

GENERAL TERMS AND CONDITIONS TO WHICH NETWORK USERS SHALL AGREE IN ORDER TO OBTAIN ACCESS TO CAPACITY IN THE BINDING PHASE OF CAPACITY ALLOCATION OF THE INCREMENTAL CAPACITY PROCEDURE ON THE BORDER BETWEEN UKRAINE AND ROMANIA AT IP ISACCEA1/ORLOVKA1 FOR THE FLOW DIRECTION (RO-UA)

(hereinafter the 'INC GT&C')

1. General Provisions

- 1.1. This document establishes the general terms and conditions to which network users shall agree in order to obtain access to capacity in the binding phase of capacity allocation of the incremental capacity procedure that will be allocated at the auction for the interconnection points.
- 1.2. Access to the capacity that will be allocated at the auction of incremental capacity allocation for interconnection points will be provided in accordance with the Natural Gas Transportation Agreement concluded with the NU in accordance with the Framework Natural Gas Transportation Agreement approved by the NEURC Resolution No. 2497 of 30.09.2015 (with amendments and additions), in accordance with the requirements of the Gas Transmission System Code approved by the NEURC Resolution No. 2493 of 30.09.2015 (hereinafter the "GTS Code"), taking into account the features established by these INC GT&C, and while applying tariffs for natural gas transmission services established by the Regulator for entry points and exit points (hereinafter the 'Tariffs') for the relevant regulatory period.
- 1.3. By signing Annex 3 to the Standard Natural Gas Transportation Agreement "Declaration on joining the general rules and conditions to which network users shall agree in order to gain access to capacity at the mandatory capacity allocation stage of the incremental capacity procedure (hereinafter – Application for joining)", the NU agrees to the relevant terms and conditions for providing access to the capacity that will be allocated to the NU in accordance with the procedure for the allocation of incremental capacity.

- 1.4. These INC GT&C are posted in Ukrainian and English on the website of Limited Liability Company Gas Transmission System Operator of Ukraine (hereinafter "LLC Gas TSO of Ukraine").

In case of a discrepancy between Ukrainian and English wording of the INC GT&C, the text written in Ukrainian shall prevail.

2. Terms

In these INC GT&C, the following terms are used with the following meanings:

- 2.1. Auction — an annual incremental capacity allocation auction in the form of unbundled yearly capacity that is conducted on the terms set forth in the GTS Code and the Commission Regulation (EU) 2017/459 under which the incremental capacity is allocated for the interconnection point Isaccea1/Orlovka1 in the direction from Romania to Ukraine (hereinafter the "IP").
- 2.2. Limited Liability Company Gas Transmission System Operator of Ukraine (LLC Gas TSO of Ukraine) — the business entity that ensure the transportation of natural gas to residents of Ukraine and the EU countries, which is the gas transmission system operator of Ukraine.
- 2.3. SNTGN Transgaz S.A. — the company the full name of which is the Societatea Națională de Transport de Gaze Naturale TRANSGAZ S.A. that has its seat in Mediaș which is the gas transmission system operator of Romania.
- 2.4. VMTG — the company the full name of which is "Vestmoldtransgaz" that has its seat in Chișinău and has been granted a five-year lease to manage Republic of Moldova gas transportation system since 19 September 2023.
- 2.5. RBP Platform — an auction platform that is used by LLC Gas TSO of Ukraine and SNTGN Transgaz S.A. for allocation of incremental capacity at the IP.
- 2.6. Project — the project to create incremental capacity between the gas transmission systems of Romania, Ukraine and Republic of Moldova in accordance with Article 28(1) of Commission Regulation (EU) 2017/459.
- 2.7. Network User (NU) — a private entrepreneur or a legal entity that orders one or several components of the gas transmission services according to the Natural Gas Transportation Agreement concluded with the gas transmission system operator.

3. Binding Phase of Incremental Capacity Allocation

- 3.1. In the binding phase of incremental capacity allocation under the Project, LLC Gas TSO of Ukraine will allocate incremental capacity¹ for the IP under twelve (12) yearly incremental capacity products, during twelve (12) gas years, from 1 October 2027 07:00 a.m. to 1 October 2039, 07:00 a.m.
- 3.2. Each yearly product shall be allocated at a separate Auction for:
- incremental capacity at the level of 185 868 671 kWh/d/year for 2027/2028-2028/2029 gas years;
 - incremental capacity at the level of 173 726 551 kWh/d/year for 2029/2030-2038/2039 gas years.
- 3.3. LLC Gas TSO of Ukraine shall carry out further implementation of the Project² on the condition that:
- a) economic tests conducted by LLC Gas Transmission System Operator of Ukraine, SNTGN TRANSGAZ S.A. and VMTG after the completion of the respective Auctions, will have positive results on both sides of the interconnection points Isaccea1/Orlivka1 (in the flow direction from Romania to Ukraine), Kaushany (the flow direction from Ukraine to the Republic of Moldova) and Grebenyky (the flow direction from the Republic of Moldova to of Ukraine);
 - b) Network users have provided financial security in the amount specified in clause 5.4. of these INC GT&C and signed Annex 1 "Capacity Allocation" to the Standard Natural Gas Transportation Agreement in the manner specified in Section 7 of these INC GT&C.

¹ The amount of incremental capacity under the Project and technical capacity at the interconnection point is 206,520,746 kWh/day/year (of which available capacity is 121,421,208 kWh/day/year, incremental capacity is 85,099 538 kWh/day/year).

² The full cost of the Project shall be covered by the booking of capacity at the relevant binding auction for the allocation of capacity at the interconnection point Isaccea1/Orlivka1 (flow direction from Romania to Ukraine) and at the binding auction for the allocation of capacity at the Kaushany (in the direction from Ukraine to the Republic of Moldova) and Grebenyky (in the direction from the Republic of Moldova to Ukraine) points on the interconnection point with Moldova. At the same time, the amount of investment from the LLC Gas Transmission System Operator of Ukraine provided by the Project ensures the creation of a incremental capacity at the interconnection point Isaccea1/Orlivka1 (flow direction from Romania to Ukraine), Kaushany (in the direction from Ukraine to the Republic of Moldova) and Grebenyky (in the direction from the Republic of Moldova to Ukraine) points on the interconnection point with Republic of Moldova.

4. Terms of Participation in an Auction

- 4.1. LLC Gas TSO of Ukraine shall conduct the binding phase of incremental capacity allocation in accordance with the requirements of the GTS Code on the RBP Platform in accordance with the terms and conditions of this platform as of the day of conducting the Auction.
- 4.2. In order to participate in the Auction, the NU, no later than one week before the start of the Auction (until 25.06.2024), shall:
 - a) conclude the Natural Gas Transportation Agreement with LLC Gas TSO of Ukraine in the wording of the Framework Natural Gas Transportation Agreement approved by the Regulator;
 - b) not have any overdue debts towards LLC Gas TSO of Ukraine for previously provided natural gas transmission services;
 - c) be registered on the RBP Platform as a user that is entitled to participate in auctions of LLC Gas TSO of Ukraine;
 - d) sign and send to LLC Gas TSO of Ukraine an Application for Accession to these INC GT&C;
 - e) provide the **financial security** in accordance with provisions of section 5 of these INC GT&C.

5. Financial Security

- 5.1 No later than one week before the start of the auction (until 25.06.2024) the NU shall submit the **financial security** in the amount and in the form specified in clause 5.2, 5.3 and 5.4 of these INC GT&C. Such financial security shall be provided by the NU to ensure its fulfilment of its obligations under the natural gas transportation agreement with the LLC Gas Transmission System Operator of Ukraine exclusively in the part of payment for the capacity allocated at the Auction.
- 5.2. The NU shall provide the financial security in one of the following form:
 - a) **Bank guarantee;**
 - b) **Cash deposit.**
- 5.3. Financial security shall be provided by the NU in the form of an original of a bank guarantee or a confirmed bank transfer of cash

deposit which is not an advance payment to the bank account of LLC Gas TSO of Ukraine. Financial security in the form of a bank guarantee and/or cash deposit may be provided in Hryvnias (UAH), US dollars (USD) or Euros (EUR). If financial security in the form of a bank guarantee and/or funds is provided in foreign currency, the official exchange rate of the National Bank of Ukraine on the day of such calculation is used to calculate the sufficiency of the financial security.

5.4. The NU shall provide financial security in the amount of not less than 10% of the cost of the capacity that the NU plans to receive based on the results of the Auction (when calculating the cost of the capacity, the tariff for the interconnection point Orlovka/Isaccea is applied, that determined for the period from 1 January 2020 to 31 December 2024 and approved by the NUERC resolution of 24 December 2019 No. 3013), but not less than the equivalent of one thousand (1,000) US dollars.

5.5. In case of providing a financial security in the form of a **bank guarantee**, which complies with requirements of clauses 5.5.1 and 5.5.2 of these INC GT&C, LLC Gas TSO of Ukraine shall require that the guarantee would be non-revocable, non-transferable, unconditional and payable at the first demand of LLC Gas TSO of Ukraine.

5.5.1. Proper financial security in the form of a bank guarantee shall be considered a bank guarantee that meets the requirements defined by the GTS Code.

5.5.2. If the bank guarantee does not meet the requirements specified in clause 5.5.1 of these INC GT&C, the NU shall be obliged not later than within 30 (thirty) days from the moment of receiving information on the non-compliance of the bank guarantee with the requirements provided for in clause 5.5.1 of these INC GT&C, to provide financial security that meets the requirements of these INC GT&C.

Bank guarantee of foreign banks shall comply with the provisions of Ukrainian legislation. If the bank guarantee is issued by foreign banks, it shall be provided to LLC Gas TSO of Ukraine together with a certified translation into Ukrainian.

5.6. In case of providing financial security in the form of **cash deposit**, in the payment orders, the NU shall specify a reference number of the Agreement, date of its signing, and the text: "*Financial security for the booked incremental capacity at interconnection point Isaccea1/Orlovka1*".

- 5.7. If the result of the economic test conducted after the end of the Auction is negative, LLC Gas Transmission System Operator of Ukraine shall return the financial security to the NU within 10 (ten) working days from the date of the end of the Auction.
- 5.8. In the case if the result of the economic test conducted after the end of the Auction is positive, the NU shall be obliged to take measures to ensure that the amount of financial security is not less than 10% of the value of the capacity allocated to the NU based on the results of the Auction (when calculating the value of the capacity, the current tariff for of interconnection point Orlivka/Isaccea is applied).

If the amount of the NU's financial security provided in accordance with clause 5.4 of these INC GT&C, exceeds 10% of the value of the capacity allocated to the NU based on the results of the Auction, the NU shall be entitled to reduce the amount of such financial security to the relevant level.

The amount of the financial security shall be reduced by the amount of the capacity allocated at the Auction, which was paid by the NU in accordance with the terms of the natural gas transportation agreement after the commissioning of such capacity.

- 5.9. The financial security defined by these INC GT&C shall be provided by the NU to ensure its fulfillment of its obligations under the natural gas transportation agreement with the LLC Gas Transmission System Operator of Ukraine exclusively in the part of payment for the capacity allocated at the Auction.
- 5.10. If the financial security was provided by the NU in the form of cash, LLC Gas Transmission System Operator of Ukraine shall return to the NU the interest provided for in a bank account maintenance agreement in which such financial security was kept, excluding maintenance costs and bank commissions for transferring funds to NU's bank account.
- 5.11. The return of cash and/or bank guarantees provided by the NU as financial security, determined by these INC GT&C, shall be carried out under the terms of the agreement on the basis of which it was provided, and in the event that such terms are not established - at the request of the NU no later than 5 (five) banking days from the moment LLC Gas Transmission System Operator of Ukraine receives the demand from the NU, provided that the amount of financial

security remaining after the return of cash and/or bank guarantees is sufficient in accordance with the requirements of these INC GT&C, otherwise case - from the moment of the expiration of the financial guarantee and provided that there is no debt for the capacity allocated at the Auction.

- 5.12. Provided that non-fulfilment terms by the NU of the payment for the capacity booked within the Auction, LLC Gas Transmission System Operator of Ukraine shall unilaterally credit funds provided by the NU in the form of financial security as payment for natural gas transmission services or apply to the bank with a demand for the payment of funds in accordance to the bank guarantee.
- 5.13. Provided that LLC Gas Transmission System Operator of Ukraine used the financial security for payment for transmission services for the capacity booked within the Auction in full or in part, in accordance with clause 5.12 of these INC GT&C, the NU shall restore the financial security to the amount determined in accordance with clause 5.8 of these INC GT&C no later than within ten (10) working days from the moment of such notification.

6. Economic Test

- 6.1. Within one (1) working day from the date of the closing of the Auction for the allocation of incremental capacity LLC Gas Transmission System Operator of Ukraine shall conduct an economic test and provide information on its results to all NUs who participated in the Auction.
- 6.2. Within two (2) working days from the date of completion of the Auction, LLC Gas Transmission System Operator of Ukraine shall publish result of the economic test.

7. Capacity Allocation

- 7.1. The signing of Annex 1 to the Framework Natural Gas Transportation Agreement «Capacity Allocation» (hereinafter referred to as Capacity Allocation), or making amendments to the applicable Capacity Allocation with the NU to whom the capacity will be allocated at the Auction, shall be carried out within fourteen (14) working days from the date of the closing of the Auction.
- 7.2. LLC Gas TSO of Ukraine within seven (7) working days from the date of the closing of the Auction shall send to a NU a draft Capacity

Allocation, taking into account the capacity that was allocated to a NU in the binding phase of incremental capacity allocation at the Auction.

- 7.3. Within seven (7) working days from the date of the receipt of the draft Capacity Allocation, a NU shall provide LLC Gas TSO of Ukraine with Capacity Allocation signed by a NU.

8. Possible Changes in the Provision of Access to Capacity under the Project

- 8.1. LLC Gas TSO of Ukraine shall notify network users who were allocated the capacity in the binding phase of incremental capacity allocation at the Auction of any changes in the implementation of the Project that may affect the proper and timely provision of such network users with access to the capacity.

Such a notification, indicating the reasons for the changes in the implementation of the Project, shall be sent to the NU no later than six (6) months before the date of granting access to the capacity that was allocated in the binding phase of incremental capacity allocation at the Auction.

- 8.2. The date of completion of works on the implementation of the Project may be postponed for a period of no more than twenty four (24) months, provided that the NU is notified.

In such a case, LLC Gas TSO of Ukraine shall unilaterally adjust the date of granting access to the capacity that was allocated in the binding phase of incremental capacity allocation at the Auction, within a twenty four (24) month period.

Herewith the NU shall not have the right to refuse from access to the capacity that was allocated in the binding phase of incremental capacity allocation at the Auction and will be provided after the new (adjusted) date of the start of providing access to the capacity.

Within fourteen (14) days from the date of the receipt of a draft Capacity Allocation, which provides for appropriate adjustments, the NU shall provide LLC Gas TSO of Ukraine with the Capacity Allocation signed by the NU.

- 8.3. In the case of changes in the implementation of the Project that lead to the creation of capacity that is smaller than the capacity

planned under the Project, and provided that the capacity that is allocated in the binding phase of the incremental capacity allocation at the Auction exceeds the actually created capacity in the relevant gas year, LLC Gas TSO of Ukraine shall proportionally reduce the amount of allocated capacity to the amount of actually created capacity for all network users who received access to capacity in the relevant gas year. In this case, the NUs shall be entitled to proportionally reduce the amount of their financial security. Within fourteen (14) days from the date of the receipt of a draft Capacity Allocation, which provides for the appropriate adjustments, the NU shall provide LLC Gas TSO of Ukraine with the Capacity Allocation signed by the NU or to notify of refusal in writing refuse entirely or partly from the capacity in the relevant gas year.

In case if the NU within fourteen (14) days from the date of the receipt of a draft Capacity Allocation, which provides for the appropriate adjustments, does not provide LLC Gas TSO of Ukraine of Ukraine with a signed Capacity Allocation and did not notify in writing on the refusal of all or part of the capacity in the relevant gas year, it is deemed that the NU refused from all capacity in the relevant gas year.

- 8.4. Depending on the total amount of allocated capacity on the basis of Capacity Allocations, which provide for the appropriate adjustments, in accordance with clause 8.3 of these INC GT&C, LLC Gas TSO of Ukraine shall notify network users who have signed the Capacity Allocation, which provides for appropriate adjustments, on the amount of capacity released as a result of the refusal of other network users and which may be allocated to them on a pro rata basis in the corresponding gas year.

Within fourteen (14) days, network users shall inform of their decision to accept or reject the offer of LLC Gas TSO of Ukraine regarding the allocation of the released capacity in the relevant gas year.

Within fourteen (14) days from the date of the receipt of the NU's decision on accepting the proposal of LLC Gas TSO of Ukraine regarding the allocation of the released capacity in the relevant gas year, LLC Gas TSO of Ukraine shall send to the NU a draft Capacity Allocation.

Within fourteen (14) days from the date of the receipt of a draft Capacity Allocation, the NU shall provide LLC Gas TSO of Ukraine with the Capacity Allocation signed by the NU.

In case if the NU did not provide LLC Gas TSO of Ukraine with a signed Capacity Allocation within fourteen (14) days from the date of the receipt of a draft Capacity Allocation, it is deemed that the NU has refused from the allocation of the released capacity. In such a case, LLC Gas TSO of Ukraine shall allocate the released capacity at auctions for allocation of capacity on interconnection points according to the standard procedure.

- 8.5. LLC Gas TSO of Ukraine shall not be liable for the lost profit of the NU or any indirect damages arising from delays in the implementation of the Project and/or the unavailability of incremental capacity, and/or any actions or inactivity of an operator of an adjacent gas transmission system in the incremental capacity procedure.