



**RULES OF A NON-BINDING
MARKET SCREENING PROCEDURE
FOR THE CAPACITY AT
THE POLAND-UKRAINE BORDER**

April 2018

1. GENERAL INFORMATION

By conducting this non-binding market screening procedure (hereinafter referred to as the "Procedure") regulated by these Rules, Gas Transmission Operator GAZ-SYSTEM S.A. (hereinafter referred to as "GAZ-SYSTEM") and Public Joint-Stock Company UKRTRANSGAZ (hereinafter referred to as "UKRTRANSGAZ") aim to estimate the level of market participants' demand for the Capacity at the Poland-Ukraine border, in both directions of the flow, and hence the level of Capacity that should be established. The results of the Procedure shall be taken into account by both TSOs in the future works concerning the expansion of the Capacities at the Poland-Ukraine border, in both directions of the flow.

2. DESCRIPTION OF THE PROJECT

GAZ-SYSTEM and UKRTRANSGAZ consider the possibility to expand the Capacity at the Poland-Ukraine border, in both directions of the flow. Early estimations of the TSOs show that any new Capacity could be available to the market from 1.01.2020 (06:00 a.m. CEST)¹.

The market assessment may result in a decision on a further enhancement of the integrity of the regional markets through expansion of the Polish and Ukrainian gas transmission networks.

Expansion of the bidirectional gas flows between Poland and Ukraine would significantly contribute to the implementation of the European Union's strategic aims regarding assurance of energy security and the market integration.

2.1. INFORMATION ABOUT UKRTRANSGAZ

Public Joint Stock Company "UKRTRANSGAZ" is the transmission and storage systems operator of Ukraine (hereinafter – TSO and SSO).

The main activities of UKRTRANSGAZ include: natural gas transportation to domestic consumers; natural gas transit to Europe via Ukraine; storage of natural gas in underground storage facilities; service functions, etc.

UKRTRANSGAZ is licensed and acts in accordance with the international standards ISO 9001, ISO 14001, ISO 50001, OHSAS 18001 and the Law of Ukraine "On the natural gas market", GTS Network Code and Gas Storage Facilities Code.

2.2. INFORMATION ABOUT GAZ-SYSTEM

The core business of GAZ-SYSTEM is transportation of gas through transmission network on the territory of Poland, providing gas to distribution network and to final customers connected with transmission system. On 13 October 2010 the President of the Energy

¹ For GAZ-SYSTEM: until the Gas Year 2022-2023 the capacity may be offered on the Polish side in the Ukrainian direction only on the interruptible basis. The firm capacity may be offered as of Gas Year 2023 and only after positive final investment decision on implementation of the new Gas Interconnection Poland – Ukraine.

Regulatory Office (hereinafter referred to as: "President of ERO") issued a decision, whereby GAZ-SYSTEM obtained a status of Transmission System Operator on the territory of Poland until 31 December of 2030.

The Company carries out transmission activity on the basis of the transmission network on the territory of the Republic of Poland which is owned thereby.

On 22 September 2014 GAZ-SYSTEM obtained a decision issued by the President of ERO granting a certificate of independence in ownership unbundling model in relation to the gas network owned by GAZ-SYSTEM.

2.3. DEFINITIONS

- 2.3.1. Capacity – maximum hourly quantity of gaseous fuel expressed in energy units (kWh/h) and volume (cubic meters), which may be delivered for transmission at an entry point or off-taken from the transmission system at an exit point;
- 2.3.2. Gas Year - a period from 06:00 a.m. (CEST) on 1 October of a particular calendar year until 06:00 a.m. on 1 October of the following calendar year. As an example, Gas Year 2020 - 2021 will run from 06:00 a.m. (CEST) on 1 October 2020 until 06:00 a.m. on 1 October 2021;
- 2.3.3. Participant – every entity that has submitted a valid Capacity Request Form during the Procedure;
- 2.3.4. Procedure – non-binding market screening procedure conducted in order to determine market participants' demand for Capacity at the Poland-Ukraine border, in both directions of the flow, which rules of conducting are described in this Rules;
- 2.3.5. Project - all the activities taken by GAZ-SYSTEM and UKRTRANSGAZ aiming at the expansion of the Capacities at the Poland-Ukraine border, in both directions of the flow;
- 2.3.6. Rules – this document, describing the rules of conducting the non-binding market screening procedure for Capacity at the Poland-Ukraine border, in both directions of the flow, including Appendices;
- 2.3.7. Schedule - described in point 2.5 framework plan of realization of the Procedure;
- 2.3.8. TNC of GAZ-SYSTEM - Transmission Network Code established pursuant to the applicable provisions of law and posted on the GAZ-SYSTEM's website. The Rules refer to the TNC of GAZ-SYSTEM as approved by the President of ERO by the decision of 3 February 2016 sign DRR-4322-2(18)/2015/2016/AN/MP and revised by virtue of the Change Sheet to TNC approved by the President of ERO by the decision of 6 November 2017 sign DRR.WRG.7129.9.2017.AKI, or to every next version of the TNC of GAZ-SYSTEM S.A. which will replace or change the aforementioned version of the TNC of GAZ-SYSTEM;
- 2.3.9. TNC of Ukraine – gas transmission system code of Ukraine established in accordance with the Law of Ukraine "On natural gas market" on 6 November 2015 No 1378/27823 by the National Energy and Utilities Regulatory Commission of Ukraine (hereinafter – NEURC) with further amendments.

2.3.10. ISO – GAZ-SYSTEM and/or UKRTRANSGAZ.

2.4. LEGAL BASIS

- 2.4.1. The Rules describe terms and conditions of conducting the Procedure, as well as rights and obligations of entities participating in the Procedure, as established by GAZ-SYSTEM and UKRTRANSGAZ.
- 2.4.2. Submission of the Capacity Request Form shall mean that the Participant accepts the provisions of the Rules.
- 2.4.3. The Procedure is held by GAZ-SYSTEM in line with the provisions of points 2.2.1.12 and 4.1.3. of the TNC of GAZ-SYSTEM, which oblige GAZ-SYSTEM to consult the market in planning the development of the transmission system. The Procedure is held by UKRTRANSGAZ in line with the requirements of point 1.8 of Section IX of TNC of Ukraine.

2.5. SCHEDULE OF THE PROCEDURE

UKRTRANSGAZ and GAZ-SYSTEM intend to conduct the Procedure in accordance with the Schedule presented below.

	DATE	Stage of the Procedure
1.	06.04.2018	Launching of the Procedure
2.	30.04.2018, 16:00 (CEST)	Deadline for submission of the Capacity Request Forms
3.	15.05.2018	Evaluation of the Capacity Request Forms submitted during the Procedure
4.	30.05.2018	Public announcement of the results of the Procedure

Notwithstanding the above, UKRTRANSGAZ and GAZ-SYSTEM S.A. may at any time prior to the deadline in force from time to time extend the deadline in the event of extraordinary circumstances. Changes in deadlines will be published without undue delay subject to a prior approval of the national regulatory authority, if necessary.

3. THE NON-BINDING MARKET SCREENING PROCEDURE

- 3.1. As a result of the Procedure, GAZ-SYSTEM and UKRTRANSGAZ intend to estimate the level of market participants' demand for Capacity at the Poland-Ukraine border, in both directions of the flow, i.e.:
- 3.1.1. in the direction of the flow from Poland to Ukraine;
- 3.1.2. in the direction of the flow from Ukraine to Poland.

- 3.2. Early estimations of the TSOs show that new Capacity at the Poland-Ukraine border could be available to the market from 1 January 2020, therefore it is suggested to indicate in the Capacity Request Form the level of Capacity starting from Gas Year 2019-2020 for duration of maximum of 15 Gas Year, taking into account that the capacity in Gas Year 2019-2020 will be available from 1 January 2020, 06:00 a.m., until 01 of October 2020, 06:00 a.m..
 - 3.2.1. For UKRTRANSGAZ the Capacity may be requested on the firm basis as of Gas Year 2019-2020.
 - 3.2.2. For GAZ-SYSTEM in the direction of the flow to Ukraine, the Capacity may be requested until Gas Year 2022-2023 only on the interruptible basis. The Capacity may be requested on the firm basis as of Gas Year 2022-2023.
- 3.3. The entities willing to participate in the Procedure should complete and submit a questionnaire ("Capacity Request Form") determining their demand for the Capacity at the Poland-Ukraine border in the relevant direction(s) of the flow, in line with the template constituting Appendix no. 1 to the Rules.
- 3.4. The Capacity Request Form should indicate:
 - 3.4.1. corporate details of the Participant (all fields in the Capacity Request Form should be filled in),
 - 3.4.2. amount of Capacity at the Poland-Ukraine border in the relevant direction(s) of the flow, which the Participant is interested in,
 - 3.4.3. period, for which the Participant would like to acquire Capacity.
- 3.5. Apart from the information determined in point 3.4. in the Capacity Request Form the Participants may include their comments concerning the expansion of Capacity at the Poland-Ukraine border, in both directions of the flow.
- 3.6. Only the Capacity Request Form signed by a person authorized to represent the Participant will be subject to evaluation in the Procedure. The right of the persons signing the Capacity Request Form to represent the Participant should be demonstrated by attaching an excerpt of the relevant register and a proxy (if necessary).
- 3.7. The Capacity Request Forms should be submitted in line with the Schedule and in the form determined in point 4.
- 3.8. After obtaining the Capacity Request Forms, the TSOs will evaluate the demand of the market for Capacity at the Poland-Ukraine border, in both directions of the flow. The results of the evaluation shall be announced to the market in line with the Schedule.
- 3.9. On the basis of the results of the evaluation, further analysis regarding the expansion of Capacities at the Poland-Ukraine border, in both directions of the flow, shall be conducted by the TSOs, including the decision on launching a binding Open Season procedure.

4. SUBMISSION OF THE CAPACITY REQUEST FORM

- 4.1. A scan of a completed Capacity Request Form, signed by an authorized person, shall be delivered to the relevant TSO via means of electronic communication using the e-mail address indicated in point 7.1 of the Rules, together with any necessary attachments as per 3.6. Such submission shall be followed by submission of a written version (original) of all the documents determined in point 3.6.

5. CONFIDENTIALITY

- 5.1. UKRTRANSGAZ and GAZ-SYSTEM will treat all information obtained from the Participants during the Procedure as confidential. UKRTRANSGAZ and GAZ-SYSTEM undertake to use the information obtained during the Procedure exclusively for the purpose of the Procedure.
- 5.2. Further, UKRTRANSGAZ and GAZ-SYSTEM may disclose the information if required by law, by court decision, by administrative decision, or if the information is in the public domain at the time of disclosure. The TSOs will not disclose information that is considered business secrets, unless obliged to do so by law. In the latter situation, the TSO will inform the Participant of a disclosure or to the extent required by law consult the Participant in order to determine if the information is considered business secrets before the information is potentially disclosed. Based on such consultation, the TSO decides if the information is to be disclosed.
- 5.3. In addition, UKRTRANSGAZ and GAZ-SYSTEM may disclose the information in an aggregated and anonymous form to third parties if required in order to continue the development of the Project. Such disclosure can be to market participants, during the planned meetings, workshops, etc., as well as to relevant authorities in order to achieve approvals or to contracting parties that are involved in the execution of the Project.
- 5.4. Further, UKRTRANSGAZ and GAZ-SYSTEM may disclose the information to any consultant or advisor retained by UKRTRANSGAZ or GAZ-SYSTEM for the Project. Prior to making any such disclosures, the relevant TSO shall obtain an undertaking of confidentiality from each such person; enforceable by the respective TSO.

6. FINAL PROVISIONS

- 6.1. Any expenses incurred by the Participant in connection with participation in the Procedure shall be borne by the Participant and shall not be asserted against GAZ-SYSTEM and UKRTRANSGAZ.
- 6.2. These Rules do not constitute an offer to the Participants in the meaning of the article 66 § 1 of the Civil Code of the Republic of Poland (Journal of Laws from 1964 No16 item. 93 as amended) as well as applicable provisions of Article 641 of Civil Code of Ukraine.
- 6.3. Neither the Participant nor GAZ-SYSTEM and UKRTRANSGAZ shall be liable towards each other for any loss suffered in connection with the Procedure, unless the party suffered loss due to wilful misconduct of the other party.
- 6.4. GAZ-SYSTEM and UKRTRANSGAZ may invalidate the Procedure for serious reasons at any time. GAZ-SYSTEM and UKRTRANSGAZ shall inform Participants, and the Polish and Ukrainian national regulatory authorities of the cancellation of the Procedure and specify reasons for such invalidation and an expected date on which the Procedure may be repeated.
- 6.5. GAZ-SYSTEM and UKRTRANSGAZ reserves the right to amend or supplement the Rules hereto, including the extension of time limits set out herein, in particular in the case of changes in legal regulations, a need to obtain, unforeseen in the Rules, administrative approvals or decisions from competent authorities, including regulators. Such amendments and supplements will be published on the website of GAZ-SYSTEM and UKRTRANSGAZ.

- 6.6. In the event any of the provisions hereof is found impermissible or unenforceable, such a provision will be deemed to be excluded therefrom. Other provisions of the Rules will remain in force and the provision that is considered impermissible or unenforceable will be replaced with a similar provision that reflects the original intention of the Parties to the extent it complies with the applicable law.
- 6.7. The Rules and appendices hereto were prepared in English, Polish and Ukrainian. Polish and Ukrainian versions of the document are provided only for information. In case of discrepancies between documents in Polish or Ukrainian and English, English version prevails.

7. NOTICES AND CONTACT DATA

- 7.1. Documents and correspondence submitted in written form should be delivered in sealed envelope with notice „**Non-binding market screening procedure for the Capacity at the Poland-Ukraine border**” on the address:

Gas Transmission Operator GAZ-SYSTEM S.A.

Secretariat of Gas Market Department

ul. Mszczonowska 4

02-337 Warszawa

For the attention of: Adam Marzecki/Agnieszka Ozga

Email: openseason@gaz-system.pl

UKRTRANSGAZ

Klovskiy Uzviz 9/1

01021 Kyiv, Ukraine

For the attention of: Andrii Prokofiev

Email: businesscooperation@utg.ua

- 7.2. Any and all questions and electronic correspondence on the Procedure must be addressed to the following e-mail addresses determined in point 7.1 above.
- 7.3. The leading language of correspondence is English. GAZ-SYSTEM will also accept correspondence in Polish and UKRTRANSGAZ in Ukrainian.

APPENDICES:

1. Appendix no. 1 – template of the Capacity Request Form