

TAQA Gas Storage Primary Capacity 2015

AUCTION RULES

INTRODUCTION

These rules govern the qualification for, participation in and consummation of the auction of Standard Bundled Units of gas storage capacity at Gas Storage Bergermeer (the Netherlands). The Auction is scheduled to be held on 16 September 2015, on which day bids can be submitted on the Auction Bidding Website operated by ICE Endex.

Successful bids will result in binding capacity agreements between the bidder and **TAQA Gas Storage B.V.**, the commercial operator of Gas Storage Bergermeer, a company under the laws of the Netherlands, with registered offices at Prinses Margrietplantsoen 40, 2595 BR, The Hague, the Netherlands, company no. 27154985 ("**TAQA**").

ICE Endex GAS B.V., a company under the laws of the Netherlands, with registered offices at Hoogoorddreef 7 (Australia Building), 1101 BA Amsterdam, the Netherlands, company no. 34221038 ("**ICE Endex**"), will conduct and administer the Auction.

ARTICLE I

DEFINITIONS AND INTERPRETATION

1.1. Definitions

For purposes of these Auction Rules:

"**Aggregate Demand**" shall mean the sum of all Quantities demanded by all Bidders.

"**Auction**" shall mean the auction as further specified in these Auction Rules.

"**Auction Access Confirmation**" shall have the meaning specified in Subsection 3.2.2.

"**Auction Bidding Website**" shall mean the website on the worldwide web identified in the Instructions to Bidders and through which Bidders will submit their Bids.

"**Auction Date**" shall have the meaning specified in Section 5.2.

"**Auction Rules**" shall mean these auction rules.

"**Bid**" shall mean the submission by Bidder of demand for a stated Quantity of the SBUs at the Multiplier and Tenor stated in the Bid.

"**Bidder**" shall have the meaning specified in Subsection 2.5.

"**Bidder Limit**" shall have the meaning specified in Subsection 5.6.3.

"**Business Day**" shall mean a day (other than a Saturday or a Sunday) on which banks are open for business in The Netherlands.

"**Contract Period 2016/2017**" shall mean the period of time commencing at Gas Day 1 April 2016 and expiring at Gas Day 31 March 2017 (Storage Year 2016).

"Contract Period 2016/2018" shall mean the period of time commencing at Gas Day 1 April 2016 and expiring at Gas Day 31 March 2018 (Storage Years 2016 and 2017).

"Contract Period 2016/2019" shall mean the period of time commencing at Gas Day 1 April 2016 and expiring at Gas Day 31 March 2019 (Storage Years 2016, 2017 and 2018).

"Cut Off Multiplier" shall mean the lowest Multiplier at which SBUs are allocated in accordance with Section 5.10.

"Daily Spread" shall have the meaning specified in Section 4.3.

"Gas Day" shall mean the period from 5:00 to 5:00 UTC, or, when daylight saving time is applied, from 4:00 to 4:00 UTC.

"Instruction to Bidders" shall have the meaning specified in Section 3.1.

"LET": shall mean Local European Time including daylight saving, being equal to UTC + 1 outside the daylight saving period and equal to UTC + 2 during the daylight saving period. For the avoidance of doubt the daylight saving period starts at UTC 0100 Hours on the last Sunday in March and ends at UTC 0100 Hours on the last Sunday in October, and UTC is the Coordinated Universal Time, according to ISO 8601 2004 (E).

"Maximum Supply" shall have the meaning specified in Section 4.2.

"Member" shall have the meaning as defined in article 1 of the ICE Endex Gas Market B.V. rules as amended from time to time;

"Multiplier" shall mean the multiplier stated by a Bidder in a valid Bid, as specified in Subsection 5.6.1(ii).

"Observer" shall mean the notary appointed by TAQA to perform the role specified in Section 5.1.

"Person" shall mean any individual, corporation, limited liability company, general or limited partnership, association, trust or other entity.

"Price Formula" shall have the meaning specified in Section 4.3.

"Quantity" shall mean the quantity demanded by a Bidder in a valid Bid, expressed in the number of SBUs as a whole non-zero number.

"Reference Day" shall have the meaning specified in Section 4.3.

"Reference Index" is defined in the Standard Storage Services Agreement.

"Reserve Multiplier" shall have the meaning specified in Subsection 4.4.1.

"SBU" shall mean Standard Bundled Unit of gas storage capacity at Gas Storage Bergermeer, per the terms and conditions of the Standard Storage Services Agreement.

"Storage Year Spread" shall have the meaning specified in Section 4.3.

"Standard Storage Services Agreement" shall mean the Standard Storage Services Agreement for the Gas Storage Bergermeer Facility between the Bidder and TAQA (as per the model published on TAQA's website).

"Storage Year" shall mean the period from Gas Day 1 April up to and including Gas Day 31 March.

"Tenor" shall have the meaning specified in Subsection 5.6.1 (iii).

1.2. Interpretation

- 1.2.1. References to "Article", "Section", "Subsection", and "Annex" refer to the corresponding article, section, subsection or annex of these Auction Rules unless otherwise specified.
- 1.2.2. The headings of Articles, Sections, Subsections and the Annexes are provided for convenience only and will not affect their interpretation.
- 1.2.3. The words "include" or "including" are to be construed without limitation to the generality of the foregoing.
- 1.2.4. Any reference to time is to Dutch local time, unless specified otherwise.
- 1.2.5. Unless the context requires otherwise, the singular shall include the plural and vice versa.

ARTICLE II **QUALIFICATION PROCESS**

2.1. Standard Storage Services Agreement

Any Person wishing to qualify for participation in the Auction must have entered into a Standard Storage Services Agreement for the Gas Storage Bergermeer Facility with TAQA.

2.2. ICE Endex Gas B.V. membership

Any Person wishing to qualify for participation in the Auction must be a Member of ICE Endex Gas B.V.

2.3. Acceptance of Auction Rules

Any Person wishing to qualify for participation in the Auction shall have to accept and agree to these Auction Rules and sign Annex I to these Auction Rules.

2.4. Request to be admitted as Bidder

Any Person wishing to participate in the Auction must request ICE Endex to be admitted as Bidder, use the admission form issued by, and provide data requested by ICE Endex.

2.5. Qualification and Confirmation

2.5.1. Following a request to be admitted as Bidder, ICE Endex may:

- (i) admit a Person in the Auction, at which point it becomes a "Bidder";
- (ii) request revised and/or additional documents within a set time period, and, upon review of such documents, decide whether to admit or refuse a Person in the Auction;
- (iii) refuse a Person in the Auction.

2.5.2. Any decision to refuse a Person in the Auction shall be based on objective criteria, and the reason for such refusal shall be provided.

2.5.3. The admission shall be evidenced by a written confirmation issued by ICE Endex. The confirmation shall:

- (i) confirm the Persons identified in Annex I;
- (ii) state the Bidder Limit as is determined by TAQA.

2.6. Timeline for Admission as Bidder

The requirements set out in subsections 2.1 to 2.4 must be met ten (10) Business Days prior to the Auction Date. ICE Endex may at its sole discretion waive this timeline in exceptional circumstances.

2.7. Continued Compliance and revocation of admission as Bidder

2.7.1. Bidder shall notify ICE Endex in writing of any change in any information submitted for qualification, promptly upon becoming aware of such change. Bidder shall promptly furnish to ICE Endex any additional information which ICE Endex may reasonably request.

2.7.2. ICE Endex may at any time revoke the admission of Bidder as a participant in the Auction if:

- (i) Bidder does not satisfy, or no longer satisfies, the qualification criteria; or
- (ii) Bidder breaches any of its obligations under these Auction Rules.

2.8. Withdrawal

Bidders may at any time before the Auction Date withdraw from participating in the Auction by notifying ICE Endex in writing.

ARTICLE III
INSTRUCTIONS TO BIDDERS
AND
ACCESS TO THE AUCTION

3.1. Instructions to Bidders

At least five (5) Business Days before the Auction Date (or, if later, promptly following admission as Bidder), ICE Endex shall provide the Persons identified in Annex I with instructions on the conduct of the Auction, in particular regarding the method and contents of communications between Bidder and ICE Endex during the Auction and for the secure transmission of Bids (the "Instruction to Bidders").

3.2. Access to the Auction Bidding Website

3.2.1. At least three (3) Business Days before the Auction Date (or, if later, promptly following admission as Bidder), ICE Endex shall provide the Persons identified in Annex I with a username and password for access to the Auction Bidding Website.

3.2.2. Access to the Auction Bidding Website is conditional upon the Persons identified in Annex I providing ICE Endex with a confirmation in the form specified by ICE Endex (the "Auction Access Confirmation").

3.3. No representation or warranty for quality or continuous availability

TAQA and ICE Endex make no representation or warranty on the quality or continuous availability of the Auction Bidding Website or the reception or saving of Bids in case of technical or other problems beyond their reasonable control.

ARTICLE IV
THE AUCTION OFFERING

4.1. Product Offered

The product offered in the Auction is an SBU, which comprises of rights to have gas injected, to keep gas in store and to withdraw gas, with the following characteristics (as defined in the Standard Storage Services Agreement):

- Space = 1000 kWh;
- Withdrawal Capacity = 0.579 kW;
- Injection Capacity = 0.427 kW;

4.2. Maximum Supply

The maximum total number of SBUs (the "Maximum Supply") offered and allocated in the Auction is five million (5,000,000).

4.3. Price Formula

In the Auction, the SBUs are offered at an indexed Price Formula (the "Price Formula"). The Price Formula is expressed in €/SBU/Storage Year and has the form:

Price per SBU = Multiplier (X) * Storage Year Spread,

Whereby "Storage Year Spread": means for any given Storage Year the absolute value of the difference between the average forward baseload winter gas price and the average forward baseload summer gas price for that Storage Year calculated as follows: For each day from 15 October (inclusive) to 15 December (inclusive) and from 15 January (inclusive) to 15 March (inclusive) immediately preceding the Storage Year on which the Reference Index providing the prices referred to hereafter is published (each a "Reference Day"), the difference between (a) end-of-day settlement price for TTF baseload winter Gas in the Storage Year as published in the Reference Index, and (b) the end of-day settlement price for baseload summer Gas in the Storage Year as published in Reference Index shall be the "Daily Spread". These end-of-day settlement prices and the Daily Spread shall all be in Euro per MWh and rounded up to the nearest number with three decimals. The Daily Spreads for all Reference Days shall be aggregated and such aggregated number shall be divided by the number of Reference Days, and the resulting number shall be the "Storage Year Spread", expressed in Euro and rounded up to the nearest number with three decimals.

4.4. Reserve Multiplier

- 4.4.1. TAQA has set a Reserve Multiplier, expressed in a value of X in the Price Formula per SBU, below which it not shall sell any SBU in the Auction. The Reserve Multiplier is 1.1 (the "Reserve Multiplier").
- 4.4.2. Bids with a Multiplier lower than the Reserve Multiplier are not valid and will not be accepted.

ARTICLE V
THE AUCTION PROCESS

- 5.1. The Auction shall be conducted by ICE Endex and Observer shall monitor compliance with the Auction Rules.
- 5.2. The date of the Auction (the "Auction Date") is 16 September 2015.
- 5.3. All communications between Bidder and ICE Endex shall be made in accordance with the rules set forth in the Instructions to Bidders (including rules pertaining to message content, message format and means of communication).
- 5.4. The Auction shall be conducted over one (1) round.
- 5.5. The round will start at 11:00 LET and will close at 12:00 LET. Bids received outside this time period will be rejected.
- 5.6. Each Bidder can submit up to five (5) separate Bids, whereby:
 - 5.6.1 Each Bid shall include a Quantity "Q", a Multiplier "X" and a Tenor "T" whereby:
 - (i) the Quantity will be expressed as a non-negative whole number representing the number of SBUs the Bidder wishes to acquire; and
 - (ii) the Multiplier will be expressed as a non-negative number with up to two decimals, equal to or higher than the Reserve Multiplier, representing the value of X in the Price Formula per SBU per Storage Year; and
 - (iii) the Tenor will be used by the Bidder in a Bid representing the Contract Period the Bidder wishes to acquire SBU's for; one (1), two (2) or three (3) whereby one (1) will be for Contract Period 2016/2017; two (2) will be for Contract Period 2016/2018 and three (3) will be for Contract Period 2016/2019.
 - 5.6.2 During the Auction the Bidder may change each of its Bids by submitting a new Bid that will substitute the pertinent previous Bid.
 - 5.6.3 For each Bidder, its aggregate Quantity shall not exceed the maximum amount determined by TAQA prior to the Auction (the "Bidder Limit").
- 5.7. Bids (or changes to Bids) received outside the time period for receipt of Bids, and Bids (or changes to Bids) that do not meet the conditions of Section 5.6 above or any other part of the Auction Rules are not valid and will be rejected. ICE Endex shall notify any Bidder that has submitted an invalid Bid that its Bid has been rejected, stating the reason or reasons for such rejection.
- 5.8. It is Bidder's entire and sole responsibility to ensure that it timely submits a valid Bid. In particular, Bidder's attention is drawn to the fact that there may be some time lag between the submission of its Bid and the receipt by ICE Endex of such

Bid. Bidder shall ensure that all equipment used by it in connection with the Auction operates properly.

- 5.9. Each of the valid Bids being received and logged by the Auction Bidding Website at the close time of the round shall be a firm and irrevocable commitment to acquire the stated Quantity of SBUs at the stated Multiplier and Tenor.
- 5.10. At the end of the Auction SBUs will be allocated to the Bidders, as follows and with all of the following conditions satisfied:
- (i) no more SBUs will be allocated than the Maximum Supply;
 - (ii) SBUs shall be allocated to valid Bids in order of the value of the Multiplier ("X") of the Bids, whereby a Bid with a higher Multiplier will be allocated first and with priority over a Bid with a lower Multiplier;
 - (iii) if the demanded SBUs for Bids with a Multiplier ("X") equal to the Cut Off Multiplier exceed the remaining available SBUs, Bids with a higher Tenor ("T") will be allocated first;
 - (iv) if the Aggregate Demand exceeds the Maximum Supply, those Bids with a Multiplier ("X") equal to the Cut Off Multiplier and the same Tenor ("T"), SBUs shall be allocated pro rate their Quantity ("Q"), rounded to the nearest whole number of SBUs, whereby any remaining SBU following rounding shall be allocated to the Bid with the highest Quantity ("Q").
- 5.11. Allocation of SBUs in accordance with Section 5.10 above constitutes a Primary Capacity Agreement under the Standard Storage Services Agreement, for such SBUs, at the SBU Capacity Fee (Pricing Formula) and for the Tenor as per the allocated Bid. TAQA will issue a confirmation in the form of Annex II hereto, signed by TAQA only. Sections 5.9, 5.10 and 5.11 create binding obligations between TAQA and the Bidder.

ARTICLE VI **MISCELLANEOUS**

6.1 Conduct Rules

The Bidder shall at all times observe high standards of integrity and fair dealing and high standards of market conduct and act with due skill, care and diligence when participating in the Auction.

It is the duty of the Bidder to behave in a fair and orderly manner in the Auction, with due observation of the interest of all other Bidders.

The Bidder is required to comply and act in accordance with all applicable laws and regulations, including, but not limited to, articles 3 and 5 of the Regulation No. 1227/2011 on energy Market Integrity and Transparency ("REMIT").

ICE Endex has the right to supply the competent authority with all data and information of the activities carried out by Bidders under the Auction Rules and all other data and information the provision of which is necessary either under a formal request made to ICE Endex or to comply with its obligations towards those authorities or where disclosure is required under applicable laws.

ICE Endex is entitled to carry out (routine) enquiries or investigations into the behaviour of a Bidder. The Bidder is obliged to provide full cooperation with an enquiry or investigation.

6.2. Postponement or Termination of Auction

6.2.1. ICE Endex has the option to postpone or suspend the Auction for good reasons, including technical issues such as loss of connectivity or unavailability of the Auction Bidding Website and/or other unforeseen circumstances.

6.2.2. ICE Endex may, if reasonably necessary for technical or operational reasons or in the event of manifest collusion, terminate the Auction, and ICE Endex shall immediately notify Bidders in writing of such decision.

6.2.3 ICE Endex shall promptly inform the market of any postponement, suspension or termination. No Bidder shall have any claim for damage or losses or any right for performance of the Auction in the event of postponement, suspension or termination.

6.3. Amendment of these Auction Rules

6.3.1. At any time before the seventh (7th) Business Day preceding the Auction Date, ICE Endex may, if reasonably necessary, amend these Auction Rules and ICE Endex shall immediately inform the market and notify Bidders of such decision.

6.3.2. Bidders shall be deemed to consent to an amendment of these Auction Rules if they do not give notice of withdrawal within five (5) Business Days following the receipt of the notice referred to in Subsection 6.3.1.

6.4. Following the Auction the following data may be released to the market:

- (i) the Cut Off Multiplier;
- (ii) the Aggregate Demand;
- (iii) the weighted average of the Multipliers for SBUs allocated in this Auction;
and
- (iv) the total amount of SBUs allocated.

6.5. ICE Endex shall protect the confidentiality of the content of Bids submitted by Bidder during the Auction.

6.6. Rights resulting from the Auction Rules and the Auction are not and cannot be transferred or assigned (other than rights of TAQA and ICE Endex). SBUs are transferable as per the terms of the Standard Storage Service Agreement.

ARTICLE VII
GOVERNING LAW AND DISPUTE RESOLUTION

7.1. These Auction Rules are governed by and construed in accordance with the laws of The Netherlands.

- 7.2. Any dispute, controversy or claim arising out of or in connection with these Auction Rules shall be finally settled by arbitration in accordance with the Arbitration Rules of the Netherlands Arbitrage Instituut. Jurisdiction by any other court is excluded. The arbitral tribunal shall be composed of three arbitrators. The place of arbitration will be The Hague. The arbitral tribunal will award in accordance with the rules of law. The arbitral procedure will be conducted in the English language. The possibility of binding opinion (*bindend advies*) as foreseen in aforementioned Rules will be excluded.

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ANNEX I
ACKNOWLEDGEMENT AND ACCEPTANCE
OF THE
TAQA GAS STORAGE CAPACITY 2016-2019 AUCTION RULES (the "Auctions Rules")

The undersigned has taken knowledge of the Auction Rules and undertakes, covenants to and agrees with ICE Endex and TAQA:

1. to comply with the Auction Rules and the Instructions to Bidders;
2. to keep username(s) and password(s) to the Auction Bidding Website confidential;
3. to refrain from entering into (and represents that it has not entered into) any agreement or arrangement of any kind with any other (potential) Bidder (other than affiliates) concerning the Auction or participation in the Auction;
4. to continue to keep confidential (and represents that it has kept confidential) all information received from ICE Endex in connection with the Auction (including all information obtained on the password-protected section of the Auction Bidding Website);
5. to continue to act (and represents that it has acted) in the Auction, as principal (and not as agent or in any other capacity, fiduciary or otherwise); and
6. that ICE Endex shall make future notifications to it regarding the Auction solely to the following contact person (please insert details):

Contact person:

Title:

Contact address:

Contact tel.:

Email address:

Agreed by:

Signature:

Company Name: _____

By: _____¹

Title: _____

Date: _____

¹ Must be a person(s) listed in the extract of the Trade Register or named in the Power of Attorney supplied by a member of an ICE Endex Gas Spot continental market to ICE Endex Gas B.V.

Capitalized terms have the meaning assigned to them in the Auction Rules

ANNEX II
FORM OF PRIMARY CAPACITY AGREEMENT

This Primary Capacity Agreement is issued on [] between:

(1) **TAQA GAS STORAGE B.V.**, a company duly incorporated in The Netherlands and registered at the trade registry with number 27154985 whose principal place of business is The Hague, The Netherlands ("**GSB**"); and

(2) [], (the "**Customer**"),

WHEREAS:

GSB and the Customer are party to a Standard Storage Services Agreement ("**SSSA**") in respect of GSB Facility; and at the SBU Auction held in September 2015, the Customer has purchased Capacity from GSB and GSB has sold such Capacity to the Customer.

IT IS HEREBY AGREED as follows:

1. SALE AND PURCHASE OF CAPACITY

At the SBU Auction held in September 2015, The Customer has purchased from GSB and GSB has sold to the Customer standard bundled units of Capacity at the GSB Facility ("**SBU**") in the number, for a term, for Fees and at other conditions as specified below. This Primary Capacity Agreement is signed by GSB only and issued as confirmation.

2. CONDITIONS

2.1 Term

Start: 01 April 2016 06:00 Hour (LET) (start of the Hour)
End: 01 April [] 06:00 Hour (LET) (start of the Hour),

unless terminated earlier in accordance with the SSSA.

2.2 Capacity

Number of SBU [] ([])
A SBU consists of:
Injection Capacity: 0.427 kW
Space: 1000 kWh
Withdrawal Capacity: 0.579 kW

2.3 SBU Capacity Fees

The SBU Capacity Fee is: [] ([]) times the Storage Year Spread per SBU per Gas Storage Year; whereby

"Storage Year Spread": means for any given Storage Year the absolute value of the difference between the average forward baseload winter gas price and the average forward baseload summer gas price for that Storage Year calculated as follows: For each day from 15 October (inclusive) to 15 December (inclusive) and from 15 January (inclusive) to 15 March (inclusive) immediately preceding the Storage Year on which the Reference Index providing the prices referred to hereafter is published (each a "**Reference Day**"), the difference between (a) end-of-day settlement price for TTF baseload winter Gas in the Storage Year as published in the Reference Index, and (b) the end of-day settlement price for baseload summer Gas in the Storage Year as published in Reference Index shall be the "**Daily Spread**". These end-of-day settlement prices and the Daily Spread shall all be in Euro per MWh and rounded up to the nearest number with three decimals. The Daily Spreads for all Reference Days shall be aggregated and such aggregated number shall be divided by the number of Reference Days, and the resulting number shall be the "**Storage Year Spread**", expressed in Euro and rounded up to the nearest number with three decimals.

2.4 SSSA

The SSSA govern the conditions of use in respect of the Capacity, and this Primary Capacity Agreement forms part of the SSSA. All capitalised terms used and not otherwise defined in this Primary Capacity Agreement shall have the meanings ascribed to them in the SSSA. "Gas Storage Year" and "Storage Year" have the same meaning.

[Signed by GSB]