

AGREEMENT FOR IMPLEMENTATION OF GAS RELEASE PROGRAMME

I. GENERAL PROVISIONS

1. The agreement for implementation of natural gas release programme shall be concluded between the organized natural gas exchange market operator and the public supplier of natural gas.
 - 1.1. The operator of the trading platform - Balkan Gas Hub EAD, shall perform on the natural gas trading platform the activity related to implementation of this Agreement until issuance of a license for the activity “organizing natural gas exchange market”.
2. The Agreement stipulates the terms and conditions under which the public supplier shall offer natural gas quantities for sale on the organized natural gas exchange market.
3. The Agreement also specifies the procedure for conducting gas release auctions, the release price mechanisms, including the auction starting price, the duration of the agreement, the types of products offered and the periods of their offering.

II. QUANTITIES AND PRODUCTS INTENDED FOR SALE ON THE ORGANIZED NATURAL GAS EXCHANGE MARKET

4. The public supplier shall offer for sale on the organized natural gas market no less than the following natural gas quantities:
 - 4.1. in 2020 - 2 220 GWh;
 - 4.2. in 2021 - 4 281 GWh;
 - 4.3. in 2022 – 6 342 GWh;
 - 4.4. in 2023 – 8 720 GWh;
 - 4.5. in 2024 – 11 099 GWh.
5. Natural gas shall be released at auctions in the form of annual contracts for natural gas supply and/or monthly contracts under the following basic product parameters:
 - 5.1. Delivery period: 2020 - 2024
 - 5.2. Deliveries' initial date: January 1-st for each year referred to in item 4 for the annual products; on the first day of the corresponding months for monthly products;
 - 5.3. Deliveries' profile: even - physical gas supply amounting to 100% of the agreed volume, evenly by days.
 - 5.4. Delivery place: Virtual Trading Point (VTT), part of Bulgartransgaz EAD entry-exit system;
 - 5.5. Delivery price: set at an auction and possible to be updated.

III. PRODUCTS AUCTIONING

6. Natural gas shall be released in compliance with to the following conditions:
 - 6.1. conducting up to two auctions for quantities release in order to guarantee the security of supply for the country, whereas the quantities are intended for final suppliers or customers connected to the gas transmission system of the Republic of Bulgaria;
 - 6.2. when determining the starting price of the auction, all costs for provision of natural gas to VTP shall be included;
 - 6.3. the released quantities shall be purchased by end suppliers or customers connected to the gas transmission system of the Republic of Bulgaria, directly - if registered as a participant on VTT or through a natural gas trader.

6.4. for the released and not purchased quantities in the first two auctions, subsequent auctions shall be conducted with price increase; these quantities are intended for customers inside and/or outside the country.

6.5. the public supplier shall deal with the quantities not purchased after the last auction.

6.6. no persons related to the public supplier within the meaning of § 1 of the Supplementary provisions of the Commercial Act may participate in the auctions.

7. The products shall be offered on Balkan Gas Hub EAD platform through an auction system, at a market segment for implementation of a Gas Release Programme (GRP segment).

7.1. An electronic environment is used for auctioning, part of Balkan Gas Hub EAD trading platform. The platform is in English to ensure a level playing field for all participants. The auctions are conducted through the GRP segment of the platform, which is a software solution of Balkan Gas Hub EAD for the purposes of the Natural Gas Release Programme. The platform shall provide all the necessary information for conducting the auctions and update of the information about them, as well as outcome of the auctions by e-mail to the customers who have taken part.

7.2. The costs for GRP segment development and technical support on the trading platform shall be borne by Balkan Gas Hub EAD.

7.3. The GRP segment of the Balkan Gas Hub EAD platform does not offer at the auctions products that are financial instruments and derivatives within the meaning of Directive 2014/65/EU of 15 May 2014 on the markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU.

8. Auctions for 2020 shall be conducted in the following order:

8.1. On the second Monday in December in the year preceding the year of physical delivery - 09.12.2019, an auction shall be held as follows:

8.1.1. yearly product auction: 1 110 000 MWh are offered or half of the quantity set for 2020. The minimum quantity that can be allocated to one participant shall be 5 000 MWh, and the maximum, up to 33 % of the total quantity offered in this auction;

8.1.2. auction for twelve monthly products: 1 110 000 MWh are offered or half of the quantity set for 2020, split into twelve separate products of 92 500 MWh each. The minimum quantity that can be allocated to one participant shall be 833 MWh, and the maximum shall be up to 33 % for each separate product.

8.2. On the third Monday in December in the year preceding the year of physical delivery - 16.12.2019, an auction shall be held as follows:

8.2.1. yearly product auction: quantities shall be offered that remained unpurchased in the auctions under item 8.1.1, where the maximum quantity that may be allocated to one participant shall be up to 33% of the total quantity offered in this auction.

8.2.2. auction for twelve monthly products: quantities shall be offered that remained unpurchased in the auctions under item 8.1.2, where the maximum quantity that may be allocated to one participant shall be up to 33 % for each separate product.

8.3. In order to ensure security of supply for the country, the products of the auctions under 8.1. and 8.2. are intended for purchase from end suppliers and/or customers connected to the gas transmission system of the Republic of Bulgaria, directly or through natural gas traders. The same persons shall specify in the natural gas purchase and sale contract under the natural gas release program the exit point (s)/points of the gas transmission system for which the purchased quantities are intended. Each submitted offer under items 8.1 and 8.2 substitutes completely all previous offers.

8.4. On the fourth Monday in December in the year preceding the year of physical delivery - 23.12.2019, an auction shall be held as follows:

8.4.1. auction for the quantities unpurchased in the auction under item 8.2.1, as yearly product with even supply.

8.4.2. auction for the quantities unpurchased in the auctions under item 8.2.2, as monthly products with even supply.

8.4.3. The quantities under item 8.4.1. and 8.4.2. are intended for customers in and/or outside the country.

8.5. Every second Monday of the month preceding the month of physical delivery - an auction shall be held for the quantities not purchased in the auctions under items 8.4.1 and 8.4.2 as monthly products with even delivery. Monthly products shall be calculated as the average value of the sum of the remainder of the annual product under item 8.4.1 and the remainders of the monthly products under item 8.4.2, distributed evenly over all the months, and the not purchased quantity of the product for a given month shall be added to the next months. The products are intended for customers in and/or outside the country.

8.6. Each submitted offer under items 8.4. and 8.5. substitutes completely all previous offers.

9. The maximum quantity that can be purchased by one participant and its related entities is up to 33% of the total quantity for 2020. Upon reaching the maximum quantity, the participant shall not be allowed to submit any more offers in the current auction and in subsequent auctions.

10. The bidding period for all auctions shall be from 10:00 a.m. until 4:00 p.m. in the days set as auction days. Auctions shall be conducted in business days. Balkan Gas Hub EAD shall be entitled to accept as valid the offers submitted up to 120 seconds before 10:00 a.m. or up to 120 seconds after 4:00 p.m. due to technical reasons and/or delayed communication between the customers' servers and the trading platform server.

11. For each subsequent year, Balkan Gas Hub EAD after consultation with the public supplier, shall determine and publish on its website the auction calendar, as well as maximum and minimum quantities that can be purchased by one participant, not later than one month before the first auction.

IV. IV. MODE OF DETERMINING THE NATURAL GAS PRICE AND ITS UPDATE

12. The starting price of the release auctions shall be determined by the public supplier and shall include components for: weighted average cost of natural gas at the entry of the gas transmission system; costs of providing natural gas under the release programme (conditionally fixed and variable); costs due to imposed public service obligation; costs of providing the required capacity.

12.1. The component "weighted average natural gas price at the entry of the gas transmission system" is approved by EWRC in its decision for the natural gas price of Bulgargaz EAD for the respective quarter during which the auction is conducted.

12.2. The "costs" component includes the conditionally fixed and variable costs related to the natural gas quantities under the release programme.

12.2.1. The amount of the conditionally fixed costs, respectively the variable costs, is determined as a proportionate part of the total conditionally fixed costs, respectively variable costs, of Bulgargaz EAD according to the natural gas quantities, supplied by the company in connection with the public supply of natural gas, the GRP and the long-term contracts and short-term natural gas supply transactions at freely negotiated prices, to which it is a Party. The amount of the total conditionally fixed costs of Bulgargaz EAD corresponds to the one taken into account in connection with acknowledgement of the natural gas price of the company for the first quarter of the year during which the auction takes place. The amount of the total variable costs of Bulgargaz EAD corresponds to the one taken into account in connection with the acknowledgement of the natural gas price of the company for the respective quarter during which the auction is conducted. The natural gas quantities are those delivered by the company during the year for which the auction is conducted.

12.3. The 'public service obligation' component is the component compensating costs, arising out from the imposed public service obligations, approved by EWRC in the decision on the natural gas price of Bulgargaz EAD for the respective quarter during which the auction takes place.

12.4. The component "costs of capacity needed to provide natural gas to virtual trading point" includes the costs of providing the required capacity at the system entry points, which are valued at

the cost of the annual and/or quarterly and/or monthly capacity product, and Bulgargaz EAD is obliged to provide the longest term product with priority, or the product of the lowest price.

13. The price at which natural gas sale is carried out is the starting price, updated for each quarter with the change of the components under item 12.1., item 12.2. and item 12.3., corresponding to the consideration taken in connection with the approval of the natural gas price of Bulgargaz EAD for the respective first, second, third or fourth quarter of the year of natural gas supply. The component under item 12.4. shall be updated in the event of a change in the prices of capacity products during the year of natural gas supply.

13.1. The price of each month from the period of the physical supply is the updated price and the premium reached within the auction.

13.2. Bulgargaz EAD shall publish on its website the starting price and natural gas quantities no later than 10 days before the auction, as well as the updated price at which the sale of natural gas takes place, on the first day of the respective quarter. The starting and updated prices are published by components.

13.2.1. Bulgargaz EAD shall publish on its website the starting price and natural gas quantities for the auctions for natural gas supply in 2020, but no later than 5 days before the auction.

V. TENDER MECHANISM FOR ALLOCATION OF THE OFFERED NATURAL GAS QUANTITIES

14. A price step of 0.10 BGN/MWh on the starting price shall be applied within the release auctions and a price for MWh is offered.

15. Balkan Gas Hub EAD Platform - GRP segment automatically ranks the bids as per the highest price offered.

15.1. If two or more bids are equal in terms of prices, the Platform shall rank the bids in proportionately reduced quantities so that the total quantity offered by Bulgargaz EAD in the auction is not exceeded.

15.2. 15.3. Up to 48 hours after the end of each auction, Balkan Gas Hub shall submit to Bulgargaz EAD the results in order to conclude the relevant purchase and sale contracts.

15.3. In case Bulgargaz EAD makes a decision on providing larger quantities than the specified under item 4, the additional quantities shall be offered in compliance with the principles of the permissible minimum and maximum quantity and proportion in determining the products according to item 8 and item 9.

VI. PLACE OF EXECUTION OF THE TRANSACTIONS ON SUPPLY AND PURCHASE OF THE PRODUCTS AND DELIVERY POINT

16. The place of execution of transactions on supply and purchase of the products shall be the Balkan Gas Hub EAD Platform - GRP segment.

16.1. Gas delivery point and title transfer shall be the VTP.

VII. DETERMINING THE RIGHT TO TAKE PART

17. Natural gas customers, end suppliers and traders may take part in auctions at the GRP segment.

17.1. Entities who have fulfilled the following conditions are eligible to take part in the gas release auctions:

17.1.1. Successfully completed the procedure on access to the gas transmission system according to Bulgartransgaz EAD requirements indicated at <https://www.bulgartransgaz.bg/be/pages/service-conditions-85.html> and signed Agreement for participation in the market segment for implementation of Natural gas release programme with Balkan Gas Hub EAD;

17.1.2. Registration to take part in the auction within no later than 2 (two) working days before the

respective auction is conducted by completing the registration form provided by Balkan Gas Hub EAD via email: admin@balkangashub.bg.

17.2. Balkan Gas Hub EAD shall consult with the interested parties the terms of the Agreement for participation in the market segment for implementation of the Natural gas release programme and shall publish the agreement on its website before the deadline under item 17.1.2.

18. Each entity that fulfils the conditions under item 17.2. may take part in the bidding for all products within the auction. Each participant shall commit to comply with the minimum and maximum natural gas quantity requirements eligible to be purchased in strict compliance of the sequence under item 8 so as to cover the domestic consumption.

VIII. PROCEDURE FOR NOMINATION OF THE PURCHASED NATURAL GAS QUANTITIES AND BALANCING

19. Natural gas quantities purchased at the GRP segment shall be confirmed by Balkan Gas Hub EAD to Bulgartransgaz EAD. The quantities shall be nominated for transport from the VTP to an exit point of the TSO network in line with the standard procedures for submitting nominations under Chapter Third of the Natural Gas Market Balancing Rules (NGMBR). The standard balancing regime laid down in the NGMBR shall apply for the transported natural gas quantities from VTP to an exit point of the network.

IX. CAPACITY RELEASE AT EXIT POINTS

20. If capacity must be released at exit points of the gas transmission network following a natural gas quantities purchase at the GRP segment, Bulgargaz EAD must transfer the corresponding capacity at an exit point to a participant who purchased the quantities. The transfer shall be executed by conducting a secondary capacity transaction in line with the procedures set out in Art. 7 of the Harmonized Contract for access and transport of natural gas through Bulgartransgaz EAD gas transmission networks at the price of its booking on the primary market by Bulgargaz EAD, or by transferring the capacity envisaged for release under the capacity surrender mechanism set out in the Congestion Management Procedures in the case of contractual congestion. Both mechanisms use the functionalities of the regional capacity booking platform - RBP.

X. RIGHT TO CANCEL AUCTIONS

21. In the event of a technical and/or human error, Balkan Gas Hub EAD may cancel any of the conducted auctions and set a new auction date up to 48 hours after conduct of each of the auctions.

21.1. In case the errors do not affect negatively the offered price and/or the quantity purchased by the participants, BGH does not cancel the auction, and in case it is necessary, updates the ranking of the bids up to 48 hours after the end of each auction by disqualifying the participant who has committed the error.

XI. TERMS AND CONDITIONS FOR CONCLUDING A NATURAL GAS PURCHASE AND SALE CONTRACT

22. Upon completion of the auction, the public supplier shall conclude a Natural gas purchase and sale contract for the quantities allocated under the GRP with the entities ranked under the auction mechanism under Section V until the quantities offered have been exhausted.

23. Bulgargaz EAD shall be entitled to require, prior to conclusion of the Natural Gas Purchase And Sale Contract, proof of the creditworthiness and/or collateral for payment by the successful bidder, and the requirements should not be more restrictive than those currently applied to natural gas traders or customers connected to the gas transmission network.

24. Bulgargaz EAD shall conclude Natural gas purchase and sale contracts that may not give advantages or be more restrictive than those currently applied at the relevant time to natural gas traders or consumers connected to the gas transmission network.

25. When the natural gas quantities are purchased by end customers and/or end suppliers, connected to the gas transmission system of the Republic of Bulgaria, directly or via a natural gas trader, the natural gas purchase and sale contract shall include the indicated by those entities exit point(s) of the gas transmission system for which the purchased quantities are intended.

26. If end suppliers and customers connected to the gas transmission system of the Republic of Bulgaria, have accepted a quantity less than the minimum annual quantity under a natural gas supply contract, Bulgargaz EAD requests no payment for unaccepted natural gas quantities up to the amount purchased under the natural gas release program.

27. Bulgargaz EAD consults with the interested parties the terms of the natural gas purchase and sale contract for the quantities allocated within the framework of the natural gas release program and publishes the contract on its website prior to the deadline under item 17.1.2.

XII. PARTICIPATION FEES

28. Participants in natural gas release tenders who do not participate in other segments of Balkan Gas Hub EAD platform shall not owe a participation fee.

29. For 2020 the buyers shall pay to Balkan Gas Hub EAD the respective transaction fee of 0.05 BGN/MWh until the 10th of the month following the auction, to the bank account specified by Balkan Gas Hub EAD, according to the auction results presented by the platform. For each subsequent year the transaction fee is reduced by 0.01 BGN/MWh.

30. Bulgargaz EAD shall not pay a transaction fee for implementation of the natural gas release program.

XIII. REPORTING UNDER REGULATION № 1227/2011 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 25 OCTOBER 2011 ON THE INTEGRITY AND TRANSPARENCY OF THE WHOLESALE ENERGY MARKET (REGULATION № 1227/2011)

31. Balkan Gas Hub EAD may fulfil the obligations for reporting of the auction transactions pursuant to Regulation № 1227/2011 upon request by the participant, as indicated in the registration form according to item 17.2., subitem 2 of this Agreement.

XIV. CONTROL AND AMENDMENT OF THE AGREEMENT

32. The Energy and Water Regulatory Commission shall monitor the implementation of the terms of this Agreement.

33. The Energy and Water Regulatory Commission may require at least the following information:

33.1. from Balkan Gas Hub EAD - regarding the results from the auctions, by customers;

33.2. from Bulgartransgaz EAD - on the allocated quantities of the participants in the tenders from VTP to exit points;

33.3. from Bulgargaz EAD - information on the natural gas quantities offered for release, data and justification of the parameters at which the starting price of the auctions was formed, as well as data on capacity release.

34. The Energy and Water Regulatory Commission shall reconsider the conditions for implementation of the Agreement every two years, providing, where necessary, guidance on changing the conditions, taking into account the level of liquidity achieved in the natural gas market.

35. Within two months before the end of each two-year period, the public supplier, respectively the gas exchange market operator, shall submit to the Energy and Water Regulatory Commission a report with an analysis on the liquidity level achieved in the natural gas market.

XV. TERM

36. This Agreement is concluded for the period 2020 - 2024.

This Agreement was approved by the Energy and Water Regulatory Commission by Decision under Protocol No 209 of 29.11.2019, item 2.

For Bulgargaz EAD:

For Balkan Gas Hub EAD: