

Terms and conditions for electronic auction of the Gas Storage Operator, MND Gas Storage a.s., for reservation of the annual storage capacity with fixed output, to be held on 26th September 2024 (hereinafter the “Auction Terms and Conditions”)

Legal disclaimer

This is an unofficial translation. Official documentation for the auction sale is drafted in Czech language. If any discrepancies arise between English and Czech wording, the Czech wording shall prevail.

Opening clauses

These Auction Terms and Conditions have been developed in line with valid and effective generally binding legal regulations, Regulation No. 349/2015 Coll. on the Rules of the Gas Market, as amended, (hereinafter “Market Rules”), and MND Gas Storage’s Code of gas storage operator (hereinafter the “Code”), in particular.

Conditions for participation in the auction to be held on 26th September 2024, under the Auction Terms and Conditions (hereinafter the “Auction”), are set in these Auction Terms and Conditions and in Part II. of the Code. Other matters concerning the Auction which are not specifically governed by these Auction Terms and Condition or the Code, shall be governed by Market Rules.

Basic parameters of the Auction

<i>Announcer of the Auction</i>	gas storage operator MND Gas Storage a.s., ID: 28506065
<i>Type of storage capacity reserved:</i>	annual storage capacity (with fixed output) under Article 50 Section 5 Letter a) of Market Rules
<i>Date Auction is held:</i>	26 th September 2024, 10:00 a.m. CEST
<i>Storage period:</i>	1 storage year from 1. 4. 2025, 6:00 a.m. CEST until 1. 4. 2026, 6:00 a.m. CEST
<i>Storage capacity offered:</i>	500,000.000 MWh

1. Unit price of the storage capacity

Unit price for the storage period is **3.80 EUR** per 1 MWh of the reserved storage capacity. Prices are set without VAT which shall be added as per valid legislation.

MND GS further states that the applicant with whom a storage contract will be concluded following the auction will have the obligation as a storage user to secure gas for injection and deliver it to the storage provider at the virtual storage point so that from each injection nomination, 1.2 % of the given nomination is deducted and used to fulfil the above obligation and the rest will be credited to the Storage User's account (i.e. when nominating 100 MWh of injection during the gas day, the balance of the Storage User's account will be increased by 98.8 MWh and 1.2 MWh will be used to fulfil the obligation supply gas for injection). For more details, see the Specimen Gas Storage Contract attached as Appendix 1 to these Terms and Conditions.

2. Auction date

Auction date has been set for 26th September 2024, at 10:00 a.m. CEST.

The Applicant must register in the information system of MND GS no later than by 26th September 2024, 9:30 a.m. CEST, to participate in the Auction.

By the deadline of registration must MND GS receive from the Applicant the copies (scans) of documents necessary for registration mentioned in Part II of the Code. MND GS reserves the right to request originals or officially certified copies of such documents from the Applicant.

3. Option to reject Storage capacity

Active participants for which storage capacity has been reserved in accordance with clause 4 of these Conditions and which has signed the relevant Storage contract shall be entitled to reject part, or all, of the Storage capacity ("capacity rejection") if, by 31st January 2025, they:

- a) Notify the Storage Operator in writing of the exercise of this right
- b) Pay the capacity rejection fee ("Option Premium") to the Storage Operator's bank account No. 1330535205/3500.

The capacity rejection becomes effective on the later of these actions.

Minimal (starting) price of the Option Premium is to be determined according to the following equation:

$$P_U = P_F + K$$

Where:

P_U represents a unit price for the Option Premium and is established in EUR per 1 MWh of the rejected storage capacity per storage period;

P_F represents fixed costs equal to **0.30 EUR per 1 MWh** of the rejected storage capacity per storage period;

K represents a coefficient on which the Auction participants bid within respective Auction rounds; for the first round of the Auction, it equals "0 EUR per 1 MWh per storage year" (zero Euro per one megawatt hour per storage year).

The Final price of the Option Premium is stated in the relevant storage contract and will be defined based on the results of the auction. VAT shall be applied in accordance with the mandatory legal regulations.

For details, see Annex 1 to these Conditions (2_SPECIMEN_Option Premium_Gas Storage Contract_2024)

4. Progress and Completion of the Auction

A registered participant (hereinafter as “Participant”) will submit bids for storage capacity for individual storage years in the applicable auction round by means of a figure with an accuracy of two decimal places expressing the percentage share in the total size of the offered storage capacity. Bids may be amended in the course of an auction round.

The value of a bid the Participant submits in a subsequent auction round may not exceed the value of the Participant’s bid submitted for respective storage year in the previous auction round. In case that the Participant submits no bid for one of the storage years in an auction round or submits a bid with a zero value, the Participant may no longer submit bids for such a storage year in any subsequent auction rounds.

If the sum of all bids submitted in an auction round exceeds the total value of the offered storage capacity, a subsequent auction round is held. In the subsequent auction round, the auction price per unit of Option Premium for relevant storage year will be increased by the size of the price increase between auction rounds according to Section 12 of these Auction Terms and Conditions.

Individual auction rounds will last 10 minutes. In case that during an auction round, all Participants submit their bids via the auction portal and simultaneously request the auction round to be shortened, the duration of the auction round will be reduced commensurately after a request for shortening the auction round is submitted by the last of the Participants.

The auction will be completed with the selection of the winning bid(s) when the sum of bids for storage capacity submitted by all Participants in an auction round is equal to or lower than the total value of the offered storage capacity, on condition that at least one Participants submits a bid with a value other than zero in the first auction round (“Successful Completion”).

The auction will be completed without the selection of a winning bid if no bid for respective storage year is submitted in the first round or if only zero-value bids are submitted.

Upon Successful Completion, the Storage Provider will select the winning bids according to the following rules:

- I. In case that the auction is terminated already in the first round, the Storage Provider will select bids submitted by all Participants who submitted a bid with a value other than zero.
- II. In case that the auction continues after the first round, the conditions for selecting the winning bids will be as follows:
 - a. In case that the sum of all bids submitted by Participants in the last round is equal to the total value of the offered storage capacity, the Storage Provider will select bids submitted by Participants in the last round as the winning bids.
 - b. In case that the sum of all bids submitted by Participants in the last round is lower than the total value of the offered storage capacity, the winning bids will be as follows:
 - bids submitted by all Participant in the last auction round, and
 - the undivided part of the total storage capacity will be divided among Participants taking part in the penultimate round proportionately to their bids submitted in the penultimate round; in such a case, a bid submitted by a Participant in the penultimate round will be reduced, if applicable, by the value of storage capacity assigned to such a Participant in the last round.

The resulting storage capacity assigned to each Participant whose bid is selected as winning will be rounded off to integers of kWh. The foregoing value will be entered into the Storage Contract.

The ratio (size) of the maximum withdrawal and injection capacity to the assigned storage capacity (considering the auction outcome) set for Participants will be the same as the ratio of the total storage capacity to the total value of the maximum withdrawal and injection capacity. The foregoing value will be entered into the Storage Contract.

The unit price of Option Premium within the meaning of Section 3 of these Auction Terms and Conditions will be:

- a) the minimal (starting) price of Option Premium as per Section 3 of these Auction Terms and Conditions, provided that the sum of all bids for storage capacity submitted by Participants in the first auction round does not exceed the size of the offered storage capacity,
- b) the value of the weighted average of prices of Option Premium from the last and the penultimate auction rounds, where the weights will be the sizes of assigned storage capacity in the last and the penultimate auction rounds, provided that storage capacity is assigned to the Participant based on bids submitted in both the last and the penultimate auction rounds,
- c) the value of the auctioned price of Option Premium achieved in the last auction round in which storage capacity is assigned to the Participant, provided that the entire value of the offered storage capacity is booked.

5. The means of electronic communications and alternative communication

Auction will be organized via the secured Internet auction portal of MND Energy Storage a.s. accessible from the following website <http://mndgs.proebiz.com/>, according to guidelines stated therein (hereinafter the "Auction System").

MND GS warrants through contractual arrangements that information about registered users shall be administered securely, including the protection against abuse of commercially sensitive information. Except for where required by applicable law, company MND Energy Storage a.s. is contractually obliged to protect confidentiality of all information it gained in connection with the administration of Auction, including active participants' bidding history.

By registering for the Auction, any active participant agrees that company MND Energy Storage a.s. is allowed to process such participant's information, including its bidding history, so that MND Energy Storage a.s. could manage and evaluate Auction announced by MND GS.

Should Auction System fail, then MND GS shall notify active applicants in a proper way about such situation, without any undue delay from the time it learns about such fact. During such failure the Auction will remain interrupted, and MND GS will give notice of the resumption of Auction to all active applicants in the appropriate manner. Auction may continue from the last round that went ahead duly, and they managed to record (store) it in Auction System, or start again with first round (if information from Auction rounds carried out are not available or applicable).

In case the electronic communications fail over the course of the Auction on the side of active applicant, then the alternative way of communication can be used via e-mail message to address

auction@mnd-es.cz along with the fact that the Auction request sent in this communication way must include the following:

- Active applicant's exact identification;
- Auction designation, incl. the designation of Auction round for which the request is submitted;
- Levels of storage capacity required for individual storage years in the manner that corresponds to the Auction Terms and Conditions (in the form of a number rounded off two decimal locations which expresses percentage share in the size of offered storage capacity).

6. Financial security

The financial security is not required.

7. Gas Storage Contract Specimen

Gas Storage Contract Specimen is included in Annex No. 1 of these Auction Terms and Conditions, and it will be concluded with applicants pursuant to the procedure specified in the Code. The Contract will be concluded with those applicants to the Auction who can document the meeting of their financial eligibility compliant to the Code (for details see Annex No. 1 of the Code), and the storage capacity was reserved for them.

8. Financial eligibility

Pursuant to Part II., letters b), c) of the Code, each applicant must submit a confirmation regarding its preparedness to meet financial eligibility criteria in case the storage agreement is to be concluded (a specimen confirmation forms a part of overall documentation of the auction). Such confirmation must be submitted by each applicant by the end of the registration period for the auction.

In case the applicant is successful, i.e. it is awarded storage capacity reservation, MND GS will invite such applicant to submit documents that substantiate meeting of financial eligibility criteria – such documents are described in Annex no. 1 of the Code (available online). Unless such documents are provided, storage agreement may not be concluded.

9. Additional capacity

The MND GS decides on the activation of additional storage capacity based on the auction progress. The MND GS may activate the additional storage capacity at any time during the break between rounds, provided that the capacity currently demanded is higher than the capacity offered, either in one lump sum by the full amount of the additional storage capacity or in parts if, even after partial activation, the storage capacity demanded exceeds the new total storage capacity offered. In the event of activation of additional storage capacity, the Active Participant shall submit the storage capacity bids in the relevant auction round by means of a figure with an accuracy of two decimal places expressing the percentage share in the total size of the total offered storage capacity increased by the additional capacity (i.e. if the original total offered capacity was 100 GWh and the additional capacity of 100 GWh was activated, the new total offered capacity is 200 GWh and the bid of 100% corresponds to the requirement for 200 GWh of storage capacity).

The amount of additional storage capacity that can be activated in this auction: 0 %

10. The effective term from which the storage capacity is reserved

Gas Storage Contract to reserve annual storage capacity with fixed output will be signed for the effective term from 1. 4. 2025, 6:00 a.m. CE(S)T to 1. 4. 2026, 6:00 a.m. CE(S)T.

11. Size of offered storage capacity

- Storage capacity of: 500,000.000 MWh
- Maximum injection output of: 5,089.000 MWh/day
- Maximum withdrawal output of: 8,376.000 MWh/day

The course of withdrawal output and injection output depends on operating capacity (injection curve and withdrawal curve) and is given in Annex No. 1 the Gas Storage Contract Specimen (refer to point No. 7 of Auction Terms and Conditions).

12. The level of price increase of Option Premium in between Auction rounds

During entire Auction, the level of increase of price of Option Premium per 1 MWh of rejected storage capacity in between Auction rounds will be **0,1 EUR**.

13. Total duration of gas storage capacity reservation

Maximum as well as minimum duration of the offered storage capacity reservation is set by MND GS from the gas day of 1. 4. 2025 till gas day of 31. 3. 2026, end of the gas day (“storage period”).

14. Method of setting a penalty for cancelling the reservation of storage capacity to an active user

The active applicant who has booked storage capacity based on the auction results and has not signed the relevant contract within 20 working days of the date of receipt of the contract proposal is obliged to pay MND GS a penalty in the amount of CZK 10,000,000 (in words: ten million Czech crown). The penalty is payable within 10 days from delivery of an e-mailed invoice to this active applicant, by bank transfer to the bank account specified in such an invoice.

15. Time Schedule

18 th September 2024	Announcement of the Auction
26 th September 2024, 9:30 a.m. CEST	Termination of the registration period
26 th September 2024, 10:00 a.m. CEST	Auction course
immediately after the end of Auction	Confirmation on reservation of capacity
Within 10 working days after the termination of the auction	Sending of the gas storage contract to the successful participant with reserved capacity
Within 20 working days after receipt of the storage contract proposal	Successful participant must accept the proposal by returning the fully signed contract, otherwise the reserved storage capacity will be offered again in the auction and the penalty under point 14 thereof applies