

WBS

Weekly Based Storage

**TERMS AND CONDITIONS OF ELECTRONIC TENDER
HELD BY GAS STORAGE, S.R.O.
FOR YEARLY GAS STORAGE CAPACITY**

AUCTION DATE: April 15, 2020

OFFERED CAPACITY: 1 500 000 MWh

STORAGE PERIOD: April 1, 2021 - March 31, 2022

A. Method for calculating price per storage capacity unit

1. Price calculation method

The price for the auctioned storage capacity will be calculated as a weighted average of add-ons and partial SW spreads for specific fixation dates. Calculation will be performed using the following **Formula 1**, as opposed to a static addition to the SW spread on the auction day:

$$P_D = SW_D + D$$

Where:

P_D is the partial price for storage capacity for the applicable fixation day,
 SW_D is the value of the SW spread on the applicable fixation day,
 D is the add-on, which is the only parameter that will be the subject of the auction.

Final price (weighted average) will be rounded off to two decimal places.

Storage capacity will be **booked** for successful applicants on the auction day, and the **final price** will be calculated as follows:

The annual final price for storage capacity will be calculated after the completion of partial fixations in accordance with these Auction Terms and Conditions based on the average value of partial prices weighted using their applicable working gas volumes. Calculation of annual unit final price for storage capacity P_F will be performed using the following **Formula 2**:

$$P_F = \frac{\sum_{i=1}^k P_{Di} V_i}{\sum_{i=1}^k V_i} = \frac{P_{D1}V_1 + P_{D2}V_2 + \dots + P_{Dk}V_k}{V_1 + V_2 + \dots + V_k}$$

Where:

V_i is the partial working gas volume for the applicable fixation day i ,
 P_{Di} is the partial price for the applicable fixation day using Formula 1.

Partial working gas volumes of booked storage capacity together with partial price are referred to as **Partial fixations**.

Injection and withdrawal rates $RD_{W,I}$ will be assigned to total fixed working gas volume using the following **Formula 3**:

$$RD_{W,I} = R_{W,I Tot.} * \frac{\sum V_i}{V_{Tot.}}$$

Where:

V_i is the partial working gas volume for the applicable fixation day i ,
 $V_{Tot.}$ is total offered working gas volume specified in part C.
 $RD_{W,I Tot.}$ are total offered injection and withdrawal rates specified in part C.

Price P_F does not include VAT which will be charged in addition to the storage price, at a rate applicable in the Czech Republic.

2. Fixation period and method

No later than **one** working day prior to the first day of the fixation period, the Storage User shall inform the Storage Operator of one working day in a week on which Partial fixation of booked capacity shall be regularly determined throughout the fixation period (hereinafter referred to as the "**Partial fixation day**") either automatically using the procedure laid down in Section A.2.i), or, where applicable, Partial fixation determined by the Storage User's using the procedure laid down in Section A.2.ii). If the Storage User does not inform the Storage Operator of the Partial fixation day, the Partial fixation day shall be Monday. If the Partial fixation day falls on a non-working day, or an official holiday, the Partial fixation day shall be the immediately following working day. The duration of the fixation period is specified in these Auction Terms and Conditions under Table 6. General parameters of WBS auction.

- i) In case that Price P_D is higher than or equal to the **Minimum price** on a selected Partial fixation day, Partial fixation is made and the Storage user informs the Storage Operator of the size of the fixed partial working gas volume which must be within the Maximum and Minimum working gas volume range in accordance with the rules laid down in Section 5. Exchange of information. If the Storage User does not inform the Storage Operator of the size of the fixed partial working gas volume, fixation will be automatically carried out for the **Minimum working gas volume**.
- ii) In case that Price P_D is lower than the **Minimum price** on a selected Partial fixation day, the Storage User may refrain from determining a Partial fixation. If the Storage User decides to carry out a Partial fixation, the Storage User must inform the Storage Operator of the size of the partial working gas volume in accordance with the rules laid down in Section 5. Exchange of information.

The **Minimum** and **Maximum working gas volume** for Partial fixations is specified in Table 6. General parameters of WBS auction.

The **Minimum** and **Maximum price** for Partial fixations is specified in Table 6. General parameters of WBS auction. If the Maximum price is exceeded ($P_D > \text{Maximum price}$), Price P_D will not be calculated, and the set Maximum price will apply. In case that Price P_D is lower than the Minimum price ($P_D < \text{Minimum price}$), the set Minimum price will apply, and Price P_D will not be calculated.

Partial fixations will end in case that a) all working gas volume of booked storage capacity is fixed before the end of a fixation period or b) upon the last designated Partial fixation day that is included in the fixation period. In case that the full working gas volume of booked storage capacity is not fixed, the Storage User will be allocated storage capacity (including appropriate withdrawal and injection rates) up to the size of effectuated Partial fixations.

The final price for all effectuate Partial fixations will be calculated in accordance with Formula 2. The remaining working gas volume (and appropriate withdrawal and injection rates) for which no Partial fixation is effectuated is no longer booked and becomes available storage capacity.

3. SW spread

The value of the relevant SW spread entered into the formula for calculating Partial fixations (see Formula 1) will be calculated for the selected Partial fixation day as the positive difference (Winter-Summer) of the settlement prices for Summer and Winter seasonal futures contracts for the first storage year offered in the auction.

The reference market for the setting of prices for fixation is **NCG**, specifically prices of futures contracts for natural gas on the NCG market. Figures are published in EUR/MWh on the website at <https://www.powernext.com> under the menu item *Futures Market Data* in the section *All Contracts* in the table *Settlement Prices on Seasons and Calendars* (hereinafter referred to as the "Powernext").

In case that any of the foregoing prices for the Partial fixation day are not published on the above website during at least five working days after the day for which a SW spread value is used and doubts exist regarding the availability thereof in the future, the list provided below will determine the SW spread value.

- Prices for the abovementioned NCG futures (Winter and Summer) will be used from the following source: <http://data.theice.com>.
- If no prices for futures contracts for natural gas are available on NCG, prices published on TTF will be used from the following source: <https://www.powernext.com> if no prices as for previous source are available TTF prices will be used from following source: <http://data.theice.com>.
- If no prices for TTF are available, the Storage Operator undertakes to present, without unnecessary delay after ascertaining this fact, a proposal to the Storage User for an appropriate modification or substitution of such prices, where the modification or substitution must as best as possible correspond to the correlation between settlement prices for Summer and Winter seasonal futures contracts for the first storage year offered in the auction.

4. Exchange rates

Because all prices published on Powernext are stated in EUR/MWh and innogy Gas Storage, s.r.o. offers storage capacity in CZK/MWh, figures in EUR will be converted to CZK for the purposes of determining SW spread. Conversion will be carried out using official exchange rates published by the Czech National Bank (<http://www.cnb.cz>) for every Partial fixation day. If the foregoing data is not available, the exchange rate published by the European Central Bank will be used (<https://www.ecb.europa.eu/>).

5. Exchange of information

The Storage User undertakes to specify, by the deadline stated in Table 6. General parameters of WBS auction, the day of the week selected as Partial fixation day as well as partial working gas volumes of individual Partial fixations. The Storage User will send the information about Partial fixation day and partial working gas volumes for individual Partial fixations to Storage Operator's e-mail mentioned in Table 6. General parameters of WBS auction.

All other communication, including the calculation of the final unit price, will be also carried out by e-mail address set by Storage User in the Auction system and for Storage Operator by e-mail address mentioned above, or as per different arrangement.

6. General parameters of WBS auction

| Description | Value |
|---|--|
| Starting price of add-on (D) | 5 CZK/MWh |
| Increase in add-on D between auction rounds | 1 CZK/MWh |
| Minimum price for Partial fixation (P_D) | 53 CZK/MWh |
| Maximum price for partial fixation (P_D) | 85 CZK/MWh |
| Minimum working gas volume for Partial fixation | 5 % of the total booked capacity |
| Maximum working gas volume for Partial fixation | 15 % of the total booked capacity |
| Duration of the fixation period | April 16, 2020 – July 31, 2020 |
| Deadline for submitting a decision on Partial fixation in accordance with point A.2.i) or in accordance with point A.2. ii) | 12:00 noon on the following working day |
| Conversion from EUR into CZK | Foreign exchange rates published on the CNB website for a given Partial fixation day |
| Partial fixation day | Selected by the Storage User |
| Decision on selection of Partial fixation day | 1 day before beginning of fixation period |
| Storage Operator's e-mail | gs.aukce@innogy.com |

B. Auction date and time and auction round duration

April 15, 2020, start at **10:00 AM** CET*.

Length of the **auction round is 5 minutes**. Length of the break between rounds is 2 minutes.

| Timetable | Deadline |
|--|-----------------------|
| Registration in the Auction system | By April 09, 2020 |
| Payment of financial security or presentation of bank guarantee | By April 10, 2020 |
| Electronic affirmation of the fulfillment of requirements for participation in the auction | By April 15, 2020 |
| Auction | April 15, 2020 |
| Confirmation of auction results | By April 16, 2020 |

C. Total offered storage capacity

| | |
|---------------------------------|-----------------------|
| Working gas volume: | 1 500 000 MWh |
| Maximum withdrawal rate: | 19 800 MWh/day |
| Maximum injection rate: | 16 100 MWh/day |

In case that Storage user did not book whole storage capacity, injection and withdrawal rates $R_{W,I}$ will be assigned using the following formula:

$$R_{W,I} = R_{W,I Tot.} * \frac{V_B}{V_{Tot.}}$$

Where:

V_B is the booked working gas volume according the auction

$V_{Tot.}$ is total offered working gas volume,

$R_{W,I Tot.}$ are total offered injection and withdrawal rates.

D. Add-on price increment per unit of storage capacity between tender rounds and method of storage capacity allocation

1 CZK/MWh

The storage capacity allocation method is laid down in Regulation No. 349/2015 Coll. on the Gas Market Rules.

E. Storage capacity booking duration

The storage capacity booking duration is set to **1 storage year (from April 1, 2021, 6:00 CET until April 1, 2022, 6:00 CET)**.

F. Method for calculating the storage capacity booking cancellation fee

The cancellation fee will be calculated as corresponding proportion of the confirmed booked storage capacity in relation to the total storage capacity on offer and is payable immediately after the term for contract signature expired. Maximal amount of the cancellation fee is in the amount of the financial security deposited to the Storage Operator's account as per Section [L](#). The Storage Operator will not return the deposited financial security or its part if the storage contract is not signed.

G. The amount of additional storage capacity which can be activated

At maximum 25% from total storage capacity on offer.

H. Sample of gas storage contract

A binding sample contract the Storage Operator and the Storage User will enter into after entering the required identification data and auction-related data is enclosed under [Annex No. 1](#) and constitutes an integral part of these Auction Terms and Conditions.

I. Procedure for depositing the financial security

- The value of financial security will be determined by the applicant according to the size of requested storage capacity. During the auction, the applicant may submit a request only up to the value of deposited financial security.
- If the applicant requests 100% of the offered storage capacity in the first round, the maximum value of financial security amounts to **3 975 000 CZK**.
- If the applicant delivers financial security with a lower value, the applicant will be able to make request in the first round a corresponding proportionate amount of the offered storage capacity (if the applicant delivers 50% of the maximum amount of financial security, the applicant will be able to submit a request for no more than 50% of the offered storage capacity).
- The applicant will deliver financial security to the Storage Operator's account in accordance with the timetable provided in Section [B.](#) of these Auction Terms and Conditions.
- Numbers of accounts for delivering financial security (BIC / Swift code CEKOCZPP):
 - a. **Payments in CZK: 17805243/0300, IBAN: CZ 90 0300 0000 0000 1780 5243** or
 - b. **Payments in EUR: 1752810017805243/0300, IBAN: CZ 63 0300 1752 8100 1780 5243**, maintained by ČSOB, a.s., Radlická 333/150, 150 57 Prague 5.

The applicant must use its **Identification Number** (if assigned) as the **variable symbol** to identify the payment or the last nine digits of the telephone number entered in the Auction system.

- **If the financial security is delivered in EUR**, conversion from EUR into CZK will be carried out using the mean exchange rate for the I.Q 2020 officially published by the Czech National Bank on its website,¹ i.e. 25,631 CZK/EUR.
- A confirmation of the value of financial security delivered to the Storage Operator's account will be sent to the applicant at the e-mail address specified in the Auction system.
- Upon the due delivery of financial security, a registered applicant becomes an **active applicant /** auction bidder.
- The applicant is prohibited from taking part in the auction if the applicant is subject to insolvency proceedings in accordance with Act No. 182/2006 Coll. (Insolvency Act) on the day on which the auction begins, unless participation is approved by the Storage Operator.
- In case that financial security is refunded in accordance with the Storage Operator's Code, it will be remitted to the applicant's account from which it was paid in the amount and currency that are the same as those in which the financial security was paid prior to the auction.
- The delivery of financial security may be substituted by the submission of an irrevocable unconditional bank guarantee having a text conforming to the Storage Operator's Code on condition that the bank that issues the bank guarantee meets the financial competence requirements listed in Annex 1 to the Storage Operator's Code.

¹ http://www.cnb.cz/cs/financni_trhy/devizovy_trh/kurzy_devizoveho_trhu/prumerne_mena.jsp?mena=EUR

J. Electronic Communication and Alternative Communication Method during the Auction

- The auction will be held on a secure Internet interface accessible from the website of innogy Gas Storage, s.r.o at www.innogy-gasstorage.com.
- An applicant interested in taking part in the auction must no later than by the date specified in the Timetable in Section [B.](#) of these Auction Terms and Conditions register in the Storage Operator's Auction system and no later than prior to the beginning of the auction declare compliance with the requirements for participating in the auction by granting electronic consent through the Storage Operator's Auction system.
- The Storage Operator will send information on access to the Auction system to applicants that are not registered in the Storage Operator's Auction system and fill out the registration form posted on the Storage Operator's website by the deadline specified in Section [B.](#) of these Auction Terms and Conditions.
- An applicant may take part in the electronic auction only based on registration approved by the Storage Operator following the delivery of financial security (see Section [I.](#) of these Auction Terms and Conditions).
- In the event of a failure of the applicant's electronic communication in the course of the auction, requests may be alternatively submitted by e-mail (e-mail: gs.aukce@innogy.com). An e-mail message must contain:
 - a. the applicant's identification (business name / first name and surname, Identification Number, registered office or permanent address, and telephone number and e-mail address of contact person),
 - b. an exact identification of the auction and the number of the auction round for which a request is submitted,
 - c. the requested value of storage capacity for every offered year in the foregoing auction round having the form of a value in MWh rounded off to the nearest integer.

The use of alternative communication must be reported by telephone to the Storage Operator at **+420 267 974 444**. In case that the applicant uses an alternative communication method, the Storage Operator may interrupt the auction round for a time necessary to enter a request submitted by such alternative means into the application.

These Auction Terms and Conditions have been compiled based on the ERO regulation laying down the Gas Market Rules. The Gas Market Rules and the current version of the Storage Operator's Code also define the organization of the auction. The foregoing documents are available via the Storage Operator's website (www.innogy-gasstorage.com). Should the Storage Operator publish more than one language version of these conditions, the Czech version shall be the governing version and should a conflict between the Czech and foreign language version arise, the Czech version shall supersede the foreign language versions which are only informative.

**In case that the auction does not end by 4:00 p.m. on the first day, it will be automatically interrupted, and it will resume on the following working day at 10:00 a.m. In case that the auction does not end by 4:00 p.m. on the following working day, it will resume the same way on the subsequent working days from 10:00 a.m.*