

**NATURAL GAS PURCHASE & SALES CONTRACT  
IN ACCORDANCE WITH THE NATURAL GAS RELEASE PROGRAMME**

No....

On this day, ..... /ddmmyyy/, in Sofia, the parties below:

1. **Bulgargaz EAD**, having its head office and registered address at 47, Petar Parchevich Street, Sofia, R. Bulgaria, duly registered in the Commercial Register under UIC 175203485, represented by..... – Executive Director, referred to hereinafter as “Seller” for short,

and

2. ...., UIC....., having its head office and registered address at....., represented by..... – Executive Director, referred to hereinafter as “Buyer” for short,

both the Seller and the Buyer also referred to hereinafter individually as “Party/The Party”, and together – “Parties/The Parties”, concluded the present Contract (“**Contract**”) as follows:

**I. DEFINITIONS**

In this Contract, the definitions listed below shall have the following meaning:

**Bar** – measuring unit of pressure, but outside the International System of Units (SI), equal to 100 000 Pa;

**Higher Heating Value** – the amount of heat released during the complete combustion at constant temperature of 298.15 K (25°C) per one cubic meter natural gas, measured under standard conditions 293.15 K (20°C), where the overall amount of water vapour produced during the combustion condenses at the reference temperature. It is expressed in kWh;

**Gas Transmission Network** – a system of high pressure gas pipelines (over 16 bars) and the associated facilities, having a single mode of operation for natural gas transmission;

**Month** – a period of time starting at 07:00 AM on the first day of any calendar month and finishing at 07:00 AM on the first day of the following calendar month;

**Natural Gas** or **Gas** – a mixture of hydrocarbons (composed primarily of methane) and non-combustible components in gaseous form, and processed for transportation through a gas pipeline;

**Megawatt hour** or **MWh** shall mean the energy generated or consumed at a constant rate of one (1) MWh for one (1) hour.

**Transmission System Operator** shall mean a person-operator of the gas transmission network carrying out the natural gas transmission through the gas transmission network who is responsible for its operation, maintenance and development in a particular territory, as well as its interconnection with other networks;

**Day** shall mean the period of time consisting of 24 (twenty-four) consecutive hours from 07:00 AM of each calendar day until 07:00 AM on the following calendar time, local Bulgarian time at the Delivery Point;

**Delivery Point** shall mean the place where the right to property and the risk of losses/deterioration in the qualities of the natural gas supplied under this Contract are transferred from the Seller to the Buyer. For each single delivery of natural gas, the Delivery point shall be a virtual trading point (VTP) of.....

**Natural Gas Release Programme** shall mean the programme under article 176a, para 1 of the Energy Act;

**GRP Segment** shall mean a single market segment at the organized natural gas wholesale market where quantities of natural gas are traded under the Natural Gas Release Programme;

**Operator** shall mean a certified gas transmission network operator in accordance with the procedures laid down in the Energy Act, holder of a license for natural gas transmission issued by EWRC (Energy and Water Regulatory Commission);

**TGTN** – Transit Gas Transmission Network

**NGTN** – National Gas Transmission Network

**Implementation Agreement** shall mean the agreement under article 176a, para 2 of the Energy Act.

**Virtual Trading Point (VTP)** is a non-physical point by means of which the registered users of such virtual point can transfer between them the ownership on the natural gas.

## **II. SUBJECT OF THE CONTRACT AND DELIVERY & ACCEPTANCE POINT**

2.1. The Seller undertakes to deliver and sell to the Buyer at the agreed delivery point quantities of natural gas the quantities of natural gas in accordance with the agreements under the relevant programmes, integral part of this Contract, against the obligation of the Buyer to accept and pay for the natural gas observing the procedures and the conditions of the Contract.

2.2. Delivery & acceptance point – VTP at..... called “Delivery Point”.

## **III. DURATION OF THE CONTRACT**

3.1. This Contract shall enter into force on the date of signing and shall be effective until 07:00 AM on ..... (ddmmyyyy).

## **IV. DELIVERY PROGRAMME**

4.1. At the time of signing the Contract, the Parties shall coordinate a Delivery Programme for the natural gas (*Annex No. 2*) at the Delivery Point in accordance with the quantities confirmed with the auction procedure, which contains:

- The quantities of natural gas to be delivered per months for the respective period;
- The agreed daily quantity (ADQ), distributed evenly for each day of the respective period.

4.2. The Delivery Programme shall be in compliance with the conditions at which the Buyer has purchased natural gas (quantity, delivery, timelines, etc.) at the GRP segment in accordance with the confirmation received by the GRP segment on the trading platform of Balkan Gas Hub EAD after the respective auction procedure.

4.3. The Seller is not under the obligation to provide for the Buyer any quantity of gas exceeding the ADQ under item 4.1.

4.4. In order to guarantee the security of supplies for the country, the products from the auction procedures intended for purchasing by end suppliers and/or customers, joined to the gas transmission system of the Republic of Bulgaria, the Buyer shall declare the exit point(s) of the gas transmission system for which the purchased quantities are intended in accordance with *Annex No. 4*.

## **V. DELIVERY AND ACCEPTANCE. RISK. NOTIFYING AND REPORTING OF THE GAS**

- 5.1. The delivery of the natural gas by the Seller and its acceptance by the Buyer shall be made at the Delivery Point.
- 5.2. It shall be deemed that the natural gas has been accepted by the Buyer and that the ownership and the risk of accidental destruction of the gas have been transferred from the Seller to the Buyer at the Delivery Point.
- 5.3. The verification of the natural gas delivered under this Contract shall be made on the basis of the programmes coordinated under item 4.1 and shall be binding for the parties, except in the cases provided in item 7.11 herein.
- 5.4. The quantity of natural gas delivered to the Buyer during the respective month shall be recorded in a monthly statement (*Annex No. 3*). The monthly statement shall contain information for coordinated, delivered and unaccepted quantities of natural gas under item 7.4.
- 5.5. The Seller shall compose the monthly statement and send it by e-mail or fax to the Buyer within 2 (two) working days from the confirmation of the commercial data for the Delivery Point by the Operator.
- 5.6. The Buyer cannot propose amendment as regards the quantities coordinated under item 4.1 of the Contract on annual, monthly or daily basis.
- 5.7. The Seller and the Buyer shall submit notification about a transaction within the meaning of the Natural Gas Market Balancing Rules (the Transaction) at the Delivery Point to the gas transmission network Operator for the respective period in accordance with the quantities and the delivery period under item 4.1 of the Contract.

## **VI. PRICE, TIME LIMIT AND PAYMENT**

- 6.1. The price of the natural gas shall be fixed in accordance with the conditions of the Implementation Agreement of the Natural Gas Release Programme, in BGN for 1 Megawatt hour (MWh).
- 6.2. The Seller shall not charge excise duty at the Delivery Point.
- 6.3. The Seller shall submit invoices and credit notes to the Buyer by e-mail – the information specified in item 8.2 of the Contract. If the issuance date expires on a non-working day, the invoices shall be issued and submitted on the next working day.
- 6.4. The Buyer shall pay the cost of the issued invoices in either of the ways specified in items 6.11 and 6.12.
- 6.5. Where, not later than 10 (ten) working days prior to the delivery month, the Buyer submits a bank guarantee or deposit to the Seller, the Buyer shall make the payments under item 6.11. Where such bank guarantee or deposit have not been submitted within the specified

time limit, it is assumed that the Buyer will make the payments under the procedure laid down in item 6.12.

- 6.6. The payment shall be made by bank transfer to the bank account specified in item 8.2 of the Contract. The bank account may be changed only with the explicit consent of both parties under the Contract. If the payment is made in US dollars, valid shall be the exchange rate of the Bulgarian National Bank fixed for the previous day.
- 6.7. Where the payment order does not indicate a specific invoice, the discharge of the Buyer's obligations shall be made in accordance with the procedure laid down in article 76, para 1 of the Obligations and Contracts Act.
- 6.8. Where the payment order indicates a specific invoice, the funds received shall repay first the principal under the respective invoice and then the remainder is used to deduct the amount of the penalty.
- 6.9. If the maturity under an invoice or another primary document under items 6.11 or 6.12 falls on a non-working day, the maturity of the respective document shall be shifted to the first working day after the day provided under item 6.11 or 6.12. The effective date of payment shall be the date of crediting the bank account of the Seller.
- 6.10. If the Seller's bank account has not been credited with the amount due within the agreed time limits, the Buyer shall pay a penalty to the Seller, constituting the statutory interest on the amount outstanding within the time limit for the whole period of delay, including the day of final payment.

#### **6.11. Payment with security**

- 6.11.1. In order to guarantee the payments under the Contract, the Buyer shall submit security in one of the following forms:
- a) cash paid as deposit to the Seller's bank account;  
The deposit money shall be paid in BGN and certified by crediting the Seller's bank account. The reason for payment, to be specified in the payment order, shall be "Deposit securing the payments under Contract No. ...."  
The Seller shall not pay to the Buyer any interest for the time during which he has held the deposit amount or any additional charges, costs or other payments related to the submitted deposit.
  - b) bank guarantee issued in favour of the Seller in accordance with the terms and conditions specified in *Annex No. 1*.
  - c) another form of liquidity security for the payments agreed between the parties;  
The Buyer shall submit the guarantee or the deposit to the Seller not later than 10 (ten) working days before the beginning of the delivery month with validity period of 30 (thirty) days from the expiry of the last delivery month.
- 6.11.2. The amount of the bank guarantee or the deposit should cover the cost of the biggest month supply of natural gas in accordance with the Delivery Programme (*Annex No. 2*) multiplied by the price proposed by the Buyer for the respective supply, inclusive of VAT.
- 6.11.3. The guarantee shall be unconditional, irrevocable and with the possibility to be absorbed in whole or in parts. It shall also contain an obligation of the guaranty bank to make unconditional payment within 5 working days at first written demand by the Seller, if the Buyer has not paid the due amounts, including contractual penalties and compensations in accordance with this Contract.

- 6.11.4. When absorbing the bank guarantee/deposit in whole or in parts, the Byer undertakes to submit a new bank guarantee/deposit or to reimburse the effective bank guarantee/deposit to the respective full amount, subject to the conditions of items 6.11.1 and 6.11.2, within 5 (five) working days as of the date of absorption.  
After a written request by the Byer, the parties may negotiate full or partial reimbursement of the deposit, subject to the condition of item 6.11.2.
- 6.11.5. The costs for opening the bank guarantee/deposit, for their renewal and absorption, shall be undertaken by the Byer. All costs incurred by the Seller in connection to the absorption of the bank guarantee shall be invoiced separately and paid by the Byer.
- 6.11.6. The Seller shall issue an invoice to the Byer for the cost of the delivered natural gas by the 9<sup>th</sup> day of the month following the delivery month.
- 6.11.7. The Byer shall pay the cost of the issued invoice under item 6.11.6 by the 12<sup>th</sup> day of the month following the delivery month.
- 6.11.8. If the Byer has not paid the amounts due by the 12<sup>th</sup> day of the month, the Seller shall be entitled to absorb the bank guarantee or the deposit to the amount of the outstanding sums.
- 6.11.9. For the period from the maturity date of the outstanding sums until the crediting the Seller's account by the issuing bank the Byer shall pay a penalty for delay in accordance with the Contract conditions.

## **6.12. Payment without security**

- 6.12.1. By the 20<sup>th</sup> day of the month preceding the delivery month, the Seller shall issue an invoice to the Byer for 50% of the cost for the coordinated quantities of natural gas in accordance with *Annex No. 2*;  
The Byer shall pay the cost of the invoice under item 6.12.1 not later than the 25<sup>th</sup> day of the month preceding the respective delivery month. The payment of the full invoiced amount within the agreed time shall be the precondition to start the supply for the respective month.  
If the Byer has taken part in an auction procedure and has purchased quantities after the 20<sup>th</sup> day of the month preceding the delivery month, the Seller shall issue an invoice to the Byer for 50% of the cost for the coordinated quantities of natural gas in accordance with *Annex No. 2* not later than the first working day after the day of concluding the Contract. The Byer shall pay the invoiced cost not later than the first day of the respective delivery month. The payment of the full invoiced amount within the agreed time shall be the precondition to start the supply for the respective month.
- 6.12.2. By the 3<sup>rd</sup> day of the delivery month the Seller shall issue an invoice to the Byer for the remaining 50% of the cost for the coordinated quantities of natural gas in accordance with *Annex No. 2*. The Byer shall pay the cost of the invoice under item 6.12.2 not later than the 12<sup>th</sup> day of the respective delivery month. The payment of the full invoiced amount within the agreed time shall be the precondition to resume the supply for the respective month after the 15<sup>th</sup> day of the month.
- 6.12.3. By the 9<sup>th</sup> day of the month following the delivery month the Seller shall issue a credit note to the Byer concerning the quantities of natural gas under items 7.3 and 7.4. The cost of the invoice shall be paid by the Byer by the 12<sup>th</sup> day of the month following the delivery month.

## **VII. TERMINATION OF THE CONTRACT. SANCTIONS. SPECIAL CONDITIONS**

7.1. The contract shall be terminated:

- a) with the expiry of its validity period;
- b) with the cancellation of the transaction at the Delivery Point by the Byer;
- c) due to a failure on behalf of either party to perform its obligations. In this case the correct party shall invite in writing the faulty party to perform its obligations within a period appropriate for such performance, warning it thereby that in case of failure to meet the deadline the Contract shall be considered cancelled. The cancellation shall have effect for the future.

7.2. Each party shall be entitled to terminate the Contract unilaterally by giving a 10-day's written notice in case of failure to reach consent and sign an additional agreement proposed by the Seller under 8.4.

7.3. The Seller shall not be liable to the Byer for the quantities of natural gas not delivered as result of:

- suspending the deliveries of natural gas in accordance with the procedure and under the conditions laid down in the Contract;
- restriction or suspension of the deliveries of natural gas due to circumstances beyond the control of the Seller, which have occurred outside the territory of the Republic of Bulgaria;
- introduced restrictive regime;
- temporary restriction or disruption of the natural gas supply by the Operator.

7.4. If the ADQ has been fully rejected, including cancellation of requested transmission or the transaction by the Byer, for each day of unaccepted ADQ during the respective deliver month, the Byer shall pay to the Seller additional 20% on the cost of the unaccepted quantity of gas.

7.5. The amounts due under item 7.4 shall be calculated on the basis of the Monthly Statement.

7.6. For the amounts due by the Byer under item 7.5, a notice of additional payment shall be issued (NAP). The issuance and payment of NAP shall be made within the time limits under 6.11 and 6.12 of this Contract.

7.7. In case of delaying the amounts due under item 7.6 the Byer shall pay statutory interest for each day of delay.

7.8. The Seller shall be entitled to terminate the Contract with a 5-days' notice in writing if the Byer has delayed the payment of amounts due for more than 7 days.

7.9. The Byer shall be entitled to terminate immediately the Natural Gas Supply Contract in case of opening insolvency proceedings, for his declaration of insolvency or for the Seller's liquidation.

7.10. After the termination of the Contract validity, its clauses shall be applicable until the final discharge of all obligations by the parties, occurring before the date of termination, and until the final settlement of all disputes and disagreements between the parties arising during the period of its validity.

7.11. In the event of delayed payment of an amount due or failure to submit a bank guarantee/deposit under the conditions of this Contract, the Seller shall be entitled to discontinue the supply of natural gas to the Delivery Point.

- 7.12. The Seller shall notify the Buyer for his intention to undertake the measures under item 7.11 at least 48 (forty-eight) hours prior to the date of undertaking them
- 7.13. In the cases of item 7.11, the Seller shall resume the supply of natural gas within 1 (one) working day from the payment of the amounts due.

## VIII. GENERAL PROVISIONS

- 8.1. All disputes during the implementation of this Contract, including the ones arising from or related to its interpretation, invalidity, performance or termination, and the disputes for filling gaps in the Contract or its adjustment to new circumstances, shall be resolved by the parties through negotiations. If this proves to be impossible, they shall be examined and resolved by the competent Bulgarian court in Sofia.
- 8.2. The contact persons and the addresses of the correspondence between the parties shall be:
- For Bulgargaz EAD:  
Address: 47, Petar Parchevich Street, 1000 Sofia,  
Tel: +359/2/935 8944  
Fax: +359/2/925 0394  
Bank account: .....  
Bank account (for deposit): .....  
E-mail address: [infogas@bulgargaz.bg](mailto:infogas@bulgargaz.bg)  
Contact person:.....
- For.....:  
Address:.....  
Tel: .....  
Fax: .....  
Bank account: .....  
E-mail address: .....  
Contact person:.....
- 8.3. The parties shall notify each other in writing about any changes in the details described in item 8.2 within 3 (three) days from the respective change.
- 8.4. The Seller can propose amendments in the conditions of the Contract, if they have been caused by a change in the conditions for purchase, transmission and/or storage of natural gas and/or changes in the existing legislation. In such case the Seller shall notify in writing the Buyer about the new conditions under the Contract. The notification shall be given not later than 30 (thirty) days prior to the date from which such new conditions under the Contract shall be applicable, accompanied by a draft for additional agreement, regulating the new conditions for the supply of natural gas.
- 8.5. In case of need to release capacity at the exit points of the gas transmission network as result of purchasing quantities of natural gas at the GRP segment, the Seller shall transfer the corresponding capacity to the exit point of the customer who has purchased such quantities. The transfer shall be made by negotiating a secondary transaction with capacity, observing the procedures provided in article 7 of the harmonized contract for access to and transmission of natural gas through the gas transmission networks of Bulgargaz EAD at the price for its booking on the primary market by Bulgargaz EAD, or by transfer of the

capacity intended for release under the “mechanism for surrender of contracted capacity” regulated in the congestion management procedures in case of contractual congestion. Both mechanisms shall be applied by means of the regional capacity booking platform – RBP.

8.6. In the event that the end suppliers and the customers, joined to the gas transmission system of the Republic of Bulgaria have accepted a smaller quantity than the minimum annual quantity under an already effective contract for the supply of natural gas to an exit point of the gas transmission network with Bulgargaz EAD, the Seller shall not demand payment for the unaccepted quantity of gas equal to the quantity purchased under the Natural Gas Release Programme.

8.7. For all issued not settled in this Contract, applicable shall be the provisions of the effective legislation in the Republic of Bulgaria.

8.8. The following annexes shall be an integral part of this Contract:

**Annex No. 1** – Bank Guarantee Template

**Annex No. 2** – Monthly Schedule for Natural Gas Supply

**Annex No. 3** – Monthly Statement Template

**Annex No. 4** – Declaration of exit point(s) in the gas transmission network for which he purchased quantities as intended.

Seller:

Byer:

**BANK GUARANTEE No.....**

The undersigned, Commercial Bank....., address:....., have been informed that Bulgargaz EAD, having its head office and registered address at 47, Petar Parchevich Street, Sofia, R. Bulgaria, duly registered in the Commercial Register under UIC 175203485, in your capacity of Supplier and....., having its head office and registered address at....., duly registered in the Commercial Register under UIC....., in his capacity of Byer, have concluded Contract No...../..... (date) for the supply of natural gas.

In accordance with the contractual conditions, the Byer shall submit in your favour a payment guarantee.

In performance of the above, we, Commercial Bank....., address:....., undertake irrevocably, unconditionally and unreservedly, regardless of the validity and the operation of the above Contract, and of the objections raised by the Byer or by third persons, to pay to Bulgargaz EAD, at your first demand, not later than 5 working days, any amount or amounts not exceeding the total maximum of BGN..... (in words.....), upon the receipt of duly signed and sealed demand for payment, submitted by a person lawfully representing Bulgargaz EAD and declaring that the Byer..... has not paid to Bulgargaz EAD the amount due under the Contract for the supply of natural gas, including amounts on due penalties and compensations.

With a view to establishing the authenticity of your written demand for payment, it should be submitted to us through the central office of your servicing bank, which is to verify the signatures.

This guarantee shall enter into force on the date of issuance and shall be effective by.... (date), i.e. the guarantee shall become automatically null with its expiry by 04:00 PM on.... (date), if your demand made under the conditions specified above, has not been received in Commercial Bank....., address:..... After this date, the commitment of Commercial Bank..... shall become invalid whether the original bank guarantee has been returned or not.

This guarantee shall apply personally to you, and any demands for payment can be pledged or assigned in favour of a third person only with our explicit agreement received in advance.

This bank guarantee can be released before the expiry of its validity only after the return of the original to Commercial Bank..... Valid for this bank guarantee shall be the legislation of the Republic of Bulgaria.

**Commercial Bank..... (signature and seal)**

**MONTHLY SCHEDULE FOR NATURAL GAS SUPPLY  
to Contract No..... for the supply of natural gas  
Byer's name: .....**

No.	Indicator	Coordinated quantities of natural gas for delivery & acceptance				
		(Year)	including quarterly			
			1 <sup>st</sup> quarter	2 <sup>nd</sup> quarter	3 <sup>rd</sup> quarter	4 <sup>th</sup> quarter
1.	Natural gas (total) – MWh	0	0		0	0
	incl. per months	1 <sup>st</sup> month	0.000	0.000	0.000	0.000
		2 <sup>nd</sup> month	0.000	0.000	0.000	0.000
		3 <sup>rd</sup> month	0.000	0.000	0.000	0.000
2.	Agreed daily quantity (ADQ) – MWh/day					
	incl. per months	1 <sup>st</sup> month	0.000	0.000	0.000	0.000
		2 <sup>nd</sup> month	0.000	0.000	0.000	0.000
		3 <sup>rd</sup> month	0.000	0.000	0.000	0.000

Seller:

Byer:

**MONTHLY STATEMENT**

For the supply of natural gas in..... (month/year)

Contract No..... – ..... (Byer's name).....

Delivery point:.....

Issuance date:.....

Date	Delivery & acceptance point code	Coordinated quantity of natural gas	Delivered quantity of natural gas	Unaccepted quantities of natural gas
		(MWh)	(MWh)	(MWh)
.....				
.....				
.....				
.....				
.....				
Total				

Seller:

Byer:

**DECLARATION**

by

.....

In order to guarantee the security of supplies for the country, the products from auctions intended for purchase by end suppliers and/or customers, joined to the gas transmission network of the Republic of Bulgaria, I hereby declare that the natural gas under this Contract shall be delivered to the following exit point(s) in the gas transmission system:

Exit point:.....

Exit point:.....

Exit point:.....

Exit point:.....

.....

.....

Date:.....

Signature:.....