

CUSHION GAS SUPPLY

2020 AUCTION PROCEDURE

FOR

IGS GAS STORAGE FACILITY

16th March 2020

Updated on 1st April 2020

1. INTRODUCTION

- (a) Ital Gas Storage S.p.A. (“**IGS**”) is a limited liability company established under Italian law authorised to build and operate an underground facility for the storage of natural gas in a depleted reservoir at Cornegliano Laudense, Lodi Province, Region of Lombardy, under a public concession regulated under Law No. 170/1974 and Legislative Decree No. 164/2000, granted by the Ministry for Economic Development, in agreement with the Ministry for Protection of the Environment, Territory and Seas and the Region of Lombardia on 15 March 2011 (the “**Gas Storage Facility**” or the “**GSF**”).
- (b) The commercial operations of the GSF started in 2018 following the gas volumes injection in the storage reservoir to maintain adequate pressure and deliverability rates throughout the withdrawal phase into the reservoir (the “**Cushion Gas**”).
- (c) In order to procure the Cushion Gas, in compliance with Article 5.3 of RTSG (*Testo Unico della Regolazione della qualità e delle tariffe per il servizio di stoccaggio del gas naturale per il periodo di regolazione 2015-2018*) attached to Resolution 531/2014/R/GAS published by the Italian Regulatory Authority for Energy, Networks and Environment (“**ARERA**”) on 30 October 2014, IGS launched a tender in the course of 2018 for the awarding of the supply and procurement of Cushion Gas to one or more parties on the basis of the requirements and criteria set forth in the aforementioned Resolution of the ARERA, Article 5.3 of RTSG and in the relevant auction documentation (the “**2018 Auction Procedure**”).
- (d) After the 2018 Auction Procedure, additional works have been carried out at the GSF. As a consequence, new commissioning tests shall be carried out; moreover, additional quantities of Cushion Gas compared to those already injected into the reservoir are required. Therefore, IGS now wishes to launch a new auction procedure, in compliance with Article 10.3 of RTSG (*Regolazione tariffaria per il servizio di stoccaggio del gas naturale per il quinto periodo di regolazione 2020-2025*) attached to Resolution 419/2019/R/GAS published by ARERA on 23 October 2019 (the “**2020 Auction Procedure**”), for the awarding of the supply and procurement of such additional Cushion Gas to one bidder (the “**Winning Bidder**”).
- (e) The supply of Cushion Gas shall be governed by the terms and conditions set forth in the binding Term Sheet (“**TS**”) attached hereto as Annex 2, unless and until IGS and the Winning Bidder enter into a more detailed agreement, as contemplated by the same TS (the “**Gas Sale and Purchase Agreement**”).
- (f) IGS has made available the 2020 Auction Procedure to all the interested parties (“**Bidder(s)**”) on its web site at the following link <https://igs.eu/fornitori/>, together with the relevant documentation and information required to submit an offer pursuant to the 2020 Auction Procedure.

2. SUPPLY OF CUSHION GAS

- (a) The scope of the 2020 Auction Procedure is to award to the Winning Bidder the supply of an aggregate maximum quantity of natural gas as better detailed in let. (c) of this § 2 (the “**Overall Max Total Quantity of Buy Gas**”) to be made available to IGS at the Delivery Point from 1 May 2020 06:00 hrs to 1 April 2022 06:00 hrs (“**Supply Period**”) subject to the terms and conditions of the TS and/or the Gas Sale and Purchase Agreement. During the Supply Period the Winning Bidder

will be also requested to take delivery of an aggregate maximum quantity of natural gas as better detailed in let. (c) of this § 2 (the “**Overall Max Total Quantity of Sell Gas**”) that IGS may wish to make available to the Winning Bidder at the Redelivery Point and that the Winning Bidder shall off-take subject to the terms and conditions of the TS and/or the Gas Sale and Purchase Agreement.

- (b) Under this 2020 Auction Procedure “**Delivery Point**” means the HUB Ital Gas Storage exit point and “**Redelivery Point**” means the HUB Ital Gas Storage entry point both interconnected with the national gas pipeline network operated by Snam Rete Gas S.p.A.. Pursuant to Resolution 297/2012/R/gas published by ARERA, IGS will book, at Delivery and Redelivery Point, the transport capacity for the purposes of the supplies contemplated under the Gas Sale and Purchase Agreement and will become responsible for the obligations that arise under the transport contract with Snam Rete Gas S.p.A.. It is understood that charges and costs due to Snam Rete Gas S.p.A. for transportation capacity booking at Delivery and Redelivery Point under the transport contract, as well as all the costs (gas in kind included) related to the injection to and withdrawal from the GSF will be borne by IGS.
- (c) The main contractual quantities are indicated in the table below:

CONTRACTUAL QUANTITIES	MWh or MWh/d
Max Total Quantity of Buy Gas (MTQBG)	325500
Max Total Quantity of Sell Gas (MTQSG)	325500
Max Daily Buy Quantity	5500
Max Daily Sell Quantity	5500

3. BIDDING REQUIREMENTS

- (a) Each Bidder is entitled to submit an offer to IGS pursuant to Article 4, using the Bidding Form attached hereto under Annex 1 (the “**Offer**”) to be delivered no later than **22 April 2020** at 17:00 hrs (“**Bidding Date**”).
- (b) In order for an Offer to be considered by IGS, the relevant Bidder must fulfil the following access conditions:
- it shall be a “shipper” having a transportation contract in place with Snam Rete Gas S.p.A. and it shall be entitled, authorized and ready to trade at the PSV (*Punto di Scambio Virtuale*);
 - it shall qualify as “**Eligible Supplier**” pursuant to the online registration process made available by IGS on its website at the following link <https://igs.eu/fornitori/modulo-di-registrazione/>. This requirement must be fulfilled before IGS issues the Awarding Notice;

- (iii) (1) it holds (or its Parent Company¹ holds) a medium and long term credit rating - given by Moody's Investor Services or Standard & Poor's Corporation or Fitch Ratings - of at least: i) Baa3, if given by Moody's Investor Services or ii) BBB-, if given by Standard & Poor's Corporation or BBB, if given by Fitch Ratings (the “**Minimum Rating**”); OR (2) it must be able to procure the issuance of a first demand autonomous bank guarantee having the form attached under Annex 3, to be issued by a bank holding the Minimum Rating for a maximum guaranteed amount equal to 3 mln € (the “**Bidder's Bank Guarantee**”), to secure the possible financial exposure of IGS *vis-à-vis* the Bidder under the TS and/or the Gas Sale and Purchase Agreement;
 - (iv) it shall be entitled, authorized and ready to trade in at least one of the following European Hubs: TTF (Title Transfer Facility), CEGH (Central European Gas Hub) and NCG (NetConnect Germany).
- (c) In the context of the Offer, the Bidder shall undertake to procure that conditions from (i) to (iv) above remain true and satisfied for the entire term of the Supply Period.

4. BIDS SUBMISSION

- (a) Bidders shall submit the Offers by email at the following email address: cushiongas@italgasstorage.it within the Bidding Date.
- (b) Upon receipt of each Offer, IGS will confirm safe receipt by sending a notice to the e-mail indicated by the relevant Bidder.
- (c) In the event that an Offer is not received within the Bidding Date, IGS shall have the right to inform the relevant Bidder by email about its exclusion from the 2020 Auction Procedure without any responsibility being ascribed to IGS.
- (d) Each Offer must contain the following documents duly filled out and signed by the legal representative where required:
 - (i) **Bidding Form**; and
 - (ii) **TS**.
- (e) Each Bidder acknowledges and agrees that each Offer submitted to IGS shall constitute a binding and irrevocable offer until the Expiry Date (as defined below in § 5(b) below) and a fully unconditional acceptance of the 2020 Auction Procedure and the relevant annexes hereto.

5. BIDDING SELECTION AND EXECUTION

- (a) IGS' evaluation of the Offers received in compliance with the 2020 Auction Procedure will be based on the following criteria:
 - (i) the fee will be calculated as follows (“**Fee**”):

¹ NOTE: “**Parent Company**” means, with respect to any Bidder, any other company directly controlling such Bidder, where “control” has the meaning given to this term under Article 2359, par. 1 and 2, of the Italian Civil Code.

$$Fee = \frac{Buy\ Fee \times MTQBG - Sell\ Fee \times MTQSG}{MTQBG + MTQSG}$$

- (ii) the Offers will be sorted in ascending order based on the Fee, calculated as above;
 - (iii) should two or more Bidders offer the same Fee in the respective Offers, priority will be given to such Bidder(s) that, in its/their Offer, has/have not requested IGS to issue the **“IGS’ Bank Guarantee”** to cover Bidder’s possible financial exposure *vis-à-vis* IGS, *i.e.*: a first demand autonomous bank guarantee having the form attached under Annex 4 to be issued by a bank holding a medium and long term credit rating at least equal to the Minimum Rating, for a maximum guaranteed amount equal to 3 mln €;
 - (iv) should two or more Bidders both offer the same Fee in the respective Offers and not request IGS to issue the IGS’ Bank Guarantee, then their Offers will be sorted in chronological order (*“first come first served”*).
- (b) Based on the above, IGS will formulate the ranking list and select the Winning Bidder. The Winning Bidder will be notified (the **“Awarding Notice”**) as soon as possible after the Bidding Date and in any case no later than the **30 April 2020** (the **“Expiry Date”**).
- (c) Along with the Awarding Notice, the Winning Bidder will receive the TS counter-signed by IGS for acceptance, which will become immediately valid and binding on the Parties thereto.
- (d) Unsuccessful Bidders will be notified by IGS in writing as soon as possible after the Bidding Date.

6. GOVERNING LAW AND JURISDICTION

The terms and conditions set forth in this 2020 Auction Procedure shall be governed by and construed in accordance with the Italian law, with the exclusion of rules and regulations governing conflict of laws.

All disputes arising out of or in connection with this 2020 Auction Procedure shall be referred to the exclusive jurisdiction of the Court (*Tribunale*) of Milan.

7. CONTACTS

Any questions or communication regarding this 2020 Auction Procedure must be addressed to:

Ital Gas Storage S.p.A.

Via Meravigli, 3 - 20123 Milano (Italy)

Telephone: +39 02 35960680

e-mail: cushiongas@italgasstorage.it

8. MISCELLANEOUS

- (a) Compliance with the terms and conditions of the 2020 Auction Procedure shall not bestow any Bidder with any rights or expectations with respect to being awarded with the supply of Cushion Gas hereunder. As a consequence, IGS – always acting in compliance with the requirements and criteria set forth under Resolution 419/2019/R/GAS of ARERA and, particularly, under Article 10.3 of the RTSG attached thereto, as well as this 2020 Auction Procedure – reserves the right to:
- (i) reject any Offer delivered after the relevant Bidding Date;
 - (ii) reject any or all Offers, before or after their opening, at the sole discretion of IGS; and/or
 - (iii) amend, cancel, revoke, suspend and interrupt the 2020 Auction Procedure before the Expiry Date in its unquestionable opinion, giving notice of this on its website;
- provided that IGS will neither be responsible for any costs or expenses incurred by any Bidder in connection with the preparation of the Offer nor with any cost, loss and/or prejudice deriving to the Bidder in connection with the exercise by IGS of one of the rights indicated from (i) to (iii) above.
- (b) Should for any reasons during the Supply Period, be required to early terminate the Gas Sale and Purchase Agreement, IGS will inform the non-winning bidders (following the order and criteria set in Article (a)) asking for their availability to enter into a Gas Sale and Purchase Agreement at the same Offer's conditions, being understood that the non-winning bidders shall have no obligation to do so.
- (c) Any reference to time in the 2020 Auction Procedure shall be construed as to whatever official time in force in Italy (CET).
- (d) For avoidance of doubt, in the 2020 Auction Procedure and the attachments, Bidding Form included, dot is used as separator of decimal places.
- (e) Capitalised and upper cases terms in this 2020 Auction Procedure shall have the same meaning as given to them in the documents attached hereto unless otherwise expressly stated herein.
- (f) The following annexes are an integral part of this 2020 Auction Procedure:

Annex 1: Bidding Form

Annex 2: Binding Term Sheet

Annex 3: Form of Bidder's Bank Guarantee

Annex 4: Form of IGS' Bank Guarantee