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

**GENERAL**

1. The terms and 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 sell natural gas quantities on the organized exchange market operated by BALKAN GAS HUB EAD.

3. These conditions shall also specify the procedure for conducting the auction for sale, 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 SOLD BY BULGARGAZ EAD ON THE ORGANISED NATURAL GAS EXCHANGE MARKET**

4. Bulgargaz EAD announces for sale on the organized exchange market the following quantities of natural gas:

4.1 June 2023 - 10 000 MWh/day

4.2 July 2023 - 10 000 MWh/day

4.3 August 2023 - 10 000 MWh/day

4.4 September 2023 - 10 000 MWh/day

5. Bulgargaz EAD will sell 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 result of the auction, purchase contracts will be signed between the parties, subject to the following parameters:

5.1. Delivery period: June, July, August, September 2023.

5.2. Delivery dates:

5.2.1 from 07.00 a.m. on 01 June 2023 to 07.00 a.m. on 01 July 2023.

5.2.2 from 07.00 a.m. on 01 July 2023 to 07.00 a.m. on 01 August 2023.

5.2.3 from 07.00 a.m. on 01 August 2023 to 07.00 a.m. on 01 September 2023.

5.2.4 from 07.00 a.m. on 09 September 2023 to 07.00 a.m. on 01 October 2023.

5.3. Delivery profile: uniform - physical delivery of natural gas, amounting to 100% of the contracted quantities, evenly by days;

5.4. Delivery Point: VTP Bulgaria;

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

**AUCTION MARKETING OF PRODUCTS**

6.The natural gas shall be sold 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 sold from natural gas traders, registered on the organised exchange market who hold a valid licence for the activity "trading in natural gas", issued by the Energy and Water Regulatory Commission.

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 shall be offered in the Auction.

8. The auction will take place on 27 March 2023.

8.1. Each Bidder may submit only one Bid, subject to updating during the Auction.

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

9. The minimum quantity that may be auctioned for purchase by one bidder shall be

1 000 MWh/day.

10. The maximum quantity is up to 10 000 MWh/day.

The bidding period in the auction is from 9:00 a.m. to 12:00 noon on 27 March 2023 (Sofia).

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

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

12.1. For June, July and August:

TTF Front Month index, published in the Argus European Natural Gas edition on the last business day preceding the auction date, plus 8.82 (eight and 0.82) EUR/MWh.

12.2. For September:

TTF Front Month index, published in the Argus European Natural Gas edition on the last business day preceding the auction date, plus 10.37 (ten and 0.37) EUR/MWh.

12.3. The price at which invoicing and payment will be made for June, July and August shall be the TTF Front Month index for the month of delivery, as published on the last business day of the month preceding the month of delivery in the Argus European Natural Gas plus 8.82 (eight and 0.82) EUR/MWh, plus the bidding achieved in the auction (if applicable).

12.4. The price at which invoicing and payment will be made for September shall be the TTF Front Month index for the month of delivery, as published on the last business day of the month preceding the month of delivery in the Argus European Natural Gas plus 10.37 (ten and 0.37) EUR/MWh, plus the bidding achieved in the auction (if applicable).

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

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

14. The platform of Balkan Gas Hub EAD automatically ranks the bids according to the highest price offered, with the ranking and allocation being done according to the following algorithm

14.1. The bids with the highest offered prices shall be ranked first until the maximum quantity is reached.

14.2 In the event of two or more equal bids, the bid submitted at an earlier time shall be ranked first.

14.3. The quantities of the ranked bids shall be supplemented up to the total quantity, announced for sale by Bulgargaz EAD, as it is possible to sell partial quantities of the last ranked bid.

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 a bid, the bidder declares that it fulfils the conditions of point 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 item 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 declare the participant who committed the error declassified.

**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 participants ranked according to the auction mechanism under items 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 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 1400 /excluding VAT/ for the month in which the auction is held;
* Auction initiation fee (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 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.

* For the quantities traded at the auction, Balkan Gas Hub EAD is obliged to set up transactions on the commercial dispatch platform of Bulgartransgaz EAD (CDP), two business days before the beginning of each month, after receiving explicit confirmation from Bulgargaz EAD.

**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.