

INFORMATION TO ALL INTERESTED USERS OF GASTRANS
D.O.O. NOVI SAD TRANSMISSION SYSTEM ON THE CONTENT
OF GASTRANS D.O.O. NOVI SAD NETWORK CODE DATED 3
APRIL 2020 AND APPROVED BY THE ENERGY AGENCY OF THE
REPUBLIC OF SERBIA ON 15 MAY 2020

Novi Sad, 22 May 2020

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I INTRODUCTION

Acting in accordance with the Article 254 of the Energy Law and the item 16, paragraph 1 of the Final Exemption Act, GASTRANS d.o.o. commenced preparations for drafting the Natural Gas Transmission System Network Code (hereinafter referred to as: the "Network Code") in April 2019, immediately upon finalization of the binding phase of the capacity allocation in accordance with the Final Exemption Act.

GASTRANS d.o.o. commenced public consultation process in relation to the draft Network Code on 10 September 2019, by publishing on its website a public invitation to all interested parties to participate in the public consultation process and to submit written comments and proposals to the draft Network Code by 10 October 2019, notifying also the Energy Agency of the Republic of Serbia (AERS) on the initiation of the public consultation process in relation to the draft Network Code.

GASTRANS d.o.o. commenced public consultation process in relation to the draft of short-term gas transportation agreement on 17 September 2019, by publishing on its website a public invitation to all interested parties to participate in the public consultation process and to submit written comments and proposals to the draft short-term gas transportation agreement by 17 October 2019, notifying also AERS on the initiation of the public consultation process in relation to the draft short-term gas transportation agreement.

In the public consultation processes related to the draft Network Code and the draft short-term gas transportation agreement, GASTRANS d.o.o. received written comments and proposals from existing users of the transmission system, but also written comments and proposals from other interested entities which at the time of commenting are not yet the users of GASTRANS d.o.o. transmission system, as well as the comments of other relevant stakeholders.

GASTRANS d.o.o. devoted considerable time, effort and attention to detailed analysis of submitted comments, proposals and suggestions, which it sought to accept to the greatest extent where it was justified and appropriate and where it resulted in a qualitative improvement of the text, upon which it prepared a consolidated version of the Network Code, which, after being adopted by the management of GASTRANS d.o.o., has been submitted on 3 April 2020 to AERS for approval, all in accordance with the Article 53, paragraph 1, item 4 of the Energy Law.

AERS, acting in accordance with its authority, has given on 15 May 2020 the consent to the submitted Network Code.

The present document contains an overview of the Network Code content and is based on the use of terms from the Network Code itself. The document, in addition to the Introduction, also contains a section Structure that follows the order of the chapters and gives a summary of each chapter, as well as the section Conclusion.

II STRUCTURE

1. INTRODUCTION

Article 1 of the Network Code contains introductory provisions and clarifies in detail the legal basis for the adoption of the Network Code, the regulatory framework established by the Final Exemption Act, provides clarification which part of the capacity is already considered contracted and which will not be offered in accordance with this Network Code for the duration of the exemption (part of the capacity contracted on the basis of the Long-Term GTA), clarifies the principles for offering Capacity Products in accordance with the Network Code, clarifies in a general manner and at the level of principles the issue of transmission tariff (clarifying the difference in the manner of determining transmission tariff for Firm Long-Term Capacity and transmission tariff for the Capacity Products contracted by the Short-Term GTA), defines the relation between the Network Code and the Short-Term GTA, i.e. the Network Code and the Long-Term GTA, and determines the content of the Network Code all in accordance with the Article 254 of the Energy Law and the Final Exemption Act.

2. DEFINITIONS

Article 2 of the Network Code contains definitions of terms used in the text of the Network Code. The terms listed in the item 2 of the Network Code allow all interested Users to navigate through the text of the Network Code in an easier and more simplified manner. Article 2 further clarifies the manner in which the terms shall be interpreted in case of inconsistency between the Network Code and the Long-Term GTA, i.e. the Network Code and the Short-Term GTA.

3. ACCESS TO THE SYSTEM

Article 3 of the Network Code regulates in detail the procedure and the manner of realization of the access to the system through the description of interested parties registration on the Capacity Booking Platform, by specifying the rights that these parties exercise by registering on the Capacity Booking Platform, a detailed description of the procedure for realization of the access to the Transporter system through exhaustive instructions regarding the content of the request for the access and the documentation accompanying the request, the procedure in case the request is incomplete, the manner of filing the request and accompanying documentation. The subject item further regulates the principles underlying the conclusion of the Short-Term GTA on "ship or pay" basis, the principles of determining the Auction prices for each Capacity Product for each Interconnection Point, and the Initial Prices for each Gas Year. Article 3 of the Network Code also contains the obligations regarding updating of data and notifying on status changes. Finally, Article 3 contains the instructions for the access to the system of the User which has concluded the Long-term GTA for the purpose of contracting the Capacity Products envisaged by the Network Code.

4. COMMUNICATIONS AND GASTRANS ELECTRONIC DATA PLATFORM

Article 4 of the Network Code prescribes the manner and the procedure of communication between the Transporter and the User and between the Users with the aim of exercising the rights and fulfilling the obligations that the Transporter and the Users have pursuant to the Network Code and the gas transportation agreement. Article 4 further regulates the obligations of the Transporter in relation to the provision of technical support to the Users and communication in relation to the use of GEDP, as well as the backup means of communication in the event that GEDP does not work for any reason.

5. CREDIT SUPPORT

Article 5 of the Network Code prescribes the obligation of submitting the Credit Support which the Users are obliged to provide to the Transporter, an exemption from the obligation in case of Users which meet the criteria for Rating exemption, as well as a detailed description of the type and nature of the Credit Support, as well as determination of criteria based on which the value of the Credit Support are calculated depending on the type of Capacity Product that the User intends to contract. The subject article also regulates the procedure for submitting the Credit Support, the method of calculating the Available Credit, as well as a replacement and return of the Credit Support. Article 5 of the Network Code reflects the comments made in the public consultation process and the proposed requests for necessary clarifications.

6. CAPACITY PRODUCTS

Article 6 of the Network Code contains detailed provisions on the types of Capacity Products the Transporter offers to the Users, which are contracted as Firm Capacity or Interruptible Capacity, in Physical Flow or Commercial Reverse Flow, for a period of one Gas Year, or for a period shorter than one Gas Year. Article 6 of the Network Code also governs the obligations of the Transporter with respect to inviting the Users to make offers, publishing the Available Capacities, as well as publishing the Initial Price, and specifying that the contracting of Capacity Products is carried out at the auction process conducted on the Capacity Booking Platform for each Interconnection point.

7. CAPACITY CONTRACTING

Article 7 of the Network Code sets out in detail which Capacity Products are offered at which auctions, the method of calculating the Available Capacity offered at an auction, as well as when the Firm Annual and the Interruptible Capacities are offered. In addition, Article 7 of the Network Code governs the provision of the Bundled Capacity of the Transporter and the Adjacent TSO at any Interconnection Point, as well as when and in which manner the Commercial Reverse Flow may be offered. The subject article also contains the determination of the auction calendar, the conditions that the User must meet in order to participate at an auction, a description of the capacity allocation platform, the auction

algorithm, the content of the notice on Contracted Capacity sent by the RBP Platform, prescribing obligations of the Transporter based on that notice, as well as the deadlines for publishing auction results on the Transporter website. Article 7 is regulated in accordance with the principles of best practice in contracting capacity and the highest international standards, and reflects in particular the rules of the Regulation (EU) 2017/459 on establishing network rules on mechanisms for capacity allocation in natural gas transmission systems, by way of which GASTRANS d.o.o. adopted comments received during the public consultation process.

8. SURRENDER OF THE CONTRACTED CAPACITY

Article 8 of the Network Code contains a description of the procedure, timelines, type of Capacity Products and the conditions under which the User may return to the Transporter the capacities it has contracted but which it, for whatever reason, does not need. In addition, the subject article regulates the procedure and conditions under which the Transporter shall offer surrendered capacities at the auctions, and the obligations of the User towards the Transporter with respect to surrendered capacity until surrendered capacity is contracted between the Transporter and the new User, including the payment obligation of the User which surrendered the capacity in case when the auction price at which the capacity was re-contracted with another User is lower than the auction price at which the capacity was originally contracted.

9. MARKET TEST PROCEDURES

Article 9 of the Network Code determines in detail the obligation of the Transporter to test at least every second year the interest of the natural gas market for additional capacities at the Entry and Exit Points, including the cooperation with the Adjacent TSO, mandatory public consultations and obtaining the opinion of AERS, as well as the conditions under which there is an obligation to construct additional capacities being conditional on the positive result of the economic test conducted by the Transporter and the Adjacent TSO. This article reflects the rules of the Regulation (EU) 2017/459 on establishing network rules on mechanisms for capacity allocation in natural gas transmission systems, by way of which GASTRANS d.o.o. adopted comments received during the public consultation process.

10. SECONDARY TRADING OF CAPACITIES

Article 10 of the Network Code regulates the procedure and the manner of secondary trading of capacities, of the part or all of the capacity, as Transfer or Sublet, with defining the rights and obligations of the User towards the Transporter in case of Transfer, i.e. Sublet, as well as the procedure, conditions and terms under which secondary trading of Capacities is being conducted on the RBP Platform.

11. NATURAL GAS TRADE AT VTP

Article 11 of the Network Code governs the natural gas trade at the virtual trading point (VTP) through GEDP, as well as the deadlines and the procedure for conducting trade at the VTP, the content of the trade notification at the VTP and the conditions that must be met in order for the trade notification at the VTP to have the status of Nominations/Renominations in the manner regulated by the Network Code.

12. NOMINATIONS

Article 12 of the Network Code contains rules on the procedure and the manner of submitting of Nominations, rules for Single-Sided nominations, i.e. Double-Sided nominations, the procedure of Nominations in case where the Transporter is an Active TSO, or when the Transporter is a Passive TSO, and the rule of equal Nominations. The subject article regulates in detail the content of the Nomination, as well as the conditions that need to be met in order for the trade notification at the VTP to be considered as a Nomination, i.e. a Renomination, as well as a timeline of activities regarding the Nominations. In addition, article 12 also regulates the Renominations, including Renominations limitations for a part of Firm Capacities, and the procedure according to which Over-Nominations are being conducted and by way of which a renomination is being simultaneously sent and additional capacity contracted for a part of a Gas Day.

13. MATCHING AND CONFIRMATION

Article 13 of the Network Code prescribes the procedure based on which the Transporter matches the nominations received from the Users with the Adjacent TSOs, in order for the equality of the confirmed quantities at the entrances and exits to be achieved. By doing so, the Transporter first achieves the equality of the quantities nominated to the Transporter, after which it matches quantities determined in that manner with the Adjacent TSOs, whereas after reaching the equality with the Adjacent TSOs it confirms the quantities to the Users.

14. CAPACITY RESTRICTIONS, SUSPENSION AND INTERRUPTION

Article 14 of the Network Code contains rules in case of capacity restrictions and suspension or in case of interruption of capacities contracted on an interruptible basis, including prescribing the order by which the provision of services is performed, as well as establishing principles for reducing the transmission fee in these circumstances.

15. BALANCING AND ALLOCATION

Article 15 of the Network Code regulates provision of balancing services, calculation of imbalance charges and operational balancing between transmission system operators in such a way that the rules in question are arranged in the most economical, fair, objective and impartial manner in order to

provide incentives for Users to balance their gas delivery and takeover. The Transporter will endeavor to conclude operational balancing agreements with Adjacent TSOs in order to ensure that the Users have imbalance only in the cases provided in those agreements and in the event that such agreements are not signed, the rules on calculating distributed quantities set out in this article shall apply. The comments received during the public consultation process were accepted within this article, therefore it is stipulated that the sale or purchase of gas for balancing the system is carried out through a tender, whereas it is also determined how the price of the purchased or sold gas shall be determined. The comment that a credit support for the imbalance should be prescribed, received during public consultations, is not accepted as it is less favorable for the Users than the originally envisaged solution.

16. MAINTENANCE AND MANAGEMENT IN CASE OF DISTURBANCES IN SYSTEM

Article 16 of the Network Code regulates the rules for the maintenance of facilities, the management in case of disturbance in the system and the procedure rules in case when the security of natural gas supply is compromised. The rules in question are harmonized with the Energy Law and the relevant by-laws, whereby both Transporter and the Users should aim for the regular maintenance to be performed during the summer months.

17. GAS QUALITY

Article 17 of the Network Code contains rules related to the obligation to deliver/takeover gas that meets the quality requirements, as well as the rights of the Transporter or the Users in case of delivery/takeover of gas that does not meet the requirements in question.

18. FUEL GAS

Article 18 of the Network Code prescribes the right of the Users to chose between the delivery of fuel gas in kind and reimbursement of the fuel gas supply costs procured by the Transporter, the rules for the calculation of fuel gas per Users, the rules on compensation that the Transporter charges to the Users for fuel gas depending on whether the Users provide fuel gas in kind or bear the cost of its supply. Moreover, clear rules for the tender process for the purchase of fuel gas by the Transporter are prescribed.

19. METERING

Article 19 of the Network Code reflects legal requirements in respect of metering equipment and procedures for metering and the obligation of the Transporter, i.e. the User's right regarding verification of the correct work of the metering equipment.

20. MONTHLY STATEMENTS, INVOICING AND PAYMENT

Article 20 of the Network Code prescribes the obligation of the Transporter to deliver monthly statements and monthly invoices to the Users, which contain information required by each User for determination and verification of their financial obligations for the services provided by the Transporter. This item also prescribes the payment deadlines and the right to make complaints.

21. AMENDMENTS TO THE NETWORK CODE

Article 21 of the Network Code governs the procedure for amending of the Network Code. It is envisaged that the amending procedure may be initiated by the Transporter itself, the User Committee, any User or third party, and the procedure for deciding on the amendments is also prescribed, including public consultation process, the opinion by the Compliance Officer and the consent from AERS, all in accordance with the received comments, the Energy Law and the Final Exemption Act.

22. USERS' COMMITTEE

Article 22 of the Network Code contains rules for the establishing and operation of the Users Committee, whereas the committee consists of the Users that executed a long-term gas transportation agreement and the Users that executed a short-term gas transportation agreement. The proposal that in addition to the Users, the Users Committee should include third parties, received during the public consultation process, was not accepted, since this is the body of Users and not of any third parties, whilst the third parties are allowed by the article 21 of the Network Code to propose amendments of the Network Code.

23. DISPUTE RESOLUTION

Article 23 contains provisions on dispute resolution, whereby in addition to the amicable settlement of disputes and the possibility of hiring an expert, the decision that the jurisdiction for dispute resolution belongs to the competent court in Novi Sad was adopted, which is in line with the practice in other activities in the energy sector.

24. TRANSPARENCY AND RECORD KEEPING

Article 24 of the Network Code contains provisions on data necessary for accessing the system the Transporter shall be publishing. The list of data referred to in this point is in accordance with the comments received during the public consultation process and fully in line with Annex I of EU Regulation no. 715/2009 on conditions for access to the natural gas transmission networks.

25. TRANSITIONAL AND FINAL PROVISIONS

Article 25 contains transitional and final provisions that legal acts in the Republic of Serbia usually contain, as well as the provisions that this section of the Network Code should contain in the specific case.

III CONCLUSION

GASTRANS d.o.o. is thankful to all those who have sent comments to the draft of Network Code and the draft of Short-term gas transportation agreement. As it can be concluded from the previous item, most of the comments have been accepted by GASTRANS d.o.o., which have certainly improved the quality of the Network Code and will certainly lead to its simpler implementation from the commercial operations date.

GASTRANS d.o.o. invites all parties which are eligible to become Users under the Network Code to register with the Regional Booking Platform, in order to have sufficient time to familiarize themselves with the method of Capacity Booking Platform operation, which would help ensuring that the auctions for Capacity Products contracting is consistent with the Network Code and that the secondary capacity trading are conducted smoothly starting from the beginning of the operational work.

GASTRANS d.o.o. shall, in a timely manner, by posting such information on its website, notify all persons on the moment from which they may submit an Request for access to the system pursuant to the item 3 of the Network Code, as well as on the commercial operations date.