



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 **Network User (NU) or Natural Gas Trader (Trader)**

And

BULGARTRANGAZ 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.

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:

Imbalance is the difference between the natural gas quantities allocated to the NU at the entry points of the gas transmission network and the natural gas quantities allocated to the NU at the exit points of the network for the respective gas day taking into account the gas for operational needs and the transactions signed at the Virtual Trading Point (VTP). Trader's imbalance is the difference between the natural gas quantities purchased and sold at the VTP within the day in line with the transaction notifications confirmed by the Operator. The

imbalance may be positive and/or negative. The quantities of the daily imbalance shall be expressed in kWh.

Trader's imbalance is the difference between the natural gas quantities purchased and sold at the VTP within the day in line with the transaction notifications confirmed by the Operator.

Trader under this contract is a physical or legal entity registered under the Trade Act which has signed a Contract for Natural Gas Purchase and Sale for Balancing and a Contract to Use VTP with the Operator without being a network user under a signed Framework Contract for Access and Transport.

Tolerance is determined by the Balancing entity range of possible imbalance within which special regime of determining the daily imbalance charge shall apply.

Balancing account is an account kept for every individual NU/Trader of the gas transmission network where the result of the multiplication of the daily imbalance quantities (positive or negative) accumulates subject to financial settlement as of the end of the gas day and the balancing gas price in force for the relevant gas day. The balancing account shall be settled monthly, whereas the amounts accumulated for the month shall be invoiced to the specific NU/Trader (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 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 the first day of a given calendar month at 7:00 am local time. The current gas month is designated M. The next gas month is designated M+1.

Network User (NU) is every physical or legal entity, which has signed a Framework Contract for Natural Gas Access and Transport 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 (VTP) is a non-physical point allowing the registered users at the

virtual point to transfer the ownership over the natural gas between two balancing portfolios via an informational platform provided by the Operator.

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 aggregated inputs and off-takes of a given NU under all existing contracts for natural gas transmission in one balancing zone.

Balancing zone is the entry-exit system where a special balancing regime applies. The balancing zones in this Contract are: National Balancing Zone and Transit Balancing Zone.

2. CONTRACT SUBJECT

2.1 Subject of this Contract are the transactions for natural gas purchase and sale for balancing in view of clearing on daily basis the amount of the daily imbalance of the NU/Trader at monthly financial settlement of the 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 04.08.2015 in force of 04.08.2015).

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 upon submitting a security guarantee under Section 6.

3. BALANCING ENTITY RIGHTS AND OBLIGATIONS

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

3.2 The Balancing entity shall keep an account for the natural gas quantities, daily traded on the balancing energy market for every financial settlement period (one gas day).

3.3 The Balancing entity shall provide operational information on the actual status of the imbalance of the NU/Trader in line with the *Natural Gas Market Balancing Rules* approved by EWRC. The information shall be provided in due time and it shall be reliable within the technical capacity and level of information which the Balancing entity has.

3.4 By 5:00 pm of the 4th day or the first business day following the 4th 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 balancing account based on the readings of the commercial metering devices and the conditions for the allocation of quantities laid down in the Framework Contract for Natural Gas Access and Transport.

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

3.6 In case of a positive position of the balancing account, the NU/trader shall issue and the Balancing entity shall receive an invoice for the purchased balancing gas for the past reporting period.

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

4. NU/TRADER RIGHTS AND OBLIGATIONS

4.1 NU/Trader shall maintain the security guarantee within the required amount as laid down by the Balancing entity in line with Section 6.

4.2 NU/Trader is obliged to follow the instructions of the Balancing entity regarding actions under art. 32 of the Natural Gas Market Balancing Rules if the cumulative imbalance of the gas transmission network exceeds the limit set by the Operator (linepack operational limits and operational zones) published on the Operator's webpage.

4.3 If the NU/Trader fails to comply with the obligation under item 4.2, 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. Within a reasonable time after the limitation, the Balancing entity shall inform the NU/Trader on the restrictions imposed by points.

4.4 NU/Trader shall be entitled to receive timely information on its balancing status in line with the Natural Gas Market Balancing Rules so as to undertake corrective actions.

4.5 NU/Trader shall be obliged to pay in due time the invoice in case of a negative balance at the balancing account.

4.6 If the Balancing entity delays a payment, the NU/Trader shall be entitled to receive an interest in line with item 5.11.

4.7 When entering into a transaction with another NU/Trader for purchase or sale of natural gas located in the gas transmission network (VTP transaction), the NU/Trader is required to submit a transaction notification using the Operator's information platform for which the NU/Trader should have a signed Contract to Use the VTP.

5. IMBALANCES SETTLEMENT. INVOICING AND PAYMENT

5.1 The Balancing entity shall keep a financial balancing account (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 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 balancing account shall be cleared to/from the NU/Trader on a monthly basis. In case of a negative balance of the financial account for the month, the Balancing entity shall issue an invoice to the NU/Trader for the accumulated amount; in case of a positive balance of the balancing account for the month, the NU/Trader 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 balancing 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. NU/Trader shall pay/receive from the Balancing entity the total resulting amount in Bulgarian levs (BGN).

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

5.6 By 2 working days after the receipt of the summary, the NU/Trader shall sign and send it to the Balancing entity by e-mail or fax. In case the Balancing entity does not receive the monthly summary signed by the user within the set deadline, a unilaterally signed by the Balancing entity monthly summary shall be considered as valid.

5.7 The User shall have the right to challenge the summary or part thereof as well as to submit additional evidence that require a change in the summary. Notwithstanding the challenge, the user shall be liable to accept or issue an invoice based on the summary.

5.8 The Balancing entity and the NU/Trader refund/charge all proven by the NU/Trader and/or incurred as a result of mistakes overpayments/underpayments.

5.9 The Parties under the Contract shall send the invoices via courier service to the address indicated in the contract and via email to the email indicated in the Framework Contract.

5.10 All payments from/to the NU/Trader shall be made by bank transfers onto bank accounts, indicated by both parties.

5.10.1 All payment shall be made in levs (BGN).

5.10.2 The payment of monthly invoices shall be made by the 25th day of the month of issuance of the invoices and following the submission of an invoice duly issued by the issuing party. If the 25th day is a non-business day, the payment shall be made on the first business day following the 25th day.

5.10.3 Payments are considered made if the sum has been transferred in the bank before close of business (COB).

5.11 If the Parties fail to pay the amounts due within the deadline under art. 5.10.2, they shall pay a penalty to the defendant party to the amount of the statutory interest on the outstanding amount for the whole period of delay including the day of the final payment. When the credited amount is insufficient to cover the interests and the principal, the interests shall be paid out first.

5.12 If the NU/Trader delays a payment delay for more than 15 calendar days, the Balancing entity shall have the right to acquire the submitted security guarantee up to the amount due, for which a notification letter is sent to the NU/Trader by e-mail.

5.13 If the security guarantee under Art.5.8A is used the NU/Trader shall be obliged to provide a new security guarantee in the form of a bank guarantee and/or a deposit in favour of the Balancing entity within 3 business days from the date of the notification under 5.12.

5.14 If the required amount under the security under Art. 5.13 is not recovered in due time, the Balancing entity shall have the right to terminate this contract unilaterally, with a written notice, as well as to stop the transmission services under the signed Framework Agreement for Access and Transport.

6. SECURITY

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

6.2 The initial security for NUs amounts to at least 10% of the monthly amount of natural gas for the month with the greatest natural gas quantity under the updated annual programme for transmission under this Contract. The Programme shall be in line with the capacity products booked and it shall be updated if there is a change in it. The Operator shall be entitled to request a programme update if the quantities indicated in the programme differ with more than 10% with regard to the quantity when the capacity products have been fully used on daily basis. The security 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 excluding the price for natural gas access and transmission as of the time of its submission.

6.3 The Balancing entity is entitled to request an update of the submitted security when the net obligation accumulated in the balancing account of the NU to the Balancing entity exceeds with more than 10% the amount of the submitted security. Obligation to the Balancing entity for an expired period for which no final data are available shall be calculated based on the preliminary quantity allocation.

6.4 The amount up to which the security shall be updated amounts to at least 10% of the monthly amount of natural gas for the month with the greatest quantity in line with the NU annual programme 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 excluding the price for natural gas access and transmission as of the time of the update.

6.5 The NU updates the security to the Balancing entity within 5 business days as of the receipt of the Balancing entity notification.

6.6 Natural gas traders shall submit a security depending on the planned daily trading volumes at the VTP. For each day of the trader's activity at the VTP, the submitted security shall at least cover both the obligations towards the Balancing entity for accumulated imbalances for the period as of the beginning of the month, and the amount of the full volume of the traded quantities for the day. The amount of the security share ensuring the daily trade at the VTP shall be calculated 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 excluding the price for natural gas access and transmission valid for the respective day.

6.7 The Balancing entity confirms to the Trader the transaction notification at the VTP when there is a lack of security in line with 6.6 ensuring the volume of the transaction.

6.8 The NU 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 of the NU/ 10% of the amount of the maximum monthly traded natural gas quantity declared by the Trader and as of the request date the following 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 outstanding 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.

6.9 The Trader may require a reduction of the amount under the submitted security to the amount of the available part of the security, excluding the part ensuring the obligations to

the Balancing entity for accumulated imbalances for the period as of the beginning of the month by the day of the request, in case there are no outstanding invoices for imbalance settlement as of the day of the request.

6.10 When the security form is a bank guarantee, the NU/Trader shall be obliged to renew the bank guarantee within a 45-days period prior to its expiry.

6.11 When failing to renew a bank guarantee within the deadline under article 6.10, the Balancing entity shall be entitled to terminate unilaterally this Contract with a written notice, and if this Contract is signed with a NU to stop the transmission services under the signed Framework Contract for Access and Transmission.

6.12 The Balancing entity owes no interest to the NU/Trader for the time during which the amount submitted as security deposit had been retained nor any additional payments of taxes, fees, etc. related to the submitted security.

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

6.13.1 The NU/Trader substitutes the form of financial security.

6.13.2 This contract is terminated and the NU/Trader has arranged the financial obligations arising under the contract.

6.14 If the NU/Trader 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 the NU/Trader of the new financial security, which is done according to all the conditions of the contract.

6.15 Upon termination of the present contract, the NU/Trader 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.

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 fulfil 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: Chief Dispatch Division

Phone.: 02/939 62 00, 0885 50 32 28

Fax: 02/925 03 51

NU/TRADER:

.....

The attention of:

Phone:

Fax:

10.2 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 is signed and shall enter into force: for Gas Year 2017-2018 and has a validity term by 7.00 a.m. on 1 October 2018:

11.2 The contract shall be executed from the beginning of the gas month following the month of Contract signature, upon submitting a security guarantee, as stipulated in the Contract.

11.3 The Operator shall be entitled to unilaterally terminate this Contract when the payment for the realized imbalances has not been made on time and/or the required amount of the security guarantee has not been reimbursed.

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.

12.4 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.

12.5 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.

12.6 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.

12.7 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.

12.8 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.

12.9 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.

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

12.11 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:

13.1 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 CECBBSGF.

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

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Annexes:



Annex No.1 – Summary of imbalance settlement by days of the month and by balancing zones;

Annex No.2 – Standard Form of a bank guarantee

Annex No.3 –Annual Programme for transmission.

FOR NU/TRADER:

FOR BALANCING ENTITY:

Georgi Gegov

TEMPLATE OF A BANK GUARANTEE
under the Contract for Natural Gas Purchase and Sale for Balancing

To

BULGARTRANGAZ EAD

1336 Sofia

Housing area Lyulin 2, 66 Pancho Vladigerov Blvd.

Bank guarantee No.,

Payable at the first written request amounting to BGN (BGN)

Issued in favour of BULGARTRANGAZ EAD, entered into the trade Register with the Registry Agency, uniform ID code 175203478, with registered address in 1336 Sofia, housing area Lyulin 2, 66 Pancho Vladigerov Blvd.

We have been informed by our Client */name/*....., hereinafter the Client, with registered address in, uniform ID code that by virtue of article 173, para 1 of the Energy Act, a Contract for Natural Gas Purchase and Sale for Balancing has been entered into between you (Bulgartransgaz EAD) and our Client.

We have also been informed that in line with the Contract our Client must submit in your favour a bank guarantee to guarantee the due implementation of its contractual obligations.

1. Herewith we would like to expressly guarantee unconditionally, irrevocably and unreservedly to you, waiving any right to object and share the liability only for us, the complete and immediate payment to you, with any offsetting or counterclaim, to the amount of [BGN] (in words: _____) that we undertake to pay to you (Bulgartransgaz EAD) within 3 (three) working days upon your first written request in case that our Client fails to carry out any of its obligations under the Contract for Natural Gas Purchase and Sale for Balancing with you and regardless of the validity hereof.

2. We accept as an independent and main obligation to compensate you for any loss, liabilities, costs and expenses that you incurred as a result from:

- (1) Client's non-performance or failure to pay its payment obligation on the relevant date;
- (2) Client's default, invalidity or illegitimacy of any of its payment obligations as regards the Contract for Natural Gas Purchase and Sale for Balancing, the total amount of which does not exceed the value laid down in item 1.

We accept as an independent and main obligation to pay immediately after receiving your first request any due amounts as regards the Contract for Natural Gas Purchase and Sale for Balancing that do not exceed the value under item 1. Any due amount under this paragraph shall be recovered by us as an obligation that have taken effect for us in our capacity of exclusive or main debtor.

3. The present guarantee is valid until our Client repays all of its liabilities, arising out of the Contract for Natural Gas Purchase and Sale for Balancing, as laid down therein, until the date of expiry hereof, namely until the thirty-first (31) of January (year).

Annex 3 - Annual Programme for Natural Gas Transmission

Date:

| EIC | | Total for the period | January | February | March | April | May | June | July | August | September | October | November | December |
|-----|-----------------------------------|----------------------|---------|----------|-------|-------|-----|------|------|--------|-----------|---------|----------|----------|
| | | KWh | KWh | KWh | KWh | KWh | KWh | KWh | KWh | KWh | KWh | KWh | KWh | KWh |
| | Total quantities for transmission | | | | | | | | | | | | | |

NU/TRADER:

BULGARTRANGAZ EAD
Executive Director