

## REGULATION

### FOR THE ORGANIZATION AND ADMINISTRATION OF THE NATURAL GAS BALANCING MARKET ADMINISTERED BY THE TRANSMISSION AND SYSTEM OPERATOR THROUGH THE APPOINTED COMPANY, BURSA ROMÂNĂ DE MĂRFURI (ROMANIAN COMMODITIES EXCHANGE) S.A.

#### PURPOSE

Art. 1. - This Regulation establishes the organized framework for the trade on the balancing market.

#### SCOPE

Art. 2

S.N.T.G.N. TRANSGAZ S.A., acting as TSO, is according to art. 86<sup>2</sup> of the Network Code approved by the RERA Order no. 16/2013 ("Network Code"), obliged to organize and administer the natural gas balancing market or may conclude an agreement with a third party to exercise these responsibilities for the TSO. The TSO will conclude an agreement in this regard, will notify in writing the participants regarding the identity of the operator assigned to ensure the fulfillment of the obligations of organization and administration of the natural gas market, operator that will conclude with the participants the Convention provided in the annex to the Agreement on balancing and access to the VTP within 5 days of receiving this notification.

The purpose of the balancing market is to trade quantities of natural gas from domestic production, on the day of delivery or the next day-ahead gas day and the initial daily imbalance between the NUs, for the trade balancing of the NUs and it is necessary for the third party appointed by the TSO ("BM Operator") to mediate the transactions performed on the balancing market according to the "Trading Procedure" – an integral part of the Network Code approved by the RERA Order no. 16/2013 (annex 1<sup>4</sup>).

The administration/trading tariffs are established on the basis of a methodology elaborated by the TSO and endorsed by the RERA and is designed so as to ensure the recovery of justified and prudent costs incurred by the TSO for the administration/trading activities of the BM".

#### Duties arising from the Network Code on the balancing market:

Art. 3

- On the balancing market, the RCE is a party designated by the TSO as counterparty in all concluded transactions. Effective participation in trading is anonymous and is allowed to BM participants wishing to submit purchase bids, only within the limits of validation guarantees calculated before the start of the trading session.
- The NU has the obligation to introduce on day D, for the gas day D-1, sale and purchase orders in the sense and within the limit of the daily imbalance communicated by the TSO, respectively sale in case of deficit and purchase in case of deficit.
- The bid consists of a price-quantity pair offered for purchase or sale that represents a firm commitment of the participant to the balancing market.

- For sale bids, the quantity in the bid represents the largest quantity offered for sale, and the price in the bid is the lowest price for which the respective quantity can be sold.
- For purchase bids, the quantity in the bids represents the largest quantity requested for purchase, and the price in the bid represents the highest price for which the respective quantity can be bought.
- In the automatic process of correlating bids and establishing transactions performed by the balancing market trading system, the bid can be fully or partially correlated.
- For the D-1 gas day, participants may enter several separate bids, but the total amount of bids may not exceed the daily imbalance reported by the TSO.

**The obligations regarding trading sessions are:**

Art. 4

- The trading session is organized for each gas delivery day.
- The instrument related to the gas delivery day D-1 is available in the trading system of the balancing market for the placement of bids on day D.
- The opening stage of the balancing market and the transmission of bids for the trading of imbalances takes place between 15:00-17:00 hours;
- The closing stage of transactions with gas from imbalances takes place between 17:00-17:15 hours.

In the opening stage of the market for balancing and transmitting bids, the trading platform allows as follows:

- For imbalances transactions, starting with 15:00 hours, participants interested in participating in the trading session may enter their own bids in the BM trading system, specifying the quantity of natural gas and the price offered.
- The bids placed by the participant to the BM represent firm commitments of the respective participant to the BM, which is directly responsible for the correctness of the data entered.
- The trading system automatically compares the quantity of each purchase/sale bid with the quantity and the direction of the initial daily imbalance of the NU and automatically invalidates the bid if the quantity or sum of the quantities in the bids entered up to that point, if the NU has submitted several bids, exceeds the quantity of the NU initial daily imbalance or is not placed on the imbalance direction, respectively purchase bid in case of "deficit" or sale bid in case of "surplus".
- The trading system automatically compares the value of each purchase bid placed, calculated as a multiplication between the price offered and the quantity offered, with the validation guarantee/available guarantee, corresponding to the participant to the BM, and automatically invalidates the bid if its value exceeds the value of the validation validation guarantee/available guarantee.
- The participants to the BM whose bids have been invalidated are notified by automatic trading system messages, and they may take any of the following measures:
  - introduce a modified bid so that the total quantity offered does not exceed the quantity related to the daily imbalance and/or the value of the bid does not exceed the available validation guarantee, as the case may be;
  - modify and/or cancel the previously placed bids, using the functionalities available through its own interface provided through the BM trading system, so as to create the possibility for a new bid to be placed on the market to meet the acceptance conditions.
- Throughout this stage, the participants to the BM may introduce, respectively modify, suspend, in order to be reactivated later, or cancel their own existing bids in the trading system.

- The BM trading system automatically assigns to each bid placed a unique identification number and a time stamp of the form "hh:mm:ss" specifying the time (h), minute (m) and second (s) when the bid was placed, visible in the Reports/Orders History section of the BM participant interface.
- In case a bid changes, the trading system automatically updates the data related to the new bidding intention with the time stamp corresponding to the moment when the initial bid is changed. This change may have consequences on the placement of the bid on the whole market because, in the case of bids of the same direction that offer the same price, the ordering is made according to the time stamp.
- The bids placed and validated are automatically updated and ordered by the trading system, in real time, according to the best price, ascending for the sale bids and decreasing for the purchase bids and according to the time stamp within the bids of the same type that have the same price.
- All participants to the BM can view in the trading system, at any time of the trading session, the purchase bids and sale bids ordered by price, while maintaining the anonymity of the participants who placed these offers. Own bids are marked separately on the participant screen.
- The BM trading system records and keeps track of all bids placed and actions on them (placement, modification, suspension, cancellation, correlation). The data and reports related to the last trading year are kept in electronic format, being accessible to the participant to the BM.
- No transactions are concluded at this stage of bids transmission. The trading system automatically calculates and displays, based on active bids, the balance price and the bid surplus. This information is automatically updated each time a bid is placed/modified/withdrawn/canceled.
- At the end of this stage, respectively at 17:00 hours, the participants to the BM are restricted, so no new bids may be introduced, respectively the active bids in the trading system can no longer be modified, suspended and/or canceled.

### **Transaction closing stage:**

#### **Art. 5.1**

After the end of the bids transmission stage, the BM trading system establishes the balance price, by a correlation algorithm automatically applied called the closing price of the market for the three types of products;

- All active bids for the D-1 gas delivery day are compared to establish compatible bids and close transactions for compatible bids.
- Bids compatible for the conclusion of transactions are automatically established by the BM trading system, i.e. bids that offer purchase prices higher or at least equal to the PIP (closing price of the natural gas balancing market) and sale bids that propose prices lower or at most equal to the PIP.
- Compatible bids are traded on the PIP (closing price of the natural gas balancing market).
- In case of a supply surplus equal to zero, sell orders at a price less than or equal to the PIP (closing price of the natural gas balancing market) and purchase orders at a price greater than or equal to the PIP (closing price of the natural gas balancing market) are fully traded.
- In case of a non-zero supply surplus, the active orders on the market are traded as follows:
  - all purchase bids that have a higher price than the PIP (closing price of the natural gas balancing market);
  - all sale bids that have a lower price than the PIP;
  - If there is a positive supply surplus, orders with a price equal to the PIP are executed as follows:
    - If there is a positive supply surplus, orders with a price equal to the PIP are executed as follows;

- purchase orders in the order of the time stamp until the total quantity purchased is equal to the total quantity sold;
  - If a negative supply surplus is registered, orders with a price equal to the PIP (closing price of the natural gas balancing market) are executed as follows:
    - all purchase orders;
    - sale orders in the order of the time stamp until the total quantity sold is equal to the total quantity purchased.
- The RCE, as a party appointed by the TSO, makes available to the participants to the BM, through the trading system, the transaction confirmation and the daily settlement notes after the conclusion of the transaction.
- The RCE, as a party appointed by the TSO, prepares daily, for each participant to the BM that has registered transactions for the sale or purchase of natural gas, the daily settlement note, corresponding to the traded delivery gas day, which contains the following information:
  - the quantities of natural gas corresponding to the sales/purchases for the gas delivery day;
  - the market closing price;
  - the values corresponding to the sales/purchases of natural gas for a gas delivery day;
  - the equivalent value of VAT, if applicable;
  - the amount of collection rights/daily payment obligations.

## 5.2

In accordance with art. 88 of the Network Code, within a maximum of 45 minutes from the closing of the balancing market on day D, the TSO must inform the NU about its final imbalance on gas day D-1 and the final daily imbalance is calculated by the TSO taking into account the quantities traded on the BM.

## 5.3

The Convention for Participation to the Natural Gas Balancing Market, an act signed by all NUs requesting access to the VTP, sets out the rights and obligations of the Parties with regard to the administration of the natural gas balancing market and the granting to the participant to the BM of the right to perform natural gas sale and purchase transactions on this market with a third party designated by the TSO as a counterparty, in accordance with the primary and secondary legislation applicable to this market, as follows:

### **The rights of the participant to the BM are as follows:**

#### Art. 6

- to receive, at its request, assistance and practical training on the use of the BM trading platform;
- to place bids for the sale and/or purchase offers of natural gas for the BM according to the daily trading schedule;
- to use a letter of bank financial guarantee for payment, stating that it is used for the natural gas balancing market;
- to check the records of their own transactions and view the bids placed by other market participants in the BM trading platform;
- to modify, suspend or cancel their natural gas offer (s) during the trading session on the BM trading platform;
- to receive, through the BM trading platform, the confirmation for bid validation/bid invalidation information;
- to access transaction confirmations, daily settlement notes and notifications or request their transmission if it cannot access the BM trading platform;
- to collect in full the value of the net collection rights related to natural gas sales on the BM through daily receipts of the equivalent value of the seller position provided in the daily settlement notes, through the daily payment orders issued by the third party appointed by the TSO for crediting the bank account opened by the Participant to the BM to a commercial bank in Romania and to document, on a monthly basis, the payment of payment

- obligations, the collection of rights and the payment of regularization obligations, in equal value, reciprocal, as well as to issue and transmit to the TSO daily monthly invoice for the quantities of natural gas sold on the BM;
- to be notified through alternative communication channels (telephone, fax, e-mail, website) in case of interruption and resumption of operation of the BM trading platform;
- to decide to withdraw from the BM on its own initiative on the basis of a written notification transmitted to the third party appointed by the TSO.

**The obligations of the participant to the BM are as follows:**

Art. 7

- to comply with the provisions of the procedure provided in annex no. 1<sup>4</sup> to the Network Code, as well as to the other procedures related to the functioning of the BM;
- to conclude a SEPA Direct Debit Mandate with its settlement bank it intends to submit purchase bids, which will ensure the registration of the document in TransFonD, and to send the scanned document, by e-mail, to the third party appointed by it;
- to make all necessary arrangements with the Bank for its own guarantee so that the third party appointed by the TSO receives from the Central Account Bank no later than 12:00 hours on the banking day preceding the day on which the participant to the BM wishes to submit purchase bids, the original bank guarantee for payment issued in its favor, if the bank guarantee is issued by the Central Account Bank, or the swift message of the Guarantor Bank accompanied by the opinion of the Central Account Bank, if the bank guarantee for payment is issued by another guarantee bank than the Central Account Bank;
- to request from the third party appointed by the TSO the agreement for diminishing the value of the bank guarantee for payment, as well as for removing the guarantor from the obligations before the expiration of the term of validity of the bank guarantee for payment;
- to make sure the liquid assets necessary to debit its account opened with the Settlement Bank, at the amount requested by the direct debit instructions, within the terms provided in the SEPA Direct Debit Mandate, and to communicate to the third party appointed by the TSO the bank account in which it wishes to collect the value of the sales transaction on the BM for sale on the BM;
- to make sure that the value of the bank guarantee for payment covers the value of the purchase intentions and payment obligations already assumed;
- to make sure that the values in the bid reflect its own interest prior to the placement of the bid in the trading system;
- to make sure that the bids placed for the BM have been uploaded to the trading system;
- to accept as firm commitments the transaction confirmations and notifications related to transactions on the natural gas balancing market;
- to pay in full the value of the payment obligations related to the administration/trading tariff on the BM;
- the participant to the BM is directly responsible for the confidentiality of the identification data received for accessing the trading platform;
- to conclude the Convention with the third party appointed by the TSO within a maximum of 5 days from the notification received for this purpose from the TSO.

**The rights of the RCE, appointed by the TSO as administrator of the BM are as follows:**

Art. 8

- to receive from the Participant to the BM, by e-mail, the scanned SEPA Direct Debit Mandate and the identification data of the bank account opened with a commercial bank in Romania, which will be credited with the value of its collection rights;
- to receive from the Central Account Bank the bank guarantee for payment issued in favor of the third party appointed by the TSO, in original, if issued by the Central Account Bank, or the swift message of the Guarantor Bank accompanied by the opinion of the Central Account Bank, if the bank guarantee for payment is issued by a Guarantee Bank other than the Central Account Bank, no later than 12:00 hours, one (1) working bank day before the trading day on which the participant to the BM wishes to place purchase bids;
- to monitor the value and validity period of the bank guarantee for payment and to invalidate the purchase bid/bids placed by the Participant to the BM if the validity of bank guarantee for payment was not extended by the established time periods in the specific procedures developed by the third party appointed by the TSO and published on its website;
- to calculate the value of the validation guarantee and of the available one, to validate the purchase bid/bids placed by the Participant to the BM and to invalidate the purchase bid/bids whose value exceeds the value of the validation guarantee/available guarantee according to specific procedures developed by the third party appointed by the TSO and published on its website;
- to send every working bank day to the Central Account Bank the direct debit instruction, corresponding to the value of the daily net payment obligations (including the VAT) of the Participant to the BM, entered in the daily settlement note;
- to send the request for execution of the bank guarantee for payment to the Central Account Bank, in case it receives from the Central Account Bank reports of refusals due to lack of liquid assets in the account of the Participant to the BM, and to refuse to reduce its value, requested by the Participant to the BM, if the amount resulting from the reduction does not cover its payment obligations;
- to issue and send the monthly invoice to the Participant to the BM who has made natural gas purchase transactions (including the VAT);
- to issue and transmit the annual/monthly invoice(s) to the Participant to the BM for the equivalent value of the administration/trading tariff on the BM (including the VAT value);
- to collect the equivalent value of the collection rights related to the administration/trading tariff on the BM (including the value of the VAT);
- to decide, as appropriate, in accordance with the regulations in force, to suspend trading or to revoke the registration of the participant to the BM;
- to receive information from the participant to the BM on any change in its identification data in the Trading Register, accompanied by supporting documents to that effect, and to sign with that participant an additional act to this Convention which will record the changes;
- to transmit the information requested by the authorized public authorities or the courts regarding the participant to the BM, without the need for the latter's consent, if this is provided for in the Convention, in applicable laws and/or regulations.

**The obligations of the RCE, appointed by the TSO as administrator of the BM are as follows:**

**Art. 9**

- to provide a trading environment in conditions of fairness, objectivity, independence, equidistance, transparency and non-discrimination, in accordance with the provisions of the applicable primary and secondary legislation;

- to provide assistance and practical training for the participant to the BM on the use of the BM trading platform;
- to make available to the participant to the BM the "Guide of the Participant to the BM" and inform it in due time about its change through information messages published on the main page of the website;
- to validate the sale/purchase bids placed by the participant to the BM in accordance with the provisions of the regulations in force;
- to notify automatically the participant to the BM through the BM trading platform, about the invalidation of a natural gas bid;
- to make available to the participant to the BM who has placed gas bids on the BM the transaction confirmations and the daily settlement notes for the gas transactions carried out, including through alternative communication channels (e-mail) in case that the participant to the BM notifies its inability to access the trading platform;
- to make available to the participant to the BM notificările fizice corespunzătoare tranzacțiilor încheiate pe PE;
- to notify the participant to the BM through alternative communication channels of the impossibility of using the usual means of communication or of the malfunctioning of the trading system, as well as of the resumption of trading and of publishing the reasons for the accidental interruption of the trading session;
- to pay in full the net collection rights related to the daily natural gas sales made by the participant to the BM, by sending the payment orders in favor of the participant to the BM and to document monthly, the collection of rights and payment of regularization obligations, in equal, reciprocal value;
- to update the trading register of the BM with the data related to the participant registered with the BM;
- to publish on its website the secondary legislation on the organization and functioning of the BM, as well as the specific procedures in force.

**The obligations of the RCE, appointed by TSO as administrator of the BM, regarding the automatic message exchange are:**

Art. 10

- to implement interfaces for the automatic exchange of secure electronic messages with the Transgaz information platform:
  - transmission of the concluded transactions to Transgaz in order to recalculate the NUs imbalances.

**the following products will be traded on this platform:**

Art. 11

- of the Imbalance type (D-1):PE\_IMB-

**Invoicing**

Art. 12

The RCE, as BM Operator appointed by the TSO issues, in the name and on behalf of the balancing market administrator (Transgaz), the invoice for the value of the trading tariff -  $T_{tranz}$  (plus VAT, as appropriate), with a special entry for this activity and transmits it electronically (by e-mail), to the participant to the balancing market (PI-E), as well as Transgaz, in the first 3 (three) working days of the month following the month in which the natural gas sale/purchase transactions were carried out. The invoices  $T_{tranz}$  apply to quantities traded (sold/purchased) on the balancing market during the gas month.

The payment of the invoice is made by the participant to the balancing market to the appointed BM operator, within a maximum of 5 (five) working days from the date of receipt of the invoice.

The invoice is considered paid by the participant on the date of registration of the payment in the bank account of the appointed BM operator, the latter having the possibility to execute the participation bond to the balancing market in case of non-collection of the invoice.

The appointed BM operator draws up a centralized statement of the invoices collected in the respective month and transfers the amounts collected to the Transgaz account, the expenses representing the bank commissions incumbent on the appointed BM operator within a maximum of 15 working days from the end of the month in which the natural gas sale/purchase transactions were made.

The participation bond for the balancing market will be issued by the Guarantee Bank in favor of the appointed BM operator at the request of the participant to the balancing market and its value will also cover the equivalent of the balancing market trading fee.

#### Art 13.

The administrator of the balancing market as well as the RCE, as appointed operator of the BM shall comply with the following provisions in accordance with the provisions of art. 319 paragraph 19 of the Tax Code:

- SNTGN Transgaz SA will notify by registered letter the competent fiscal body that the appointed BM operator will issue the invoices related to the trading tariff on the balancing market;
- The RCE, as operator of the BM appointed by the TSO will issue the invoices in the name and on behalf of SNTGN Transgaz SA;
- The invoice will include all the information provided in art. 319 paragraph (20) of the Tax Code;
- The invoices will be made available to the competent tax authorities without any delay, whenever required.

### **FINAL AND TRANSITIONAL PROVISIONS**

Art. 14. - Trading on centralized natural gas markets managed by the Company Bursa Română de Mărfuri (Romanian Commodities Exchange) - S.A. is voluntary.

Art. 15. - An economic operator may withdraw on its own initiative from the participation to the natural gas balancing market administered by the Company Bursa Română de Mărfuri (Romanian Commodities Exchange) based on a written notification, signed by the legal representative of the economic operator.

Art. 16 – Transgaz through the Company Bursa Română de Mărfuri (Romanian Commodities Exchange) S.A. may suspend or exclude an economic operator from participating to the centralized market in case it does not comply with the provisions of this regulation, of the participation convention or of the procedures approved by the RERA.