

**TENDER PROCEDURE FOR THE IDENTIFICATION OF  
THIRD PARTIES AVAILABLE TO PROVIDE LNG FOR  
THE PEAK SHAVING SERVICE DURING THE WINTER  
PERIOD OF THE GAS YEAR 2016/2017**

**OCTOBER 28<sup>TH</sup>, 2016**

## 1. INTRODUCTION

- i) Having regard to Article 8, Paragraph 1, of Legislative Decree 93/2011 and in accordance with the provisions of Article 10 of Regulation (EU) 994/2010, by the Decree of the Minister of Economic Development (**MSE**) of 19<sup>th</sup> April 2013, an emergency plan was adopted to deal with adverse events in the natural gas system (the **Plan**);
- ii) Having regard to the decree of the MSE of 13<sup>th</sup> September 2013 with which the MSE amended the Plan, introducing in Paragraph 4.2.3 the use of stored GNL for peak shaving in event of climatic emergency and as not market measure;
- iii) Having regard to the decree of 18<sup>th</sup> October 2013 *“Terms and condition for peak shaving service during the winter period of the gas year 2013/2014”*;
- iv) Having regards to the decree of 27<sup>th</sup> December 2013 with which the Plan has been amended providing, in point H of the annex A of the above mentioned decree, the storage of the LNG in the regasification terminals for peak shaving service;
- v) Having regards of the meeting of the *Comitato tecnico di emergenza e monitoraggio del sistema del gas naturale* held on 24<sup>th</sup> October 2016;
- vi) Having regards to resolution 585/2016/R/Gas of AEEGSI *“Provision for peak shaving service through regasification for the winter period of the gas year 2016/2017”* issued on 20<sup>th</sup> October 2016;
- vii) Having regards to the letter of 25<sup>th</sup> October 2016 with which OLT Offshore LNG Toscana S.p.A. (OLT) sent to MSE and AEEGSI its peak shaving procedure pursuant to the above mentioned resolution;
- viii) Having regards to letter of MSE of 27<sup>th</sup> October 2016 (Prot. n. 0029620) with which the MSE gave its formal approval to the peak shaving procedure proposed by OLT;

And given that:

- ix) OLT, which will coordinate with Snam Rete Gas S.p.A. (**SRG**), intends to give effect to this tender (**Procedure**) in order to identify the third parties providing LNG for peak shaving service;
- x) The Service will be directly awarded on the basis of the lowest offer, provided that the bid is lower than a value determined by the MSE upon the proposal of the **AEEGSI** (Reserve Price 1). If the bid is between the Reserve Price 1 and a second value also determined by the MSE (Reserve Price 2), the award is subject to MSE confirmation within 18.00hrs. of 22<sup>nd</sup> November 2016. It is understood that the Service cannot be anyway awarded if the bid is higher than the Reserve Price 2
- xi) LNG, owned by the successful tenderer (**Supplier**), will be delivered to the FSRU Toscana terminal (**Terminal**) and therein stored according to the general terms and condition of the contract with OLT (**Access Code**);
- xii) In the period between 1<sup>st</sup> January 2017 and 31<sup>st</sup> March 2017, the LNG, delivered to the Terminal and therein stored for the purposes referred to in this Procedure, can be used for peak shaving at the request of SRG, as balance responsible entity, in accordance with the provisions of MSE and then be transferred by the Supplier to SRG;
- xiii) during the month of April 2017:

- OLT will redeliver to the Supplier the quantity of gas made available by the Supplier at the Entry Point Livorno – REMI 50102201 (**Redelivery Point**) net of: (i) any quantities of gas corresponding to the boil of gas produced during the discharge and already redelivered to the Supplier before 31<sup>st</sup> March 2017, (ii) the quantity of gas requested by SRG for the purposes set forth above, (iii) the quantity of gas equivalent to the fuel gas and losses attributable to the regasification services, as calculated in the Access Code, for the whole duration of the Service, and to the consumption attributable to the transport service, and (iv) of the quantity of gas purchased by OLT as defined in paragraph 6.4 of this Procedure;
- SRG will redeliver to the Supplier at Virtual Trading Point (**PSV**) the quantities of gas corresponding to those used by the same SRG as balance responsible entity to cope with climatic emergency conditions on the basis of the decisions of the competent authorities.

## 2. PURPOSE OF THE PROCEDURE

The purpose of this Procedure is the identification of subjects available to provide one cargo for receiving and prolonged storage of LNG into the tanks of the Terminal during the period between 1<sup>st</sup> December 2016 and 31<sup>st</sup> December 2016, with subsequent redelivery (after regasification and according to terms better defined in the following paragraphs of this Procedure and without prejudice to paragraph 6.4 of the Procedure itself) in April 2017 (the **Service**), in order to allow OLT to make available to the balancing responsible entity from 1<sup>st</sup> January 2017 and until 31<sup>st</sup> March 2017, the quantities of natural gas that are object of the peak shaving service.

Initially, the Service will consist in delivering in the tanks of the Terminal of a quantity of LNG between a minimum of around **430,000 MWh** (equivalent to approximately **65,000** cubic metres of LNG) and a maximum of around **730,000 MWh** (equivalent to approximately **110,000** cubic metres of LNG) through LNG cargo that will moor in the period between 1<sup>st</sup> December 2016 and 31<sup>st</sup> December 2016 (**DISCHARGE**).

The LNG stored into the tanks of the Terminal by the Supplier shall have a Wobbe Index not higher than **14.60 kWh/Sm<sup>3</sup>** and can only be delivered by LNG cargo approved by OLT pursuant to the relevant procedures defined in the Access Code.

The delivery of LNG and its use for the purpose of availability to the peak shaving service, is regulated according to the procedures defined in the respective Service agreement (the **Contract**).

The delivery/redelivery of LNG in/from the tanks of the Terminal will be governed by the **Contract** (Annex 1 of the Procedure), by the Access Code of OLT and by the Network Code of SRG that, with their annexes are an integral and substantial part of the Contract itself.

## 3. CRITERIA FOR ADMISSION TO TENDERING PROCEDURES

The participation to the tender procedure is allowed only to subjects which:

- 3.1 Have or undertake to have an import contract, i.e. an LNG supply contract with delivery at the Terminal or at a delivery point located abroad and complemented by a maritime transport contract from the delivery point to the Terminal:
  - i. valid on the date of signing of the relevant SLOT Capacity Agreement with OLT and throughout the period in which the discharge must be carried out;
  - ii. for quantities necessary and sufficient to ensure the effective discharge of the volumes indicated in the respective offer;
- 3.2 have or undertake to have availability of an LNG carrier authorised by OLT for the discharge at the Terminal;
- 3.3 have signed or undertake to sign one SLOT Capacity Agreements in due time to deliver the discharge mentioned in the offer;
- 3.4 Have or undertake to have the authorization necessary to trade at PSV by 1<sup>st</sup> December 2016
- 3.5 Are or undertake to be a SRG transportation service user by 1<sup>st</sup> December 2016.

#### 4. SUBMISSION OF BIDS

Within the terms and under the conditions set forth in the following paragraphs, the parties intending to participate to the tender shall be required to:

- 4.1 Present a single package, closed, sealed and countersigned across the seal to confirm the authenticity of the original closure, by a person with powers of representation according to Annex 6, showing outside the words in Italian “**GARA PER L’AGGIUDICAZIONE DEL SERVIZIO DI STOCCAGGIO TEMPORANEO DI GNL AI FINI DEL SERVIZIO DI PEAK SHAVING PREVISTO NEL PERIODO INVERNALE DELL’ANNO TERMICO 2016/2017**” (*Tender for the awarding of the temporary storage of LNG for the peak shaving service during the winter period of the gas year 2016/2017*) and an indication of the company name, address, fax number and e-mail address of the sender;
- 4.2 Place obligatorily inside the package the **ENVELOPE No. 1** and **ENVELOPE No. 2**, as described below, each of which must be closed, sealed and countersigned across the seal to confirm the authenticity of the original closure, by a person with powers of representation according to Annex 6.
- 4.3 The **ENVELOPE No. 1** must show outside the Italian words “**DOCUMENTAZIONE**” (“*Documents*”) and the business name of the tenderer, and contain a photocopy of a valid identity document of the person signing the offer, as well as:
  - a) statements and commitments in accordance with the provisions laid down in paragraphs 3.1, 3.2, 3.3, 3.4 and 3.5 using the form provided in Annex 3 of the Procedure.
  - b) identification of a contact person as the recipient of all communications required for this Procedure, specifying the fax number and e-mail address (even alternatively used), to which the communications transmitted from the OLT will be validly sent (Annex 5);
  - c) statement that the tenderer at the time of submission of the tender is not subject to bankruptcy proceedings or liquidation, or actions to recover credit by SRG and/or OLT (Annex 3);
  - d) declaration in lieu of affidavit attesting to the ownership of the powers of representation of the signing subject (Annex 6).

4.4 The **ENVELOPE No 2** must show outside the Italian words **“OFFERTA ECONOMICA”** (*“Financial bid ”*) and the business name of the tenderer, and contain a binding offer prepared according to the Bid Form appropriately prepared by OLT and annexed to this Procedure (**Annex 2**) and a free-standing bank guarantee enforceable on first written demand for an amount of EUR 200,000 (two-hundred-thousand Euros) issued by Approved Financial Institution (as defined in the Access Code) for the purpose of the penalty set forth in Article 6.1 of the present Procedure (Annex 8).

The bid relating to DISCHARGE must be prepared exclusively using the form attached to this Procedure. The submission of incomplete bids (including the possibility of failure to submit the set forth above guarantee or the photocopy of a valid identity card of the person signing the bid) or which do not comply with the rules referred to in this document shall constitute grounds for exclusion from the tender.

The submitted bids shall be binding until the completion of this Procedure or until the date of signing of the related Contract with the successful party and constitute an irrevocable commitment for bidders to provide the Service.

The value of the Offered Price P will be expressed in EUR/MWh with an indication of three decimal places. If more than three decimal places are given the value is automatically rounded down to three decimal places. It is understood that this Offered Price P refers exclusively to the amount for the provision of the Service itself since the quantity of LNG delivered by the Supplier will be redelivered, net of the amounts defined at paragraph 6.3 to the Supplier itself at the Redelivery Point in the month of April 2017

The package must, under penalty of exclusion, be delivered in the period from **28<sup>th</sup> October 2016**, to the **17.30 hrs of 21<sup>st</sup> November 2016** (from Monday to Friday from 09.00 hrs to 17.30 hrs), excluding non-working days, at:

**Studio del Notaio Fabio Monteleone – via Cesare Battisti 23, Milano (Studio Notarile)**

Where the participating company intends to deliver the offer via direct delivery through its employee, the latter must present himself with a valid document of identity.

The delivery of the envelope beyond the deadline of **17.30 hrs of 21<sup>st</sup> November 2016** and outside of the above times will not be accepted, without any liability being ascribed to OLT in this regard. The participating company making use of couriers for delivery, cannot justify the delay in the delivery ascribing it to these subjects.

Upon delivery of the package, the staff of Studio Notarile in charge of receiving:

(A) in the case of delivery by an employee of a participating company, shall photocopy the identity document of the delivering natural person releasing an appropriate receipt, signed by the employee of Studio Notarile taking the delivery of the package (Attachment 7);

(B) in the case of using couriers, shall release the appropriate receipt, signed by the employee of Studio Notarile taking the delivery of the package (Attachment 7).

The receipt is the only valid document attesting to the date and time of delivery of the bid. Therefore bids for which the above receipt has not been issued will not be considered as received.

In addition to the bids received after the relevant deadline for the delivery of the packages as stated above, those received incomplete or not in accordance with the procedures referred to in this document (including, but not limited to, unsealed envelopes, documents not signed, or failure to attach a photocopy of the identification document of the subscribing person) will be excluded and not valid for this Procedure. Non irrevocable offers, or subject to conditions, or non-compliant with the forms made available by OLT will also be excluded.

Single bids jointly submitted by two or more participating companies are also not allowed. In the event a party presents more than one offer, if relevant, only the one being submitted first in order of time will be considered valid, while the others will be considered as void. In case multiple bids are submitted by the same party at once (for example, to be entrusted to the same employee or to the same courier), they will all be excluded.

The Reserve Price 1 and Reserve Price 2, referred to point x) of the Introduction and the subsequent Article 5, shall be delivered at the same Studio Notarile above, in two separate sealed envelopes and countersigned across the seal by MSE, within the same deadline set for the submission of bids, marked externally in the manner deemed appropriate by the MSE to highlight which is the envelope containing the Reserve Price 1 and which is the envelope containing the Reserve Price 2.

## 5. TENDER AWARD

On **22<sup>nd</sup> November 2016** from 10.00 the internal committee, for the purpose designated by OLT and whose secretary will be a notary from Studio Notarile, in the presence of a specially designated representative of SRG, will meet at Studio Notarile, in Milan, via Cesare Battisti 23. After having verified the successful delivery of the envelopes from the MSE, the notary will open the sealed envelopes received by the tenderers in accordance with the provisions of Article 4, shall verify the presence of both **ENVELOPES No. 1** and **No. 2** and that all the envelopes submitted are closed and bearing outside the correct words. Only in the case of successful completion of these checks, the committee will open the **ENVELOPE No. 1** of each bidder and shall proceed with the verification of the completeness and conformity of the documents contained therein.

Subsequently the internal committee will open **ENVELOPE No. 2** of each tenderer whose documentation contained in **ENVELOPE No. 1** has been verified and accepted, and shall arrange the order of the bids received from the lowest Offered Price P.

Finally, the internal committee will open the envelopes sent by the MSE containing the Reserve Price 1 and Reserve Price 2, referred to in point x) of the Introduction, and will acknowledge the values indicated therein.

The internal committee shall award the Service object of the present Procedure, according to the order of merit of the bids, to the subject indicating the lowest Offered Price P but in any case subject to point (x) of the Introduction hence with the possible prior and express consent of MSE,

In the case where two or more parties have submitted bids with the same Offered Price P, the tender winner will result the party offering a greater quantity of LNG, expressed in energy MWh, or - even at an equal quantity - executed from the committee by lot.

Prior the final determination of the MSE in accordance with the condition set forth in point (x) of the Introduction, OLT shall communicate, not later than **20.00 hr of 22<sup>nd</sup> November 2016** only to the successful tenderer the result of the tendering procedure via registered mail with acknowledgment of receipt and anticipated via email or fax, stating the relevant Offered Price P (excluding VAT). The same will be communicated to the MSE and to the AEEGSI.

If during the opening of the **ENVELOPE No. 1** the therein documentation is found incomplete or not in accordance with the provisions of Article 4, resulting in the exclusion of the tenderer from Procedure, OLT shall notify the concerned tenderer within **30<sup>th</sup> November 2016** and shall preserve the envelopes received for a maximum of 90 days from the date of opening of the envelope for the eventual withdrawal from the excluded subjects.

The tender documents will be available to anyone who has submitted a bid for the following 90 calendar days.

## 6. SERVICE CONTRACT

6.1 The successful bidder must submit to OLT, no later than **30<sup>th</sup> November 2016**, at the headquarters of OLT at Palazzo Orlando, Via Gaetano D'Alesio 2-57126 Livorno, to the attention of Alberto Ton, the Contract (Annex 1 to the Procedure), duly completed and signed by the legal representative or by duly authorised attorney, and complete in all its parts, in three original copies. The Contract, in accordance with the award notification issued by the OLT, will contain the LNG quantity expected to be discharged with the corresponding Offered Price P of the award, as well as an indication of the VAT rate applicable.

Failure to comply with this deadline for the delivery of the Contract to OLT and of the original of the bank guarantee referred to in Article 7 below, will result in disqualification from the award of the successful tenderer in default and the application of a penalty of EUR 200,000 (two-hundred-thousand Euros) to be borne by the successful bidder in default and without the need for any prior communication, notice, formal notice or demand to enforce the free standing bank guarantee set forth above in Article 4.4 f) issued in favour of the successful tenderer. OLT can award the tender to the tenderer who is the first among the unsuccessful tenderers, being understood that the latter can refuse to supply the Service and such awarding giving notice in writing (also by email) to OLT within and not later than three days from the point in time OLT communicated such awarding. It is understood that this award is still subject to the conditions laid down in point (x) of the Introduction.

OLT will return to the successful Supplier an original copy of the contract countersigned by its legal representative/attorney and by the legal representative/attorney of SRG and the free standing guarantee of EUR 200,000 (two-hundred-thousand Euros).

6.2 The Contract will govern the provision of the Service and the terms and conditions for the DISCHARGE delivery, regasification and redelivery of quantities of gas corresponding to the DISCHARGE, net of fuel gas consumption and losses relating to the regasification service

(meaning also the consumption occurring during prolonged storage in the tanks of the Terminal and the additional consumption and losses during the cooling down) and transport service.

6.3 In particular, in relation to the quantities of gas that will be actually delivered in the Terminal, the Contract provides that:

- throughout the period between 1<sup>st</sup> January 2017 and 31<sup>st</sup> March 2017, following a notice sent by SRG to OLT on the basis of the provisions of MSE, the Supplier is obliged to provide to SRG these LNG quantities that will be regasified and redelivered into the transportation grid by OLT, net of consumption and losses related to the cooling down, regasification service and transportation service as well as the quantities already redelivered to the Supplier during the discharge.;
- in April 2017, at the Supplier will be redelivered:
  - i) at the Redelivery Point, by OLT, the quantity of energy equivalent to the remaining LNG owned by the Supplier present in the tanks of the Terminal on 31<sup>st</sup> March 2017, net of consumption and losses related to the regasification service and transportation service and the quantities referred to in paragraph 6.4;
  - ii) at PSV, by SRG, any quantities made available by OLT to SRG in behalf of the Supplier for the purpose of the Service.

6.4 It is also specified that:

- OLT, no later than 31<sup>st</sup> March 2017, for technical and functional need to ensure the Terminal operation, may exercise a purchase option for all or part of the remaining LNG owned by the Supplier and present in the tanks of the Terminal on 31<sup>st</sup> March 2017;
- The Supplier will have in charge the costs and expenses related to the SLOT Capacity Agreement and the transportation grid charges, including any variation of 2016 regasification tariff and/or maritime services defined by AEEGSI being these two latter subject to an administrative dispute on Resolution 652/2015/R/Gas. It is understood that this possible tariff variation will be considered, in the manners set forth by AEEGSI, as a further amount due to the Supplier pursuant to the following Article 8.
- the amount paid to the successful Supplier under this Procedure will be paid to the Supplier itself within the terms and under the conditions better defined in the Contract;
- charges relating to the Service under this Procedure, shall be charged to the national gas system as defined by AEEGSI.

## 7. BANK GUARANTEE AND PENALTIES

The effectiveness of the Contract is subjected to the presentation of an appropriate bank guarantee payable upon first request with validity until 30<sup>th</sup> June 2017. The guarantee will be issued by the Approved Financial Institution (such as defined in the Access Code), for an amount of EUR 1,000,000 (one-million Euros) issued in favour of OLT to ensure compliance with the commitments under the Contract.



The original of the guarantee, issued in accordance with the form of Annex 4, must be delivered to OLT at the address referred to in Article 6.1 together with the Contract and, in any event, no later than the same deadline provided in Article 6 above.

In the event of total or partial application of the guarantees, the amounts will be allocated to the system in the manner determined by AEEGSI.

In the event that the successful Supplier, in breach of the obligations undertaken by signing the Contract, does not proceed with the discharge of the quantities of LNG by 31<sup>st</sup> December 2016 as provided by Article 10 of the Contract, the latter will be required to pay to OLT a penalty of EUR 1,000,000 for the failed discharge and to reimburse the extra costs incurred to supply the quantity required to perform the Service by another supplier. The above penalty will be applied also in the event of rescheduling of the above discharges outside of the above defined time frame.

Any amounts paid by successful bidders on payment of such penalties will be returned to the system as determined by AEEGSI.

## 8. BILLING AND PAYMENT

To the successful tenderer will be paid, as further specified in Article 7 of the Contract and without prejudice to Article 7.2 of the Contract itself, the unit economic value as indicated in the respective offer as the price for the Service (**Offered Price P**), applied to the amount of energy actually discharged, without prejudice to the possible variation of 2016 regasification tariff and/or maritime services defined by AEEGSI being these two latter subject to an administrative dispute on Resolution 652/2015/R/Gas. OLT communicates to AEEGSI, *Cassa per i servizi energetici* and SRG the amount due to the Supplier.

## 9. MISCELLANEOUS

OLT reserves the right to modify, cancel, revoke, suspend, discontinue the Procedure, at its sole discretion by giving notice on its website, within the deadline for the notification of the tender award (**22<sup>nd</sup> November 2016**), without a potential supplier being able to make any claims whatsoever concerning the award and signing of the contract, any rights to compensation, reimbursement or compensation whatsoever.

Any hour in the Procedure is meant at Italian hour.

The following attachments which are made available on the website of OLT are an integral part of this Procedure:

[Annex 1: Service Contract](#)

[Annex 2: Bid Form](#)

[Annex 3: Declaration Form](#)



Courtesy English Translation (not binding – only the Italian version is binding)

Annex 4: Service Contract Bank guarantee

Annex 5: Communications Form

Annex 6: Declaration in lieu of affidavit

Annex 7 A/B: Acknowledgment of Receipt

Annex 8: Bid Bank Guarantee