

**CONTRACT FOR NATURAL GAS****PURCHASE AND SALE FOR BALANCING**

Today, ....., in Sofia,

**BETWEEN:**

..... with seat and registered address: ....., with Uniform ID Code ..... represented by ..... – ..... Manager/Executive Director, hereinafter referred to as **UTS of transmission services, UTS** and

**BULGARTRANSGAZ EAD** with seat and registered address, 1336 Sofia, 66 Pancho Vladigerov blvd., registered under company file No.16439/2006 under the inventory of Sofia City Court, with Uniform ID Code 175203478 and ID under the VAT Act No.BG175203478, represented by Georgi Gegov – Executive Director, hereinafter referred to as „**Balancing entity**”,

together referred to as the "**Parties**",

**Whereas**

The TSO is the owner and operator of (NGTN/GTNTT) on the territory of the Republic of Bulgaria and offers services relating to the natural gas transmission based on a license, issued by the Energy and Water Regulatory Commission (EWRC) and in line with the requirements of the Energy Act, the secondary legislation and other rules adopted based thereon;

The TSO is a Balancing entity of the gas transmission network and enters into contracts for natural gas purchase and sale on the grounds of article 13 of the Natural Gas Trading Rules, published, SG, issue 59 of 4.08.2015 in force as of 4.08.2015.

This Contract is entered into in line with a TSO's Report on the application of interim measures in line with Regulation (EU) No.312/2014 of the European Commission of 26 March 2014 establishing a Network Code on Gas Balancing of Transmission Networks, approved with Decision BM-1 of 29.09.2015.

UTS has Contract/Contracts for natural gas transmission along the NGTN/GTNTT, owned by the TSO.

Having regard to the above the Parties agreed on the following:

## 1. DEFINITIONS

1.1. In this Contract and the annexes hereto the terms below shall have the following meaning:

**Quantity of imbalance** is the difference between the daily allocated quantities transported through the entry points of the gas transmission network in the balance portfolio of a network UTS and the daily quantities allocated to him at the exit points of the network. The imbalance may be positive and negative. The quantities of the daily imbalance shall be expressed in MWh, up to the second decimal place (rounded up to the third decimal point). In case of correction of the daily quantities by means of a Correction Protocol, the daily imbalance is calculated based on the final allocated quantities.

**Tolerance** (entry and exit) is the determined by the Balancing entity range of possible imbalance within which special regime of determining the daily imbalance charge shall apply.

**Financial balancing account (financial account)** is an account kept for every individual gas transmission network UTS where the result of the multiplication of the daily imbalance quantities accumulates (positive or negative) subject to financial settlement (through the purchase or sale of natural gas) as of the day of the gas day and the balancing gas price in force for the relevant gas day (depending on the sign of the reported imbalance and the level of imbalance). The account of financial balancing shall be calculated monthly, whereas the amounts accumulated for the month shall be invoiced to the specific network UTS (if the amount is negative) or to the Balancing entity (if the amount is positive).

**Gas day** is a period of twenty-four (24) hours, starting at 7:00 am local time (Sofia) on the relevant day. The current gas day is designated D. The previous gas day is designated D-1.

**Gas month** is a period of twenty-eight (28) up to thirty-one (31) gas days, starting and ending on one and the same day of the month (on the 1-st day) at 7:00 am local time (Sofia). The current gas month is designated M. The next gas month is designated M+1 .

**UTS** is every physical or legal entity, registered by the TSO as transmission network UTS and intending to use transmission services.

**Entry point** is a physical point of the gas transmission network, consisting of one or more natural gas acceptance points.

**Exit point** is a physical point of the gas transmission network, consisting of one or more natural gas delivery points.

**Balancing neutrality account** is a financial account kept by the Balancing entity for the purpose of achieving neutrality regarding the costs and revenues from the activity.

**Pricing period** is the period of one year when the cost component of the balancing natural gas price remains unchanged.

**Small adjustment** is an adjustment in the balancing natural gas price, expressed in percentage thereof, and applied with positive or negative sign depending on the sign of the imbalance for the purpose of determining the daily imbalance charges.

**Virtual trading point** is a non-physical point allowing network UTSs to transfer among them the ownership over the natural gas.

**Imbalance charge** is a money amount calculated on a daily basis, which the network UTS pays or receives depending on the amount of their daily imbalance;

**Balancing portfolio** is the grouping of a network UTS's inputs and off-takes under all existing contracts for natural gas transmission along the relevant network.

**Balancing zone** is the entry-exit system as regards which special balancing regime applies and which may include gas distribution systems or parts thereof. The balancing zone herein is the NGTN/GTNTT.

## **2. SUBJECT-MATTER**

2.1 The subject-matter hereof are the trades involving the purchase and sale of natural gas for balancing for the purpose of the daily financial clearing of the amount of the daily UTS imbalance with monthly settlement of the financial balancing account.

2.2 The implementation of this contract is subject to all provisions of the *Daily Imbalance Charge Calculation Methodology and the Natural Gas Market Balancing Rules*, adopted by the Energy and Water Regulatory Commission in line with the Natural Gas Trading Rules (SG, issue 59 of 4.08.2015 in force of 4.08.2015).

2.3 Determining the quantities and prices under item 2.1 shall be made in line with Annex 1 integral part hereof.

2.4 The contract shall enter into force after its signing by both Parties and implementation of the following conditions:

2.4.1 UTS must have submitted a warranty security under item 6.3 and item 6.5.

2.4.2 UTS must be entered in the register of commercial participants on the balancing market kept on the website of the Balancing entity, with a status „registered“.

## **3. BALANCING ENTITY RIGHTS AND OBLIGATIONS**

3.1 The Balancing entity shall carry out the actions required as regards the registration of commercial participants on the balancing energy market and for the publication of the register on the Balancing entity's website.

3.2 The Balancing entity shall buy and sell balancing energy to cover imbalances of commercial participants that need to be balanced.

3.3 The Balancing entity shall determine the natural gas quantities, daily traded on the balancing energy market for every financial settlement period, which is one day.

3.4 The Balancing entity shall draft UTS's preliminary daily imbalance quantity based on readings of the commercial metering devices and the conditions for the allocation of quantities laid down in the Transport Contracts.

3.5 By the 5 day after the end of the gas month the Balancing entity shall draft the final values of daily imbalances for the past month and the final amount of the financial settlement account based on the readings of the commercial metering devices and the conditions for the allocation of quantities laid down in the Transport Contracts.

3.6 In case of negative position of the Financial balancing account the Balancing entity shall issue and send an invoice for the sold balancing gas for the past reporting period.

3.7 In case of positive position of the Financial balancing account, UTS shall issue, and the Balancing entity shall receive an invoice for the purchased balancing gas for the past reporting period.

3.8 The reporting period within the gas month is one and covers balancing energy trades from the first by the last day of the gas month.

3.9 In case of delayed payment the Balancing entity shall use the provided warranty security up to the size of the amount due and shall inform UTS thereof with a letter of formal notice by electronic mail.

3.10 UTS shall be liable to submit a new warranty security in the form of a bank guarantee and/or deposit in favour of the Balancing entity within 3 working days as of the date of the notice under item 3.9.

3.11 In case the payment for the imbalances shall not be made in time and/or the amount required under the warranty security under item 3.10 has not been restored, the Balancing entity shall have the right to exclude UTS from the balancing energy market without notice.

#### **4. RIGHTS AND OBLIGATIONS OF UTS**

4.1 UTS shall carry out the actions required for the registration on the balancing energy market by sending a registration application according to the standard form as published on the Balancing entity website.

4.2 UTS shall maintain the warranty security within the required amount as laid down by the Balancing entity in line with item 6.3 and 6.5.

4.3 In order to ensure the integrity and functioning of the gas transmission network in a safe and efficient way, UTS shall have to maintain the amount of the daily imbalance within a limit set out by the Balancing entity.

4.4 In case UTS fails to ensure adequate balancing of the deviations under item 4.3 in the natural gas quantities onto or off the gas transmission network and the imbalance is such that the Balancing entity cannot undertake adequate balancing measures without jeopardizing the operation of the gas transmission network, the Balancing entity shall immediately inform UTS of this situation and shall instruct for the balancing of deviations and indicates the deadline for this.

4.5 In case of failure to comply with the instruction under item 4.4, the Balancing entity shall have the right to physically limit the transport – the inputs of gas at entry points or to suspend the off-takes of gas at exit points without notice.

#### **5. IMBALANCES SETTLEMENT. INVOICING AND PAYMENT**

5.1 The Balancing entity shall keep a financial balancing account. Daily financial settlements of allocated imbalances are accumulated in this account. All imbalance charges subject to daily financial settlement are accounted for in the financial balancing account.

5.2 Determining the final imbalance quantities other than the initially determined for a given gas day the Balancing entity shall re-calculate the status of the financial balancing account based on the determined final imbalance quantities.

5.3 The imbalance charges accumulated onto the financial account shall be calculated to/from network UTSs on a monthly basis. In case of negative balance of the financial account for the month the Balancing entity shall issue an invoice to UTS for the accumulated amount, in case of positive balance of the financial account for the month UTS shall issue an invoice for the accumulated balance within a 7-day term as of the day of determining the final imbalances. At the beginning of each month the financial account shall be set to zero and the daily imbalance charges for the new month start to accumulate therein.

5.4 The monthly invoice shall be at an amount determined by all charges referring to the allocated daily imbalance quantities and the enforced imbalance prices on a daily basis. UTS shall pay/receive from the Balancing entity the total resulting amount in Bulgarian levas.

5.5 In order to determine the value of the monthly invoice the Balancing entity shall draft a summary of imbalance settlement broken in days of the month for which the summary applies to the UTS within 2 working days as of the day of determining the final imbalances and shall send it within the same deadline to UTS by e-mail or by fax.

5.6 By 2 working days after its receipt UTS shall send to the Balancing entity the monthly summary signed by him by e-mail or by fax. In case the Balancing entity fails to receive the monthly summary signed by the UTS within the set term, the monthly summary unilaterally signed by the Balancing entity shall be considered valid.

5.7 UTS shall have the right to challenge the summary or part thereof or to submit additional evidence accepted by the Balancing entity that require a change in the summary and he shall be liable to accept/issue an invoice based on the summary irrespective of the challenge.

5.8 All payments by/to UTS shall be made by bank transfers onto bank accounts, indicated by both parties.

5.8.1 All payment shall be made in levas.

5.8.2 The payment of monthly invoices shall be made by the 25 day of the month of issuance of invoices and following the submission of an invoice duly issued by the issuing party.

5.8.3 Payments are considered made if the sum has been transferred in the bank before 11:00 am on the day of payment.

5.9 In case of delay of money obligations hereunder the faulty party shall owe to the other party an interest on the value of the delayed payment for the period of delay as of the day following the due date of payment of the invoice by the day of crediting with the due amount onto the account of the rightful party. The interest amounts to 0.05% a day for each day of delay. When the credited amount is insufficient to cover the interests and the principal, the interests shall be paid out first.

## **6. Security**

6.1 UTS shall grant in favor of the Balancing entity an irrevocable and unconditional bank guarantee, in the standard form, representing Annex No.2 to the present contract or deposit the amount of the guarantee into the account of the Balancing entity (security).

6.2 In case UTS deposits the amount of the guarantee security into the account of the Balancing entity, UTS signs a guarantee security declaration, representing Annex No.3 to the present contract.

6.3. The initial security amounts to at least 10% of the monthly amount of natural gas for the month with the greatest amount under all contracts for transmission according to the current annual program for transmission for the client under all contracts for transmission. The amount shall be determined at the price of the natural gas at which the public provider sells natural gas to public suppliers and customers connected to the gas transmission network as the price for access and transmission of natural gas is not included in it.

6.4 The Balancing entity shall have the right to require an update of the provided security when the net liability towards the Balancing entity exceeds with more than 10% the amount of the provided security. An obligation towards the Balancing entity for an expired period for which there is no final data shall be performed according to the data of the preliminary distribution of quantities.

6.5 The amount up to which the guarantee obligation shall be updated amounts of at least 10% of the monthly amount of natural gas for the month with the greatest amount according to the annual program for transmission of UTS under all contracts for transmission. The amount shall be determined at the price of the natural gas at which the public provider sells natural gas to public suppliers and customers connected to the gas transmission network as the price for access and transmission of natural gas is not included in it.

6.6 The security in favor of the Balancing entity shall be updated within five working days from the notification of the Balancing entity.

6.7 In case that UTS is late with more than five days with the payment of the monthly invoice for settlement of imbalances, the Balancing entity shall have the right to use the established security up to the amount of the overdue amount.

6.8 Upon adopting the security provided under the terms of item 6.7, the Balancing entity notifies UTS and requires recovery of the security in the amount under item 6.5.

6.9 In case UTS does not update the amount of the provided security within the required time and amount, the Balancing entity shall have the right to remove him from the balancing energy market without notice, using the security established in his favor by terminating the present contract.

6.10 The bank guarantees are valid until 31 January, as by the 15 December UTS is obliged to provide a new guarantee and/or document for the extension of its term.

6.11 UTS may require a reduction of the amount of the provided security in the event that at the time of the date of the request there is no unpaid invoice for settlement of imbalances, the amount of the security exceeds 10% of the result of the multiplication of the current

price of the public provider, as the price for access and transmission through gas transmission network is not included and the requested for transport quantities of natural gas for the month with the highest monthly amount of current annual program for transmission under all contracts for transmission of UTS and at the time of the date of the request the condition is met:

$$O - Z_M - Z_{M-1} > \frac{(D-n) \cdot Z_M}{n},$$

where

O - current amount of the security;

$Z_M$  - amount of obligations under the settlement of imbalances for the current month calculated according to preliminary data;

$Z_{M-1}$  - amount of obligations under the settlement of imbalances for the previous month;

D - number of days of the current month;

n - a current day in the month in which the request to reduce the security is made.

6.12 The Balancing entity returns the financial security/releases the bank guarantee upon written request of UTS within a term of 7 days in the following cases:

6.12.1 UTS substitutes the form of financial security.

6.12.2 The present contract is terminated and UTS has arranged the financial obligations arising under the contract.

6.13 If UTS replaces the form of a financial guarantee, the Balancing entity returns the previous financial security/releases the bank guarantee within a term of 7 days after the date of the receipt by UTS of the new financial security, which is done according to all the conditions of the contract.

6.14 Upon termination of the present contract, UTS is entirely responsible for all the unpaid financial responsibilities towards the Balancing entity, which have occurred before the date of the termination of the contract.

6.15 The contract enters into force after the presentation of the guarantee security under item 6.3.

## **7. Force Majeure**

7.1 Force majeure is an unforeseen or unavoidable event of extraordinary nature, having occurred after the conclusion of the contract beyond the will of the parties, which is in a causal connection with the non-performance or the delay in performance.

7.2 The failure to perform with any term or condition of this contract by either party, will not be considered a non-performance under this Contract as far as it stems from the circumstances of force majeure and as far as this party was not in delay at the time of the occurrence of the force majeure. As a result of such circumstances, if a party falls in delay of performance with respect to the implementation of any of the provisions or conditions of this

contract, the time during which the party has been in delay only for reasons of circumstances of force majeure shall be added to the term foreseen in the contract as well as to the term of this contract.

7.3 Each party invoking circumstances of force majeure shall immediately notify the other in writing and is obliged for the following:

Within 10 days to submit documents proving the existence of force majeure and thus to justify its inability to fulfill the respective clauses or conditions.

Within 30 days to provide written information about the circumstances, the reasons which caused them and the possible consequences for the implementation of the contract and when it expects to be able to recover the full implementation of its obligations under the contract.

To provide on demand access of the other party to inspect the place where the facility whose failure led to the reference to circumstances of force majeure is situated.

In the shortest possible time to take all necessary measures to repair the facilities and to restore full implementation of its obligations under this contract.

## **8. SETTLEMENT OF DISPUTES**

8.1 Any disputes which may arise in connection with this contract shall be settled by amicable procedure.

8.2 In event that no agreement is reached within 30 days after one of the party has been informed by the other about the subject of the dispute, the last will be referred to the competent court.

## **9. CONFIDENTIALITY**

9.1 The provisions and the conditions of this contract and all information concerning it, which has been received by each of the parties is confidential and none of them shall not disclose it to third parties without the knowledge and consent of the other party, except where such information:

- a) Is already available in the public area at the time of the concluding the contract or can be obtained from other sources without restriction or violation of this confidentiality term;
- b) Must be available to third parties due to requirements of the Bulgarian or European legislation, a court judgment or a decision of a competent public authority.

## **10. CORRESPONDENCE**

10.1 Any notice by one party to the other under this contract shall be delivered by hand or by registered mail or fax to the address or fax number which each party will provide

periodically through written messages. Until such a message is not received by one of the parties, the addresses and the fax numbers of the parties will be as follows:

**TRANSMISSION SYSTEM OPERATOR :** Bulgartransgaz EAD  
Attn: Main Dispatch Division  
Tel.: 02/939 63 05  
Fax: 02/925 03 51  
Tel.: 02/925 04 00; 0885 00 28 08

**UTS:** .....

The attention of:  
Tel:  
fax:

10.1 Notices will be deemed received on the following conditions:

- a) If they are served personally to an authorized representative or by a registered mail with a return receipt, at the time and on the date when the delivery was made; or
- b) If they are sent by fax, at the time and on the date when was received a legible copy and it has been confirmed verbally, by a reversed fax by an authorized representative of the addressee or by a standard OK fax confirmation message.

## **11. TERM AND TERMINATION**

11.1 This Contract shall enter into force upon signature and shall remain in force by:

- a) The deletion of UTS from the register of the commercial participants, supported by the Balancing entity.
- b) The deletion of the legal person party to this contract or its declaring in bankruptcy.
- c) Upon revocation or suspension of the license of any of the parties to this contract for the relevant activity.
- d) By mutual agreement between the parties.

## **12. FINAL CONDITIONS**

12.1 This Contract shall be governed and interpreted in accordance with the Bulgarian law.

12.2 This Contract shall not be amended or supplemented otherwise than in writing by the Parties.

12.3 Failure or delay in full or partial performance of the conditions of this Contract by either Party shall not be deemed as a waiver from the rights of this Party.

12.5 A case in which one party has accepted the failure of performance of any of the conditions of this Contract by the other party without consequences shall not be considered as a precedent and shall not be assumed that at another similar or different case the first Party again would accept a non-performance without consequences.

12.6 If any of the Parties to this contract does not perform correctly its obligations, the correct party is entitled to claim compensation for non-performance unless the impossibility of performance is due to a reason that cannot be imputed to him as a guilt.

12.7 The compensation covers the suffered losses and damages as far as they are a direct and immediate consequence of the non-performance and could have been foreseen by the Party.

12.8 For the term of this contract the Parties shall provide each other with all the information related with the implementation of their obligations under this contract.

12.9 For the term of this contract each Party should act, sign documents, execute orders and deliver everything necessary in relation with the implementation of the terms under it.

12.10 In the event that changes in the legal and regulatory base occur within the term of this Contract, including Daily Imbalance Charge Calculation Methodology and the Natural Gas Market Balancing Rules adopted by the Commission for Energy and Water Regulation in line with the Natural Gas Trading Rules (SG 59 of 4.08.2015, effective from 4.08.2015), which require changes to the already agreed provisions, the Parties shall be obliged to sign a new contract in compliance with the existing rules and procedures.

12.11 This Contract and the Annexes hereto have been signed in duplicate copies, one for each Party.

12.13 The Parties must immediately notify each other of any change in circumstances declared in the preamble of this Contract.

### **13. BANK ACCOUNTS OF THE PARTIES:**

10.1 Name of bank and bank account of the Balancing entity from which and at which shall be made payments under this contract: Central Cooperative Bank, current account BG63CECB97901075872900, BIC CECBBGSF.

10.2 Name of the bank and the bank account of UTS from which and at which payments under this contract shall be made:

**Annexes:**

Annex No.1 - Protocol for quantities and imbalance charges;

Annex No.2 – Standard Form of a bank guarantee

Annex No.3 - Declaration of guarantee security;

**FOR UTS:**

**FOR BALANCING ENTITY:**

**Georgi Gegov**

**Executive Director**