

*Draft*

**Auction rules on ensuring availability of natural gas at the  
transmission system interconnection with the storage in 2017 – 2018**

Table of Contents

<b><u>GENERAL PROVISIONS</u></b>	<b><u>3</u></b>
<b><u>PUBLISHING OF AUCTION ANNOUNCEMENT</u></b>	<b><u>3</u></b>
<b><u>PROCEDURE FOR APPLICATION</u></b>	<b><u>3</u></b>
<b><u>SUBMISSION OF APPLICATIONS</u></b>	<b><u>4</u></b>
<b><u>ASSESSMENT OF OFFERS</u></b>	<b><u>4</u></b>
<b><u>DETERMINATION OF REMUNERATION AND CONCLUSION OF CONTRACT</u></b>	<b><u>5</u></b>
<b><u>FULFILMENT OF THE CONTRACT</u></b>	<b><u>5</u></b>
<b><u>PAYMENTS</u></b>	<b><u>6</u></b>
<b><u>CONTRACTUAL PENALTY</u></b>	<b><u>6</u></b>
<b><u>ANNEX 1</u></b>	<b><u>7</u></b>
<b><u>APPLICATION FORM FOR PARTICIPATION IN THE AUCTION</u></b>	<b><u>7</u></b>
<b><u>ANNEX 2</u></b>	<b><u>8</u></b>
<b><u>BINDING OFFER OF THE AUCTION PARTICIPANT</u></b>	<b><u>8</u></b>
<b><u>ANNEX 3</u></b>	<b><u>9</u></b>
<b><u>CONTRACT ON GUARANTEE OBLIGATION FOR NATURAL GAS AVAILABILITY</u></b>	<b><u>9</u></b>

## **General provisions**

1. The Joint Stock Company “Conexus Baltic Grid” (hereinafter - JSC “Conexus Baltic Grid”), unified registration number: 40203041605, address: A.Briāna Street 6, Riga, LV – 1001, contact information: \_\_\_\_\_, taking into consideration the obligations of the natural gas transmission system operator set out in sections 15(6) and 112 of the Energy Law, namely, to ensure safety of the transmission system, its efficient and economically reasonable operation, as well as long-term capability to ensure transmission of natural gas according to demand, announces the launch of an auction on ensuring availability of natural gas at the entry point specified in paragraph 5.4. of the Rules for Use of the Natural Gas Transmission System – at the interconnection of transmission system with Inčukalns Underground Gas Storage Facility (hereinafter – the Storage).
2. The subject matter of the auction is a contractual agreement with market participants on ensuring availability of natural gas at the interconnection of the transmission system with the Storage (hereinafter – the Guarantee obligation), by injecting natural gas into and storing in the Storage according to the following terms and amounts:
  - 2.1. until November 1, 2017 – 8 050 000 MWh;
  - 2.2. until January 1, 2018 – 5 750 000 MWh;
  - 2.3. until March 1, 2018 – 3 450 000 MWh.

## **Publishing of auction announcement**

3. JSC “Conexus Baltic Grid” shall publish the auction announcement on its website not later than until July 5, 2017. JSC “Conexus Baltic Grid” may publish the announcement also in other mass media.
4. JSC “Conexus Baltic Grid” shall indicate the following information in the auction announcement:
  - 4.1. the subject matter of the auction;
  - 4.2. deadline and form for submission of binding offers, indicating the e-mail address for sending of binding offers;
  - 4.3. criteria for determination of merit order;
  - 4.4. criteria for determination of remuneration;
  - 4.5. contact person of JSC “Conexus Baltic Grid”;
  - 4.6. any other significant information related to the auction.

## **Procedure for application**

5. Market participants willing to participate in the auction, shall submit to JSC “Conexus Baltic Grid” the application form (Annex 1) until July 10, 2017, by sending it electronically to the e-mail address: \_\_\_\_\_@conexus.lv. The applicant shall include the indicative offer in the application.
6. The precondition for participation in the auction is a valid transmission system service contract, balancing contract and storage service contract.

7. JSC “Conexus Baltic Grid” will examine the received applications until July 11, 2017 and, if the application contains all required information, will register it and include the applicant in the list of auction participants, by informing the applicant not later than until July 12, 2017.
8. Inclusion of an applicant in the list of auction participants does not *per se* constitute a reason for existence of a contractual agreement.

### **Submission of applications**

9. Auction participants shall submit their binding offer in the form (Annex 2) and term indicated by JSC “Conexus Baltic Grid”.
10. An auction participant is allowed to submit a binding offer for all or any of tranches, mentioned in paragraph 2 of the Rules (hereinafter – tranche), and to indicate a different price of the Guarantee obligation for multiple tranches.
11. The minimum amount of natural gas in each tranche for which a binding offer can be submitted is 115 000 MWh (one hundred fifteen thousand MWh).
12. Auction participants bear responsibility for the accuracy of the binding offer and submission thereof to JSC “Conexus Baltic Grid” within the specified deadline. If the binding offer is submitted after the deadline, all required information is not indicated in the offer or the information is unclear, it shall be deemed as not been submitted at all.
13. An offer submitted by a person not included in the list of auction participants shall not be accepted.
14. JSC “Conexus Baltic Grid” shall send information on receipt of the binding offer to the e-mail address indicated in the binding offer not later than within 1 (one) working day from the receipt of the binding offer.
15. Submission of the binding offer confirms that an auction participant accepts the auction rules and undertakes to conclude a contractual agreement on the Guarantee obligation, which is executed by injecting the respective amount of natural gas into and storing in the Storage within the specified term. The binding offer shall be valid within the period for which it was submitted and which corresponds to the tranches for which it was submitted.
16. Auction participants shall cover costs related to participation in the auction.

### **Assessment of offers**

17. The auction winners are determined by assessing the binding offers in each tranche based on the price of the Guarantee obligation and arranging them in the merit order, starting from the lowest offered price per tranche until the amount indicated in paragraph 2 of the Rules for each tranche is reached (hereinafter – the approved amount).
18. If the offered price in several binding offers is equal, they shall be arranged in the merit order starting with the offer that was submitted first. The submission time shall be fixed according to the offer receipt time via e-mail.
19. In cases mentioned in paragraphs 17 and 18 of the Rules, the binding offer of an auction participant shall be included in the merit order only partially, if the indicated maximum amount for the relevant tranche, for which the binding offer is submitted, is reached. The

binding offer in the part, which exceeds the maximum amount indicated for the relevant tranche in paragraph 2 of the Rules, shall be rejected.

20. JSC “Conexus Baltic Grid” shall send the decision on determination of auction winners to the respective auction participants not later than within 5 (five) working days from the receipt of the binding offer to the e-mail address indicated in the binding offer.
21. If the binding offer is rejected, JSC “Conexus Baltic Grid” shall inform the respective auction participant not later than within 5 (five) working days from the receipt of the binding offer, by sending the information to the e-mail address indicated in the binding offer.
22. JSC “Conexus Baltic Grid” shall be entitled to terminate the auction without a result if the price offered in binding offers is economically unjustified.

### **Determination of remuneration and conclusion of contract**

23. Remuneration for the auction winner shall be calculated by multiplying the price offered in the binding offer by the approved amount in the respective tranche.
24. If the auction winner has submitted an offer for several tranches the remuneration shall be calculated for each tranche separately.
25. Within 2 (two) working days from the day of sending the decision mentioned in paragraph 20 of the Rules JSC “Conexus Baltic Grid” shall prepare and electronically send to the auction winners a contract on the Guarantee obligation (hereinafter – the Contract, Annex 3), which shall be executed by injecting the respective amount of natural gas into and storing in the Storage within the specified term.
26. The auction winner shall submit to JSC “Conexus Baltic Grid” a signed contract in two copies within 3 (three) working days from the day of sending the contract. JSC “Conexus Baltic Grid” shall sign the contract within 3 (three) working days from receiving the contract signed by the auction winner and send one copy back to the auction winner.

### **Fulfilment of the contract**

27. The reservation of capacity products at the transmission system interconnection with the Storage and the acquisition of natural gas which are required for fulfilment of the contract, as well as related costs, shall be covered by the auction winner.
28. The auction winner shall assume responsibility if fulfilment of the Guarantee obligation is not possible due to a fault of another transmission system operator.
29. The Guarantee obligation shall be considered as fulfilled when the auction winner injects into and stores in the Storage the amount of natural gas specified in the contract, including in the case foreseen in paragraph 30, by observing the time schedule mentioned in paragraph 2 of the Rules.
30. During the contract period, after receiving information from JSC “Conexus Baltic Grid”, the auction winner is obliged to submit a nomination/renomination for input of natural gas at the transmission system interconnection with the Storage according to the Rules for Use of the Natural Gas Transmission System.
31. JSC “Conexus Baltic Grid” shall send the information mentioned in paragraph 30 of the Rules to the auction winners based on the sequence of tranches, starting from the tranche with the shortest term. JSC “Conexus Baltic Grid” shall indicate in the information the

amount of natural gas required for ensuring safe operation of the transmission system at the interconnection with the storage. The specified amount shall be divided proportionally among the auction winners within the relevant tranche up to the approved amount for the relevant auction winners.

32. The auction winner shall immediately, but not later than 30 (thirty) minutes after receiving the information mentioned in paragraph 30 of the Rules, submit the nomination/renomination for the input of natural gas at the transmission system interconnection with the Storage according to the Rules for Use of the Natural Gas Transmission System.
33. In cases mentioned in paragraph 32 of the Rules, the ownership of natural gas is not transferred to JSC “Conexus Baltic Grid”.
34. The mere fact that the auction winner continues to store the respective amount of natural gas in the Storage after expiration of the contract period, shall not serve as a basis for automatic inclusion of the auction winner in the list of participants for the next auction.
35. If a national energy crisis is announced pursuant to the procedures stated in the Energy Law, the contract shall be suspended for the period of energy crisis.

### **Payments**

36. The auction winner shall within 5 (five) working days after the date of fulfilment of the Guarantee obligation determined in the contract send to JSC “Conexus Baltic Grid” an invoice for guaranteeing the amount of natural gas, indicated in the contract, at the transmission system interconnection with the Storage. The invoice shall be sent to the e-mail address of JSC “Conexus Baltic Grid” indicated in the contract. The invoice shall be valid without a signature, which shall be substituted by authorization or secure electronic signature. The day of invoice receipt shall be considered the day of sending thereof.
37. JSC “Conexus Baltic Grid” shall verify the conformity of the amount of natural gas in the Storage to the amount determined in the contract within 10 (ten) days and shall settle the invoice within 30 (thirty) days.
38. If the last day of invoice settlement is a weekend day or holiday of the Republic of Latvia, then the next business day shall be considered as the last day for invoice settlement.
39. Taxes shall be applied according to regulatory enactments of the Republic of Latvia.

### **Contractual penalty**

40. If the auction winner fails to ensure availability of the full amount of natural gas specified in the contract or according to the schedule given in the contract, the auction winner shall pay a contractual penalty to JSC “Conexus Baltic Grid” equal to double the amount of the non-fulfilled Guarantee obligation payment which the auction winner would have received if it had fulfilled its Guarantee obligation.
41. If JSC “Conexus Baltic Grid” fails to settle an invoice within the term specified in paragraph 37 of the Rules, JSC “Conexus Baltic Grid” shall pay a contractual penalty to the auction winner equal to 0,15% per day, but no more than 10% of the invoiced amount.
42. The contractual penalty shall be paid per each breach of contractual obligation.

## Application form for participation in the auction

\_\_\_\_\_2017.

\_\_\_\_\_  
/Execution place/

No. \_\_\_\_\_

Addressee: The Joint Stock Company “Conexus Baltic Grid” “Conexus Baltic Grid” (hereinafter - JSC “Conexus Baltic Grid”), unified registration number: 40203041605, address: A.Briāna Street 6, Riga, LV – 1001

Applicant: \_\_\_\_\_

EIC code:

Legal address:

Phone number:

E-mail address:

Fax number:

Bank details:

VAT payer's registration number:

I hereby express my interest for participation in the auction and assume obligation to ensure availability of natural gas at the transmission system interconnection with the Storage, according to the following conditions:

Total estimated amount of natural gas (MWh) (indicate according to paragraph 2 of the auction Rules)

Period (indicate according to paragraph 2 of the auction Rules)

Offered price of Guarantee obligation EUR/MWh (excl. VAT)

### Information about the representative

Person/-s, who are entitled to represent the applicant	Name, surname	Position	Phone No., e-mail, fax No.
Contact information, which can be used by JSC “Conexus Baltic Grid” for communication with the applicant		Phone No.	E-mail

## Binding offer of the auction participant

\_\_\_\_\_ 2017.

\_\_\_\_\_  
/Execution place/

No. \_\_\_\_\_

Addressee: The Joint Stock Company “Conexus Baltic Grid” “Conexus Baltic Grid” (hereinafter - JSC “Conexus Baltic Grid”), unified registration number: 40203041605, address: A.Briāna Street 6, Riga, LV – 1001

Auction  
participant:

\_\_\_\_\_  
EIC code:  
Legal address:  
Phone number:  
E-mail address:  
Fax number:  
Bank details:  
VAT payer's registration number:

I hereby submit a binding offer, according to the following conditions:

Total estimated amount of natural gas  
(MWh) (indicate according to paragraph 2  
of the auction Rules)

Period (indicate according to paragraph 2 of  
the auction Rules)

Offered price of Guarantee obligation,  
EUR/MWh (excl. VAT)

### Information about the representative

Person/-s, who are entitled to represent the auction participant	Name, surname	Position	Phone No., e-mail, fax No.
Contact information, which can be used by JSC “Conexus Baltic Grid” for communication with the auction participant		Phone No.	E-mail



## Contract on guarantee obligation for natural gas availability

Riga \_\_\_\_\_ 2017.

The Joint Stock Company “Conexus Baltic Grid” (unified registration No. 40203041605),

hereinafter – **Combined system operator**, which is represented on the basis of Articles of Incorporation/Commercial Power of Attorney by \_\_\_\_\_, on one side, and \_\_\_\_\_ *merchant's name* (unified registration No. \_\_\_\_\_), hereinafter – **the Storage user**, which is represented on the basis of \_\_\_\_\_ *basis for representation* \_\_\_\_\_ by \_\_\_\_\_, on the other side, hereinafter collectively referred to as – the Parties, and separately referred to as – the Party, according to the results of the auction, organized by the Combined system operator on \_\_\_\_\_ 2017, conclude the following contract, hereinafter – the Contract:

### 1. Terminology used in the Contract

Terminology is used in this Contract within the meaning of the Energy Law, the Rules for Use of the Natural Gas Transmission System, and the Rules for Use of Inčukalns Underground Gas Storage Facility.

### 2. Subject matter of the Contract

2.1. During the Contract period, the Storage user undertakes to guarantee the availability of natural gas at the transmission system interconnection with the storage, by injecting the following amount of natural gas into the storage and storing gas within the following terms (hereinafter – the Guarantee obligation):

\_\_\_\_\_.

2.2. During the Contract period, the Combined system operator undertakes to make payments for the Guarantee obligation fulfilled by the Storage user.

### 3. Conditions for fulfilment of obligations

3.1. By concluding this Contract, the Storage user shall assume responsibility for reservation of capacity products for the transmission system interconnection with the storage and acquisition of natural gas, which are required for fulfilment of the Contract.

3.2. The Storage user shall reserve capacity at the respective entry/exit points according to the procedures and terms specified in the Rules for Use of the Transmission System and the Rules for Use of Inčukalns Underground Gas Storage Facility. If the Storage user fails to fulfil the Guarantee obligation in the amount and within the term specified in clause 2.1. of the Contract, by reserving transmission system capacity products and injecting the appropriate amount of natural gas in the storage according to the Guarantee obligation, the Storage user

shall assume balance responsibility in the respective period according to the Rules for Use of the Natural Gas Transmission System.

3.3. The Storage user shall be responsible for timely fulfilment of the Guarantee obligation disregarding whether fulfilment of the obligation is not possible due to the fault of another transmission system operator.

3.4. The Guarantee obligation shall be considered to be fulfilled when the Storage user injects in the storage and stores the amount of natural gas specified in clause 2.1., including in the case foreseen in clause 3.5, observing the respective time schedule.

3.5. During the Contract period, the Storage user shall immediately, but not later than within 30 minutes after receiving information from the Combined system operator, submit a nomination/renomination for an input of natural gas at the transmission system interconnection with the storage according to the Rules for Use of the Natural Gas Transmission System.

3.7. In the case mentioned in clause 3.5. of the Contract, the ownership of natural gas is not transferred to the Combined system operator.

3.8. After expiration of the Contract period, the Storage user shall have full freedom of action related to the natural gas amount indicated in clause 2.2. of the Contract. The mere fact that the Storage user continues to store the respective amount of natural gas in the storage after expiration of the Contract period, shall not serve as a basis for automatic inclusion of the Storage user in the list of participants for the next auction.

#### **4. Payment for fulfilment of obligation**

4.1. A payment for fulfilment of the Guarantee obligation (for each period indicated in clause 2.1. of the Contract) shall be calculated by multiplying the price indicated in the binding offer by the natural gas amount approved for the respective period, in which the Storage user has undertaken fulfilment of the Guarantee obligation.

4.2. Taxes shall be applied according to regulatory enactments of the Republic of Latvia.

4.3. The Storage user shall send to the Combined system operator an invoice on fulfilment of obligations within 5 (five) working days after the date of fulfilment of the Guarantee obligation, indicated in clause 2.1. of the Contract. The invoice shall be sent to the e-mail address of the Combined system operator, indicated in the Contract. The invoice shall be valid without a signature, which shall be substituted by authorization or secure electronic signature. The day of invoice receipt shall be considered the day of sending thereof.

4.4. The Combined system operator shall verify conformity of the amount of natural gas in the storage to the amount stated in the Contract within a period of 10 (ten) days, and transfer the amount specified in the invoice to the current account of the Storage user within 30 (thirty) days. If the amount of natural gas in the storage does not conform to the amount of the Guarantee obligation specified in the Contract, the Combined system operator shall not settle the invoice until complete fulfilment of the Guarantee obligation.

4.5. If the last day of invoice settlement is a weekend day or holiday of the Republic of Latvia, then the next working day shall be considered as the last day for invoice settlement.

4.6. If the Storage user fails to ensure fulfilment of obligations in full or according to the schedule given in clause 2.2. of the Contract, the Storage user shall pay to the Combined system operator a contractual penalty equal to double the amount of the non-fulfilled Guarantee

obligation payment which the auction winner would have received if it had fulfilled its Guarantee obligation.

4.7. If the Combined system operator fails to settle an invoice within the term specified in clause 4.4. of the Contract, the Combined system operator shall pay to the Storage user a contractual penalty equal to 0,15% per day, but no more than 10% of the invoiced amount . The contractual penalty is not applicable in the instance mentioned in clause 4.4. of the Contract.

4.8. Contractual penalty shall be paid per each breach of contractual obligation.

## **5. Responsibility of the Parties**

5.1. The Parties shall assume responsibility for fulfilment of the Contract provisions. The Parties shall compensate any loss, incurred by the other Party, if the guilty Party fails to fulfil the Contract provisions or fulfils them improperly.

5.2. The Party, which has properly fulfilled its obligations under the Contract, shall be entitled to request the other Party to fulfil its obligations in full.

5.3. The Parties shall be exempted from liability for failure to fulfil its contractual obligations or improper fulfilment thereof, if such failure has arisen as a result of force majeure conditions determined in the Contract.

## **6. Applicable laws and resolution of disputes**

6.1. This Contract is executed and legal relations arising from this Contract are stipulated, fulfilled and interpreted according to the existing regulatory enactments of the Republic of Latvia.

6.2. Any disputes and disagreements (hereinafter in this clause – the Dispute) between the Parties shall be resolved through mutual negotiations. In case of the Dispute, the Party, which refers to existence of the Dispute, shall submit a written notice to the other Party, providing the Dispute description, offered solution of the Dispute, and persons, who are authorized to represent the Party in negotiations related to the Dispute.

6.3. If the Dispute cannot be resolved through mutual negotiations within a period of 30 days (if authorized representatives of the Parties have not agreed on another term for resolution of the Dispute), it shall be resolved pursuant to the procedures determined in the existing regulatory enactments of the Republic of Latvia.

## **7. Force majeure**

7.1. The Parties shall not be responsible for full or partial failure to fulfil their contractual obligations, if such failure has resulted from force majeure conditions. For the purposes of this clause a force majeure condition is an obstacle, which has arisen outside the control of the affected Party, not allowing the Party to fulfil its obligations under the Contract, and which cannot be eliminated by the Party. Such conditions primarily involve: catastrophes, fire, earthquake and other natural phenomena, war operations, as well as economic sanctions, embargo, directions and orders of court, administrative and public authorities or any other conditions, which could not be foreseen by the Parties at the moment of concluding the Contract.

7.2. Force majeure conditions also do not include separate obstacles for fulfilment of obligations under the Contract, which have arisen at the time, when the Party, which fails to fulfil its obligations, delayed fulfilment of the Contract obligations.

7.3. If force majeure conditions continue for longer than 30 calendar days, the Parties shall commence negotiations concerning a mutually acceptable solution for fulfilment of their contractual obligations. In this case termination of the Contract is possible only upon mutual agreement of the Parties.

7.4. The Parties shall immediately notify each other about force majeure conditions. If the Parties fail to notify about force majeure conditions, the Parties may not use these conditions as a basis for non-fulfilment of this Contract.

7.5. Upon ending of force majeure conditions, the Parties shall immediately resume fulfilment of obligations, which were fulfilled until the moment of occurrence of such force majeure conditions, unless the Parties have agreed otherwise.

## **8. Contract period, amendments, termination of the Contract**

8.1. The Contract is concluded for the period mentioned in clause 2.2. of the Contract and shall come into force upon signing thereof by both Parties.

8.2. Upon an agreement of both Parties, amendments and additions can be made to the Contract. All amendments and additions to the Contract shall be made in writing and come into force when signed by both Parties.

8.3. The Contract may be terminated upon a written agreement of the Parties.

8.4. If a national energy crisis is announced pursuant to the procedure stated in the Energy Law, the contract shall be suspended for the period of energy crisis. In this case the Parties shall agree on further fulfilment of the Contract.

## **9. Information exchange**

9.1. Information exchange between the Combined system operator and the Storage user shall take place electronically, sending information to e-mail addresses of the Parties, indicated in the Contract.

9.2. All information, which has become known to the Parties as a result of conclusion of the Contract and fulfilment of obligations specified in the Contract, is a business secret and shall not be disclosed to third parties without receiving prior written consent of authorized representatives of the Parties, except information, disclosure of which is determined in the Rules for Use of the Transmission System, or any other regulatory enactments.

9.3. Termination of the Contract shall not terminate the obligation of the Parties regarding non-disclosure of business secret.

## **10. Other Provisions**

10.1. The Parties shall not be entitled to transfer or delegate any obligation under the Contract to third parties without prior written consent of the other Party.

10.2. If separate clauses of the Contract become void, it shall not serve as a basis for cancellation of other clauses of the Contract.

10.3. The Parties shall notify each other within three business days after conclusion of this Contract about the authorized persons for fulfilment of obligations specified in this Contract, and contact information of these persons, as well as immediately inform about any changes in this information occurring within the Contract period.

10.4. The Contract is drawn up on\_\_\_ (\_\_\_\_\_) pages and signed in two copies, of which one copy shall be stored by the Storage user, and one copy – by the Combined system operator. Both copies of the Contract have equal legal force.

### 11. Details of the Parties:

**Combined system operator:**

The Joint Stock Company “Conexus Baltic Grid”

Registration No. 40203041605

VAT payer No. LV40203041605

Legal address: Aristida Briana iela 6, Riga, LV-1001, Latvia

Tel.: \_\_\_\_\_

E-mail: \_\_\_\_\_

Bank details: \_\_\_\_\_

**Storage user:**

\_\_\_\_\_

Registration No. \_\_\_\_\_

VAT payer No. \_\_\_\_\_

Legal address: \_\_\_\_\_

Tel.: \_\_\_\_\_

Fax: \_\_\_\_\_

E-mail: \_\_\_\_\_

Bank details: \_\_\_\_\_