
INVITATION FOR SUBMISSION OF BINDING BIDS FOR THE CONTRACTING LONG-TERM TRANSMISSION OF NATURAL GAS IN CAPACITY EXEMPTED BY THE ACT ON EXEMPTION OF THE NEW INTERCONNECTOR FOR THE NATURAL GAS (FINAL EXEMPTION ACT)

In accordance with Article 4 of the Decision on Rules for Allocation of Capacity and Mechanisms for Management of Transport Capacities of GASTRANS d.o.o. Novi Sad No. 40/2018-D-03/42 rendered by the Energy Agency of the Republic of Serbia (hereinafter referred to as the: "AERS") as of 3 September 2018, as amended by the Decision No. 40/2018-D-03/63 as of 5 March 2019 (hereinafter referred to as the: "**Allocation Rules**"), GASTRANS društvo sa ograničenom odgovornošću Novi Sad, incorporated in accordance with the laws of the Republic of Serbia for the business activity pipeline transmission with the registered seat at the address 12 Narodnog fronta Street, 21 000 Novi Sad, company ID number 20785683, tax ID number: 107350223 (hereinafter referred to as the: GASTRANS d.o.o.), announces this invitation for submission of binding bids for the contracting long-term transmission of natural gas in capacity exempted from the obligation of application of third party access rules as specified in the Article 283 paragraph 1 of the Energy Law of the Republic of Serbia by the Act on exemption of the new interconnector for the natural gas No. 40/2018-D-03/62 as of 5 March 2019 (hereinafter referred to as the: "**Final Exemption Act**") to all companies that have submitted non-binding bids upon GASTRANS d.o.o. public invitation for submission of non-binding bids published on 5 March 2018 in the "Official Gazette of the Republic of Serbia", No. 16/2018 (hereinafter referred to as the: "Invitation").

Provided that GASTRANS d.o.o. determines that the results of the binding phase initiated upon this Invitation prove the existence of the interest in capacities of the New Interconnector enabling commercially sustainable development of the New Interconnector, GASTRANS d.o.o. and the allocated Bidders shall enter into the long-term gas transportation agreements based on results of allocation pursuant to the Allocation Rules and Final Exemption Act.

GASTRANS d.o.o. intends to, upon GASTRANS d.o.o.'s determination that the capacities contracted on long-term basis in the gas transportation agreements enable commercially sustainable development of the New Interconnector (as defined below), undertake the construction of the New Interconnector

for transmission of natural gas on the territory of the Republic of Serbia, which will be connected with neighbouring systems for natural gas transmission in Bulgaria and Hungary, and on the territory of the Republic of Serbia with the system of competent transmission system operator in the Republic of Serbia, with the envisaged technical capacity of 13.88 bcm annually in accordance with the expected technical design (hereinafter referred to as the: "Maximum Technical Annual Capacity") which may have a lower capacity according to the conditions defined in item 13 of the Final Exemption Act (hereinafter referred to as the: "New Interconnector").

It is envisaged that the New Interconnector will have one (1) entry point – entry point "Zaječar" where the New Interconnector shall be connected with the adjacent transmission system in the Republic of Bulgaria operated by the transmission system operator BULGARTRANGAZ EAD (hereinafter referred to as the: "Entry Point Kirevo/Zaječar"), and four (4) exit points:

1) exit "Horgoš" – exit point where the New Interconnector shall be connected with the adjacent transmission system in Hungary operated by the transmission system operator FGSZ (hereinafter referred to as the: "Exit Point Horgoš/Kiškundorožma"), and

2) exit "Paraćin" (hereinafter referred to as the: "Exit Point Serbia - Paraćin"), exit "Pančevo" (hereinafter referred to as the: "Exit Point Serbia - Pančevo") and exit "Gospođinci" (hereinafter referred to as the: "Exit Point Serbia - Gospođinci") – all three points where the New Interconnector shall be connected with the transmission system operated by the transmission system operator in the Republic of Serbia (hereinafter jointly referred to as the: "Exit Points Serbia").

GASTRANS d.o.o. hereby invites all companies that have submitted non-binding bids upon GASTRANS d.o.o. public invitation for submission of non-binding bids published on 5 March 2018 in the "Official Gazette of the Republic of Serbia", No. 16/2018 (hereinafter referred to as the: "Bidder") to make their Binding Bids for entering into the long-term gas transportation agreement, for a period no longer than the duration of the exemption (20 years from the date of start of the commercial operation of the New Interconnector) as stipulated in paragraph 2 of item 1 of the Final Exemption Act, in the volume and

the type of capacity which will be allocated to the Bidder whose binding bid is accepted in accordance with the Allocation Rules and the Gastrans Binding Phase Procedure Rulebook.

GASTRANS d.o.o. envisages that the start of commercial operation of the New Interconnector shall be 1 January 2020, whereby the Exit Point Horgoš/Kiškundorožma should be operational as from 1 October 2021. Therefore, the Bidders are invited to submit their Binding Bids for a period starting on the gas day on 1 January 2020 and ending on the gas day on 30 September 2039 for the Entry Point Kirevo/Zaječar and Exit Points Serbia and for a period starting on the gas day on 1 October 2021 and ending on the gas day on 30 September 2039 for the Exit Point Horgoš/Kiškundorožma.

Pursuant to Article 4.4 paragraph 2 of the Allocation Rules, GASTRANS d.o.o. hereby informs the Bidders:

- 1) in case the demand for capacities offered under the Invitation exceeds the amount of technical capacities at the Entry point or Exit points in any year available in accordance with Maximum Technical Annual Capacity, GASTRANS d.o.o. shall accept Binding bids and allocate the capacities in accordance with the Allocation Rules and the Final Exemption Act, in amount not exceeding technical capacities available in accordance with Maximum Technical Annual Capacity,
- 2) in case the demand for capacities offered under the Invitation is lower than the amount of technical capacities at the Entry point or Exit points in any year available in accordance with Maximum Technical Annual Capacity, GASTRANS d.o.o. reserves the right to adjust expected technical design of the project of the New Interconnector in line with the results of the binding phase, ensuring requested long-term and capacities for short-term allocation in accordance with the Final Exemption Act,
- 3) the service of long-term natural gas transmission is agreed on and will be provided in accordance with the Final Exemption Act with application of the regulations of the Republic of Serbia governing third party access, to the extent that it does not conflict with the Final Exemption Act,

- 4) natural gas transmission shall commence no later than five (5) years of the date of the Final Exemption Act,
- 5) the fee for transmission services shall be calculated by applying the tariffs determined by the Tariff Methodology of GASTRANS d.o.o. in accordance with the Final Exemption Act. This Invitation is accompanied with the Tariff Methodology of GASTRANS d.o.o. prepared in accordance with the principles set out in item 18 of the Final Exemption Act.

Pursuant to Article 4.5 of the Allocation Rules, the Invitation contains the following information:

1. The volume of available capacities at the Entry point and Exit points, determined in the Final Exemption Act for long-term allocation

The Allocation Rules differentiates between the: (i) Gazprom Export LLC and JP Srbijagas (EPA Parties), which have a priority allocation right, (ii) all other Bidders except EPA Parties and Related Parties (ultimate shareholders of GASTRANS d.o.o. and their subsidiaries performing the activity of natural gas production or supply), and (iii) all Bidders including EPA Parties and Related Parties.

The volume of available capacities at the Entry point and Exit points are as follows:

Point, physical flow direction	Technical capacity (GWh/day)/year	Technical capacity million m ³ (20°C) /day)/year
Bulgaria-Serbia-Hungary		
Entry Point Kirevo/Zaječar	395,20	38,0

Exit Points Serbia	124,18	11,94
Exit Point Horgoš/Kiškundorožma	271,02	26,06

The following percentages of the volume of available capacities from the table above are available for priority allocation to EPA Parties in line with Article 6 of the Allocation Rules:

- 1) 70% of the technical capacity at Entry Point Kirevo/Zaječar;
- 2) 55% of the technical capacity at Exit Points Serbia; and
- 3) 75% of the technical capacity at Exit Point Horgoš/Kiškundorožma.

The following percentages of the volume of available capacities from the table above are available for allocation to all other Bidders except EPA Parties and Related Parties in line with Articles 7 and 8 of the Allocation Rules:

- 1) 20% of the technical capacity at Entry Point Kirevo/Zaječar;
- 2) 35% of the technical capacity at Exit Points Serbia; and
- 3) 15% of the technical capacity at Exit Point Horgoš/Kiškundorožma.

All unallocated capacities, if any, may be allocated to all Bidders including EPA Parties and Related Parties in line with Articles 7.6 and 8 of the Allocation Rules.

GASTRANS d.o.o. hereby notifies the Bidders that at the current moment there are no available reverse flow capacities at the Entry Point Kirevo/Zaječar and at the Exit Points. Firm capacities on a short-term basis, long-term and short-term interruptible capacities and long-term and short-term capacities for reverse commercial transport (backhaul) for Entry Point Kirevo/Zaječar and Exit Points shall be allocated by GASTRANS d.o.o. pursuant to the Final Exemption Act and Applicable Laws.

2. Equal requested capacity at Entry Point and Exit Point(s)

The capacity requested by any Bidder (notwithstanding whether it is considered as Bidder entitled to priority allocation or other Bidder) at the Entry Point Kirevo/Zaječar must be equal to the requested capacity at an Exit Point determined by the Bidder in the Binding Bid.

In the case the Bidder requests capacity at more than one Exit Point, the requested capacity at the Entry Point Kirevo/Zaječar must be equal to the sum of the requested capacities at all Exit Points determined by the Bidder in the Binding Bid.

3. The criteria for ranking Binding bids in case that demand exceeds the available capacity

The criteria for ranking Binding bids in case that demand exceeds the available capacity is set out in Articles 6, 7 and 8 of the Allocation Rules and in the Article 12 of the Gastrans Binding Phase Procedure Rulebook.

4. The deadline for submitting Binding bids and the final deadline for notifying Bidders of acceptance of Binding bids

Pursuant to clause 4.5 item 5 of the Allocation Rules, the deadline for submitting Binding Bids elapses on 18 March 2019 at 23:59 Central European Time (CET). For the avoidance of any doubt the moment

of receipt of the e-mail with the Binding Bid, as shown in GASTRANS d.o.o. IT system, shall be considered as the moment of submission of the Binding Bid.

GASTRANS d.o.o. shall upon the elapse of the above deadline prepare the results of the capacity allocation and shall notify the Bidders on non-acceptance of their Binding Bids by 23 March 2019 and the other Bidders on acceptance of their Binding Bids by 29 March 2019. The notification shall be sent to the e-mail address from which GASTRANS d.o.o. has received a Binding Bid from the respective Bidder.

Along with the notification of acceptance of respective Binding Bids and results of the capacity allocation, GASTRANS d.o.o. shall deliver to the Bidders whose Binding Bid has been accepted a signed copy of the long-term gas transportation agreement, to sign it and return it to GASTRANS d.o.o., in order to secure evidence of the execution of the long-term gas transportation agreement.

The Binding Bids received by GASTRANS d.o.o. after the deadline shall not be taken into consideration.

5. The manner of submission of Binding Bids

The Bidders are requested to deliver the duly populated and executed Bid Form in PDF format submitted to e-mail address of GASTRANS d.o.o. being info@gastrans.rs using the following words as subject of the e-mail: "Gastrans Pipeline Binding Phase –Binding Bid", together with accompanying documents stipulated by this Invitation and the Gastrans Binding Phase Procedure Rulebook. GASTRANS d.o.o. shall confirm receipt of the Binding Bid by e-mail without delay.

Binding Bids must be accompanied with the security for seriousness of bid (in Serbian: *garancija za ozbiljnost ponude*) in the form of: (i) an irrevocable, unconditional, payable on first demand and without protest bank guarantee issued in accordance with the Uniform Rules for Demand Guarantees

URDG 758 by a bank or financial institution that is licensed by the National Bank of Serbia and acceptable to GASTRANS d.o.o. with the substantially the same wording as provided in the model bank guarantee appended to the Gastrans Binding Phase Procedure Rulebook as Appendix 1 or (ii) funds in EUR or Serbian Dinar equivalent (according to the National Bank of Serbia middle exchange rate on the date the funds are deposited), free and clear of any bank charges and similar deductions, deposited into a separate escrow account with an escrow agent, being a bank which is acceptable to GASTRANS d.o.o., together with orders that such escrow funds are to be released by the escrow agent only upon written confirmation of GASTRANS d.o.o. The amount of the security for seriousness of bid is 0.8% of the value of the booked capacity for the whole period requested in the Binding Bid. The security for seriousness of bid shall be valid until 01 June 2019. For the avoidance of any doubt, the Bidders which satisfy Rating Exemption Criteria, as set out in Gastrans Binding Phase Procedure Rulebook, are not required to provide security for seriousness of bid. GASTRANS d.o.o. shall return the security for seriousness of bid within ten (10) days following the receipt, in line with the Article 14.1 of the Gastrans Binding Phase Procedure Rulebook, of Gas Transportation Agreement duly entered into by the relevant Bidder.

A copy of the submitted Binding Bid should also be sent to AERS either to its mailing address of its business seat (Agencija za energetiku Republike Srbije, Terazije 5, 11 000 Beograd, Republika Srbija) or to AERS's e-mail address being aers@aers.rs using the following words as subject of the e-mail: "Gastrans Pipeline Binding Phase –Binding Bid".

The Bidder must also submit a hard copy of the Binding Bid and supporting documents by 23 March 2019 to the address of GASTRANS d.o.o. being 12 Narodnog fronta street, 21000 Novi Sad, the Republic of Serbia.

The Bid Form, accompanying this Invitation, should be populated in Serbian or English language and duly signed by an authorized representative of the Bidder in accordance with the instructions from the Bid Form.

The Bidders are not authorized to alter the Bid Form.

GASTRANS d.o.o. shall examine whether the Binding Bids contain all required data, and if it determines that a Binding bid contains formal irregularities, which prevent further process (incomprehensive, inaccurate, incomplete) GASTRANS d.o.o. shall invite the Bidder, by sending the e-mail to the e-mail address from which GASTRANS d.o.o. has received a Binding Bid from the respective Bidder, to remedy such Binding Bids by an additional deadline of three (3) working days.

In case the Bidder is requested by GASTRANS d.o.o. to amend its Binding Bid, and the Bidder does not amend its Binding Bid within the given additional deadlines, its Binding Bid shall be deemed as not submitted.

The request of the Bidder for the prolongation of the additional deadline is not allowed.

The Bidder is entitled to withdraw its already submitted Binding Bid until the expiry of the period determined for submission of Binding Bids (until 18 March 2019).

The withdrawal of already submitted Binding Bid is performed by sending signed withdrawal of the submitted Binding Bid on the letterhead of the Bidder in PDF format submitted to e-mail address of GASTRANS d.o.o. being info@gastrans.rs using the following words as subject of the e-mail: "Gastrans Pipeline Binding Phase –Withdrawal of Submitted Binding Bid". GASTRANS d.o.o. shall confirm receipt of the withdrawal of the submitted Binding Bid by e-mail without delay.

A copy of the withdrawal of the submitted Binding Bid should also be sent to AERS to AERS's e-mail address being aers@aers.rs using the following words as subject of the e-mail: "Gastrans Pipeline Binding Phase –Withdrawal of submitted Binding Bid".

For the avoidance of any doubt, if the Bidder submits its Binding Bid, then withdraws its already submitted Binding Bid but by 18 March 2019 submits again the Binding Bid, GASTRANS d.o.o. shall take such Binding Bid into consideration.

6. Right to complain to GASTRANS d.o.o.

The Bidders whose Binding Bids have not been accepted are entitled to file a complaint to GASTRANS d.o.o.

The Bidders have three (3) working days from the receipt of the notification on non-acceptance of the Binding Bid to file a complaint. The complaint submitted until 23:59 CET shall only be taken into consideration and all complaints received after the above specified time shall be treated as non-duly submitted and shall not be considered by GASTRANS d.o.o. For the avoidance of any doubt the moment of receipt of the e-mail as shown in GASTRANS d.o.o. IT system shall be considered as the moment of submission of the complaint.

The complaint should be in PDF format submitted to e-mail address of GASTRANS d.o.o. being info@gastrans.rs using the following words as subject of the e-mail: "Gastrans Pipeline Binding Phase –Complaint". GASTRANS d.o.o. shall confirm receipt of the complaint by e-mail without delay.

A copy of the submitted complaint should also be sent to AERS to AERS's e-mail address being aers@aers.rs using the following words as subject of the e-mail: "Gastrans Pipeline Binding Phase – Complaint".

GASTRANS d.o.o. shall respond to duly submitted complaints within five (5) working days as from the date of receipt of the respective complaint, by sending an e-mail to the e-mail address from which GASTRANS d.o.o. has received a complaint from the respective Bidder.

7. Accompanying Documents

The accompanying documents submitted to all the Bidders along with the Invitation, being the integral part of the Invitation in compliance with items 4.5 and 4.6 of the Allocation Rules, are:

- The description and planned technical characteristic of the New Interconnector, the planned date to start the operations, the manner of notifying of the dynamic of execution of works;
- Binding Bid Form;
- Tariff Methodology of GASTRANS d.o.o. prepared in accordance with the principles set out in item 18 of the Final Exemption Act;
- Model of the gas transportation agreement; and
- GASTRANS d.o.o.' Binding Phase Procedure Rulebook.

Pursuant to item 10.2 of the Allocation Rules, GASTRANS d.o.o. has submitted the documents referred to in item 4.6 of the Allocation Rules to the Bidders for submission of comments in the period 28 January 2019 – 8 February 2019.

8. Confidentiality

Details of the Bidders, as well as the content of the Binding Bid shall be kept by GASTRANS d.o.o. as confidential, provided that the Bidders designate such data as confidential in submitted Binding Bids. Data designated by the Bidder as confidential business data, will be protected by GASTRANS d.o.o. in line with the laws of the Republic of Serbia. GASTRANS d.o.o. may use the data from the Binding Bids

submitted upon this Invitation in preparing the feasibility studies for the New Interconnector, as well as in the procedures before the authorities of the Republic of Serbia and competent international bodies and their members that are entitled to participate in the deciding on the exemption of the New Interconnector pursuant to the Energy Law.

9. Further information

Requests for further information on Invitation may be sent by the Bidders by e-mail to the following e-mail address: info@gastrans.rs only in respect to the technical and procedural aspects of submission of the Binding Bids at the latest three (3) days before the last date for submission of Binding Bids. All answers will be provided within one (1) day from the receipt of the request and all questions and answers will be published on GASTRANS d.o.o. website without providing data on the entity requesting the information.

It is a duty of each Bidder to duly inform itself on all the information enabling each respective Bidder to duly submit the Binding Bid.