**CONDITIONS FOR CONDUCTING AN AUCTION FOR THE PURCHASE AND SALE OF NATURAL GAS BY BULGARGAZ EAD**

 **GENERAL PROVISIONS**

1. The conditions of the auction for the purchase and sale of natural gas are set by Bulgargaz EAD and are agreed by the operator of the organized exchange market for natural gas BALKAN GAS HUB EAD in order to confirm technical feasibility.

2. The terms and conditions contain the procedure under which Bulgargaz EAD will purchase natural gas quantities on the organised exchange market operated by BALKAN GAS HUB EAD.

3. These conditions shall also specify the procedure for conducting the auction for purchase, the pricing mechanisms, the determination of the starting price of the auction, the type of product offered and the period of its offering.

 **QUANTITIES TO BE PURCHASED BY BULGARGAZ EAD ON THE ORGANISED GAS EXCHANGE MARKET**

4. Bulgargaz EAD announces the following quantities of natural gas for purchase from the organised exchange market:

4.1 October 2022 - 9000 MWh/day

5. Bulgargaz EAD will purchase the specified quantities by auction. The product offered within the auction does not constitute a short-term standardised product within the meaning of Regulation 312/2014 on a network code for balancing gas transmission networks. As a consequence of the auction, purchase and sale contracts will be signed between the parties under the following parameters:

5.1. Delivery Period: October 2022

5.2. Delivery Dates: from 07.00 a.m. on 01.10.22 to 07.00 a.m. on 01.11.22.

5.3. Delivery Profile: flat - physical delivery of gas, amounting to 100% of the contracted quantities, evenly by day;

5.4. Delivery Point: VTP Bulgaria;

5.5. Delivery Price: as determined by auction and subsequent update in accordance with these Conditions.

 **MARKETING OF PRODUCTS**

6. The natural gas will be purchased subject to the following conditions:

6.1. The starting price of the auction includes all costs for access and transmission of the natural gas to the Virtual Trading Point Bulgaria.

6.2. The required quantities may be offered by traders of natural gas, registered on the organised exchange market who hold a valid license for the activity "trading with natural gas", issued by the Energy and Water Regulatory Commission. Quantities bought by traders and end users at the GRP segment for delivery in October can not be offered at the tender.

7. The product is offered on the platform of Balkan Gas Hub EAD through an auction procedure.

7.1. An electronic environment, part of the trading platform of Balkan Gas Hub EAD, is used for the conduct of the auction. The platform uses the English language and provides all the necessary information for the conduct of the auction and updating the information about the auction, as well as informs by e-mail the ranked participants about the results of the auction.

7.2. The costs for the development and technical support of the product formed for this purpose on the trading platform shall be borne by Balkan Gas Hub EAD.

7.3. No products representing financial instruments and derivatives within the meaning of Directive 2014/65/EU of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU are offered in the Auction.

8. The auction will take place on 12.09.2022.

8.1. Each participant is entitled to submit only one bid, subject to updating during the auction.

8.2. Any updated bid by a participant/trader shall replace the previous offer in its entirety.

9. The minimum quantity that may be offered for sale by one participant is 1 000 MWh/day.

10. The maximum amount is up to 9000 MWh/day.

11. The bidding period in the auction is from 9:00 a.m. to 12:00 noon on 12.09.2022 (Sofia).

**METHOD OF DETERMINING THE PRICE OF NATURAL GAS**

12. The starting price of the auction is indicative and is determined by the following formula:

TTF Front Month October index, published in the Argus European Natural Gas edition on the last business day preceding the auction date, minus 20 €/MWh.

12.1. The price at which invoicing and payment will be made shall be the TTF Front Month October index as published on the last business day of September in the Argus European Natural Gas minus 20€/MWh, less the discount achieved in the auction (if applicable).

**AUCTION MECHANISM FOR THE ALLOCATION OF THE OFFERED QUANTITIES OF NATURAL GAS**

13. A minimum price step of BGN 0.01 per MWh is used within the auction, by which the initial price is reduced, as the participant offers a price per MWh.

14. The platform of Balkan Gas Hub performs automatic ranking of the offers according to the lowest price offered and the ranking and distribution is carried out under the following algorithm:

14. 1. The first are the bids with the lowest prices offered until the maximum quantity is reached.

14.2. In case of two or more bids with equal prices, the bid submitted at an earlier time shall be the classified.

14.3. The quantities of the ranked offers are supplemented to the amount of the total quantity to be purchased by Bulgargaz EAD and it is possible to partially purchase quantities from the last ranked offer.

14.4. Within 30 (thirty) minutes after the end of the auction, Balkan Gas Hub shall provide Bulgargaz EAD with the results of the auction and the ranking.

**RIGHT OF PARTICIPATION**

15. All natural gas traders who meet the conditions of clause 6.2 may participate in the auction for the purchase and sale of natural gas. By submitting of an offer, the participant declares that it responds to the requirements as set in 6.2

15.1. Prior to the auction, Bulgargaz EAD shall publish the terms and conditions of the auction on its website.

**THE RIGHT TO CANCEL AN AUCTION**

16. Balkan Gas Hub EAD may cancel the auction in case of technical and/or human error and schedule a new date within 24 hours after the auction.

16.1. In the event that the errors under clause 16 do not negatively affect the price offered and/or the quantity sold by the participants, Balkan Gas Hub EAD shall not cancel the auction, but in case of necessity update the ranking of the bids within 24 hours after the auction and/or disqualify the participant who committed the error.

 **CONDITIONS FOR CONCLUDING A CONTRACT FOR THE PURCHASE AND SALE OF NATURAL GAS**

17. Upon completion of the auction, Bulgargaz EAD shall conclude a contract for the purchase and sale of natural gas with the ranked participants according to the auction mechanism under clauses 13 and 14 for the quantities and at the price in accordance with the conducted and completed auction procedure.

18. Bulgargaz EAD shall publish the contract for the purchase and sale of natural gas on its website prior to the auction.

**PARTICIPATION FEES**

19. Participants with whom Bulgargaz EAD concludes a supply contract, in accordance with the automatic ranking performed by the platform, shall pay to Balkan Gas Hub EAD a transaction fee of BGN 0.04 per MWh by the 10th day of the month following the month of the auction to the bank account specified by Balkan Gas Hub EAD.

20. The Buyer shall pay Balkan Gas Hub EAD as follows:

* Monthly fee in the amount of BGN 1 400 /excluding VAT/ for the month in which the auction is held;
* Auction initiation fee - "auction" (non-standard product) in the amount of BGN 1200 /excluding VAT/
* Transaction fee of BGN 0.04/MWh /excluding VAT/, in case of concluded contract.

The fees are payable by the 10th day of the month following the month of the auction to the bank account specified by Balkan Gas Hub EAD, according to the auction results submitted by the platform.

**REPORTING UNDER REGULATION 1227/2011 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 25 OCTOBER 2011 ON WHOLESALE ENERGY MARKET INTEGRITY AND TRANSPARENCY**

**(REGULATION NO 1227/2011)**

21. Balkan Gas Hub EAD may perform the obligations for reporting the auction transactions in accordance with Regulation No 1227/2011 upon request of the participant.