprise and technological process taking into account that the Works will be carried out during the gas withdrawal and injection periods. Therefore, when performing the works, the Contractor shall comply with the instructions of the representative of construction supervision, the responsible representative for against-well-springing safety of the wells and other representatives appointed by the Contracting Authority. In addition, during the performance of the Works, the Contractor shall take into account the information provided by the geological service of Incukalns UGS regarding the current formation pressure in the storage. After squeezing of the wells, the Contractor shall regularly control and record the pressure on the wellhead and in the tubing-casing annulus, as well as comply with other requirements of the Project and the Contract.

1.9. The Contractor shall observe the regulations of Incukalns UGS and agree upon the actual time and place for the performance of particular types of Works with the respective representative of the Contracting Authority.

1.10. The Contractor shall assume full responsibility for the equipment and materials to be supplied and installed in the wells before their commissioning, as well as for all technical resources used during performance of the Works.

1.11. The Works performed shall be accepted in accordance with the procedure prescribed in the Contract.

2. Completion Dates

The Contractor shall perform and complete the Works by the dates specified in the Time Schedule (Contract Appendix No. 4).

3. Contract Amount and Terms of Payment

3.1. For performance of the Works, the Contracting Authority shall pay to the Contractor the total sum in the amount of (.....) (hereinafter – the Contract Amount), including the cost of the Works, equivalent to.....(.....), and VAT 21%, equivalent to (.....).

3.2. The Contracting Authority shall pay to the Contractor the Contract Amount of _____ for the good quality and in time performed Works.

3.3. The Contracting Authority pays VAT 21%, equivalent to _____ according to the Law about the Value Added Tax Clause 142 to the State budget.

3.4. A breakdown of the Contract Amount by types of Works is provided in the Price Schedules (Contract Appendix no. 3).

3.5. The total Contract Amount shall be paid in accordance with the following procedure:

3.5.1. **An advance payment in the amount of 25%** of the total Contract Amount shall be paid by the Contracting Authority to the Contractor within 30 (thirty) days after fulfilment of the following conditions: signing of the Contract between Parties, receipt from the Contractor of the Performance Security of the Contract and receipt of the relevant invoice.

The advance payment shall be repaid through percentage deductions in Interim Payments. Deductions of one fifth (20%) of the amount of each Interim Payment shall be made until the advance payment has been repaid.

3.5.2. **Interim payments** shall be made not more often than once a month in accordance with the statements of the Works performed submitted by the Contractor and signed by the Contracting Authority.

The payment shall be made in accordance with the Works actually performed during the month deducting the percentage of the advance payment of the Contract.

The sum of interim payments together with the advance payment stated shall not exceed 90% (ninety per cent) of the Contract Amount.

The Contracting Authority shall within 10 (ten) working days after receiving the statement of the Works performed, sign it or express any objections in writing.

The amount approved in the statement of the Works performed shall be paid to the Contractor within 10 (ten) days after its approval and receipt of the relevant invoice from the Contractor.

3.5.3. **The final payment in the amount of 10%** of the total Contract Amount shall be paid by the Contracting Authority to the Contractor within 30 (thirty) days after complete performance of the Contractor's contractual obligations under the Contract, signing of the final acceptance certificate and receipt of the relevant invoice from the Contractor.

3.6. All payments to be made under this Contract shall be made by a transfer to the bank account indicated by the Contractor in accordance with the invoices submitted by the Contractor and conditions of the Contract.

4. Performance Security

4.1. The Contractor shall within 21 (twenty one) day after signing the Contract provide to the Contracting Authority a Performance Security in the amount of 10% (ten per cent) of the total Contract Amount.

4.2. The Contracting Authority may use the Performance Security to indemnify for the losses incurred by the Contracting Authority as a result of the Contractor's default or withhold an advance payment to be returned or penalties attributable to the Contractor. The Contracting Authority shall at least 7 (seven) days before sending a demand to the bank inform the Contractor about his intention to withhold the Performance Security.

4.3. The Performance Security shall be submitted in a form of a guarantee issued by the bank acceptable to the Contracting Authority, the contents of which shall comply with the Performance Security Form (Contract Appendix No. 6) included in the Contract or is agreed upon with the Contracting Authority. The Performance Security shall be fixed in the same currency as the Contract Amount.

4.4. The Performance Security shall be valid from the date of issuing thereof which is at least 30 (thirty) days from the date of signing the final acceptance certificate as stated in the Contract. In the event when the Contract duration is extended by more than 15 (fifteen) days, the Contractor shall within 5 (five) working days from the extension date submit to the Contracting

Authority a Performance Security which is valid for at least 30 (thirty) days after the new date stated for signing the final acceptance certificate.

5. Rights and Duties of the Contractor

5.1. The Contractor shall be responsible for the performance of all preparatory works, unless stated otherwise in the Contract or appendices thereof. The Contractor shall, during performance of the Works, fence off the Site from the rest of the Facility's territory.

5.2. The Contractor shall be responsible for coordination and management of the Works.

5.3. The Contractor shall prepare the Work performance plan for each well in accordance with the procedure established by the law and submit for the Contracting Authority's approval. The Work performance plan shall include the tests and commissioning procedure of the Works and against-well-springing safety measures.

5.4. The Contractor shall commence the Works in the Site after the Detail Geological and Technological working plan for a definite well is accepted by the Contracting Authority.

5.5. The Contractor shall perform the Works in compliance with the accepted Detail Geological and Technological working plan, the Contract and its Appendices. Any deviation is permissible only by the Contracting Authority's written consent.

5.6. The Contractor shall, within 7 (seven) working days prior to the commencement of the Works in the site, submit to the Contracting Authority the list of Contractor's and subcontractors' staff for issuing entry permits.

5.7. The Contractor shall ensure compliance with work safety, labour protection, fire-prevention, electric safety, sanitary and environmental protection regulations during the entire period of the performance of Works.

5.8. Before commencing the Works the Contractor shall accept the well construction site from the Contracting Authority with signing a Take-over Certificate.

5.9. The Contractor shall accept the equipment and materials provided by the Contracting Authority for installation (Contract Appendix No. 1 "Project requirements"). The Contracting Authority shall deliver the equipment and materials mentioned hereunder to the Contractor in due time and in full. In the event any defect or nonconformity is found in the set of this equipment and materials, they shall be noted in a statement drawn up by the Parties.

5.10. The Contractor shall perform the Works in accordance with the sequence and time specified in the Time Schedule included in the Contract (Contract Appendix No. 4). Any changes to the Time Schedule for performance of the Works shall become valid only after mutual agreement by the Parties thereupon and formalizing of these changes in writing with the relevant amendments to the Contract.

5.11. The Contractor may at his risk and expense invite only those specialists and subcontractors that are licensed in the relevant fields for performance of the specified Works. Subcontractors, which are not included in the List of Subcontractors (Contract Appendix No.5), shall be invited by the Contracting Authority's prior written consent.

5.12. The Contractor shall be responsible for the supply of all the equipment and materials necessary for the performance of the Works except equipment and materials provided by the Contracting Authority. For performance of the Works, The Contractor shall use the materials, technical resources and equipment identical with those specified in the Technical Requirements, the Contractor's technical Proposal and Price Schedules. Use of other materials, technical resources and equipment is permitted only with the Contracting Authority's written consent.

5.13. The Contractor shall be responsible for the removal, burying or disposal of solid and liquid waste arisen as a result of performance of the Works, as well the dismantled equipment, in accordance with the requirements of the legislation of the Republic of Latvia.

5.14. The Contractor shall, in accordance with the procedure established by the legislation of the Republic of Latvia, draw up and agree with the Contracting Authority on the List of as-built documentation for performance of the Works and, thereafter, in an appropriate manner, process all the necessary as-built documentation.

5.15. The Contractor shall assume responsibility for any damages resulting from the activities carried out by the Contractor, his Subcontractors or personnel.

5.16. The Contractor shall organize regular site meetings during the entire course of the Works. The meetings shall be attended by the works supervisor from the Contractor's side, representative of construction supervision, representative for against-well-springing safety, representative from the management of Inchukalns UGS, as well as the persons invited by them. The meetings shall be organized once a week, unless agreed otherwise or any of the abovementioned persons has made any other proposal.

5.17. After completion of the Works the Contractor shall hand over to the Contracting Authority all the as-built documentation related to the Works (design documentation, as-built documentation for the Works, technical documentation for the equipment, etc., in accordance with the approved List of as-built documentation). Handing over of the abovementioned documentation is a precondition for signing the final acceptance certificate.

5.18. Upon the Contracting Authority's request the Contractor shall provide a report on the progress of the Works. The report shall be submitted to the Contracting Authority within 3 (three) days unless the Contracting Authority has specified another term for submission of the report.

5.19. The Contractor shall provide access for the representatives of construction supervision and against-well-springing safety invited by the Contracting Authority for the purposes of supervision of the performance of the Works, which shall not release the Contractor from his responsibility regarding the quality and safety of the Works, compliance thereof with the Contract, construction standards of the Republic of Latvia and other laws and regulations.

5.20. If during the preparation or execution of the Works any unforeseen circumstances or works be identified, which may delay fulfilment of obligations pursuant of this Contract or affect the safety of the Facility, wells or any other safety, the Contractor shall immediately, orally or in writing notify the Contracting Authority and the representative for against-well-springing safety thereof. In such event the Contractor shall continue performing his obligations under the Contract as far as it does not affect the safety of the Facility or wells unless the Contracting Authority has requested orally or in writing, to suspend any further Works. If the Works have been suspended, the performance thereof may proceed after the Parties have agreed upon the modification in the scope of the Works and the Contract.

6. Rights and Duties of the Contracting Authority

6.1. The Contracting Authority shall hand over to the Contractor the construction site by drawing up a Take-over Certificate signed by both Parties.

6.2. The Contracting Authority shall provide the Contractor at the latter's cost with the resources necessary for performance of the Works (electricity, gas, water), whereby the necessary capacity shall be agreed upon between the Contracting Authority and Contractor.

6.3. The Contracting Authority shall disconnect the wells including pipeline valves from the piping loop system and hand over the wells to the Contractor with a certificate for further performance of the Works.

6.4. The Contracting Authority shall reply to the clarification requests submitted by the Contractor in writing, sign the documentation submitted by the Contractor or provide reasoned refusal in writing within the time specified in the Contract or, if the time is not specified, within 14 (fourteen) working days.

6.5. By statement signed by both Parties The Contracting Authority shall hand over to the Contractor the equipment and materials provided by the Contracting Authority for installation (Contract Appendix No. 1 "Project requirements") and the supporting documentation in due time and in full set. In the event any defect or nonconformity is found in the set of this equipment and materials, they shall be noted in the statement drawn up by the Parties.

6.6. The Contracting Authority shall provide free access to the Site for the Contractor's personnel and the Subcontractor invited by him, the equipment and technical resources by prior mutual agreement upon the time of the Works.

6.7. The Contracting Authority shall obtain a permit for the renovation of well sites if it is required by legislation of Republic of Latvia.

6.8. The Contracting Authority may invite the representatives of author supervision, construction supervision and against-well-springing safety for supervision of the Works.

6.9. The Contracting Authority shall in accordance with the list submitted by the Contractor issue entry permits for the persons indicated in the list for access to the Site. The Contracting Authority is entitled, at his discretion and without any special substantiation or explanation, to prohibit access of particular persons to the territory of Incukalns UGS.

6.10. The Contracting Authority may immediately suspend the Works, if the Contractor or his personnel do not comply with the regulations for against-well-springing safety of the wells, internal regulations of Incukalns UGS, laws and regulations applicable to the Works or the Contract or if any conditions have arisen that may, in any way, cause emergency situation in the wells, gas leakage or any other damage to the facility or people. The Contractor may resume the Works as approved by the Contracting Authority after having remedied the default. The Contractor shall not be entitled to any extension of the deadline for completion of the Works specified in the Contract due to the abovementioned suspension of the Works. The Contracting Authority may, if considered necessary, expel the Contractor's personnel from the Site.

6.11. The Contracting Authority may on his own initiative suspend performance of the Works, as well as propose any modifications in the scope of the Works or supplies or in the Technical Design. Shall the modifications in the scope of the Works or supplies or in the Technical Design proposed by the Contracting Authority affect the completion time of the Contract or the Contract Amount, the Contractor shall, not later than within one week, inform the Contracting Authority thereof in writing.

7. Insurance

The Contractor shall at his expense sign the following insurance contracts. The insurance company and insurance conditions previously approved by the Contracting Authority:

7.1. insurance of renovation and installation works for the 100% of the Contract Amount, including the equipment and materials provided by the Contracting Authority for their full value of Contract. The Contracting Authority shall be indicated as the receiver of insurance indemnity in accordance with the above policies. This insurance shall be maintained valid by the Contractor

during the entire Work period. The Contractor shall furnish the Contracting Authority the above insurance policies before commencement of the Works in the Site;

7.2. the Contractor's insurance of third party liability for the amount of 10% of of the Contract Amount, but no less than 150 000 EUR. This insurance shall be maintained valid by the Contractor during the entire Work period. The Contractor shall furnish the Contracting Authority with the copy of the said insurance policy before the commencement of the Works in the Site;

7.3. insurance of the Works warranty period for the amount not smaller than 10% (ten percent) of the Contract Amount indicating the Contracting Authority as the receiver of insurance indemnity. This insurance shall be maintained valid by the Contractor from the commissioning date of the Works until the end of the warranty period. The Contractor shall furnish the Contracting Authority with the insurance policy of the Works warranty period before signing the Final Acceptance Certificate.

8. Modifications and Amendments

8.1. Any additional works, which the Parties might agree upon during performance of the Contract, shall be paid by the Contracting Authority only in case the Parties have preliminary agreed in writing on the necessity and price thereof. Otherwise the expenses thereof are deemed to have been included in the Contract Amount.

8.2. In addition the unit prices specified in the Price Schedules of technical resources and personnel per time unit (Contract Appendix No. 3) shall be used for evaluation of the Works. If any costs are not included in Contract Appendix No. 3 to the Contract, they shall be specified in accordance with the agreement between the Parties and the documents substantiating these costs shall be provided to the Contractor.

8.3. Unforeseen works that arise during performance of the Works and are essentially necessary for continuing or completion of the Works shall be paid for by the Contracting Authority from the Contracting Authority reserve specified in the Price Schedules (Contract Appendix No. 3).

8.4. The acceptance procedure for unforeseen works is the following:

8.4.1. the Contractor shall deliver to the Contracting Authority accurate statements of unforeseen works which shall include the details of the resources used in executing the unforeseen work – the Contractor's personnel, quantities and types of equipment and materials used,

8.4.2. for evaluation of unforeseen works the unit prices specified in the Price Schedules of technical resources and personnel per time unit (Contract Appendix No.3) shall be used,

8.4.3. each statement, if correct, or when agreed, shall be signed by the Contracting Authority and returned to the Contractor.

8.5. In the event the Works are terminated or suspended on the initiative of the Contracting Authority or for the Contracting Authority's default, the Parties shall agree upon the adjustment of the completion dates for the Works, and the Contracting Authority shall indemnify the Contractor for the idle time in the amount agreed upon by the Parties. The amount of such indemnification shall not exceed the direct costs for the rent of cranes and other equipment incurred by the Contractor within the respective time period. Suspension of the Works by the Contracting Authority or the Construction Supervisor invited by the Contracting Authority due to non-compliance of the Works with the Contract, regulatory enactments, or due to any other Contractor's default, shall not be deemed Contracting Authority's initiative in the understanding of this Clause.

8.6. In the event the Works are terminated due to the Contractor's default, the Contracting Authority shall be entitled to claim indemnification of the losses incurred.

9. Procedure for Acceptance of the Works

9.1. The Contractor and the Contracting Authority shall sign acceptance certificates after the completion of the Works in each well, namely, after installation of surface and underground equipment in the wells, their connection to piping loops, testing of the wells, completion of the construction of wellsites and commissioning of the wells. During the performance of the Works and before commissioning of the wells, the Contractor shall perform the necessary inspections and tests of the equipment and wells in accordance with the Work performance plan agreed upon with the Contracting Authority.

9.2. After completion of all Works The Contractor shall give a notice to the Contracting Authority stating completion of the Works and a final acceptance certificate signed by the Contractor. The Contracting Authority shall within 5 (five) working days sign the final acceptance certificate or submit a reasoned refusal in writing to the Contractor to sign the final acceptance certificate and accept the Works stated in the certificate.

9.3. In the event of a reasoned refusal, the Parties shall agree upon the remedy of defects and prepare a statement of defects by specifying the defects to be remedied and the time for remedying thereof. The Contractor shall remedy the defects specified in the statement at his expense. The period for the remedy of defects specified in the statement shall not be deemed the grounds for the extension of the period for the performance of the Works under the Contract.

9.4. After the defects have been remedied the Works are subject to repeated acceptance in accordance with the acceptance procedure prescribed in this Clause.

9.5. Signing of the interim acceptance certificate or final acceptance certificate shall not release the Contractor from the responsibility regarding hidden defects, which have not been found during signing of the certificate.

9.6. Interim acceptance certificates and the final acceptance certificate after their signing by both Parties shall become integral parts of the Contract.

9.7. The Parties shall sign the final acceptance certificate after the completion of all contractual obligations including landscaping of the site, handing over of the as-built documentation to the Contracting Authority in accordance with the List of as-built documentation, as well as other obligations under this Contract.

9.8. The Parties may invite independent experts to examine the quality of the Works performed at their own expense.

9.9. Before signing the final acceptance certificate The Contracting Authority shall take over the well construction site from the Contractor with signing the Take-over Certificate.

10. Liability of the Parties

10.1. In the event the Contractor fails to comply with the final date for the completion and commissioning of the Works stated in the Contract, or the Contractor fails to comply with any of the intermediate dates specified in the Time Schedule (Contract Appendix No. 4), the Contractor shall pay to the Contracting Authority a penalty equivalent to 0.1% (point one per cent) of the total Contract Amount for each day of delay, not exceeding 10% (ten per cent) of the total Contract Amount.

10.2. In the event the Contracting Authority delays any of the payments to be made under the Contract, the Contracting Authority shall pay to the Contractor a penalty equivalent to 0.1%

(point one per cent) of the delayed payment amount for each day of delay, not exceeding 10% (ten per cent) of the delayed payment amount.

10.3. Either Party shall indemnify the other Party for the losses incurred as a result of its failure to perform any contractual obligations or comply with the provisions of the Contract, in accordance with the procedure established by legislative acts of the Republic of Latvia.

11. Warranty

11.1. The Contractor shall warrant the quality of the Works, their compliance with the Contract and Technical Requirements, as well as functional operation of the Works. The Contractor shall assume full liability for the damages and defects found in the Works performed, including defects in the materials and equipment supplied, as well as faults and defects arisen during the warranty period. The warranty period specified under this Clause is _____ months after signing of the final acceptance certificate by both Parties.

11.2. The Contractor shall upon the receipt of a written notice from the Contracting Authority on the defects found during the warranty period remedy any defects, damages or non-compliance with the requirements of the Contract, Project Requirements or laws and regulations at his expense. In the notice to the Contractor, the Contracting Authority shall specify the place and time where and when the Contractor shall arrive for drawing up the statement of defects. The time period specified by the Contracting Authority shall not be shorter than 24 (twenty-four) hours, but the Parties may agree upon other time for drawing up the statement of defects.

11.3. The Parties shall within the specified time period draw up the statement of defects by indicating the defects or non-compliance found in the Works or equipment and the time for remedying thereof. In the event that the Contractor fails to arrive for drawing up of the statement of defects, the Contracting Authority shall be entitled to prepare the statement unilaterally, and it shall be binding on the Contractor. The Contractor shall be notified of the preparation of such statement specifying the place and time of the preparation thereof.

11.4. If during the drawing up of the statement of defects the Contracting Authority and the Contractor fail to reach agreement regarding the identified defects, their subjection to the warranty or the necessary time for remedying the defects, the Contracting Authority may invite an expert whose opinion is conclusive. Expert costs shall be covered by the Parties in equal parts.

11.5. In the event that the Contractor fails to remedy the defects or non-compliance attributable to the warranty within the time limits specified in the statement of defects, the Contractor shall pay to the Contracting Authority a penalty equivalent to 0.1% (point one per cent) of the cost of the Work for each day of delay until the respective defect or non-compliance has been remedied.

11.6. In the event that the Contractor fails to remedy the defects or non-compliance attributable to the warranty within the time limits specified in the statement of defects and its delay lasts for a period of at least 10 (ten) days, the Contracting Authority may remedy the defects attributable to the warranty by himself or invite any third party. In such event, the Contractor shall indemnify the Contracting Authority for all losses incurred in connection with remedying the defects, and pay demurrages.

12. Termination of the Contract

12.1. The Contract may be terminated by written agreement between the Parties or in accordance with the procedure prescribed under this Clause.

12.2. The Contracting Authority may by sending a written notice to the Contractor at least 15 (fifteen) days in advance unilaterally terminate the Contract without paying any indemnification to the Contractor in any case if:

12.2.1. the Contractor fails to furnish the Performance Security within the time specified in the Contract or if the furnished Performance Security has become invalid,

12.2.2. the Contractor fails to comply with the dates, including the intermediate dates, for the completion of the Works specified in the Time Schedule, and if the Contractor's delay has reached at least 30 (thirty) days,

12.2.3. the Contractor fails to comply with lawful instructions of the representatives of author supervision, construction supervision and against-well-springing safety or fails to fulfil any obligations in accordance with the provisions of the Contract, and if the Contractor has failed to make good or remedy the identified default within 30 (thirty) days after the written notice about such default by the Contracting Authority or his representatives for work supervision.

12.3. The Contracting Authority shall be entitled to immediately and unilaterally terminate the Contract by giving a written notice to the Contractor, if the liquidation proceedings of the Contractor have been started or the Contractor has been announced insolvent.

13. Force Majeure

13.1. The Parties shall be released from the liability for the failure to perform in part or in whole any obligations under the Contract, if such failure is the result of exceptional circumstances or events (*Force Majeure*), which have become effective after signing of the Contract and which could not reasonably be provided against and avoided by the Parties.

13.2. A *Force Majeure* situation may include such exceptional circumstances and events as fires, wars, technogenic accidents, natural disasters, as well as newly adopted legislative acts and other circumstances of similar nature, which limit or significantly affect the performance of the obligations under the Contract and which are beyond possible control and influence of the Parties.

13.3. The Party affected by a *Force Majeure* situation shall notify the other Party of such conditions within 3 (three) days by specifying the possible date for the performance of obligations.

13.4. If the performance of the Contract is prevented by *Force Majeure* situation for more than 60 (sixty) days, either Party may unilaterally terminate the Contract. If the Contract is terminated under such circumstances, no Party is entitled to claim from the other Party indemnification of losses incurred. In such event the Parties shall prepare the statement on the scope and value of the Works actually performed, and the Contracting Authority shall pay to the Contractor the amount payable for the Works actually performed in compliance with the statement. If the actual value of the Works is smaller than the amount paid by the Contracting Authority to the Contractor, the latter shall return the surplus amount.

14. Settlement of Disputes

14.1. The Parties shall attempt to settle any dispute or disagreement having arisen between the Parties in connection with this Contract or the performance thereof by informal amicable negotiations.

14.2. In the event that Parties cannot settle the dispute or disagreement amicably on 30 (thirty) days period either Party may apply to the court for settlement thereof in accordance with the procedure set by the legal acts of the Republic of Latvia.

14.3. The Contract is made, shall be performed and interpreted in accordance with laws of the Republic of Latvia.

15. Special Conditions

15.1. When performing the Works under the Contract, the Contactor shall at his own expense carry out works, which are not included in the Price Schedules, but which by objective considerations are necessary for a due performance of the Works, including provision and maintenance of the necessary technical resources (motor vehicles, cranes, etc.), obtaining of the necessary approvals, waste disposal, cleaning-up of the construction site, etc.

15.2. The authorized persons for the performance of the Contract are:

For the Contracting Authority –

For the Contractor –

15.3. Acceptance certificates shall be signed by:

For the Contracting Authority –

For the Contractor –

15.4. The Contract or appendices thereof may be modified or amended only by written agreement thereupon between the Parties, and the modifications and amendments shall become an integral part of the Contract.

15.5. The Contract shall come into force upon its signing and shall remain valid until full performance of the obligations by the Parties.

16. Confidentiality

The Contractor may not without the Contracting Authority's prior written consent disclose any information about the Contract, including its contents, conditions, specifications, schemes, drawings, etc., which has been provided by the Contracting Authority or any person acting on his behalf in accordance with the Contract, to any other person, except for the cases specified in the laws and regulations of the Republic of Latvia. Disclosure of the contents of the Contract to any other person employed for the performance of the Contract shall be permissible only as far as the confidentiality stipulated by the Contract is protected and to the extent necessary for the performance of contractual obligations.

17. Details of the Parties

The Contracting Authority:

Joint Stock Company "Conexus Baltic Grid"

Unified reg. No. 40203041605

VAT No. LV40203041605

Aristida Briana iela 6, LV-1001, Riga, Latvia

"Swedbank" AS, HABALV22

LV08 HABA 0551 0429 7882 7

The Contractor:

Zane Kotāne, Chairman of the Board

Gints Freibergs, Member of the Board

PERFORMANCE SECURITY FORM

_____. _____ 20__

_____ place

To: Joint Stock Company "Conexus Baltic Grid"
Aristida Briana iela 6, LV-1001, Riga, Latvia
Project: Renovation of 4 gas production wells at Incukalns Underground Gas Storage of
JSC "Conexus Baltic Grid"

WHEREAS _____ (hereinafter "the Contractor")

(Name of the Contractor)

has undertaken, in pursuance of Contract No. _____ dated _____ 20__, the obligations and liabilities of the Renovation of 4 gas production wells at Incukalns Underground Gas Storage of JSC "Conexus Baltic Grid" (hereinafter the "Contracting Authority"),

AND WHEREAS it has been stipulated in the said Contract that the Contractor shall furnish the Contracting Authority with a Bank Guarantee in the amount of **25% (twenty five per cent)** of the total Contract Amount as a security for complete performance of the Contractor's obligations under the Contract,

AND WHEREAS WE have agreed to give the guarantee to the Contractor,

THEREFORE WE, _____, hereby affirm
(name and address of the Bank)

that we guarantee you a timely and due performance of Contractor's obligations under the Contract, and in event of the Contractor's default, we are bound unto you, on behalf of the Contractor, in the sum not exceeding in total the amount of _____ We undertake to pay you,
(amount of the Guarantee in words and figures)

upon your first written demand declaring the Contractor to be in default under the Contract and without cavil or argument, any sum or sums within the limits of the amount as aforesaid, without your needing to prove the reasons for your demand or grounds for the amount of the sum specified therein.

Any such demand with regard to this guarantee shall be sent to the address below by the validity date of the guarantee stated below.

This Guarantee is valid until the _____ day of _____ 20__.

Signature and Seal of the Guarantor

Date: _____

Address: _____