

# **The Code of the gas storage operator**

## **Moravia Gas Storage a.s.**

REGISTERED OFFICE: ÚPRKOVA 807/6, 695 01 HODONÍN.

COMPANY ID: 28506065

COMPANY REGISTERED IN THE COMPANIES REGISTER ADMINISTERED BY THE REGIONAL COURT IN BRNO UNDER FILE NO. B 5870

(HEREINAFTER ALSO REFERRED TO AS "MGS")

## TABLE OF CONTENT

<b>Part I. General provisions</b>	<b>3</b>
1. Definitions .....	3
2. Provided services and types of the storage agreements.....	5
3. Information on the storage capacities and contact information .....	6
4. Point of virtual GSF.....	6
<b>PART II. Reservation of capacities</b>	<b>8</b>
1. Basic terms and conditions of the storage capacity reservation procedure .....	8
2. Procedure for the reservation of a storage capacity within the process of multi-round electronic auction .....	9
3. Procedure for electronic reservation of storage capacity for a short-term storage contracts .....	10
<b>Part III. Business terms</b>	<b>12</b>
1. Basic obligations of the storage operator .....	12
2. Basic obligations of the storage user .....	12
3. Limitation or interruptions of storage services .....	13
4. Quality of the injected and withdrawn natural gas .....	13
5. Metering.....	14
6. Nominations.....	14
7. Allocations of the quantity of gas .....	15
8. Technological gas .....	15
9. Storage user's account.....	16
10. Invoicing and payment terms .....	17
11. Assignment of the agreed storage capacity.....	18
12. Transfer of the agreed storage capacity .....	18
13. Fixed transfer of the agreed storage capacity with the opening of the storage user's sub-accounts.....	19
14. Unextracted gas .....	20
15. Confidentiality.....	20
16. Maintenance .....	21
<b>Part IV. Final Provisions</b>	<b>22</b>
1. Storage code amendments .....	22
2. Final provisions.....	22
Annex No. 1 Financial eligibility terms	23
Annex No. 2 Application for framework agreement	25
Annex No. 3 Virtual GSF delivery point on the transmission system	27

## PART I. GENERAL PROVISIONS

The Code of the gas Storage operator Moravia Gas Storage a.s. has been prepared in accordance with Act No. 458/2000 Coll., on business conditions and public administration in the energy sectors (hereinafter referred to as “Energy Act”), and also in accordance with the related implementing and generally binding regulations, in particular Decree No. 349/2012 Coll. on the Gas Market Rules (hereinafter referred to as “Market Rules”), all as amended.

This Code of the gas storage operator (hereinafter referred to as “Storage code”) includes the basic commercial, technical and operational terms and conditions under which the storage operator provides storage services and the services related to the activities of the storage operator, while respecting the third-party access right principle.

### 1. DEFINITIONS

For the purpose of the Storage code and the gas storage agreements the following terms are defined as follows:

- a) **Gas storage facility** (hereinafter also referred to as “GSF”) – underground or aboveground gas industry facility, including the related technological facilities and control and security systems and information transfer equipment to support the functioning of computers and information systems used for gas storage, directly connected to the gas grid of the Czech Republic;
- b) **Virtual gas storage** (hereinafter referred to also as “**virtual GSF**”) - the set of all gas storage facilities of one GSF operator;
- c) **Storage operator** – MGS as company which is authorized to carry out business in the energy sector of gas storage and which enters into gas storage agreements;
- d) **Storage user** – a domestic natural person or legal entity (cleared entity) or a foreign natural person or legal entity that has an agreement for gas storage concluded with the Storage operator;
- e) **Applicant** – a natural person or legal entity applying to the Storage operator for the allocation (reservation) of the storage capacity;
- f) **Transporter** – the operator of the gas transmission system of the Czech Republic;
- g) **Technical capacity** – a maximum storage capacity of the virtual GSF which can be provided at the virtual GSF point while observing all technical parameters of all GSFs included in the virtual GSF;
- h) **Fixed storage capacity** – an injection and withdrawal output of the virtual GSF which is available to the Storage user at the virtual GSF point, based on the gas storage agreement throughout the terms of the agreement;

- i) **Interruptible storage capacity** – an injection or withdrawal output available upon the agreed gas storage agreement and which may be interrupted by the Storage operator under the terms and conditions agreed-upon in such agreement;
- j) **Operating volume** – a volume of gas in cubic meters or kWh which can be stored in GSF;
- k) **Injection output** – a volume of gas expressed in kWh which can be injected into GSF on the respective day;
- l) **Withdrawal output** – a volume of gas expressed in kWh which can be withdrawn from GSF on the respective day;
- m) **Injection and withdrawal curve** – a curve depicting (specifying) the values of the injection and Withdrawal output which is available for the respective product on the particular gas day. The parameters of the curve depend on the technical parameters of the respective facilities of GSF and on the volume of gas which is stored in GSF on the particular day. The withdrawal and injection curves of individual Storage users shall be assessed in terms of gas storage according to the status of the operating account of the particular Storage user;
- n) **Storage user's account** – a registry of the quantity of gas which the Storage user is storing in the virtual gas storage. The Storage operator shall be responsible for keeping the account;
- o) **Allocation procedure** – a rule for the distribution of gas quantity at the transfer point among individual market participants who are active at this point;
- p) **OBA** – an Allocation procedure under which the quantities nominated by the Storage user are deemed delivered;
- q) **PRO RATA** – a Allocation procedure under which the total quantity of gas is distributed among the storage users at the transfer point based on the actually metered data in proportion to their last registered storage Nominations or storage Re-Nominations;
- r) **Gas (or gas)** – a commodity defined by the Energy Act;
- s) **Gas volume** – a volume of gas expressed in cubic meters;
- t) **Cubic meter** (hereinafter also referred to as “m<sup>3</sup>”) – a unit used to express the actual volume of gas metered at temperature of 15°C, pressure 101.325 kPa, and relative humidity  $\phi = 0$ ;
- u) **Kilowatt hour** (hereinafter also referred to as “kWh”) – a unit used to express the energy in gas based on its calorific value. One kilowatt hour equals 3.6 MJ;
- v) **Auction** – an electronic method for the reservation of storage capacity where price is the principal allocation criterion;

- w) **Auction System** – electronic application of the Storage Operator for the sale of storage capacity,
- x) **(Re)Nomination** – storage Nomination, storage re-Nomination, correction storage Nomination, first storage re-Nomination, correction storage re-Nomination, and continuous storage re-Nomination, defined by the Market Rules;
- y) **Nomination system** - electronic application of the Storage operator for the receipt of nominations and requests for storage capacity available at the website of the Storage operator,
- z) **Framework agreement** – an agreement concluded in case of daily storage capacity with fixed/ interruptible output stipulating in particular the reservation process for the daily storage capacity under the relevant provisions of Market Rules and conclusion of daily gas storage contracts.

## 2. PROVIDED SERVICES AND TYPES OF THE STORAGE AGREEMENTS

- a) The Storage operator is ready to provide storage services within and pursuant to this Storage code, which are traded based on the virtual GSF principle at the virtual gas storage point. The storage services include the following:
  - gas storage, i.e., takeover of gas at the transfer point (for injection into GSF), storage of gas in GSF and its delivery back at the transfer point (for withdrawal from GSF),
  - activities associated with gas storage, i.e., especially the transportation of gas between the transfer point and GSF, gas metering, compression and dry out, and
  - delivery (consumption) of technological gas, i.e., in particular provision and delivery of gas for technological purposes (propulsion of compressors, gas heating and drying).

Unless otherwise explicitly stated in the gas storage agreement or in the Storage code, the ownership right to the gas which is subject to the storage services shall not pass at any moment of the validity and effectiveness of the respective agreement to the Storage operator.

- b) The storage services are offered under the following types of agreements:

### A. Long-term gas storage agreements:

- for the reservation of an annual storage capacity with a fixed output,
- for the reservation of an annual storage capacity with a fixed output for a new storage capacity, and
- for the reservation of a monthly storage capacity with a fixed output.

B. Short-term gas storage agreements:

- for the reservation of a daily storage capacity with a fixed output, and
  - for the reservation of a daily storage capacity with an interruptible output.
- c) Long-term gas storage agreements (capacity reservations) are entered into in the process of a multi-round electronic Auction (see Part II., Article 2.). Short-term gas storage agreements are entered into electronically (see Part II., Article 3.).

### **3. INFORMATION ON THE STORAGE CAPACITIES AND CONTACT INFORMATION**

- a) The Storage operator shall publish and update at least the information which it is obliged to publish pursuant to statutes and regulations in a way which enables a remote access through its website [www.moraviags.cz](http://www.moraviags.cz).
- b) If the Storage operator publishes additional information on the storage capacities and outputs, it shall publish it in the same manner as specified in the previous paragraph.
- c) Other important addresses and contact information:

Tel.: +420 518 315 907 (dispatching)

Fax: +420 518 315 327

E-mail: [info@moraviags.cz](mailto:info@moraviags.cz)

[obchod@moraviags.cz](mailto:obchod@moraviags.cz)

Dambořice gas storage facility:

tel.: +420 518 315 907

### **4. POINT OF VIRTUAL GSF**

- a) The business handover and takeover of the gas for the fulfillment of the obligations under respective gas storage agreement shall take place at the point of the virtual gas storage of MGS in the transmission system of the Czech Republic. The virtual gas storage point consists of a set of transfer points (actual points) between the Storage operator's GSFs and the interconnected gas facilities of other operators which are also specified in Annex No. 3 to the Storage code.
- b) The obligation of the Storage operator or the Storage user, as the case may be, to deliver natural gas at the virtual GSF point shall be deemed to have been fulfilled if the Storage operator provides withdrawal gas for off-take or the Storage user ensures the delivery of injection gas for off-take, as the case may be, in the agreed quantity,

quality, pressure and, if applicable, in accordance with other agreed-upon terms and conditions at virtual GSF point while observing the minimum/maximum parameters (volume, pressure) of the point. If the OBA procedure is used, the values confirmed by the Storage operator and registered by the market operator in line with the nomination process (see Part III., Article 6.) shall be deemed delivered. The quantity, quality, pressure and, if applicable, also other parameters shall be metered at the transfer points.

## **PART II. RESERVATION OF CAPACITIES**

### **1. BASIC TERMS AND CONDITIONS OF THE STORAGE CAPACITY RESERVATION PROCEDURE**

- a) The Storage capacity shall be reserved pursuant to the Energy Act and particularly pursuant to the Market Rules and the Storage code, all as amended and in force.
- b) An Applicant shall be entitled to apply for reservation of storage capacity if the Applicant:
  - is lawfully registered; legal entities certify by a listing (certified copy) from the Companies register or a different register in which legal entities are entered into; individuals certify this using an authorization (certified copy) for business (e.g., trade license) or, if applicable, through an affidavit (individuals who are not entrepreneurs);
  - holds an authorization for business in the gas sector; if the Applicant is applying for the reservation of storage capacity from the position of a gas business entrepreneur (the Applicant will use the storage capacity for business deals in the gas sector), Applicant shall provide a valid license (or a certified copy thereof) for conducting business in the gas sector. Foreign Applicants who do not hold Czech license for conducting business in the gas sector may provide the decision of the Czech Energy Regulatory Office which recognizes their respective foreign authorizations; Foreign Applicants who do not intend to pursue business activity in energy industry in the territory of the Czech Republic (i.e. they use storage capacities only in connection with transit of gas between border points of the gas grid of the Czech Republic) evidence this fact by an affidavit;
  - is able to ensure 24-hour communication with the Storage operator (control center) through the relevant web interface electronically and by phone throughout the term (effective period) of the gas storage agreement; shall be certified by an affidavit;
  - complies with the requirements for financial eligibility throughout the entire period in which the Applicant has any financial obligation to the Storage operator in the scope defined in this Storage code. The requirements for financial eligibility are specified in Annex No. 1 to the Storage code; shall be certified by an affidavit (in the event of entering into gas storage agreement shall be certified again); and
  - provides a financial security in the amount and to the bank account stated in the conditions of the respective Auction if applying for a long-term gas storage agreement.
- c) Meeting of the basic preconditions set in the Article 1, letter b) shall be demonstrated by relevant documents and/or deeds no later than:



- on last day for the registration into the auction system for the long-term gas storage contract, or
- on the day when the Applicant files for the conclusion of the framework agreement in case of the short-term gas storage contracts for the reservation of a daily storage capacity with a fixed output.

Applicant shall also provide the relevant document proving the eligibility of the person acting on behalf of the Applicant.

## **2. PROCEDURE FOR THE RESERVATION OF A STORAGE CAPACITY WITHIN THE PROCESS OF MULTI-ROUND ELECTRONIC AUCTION**

A reservation of the annual storage capacity with a fixed output, annual storage capacity with a fixed output for a new storage capacity, and monthly storage capacity with a fixed output is possible only by a multi-round electronic Auction.

In addition to the Market Rules pertaining to this storage capacity reservation principle, the following shall also apply:

- a) Access to the Storage operator's auction system (portal) is provided through a secured website. Only registered users who meet the requirements for participation in the Auction have access to the Auctions. A user can register by filling out the registration form. The procedure for the registration and use of the auction system (portal) is specified on the Storage operator's website.
- b) A registered Applicant may request more than one reservation of the storage capacity in the course of the Auction subject to the conditions stipulated by the Market Rules.
- c) The Auction of the storage capacity shall finish after the first Auction round, if the sum of all requests for the reservation of the storage capacity for the first storage year is less or equal to 100 per cent of the storage capacity offered.

If after excess of demand over supply in any round, the storage capacity remains even partially unreserved in following round; such round shall be final round of the Auction. Partially reserved storage capacity shall be reserved to the Applicants according to their request in this final round and the partially unreserved storage capacity shall be reserved to the active Applicants of the preceding round. The unreserved capacity shall be reserved in a distribution ratio among such Applicants based on the ratio of their requests they entered in the round preceding the final round but reduced by the amount of the capacity which was reserved for the Applicants in the last round. This rule shall apply for all storage years for which the available storage capacity is being reserved.

- d) The Auction process is specified by the Storage operator in the Auction Terms which are published by the Storage operator in a manner defined in the Market Rules.

- e) Should the auction system (portal) of the Storage operator fail, the Storage operator shall announce it in a suitable manner to the active Applicants without undue delay after it learns of the failure. During the time of the failure the Auction shall be interrupted. The Storage operator shall announce continuation of the Auction to the active Applicants in a suitable manner no later than 30 minutes prior to the continuation. The Auction may continue from the last round which was completed properly and was recorder in the auction system, or with the first round again if the information from the completed auction rounds is not available or usable.
- f) The Storage operator shall send without delay two signed copies of the proposal on the storage contract to the Applicant for who the capacity was reserved. The content of the storage contract shall be in line with the sample contract contained in the published conditions of the Auction.

The Applicant accepts the proposal on the storage contract by delivering one signed copy of the proposal to the Storage operator within 5 working days starting from the day the Applicant received the proposal. The financial security provided by the Applicant will not be reimbursed and the storage and accompanying services will not be provided before the Applicant accepts the proposal.

### **3. PROCEDURE FOR ELECTRONIC RESERVATION OF STORAGE CAPACITY FOR A SHORT-TERM STORAGE CONTRACTS**

A reservation of the daily storage capacity with a fixed output is possible only after the conclusion of the respective framework agreement which further set the condition of the electronic reservation.

A process of reservation of the daily storage capacity with an interruptible output is stipulated in a framework agreement for reservation of daily capacity reservation with fixed output.

The reservation processes stipulated in a framework agreement or in gas storage agreements are primarily governed by the Market Rules and are equal for all Storage Users.

In addition to the Market Rules pertaining to this storage capacity reservation principle, the following shall also apply:

- a) The request for conclusion of the framework agreement shall be filed by the Applicant in writing, and the request shall include at least the requisites specified in annex No. 2 and shall be also provided with all relevant documents proving the compliance with the basic terms and conditions of the storage capacity reservation procedure as per Part II., article 1.
- b) If the Applicant meets all the criteria set in the Storage code and applicable statutes and regulations, the Storage operator shall send the Applicant a signed proposal on the framework agreement.

- c) Individual short-term gas storage agreements shall be entered into electronically following the procedure as set in the relevant gas storage agreement, or the framework agreement, and the Marker Rules.

## **PART III. BUSINESS TERMS**

### **1. BASIC OBLIGATIONS OF THE STORAGE OPERATOR**

The Storage operator is obliged to:

- a) during injection take the quantity of gas stipulated in the gas storage agreement from the Storage user at the virtual GSF point on the relevant system and store it, provided that the Storage user ensures fulfillment of all terms and conditions of gas delivery for takeover at this point,
- b) during withdrawal deliver the quantity of withdrawn gas stipulated in the storage agreement to the Storage user at the virtual GSF point on the relevant system provided that the Storage user ensures fulfillment of all terms and conditions for taking the gas (for transmission) at this point (observance of the agreed quality and under the agreed pressure conditions and, if applicable, also other conditions),
- c) provide information, pursuant to the Storage code and the generally binding regulations, on shutdowns of the facilities operated by the Storage operator and, if applicable, also on other events having impact on restriction, if any, of the basic technical parameters of the storage service of the Storage operator, and
- d) maintain (ensure the operation of) the communication system, which is used for the Nomination process between the Storage user and the Storage operator and other gas market participants, in the scope defined in the Storage code.

### **2. BASIC OBLIGATIONS OF THE STORAGE USER**

The Storage user is obliged to:

- a) during injection ensure the delivery of the agreed quantity of gas (corresponding to the Nominations) to the Storage operator at the virtual GSF point on the relevant system with the agreed pressure, quality, and if applicable also in line with other agreed-upon terms and conditions, to be taken over for injection, provided that the Storage operator ensures fulfillment of all agreed-upon conditions for off-take of the gas at this point,
- b) during withdrawal ensure the taking (for transmission) of the agreed quantity of gas (corresponding to the Nominations) to the Storage operator at the virtual GSF point on the relevant system with the agreed pressure, quality, and if applicable also in line with other agreed-upon terms and conditions, provided that the Storage operator ensures fulfillment of all agreed-upon conditions for the delivery of gas at this point,
- c) ensure 24 hour telephone communication contact with the Storage operator in the extent necessary for the flexible resolution of events that emerged or that may be reasonably expected in connection with the performance of the relevant gas storage agreement,

- d) provide the Storage operator with all information specified in the gas storage agreement, this Storage code, and provide upon the Storage operator's request other information necessary for the Storage operator's activities,
- e) use only the communication system defined by the Storage code within the Nomination process used between the Storage user and the Storage operator, and
- f) maintain the financial eligibility in accordance with annex No. 1 to the Storage code from the first day of provision of the storage service under the relevant gas storage contract, until the last financial obligation of the Storage user arising from the respective contract has been settled, but no later than until the 45th day after the last day of provision of the storage service under the same agreement. In the case of proving financial eligibility through a banker's guarantee the Storage user may gradually update such banker's guarantee. The update, however, shall take place no later than 30 days prior to the expiration of the baker's guarantee. The method and duration of maintenance of the financial eligibility for storage capacity reserved under a framework agreement are specified in this agreement.

### **3. LIMITATION OR INTERRUPTIONS OF STORAGE SERVICES**

- a) The Storage operator shall be entitled to limit or interrupt the activities associated with gas storage (provision of the storage service) to the necessary extent in the cases specified under Section 60 of the Energy Act.
- b) In the event that the activities associated with gas storage are limited and the Nominations cannot be adjusted (reduced) upon agreement with the Storage user according to the extent of the limitation, the PRO RATA rule shall be applied to the reduction of the withdrawn/injected gas quantity for each Storage user at the virtual GSF point. During the application of the PRO RATA mode, the Transporter shall allocate to the Storage user and the market operator shall be sent the quantity of gas withdrawn/injected based on actually withdrawn/injected gas at the transfer point.

### **4. QUALITY OF THE INJECTED AND WITHDRAWN NATURAL GAS**

- a) The gas injected into the virtual GSF and withdrawn from the virtual GSF shall conform to the chemical and physical parameters specified in Decree No. 108/2011 Coll., on gas measuring and on method of determining compensation due to unauthorized consumption, unauthorized supply, unauthorized storage, unauthorized transportation or unauthorized distribution of gas, as amended.
- b) Should the gas delivered by the Storage user fail to meet one or more parameters, the Storage operator may refuse to take this gas. Should the Storage operator accept such gas upon a mutual agreement, the Storage operator may seek from the Storage user a compensation for damage or compensation for the increased cost incurred by the Storage operator in connection with the storage and release of such gas even at a later time. The Storage operator shall be obliged to take measures in order to avert or

mitigate the damage. The Storage user shall be obliged to cooperate on such measures if asked by the Storage operator.

- c) Should the gas delivered by the Storage operator to the Storage user fail to meet one or more parameters, the Storage user may refuse to take such gas. Should the Storage user accept such gas upon mutual agreement, the Storage user may seek from the Storage operator a compensation for damage or compensation for the increased cost incurred by the Storage user in connection with taking such gas even at a later time. The Storage user shall be obliged to take measures to avert or mitigate the damage. The Storage operator shall be obliged to cooperate on such measures if asked by the Storage user.

## **5. METERING**

- a) All meters designed for the metering of gas quantity for business purposes are designated meters and shall comply with the relevant provisions of Act No. 505/1990 Coll., on metrology, as amended. The designated meters are subject to inspection by the Czech Metrological Institute (“CMI”) or an Authorized metrological center.
- b) All meters designed for the measurement of gas composition (gas quality), based on which other values are determined (gross calorific value, Wobbe index, relative density), are designated meters and are subject to inspections by CMI. The relevant calculations shall be executed pursuant to EN ISO 6976 (95), corr. 1996.
- c) Gas quality parameters determining the energy content of the delivered gas shall be monitored at the defined position of the transfer point. The energy content of gas on a particular gas day is determined in kWh as a product of the average gross calorific value and the daily volume read from the commercial meter converters at the particular transfer point.
- d) The values measured shall be rounded as follows:
- gross calorific value in kWh/m<sup>3</sup> to 3 decimal places,
  - quantity of energy in kWh to a whole number,
  - volume in m<sup>3</sup> to whole numbers.

## **6. NOMINATIONS**

- a) Procedures and deadlines for the submission of Nominations shall be governed by the applicable provisions of the Market Rules (Sections 65 through 68, 71 and 72).
- b) If the Storage user fails to submit a Nomination for the particular gas day the Nomination sent within the preliminary weekly nomination shall be deemed to be the Nomination for this day. Any and all nomination submitted after the term stipulated in Section 68/3 of the Market Rules shall be deemed for Re-Nomination (Section 71 of the Market Rules).

- c) The Storage operator shall be entitled not to confirm a Nomination only in the following cases:
- when the Storage operator is entitled to interrupt or limit the activities associated with gas storage pursuant to Part III., Article, 3, Paragraph a,
  - when the Nomination does not conform to the Storage user's storage capacity and the injection and off-take curve, i.e., the sum of Nomination (+ injection, - withdrawal) and the current balance of the Storage user's account is higher than the allocated storage capacity for the particular gas day or is less than zero and /o is above the injection/withdrawal curve of the Storage operator,
  - when the Nomination is inconsistent with the provisions of this Article 6, Paragraph a) of the Code.
- d) The Storage user shall submit to the market operator or the Storage operator Nominations always for the virtual GSF, in accordance with the Market Rules.

All Nominations sent to the Storage operator shall be submitted through a secured Internet trading portal of the Storage operator by way of filling out the designated Nomination protocol, or through the Nomination system of the market operator.

## **7. ALLOCATIONS OF THE QUANTITY OF GAS**

The mode used at the virtual GSF point on the transmission system both at the entry and the exit is the one which is specified (published) by the Transporter. If the OBA Allocation procedure is used, in particular the following shall apply for the capacities with fixed rate:

- a) in the injection mode the quantities of gas properly nominated by the Storage user for the virtual GSF point and confirmed by the Storage operator shall be always deemed the quantities that the Storage user has actually delivered on the particular gas day at the virtual GSF point to the Storage operator,
- b) in the withdrawal mode the quantities of gas properly nominated by the Storage user for the virtual GSF point and confirmed by the Storage operator shall be always deemed the quantities that the Storage operator has actually delivered on the particular gas day at the virtual GSF point to the Storage user, and
- c) the Storage operator shall resolve the differences between the actually metered quantity and the nominated quantity with the Transporter, and these differences have no impact on the balance of the Storage user's account, with the exception of the cases defined in part III. Article 3 of this Storage code.

## **8. TECHNOLOGICAL GAS**

- a) The Storage operator shall provide the gas for the propulsion of compressors, for pre-heating, and drying (hereinafter also referred to as "gas for technological use").

- b) The costs of procurement of the gas for technological, or the pricing method, shall be stipulated in the respective gas storage agreement that shall be published in advance.

## **9. STORAGE USER'S ACCOUNT**

- a) The Storage operator shall keep a balance account for each Storage user in kWh. Upon agreement with the respective Storage user shall the Storage operator keep an informative account in m<sup>3</sup>. Also in this case is the relevant unit for the control of the account balance and its final balance the value in kWh.
- b) The preliminary daily quantity of gas is subtracted from the Storage user's account in kWh in the amount of the last valid Nomination confirmed by the Storage operator and registered by the market operator, at the point of entry to the transmission system at the virtual GSF point. The value in cubic meters shall be determined by dividing the energy in gas in kWh by the preliminary current (on D day) value of the gross calorific value.
- c) The preliminary daily quantity of gas is added to the Storage user's account in kWh in the amount of the last valid Nomination confirmed by the Storage operator and registered by the market operator, at the point of exit from the transmission system at the virtual GSF point. The value in cubic meters shall be determined by dividing the energy in gas in kWh by the preliminary current (on D day) value of the gross calorific value.
- d) The Storage operator shall keep the accounts of Storage users for each Storage user separately in a way enabling remote access on its secured Internet portal and the accounts shall be updated on daily basis at the latest by 12:00 o'clock.
- e) The final values of the account balance in kWh shall be published always by 12:00 o'clock of the sixth business day or the ninth working day immediately following the gas month in which the storage occurred, based on the actual gross calorific value for the individual days of the respective month.
- f) The change in the balance of the Storage user's account in the OBA mode shall correspond each individual day to the last confirmed Nomination which will be used by the market operator for evaluation of the deviation for the respective gas day regardless of the actual quantity of gas metered at the entry and exit point of the transmission system (or, if applicable, another gas system) at the virtual GSF point.
- g) In the event that the PRO RATA allocation principle is introduced for a certain period the change in the balance of the account for this period shall correspond to the allocations sent by the Transporter to the market operator.
- h) If the Storage user does not agree with the value (change) of the Storage user's account balance the Storage user must claim this from the Storage operator in writing within 10 business days of the date when the disputed information was put on the Storage user's account (when the change was made). The Storage operator shall check the claimed information on the Storage user's account without undue delay after the



receipt of this claim and shall send a written statement to the Storage user within 10 business days describing the method in which the claimed information will be settled.

## **10. INVOICING AND PAYMENT TERMS**

- a) The Storage user shall pay the Storage operator the price for the storage service, including VAT, on a monthly bases based on the tax document made out by the Storage operator. The Storage operator shall make out and send to the Storage user a tax document for the relevant gas month no later than within 5 working days of the calendar month following the relevant gas month.
- b) The tax document for the relevant gas month shall be paid by the Storage user within 15 calendar days as of the date it was issued by a direct debit to the Storage user's account stated in the tax document.
- c) The tax document must contain the particulars specified by statutes including the code of the financial institution and account number to which it is to be paid. In case that the tax document does not contain the particulars according to the previous sentence or contains incorrect data the Storage user shall claim the contents of this tax document within 30 days as of its receipt. If the tax document is found to be flawed a new due date shall commence as of the delivery of a proper tax document.
- d) If the gas storage agreement sets an obligation for the Storage user to pay advances and does not state otherwise, the advances shall be paid every month by the 20th day of the month for which the advance is paid, by bank transfer to the account stated in the heading of the contract and in the amount of 50% of the monthly price for the storage service, including VAT, valid for the month immediately preceding the month for which the advance is paid. The level of advance for the first month in which the storage service is provided (effect of the contract) is stated in the gas storage agreement.
- e) In case of defaulting in the payment of the monetary obligations arising from the storage agreement, the relevant contractual party shall pay on the basis of a call of the legitimate party interest on late payment the amount of which is agreed in the storage agreement, otherwise interest on late payment in the amount according to generally binding legislation.
- f) Contractual sanctions and interest on late payment shall be payable within 10 calendar days as of the date of its billing. Payment of the contractual fines shall not affect the claim of the other contractual party for damage compensation. The paid contractual fine shall be included in the damage compensation.
- g) The total price for the storage service shall be paid as a monthly price where the method of determining the monthly price for the storage service and total storage service price and its components, including the amount of the relevant unit prices (or method of determining them) shall be stated in the gas storage agreement.

## **11. ASSIGNMENT OF THE AGREED STORAGE CAPACITY**

- a) The assignment of the agreed storage capacity is possible only with the change of the participant of the gas storage agreement (the entire capacity is assigned) or a change to the gas storage agreement and subsequent conclusion of a new gas storage agreement (the entire capacity is not assigned). During the assignment of the storage capacity the assignee (new Storage user) always submits to the Storage operator all documents showing his adequate financial capability and also all the provisions of the Storage code apply to him concerning cases when he does not prove or document his financial capability.
- b) The assignment of the agreed storage capacity is made based on the application and is possible only in case that the assignee meets all the terms and conditions stated in this Storage code for the conclusion of the gas storage agreement for storage capacity which is assigned only at the first gas day of the gas month. The application for the assignment of the agreed storage capacity must be made in writing and delivered to the Storage operator at least 30 calendar days prior to the start of the gas month as of which the assignment should be effective. The application for the assignment of the agreed storage capacity is signed by the assignor (original Storage user) and the assignee of the transferred storage capacity.
- c) If the assignor and assignee meet all the terms and conditions stated in this Storage code the Storage operator shall send to the assignor and assignee no later than 15 calendar days prior to the start of the gas month from which the transfer should be an effective proposal (concept) contractual documentation required for the transfer of the agreed storage capacity. The Storage operator shall sign the contractual documentation only after all the documents showing the assignee's financial capability are delivered to him and the obligations with regard to the Storage operator in connection with the assignment of the agreed storage capacity shall be duly determined (divided). The Withdrawal and injection curve may not be amended against the original gas storage agreement in the contractual documentation required for the assignment of the agreed storage capacity.
- d) When assigning to a third party that does not have a storage agreement concluded with the Storage operator this party must submit documents showing the fulfillment of particulars required for a storage capacity Applicant (see Part II., Article 1.) together with an application for the assignment of the agreed storage capacity.
- e) The Storage operator shall not permit the assignment of the agreed storage capacity if the assignor or assignee have unsettled obligations (debts) with the Storage operator after the due date.

## **12. TRANSFER OF THE AGREED STORAGE CAPACITY**

- a) In case that the Storage user decides to allow a different subject to use his storage capacity as part of his gas storage agreement he shall inform the Storage operator of

this fact in writing no later than 5 working days prior to the effect of the transfer of the agreed storage capacity.

- b) The transfer of the agreed storage capacity means that the Storage user shall allow a different Storage user to use a certain part of the storage capacity within his gas storage agreement without any changes to this agreement.
- c) After the transfer of the agreed storage capacity the Storage user and Storage operator shall continue to be the sole liable and entitled parties in relation to the transferred storage capacity and no new obligational relationship shall arise for the new acquirer (user) of the storage capacity with regard to the Storage operator.
- d) The Storage operator shall not approve, but only note, the transfer of the agreed storage capacity (without the creation of a sub-account for the Storage user and separate Nomination pair).

### **13. FIXED TRANSFER OF THE AGREED STORAGE CAPACITY WITH THE OPENING OF THE STORAGE USER'S SUB-ACCOUNTS**

- a) In case that the Storage user decides to allow a different subject to use his capacity as part of his gas storage agreement together with a requirement for an independent and separate check of the use of his capacity by this different party, he can ask the Storage operator for a fixed transfer of the agreed storage capacity.
- b) The fixed transfer of the agreed storage capacity means that the Storage user shall allow a different Storage user to use a certain part of the storage capacity as part of his gas storage agreement and based on this article, without changes to the contractual parties of this agreement.
- c) After the fixed transfer of the agreed storage capacity the Storage user and Storage operators shall continue to be the sole liable and entitled parties in relation to the transferred storage capacity and no new obligational relationship shall arise for the new acquirer (user) of the storage capacity (only the gas storage agreement shall be amended concluded between the Storage user and Storage operator).
- d) The fixed transfer of the agreed storage capacity is made on the basis of the Application for the Fixed Transfer of Storage Capacities and is possible only in case that the Storage user meets all the terms and conditions stated in the Storage code for this transfer. The Application for the Fixed Transfer of the Agreed Storage Capacity must be made in writing and delivered to the Storage operator at least 20 calendar days prior to the start of the gas month as of which the transfer should be effective (as stated in the Application). The Application for the Fixed Transfer of the Agreed Storage Capacity is signed by the transferor (Storage user).
- e) If the Storage user (transferor) meets all the terms and conditions stated in this Storage code the Storage operator shall send him no later than 12 calendar days prior to the start of the gas month from which the fixed transfer of the storage capacity should be effective the contractual documentation required for the fixed transfer of the storage

capacity (amendment to the relevant gas storage agreement). The relevant gas storage agreement shall be amended whereby the Storage operator shall set up (separately from the Storage user's sub-account and its reduction) for the new acquirer of the transferred capacity a Storage user's sub-account and shall set up a Nomination pair for the Nomination, both to the extent stated in the due Application for the Fixed Transfer of the Agreed Storage capacity whereby the account and sub-account of the Storage user shall be kept separately according to the new parameters. Furthermore, in case that after the expiry of the period for which permission was granted for the fixed transfer of the agreed storage capacity any quantity of gas shall be kept in the user's sub-account, the Storage operator shall allocate (transfer) this quantity of gas to the Storage user's relevant account of which the user's account was created. The required (in the Application) Injection and withdrawal curve for the transferred storage capacity must be determined by the same calculation method (same method of quantity dependence) as for the original agreed storage capacity.

- f) Apply for a fixed transfer of the agreed storage capacity and subsequently amend the relevant gas storage agreement provided that:
- the Storage user applies and the once transferred storage capacity cannot be transferred further,
  - a maximum of the Storage user's 10 sub-accounts shall be opened for the Storage user's one account,
  - the transfer of the agreed storage capacity shall be for more than 1 month and the transfer shall be effective as of the first day of the relevant month,
  - the other terms and condition stated in this article shall be met, and
  - the Storage user or new acquirer have no unsettled obligation after the due date with regard to the Storage operator.

## **14. UNEXTRACTED GAS**

- a) The procedure for selling un-extracted gas is described in the Market Rules.
- b) From the first day on which the Storage operator is first time entitled to offer the unextracted gas for sale the Storage user agrees not to dispose of the unextracted gas any further, especially not to sell it or encumber it with any right. The Storage operator may exercise this right to procure the sale of gas under these conditions vis-à-vis any owner of gas stored in virtual gas storage in conflict with the relevant contract on gas storage (crucial in this context is under which gas storage contract the gas is stored in the GSF, not however who owns it at the given moment).

## **15. CONFIDENTIALITY**

Both the Storage operator and the Storage user are obliged to maintain confidentiality about gas storage contracts which they entered into in order to provide gas storage services, including the information connected to the contract conclusion and

performance and/or other related information until the time such information become publically available. The Storage operator and the Storage user are obliged to neither provide such information to the public, nor provide them to third parties; the information may be provided only with the previous written permission of the other party. The disclosure of the protected information is not a breach of a confidentiality duty if the information is provided based on the statutory requirement and when the information is provided to accounting, tax or legal advisors, banks or other similar institutions conditioned upon the fact such third parties are under the confidentiality obligation imposed upon them by the Storage operator or the Storage user no.

## **16. MAINTENANCE**

- a) Within the provision of the storage service (part of the product) the Storage operator has the right to perform scheduled maintenance:
  - i. which includes routine technically predictable maintenance activities required for the successful and effective operation of the GSF and other gas equipment used for the storage service,
  - ii. where the anticipated scope and terms of which are published by the Storage operator and updated in accordance with generally binding legal regulations,
  - iii. which is rendered by the Storage operator only in the 2nd and 3rd quarter of a calendar year, with maximum restriction or suspension of activities related to gas storage (rendering of storage service) in the range of no more than 14 days (continuous or divided) in the storage year, and
  - iv. which is rendered by the Storage operator at any time during the calendar year, with maximum restriction or suspension of activities associated with gas storage (rendering of storage service) in the range of no more than 7 days (continuous or divided) in a storage year. This period is not included in the time according to point iii. above, not even when maintenance is carried out in the 2nd or 3rd quarter of a calendar year.

## **PART IV. FINAL PROVISIONS**

### **1. STORAGE CODE AMENDMENTS**

Any amendments to the Storage code are subject to approval procedure or a procedure for determining the code according to relevant provisions of the Energy Act.

### **2. FINAL PROVISIONS**

- b) All legal relations between the Storage operator and Storage user arising in connection with the provisions of this Code shall be governed by the laws of the Czech Republic.
- c) Forming an integral part of this Code are the following Annexes:
  - Annex No. 1 – Financial Eligibility Terms,
  - Annex No. 2 – Application for a Framework Agreement,
  - Annex No. 3 – Virtual GSF Delivery Points on Transmission System.
- d) The Code in its Czech language version was approved by Decision of the Energy Regulatory Office No. SLS-03571/2016-ERU on 24 May 2016 and it comes into force on 25 May 2016.

ANNEX No. 1 FINANCIAL ELIGIBILITY TERMS

1. The Applicant /the Storage user must prove to the Storage operator and permanently maintain sufficient financial eligibility to fulfill its obligations arising from gas storage contracts or in connection therewith (hereinafter also “Financial Eligibility”).
2. The Applicant and Storage user must demonstrate Financial Eligibility at the moment set in this Code at the latest and permanently maintain such eligibility during the existence and effectiveness of the respective contract connected to the storage operations.
3. Meeting one of the two following options deems to be sufficient to meet the Financial Eligibility criteria:
  - a) The Storage user itself meets at the same time five following conditions:
    - $\text{debt} \leq 0.8 \times \text{equity}$ ,
    - $3 \times \text{EBITDA} \geq \text{debt}$ ,
    - CR index  $\leq 280$  or long-term rating of the Storage user from Standard & Poor’s of at least BB, or long-term rating of at least Ba2 from Moody’s, at least B3 or long-term rating from Fitch at least B-,
    - $\text{CE} \leq 0.2 \times \text{equity}$ ,
    - The Storage user is a legal entity with financial statements certified by an auditor.

Where:

“Debt” means Storage user’s interest-bearing loan;

“EBITDA” means Storage user’s income before taxes, to which interest expense for the past fiscal year and assets depreciation for the past fiscal year are added; and

“CE” means Storage operator’s credit position vis-à-vis the Storage user, which is the total price of storage service per one month (monthly price), including VAT of the respective storage year.

The criteria under this subparagraph are to be demonstrated by audited financial reports not older than 15 months.

- b) The Storage user provides to the Storage operator the original of a valid bank guarantee on which bases the bank irrevocably obliges itself under Section 2029 and following of Act No. 89/2012 Coll., the Civil Code, to reimburse the Storage operator under Section 2035/2 of the Civil Code without protest at least up to the amount double the credit exposure defined in Article 3., section a) of this Annex, conditioned upon the Storage operator informs the bank in written that the Storage user did not fulfill the obligation pursuant to the respective storage contract.

The bank guarantee provided must be valid at least 30 days after the expiration of the contract it secures.

If long-term contracts are concluded for the storage services lasting more than one year, the bank guarantee provided may be valid for a shorter time period than required under the previous section. However, even in such cases the bank guarantee must be always valid at least for one year and accompanied with a written affirmation of the Applicant or the Storage user that at the latest 30 days before the expiry of the provided bank guarantee the Storage user or the Applicant will either renew the bank guarantee or have a new one issued. If the Storage user or the Applicant fails to meet the duty to renew or reissue the bank guarantee in such time as set in this provision, the Storage operator is entitled to immediately withdraw from the contract.

A bank guarantee for an amount higher than CZK 5 million must be issued in favor of the Storage operator by a bank with minimum long-term rating BB from Standard & Poor's, or at least long-term rating Ba2 from Moody's.



**Part A – Information about Applicant**

Legal entity (fills out lines 1 - 5 and 8 - 13)

Individual entrepreneurs (fill out lines 1, 3, 6 - 13)

Information about Applicant – natural person (fills out lines 6, 7, 9 - 11)

<b>1) Company name:</b>			
(in accordance with Act No. 513/1991 Coll.)			
<b>2) Legal status:</b>			
<b>3) Field of business:</b>			
<b>4) Legal person's registered office:</b>		State:	Region:
Municipality:	Post Code:	Street:	House No.
<b>5) Corporate body:</b>			
Function:			
Name:	Surname:	Date of birth:	
Function:			
Name:	Surname:	Date of birth:	
Function:			
Name:	Surname:	Date of birth:	
Function:			
Name:	Surname:	Date of birth:	
<b>6) Natural person:</b>			
7) Name:	Surname:	Date of birth:	
<b>8) Place of business:</b>		State:	Region:
Municipality:	Post Code:	Street:	House No.
<b>9) Gas trade license No.:</b>			
<b>9) E-mail:</b>		<b>Telephone:</b>	<b>Fax:</b>
<b>10) Post address:</b>		Name:	Surname:
Municipality:	Post Code:	Street:	House No.:
<b>11) Bank references:</b>		Bank:	Account No.
<b>12) Company ID:</b>			
<b>13) Tax ID:</b>			

## Part B – Technical Data

1) Beginning of the effectiveness of framework agreement: (date of commencement of booking daily storage capacity)	
2) Type of short-term day contract:	
Daily storage capacity: 1)	With fixed output: yes / no
	With interruptible output: yes / no

1) Note: Please cross the non-matching option out.

### 3. Specifications of Agreement

The Applicant declares and confirms with its signature that all information in given in this application is true and correct

In \_\_\_\_\_, on \_\_\_\_\_

There exists the delivery point Brumovice for GSF virtual point where quantity, pressure and qualitative parameters of gas intended for injection and withdrawal are measured:

Picture No. 1: Brumovice Delivery Point Location

