

**THE BALTIC PIPE PROJECT**  
**OPEN SEASON 2017 RULES**  
**DRAFT FOR MARKET CONSULTATION**

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DRAFT FOR MARKET CONSULTATION

## Reader's Guide

These Open Season 2017 Rules or OS 2017 Rules are divided into three parts:

Part I: Introduction

Part II: Open Season 2017

Part III: General Provisions

Part I of the OS 2017 Rules contains a general introduction to Open Season 2017 conducted by Energinet.dk and GAZ-SYSTEM S.A. Except for the definitions, this part is for information purposes only.

Part II contains a detailed description of the OS 2017. This includes a description of the routes and points in the OS 2017. Further, Phase 1 and Phase 2 of the Open Season 2017 are explained.

In Part III the general provisions of OS 2017 are contained. This includes provisions regarding communication between the Network Users and Energinet.dk and GAZ-SYSTEM S.A.

In addition, the following appendices are attached to and form an integral part of these OS 2017 Rules:

### Appendices

#### General Appendices:

Appendix 1: Phase 1 Order to Proceed Bid Form: North Sea Entry Point and Interconnection Point Baltic Pipe

Appendix 2: Phase 2 Final Bid Form: North Sea Entry Point and Interconnection Point Baltic Pipe

#### Danish Appendices:

Appendix 3: Rules applicable to participation in the Danish part of the OS 2017

Appendix 3.A: Registration form

Appendix 3.B: Guarantee

Appendix 3.C: Draft of the OS 2017 Capacity Agreement

Appendix 3.D: Standard Framework Agreement (Appendix 2 of the Rules for Gas Transport)

#### Polish Appendices:

Appendix 4: Additional GAZ-SYSTEM's Rules for the Open Season 2017

Appendix 4.A: Transmission Network Code of GAZ-SYSTEM

Appendix 4.B: Tariff of GAZ-SYSTEM

Appendix 4.C: Registration form

Appendix 4.D: Framework transmission contract template

Appendix 4.E: Draft of the OS 2017 Capacity Agreement

The appendices regulate participation in the OS 2017 on the Danish side and on the Polish side.

Appendix 3 contains the provisions regarding the Points on the Danish part of OS 2017 and how the network users can participate in the OS 2017 with regard to these Points. Appendix 3 includes the formal requirements for the network users to participate in the Danish part of the OS 2017. Further, Appendix 3 regulates how the network users can participate and place a bid to Energinet.dk in both Phase 1 and Phase 2 of the Open Season 2017.

If the Participant is allocated OS 2017 Capacity in a Danish Point after Phase 2, the Participant will enter into an OS 2017 Capacity Agreement with Energinet.dk for the Entry Point North Sea and/or Interconnection Point Baltic Pipe. A draft version of the Danish OS 2017 Capacity Agreement is enclosed as Appendix 3.C. Appendix 3.D contains a Standard Framework Agreement to act as Shipper in the Danish transmission system (Appendix 2 to the Danish Rules for Gas Transport).

Appendix 4 contains the provisions regarding the Polish part of OS 2017, in particular how the network users can participate in the OS 2017 with regard to the Polish side of the Interconnection Point Baltic Pipe. Appendix 4 includes the formal requirements for the network users to participate in the Polish part of the OS 2017. Further, Appendix 4 regulates how the network users can participate and place a bid to GAZ-SYSTEM S.A. in both Phase 1 and Phase 2 of the Open Season 2017.

If the Participant is allocated OS 2017 Capacity on the Polish side of the IP Baltic Pipe after Phase 2, the Participant will enter into an OS 2017 Capacity Agreement with GAZ-SYSTEM S.A. A draft version of the Polish Capacity Agreement is enclosed as Appendix 4.E.

## **Part I – Introduction**

### **1. Background**

The Baltic Pipe Project is a major gas infrastructure project that aims at supplying gas from Norway to Poland through Denmark, connecting the production of gas in Norway to the demand for gas in Poland and Denmark through the Danish offshore and onshore transmission grid and the Offshore Interconnector between Denmark and Poland. In addition, if the Baltic Pipe Project is materialized, it will also be possible to bring gas from Poland to the Danish and Swedish markets.

In 2016, the Polish gas TSO, Gas Transmission Operator GAZ-SYSTEM S.A. and the Danish Gas Transmission System Operator TSO, Energinet.dk have investigated the possibility of establishing an interconnection between their two national markets through a bidirectional subsea pipeline and expansion of the national transmission systems to ensure full functionality of the new pipeline. In addition, offshore infrastructural connection between Denmark and Norway has also been investigated.

#### **1.1 Background for Open Season 2017**

A market test was conducted in May 2016 as part of a feasibility study, to assess the general third party interest in the Baltic Pipe Project. The result of the market test was positive, in terms of indicating a non-binding market demand for the Baltic Pipe Project. Consequently, the next step is to invite all potential shippers to take part in the Open Season 2017 to collect binding long term investment signals for the new pipeline project. The Open Season 2017 will be carried out in a transparent and non-discriminatory way in accordance with current European Union regulation.

There are many advantages in using an open season procedure. The open season procedure is a useful instrument, in which the market can be efficiently consulted. The aim of an open season procedure is to assess where the investments are most effectively made, and to identify the amount of capacity needed and under which terms the capacity is required. In addition, an open season procedure also allows network users and other interested parties to participate in a dialogue about the establishment of the potential new capacity.

Open Season procedures have been used in a number of Member States of the European Union. Energinet.dk conducted an Open Season procedure in 2009, which resulted in an expansion of the Danish Gas Transmission System from Germany (Ellund) to Denmark (Egtved). GAZ-SYSTEM S.A. has conducted several open seasons within the last years, such as an open season for the new

interconnector between Poland and Czech Republic (2011) and an open season for the new interconnector between Poland and Slovakia (2016).

It is on this background that Energinet.dk and GAZ-SYSTEM S.A. have decided to conduct the Open Season 2017 in collaboration in order to determine the Long-Term capacity requirements of shippers and other players within the Baltic Pipe Project.

### **1.2 About Energinet.dk**

Energinet.dk owns the Danish electricity and gas transmission systems and is the Danish TSO (transmission system operator) for the main electricity and gas transmission systems. Energinet.dk's overall objectives are to secure an efficient operation and expansion of the overall infrastructure for electricity and gas and to secure an open and equal access for all users of the networks. In addition, Energinet.dk's objectives are to maintain security of supply and develop the main transmission infrastructure, to ensure efficient and competitive electricity and gas markets and to integrate renewable energy into the power and gas system.

Energinet.dk was established pursuant to the Danish Act on Energinet Danmark with effect from 1 January 2005 and is organised as an independent public enterprise owned solely by the Danish state as represented by the Danish Ministry of Energy, Utilities and Energy. Energinet.dk is registered with registration number 28980671 with the Danish Business Register.

### **1.3 About GAZ-SYSTEM S.A.**

The business core of GAZ-SYSTEM S.A. is transportation of gas through transmission network on the territory of Poland, owned by GAZ-SYSTEM S.A. providing gas to distribution network and to final customers connected with the transmission system. On 13 October 2010 the President of the Energy Regulatory Office (hereinafter: "President of ERO") issued a decision, whereby GAZ-SYSTEM S.A. obtained the status of Transmission System Operator on the territory of Poland until 31 December of 2030.

On 22 September 2014 GAZ-SYSTEM S.A. obtained a decision issued by the President of ERO granting a certificate of independence in the ownership unbundling model in relation to the gas network owned by GAZ-SYSTEM S.A. GAZ-SYSTEM S.A. is registered with registration number 0000264771 in the National Court Register in Poland.

## **2. Definitions**

Unless otherwise indicated by the context, defined terms in these OS 2017 Rules shall have the meaning set out below:

**"Appendix"** shall mean an appendix to these OS 2017 Rules.

**"The Baltic Pipe"** shall mean the infrastructure which will be constructed within the Baltic Pipe Project, consisting of five main components; the Norwegian Tie-In, Expansion of the Danish Transmission System, the CS Zealand, the Offshore Interconnector and the Polish Expansions.

**"The Baltic Pipe Project"** shall mean the project which subject is the construction of the Baltic Pipe, with the aim of providing gas infrastructure in order to connect the gas production in Norway to the demand for gas in Poland through the Danish offshore and onshore transmission system.

**"CS Zealand"** shall mean the compressor station located on the Danish shore at Zealand

**"Energinet.dk"** shall have the meaning described in Section 1.2.

**“Expansion of the Danish Transmission System”** shall mean the expansion in the existing west-east capacity in the Danish onshore transmission system.

**“Fast Track Project”** shall mean that Energinet.dk and GAZ-SYSTEM S.A. will initiate scoping of the Baltic Pipe design and reducing the number of possible technical solutions at an early stage of OS 2017 in order to try to achieve start of gas transportation in the Baltic Pipe as of 1 October 2022.

**“Gas Year”** shall mean the period from 6 a.m. (CEST/CET as applicable) on 1 October of the previous calendar year until 6 a.m. on 1 October of the calendar year in question. As an example Gas Year 2023 will run from 6 a.m. (CEST/CET as applicable) on 1 October 2022 to 6 a.m. on 1 October 2023.

**“GAZ-SYSTEM S.A”** shall mean the Polish Transmission System Operator described in section 1.3.

**“Interconnection Point”** shall mean a physical or virtual point connecting adjacent entry-exit systems or connecting an entry-exit system with an interconnector, in so far as these points are subject to booking procedures by network users.

**“Interconnection Point Baltic Pipe”** shall mean a bi-directional Interconnection Point created within the Baltic Pipe, connecting the transmission systems of Poland and Denmark.

**“Long-Term”** shall mean a period of one year or longer.

**“North Sea Entry Point”** shall mean an entry point to the Danish upstream and transmission system from Norway, owned and operated by Energinet.dk.

**“Norwegian Tie-in”** shall mean the upstream pipeline to be owned by Energinet.dk from the Norwegian offshore upstream Gassled gas pipe system to the Danish onshore Transmission System.

**“Offshore Interconnector”** shall mean the natural gas transmission offshore pipeline between Denmark and Poland, from Southeast Zealand through the Baltic Sea and the receiving terminal and onshore pipeline in Poland to connection to existing transmission system in Northwest Poland.

**“Order to Proceed”** shall have the meaning as described in Section 7 and supplemented in Appendix 3 for the Danish part of the Project and Appendix 4 for the Polish part of the Project.

**“Open Season 2017”** or **“OS 2017”** shall have the meaning described in Part II of these OS 2017 Rules.

**“OS 2017 Capacity”** shall mean the capacity established or added to a relevant Point as a consequence of an expansion or establishment of a Point due to OS 2017, which will be made available within OS 2017 to the Participants.

**“OS 2017 Capacity Agreement”** shall mean a capacity agreement entered into between a Participant and Energinet.dk or a Participant and GAZ-SYSTEM S.A. regarding OS 2017 Capacity. A draft version of the Danish OS 2017 Capacity Agreement is attached as Appendix 3.C. A draft version of the Polish OS 2017 Capacity Agreement is attached as Appendix 4.E.

**“OS 2017 Rules”** are these rules for Energinet.dk’s and GAZ-SYSTEM S.A.’s Open Season 2017, including all Appendices hereto, which shall form an integral part hereof.

**“Participant”** shall mean anyone who has been registered with Energinet.dk and GAZ-SYSTEM S.A. as a participant in OS 2017.

**“Phase 1”** shall have the meaning set forth in Section 7.

**“Phase 1 Bid”** shall mean the Order to Proceed, submitted by a Participant in Phase 1 in accordance with the OS 2017 Rules.

**“Phase 1 Deadline”** shall mean the deadline for the Participants to submit a Phase 1 Bid as stated in Section 7.

**“Phase 2”** shall have the meaning set forth in Section 8.

**“Phase 2 Bid”** shall mean the bid a Participant submits in Phase 2 and which is submitted in accordance with the OS 2017 Rules.

**“Phase 2 Deadline”** shall mean the deadline for the Participants to submit a Phase 2 Bid as stated in Section 8.

**“Point”** shall mean a physical entry or exit delivery point under these OS 2017 Rules, where gas is either delivered by the shipper into the transmission system or upstream pipeline, or gas is contractually redelivered by the TSO at the end of the transmission system or upstream pipeline.

**“Polish Expansions”** shall mean the expansion in the existing Polish North Western and Central transmission system.

**“Short-Term”** shall mean a period less than one year.

**“Technical Capacity”** shall mean the maximum firm capacity that the Transmission System Operator can offer to the network users in the given Point, taking into account system integrity and the operational requirements of the transmission network.

**“Transmission”** shall mean the transport of natural gas through a network, which mainly contains high-pressure pipelines, other than an upstream pipeline network and other than the part of high-pressure pipelines primarily used in the context of local distribution of natural gas, with a view to its delivery to customers, but not including supply.

**“Transmission System Operator”** or **“TSO”** shall mean a natural or legal person who carries out the function of gas transmission and is responsible for operating, ensuring the maintenance of, and, if necessary, developing the gas transmission system in a given area and, where applicable, its interconnections with other systems, and for ensuring the long-term ability of the system to meet reasonable demands for the transport of gas. In the context of the OS 2017 Rules, it shall relate to GAZ-SYSTEM S.A. or Energinet.dk.

### **3. Description of the Baltic Pipe Project**

#### **3.1 Overview of the Baltic Pipe Project**

The Baltic Pipe Project aims at enabling transportation of Norwegian gas from Norway to Poland via Denmark and consists of five major projects:

1. A Danish upstream tie-in from the Norwegian system in the North Sea to the existing Danish transmission system,
2. Expansion of the existing west-east capacity in the Danish onshore transmission system,
3. Compressor Station Zealand located on the Danish shore,
4. An offshore transmission interconnector from Denmark to Poland including receiving terminal and connection to existing Polish transmission systems,
5. Expansion of the Polish transmission system.

*Overview of the project*



*3.1.1 A Danish upstream tie-in from the Norwegian system in the North Sea to the existing Danish transmission system*

Energinet.dk and GAZ-SYSTEM S.A. have during a feasibility study in 2016 identified the recommended solution to be a tie-in to Europipe II in the Danish part of the North Sea, a new pipeline to shore (Nybro) and a new gas receiving terminal. The selection of the recommended solution has been based on cost, time schedule, complexity of the authority approval process, number of stakeholders, technical complexity, reliability, availability and maintainability, ownership of the installation, project risks, risk and safety during operation, synergies and other issues.

*3.1.2 Expansion of the existing west-east capacity in the Danish onshore transmission system*

The transmission system across Denmark shall be extended in order to transport the increased gas flow. The capacity of the existing gas transmission system will be utilised. The routing of necessary new pipelines will be parallel to existing pipelines where possible. In other areas the pipeline route will be optimised with respect of existing buildings, and of nature protection etc. The full expansion project will include around 220 km new pipeline located in Jutland, across the waters to Funen, on the island of Funen across the waters to Zealand and on Zealand.

### *3.1.3 Compressor Station Zealand located on the Danish shore*

A new compressor station must be established in South East Zealand, close to the landfall of the offshore pipeline to Poland for increasing the pressure in the pipeline to Poland. The compressor station will be designed for bidirectional operation, i.e. it will be possible to export gas from Denmark to Poland and opposite export gas from Poland to Denmark.

### *3.1.4 An offshore transmission interconnector from Denmark to Poland including receiving terminal and connection to existing Polish transmission systems*

Several route options have been evaluated in the Feasibility Study, and the considered routes are through the German EEZ or through the Swedish EEZ with a recommended landfall location at the north coast in Poland (Niechorze area). The length of the offshore pipeline is between 227 and 286 km.

### *3.1.5 Expansion of the Polish transmission system*

The gas transmission system in North Western and Central Poland will require the enhancement in order to offtake future gas coming from the combined Baltic Pipe and extension of the LNG Terminal.

The detailed scope of the additional investment on Polish side will depend on the results of the Open Season procedure.

## **3.2 Capacity**

GAZ-SYSTEM S.A. and Energinet.dk envisage that the Points created within the Baltic Pipe shall have the following Technical Capacity:

- North Sea Entry Point (entry to the Danish system): up to 14,201,000 kWh/h
- Interconnection Point Baltic Pipe (DK->PL): up to 13,411,000 kWh/h
- Interconnection Point Baltic Pipe (PL->DK): up to 3,852,740 kWh/h

The final Technical Capacity of the Points to be created within Baltic Pipe shall be established by GAZ-SYSTEM S.A. and Energinet.dk after the Open Season.

## **4. Overall Description of the Open Season 2017**

### **4.1 Overview of Points and Capacity**

#### **Relevant Entry/Exit Points**

The Points relevant for Open Season 2017 are listed below:

- North Sea Entry Point (Energinet.dk)
- bi-directional Interconnection Point Baltic Pipe (Energinet.dk/GAZ-SYSTEM S.A.)

#### **Type of Capacity:**

At the North Sea Entry Point, the OS 2017 Capacity will be offered in Open Season 2017 as un-bundled firm capacity on the Danish side of the Norwegian Tie-in. This means that the capacity booking in Open Season 2017 does not include capacity in the Norwegian transportation system.

At the Interconnection Point Baltic Pipe, the OS 2017 Capacity will be offered in both directions.

From Denmark towards Poland, the OS 2017 Capacity is offered as a bundled product, bundling the Interconnection Baltic Pipe exit point on the Danish side with the Interconnection Baltic Pipe entry point on the Polish side.

From Poland towards Denmark, the OS 2017 Capacity is offered as a bundled product, bundling the Interconnection Baltic Pipe exit point on the Polish side with the Interconnection Baltic Pipe entry point on the Danish side.

**Capacity offered in Open Season 2017:**

During Open Season 2017, ninety per cent (90%) of the envisaged Technical Capacity of the relevant Points will be offered as Long Term contracts. The Long Term contracts will cover gas transportation with a duration of up to 15 Gas Years.

10 per cent (10%) of the envisaged Technical Capacity will be reserved for Short Term contracts. This capacity is expected to be offered as standard capacity products in the ordinary auctions conducted by Energinet.dk and GAZ-SYSTEM S.A. in accordance with NC CAM.

**Amount of capacity available in the contemplated expansion:**

At the North Sea Entry Point, the OS 2017 Capacity offered in Open Season 2017 is equal to 12,780,900 kWh/h.

At the Interconnection Point Baltic Pipe, in the direction from Denmark to Poland, the OS 2017 Capacity offered in Open Season 2017 is equal to 12,069,900 kWh/h.

At the Interconnection Point Baltic Pipe, in the direction from Poland to Denmark, the OS 2017 Capacity offered in Open Season 2017 is equal to 3,467,466 kWh/h.

If the level of Orders to Proceed submitted to GAZ-SYSTEM S.A. and Energinet.dk is not sufficient for the initiation of the Fast Track Project, the amounts of OS 2017 Capacity offered in the Open Season 2017 Phase 2 shall be determined and announced by GAZ-SYSTEM S.A. and Energinet.dk within the deadline set forth in point 4.2 below for the information package 2.

**Capacity products:**

In the Open Season 2017, the Participants can bid for a maximum duration of fifteen (15) Gas Years:

- If the Fast Track is implemented, from the Gas Year 2023, until and including Gas Year 2037,
- If the Fast Track is not implemented, earliest from the Gas Year 2024, until and including 2038.

**4.2 Overall timeframe (expected)**

The expected overall timeframe for the Open Season 2017 is indicated below.

*It is expected, that the final Open Season 2017 Rules will be published in the beginning of February 2017 together with information package 1. This will be the start of Phase 1.*

<b>Activity Phase 1</b>	<b>Expected timing</b>
Information package 1	<i>1 February 2017 (expected)</i>
Phase 1 OS 2017 Registration	<i>Three (3) weeks from the publication of the Open Season 2017 Rules</i>
Confirmation of Phase 1 OS 2017 registration	<i>Five (5) weeks from the publication of the Open Season 2017 Rules</i>
Phase 1 Deadline	<i>Six (6) weeks from the publication of the Open Season 2017 Rules</i>

*It is expected, that the Phase 2 of the Open Season 2017 will be launched in the middle of May 2017 together with information package 2. This will be the start of Phase 2.*

<b>Activity Phase 2</b>	<b>Expected timing</b>
Information package 2 and expected start date of Phase 2	<i>19 May 2017</i>
Phase 2 OS 2017 Registration	<i>Three (3) weeks from the launch of the Phase 2</i>
Confirmation of Phase 2 OS 2017 registration	<i>Five (5) weeks from the launch of the Phase 2</i>
Phase 2 Deadline	<i>six (6) weeks from the launch of the Phase 2</i>
Economic test	<i>Begins after Phase 2 Deadline</i>
Signing of Capacity Agreements	<i>Second half of 2017</i>
Gas transportation (if sufficient OTP received)	<i>1 October 2022</i>
Gas Transportation earliest (if sufficient OTP not received)	<i>1 October 2023</i>

The deadlines indicated above elapse at 4 pm (CET/CEST).

The expected overall timeframe might be subject to changes.

Further, Energinet.dk and GAZ-SYSTEM S.A. emphasize that the OS 2017 Capacity will not be made available unless the measures required to provide such OS 2017 Capacity are technically feasible and economically viable and the relevant permits and approvals have been obtained. The earliest date of availability depends upon the duration of the design and construction phase. Relevant conditions precedent upon the fulfillment of which the commencement of gas transmission services in the Baltic Pipe depends are set forth in the drafts of Capacity Agreements, i.e. Appendices 3.C and 4.E.

## **Part II – Open Season 2017**

### **5. Introduction**

These OS 2017 Rules are agreed between Energinet.dk and GAZ-SYSTEM S.A., and have been notified to the Danish and Polish NRA's, respecting the principles of transparency and non-discrimination.

The OS 2017 Rules respect the general provisions in Directive No 2009/73/EC of the European Parliament and of the Council concerning common rules for the internal market in natural gas, Regulation 715/2009 of the European Parliament and of the Council on conditions for access to the natural gas transmission networks and Commission Regulation 984/2013 establishing a Network Code on Capacity Allocation Mechanisms in Gas Transmission Systems and supplementing Regulation (EC) No 715/2009 of the European Parliament and of the Council (NC CAM). The OS 2017 Rules will also respect applicable provisions in the amended NC CAM.

In addition, the OS 2017 Rules are based on the principles of the ERGEG Guidelines for Good Practice for Open Season Procedures of 21 May 2007.<sup>1</sup>

<sup>1</sup>

[http://www.entsog.eu/public/uploads/files/publications/incrementalcapacity/ERGEG%20Guidelines%20of%20Good%20Practice%20-%20Open%20Season%20Procedures%20\(GGPOS\).pdf](http://www.entsog.eu/public/uploads/files/publications/incrementalcapacity/ERGEG%20Guidelines%20of%20Good%20Practice%20-%20Open%20Season%20Procedures%20(GGPOS).pdf)

The OS 2017 consists of two phases: Phase 1 in which the Participants can submit a Phase 1 Bid, and Phase 2 in which the Participants can submit a Phase 2 Bid.

## **6. Registration for Open Season 2017**

In order to participate in the OS 2017, the interested shippers will have to be registered as Participant at Energinet.dk and at GAZ-SYSTEM S.A. Deadline for forwarding the Open Season 2017 registration form to Energinet.dk (Appendix 3.A) and GAZ-SYSTEM S.A. (Appendix 4.A), including all relevant documentation, is three weeks after the publication of the OS 2017 Rules for Phase 1 and three weeks from the launch of the Phase 2 for Phase 2. Hereafter both TSO's will assess if the documentation received is sufficient to be registered as Participant.

Registration needs to be completed with both Energinet.dk and GAZ-SYSTEM S.A. five weeks after the publication of the OS 2017 Rules for Phase 1 participation and five weeks from the launch of the Phase 2 for Phase 2 participation. Energinet.dk and GAZ-SYSTEM S.A. encourage early registration.

Only one registration is necessary. If a Participant has been registered for Phase 1, the Participant shall not register again for Phase 2.

Participation in Phase 1 is not a precondition for participating in Phase 2.

The conditions for registration are set forth in Appendix 3 with regard to participation in the Danish part of the OS 2017, and Appendix 4 with regard to the Polish part of the OS 2017. Please note that Participants are subject to credit approvals and possibly to provision of security.

## **7. Open Season 2017 Phase 1**

The first phase in the OS 2017 is the possibility for Participants to place a binding commitment for a certain amount of capacity at each Point in the route. The binding commitment is given by submitting a Phase 1 Bid which constitutes an Order to Proceed.

When a Phase 1 Bid has been submitted, if the TSOs implement the Fast Track Project, the Participant is obliged to also place a Phase 2 Bid for at least the same amount of OS 2017 Capacity as requested in the Phase 1 Bid. In addition, the Participant accepts the terms and conditions of the OS 2017 Capacity Agreements before the final versions are available.

The Phase 1 Bid will be submitted to both Energinet.dk and GAZ-SYSTEM S.A. for the Interconnection Point Baltic Pipe. The Phase 1 Bid for the North Sea Entry Point will only be submitted to Energinet.dk.

### **The Phase 1 Deadline is six weeks from Publication of the OS 2017 Rules.**

After the Phase 1 Deadline, Energinet.dk will assess if the total amount of requested capacity in the Orders to Proceed for the Danish Points is sufficient in order to continue as a Fast Track Project. Likewise, GAZ-SYSTEM S.A. will assess whether the total requested capacity in the Orders to Proceed for the Polish Point is sufficient to continue the Project as a Fast Track Project. The details of the Phase 1 and how the TSO's will evaluate the Orders to Proceed are described and regulated in Appendix 3 with regard to the Danish OS 2017 Points and in Appendix 4 with regard to the Polish OS 2017 Point.

In case the amount of OS 2017 Capacity requested by the Participant in its Phase 1 Bid exceeds the amount of OS 2017 Capacity available at the requested Point as determined in the OS 2017

Rules, GAZ-SYSTEM S.A. and Energinet.dk shall deem that the Participant has requested the maximum OS 2017 Capacity available at the Point in question.

If one of the TSO's assesses that the amount of requested capacity is sufficient in order to continue with the Fast Track Project, and the other TSO assesses, that the Fast Track Project cannot be realized, the Fast Track Project will not be initiated.

In such case, Energinet.dk and GAZ-SYSTEM S.A. may, in their sole discretion, decide to change the technical parameters of the Baltic Pipe Project before the Open Season 2017 Phase 2, such as OS 2017 Capacity or the timeframe of the Baltic Pipe construction. Moreover, the overall timeframe of the remaining part of the Open Season 2017 may be extended.

Further, Energinet.dk and GAZ-SYSTEM S.A. may, in their sole discretion, decide to postpone or entirely discontinue the Baltic Pipe Project.

If Energinet.dk and GAZ-SYSTEM S.A. decide to continue the Baltic Pipe Project, gas transportation is expected from 1 October 2023 at the earliest.

If both TSO's assess that the amount of requested capacity in the Orders to Proceed is sufficient, the Fast Track Project will be initiated.

Applicable information on the outcome of Open Season 2017 Phase 1 will be announced to the market.

## **8. Open Season 2017 Phase 2**

In Phase 2 of the Open Season 2017, the Participants will submit their Phase 2 Bid.

The Participants that have submitted a Phase 1 Bid are obliged to submit a Phase 2 Bid for at least the same amount of OS 2017 Capacity as stated in the Phase 1 Bid. If the Participant fails to comply with this obligation and the Fast Track has been initiated, the Participant shall pay liquidated damages to Energinet.dk and/or GAZ-SYSTEM S.A., in line with Appendix 3 with regard to the Danish OS 2017 Points and in line with Appendix 4 with regard to the Polish OS 2017 Point.

### **The Phase 2 Deadline is 30 June 2017.**

In Open Season 2017 Phase 2, the Participant will bid for OS 2017 Capacity. The Participant bids by submitting its Phase 2 Bid to both TSO's before the Phase 2 Deadline. The Phase 2 Bid will be submitted to both Energinet.dk and GAZ-SYSTEM S.A. for The Interconnection Point Baltic Pipe. Phase 2 Bid for the North Sea Entry Point will only be submitted to Energinet.dk.

Energinet.dk and GAZ-SYSTEM S.A. shall analyse and treat the obtained Phase 2 Bids on a non-discriminatory basis. If no over-demand for OS 2017 Capacity is registered, i.e. if the total OS 2017 Capacity requested for the same direction at a given Point for a given Gas Year in the Phase 2 Bids do not exceed the available OS 2017 Capacity at that Point, the Participant will be allocated OS 2017 Capacity equal to its Phase 2 Bid, subject to the results of the economic test and the provisions of these OS 2017 Rules and its Appendices.

In case the aggregated quantities of OS 2017 Capacities requested to be booked in the same direction at a given Point for a given Gas Year in accepted Phase 2 Bids exceed the capacity offered in the Open Season 2017 (over-demand) at a specific Point, allocation is handled with the following priority in the pro-rata mechanism:

- Priority 1: bids for maximum possible contract duration (15 Gas Years)

- Priority 2: bids for contract duration of 14 Gas Years
- Priority 3: bids for contract duration of 13 Gas Years
- Etc.

Thus, Phase 2 Bids for the maximum possible contract duration of 15 Gas Years will be allocated first. If Phase 2 Bids for the maximum possible contract duration exceed the available OS 2017 Capacity, these Phase 2 Bids are allocated pro-rata, and all Phase 2 Bids for shorter durations are disregarded. If Phase 2 Bids for the maximum duration do not exceed the available OS 2017 Capacity, the residual OS 2017 Capacity is then subject to allocation towards Phase 2 Bids for contract duration of 14 Gas Years. If the available OS 2017 Capacity is then exceeded, Phase 2 Bids for contract duration of 14 Gas Years are subject to pro-rata, and all remaining Phase 2 Bids are disregarded. If Phase 2 Bids for a contract duration of 14 Gas Years do not exceed the available OS 2017 Capacity, the residual OS 2017 Capacity is then moved further down the priority list, until the allocation equals the available OS 2017 Capacity.

Accordingly, the most secure way to obtain a specific share of OS 2017 Capacity in a given Point is to bid for the maximum duration.

A Participant who has submitted a Phase 2 Bid for both the North Sea Entry Point and the Interconnection Baltic Pipe Exit Point from the Danish transmission system (DK->PL) with the same bid size, shall, in case the allocation results in a discrepancy of allocated amount of OS 2017 Capacity at the two Points, be entitled to reduce its OS 2017 Capacity allocation at the Point with the highest amount of allocated OS 2017 Capacity, to an amount equal to the allocated OS 2017 Capacity at the Point with the lowest allocation of the two Points.

In case the Participant wishes to make use of such reduction, the Participant shall state in the Phase 2 Bid Form, that the Phase 2 Bids for the OS 2017 Capacity at the two Points are interdependent. In addition, the Participant shall inform both Energinet.dk and GAZ-SYSTEM S.A. about such interdependence within three (3) Business Days from the publication of the allocation results to the Participant.

The results of the allocation process of the Open Season 2017 Phase 2 will be announced to the relevant Participants, subject to the results of the economic test and the provisions of these OS 2017 Rules and its appendices.

After the evaluation of Phase 2 Bids, an economic test will be conducted by each TSO to assess if the Baltic Pipe Project is still feasible.

If, after the economic test, the TSOs assess that the Baltic Pipe Project is feasible and financially and socio-economically viable for both TSOs, each TSO will allocate the OS 2017 Capacity to the relevant Participants according to the result of the allocation process. If the Phase 2 Bids submitted by the Participants justify the implementation of the Baltic Pipe Project only if its' technical parameters will be decreased, the TSO's will be entitled to change the parameters of the Baltic Pipe, in particular the foreseen Technical Capacity. If such decrease requires also a proportionate reduction of the Phase 2 Bids, the TSOs will notify the Participants about it. The Participants will be entitled to reject the reduced allocation of OS 2017 Capacity within three (3) Business Days.

The TSO's will then enter into OS 2017 Capacity Agreement with the Participants which have been allocated OS 2017 Capacity. For the Points in the Danish transmission system, Energinet.dk will enter into Capacity Agreements with the Participants, and for the Point in the Polish transmission system, GAZ-SYSTEM S.A. will enter into Capacity Agreements with the Participants.

The commencement of gas transmission services is subject to conditions precedent as set out in the OS 2017 Capacity Agreements, including, but not limited to, a positive business case calculation by Energinet.dk at the end of 2017.

The process and regulation in relation to Phase 2 are described and regulated in Appendix 3 with regard to the Danish OS 2017 Points and in Appendix 4 with regard to the Polish OS 2017 Point. The Danish draft for the Capacity Agreement is enclosed as Appendix 3.C. The Polish draft for the Capacity Agreement is enclosed as Appendix 4.E.

## **Part III – General Provisions**

### **9. Communication**

#### **9.1 Open Season 2017 Information**

All relevant material relating to Open Season 2017 is available on the following websites:

<https://www.energinet.dk/openseason2017>

<http://en.gaz-system.pl/strefa-klienta/konsultacje-z-rynkiem/aktualne-konsultacje/open-season-baltic-pipe/>

It is the sole responsibility of any network user interested in participating in the OS 2017 to obtain the relevant information and documents and to ensure that the network user is in possession of all relevant information and documents as well as changes or amendments to such documents as announced on the websites above.

#### **9.2 Announcements in connection with OS 2017**

Energinet.dk's and/or GAZ-SYSTEM S.A.'s announcements during the OS 2017 will be made on the websites stated in section 9.1.

All Participants will automatically receive an email from Energinet.dk and GAZ-SYSTEM S.A. to the email address stated in the registration form in case Energinet.dk and/or GAZ-SYSTEM S.A. make public any new documents or announcements.

#### **9.3 Dialogue meetings with Energinet.dk and GAZ-SYSTEM S.A.**

Participants and other interested parties may have dialogue meetings with Energinet.dk and/or GAZ-SYSTEM S.A. upon request.

Energinet.dk and/or GAZ-SYSTEM S.A. will in such case send the details of such meeting, including date, place and agenda, before the meeting. Any information given at such meetings will be published on the "Q&A section" of the OS 2017 websites according to clause 9.1 if Energinet.dk and/or GAZ-SYSTEM S.A. find it relevant due to the principles of non-discrimination and transparency.

#### **9.3 Q&A**

Participants may submit written questions to Energinet.dk and/or GAZ-SYSTEM S.A. concerning the OS 2017 up to two weeks prior to the Phase 1 Deadline and again after the Phase 1 Deadline up to two weeks prior to the Phase 2 Deadline.

All questions must be written in English and must be emailed to one or both of the below email addresses:

Energinet.dk: [openseason2017@energinet.dk](mailto:openseason2017@energinet.dk)  
GAZ-SYSTEM S.A.: [openseason@gaz-system.pl](mailto:openseason@gaz-system.pl)

All questions and answers will be made public in the “Q&A section” on the websites above in an anonymous form. The Participants shall ensure that the wording of the questions does not make it possible to identify the Participant who has submitted the question.

All communication with Energinet.dk and GAZ-SYSTEM S.A. regarding OS 2017 shall be in English. GAZ-SYSTEM S.A. shall also allow for communication regarding the OS 2017 in Polish. In case of any discrepancy between the English and the Polish versions, the English version shall prevail. Any comments in Polish shall not apply and not be taken into account for the Danish part of the Open Season 2017.

## **10. Expenses**

All expenses of the Participant arising out of or in connection with the participation in the Open Season 2017, in particular with the preparation, registration and submission of the bidding forms, as well as expenses arising in connection with all later enquiries, discussions, provision of security etc. shall be of no concern to Energinet.dk or GAZ-SYSTEM S.A.

## **11. Amendments**

Energinet.dk and GAZ-SYSTEM S.A. reserve the right to amend the Points, capacities, economic criteria and all other information concerning the Baltic Pipe Project set forth in Part II – Open Season 2017 in case the technical/geological conditions, economics, business calculations or similar on which the information in Part II is based, are inaccurate or changed.

Such changes or amendments will be announced at Energinet.dk's and GAZ-SYSTEM S.A.'s OS 2017 websites and an email regarding the announcement will be sent to the Participants. Notwithstanding the latter, it is the sole responsibility of the Participants to be updated on the information regarding the OS 2017.

## **12. Confidentiality**

Energinet.dk and GAZ-SYSTEM S.A. will treat all information obtained from the Participants during OS 2017 as confidential. Energinet.dk and GAZ-SYSTEM S.A. undertake to use the information obtained during OS 2017 exclusively for the purpose of OS 2017. Notwithstanding the latter, Energinet.dk and GAZ-SYSTEM S.A. may use the Phase 1 Bids or Phase 2 Bids for future planning of expansions or similar in the Danish and Polish Transmission Systems.

Further, Energinet.dk and GAZ-SYSTEM S.A. may disclose the information if required by law or if the information is in the public domain at the time of disclosure. The TSOs will not disclose information that is considered business secrets according to applicable law. In such case, the TSO's will hear the Participant before the information is disclosed.

In addition, Energinet.dk and GAZ-SYSTEM S.A. may disclose the information in an aggregated and anonymous form to relevant third parties if required in order to continue with OS 2017. Such disclosure can be to the market participants, during the planned meetings, workshops etc., as well as to relevant authorities in order to achieve approvals or to contracting parties that are involved in the construction of expansions related to OS 2017.