

The Network Code for the National Gas Transmission System

Revised version

ANNEX no. 1[^]3

(to the Network Code for
the National Gas Transmission System - NTS)

CONTRACT

for balancing and access to the VTP

no. ... from year month day

The National Gas Transmission Company TRANSGAZ S.A. Mediaș, headquartered in Mediaș, 1, Constantin I. Motaș Square, Sibiu county, post code 551130, telephone 0269/803333, fax 0269/839029, fiscal registration code RO13068733, registerea in the Trade Register under no J 32/301/2000, holder of the account no. RO79RNCB0231019525310002, opened at the bank B.C.R. - Mediaș Subsidiary, legally represented by the General Manager,, in the capacity of provider of the transmission service, hereinafter referred to as the transmission system operator or TSO, on the one hand,

and

....., in the capacity of client of the TSO and beneficiary of the title transfer services, hereinafter referred to as „**network user**” or „**NU**”, on the other hand,

Hereinafter collectively referred to as the “Parties” and each one, individually, as the “Party”, agreed upon concluding the present contract of balancing and access to the VTP, hereinafter called “contract”.

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I. Terminology and applicable legislation

ART. 1. – (1) The terms used in the present contract are defined in (EU) Regulation no 312/2014 of the Commission dated March 26th 2014 for setting a network code on balancing gas transmission networks, in the Electricity and Gaz Law no. 123/2012, as subsequently amended and supplemented, as well as in the Network Code for the National Gas Transmission System, approved by the Order of the President of the National Regulatory Authority for Energy (NRAE) no. 16/2013, as subsequently amended and supplemented (the Network Code).

(2) The provisions of this contract are supplemented by the provisions of Law no. 287/2009 regarding the Civil Law, republished, as amended (Civil Law), Power and Gas Law no. 123/2012, as amended and NRAE regulations, including the provisions of the Network Code as well as any other valid legal regulations. For all situations not explicitly provided in this contract, the Network Code provisions are applicable.

II. – Subject of the contract

Art. 2. - The subject of the contract is the establishment of the rights and duties of the parties arising from the balancing of the differences between the natural gas in-takes and off-takes into/out of the NTS, as well as from the access to the VTP and the title transfer.

III. – Duration of the contract

Art. 3. – This contract is concluded for(one gas year, one quarter, multiple of quarters, one month, multiple of months, daily, multiple of days) in the time-frame between and

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IV. – Rights and duties of the parties

Rights and duties of the NU

Art. 4. - (1) NU is entitled to title transfer services for the purpose of registering transactions of natural gas amounts existing in the NTS.

(2) NU has the right to access to the IT platform that serves operating the VTP under the circumstances provided by the Procedure of access to the information platform that serves the VTP. The procedure for access to the information platform is developed by the TSO and is published on its own website.

(3) NU has the right to collect fully and duly the value of the positive imbalances recorded by the UR as „Surplus”, including potential delay penalties.

(4) NU has the right to receive information on the daily imbalance, according to the procedures provided by the valid regulations.

(5) NU has the right, throughout the entire duration of the contract, to empower, according to the law, a representative designated to submit commercial notifications to the TSO on behalf of the NU. The NU will notify the TSO on its decision to empower a representative.

(6) NU has the duty to perform the daily balancing of its own portfolios so that at the end of each gas day, the registered imbalance is 0.

(7) NU has the duty to provide the financial guarantee as provided for in this contract.

(8) NU has the duty to invoice the amount of the positive imbalances, registered as „Surplus”, and pay in full and on time the invoices issued by the TSO, representing the value of the negative imbalances registered by the NU as „Deficit”.

(9) NU has the duty to pay to the TSO the invoice issued according to the Methodology for determining the neutrality charges for balancing, including their distribution among the users of the natural gas transmission network, approved by the order of the President of the NRAE, in cas of a negative outcome of the balancing activity.

(10) NU has the duty to comply with the provisions of the Covenant for the participation in

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the natural gas balancing market, set out in the Annex to this contract.
(11) NU has all further rights and duties under the applicable regulations.

Rights and duties of the TSO

- Art. 5** - (1) The TSO has the right to collect in full and on time the issued invoices, representing the value of the negative imbalances registered by the NU.
- (2) TSO provides access to the IT platform serving the VTP to the NU, under the circumstances stipulated in the Access to the Informational Platform that serves the VTP.
- (3) The TSO keeps record of the notifications, validates and confirms the title transfers, in compliance with the rules provided for by the valid regulations in force.
- (4) The TSO determines and makes available to the NU its daily imbalance, according to applicable regulations.
- (5) The TSO has the right to invoice, according to the provisions and tariffs provided for in the Network Code, the value of the imbalances registered as "Deficits", including potential delay penalties;
- (6) TSO has the right to execute the financial guarantee submitted by the UR in the event of failure to pay the issued invoices on their due date.
- (7) TSO allows the NU, upon its request, to access the data / documents underlying the invoices issued under this contract.
- (7[^]1) The TSO is entitled to limit/interrupt the natural gas transport service, with a prior notice of 3 calendar days, starting the day after the registration of overdue debts by the NU, based on the contract for balancing and access to the VTP.
- (8) The TSO has the duty to pay in full and on time the value of the positive imbalances registered by the NU as „Surplus”.
- (9) The TSO has the duty to pay to the UR the value of the invoices issued according to the provisions of the Methodology for determining the neutrality charges for balancing, including their distribution to the users of the natural gas transport network approved by order of the President of the NRAE, should there be a positive result of the balancing activity.

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(10) The TSO has the duty to comply with the provisions of the Covenant for the participation in the natural gas balancing market, set out in the Annex to this contract.

(11) TSO has all further rights and duties under the applicable regulations.

V. – Daily imbalance. Imbalance tariff

Art. 6 – The determination of the daily imbalances of the NUs, as well as of the daily imbalance tariffs, are performed according to the provisions of the Network Code.

VI. – Invoicing and payment

Art. 7 - TSO shall submit to the NU:

- a) an invoice related to the final daily imbalances registered as „Deficits” in the previous month, by the 15th of the month, , whose value was determined according to the rules laid down in the Network Code;
- b) an invoice related to the difference between the costs and revenues resulting from the balancing activity, until the 10th of the month following the month in which the neutrality charge for balancing is calculated, in the event of a negative result of the balancing activity, determined according to the methodology for determining the neutrality charge for balancing, approved by the order of the President of NRAE.

Art. (7[^]1) – The NU permanently monitors the compliance of the value of the aggregated registered imbalance, representing the algebraic sum of the daily imbalances registered along the delivery month, with the level of the guarantee determined according to Art. 12 (7). In case the value of the aggregated imbalance of a NU is a `deficit`, such value cannot exceed the balancing guarantee established by the NU.

Art. 7[^]2 NU shall submit to the TSO:

- a) an invoice for the final daily imbalances registered as «Surplus» in the previous month, until the 15th day of the month, whose value was determined in line with the regulations provided in the Network Code.

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b) an invoice for the difference between the costs and revenues resulting from the balancing activity, until the 10th of the month following the one in which the neutrality charge for balancing is determined, in the event of a positive result of the balancing activity, determined in line with the Methodology for determining the neutrality charge for balancing approved by the order of the President of the NRAE.

Art. 8 - (1) The payment of the invoices under Art. 7 and Art. 7^{^2} shall be performed in Lei, within 15 calendar days upon the date on which the invoice was issued. In case the due date is a banking holiday, the deadline is deemed accomplished for the next banking day.

(2) All payments of the NU shall be performed by bank transfer into the account specified by the TSO.

(3) All payments of the TSO shall be performed by bank transfer into the account specified by the NU.

(4) Throughout the entire duration of the contract, either party may choose another bank, provided that prior notice is given to the other party at least 30 days before the due date of the payment.

(5) Mutual debts shall be compensated according to the provisions of the Law no. 227/2015 regarding the Fiscal Code, as subsequently amended and supplemented.

Art. 9 - The payment duty is considered to be fulfilled at the time the account of the TSO or the NU, as appropriate, has been credited.

Art. 10 - (1) In case an invoiced amount is challenged in full or in part, the objector shall submit an Explanatory Note, including his objections, within 3 (three) working days from the date on which the invoice was communicated, by fax or e-mail with extended electronic signature, and shall pay the remaining unchallenged amount until the payment deadline, according to art.8.

(2) The objections regarding the invoiced values presented in the explanatory note will be settled between the parties within 3 (three) working days from the receipt of the claims.

(3) For the amounts challenged, but subsequently settled amicably or by a final court decision,

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the debtor shall pay, in addition to the due amount, penalty interest calculated according to art. 11.

(4) In case that, upon litigation, a decrease of the invoiced value was decided, the debtor shall be refunded any amounts and related penalties calculated according to par. (3), already paid, related to the respective decrease, within 3 working days.

Art. 11 – The failure to meet the payment duty related to the issued invoices within the term stipulated in art. 8 par. (1) entails the following:

- a) charging a delay penalty, determined based on the unpaid amount, equal to the level of the default interest owed for failure to pay in due time the contributions to the state budget, for each day of delay, starting with the 16th calendar day upon the date when the invoice was issued until the full payment thereof, including the date of payment, or until the execution of the guarantee provided for in the contract, in case of failure to fulfil the payment duty within 15 calendar days upon the due date;
- b) the execution of the guarantees provided by the NU according to art. 12, only for the owed and unpaid amounts and the related default interests.

(2) In case the due date or the day immediately following the expiry of the grace period is a banking holiday, the deadlines provided for in paragraph (1) are extended accordingly.

VII. - Guarantees

Art. 12. - (1) The NU has the duty to establish a financial guarantee in favour of the TSO with the purpose of covering the risk for the failure to pay the invoices issued by the TSO.

(2) The guarantee under par. (1) shall not be established for trading platforms operators and for the central counterparty.

(3) NU may be exempted from the duty to establish the financial guarantee referred to in par. (1) in case it proves that it has a credit rating issued by one of the rating agencies approved by the TSO at least for the same level as the one granted to the TSO, valid for the entire duration of this contract; should the issued credit rating be valid for the mother-company of

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the NU, this will be accompanied by a letter from such company, stating its commitment related to the guarantee for the payment duties of the NU.

(4) In the event that, throughout the duration of this contract, the rating granted to the NU is modified so as to decrease below the rating of the TSO, as well as in case the rating agency is changed with regard to the provisions of par. (3), the NU is bound to notify the TSO to this respect within 3 calendar days from the occurrence of the change.

(5) The financial guarantee is presented by the NU in the form of:

- a) a letter of bank guarantee in lei or in the Euro equivalent at the exchange rate of the European Central Bank valid on the day the guarantee was issued; and / or
- b) a guaranteed account (collateral deposit) in lei or in the Euro equivalent at the exchange rate of the European Central Bank valid on the day the guarantee was issued; and / or
- c) an escrow account in lei or in the Euro equivalent at the exchange rate of the European Central Bank valid on the day the guarantee was issued.
- d) cash, in the guarantee account of the TSO.

(6) The TSO accepts a letter of bank guarantee issued by a bank that has a rating issued by one of the rating agencies approved by the TSO: Standard & Poors, Moody's or Fitch at least for the "investment grade" level. The equivalence between the rating levels given by the three agencies is published on the website of the TSO.

(7) The level of the financial guarantee (NG) under paragraph (1) will $NG = 1.000 \text{ RON}$.

(8) In case the value of the aggregated value of the imbalance of an NU, registered and unpaid for is a 'deficit' and exceeds the value of the established guarantee, the TSO shall notify the NU with regard to the need of supplementing the level of the bank guarantee. The TSO is entitled to restrict the access to the sales in the VTP starting with the following gas day.

(9) The NU is compelled to supplement the level of the bank guarantee accordingly, within utmost 2 banking days upon the notification under par. (8).

(10) Should the NU not supplement the level of the bank guarantee, the TSO is entitled to interrupt the natural gas transport service. Access to the sales in the VTO, meaning the natural gas transport service shall be resumed at such time the NU supplements the guarantee.

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(10) a) Repealed.

b) Repealed.

b[^]1) Repealed.

(11) In case the value of the cumulative imbalance determined according to Art. 71 is lower than the level of the financial guarantee established by the NU according to paragraph (9), the NU may request the decrease of the level of the financial guarantee if such NU has no outstanding invoices in the current gas year. The level of the financial guarantee may in no case be lower than the one established according to paragraph (7).

(12) The financial guarantee established according to par. (7) shall be valid starting with the banking day preceding the beginning date of the duration for which the contract for balancing and access to the VTP is concluded until the 60th calendar day following the termination of the contract.

(13) If the NU proves its creditworthiness according to paragraph (3), the TSO may request, in legitimate cases provided for in paragraph (14), the provision of a financial guarantee according to the provisions of paragraph (7) and (9).

(14) A legitimate case is considered as such when the NU has registered delayed payments for at least 10% of the amount of the last "Deficit" invoice or of the value of the partial payment duties after the receipt of a notification to this respect submitted by the TSO.

(14) TSO may execute the guarantee provided for in this Chapter in case the NU fails to fulfil in full or in part the contractual duties or if it registers delays in the fulfilment thereof.

(15) The TSO can execute the guarantee under the present chapter, if the NU fails to fulfill in part or in full its contractual duties or fulfills them with delay.

(16) At least 5 calendar days prior to the execution of the guarantee, the TSO has the duty to notify the NU in writing, stating the breached duties.

(17) In the event of the partial or total execution of the financial guarantee, the NU has the duty to restore it according to the provisions of par. (7) and (9).

VIII. – Force majeure / Act of God

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Art. 13 – (1) Force majeure is the external, unpredictable, absolutely insurmountable and inevitable event that exonerates the parties from liability, under art. 1351 of the Civil Law.

(2) If the force majeure event does not cease within 30 calendar days, the parties have the right to request the rightful termination of the contract, without any claim for compensatory damages.

(3) The party invoking force majeure has the duty to notify the other party, in writing, within maximum 5 days from its occurrence, whereas the proof of force majeure shall be communicated within 30 days of its occurrence.

Art. 14. - (1) The Act of God is an event that cannot be predicted or prevented by the party that would have been held liable if the event had not occurred.

(2) Parties are exonerated from liability when the performance of an obligation has become impossible due to circumstances that are not attributable to the party that would have fulfilled it.

IX. – Confidentiality Clause

Art. 15. -(1) The parties are required to keep confidentiality of the data, documents and information obtained from the performance of the contract.

(2) The following data, documents and items of information are exempted from the provisions of para. (1):

- (i) those which may be disclosed according to the Network Code;
- (ii) those for which there is a written consent from the other contracting party;
- (iii) those required by the competent state bodies, based on a legal duty regarding information.

(3) The provisions of this article shall remain valid for a period of five years after the termination of the contractual relations.

X. – Divestiture of the contract

Art. 16 – The present contract cannot be subject to divestiture.

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XI. – Applicable legislation and dispute settlement

Art. 17 - (1) The provisions of this contract are subject to and interpreted according to the valid Romanian legislation.

(2) The Parties agree that all disputes regarding the validity, interpretation, execution and termination of the contract shall be settled amicably. Should the parties fail to settle the dispute amicably, it will be settled by the competent Romanian courts of law .

XII – Notifications

Art. 18 - (1) The parties shall notify each other at the headquarters provided for in the introductory part of this contract of any change in the circumstances envisaged at the date of signature hereof.

(2) The deadline for notification shall be no more than 5 calendar days upon the date of the change of circumstances, unless otherwise specified in this contract.

(3) The arrangements for notification shall be determined by the Parties by mutual agreement, according to the provisions of the Network Code.

(4) Communications between the parties are performed by means of written letters, fax and e-mail.

XIII. Contractual liability

Art. 19. For breach of contractual obligations, the party in default shall pay prejudices to the other party, according to the provisions of art.1531 and foll. of the Civil Law.

XIV. Contract dissolution

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Art. 20 Either party is entitled to dissolve the contract in case of culpable breach of the contractual duties in full or in part by the other party.

Art. 21 - (1) The intention to dissolve the contract must be notified to the other party and to NRAE within 45 (forty five) days upon the maturity date of the unfulfilled duty.
(2) The dissolution by either Party as a result of the simple breach by the other Party of the contractual duties to pay the imbalance tariffs or the balancing guarantees provided for in art. 71 and art. 12 shall be performed without the intervention of the court, without delay and without any prior formality except by submitting written notice of dissolution to the other Party at least 3 (three) calendar days before the date specified in the notice of Contract dissolution.

XV. – Suspension of the execution of the contract

Art. 22 - (1) In the event that, during the execution of the contract, the conditions underlying its conclusion are no longer fulfilled, the NU has the duty to notify the TSO within 24 hours on the occurrence of such change.
(2) If the NU does not comply with the duty under par. (1), the TSO has the right to partially or totally suspend this contract, with prior notification.
(3) NU shall have no right on claiming damages for the suspension of the contract or a part of it as a result of the failure of the NU to comply with the conditions for access to the VTP.

XVI – Termination of the contract

Art. 23 - (1) This Agreement ceases to be effective in the following situations:
a) the expiry of the duration established according to the provisions of art. 3;
b) by mutual agreement of the Parties, on the basis of an addendum;
c) by dissolution under point XIV;
d) as a consequence of a force majeure case / Act of God , according to the Contract.
(2) The termination of this contract is without prejudice to the performance of contractual duties arising within the duration of the contract, irrespective of their chargability.

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XVII. Alteration of legal circumstances

Art. 24 - For the purpose of this contract, "alteration of legal circumstances" signifies the case in which, throughout the duration of the present contract, one or more laws are entering into force, laws which, in relation to the subject matter of the regulation, justify the de jure amendment and/or completion of the contract, in order to ensure compliance with the valid legal provisions.

XVIII – Further clauses

Art. 25. - (1) This contract may be amended or supplemented by an addendum in written form. (2) By exception from the provisions of par. (1), this contract is automatically amended or supplemented with any amendment or completion applicable to the contract for balancing and access to the VTP or the contractual relationship between the TSOs and the NUs, enforced by a national or European regulatory act, each party having the duty adopt the changes/completions.

Art. 26. Repealed

The present contract was concluded today, the, in two original counterparts and each party declares to have received an original sample thereof.

Transmission System Operator

Network User

SNTGN TRANSGAZ SA"