


Israel Natural Gas Lines Ltd.

1	29/07/2018		GK			
	Date	Description	Prepared	Checked	Approved	
			<p>Request for Information regarding <u>Hydrocarbon Accounting Software</u></p>			
Company Representative : Mr. Gil Kashani			<p>Document no. 385292</p>			
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Request for Information regarding Hydrocarbon Accounting Software

Israel Natural Gas Lines Ltd ("**INGL**") requests information regarding hydrocarbon accounting software, as a preliminary stage in its review of the possibility to install and apply such software for managing the gas flow in its natural gas transmission system.

Any entity interested in providing such information can do so by e-mail no later than **10.9.2018**, as provided for below.

General

1. INGL is a governmental transmission system operator ("**TSO**") company. INGL operates approximately 700 KM of pipelines, 45 PRMSs and 40 valve stations ("**System**") (see schematic map attached below).
2. Currently the suppliers to the System are the Tamar field and an LNG terminal (using a FSRU).
3. The amount of gas delivered from Tamar is controlled by pressure and the amount of gas delivered from the FSRU is controlled by flow. Shippers are allowed to sell and buy extra gas between themselves. The generic AGREEMENT FOR THE TRANSMISSION OF NATURAL GAS currently used by INGL is attached hereto as **Appendix A**.
4. By the end of 2019, two new suppliers are expected to be connected to the System, and all suppliers are expected to be required to deliver gas to the System by flow control.
5. The system is designed to work with working pressure of 80 BAR .
6. The change from one pressure control supplier to multi flow control suppliers creates the need for a TSO hydrocarbon accounting software.

The Software

7. The basic needs from such hydrocarbon accounting software ("**Software**") are as follows:

7.1. Nomination and re-nomination process:

7.1.1. Workflows of collecting and organizing the nominations data from shippers and suppliers (portal - web based, machine to machine, etc.).

7.1.2. Automate matching workflow and scheduling.

7.1.3. Nominations between shippers - managing the contracts and their conditions (title transfer).

7.2. Allocations process:

7.2.1. Interface to data from the metering, SCADA systems and simulation software.

7.2.2. Calculating the allocated gas according the contracts, metered data and customer trading.

7.2.3. Calculating imbalances (hourly, daily and monthly).

7.2.4. Billing.

7.2.5. Contract management & price calculations.

7.2.6. Interface with downstream distribution companies and special issues related to distribution shippers

7.3. Reporting and alerting to INGL, shippers and suppliers.

7.4. Future interface with trading exchange / hubs.



The RFI process

8. This Request for Information procedure ("**RFI**") is being issued by INGL in accordance with section 14A of the Mandatory Tender Regulations, 1993, for the purpose of gathering information regarding **(a)** the suitability and applicability of the Software for its needs as detailed above; and **(b)** existing operative Software that (subject to adaptations if necessary) can support its needs.
9. **Such information may be submitted only by entities that (a) own the Software or hold authorization to grant license for such Software for use by INGL; and (b) have proven experience and existing operating customers.**
10. The information submitted must include a description of the entity submitting the information (including contact details), general description of the Software, its compliance with the needs detailed above, adaptations that may be required, general and schedule for installing and applying the Software, existing operative clients of the Software (TSO companies only) and any other relevant information that may serve the purposes of this RFI.
11. The information should be sent by e-mail to Ms. Reut Davidovitz (davidovitz@ingl.co.il) by no later than 10.9.2018.
12. Following receipt and review of such information INGL may initiate further enquiry by conference call or any other method with any or all entities that shall take part in the RFI.
13. It is hereby clarified that this RFI does not constitute an undertaking by INGL to further proceed with its queries regarding the Software and/or to initiate a procedure for the acquisition of such Software.
14. Should INGL decide to purchase the Software it may do so by any procedure it deems fit, such as public tender or requests for proposals or by negotiation with any relevant

entity (including entities that will not participate in the RFI); all in accordance with its sole discretion and subject to Israeli law.

15. INGL may share the information submitted to it under this RFI with the relevant authorities of State of Israel regulating its operation.

Appendix

Appendix

AGREEMENT FOR THE TRANSMISSION OF NATURAL GAS

Dated _____

between

a company duly incorporated and existing under the laws of the State of Israel (company no. _____) and whose registered office is at _____, ISRAEL

- hereinafter referred to as "**the Shipper**" -

and

Israel Natural Gas Lines Company Ltd.

a company duly incorporated and existing under the laws of the State of Israel (company no. 513436394) and whose registered office is at 2A Kremenetski St., Engel Bldg., Tel-Aviv, 67899, ISRAEL

- hereinafter referred to as "**INGL**" -

GENERAL TERMS

TABLE OF CONTENTS

1.	DEFINITIONS AND INTERPRETATION	5
2.	INGL'S CONSTRUCTION OBLIGATION.....	13
3.	TRANSMISSION CAPACITY	13
4.	TRANSMISSION SERVICES	15
5.	TERM OF AGREEMENT	16
6.	SHIPPER'S DELIVERY AND REDELIVERY OBLIGATIONS	17
7.	GENERAL RIGHTS AND OBLIGATIONS.....	18
8.	STATUTORY REQUIREMENTS	19
9.	MEASUREMENT PROCEDURES	19
10.	GAS QUALITY	21
11.	MAINTENANCE OBLIGATIONS.....	24
12.	NOMINATION OF QUANTITIES	25
13.	DETERMINATION AND ALLOCATION OF QUANTITIES	30
14.	BALANCING.....	31
15.	CAPACITY OVERRUNS	34
16.	COMMUNICATION	35
17.	SHIPPER'S COMPLAINTS	36
18.	TAXES.....	37
19.	INVOICING AND PAYMENT.....	37
20.	CONSTRUCTION OF GAS INSTALLATIONS.....	41
21.	FORCE MAJEURE	44
22.	REDUCED TRANSMISSION CAPACITY AND MAINTENANCE	47
23.	LIABILITY	49

24. SUSPENSION OF TRANSMISSION AND TERMINATION OF AGREEMENT	51
25. SURVIVABILITY	53
26. ASSIGNMENT AND PLEDGE	54
27. MODIFICATIONS	55
28. APPLICABLE LAW, SETTLEMENT OF DISPUTES	56
29. INEFFECTIVENESS OF PROVISIONS	57
30. CONFIDENTIALITY	57
31. INSPECTION RIGHTS.....	59
32. GENERAL	59

Appendix

WITNESSETH

WHEREAS the Shipper is, or will become, the owner of certain quantities of Natural Gas (being not less than twelve (12) million cubic meters per year) which it wishes to have transported through the Transmission System; and

WHEREAS INGL is the holder of a License for the construction and operation of the Transmission System, in force through 1 August 2034, unless extended or cancelled, according to its terms; and

WHEREAS the Shipper acknowledges that, pursuant to the License, the Transmission System, including Gas Installations which may be constructed and used by INGL to fulfil its rights and obligations under this Agreement, will be solely owned by the State of Israel and INGL has been granted the right to utilize such Gas Installations; and

WHEREAS INGL is willing to transport Natural Gas on behalf of the Shipper on the terms and conditions set out in this Agreement;

NOW THEREFORE in consideration of the premises and mutual agreements hereinafter contained, the Parties agree as follows:

1. DEFINITIONS AND INTERPRETATION

1.1. Definitions

In this Agreement (including the recitals and Appendices) the following words and expressions shall, unless the context otherwise requires, have the following meanings:

"Administrative Fee"

shall mean the fee as set forth in Article 3C of Appendix 1 (Commercial Terms), for administering the purchase and sale of Natural Gas by INGL as required to correct imbalances under the terms of Section 14.

"Affiliate"

shall mean, in relation to any Person, any other Person which (directly or indirectly) Controls that Person, is Controlled by that Person or is under common Control with that Person, where the term "Control" shall be as defined in the Natural Gas Market Law.

"Agreement"

shall mean the General Terms contained in this agreement and the appendices listed:

Appendix 1 - Commercial Terms

Appendix 2 – Waiver regarding Military Zones

Appendix 3 - Gas Quality

Appendix 4 – Measurement Procedures

Appendix 5 – Expert Determination

Appendix 6 – Data Reporting

"Assign"

shall include the effecting of any assignment, transfer, charge or other disposal, and the expression "**Assignment**" shall be construed accordingly.

"Balancing Incentive Charge"

shall be as set forth in Section 14.

"Capacity Fee"

shall mean the fixed portion of the Transportation Fee in respect of each hour, as set forth in Article 3A (Transportation Fee) of Appendix 1 (Commercial Terms).

"Capacity Overrun"

shall mean, in respect of any hour, a situation where the Shipper exceeds either of the following:

- i) the Delivery Capacity in respect of any of the Designated Delivery Points; and/or
- ii) the Redelivery Capacity in respect of any of the Designated Redelivery Points.

"Capacity Overrun Charge"

shall be as set forth in Article 5 (Capacity Overruns) of Appendix 1 (Commercial Terms).

"Connection Fee"

shall be as set forth in Section 20.1.

"Connection Fee Budget"

shall be as set forth in Section 20.1.1.

"Contract Year"

shall mean a period during the Transportation Period beginning at 06:00 hours on 1 January in a year and ending on the same hour on the same date in the next year, provided that:

- i) if the Start Date falls on a date other than 1 January, the first Contract Year shall be the period beginning on the Start Date and ending on the next 1 January; and
- ii) if this Agreement terminates on a date other than 1 January, the final Contract Year shall be the period beginning on 1 January preceding such termination and ending on the date of termination of this Agreement.

"Curtailment"

shall mean, at any given time, any reduction or restriction in the capacity available in the whole or any relevant part of the Transmission System at that time for the provision of Transmission Services to the Shipper and/or Other Shippers (whether for reasons of Force Majeure, planned or unplanned maintenance or otherwise and whether or not attributable to any act or omission of INGL).

"Day"

shall mean a period beginning at 06:00 hours on one day and ending at 06:00 hours on the next day, and **"Daily"** shall be construed accordingly.

"Delivery Capacity"

shall mean, in respect of an hour, the capacity booked by the Shipper pursuant to Section 3 for each of the Designated Delivery Points for that hour (including any capacity increase under Section 3.4 and any shifted capacity under Sections 3.2 and 3.3).

"Delivery Point(s)"

shall mean the entry points of the Transmission System, where the Upstream Facilities are connected.

"Delivery Point Measuring Equipment"

shall mean the measuring, testing and verification equipment, housings, devices and materials (together with all related equipment, appliances and buildings) required to measure, test and verify the quantity or composition of Natural Gas at the Delivery Points, which are operated either by INGL or the Upstream Operator and, if operated by the Upstream Operator, to which INGL has access and other rights pursuant to an agreement with the Upstream Operator.

"Designated Delivery Point"

shall mean the Delivery Points specified by the Shipper pursuant to Article 2 (Delivery and Redelivery Points) of Appendix 1 (Commercial Terms) and any Other Delivery Point deemed to be a Designated Delivery Point pursuant to Section 3.2.

"Designated Redelivery Point"

shall mean the Redelivery Points specified by the Shipper pursuant to Article 2 of Appendix 1 (Commercial Terms).

"Direct Damages"

shall mean any direct damages incurred by any Party and shall not include consequential or indirect damages, and shall include in respect of the Shipper, the additional cost of alternative fuel (in excess of the cost of Natural Gas) or, in the event that an alternative supply of Natural Gas is available, the additional cost thereof (in excess of the cost of the Natural Gas which cannot be transported), but not payments due under Natural Gas supply and purchase contracts. For the avoidance of doubt, Direct Damages shall include in respect of INGL the costs of cleaning and repairing the Transmission System and the costs associated with treating, venting or flaring non-compliant Natural Gas.

"Downstream"

shall mean a location that is beyond the Redelivery Points.

"Downstream Facilities"

shall mean any Gas Installations Downstream of the Redelivery Points.

"Expert"

shall mean a person appointed as an Expert under Appendix 5 (Expert Determination).

"Fuel Gas"

shall mean the fractional percent of Shipper Gas used for fuel within the Transmission System by INGL acting as a Reasonable and Prudent Operator, free of charge, in accordance with Article 8 (Fuel Gas) of Appendix 1 (Commercial Terms).

"Gas Installation"

shall be as defined in Section 2 of the Natural Gas Market Law.

"Gas Quality Specification"

shall mean the Gas Quality specifications (including quality, temperature and pressure) set forth in Appendix 3 (Gas Quality).

"License"

shall mean the License for the Construction and Operation of the Transmission System in the form granted to INGL on 1 August 2004.

"Maximum Permissible Error"

shall be the maximum permissible error (or deviation) for a meter or a metering system as set forth in Appendix 4 (Measurement Procedures), as amended from time to time.

"Million BTU" - or - "mmBTU"

shall mean one million British thermal units.

"Minister"

shall mean the Minister of National Infrastructure or another Minister of the State of Israel to which the authorities pursuant to the Natural Gas Market Law and/or the License were transferred in accordance with the Government Basic Law, 2001, including any individual to whom the Minister delegates any of his authorities pursuant to the Natural Gas Market Law and/or the License and any individual or authority to which the Minister delegates or transfers any of his authorities in relation to the Transmission System in the future.

"Month"

shall mean a period beginning at 06:00 hours on the first Day of a month and ending at 06:00 hours on the first Day of the next month.

"Natural Gas"

shall be as defined in Section 2 of the Natural Gas Market Law.

"Natural Gas Authority"

shall mean the Natural Gas authority appointed pursuant to Section 56 of the Natural Gas Market Law or the Director appointed pursuant to Section 59 of the Natural Gas Market Law or the Council for Natural Gas Market Affairs appointed pursuant to Section 63 of the Natural Gas Market Law, as the case may be.

"Natural Gas Market Law"

shall mean the Natural Gas Market Law, 2002, as amended from time to time.

"New Israeli Shekels"

shall mean the lawful currency of the State of Israel.

"Nomination"

shall mean, in respect of an hour, the quantities of Natural Gas nominated (including by any re-nomination) by the Shipper in accordance with Section 12 for delivery at the Designated Delivery Point(s) in that hour and for redelivery at the Designated Redelivery Point(s) in that hour.

"Other Delivery Point"

shall mean any Delivery Point forming part of the Transmission System other than the Delivery Points specified by the Shipper pursuant to Article 2 (Delivery and Redelivery Points) of Appendix 1 (Commercial Terms).

"Other Shippers"

shall mean all Persons, other than the Shipper, which, at the relevant time are party to an agreement with INGL for the transportation of Natural Gas through the Transmission System, and **"Other Shipper"** means any one of such Persons.

"Party"

shall mean either the Shipper or INGL, and **"Parties"** shall mean both the Shipper and INGL.

"Person"

shall mean any natural person, firm, partnership, association, organisation, foundation, trust, joint venture, company, government, governmental body, authority, or other incorporated or unincorporated body. Unless the context otherwise requires, the expression may include INGL and/or the Shipper.

"Potential Shippers"

shall mean all Persons, other than the Shipper and Other Shippers, which have applied, in a written format acceptable to INGL, to enter into an agreement with INGL for the transportation of Natural Gas through the Transmission System.

"PRMS"

shall mean the pressure reduction and metering stations to be located at, or near, one or more Designated Redelivery Points (as determined by INGL) to reduce the pressure of, and to meter, the Natural Gas transported by INGL hereunder and which are required to measure, test and verify the quantity and/or composition of Natural Gas, and any pipeline segment Downstream thereof operated by INGL.

"Proper Nomination"

shall mean Nominations made by the Shipper and accepted by INGL in accordance with Section 12.

"Reasonable and Prudent Operator"

shall mean a Person seeking in good faith to perform its contractual obligations and, in so doing and in the general conduct of its undertaking,

exercising that degree of skill, diligence, prudence and foresight which would reasonably and ordinarily be expected from a skilled and experienced operator engaged in the same type of undertaking under the same or similar circumstances and conditions.

"Redelivery Capacity"

shall mean, in respect of an hour, the capacity booked by the Shipper pursuant to Section 3 for each of the Designated Redelivery Points for that hour (including any capacity increase under Section 3.4 and any shifted capacity under Sections 3.2 and 3.3).

"Redelivery Point(s)"

shall mean the exit points of the Transmission System, where the Downstream Facilities are connected.

"Shifted Gas Nominations"

shall mean Nominations pursuant to Section 12.5, which may be in excess of the Redelivery Capacity of one or more Designated Redelivery Point(s), provided that the total Redelivery Capacity of all Designated Redelivery Points will not be exceeded in any hour.

"Shipper Gas"

shall mean Natural Gas tendered for delivery by (or on behalf of) the Shipper at the Designated Delivery Points for transportation to the Designated Redelivery Points in accordance with this Agreement.

"Spot Gas Nominations"

shall mean Nominations pursuant to Section 12.6, which are in excess of the Delivery Capacity for the relevant Designated Delivery Point and/or the Redelivery Capacity for the relevant Designated Redelivery Point.

"Spot Gas Fee"

shall be as set forth in Article 3B (Spot Gas Fee) of Appendix 1 (Commercial Terms).

"Start Date"

for each Designated Delivery Point and each Designated Redelivery Point, shall be as defined in Article 6 (Term) of Appendix 1 (Commercial Terms).

"Statutory Requirements"

shall mean any and all applicable laws and duly issued rules, regulations, directives, specifications, safety requirements, connection procedures and decisions of the Minister, the Natural Gas Authority, the Commissioner of Safety and/or any certified authority that has jurisdiction and/or authority to apply all of the above on INGL, including but not limited to the Natural Gas Market Law 2002, the Gas Law (Safety and Licensing) 1989, the Gas Order (Safety and Licensing) (Facilities for Transporting Natural Gas) 1997, the Building and Planning Regulations (Licensing Natural Gas Facilities) 2003,

the Hazardous Substances Law 1993 and the License, all as amended from time to time.

"Throughput Fee"

shall mean, in respect of a given period, the variable portion of the Transportation Fee which relates to the amount of Natural Gas, including any Fuel Gas, transported by INGL, as set forth in Article 3A (Transportation Fee) of Appendix 1 (Commercial Terms).

"Total Inputs"

shall mean, in respect of a Day, the sum of the Nominations for all Designated Delivery Points.

"Total Outputs"

shall mean, in respect of a Day, the sum of the Nominations for all Designated Redelivery Points.

"Transmission Capacity"

shall mean, in respect of an hour, the Delivery Capacity and the Redelivery Capacity.

"Transmission Services"

shall mean the services to be performed by INGL in accordance with this Agreement as described in Section 4.

"Transmission System"

shall mean the high pressure (over 16 bar) Natural Gas pipeline system (together with the associated Natural Gas facilities) as defined in the License and as modified, expanded and/or replaced from time to time in accordance with the License. For the avoidance of doubt, the Transmission System shall include the Delivery Points and Redelivery Points, the PRMS and other pressure reduction and metering stations.

"Transportation Fee"

shall mean the sum of the Capacity Fee and the Throughput Fee for a given period to be paid by the Shipper for the transportation of Natural Gas, as set forth in Article 3A (Transportation Fee) of Appendix 1 (Commercial Terms).

"Transportation Period"

shall be as defined in Article 6 (Term) of Appendix 1 (Commercial Terms).

"Upstream"

shall mean a location that is before the Delivery Points.

"Upstream Facilities"

shall mean any Gas Installations Upstream of the Delivery Points.

"Upstream Operator"

shall mean the operator of the Upstream Facilities.

"Week"

shall mean a period of seven (7) Days beginning at 06:00 hours on a Sunday and ending at 06:00 hours on the next Sunday.

"Willful Misconduct"

shall mean a deliberate and conscious or reckless disregard by a Party, including the directors, officers and employees thereof of the rank of manager, supervisor or above, of any of that Party's obligations under this Agreement, provided that the expression shall not include any omission, error or mistake (even if negligent) made by any of the above in the exercise, in good faith, of any function, authority or discretion of a Party under this Agreement.

"Working Day"

shall mean any day of the week from Sunday to Thursday, excluding public holidays in the State of Israel.

1.2. Interpretation

In this Agreement (including the recitals and Appendices), unless the context otherwise requires or unless otherwise expressly stated:

- 1.2.1. reference to a Section or Appendix is, unless otherwise stated, a reference to a Section or Appendix to this Agreement;
- 1.2.2. the singular shall include the plural and vice versa;
- 1.2.3. reference to any gender includes any other gender;
- 1.2.4. headings are inserted for convenience only and shall not affect the construction of this Agreement;
- 1.2.5. reference to an agreement (including this Agreement), document or other instrument is to the same as amended, supplemented, modified or replaced from time to time;
- 1.2.6. reference to a treaty, statute, by-law, regulation, rule, license, delegated legislation or order is to the same as amended, modified or replaced from time to time and to any by-law, regulation, rules, delegated legislation or order made thereunder;
- 1.2.7. references to time are, unless otherwise stated, references to the time prevailing in the State of Israel;
- 1.2.8. references to day, week, month, quarter, and year are, unless otherwise stated, references to Gregorian calendar day, week, month, quarter and year respectively;

- 1.2.9. reference to a Person, including INGL or the Shipper, includes a reference to its successors in title and permitted assigns;
- 1.2.10. all references to quantities shall be, unless otherwise stated, references to quantities of Natural Gas as expressed in mmBTUs; and
- 1.2.11. the Appendices hereto form part of this Agreement. If there is any conflict between the provisions of this Agreement and the provisions of the Appendices, the provisions of the main body of this Agreement shall prevail.

2. INGL'S CONSTRUCTION OBLIGATION

INGL shall construct the segment of the Transmission System from the Designated Delivery Point(s) to the Designated Redelivery Point(s), subject to and in accordance with the provisions of this Agreement.¹

3. TRANSMISSION CAPACITY

3.1. Booking

- 3.1.1. In respect of each hour during the Transportation Period the Shipper hereby books the Transmission Capacity as set forth in Article 1 (Transmission Capacity) of Appendix 1 (Commercial Terms). INGL shall make the Transmission Capacity available to the Shipper during the Transportation Period in accordance with and subject to the provisions of this Agreement.
- 3.1.2. Notwithstanding anything to the contrary in this Agreement, the total Delivery Capacities of all Designated Delivery Points shall not exceed the total Redelivery Capacities of all Designated Redelivery Points.

3.2. Shifting of Delivery Capacity

The Shipper shall be entitled to shift Delivery Capacity between Designated Delivery Points and/or Other Delivery Points in accordance with the following provisions:

- 3.2.1. The Shipper shall give notice of any such request for variation to INGL as soon as is reasonably practicable acting as a Reasonable and Prudent Operator. The Shipper shall specify in any request for variation made under this Section 3.2.1, any and all changes to the Delivery Capacity for each Designated Delivery Point or Other Delivery Point that would be required as a result of the variation, and the Shipper shall provide INGL with any additional information that INGL would reasonably require in respect of the requested variation including the duration thereof and the reason for the request;

¹ Segments constructed by IEC as Project Manager will be identified as such in the Commercial Terms.

- 3.2.2. On receiving the Shipper's request pursuant to Section 3.2.1 above, INGL shall as soon as reasonably practicable notify the Shipper whether INGL is able or unable to comply with such request;
- 3.2.3. Subject to the requirements of Other Shippers in terms of their respective booked capacities in the Transmission System at the time a request for variation is made and subject to the payment by the Shipper of the Capacity Fee and provided that the Shipper complies with its obligations pursuant to this Section 3, Section 12 and Section 14, INGL shall comply with the variations requested by the Shipper pursuant to Section 3.2.1 above. Notwithstanding the above, INGL shall be entitled to reject a request for variation by the Shipper if, in INGL's opinion, acting as a Reasonable and Prudent Operator, any change would:
- iii) Adversely affect the technical and/or operational integrity of the Transmission System; or
 - iv) Impair the performance or safe operation of the Transmission System; or
 - v) impair the ability of INGL to discharge its obligations pursuant to this Agreement or its agreements with Other Shippers; or
 - vi) Cause INGL to breach any of the conditions of the License.
- 3.2.4. Any request by the Shipper pursuant to Section 3.2.1 above shall only become binding on INGL if such request is accepted by INGL pursuant to Sections 3.2.2 and 3.2.3 above.
- 3.2.5. The Shipper's total Delivery Capacity in respect of the Designated Delivery Points cannot be increased or decreased by the shifting of Delivery Capacity under this Section 3.2.
- 3.2.6. For the avoidance of doubt, where the Shipper shifts Delivery Capacity from Designated Delivery Points to Other Delivery Points pursuant to this Section 3.2, any such Other Delivery Point shall be deemed to be a Designated Delivery Point for the purposes of this Agreement.

3.3. Shifting of Redelivery Capacity

The Shipper shall be entitled to shift Redelivery Capacity between Designated Redelivery Points subject to and in accordance with the provisions of Section 12.5.

3.4. Increase

- 3.4.1. In the event that the Shipper requests to increase its Transmission Capacity for the remainder of the Transportation Period, such request shall be considered by INGL with equal priority to similar requests from Other Shippers and Potential Shippers.

- 3.4.2. The Shipper shall be entitled to increase its Transmission Capacity for any whole Month during the Transportation Period, not exceeding three (3) Months in any year, in accordance with the following:
- i) With respect to each Designated Delivery Point and/or Designated Redelivery Point, such increase shall not exceed the Maximum Monthly Capacity Increase specified in Article 4 (Monthly Capacity Charge) of Appendix 1 (Commercial Terms).
 - ii) The Shipper shall give written notice of any request for such increase to INGL as soon as reasonably practicable acting as a Reasonable and Prudent Operator and in any case not later than 7 (seven) days prior to the commencement of the period for which the increase is requested.
 - iii) INGL shall use reasonable endeavors to approve any such request, subject to sub-Sections 3.4.2(i) and (ii) above and provided that:
 - (a) there is spare capacity in the Transmission System after taking into account booked capacity of the Shipper and Other Shippers and requests by Potential Shippers; and
 - (b) INGL, acting as a Reasonable and Prudent Operator, is satisfied that:
 - (1) the technical and/or operational integrity of the Transmission System is not or will not be adversely affected; and
 - (2) the performance or safe operation of the Transmission System is not or will not be impaired; and
 - (c) the ability of INGL to discharge its obligations pursuant to this Agreement, its agreements with Other Shippers and any Statutory Requirement is not or will not be impaired.
 - iv) The Shipper shall pay the Monthly Capacity Charge as defined in Article 4 (Monthly Capacity Charge) of Appendix 1 (Commercial Terms).

4. TRANSMISSION SERVICES

During each Day of the Transportation Period, INGL, acting as a Reasonable and Prudent Operator, shall, on and subject to the terms of this Agreement, including, without limitation, the payment by the Shipper of the Transportation Fee and other charges payable hereunder:

- 4.1.1. receive at the Designated Delivery Points Properly Nominated quantities of Shipper Gas delivered by or on behalf of the Shipper, which comply with the Gas Quality Specification;
- 4.1.2. transport the Shipper Gas through the Transmission System; and

- 4.1.3. redeliver to the Shipper at the Designated Redelivery Points Properly Nominated quantities of Natural Gas (after accounting for Fuel Gas) which comply with the Gas Quality Specification and exceed the minimum physical flow required for operation as set forth in Article 1 (Transmission Capacity) of Appendix 1 (Commercial Terms).

5. TERM OF AGREEMENT

5.1. Term

This Agreement shall enter into force upon signature of this Agreement by both Parties and shall expire on the last day of the Transportation Period as set forth in Article 6 (Term) of Appendix 1 (Commercial Terms).

5.2. Extension

- 5.2.1. Subject to Sections 5.2.2 and 5.2.3 below, the Shipper shall have the right to extend the Transportation Period for the Extension Period as set out in Article 6 (Term) of Appendix 1 (Commercial Terms) upon written notification to INGL at least twelve (12) months prior to the end of the Transportation Period.
- 5.2.2. Provided the extension notification is made in a timely manner in accordance with the requirements of Section 5.2.1 above, INGL shall confirm the extension of this Agreement for such Extension Period.
- 5.2.3. Any extension under this Section 5.2 will be subject to INGL's approved standard terms and conditions for transmission agreements prevailing at the time.
- 5.2.4. If the Shipper does not give notice of its desire to extend the Transportation Period pursuant to Section 5.2.1 above, the Shipper shall be deemed to have given notice of its desire not to extend the term of the Transportation Period.

5.3. Determination of Start Date

The Start Date shall be determined by the Parties in accordance with the procedures set forth in Article 6 (Term) of Appendix 1 (Commercial Terms).

5.4. Late Start

- 5.4.1. The Shipper shall be obliged to pay the Capacity Fee as from the Start Date, regardless of whether, for any reason, it is unable at such time to tender Natural Gas quantities for delivery at the relevant Designated Delivery Point and/or accept Natural Gas quantities at the relevant Designated Redelivery Point.
Notwithstanding the above, in the event that such inability is caused by Force Majeure under Section 21.1.5, the Shipper shall be released correspondingly from its obligation to pay the Capacity Fee, for the period of such Force

Majeure but in any event not more than 1 (one) month following the grace period of 3 (three) months mentioned in Section 5.4.4 below.

- 5.4.2. Unless directly or indirectly due to any act or omission by the Shipper, or excused due to Force Majeure, if INGL is unable to provide the relevant Transmission Services by the Start Date, INGL shall be obliged to pay the Shipper the actual Direct Damages caused to the Shipper as a result of such failure to provide the Transmission Services. INGL's liability under this Section 5 shall be limited in accordance with paragraph 2 of Article 7 (Liability) of Appendix 1 (Commercial Terms) and shall not, in any event, exceed the amount pursuant to paragraph 1 of Article 7 (Liability) of Appendix 1 (Commercial Terms).
- 5.4.3. Notwithstanding the above Sections 5.4.1 and 5.4.2, in the event that both the Shipper is unable to tender and/or accept Natural Gas quantities as set forth in Section 5.4.2 above and INGL is unable to provide the Transmission Services pursuant to this Agreement by the Start Date (unless directly or indirectly due to any act or omission by the Shipper, or excused due to Force Majeure), neither Party shall incur any liability under this Section 5 and the Parties shall immediately meet and negotiate in good faith to agree on an alternative Start Date. If the Parties are unable to agree, each Party shall propose its preferred alternative Start Date and the earlier of the two shall apply.
- 5.4.4. Notwithstanding the above Sections 5.4.1 and 5.4.2, neither Party shall be required to make payments under this Section 5.4 for a grace period of 3 months following the Start Date.

6. SHIPPER'S DELIVERY AND REDELIVERY OBLIGATIONS

- 6.1. Without derogating from the provisions of Section 14, the Shipper, acting as a Reasonable and Prudent Operator, shall, subject to the terms of this Agreement:
 - 6.1.1. procure that Shipper Gas is delivered at each of the Designated Delivery Points that is neither greater than nor less than the Proper Nomination for each hour; and
 - 6.1.2. receive at and take from each of the Designated Redelivery Points a quantity of Natural Gas that is neither greater than nor less than the Proper Nomination for each hour.
- 6.2. Without derogating from the above Shipper's obligation to act as a Reasonable and Prudent Operator, the Shipper shall not be liable for failing to meet the provisions of Section 6.1 above and the respective provisions of Section 14, if and to the extent that such failure is due directly to its reasonable reliance on data provided by INGL or INGL's failure to provide data in accordance with Appendix 6 (Data Reporting). For the avoidance of doubt, the Shipper shall not be exempt as aforesaid if it is reasonably able to meet such provisions by relying on other sources of data, including data provided by the Upstream Operator or measured by the Shipper.

7. GENERAL RIGHTS AND OBLIGATIONS

7.1. Delivery in Commingled Stream

INGL is entitled to transport the Natural Gas quantities taken at the Designated Delivery Points for transportation pursuant to Section 4 together with and not separate from other Natural Gas quantities. Physical identity of the Natural Gas need not be ensured during transportation and during redelivery to the Designated Redelivery Points.

7.2. Title and Risk

7.2.1. Title to and interest in any Natural Gas delivered by the Shipper at the Designated Delivery Points under this Agreement shall remain with the Shipper.

7.2.2. Subject to the provisions of Section 23, the risk of loss or damage to Natural Gas delivered to INGL at the Designated Delivery Points in accordance with this Agreement shall (except as expressly provided in this Agreement) remain with INGL until such time as INGL makes such Natural Gas available for redelivery at the Designated Redelivery Points.

7.2.3. INGL shall have no responsibility with respect to any Natural Gas or on account of anything which may be done, happen, or arise with respect to and/or in connection with such Natural Gas before receipt of such Natural Gas by INGL at the Designated Delivery Points or after INGL makes such Natural Gas available for redelivery at the Designated Redelivery Points, and the Shipper shall indemnify INGL against any loss, damage, liability, costs and expenses (including legal fees) incurred by INGL arising out of or in connection therewith.

7.3. Natural Gas Supplier Information

Prior to the Start Date, the Shipper shall provide INGL a written statement indicating how and by whom the Shipper Gas to be transported will be delivered at the Designated Delivery Points and received at the Designated Redelivery Points (in case of commingled redeliveries, or where the relevant consumption point is Downstream of the Designated Redelivery Point). The Shipper shall promptly notify INGL of any changes to the arrangements described in this statement at any time during the Transportation Period.

7.4. Notifications

Each Party shall at all times keep the other Party informed of any material circumstances relevant to the implementation of this Agreement as a Reasonable and Prudent Operator as soon as any such material circumstance becomes known to such Party. In addition, to the extent possible, each Party shall immediately inform the other Party regarding any matter which it believes, acting as a Reasonable and Prudent Operator, may potentially impact upon the safety of the Transmission System,

including, without limitation, any irregularities, discrepancies or technical failures that occurred or might occur.

8. STATUTORY REQUIREMENTS

- 8.1.** Each Party shall comply at all times with all Statutory Requirements and any and all additional laws, rules, regulations and codes of practice applicable to its Gas Installations and activities in relation to this Agreement.
- 8.2.** Without derogating from Section 1 above, the Parties hereby declare that the laws of the State of Israel concerning the performance of its obligations pursuant to this Agreement are known to it, including, but not limited to, the Natural Gas Market Law 2002, the Gas Law (Safety and Licensing) 1989, the Gas Order (Safety and Licensing) (Facilities for Transporting Natural Gas) 1997, the Building and Planning Regulations (Licensing Natural Gas Facilities) 2003, and the Hazardous Substances Law 1993, and undertakes to comply with such laws, orders and regulations, to obey all directives duly issued pursuant to such Statutory Requirements, and to assist and provide their full co-operation to each other in doing so.
- 8.3.** The Shipper undertakes to hold a valid Poisons Permit as required by the Hazardous Substances Law 1993, at the Start Date and to maintain such permit for the entire term of this Agreement. For the avoidance of doubt, INGL will not be obliged to provide the Transmission Services until it has received a copy of the Shipper's Poisons Permit.

9. MEASUREMENT PROCEDURES

9.1. Measurements

Natural Gas quantities, volume, quality, composition, pressure and temperature measurement shall be performed at the Designated Redelivery Points by INGL and at the Designated Delivery Points by INGL, or by the Upstream Operator on behalf of INGL, in accordance with Appendix 4 (Measurement Procedures), as amended from time to time at the discretion of INGL following consultation with the Shipper and Other Shippers, and subject to the Statutory Requirements, including any rules determined by the Natural Gas Authority pursuant to Section 39(a) of the Natural Gas Market Law. INGL's measurements shall be transmitted to the Shipper in accordance with Appendix 6 (Data Reporting) and shall be prima facie binding on the Shipper.

9.2. Incorrect Measurements

- 9.2.1.** If the Shipper reasonably believes that a meter is providing inaccurate or incorrect measurements, the Shipper shall immediately notify INGL and provide a detailed written explanation thereof. In such event, the Shipper shall be entitled to have the meter evaluated by an Expert at any reasonable time to be coordinated with INGL, or to request that INGL evaluate the meter. INGL shall provide such Expert free and unlimited access to any meters on its property as well as to calibration records of such meters in order to perform such evaluation. If, upon evaluation, it is established that the Maximum Permissible Error is not exceeded, then the cost of evaluation shall

be borne by the Shipper. If, upon evaluation, it is established that the Maximum Permissible Error is exceeded, INGL shall bear the cost of the evaluation and have the meter repaired and verified without delay at its expense.

- 9.2.2. If INGL reasonably believes that a meter is providing inaccurate or incorrect measurements, INGL shall immediately notify the Shipper. INGL shall evaluate the meter at its own expense. The Shipper shall be notified and can make arrangements for any such evaluation to be witnessed by its representative at its own expense. If, upon evaluation, it is established that the Maximum Permissible Error is exceeded, INGL shall have the meter repaired and verified without delay at its own expense.
- 9.2.3. With respect to meters operated by the Upstream Operator, the Parties rights and obligations as set out in Sections 9.2.1 and 9.2.2 above shall be subject to coordination with the Upstream Operator.

9.3. Correction

Subject to Sections 9.4 and 9.5 below, if, upon evaluation pursuant to Section 2 above, it is established that the Maximum Permissible Error is exceeded, the invoices sent by INGL to the Shipper in accordance with Section 19 shall be adjusted in accordance with Sections 9.3.1 to 9.3.5 below:

- 9.3.1. A correction to zero error shall be made by INGL for the period during which such meter was defective or out of service using any check meter data available or as may be otherwise determined by evaluation and taking into account the actual delivery and redelivery conditions during such period.
- 9.3.2. If the data available is insufficient for correction, then the quantities delivered by or on behalf of the Shipper and redelivered to the Shipper shall be deemed to be the average of the quantities delivered by or on behalf of the Shipper and redelivered to the Shipper (i) over a period of fourteen (14) Days immediately prior to the Day on which the meter became defective or failed and (ii) the period of fourteen (14) Days immediately following the Day on which the meter was restored to normal service, taking account of actual delivery and redelivery conditions during said periods.
- 9.3.3. If it is not possible to determine the Day on which the meter became defective or failed, then the time which has elapsed since the most recent calibration of such meter shall be divided into two equal periods and the correction according to Sections 9.3.1 or 9.3.2 above shall be with respect to the latter period.
- 9.3.4. If the Parties are unable to agree on any correction, then the matter shall be decided by an Expert.

9.3.5. Notwithstanding anything to the contrary in this Section 3, no correction shall be made for a period exceeding the Month in which the error or failure was detected and the six (6) months immediately preceding said month.

9.4. For the avoidance of doubt, no corrections shall be made to the Balancing Incentive Charge pursuant to Section 14 as a result of the Maximum Permissible Error being exceeded pursuant to Section 9.3 above or Section 9.5 below.

9.5. Interferences

Any interference with the PRMS and associated equipment, which demonstrably led to faulty measurements, shall entitle INGL to make an appropriate correction. In such case, INGL shall inform the Shipper and Section 9.3 above shall not apply.

9.6. Standards and Publications

9.6.1. If the standards and publications referred to in Appendix 4 (Measurement Procedures):

- i) are required to be replaced by applicable law or regulations; or
- ii) are replaced by the institute or body issuing such standard or publications; or
- iii) cease to be published altogether by such institute or body;

following consultation with the Shipper and Other Shippers, INGL shall amend Appendix 4 (Measurement Procedures) in such manner as it deems appropriate acting as a Reasonable and Prudent Operator.

9.7. Notwithstanding Section 1 above, until completion of the Delivery Point Measuring Equipment, the Parties agree to accept measurements of gas quantities, volume, composition, quality, temperature and pressure made at the PRMS and/or other mutually agreed location, for the purposes of this Agreement, including, without limitation, for determining the quantities, volume, composition, quality, temperature and pressure of gas made available by the Shipper at the Designated Delivery Points. Accordingly, Section 14 shall not be in effect until completion of such facilities.

10. GAS QUALITY

10.1. Quality at Delivery Points

10.1.1. The Shipper shall be responsible for Shipper Gas complying with the Gas Quality Specification. The Shipper acknowledges that INGL is required to follow the Statutory Requirements with regards to the quality of the Natural Gas transported in the Transmission System and therefore, shall take all the necessary precautions to meet the Gas Quality Specification.

10.1.2. The Shipper shall, upon request, inform INGL of the anticipated quality of the Shipper Gas to be delivered at the Designated Delivery Points and shall

notify INGL, as soon as possible, of any changes (actual or anticipated) thereto.

10.2. Quality at Redelivery Points

- 10.2.1. Subject to Section 10.3 below, INGL shall be responsible for the Natural Gas redelivered to the Shipper by INGL at the Designated Redelivery Points complying with the Gas Quality Specification.
- 10.2.2. INGL shall notify the Shipper of the gas quality in accordance with Appendix 6 (Data Reporting).

10.3. Non compliant Natural Gas at the Designated Delivery Point

- 10.3.1. If INGL reasonably concludes that the Shipper Gas does not comply with the Gas Quality Specification, INGL shall be entitled either to refuse to take or to take such Natural Gas, acting as a Reasonable and Prudent Operator.
- 10.3.2. If INGL refuses to take such non-compliant Natural Gas, INGL shall not be liable for any damages caused to the Shipper as a result of such refusal. In addition, in such case, the Shipper shall immediately stop, or cause to be stopped, the tendering of such Natural Gas for delivery at the Designated Delivery Point(s).
- 10.3.3. If INGL, knowingly or unknowingly, takes such non-compliant Natural Gas at the Designated Delivery Point(s), then, unless previously instructed otherwise by the Shipper, this shall not exempt the Shipper from its responsibility under Section 10.1.1 above. In addition, in such case the Shipper shall waive any and all claims against INGL if the Natural Gas made available to the Shipper by INGL at the Designated Redelivery Point(s) does not comply with the Gas Quality Specification.

10.4. Non compliant Natural Gas at the Designated Redelivery Point

- 10.4.1. Without derogating from Section 10.3 above, if the Natural Gas made available by INGL at the Designated Redelivery Point(s) does not comply with the Gas Quality Specification, the Shipper is entitled either to refuse to take or to take such Natural Gas.
- 10.4.2. In the event that the Shipper refuses to take such non-compliant Natural Gas at any Designated Redelivery Point(s), then:
 - i) the provisions of Section 14 shall apply except that, if the relevant Shipper Gas complies with the Gas Quality Specification, the Shipper shall not be required to make payments of Balancing Incentive Charges pursuant to Section 14 in respect of such refused and non-compliant Natural Gas, and
 - ii) provided that the relevant Shipper Gas complies with the Gas Quality Specification, the Shipper will be released from its obligation to pay the

relevant portion of the Transportation Fee, pro-rata to the extent of the reduction with regard to such non-compliant Natural Gas.

10.4.3. If the Shipper takes such Natural Gas at the Designated Redelivery Point(s), its taking such non-compliant Natural Gas shall constitute a waiver of any and all claims against INGL in connection with the non-compliance of such Natural Gas with the Gas Quality Specification. However, such waiver shall not apply:

- i) if and to the extent that:
 - (a) the Shipper was unaware of the presence of such non-compliant Natural Gas due directly to its reasonable reliance on data provided by INGL or INGL's failure to provide data in accordance with Appendix 6 (Data Reporting); and
 - (b) the Shipper was not aware, and could not be reasonably expected to be aware, of such non-compliant Natural Gas from other sources of data, including data provided by the Upstream Operator or measured by the Shipper; and
 - (c) the relevant Shipper Gas complies with the Gas Quality Specification,

or,

- ii) if and to the extent that:
 - (a) the Shipper was aware of the non-compliance of the Natural Gas; and
 - (b) the parameter of the temperature of the Natural Gas redelivered does not comply with the Gas Quality Specification. This condition will be deemed not met if the reason for the non-compliance of the temperature is due to non-compliance by an Other Shipper; and
 - (c) the relevant Shipper Gas complies with the Gas Quality Specification;
 - (d) provided that INGL's liability with respect to this Section 4.3.2, will be limited in accordance with the provisions of Article 7 of Appendix 1 (Commercial Terms).

10.5. Notification

Each Party shall, acting as a Reasonable and Prudent Operator, notify the other Party of any rejected delivery or redelivery and/or the discovery of Natural Gas that does not comply with or that such Party reasonably believes does not comply with, the Gas Quality Specification, as the case may be, as soon as reasonably possible.

10.6. Alteration of Specifications

Without derogating from Section 24, INGL is entitled to alter the provisions of this Agreement concerning Natural Gas quality including the Gas Quality Specification, if (a) it is legally required to do so due to the specifications set forth by the Minister in accordance with Section 7 of the Natural Gas Market Law, or (b) the Shipper agrees to such alteration, such agreement not to be unreasonably withheld. INGL shall inform the Shipper of such alteration at least six (6) months in advance, unless it is unable to do so due to technical reasons or because of legal requirements in which case INGL shall give notice to the Shipper as soon as is reasonably practicable. INGL shall not be liable for any damage caused to the Shipper as a result of any such alterations.

10.7. Disputes

Any dispute between the Parties with respect to this Section 10 shall be referred to determination by an Expert.

11. MAINTENANCE OBLIGATIONS

11.1. Obligations of INGL

During the Transportation Period, INGL shall, at its own expense, maintain, repair, renew and operate the Transmission System (or procure its maintenance, repair, renewal and operation) in accordance with the standards of a Reasonable and Prudent Operator and in compliance with all applicable laws and regulations.

11.2. Insurance

- Appendix
- 11.2.1. The Shipper shall effect and maintain such insurances for its employees and those acting on its behalf, for the operation of its Gas Installations, its facilities for consuming Natural Gas and its property adjacent thereto as is acceptable and customary for reasonable commercial property owners and as would be maintained by a Reasonable and Prudent Operator, including, if applicable, by means of an Affiliate.
 - 11.2.2. INGL shall effect and maintain such insurances as would be maintained by a Reasonable and Prudent Operator in respect of the Transmission System, its employees and those acting on its behalf.
 - 11.2.3. All insurances effected in accordance with Sections 11.2.1 and 11.2.2 above shall provide that, except as regards Willful Misconduct, underwriters waive their rights of subrogation against the other Party.
 - 11.2.4. In addition, each Party declares that it will have no claim or demand or complaint against the other Party, and it shall indemnify and hold harmless such other Party and those acting on its behalf from any liability, in respect of damage for which it is entitled to indemnity (or for which it would have been entitled to indemnity had it not been for the deductible specified in the policy or its failure to effect or comply with the terms of any such policy) in accordance with the insurances effected by it (or insurances which should have been effected) pursuant to this Section 11.

11.3. Compatibility

- 11.3.1. The Shipper shall ensure that its Downstream Facilities are technically and operationally compatible with the PRMS and associated equipment and will be maintained, upgraded and operated so as to be compatible with the operation of the PRMS and associated equipment.
- 11.3.2. Without derogating from the provisions of Section 9.5, INGL shall provide the Shipper with reasonable advance notice of any relevant changes to the PRMS and associated equipment and the Shipper shall comply with any such changes.

11.4. Security and Safety

- 11.4.1. The Parties shall cooperate with each other to coordinate and determine (in writing) their respective responsibilities with regards to the security and safety measures required for the PRMS and Shipper's facilities adjacent thereto.

12. NOMINATION OF QUANTITIES

12.1. Nomination

The Shipper shall nominate to INGL in accordance with the provisions of this Section 12, the quantities of Shipper Gas to be delivered at each of the Designated Delivery Points and the quantities of Natural Gas to be redelivered by INGL at each of the Designated Redelivery Points, for each hour.

12.2. Proper Nomination

Subject to any notifications to the contrary from the Upstream Operator, which will be handled in accordance with Section 13.2, a Nomination shall be treated as a Proper Nomination subject to the provisions set forth in Sections 12.2.1 to 12.2.7 below:

- 12.2.1. save in respect of Shifted Gas Nominations and Spot Gas Nominations, the quantities of Natural Gas nominated by the Shipper do not exceed the relevant Delivery Capacities and Redelivery Capacities;
- 12.2.2. the quantities of Natural Gas nominated by the Shipper for redelivery exceed the minimum physical flow required for operation, as set forth in Article 1 (Transmission Capacity) of Appendix 1 (Commercial Terms);
- 12.2.3. the Shipper informed INGL in such Nomination of the quantities of Shipper Gas to be delivered by the Upstream Operator at each Designated Delivery Point and the identity of such Upstream Operator responsible for delivering such Shipper Gas at such Designated Delivery Point;
- 12.2.4. the Shipper complied with the notification requirements specified in Sections 12.3 and 12.4 below;

- 12.2.5. Total Inputs equal Total Outputs, after accounting for Fuel Gas and correction of any outstanding imbalance pursuant to Section 14.4 and subject to INGL approval according to Section 12.2.6 below;
- 12.2.6. INGL approved any correction of outstanding imbalance pursuant to Section 14.4; and
- 12.2.7. INGL approved that it is capable, acting as a Reasonable and Prudent Operator and taking into account nominations from Other Shippers, of managing any differences between nominated quantities for the Designated Delivery Points and nominated quantities for the Designated Redelivery Points (after accounting for Fuel Gas) for each hour by using available linepack in the Transmission System.

12.3. Weekly Nomination

The Shipper shall inform INGL by 14:00 hours on Thursday of each Week of the amount of Shipper Gas it intends to deliver or have delivered on its behalf at each of the Designated Delivery Points for transportation and the amount of Natural Gas it wants INGL to redeliver at each of the Designated Redelivery Points for each hour during each Day of the next Week ("**Weekly Nomination**"). INGL shall inform the Shipper by 18:00 hours on the respective Thursday whether and what technical, operational or safety reasons or reasons resulting from this Agreement prevent transportation of all or part of the amount of Natural Gas nominated by the Shipper for the next Week. For avoidance of any doubt, this Weekly Nomination shall be in writing, shall be given in good faith but shall not be binding on the Shipper nor create any obligations on INGL and the Shipper shall not have any liability in respect of the accuracy of such forecast.

12.4. Daily Nomination

The Shipper shall inform INGL by 14:00 hours on each Day of the amount of Shipper Gas that it will deliver or have delivered on its behalf at each of the Designated Delivery Points and the amount of Natural Gas it wants INGL to redeliver at each of the Designated Redelivery Points during each hour of the next Day (hereinafter in this Section 12.4 – "**the Daily Nomination**"). The Shipper will identify Shifted Gas Nominations and Spot Nominations as such in the Daily Nomination. If the Shipper's nomination does not relate to individual hours but only to the next Day, the nominated Daily amount of Natural Gas divided by the number of hours in the next Day shall be the nominated hourly amount of Natural Gas. If the Shipper fails to nominate the amount of Natural Gas for the next Day, the Daily Nomination for such next Day shall be deemed to be the amount nominated for such Day of the Week in the Shipper's most recently supplied Weekly Nomination. If the Shipper fails to make a nomination for a period longer than 7 successive Days, the nominated amount of Natural Gas as from the 8th Day shall be deemed to be zero.

If the Shipper's Nomination is a Proper Nomination according to the terms of Section 12.2 above, INGL shall confirm the Shipper's Proper Nomination for the next Day by 18:00 hours on the Day preceding the next Day to which such Proper Nomination applies. The Proper Nomination, as confirmed in INGL's confirmation served

pursuant to this paragraph shall be binding on both Parties. If INGL declines the Shipper's Nomination for the next Day (whether on technical grounds or otherwise), the Parties shall immediately enter into good faith discussions with a view to agreeing on an alternative nomination for the next Day. If no alternative nomination is agreed by 20:00 hours, then the Proper Nomination for the next Day shall unless otherwise agreed by the Parties in writing, be the last available Proper Nomination for the Day preceding the next Day.

12.5. Shifted Gas Nominations (Designated Redelivery Points)

12.5.1. The Shipper shall be entitled to make Shifted Gas Nominations with respect to any hour during the Transportation Period as part of the Weekly Nominations, Daily Nomination and Changes in Daily Nominations, provided that the total quantity of capacity which is shifted under this Section 12.5 will not exceed, in any hour, a quantity equal to 15% (fifteen percent) of the total Redelivery Capacity of all Designated Redelivery Points not including any Monthly Capacity Increase approved under Section 3.4.2.

12.5.2. INGL shall use reasonable endeavors to confirm any Shifted Gas Nominations as Proper Nominations, provided that:

- i) any such Shifted Gas Nominations are made by the Shipper in accordance with the provisions of Sections 12.2 , 12.3 and 12.4 above and Section 12.7 below; and
- ii) there is spare capacity in the Transmission System after taking into account booked capacity of the Shipper and Other Shippers, but excluding spot gas nominations of Other Shippers and Spot Gas Nominations of the Shipper (both unless previously confirmed as Proper Nominations) and subject to Section 12.5.3 below; and
- iii) INGL, acting as a Reasonable and Prudent Operator, is satisfied that:
 - (a) the technical and/or operational integrity of the Transmission System is not or will not be adversely affected; and
 - (b) the performance or safe operation of the Transmission System is not or will not be impaired; and
 - (c) the ability of INGL to discharge its obligations pursuant to this Agreement, its agreements with Other Shippers is not or will not be impaired; and
 - (d) the provisions of the License are not violated.

12.5.3. Without derogating from the above, in the event that the spare capacity available is sufficient to accommodate only a portion of all shifted gas nominations received by INGL from the Shipper and Other Shippers, such spare capacity shall be allocated pro rata to the relevant redelivery capacities of the Shipper and Other Shippers making such shifted gas nominations.

12.6. Spot Gas Nominations

- 12.6.1. The Shipper shall be entitled to make Spot Gas Nominations with respect to any hour during the Transportation Period as part of the Weekly Nominations, Daily Nomination or Changes in Daily Nominations, up to a maximum of 800 (eight hundred) hours in any year.
- 12.6.2. INGL shall use reasonable endeavors to confirm any Spot Gas Nominations as Proper Nominations, provided that:
- i) any such Spot Gas Nominations are made by the Shipper in accordance with the provisions of Sections 12.2, 12.3 and 12.4 above and Section 12.7 below; and
 - ii) there is spare capacity in the Transmission System after taking into account booked capacity of the Shipper and Other Shippers; and
 - iii) INGL, acting as a Reasonable and Prudent Operator, is satisfied that:
 - (a) the technical and/or operational integrity of the Transmission System is not or will not be adversely affected; and
 - (b) the performance or safe operation of the Transmission System is not or will not be impaired; and
 - (c) the ability of INGL to discharge its obligations pursuant to this Agreement, its agreements with Other Shippers and any Statutory Requirement is not or will not be impaired; or
- 12.6.3. Without derogating from the above, in the event that the spare capacity available is sufficient to accommodate only a portion of all spot gas nominations received by INGL from the Shipper and Other Shippers, such spare capacity shall be allocated pro rata to the relevant redelivery capacities of the Shipper and Other Shippers making such spot gas nominations.

12.7. Changes in Daily Nominations

- 12.7.1. Subject to the Shipper complying with its obligations pursuant to Section 14, the conditions set out in Section 12.2.1, 12.2.2, 12.2.3 and 12.2.6, and the Shipper giving notice of such request as soon as reasonably practicable, INGL shall use reasonable endeavors to accommodate requests by the Shipper that any of the Natural Gas quantities Properly Nominated for a Day be decreased (including to zero) or increased ("**Changes in Daily Nominations**").
- 12.7.2. Any notice by the Shipper served under Section 12.7.1 above shall contain details of the changes to the quantities of Shipper Gas Properly Nominated in respect of each of the Designated Delivery Points and Designated Redelivery Points.
- 12.7.3. On receiving the Shipper's request pursuant to Section 12.7.1 above, INGL shall as soon as reasonably practicable inform the Shipper whether it is able or unable to comply with such request. Any request by the Shipper pursuant to Section 12.7.1 above shall only become binding on INGL if such request is

accepted by INGL pursuant to this Section 12.7.3, in which case it will be deemed a Proper Nomination. For the avoidance of doubt, INGL shall be entitled to reject a request by the Shipper pursuant to Section 12.7.1 above if, in INGL's opinion acting as a Reasonable and Prudent Operator, any change would:

- i) require INGL to make any additional investment, suffer any penalty and/or alter or amend any booking or reservation of capacity in the Transmission System previously made for Other Shippers;
- ii) adversely affect the technical and/or operational integrity of the Transmission System or impair the performance or safe operation of the Transmission System;
- iii) impair the ability of INGL to discharge its obligations under this Agreement;
- iv) cause INGL to breach any of the conditions of the License; or
- v) not afford INGL sufficient time within which to respond to the Shipper's request.

12.8. Curtailment

- 12.8.1. During any period of Curtailment, the receipt of Natural Gas at the Designated Delivery Points from or on behalf of the Shipper and Other Shippers and/or the redelivery of Natural Gas at the Designated Redelivery Points to the Shipper and Other Shippers shall be curtailed or suspended in accordance with the priority rule set out in Section 12.8.2 below.
- 12.8.2. In the circumstances referred to in Section 12.8.1 above, the Shipper shall be entitled to a share of the total transmission capacity that is available in the Transmission System (or the relevant part thereof) equal to the lesser of (i) the proportionate share of such Shipper's respective Delivery Capacity or Redelivery Capacity, as applicable, in relation to the aggregate quantities of the applicable delivery or redelivery capacities of the Shipper and all affected Other Shippers, and (ii) such Shipper's Proper Nominations for such relevant period (in which case any remaining available capacity shall be allocated among the affected Other Shippers according to the same principles).
- 12.8.3. Without derogating from Section 21.6, if any Curtailment is directly or indirectly due to any act or omission by INGL, INGL shall use reasonable endeavors to remove the cause of the Curtailment as soon as reasonably practicable.
- 12.8.4. Without derogating from Section 21.6 if any Curtailment is directly or indirectly due to any act or omission by the Shipper, the Shipper shall use reasonable endeavors to remove the cause of the Curtailment as soon as reasonably practicable and for the avoidance of doubt, the Shipper shall pay the Capacity Fee to INGL during any such period of Curtailment.

12.9. Under-delivery and Over-delivery

INGL and the Shipper acknowledge that, notwithstanding the provisions of Section 4, on any Day, the delivery of Shipper Gas to the Designated Delivery Points may not exactly match the Proper Nominations and consequently under-deliveries and over-deliveries may occur. Over-deliveries and under-deliveries shall be allocated by INGL to the Shipper in accordance with Section 13.

12.10. Disputes

Any dispute between the Parties with respect to this Section 12 shall be referred to determination by an Expert.

13. DETERMINATION AND ALLOCATION OF QUANTITIES

13.1. Single Stream Deliveries

If the Shipper Gas delivered at any of the Designated Delivery Points is recorded by Delivery Point Measuring Equipment that only measures the amount of the Shipper Gas, such measurement shall serve to determine the respective amount of Shipper Gas delivered at such Designated Delivery Point.

13.2. Commingled Deliveries

If the Shipper Gas delivered at any of the Designated Delivery Points is taken in a commingled stream with other Natural Gas, the amount of Natural Gas resulting from the respective confirmed Proper Nomination of the Shipper in accordance with Section 12 shall be deemed the amount of Natural Gas taken, subject to the provisions below:

13.2.1. In the event of discrepancies between the nomination of the Shipper and the notification of the Upstream Operator, INGL shall point this out to the Shipper and the Upstream Operator and give them an opportunity to rectify the situation. Until the situation has been rectified, the smaller nomination or notification shall apply.

13.2.2. In the event of under-delivery or over-delivery at any Designated Delivery Point, INGL shall point out the existence thereof to the Shipper and the relevant Upstream Operator and give them an opportunity to clarify and rectify said situation. Until the situation has been rectified, unless instructed otherwise by the Upstream Operator or according to the terms of any allocation agreement to which INGL, the Shipper, Other Shippers and the Upstream Operator are party, such under-delivery or over-delivery shall be allocated to the Shipper and Other Shippers pro rata to the proper nomination for that Designated Delivery Point for such period by the Shipper and the affected Other Shippers. Such allocated amount of Natural Gas delivered shall be deemed to be the Proper Nomination and the rights and obligations of INGL and of the Shipper shall be determined accordingly. After clarification of the situation, INGL shall, to the extent reasonably possible, adjust the amount of Natural Gas allocated to the Shipper.

13.3. Single Stream Redeliveries

If the Natural Gas redelivered to the Shipper at the Designated Redelivery Points is recorded by a PRMS or an applicable fiscal meter that only measures the Natural Gas quantities redelivered to the Shipper, such measurement shall serve to determine the respective Natural Gas quantities redelivered.

13.4. Commingled Redeliveries

If the Natural Gas redelivered by INGL at the Designated Redelivery Points is redelivered in a stream with other Natural Gas, the amount of Natural Gas redelivered is to be determined by measurement at a Downstream consumption point and an agreement shall be reached with the Downstream operator with respect to an appropriate transfer and verification mechanism. The costs of such transfer and verification mechanism shall be borne by the Shipper.

13.5. Disputes

Any dispute between the Parties with respect to this Section 13 shall be referred to determination by an Expert.

14. BALANCING

14.1. Imbalances

The Shipper shall use all reasonable endeavors to balance the sum of actual quantities of Natural Gas it tenders for delivery on a Day ("**Day D**") at the Designated Delivery Points ("**Daily Input**") with the sum of actual quantities of Natural Gas it offtakes on that Day D at the Designated Redelivery Points ("**Daily Offtake**"), where such Daily Input and Daily Offtake shall be determined in accordance with the provisions of Sections 9 and 13.

14.2. INGL shall, acting as a Reasonable and Prudent Operator:

14.2.1. keep the Shipper informed of any imbalances during the Day and shall inform the Shipper forthwith if any imbalance is affecting or is likely to affect the technical and operational safety of the Transmission System; and

14.2.2. discuss with the Shipper any corrective actions to be taken to redress any such imbalances.

14.3. For the purposes of this Section 14, the following terms shall be calculated according to the following formulas:

Final Daily Imbalance Quantity ("**FDIQ**") - (Daily Input on Day D) – (Daily Offtake on Day D);

Aggregate FDIQ - The sum of the FDIQs for each Day in the relevant Month plus any Carry Forward Aggregate FDIQ;

Carry Forward Aggregate FDIQ	-	The Aggregate FDIQ at the end of the previous Month;
Abs(FDIQ)	-	The absolute value of the FDIQ;
Abs(AFDIQ)	-	The absolute value of the Aggregate FDIQ;
CPI(i)	-	the most recent Israeli CPI known at the Invoice Date (as defined in Section 19.2.1), as published by the Central Bureau of Statistics;
CPI(0)	-	100.2 (2002=100), being the CPI published for February, 2005;
Σ PN	-	The sum of Proper Nominations at the Designated Delivery Points on Day D;
Σ DC	-	The sum of Delivery Capacities booked by the Shipper at each of the Designated Delivery Points.

- 14.4.** Where, on Day D, the Shipper's FDIQ falls outside the following range, for any reason (except if and to the extent that such imbalance has been approved by INGL according to the terms of Sections 12.2 and 12.5 as a correction of a previous and outstanding imbalance on a Day in the same Month of Day D):

$$-(0.5 * \Sigma \text{ PN}) \leq \text{FDIQ} \leq +(0.05 * \Sigma \text{ PN}),$$

the Shipper shall pay to INGL the following Balancing Incentive Charge:

$$\text{BIC} = \text{Abs}(\text{FDIQ}) * 2.5\text{NIS} * \text{CPI}(i)/\text{CPI}(0) \text{ plus the Administrative Fee.}$$

- 14.5.** Further, if Day D is the last day of a Month and the Shipper has an Aggregate FDIQ outside the following range, for any reason:

$$-(0.02 * 24 * \Sigma \text{ DC}) \leq \text{Aggregate FDIQ} \leq +(0.02 * 24 * \Sigma \text{ DC}),$$

the Shipper shall pay to INGL the following Balancing Incentive Charge:

$$\text{BIC} = \text{Abs}(\text{AFDIQ}) * 5 \text{ NIS} * \text{CPI}(i)/\text{CPI}(0) \text{ plus the Administrative Fee.}$$

- 14.6.** Further, if Day D is the last day of the last Month of a year and the Shipper has an Aggregate FDIQ outside the following range, for any reason:

$$-(0.01 * 24 * \Sigma \text{ DC}) \leq \text{Aggregate FDIQ} \leq +(0.01 * 24 * \Sigma \text{ DC}),$$

Section 1.5 shall not apply, and the Shipper shall pay to INGL the following Balancing Incentive Charge:

$$\text{BIC} = \text{Abs}(\text{AFDIQ}) * 5 \text{ NIS} * \text{CPI}(i)/\text{CPI}(0) \text{ plus the Administrative Fee.}$$

- 14.7.** Further, if Day D is the last day of the Transportation Period and the Shipper's Aggregate FDIQ is not equal to zero, for any reason, the Shipper shall pay to INGL the following Balancing Incentive Charge:

BIC = the Administrative Fee.

- 14.8.** In the event that Sections 14.5, 14.6 or 14.7 above apply, INGL shall be further entitled to:

14.8.1. If the Aggregate FDIQ is negative, purchase quantities of Natural Gas from the Shipper up to the Abs(AFDIQ) at a price equal to the average cost of Natural Gas sold by INGL during the Month for operational purposes (or, if none, the most recent Month during which INGL sold gas for operational purposes), and/or

14.8.2. If the Aggregate FDIQ is positive, sell quantities of Natural Gas to the Shipper up to the Aggregate FDIQ at a price equal to the average cost of Natural Gas purchased by INGL during the Month for operational purposes (or, if none, the most recent Month during which INGL purchased gas for operational purposes).

For the avoidance of doubt, quantities of Natural gas purchased or sold under Sections 14.8.1 and 14.8.2 above shall be set off against the Aggregate FDIQ.

- 14.9.** If in the reasonable opinion of INGL, the above ranges become inconsistent with provision of the Transmission Services as a Reasonable and Prudent Operator (including to Other Shippers), INGL shall consult with the Shipper and Other Shippers regarding appropriate adjustment of such ranges, and shall be entitled to adjust the above ranges following such consultations, subject to any approval required by the Natural Gas Authority pursuant to the provisions of the Statutory Requirements.

- 14.10.** The Balancing Incentive Charges and other charges, fees and payments pursuant to this Section 14 shall be invoiced by INGL and shall become due and payable by the Shipper or credited to the account of the Shipper, as applicable, in accordance with Section 19.

14.11. Load Fluctuations

The Shipper shall not use the tolerances pursuant to this Section 14 as a planning tool to manage its load fluctuations. It is clarified that this Section 14.11 does not purport to derogate from Daily Balancing Regime as reflected in Section 12.

14.12. Residual Remedies

If the FDIQ and/or Aggregate FDIQ are outside the relevant ranges specified in Sections 14.4, 14.5, 14.6 or 14.7 above, INGL, acting as a Reasonable and Prudent Operator and, to the extent reasonably practical, following discussion with the Shipper, shall be entitled to:

- 14.12.1. Curtail deliveries at the Designated Delivery Points and redeliveries at the Designated Redelivery Points, and/or
- 14.12.2. if unable to otherwise rectify the imbalance for whatever reason, and if necessary to meet its obligations to Other Shippers, including reasonable endeavors obligations, cease deliveries of Shipper Gas at the Designated Delivery Points and redeliveries of Natural Gas to the Shipper at the Designated Redelivery Points.

15. CAPACITY OVERRUNS

15.1. Charges

The Capacity Overrun Charge shall apply with respect to each Month in which there is a Capacity Overrun, as follows:

- 15.1.1. If, in any hour in a Month, the quantity of Shipper Gas tendered for delivery at any Designated Delivery Point or the quantity of Natural Gas taken at any Designated Redelivery Point is overrun by no more than 5% (five percent) of the relevant Delivery Capacity or Redelivery Capacity, as the case may be, and provided that Section 15.1.2 below does not apply during any hour of such Month, the Shipper shall pay:
 - i) with respect to each such Designated Delivery Point, the Capacity Overrun Charge (DP); and
 - ii) with respect to each such Designated Redelivery Point, the Capacity Overrun Charge (RDP).
- 15.1.2. If, in any hour in a Month, the quantity of Shipper Gas tendered for delivery at the Designated Delivery Point or the quantity of Natural Gas taken at any Designated Redelivery Point is overrun by more than 5% (five percent) of the relevant Delivery Capacity or Redelivery Capacity, as the case may be, the Shipper shall pay:
 - i) with respect to each such Designated Delivery Point, 150% (one hundred and fifty percent) of the Capacity Overrun Charge (DP); and
 - ii) with respect to each such Designated Redelivery Point, 150% (one hundred and fifty percent) of the Capacity Overrun Charge (RDP).

15.2. Increase of Transmission Capacity

If the Shipper books, within three (3) months of an overrun being determined in accordance with Section 15.1 above, additional hourly capacity beyond the Transmission Capacity up to the level of said overrun for the remaining term of this Agreement, provided that:

- 15.2.1. INGL acting as a Reasonable and Prudent Operator is satisfied that:

- i) the technical and/or operational integrity of the Transmission System will not be adversely affected; and
- ii) the performance or safe operation of the Transmission System and the ability of INGL to discharge its obligations pursuant to this Agreement or its agreements with Other Shippers shall not be impaired; and
- iii) such booking shall not cause INGL to breach any of the conditions of the License; and,

15.2.2. subject to the requirements of Other Shippers in terms of their respective booked capacities in the Transmission System,

then, subject to the full payment of the Capacity Overrun Charge according to Section 15.1 above, INGL shall increase the Transmission Capacity accordingly for the remaining term of this Agreement. In such event, the Shipper may set off 1/6 (one sixth) of amounts paid pursuant to Section 15.1.2 above against the Capacity Fee to be paid for such additional Transmission Capacity.

15.3. Compulsory Increase

If the Capacity Overrun Charge is applicable three or more times during the Transportation Period, with respect to any Designated Delivery Point or any Designated Redelivery Point, the terms of Section 15.2 above shall not apply and INGL shall increase the relevant Delivery Capacity and/or Redelivery Capacity up to the amount of the median overrun for a period of 60 Months (or for the entire remaining term of this Agreement including any extension period, if such term is less than 60 Months). Such increase shall enter into effect from the beginning of the Month during which the third overrun occurred, or as soon thereafter as reasonably practical for INGL, acting as a Reasonable and Prudent Operator, to make such increased capacity available. Notwithstanding the above, any Capacity Overrun Charge applied with respect to any of the first 12 (twelve) Months of the Transportation Period for each Designated Redelivery Point shall not deem to cause a compulsory increase pursuant to this Section 15.3.

15.4. Entitlement

For avoidance of doubt, subject to Sections 15.2 and 15.3 above, payment of a Capacity Overrun Charge shall not entitle the Shipper to any additional Transmission Capacity.

16. COMMUNICATION

16.1. Except as provided in Section 16.2 below, any notice or other communication to be given under this Agreement shall be in writing and shall be delivered by hand, sent by registered mail or shall be transmitted by fax and shall be addressed to the Party to be served at such address or such facsimile transmission number as such Party shall from time to time designate by notice. Until any such notice is given, the addresses and contact details of the Parties shall be as set out in Article 9 (Communications) of Appendix 1 (Commercial Terms).

- 16.2.** Subject to any statement to the contrary herein, any notice, report or communication of an operational nature (including any nomination, re-nomination or confirmation) may be sent by telephone, email or fax. Without derogating from the foregoing, INGL reserves the right to direct the Shipper to post such notices, reports and communications on an internet website created by INGL for this purpose.
- 16.3.** Any notice or other communication under this Agreement shall be deemed to have been received as follows:
- 16.3.1. if delivered by hand, at the time of actual delivery;
 - 16.3.2. if by domestic post, on the second Working Day following the day on which it was posted, and if by international post, on the fifth Working Day following the day on which it was posted;
 - 16.3.3. if sent by fax, with a confirmed receipt of transmission from the receiving machine, on the day on which transmitted; or
 - 16.3.4. if sent by e-mail, when sent to the correct address, only when actually received by the intended recipient in a readable form;

provided however, that a notice deemed to have been received as aforesaid on a day which is not a Working Day, or after normal business hours in the place of receipt, shall instead be deemed to have been received on the next Working Day at the commencement of normal business hours in the place of receipt.

17. SHIPPER'S COMPLAINTS

Without derogating from Section 40 of the Natural Gas Market Law, in the event that a Shipper chooses to make a complaint with regard to the quality, nature, availability and promptness of the services which such Shipper receives from INGL, or with regard to other characteristics of the services, the following rules shall apply:

- 17.1.** Subject to the Shipper's obligation to notify earlier in accordance with Section 7.4, the Shipper shall send written notice to INGL within four (4) weeks of its discovery, which shall state its complaint in a clear and concise manner, and shall attach documentation and any other material relevant to its complaint.
- 17.2.** No later than three (3) Working Days following INGL's receipt of the complaint, INGL shall confirm to the Shipper that its complaint has been received and that it shall be examined.
- 17.3.** INGL shall respond to the Shipper within fifteen (15) days of receipt of the complaint. INGL's response shall be detailed as required under the circumstances and INGL shall state, among other things, the findings of the examination of the complaint, whether a problem was discovered as a result thereof, the method in which the problem was handled, how INGL is acting to prevent the recurrence of the problem, or why in INGL's opinion there is no basis for the complaint.

- 17.4.** Should INGL find that the handling of the complaint and/or formulation of the response thereto requires more than fifteen (15) days, or that it is delayed for any other reasonable cause, it may inform the Shipper of the extension of such period. For the avoidance of doubt, the aforementioned schedules for examination of, and response to complaints, shall not derogate from the Parties' obligations under this Agreement or any law.
- 17.5.** For the purpose of formulating its response to the Shipper or any Other Shipper, INGL may request to meet with any of the Shipper's representatives or employees and may request that the Shipper use its reasonable efforts to provide INGL with any document or other relevant material which INGL reasonably requires in order to examine the complaint and/or take action for its resolution.
- 17.6.** The Shipper may contest the response of INGL in accordance with the procedures set forth in Section 28.

18. TAXES

18.1. Payment of Taxes

- 18.1.1. The Shipper shall bear and pay, or cause to be paid, all royalties, taxes, levies, tariffs and other sums or charges arising in respect of Shipper Gas, and the Shipper shall indemnify, defend and hold harmless INGL from any claims arising therefrom.
- 18.1.2. Subject to Section 18.3 below, INGL shall bear and pay, or cause to be paid, all royalties, taxes, levies, tariffs and other sums or charges in respect of transmission of the Shipper Gas and INGL shall indemnify, defend and hold harmless the Shipper from any claims arising therefrom.

18.2. Data Provided to Tax Authorities

The Shipper agrees that INGL will provide any data required of INGL by the tax authorities in accordance with its License and any law.

18.3. Value Added Tax

The Shipper shall bear and pay the statutory value-added tax applicable in each case.

19. INVOICING AND PAYMENT

19.1. Non-negotiable Tariffs

The tariffs to be paid on a monthly basis by the Shipper are as defined in Article 3A (Transportation Fee) of Appendix 1 (Commercial Terms). The Shipper acknowledges that such fees are both non-negotiable and non-discriminatory and are approved by the Natural Gas Authority pursuant to Section 36 of the Natural Gas Market Law. The Shipper further acknowledges that according to Section 36 of the Natural Gas Market Law and the License, the Natural Gas Authority may amend such tariffs during the term of this Agreement.

19.2. Invoicing

19.2.1. Transportation Fee

The Transportation Fee, Monthly Capacity Charge and Spot Gas Fee shall be invoiced as of the last day of each Month (hereinafter in this Section 19 - the "**Invoice Date**") and shall be issued by the 5th day of the following month by INGL. Such invoices shall charge the Shipper for:

- i) the next month (after the following Month) Capacity Fee; and
- ii) the following month Monthly Capacity Charge, and
- iii) the preceding month Throughput Fee and Spot Gas Fee,

and shall render statement of accounts for the quantities of Natural Gas provided by the Shipper in the preceding month. (For example, the invoice dated 31 January shall charge the Shipper for the Throughput Fee and the Spot Gas Fee for January, the Capacity Fee for March and the Monthly Capacity Charge for February and shall be issued by 5 February). However, the Capacity Fee for the first two Months of the Transportation Period shall be invoiced by the 5th day following the Start Date.

19.2.2. Other Fees

When applicable, charges and credits pursuant to Section 14, Section, 15 and expenses that INGL may incur in accordance with Section 13.4, shall all be added to the first invoice issued after they are incurred.

19.2.3. Connection Fee

With respect to this Section 19.2.3 and Section 19.5 below, reference to Milestones shall mean milestones pursuant to the table set out in Section 20.1.2. Charges due with respect to Milestone A shall be invoiced within 5 days of signature of this Agreement. Charges with respect to Milestones B-E (or credits with respect to Milestone E, if any) shall be invoiced as of the last day of each Month and shall be issued by the 5th day of the following month by INGL.

19.2.4. The invoices shall be sent to the Shipper by registered mail.

19.3. Natural Gas Quantities

The determination of Natural Gas quantities for invoicing shall be pursuant to the provisions of Section 9 and Section 13.

19.4. Monthly Reports

INGL shall attach a monthly report to invoices issued pursuant to Sections 19.2.1 and 19.2.2 above, which shall include the hourly measurements of temperature, pressure, gas composition, heating value and volume, which were recorded with respect to the Designated Delivery Points and the Designated Redelivery Points for the relevant

Month, and illustrating the calculation of the charges and credits invoiced. Such monthly reports will be made available in electronic form.

19.5. Payment and Securities

19.5.1. Payments under this Agreement shall be made in New Israeli Shekels by direct bank transfer or equivalent instantaneous transfer of funds with full value on the date of payment, within 30 (thirty) days of the Invoice Date. Payment shall be made at such place and to such bank account(s) as INGL or the Shipper (as the case may be) shall specify from time to time.

19.5.2. Upon signature of this Agreement, the Shipper shall lodge as security for any amount to be paid to INGL under this Agreement, a security deposit amounting to one (1) month Capacity Fee including VAT, and pay said deposit into the account referred to in Section 19.5.1 above, or shall provide a corresponding autonomous bank guarantee from an Israeli bank or a first class international bank, the identity of such bank and form of guarantee must be agreed to by the Parties. In the event the Shipper provides a security deposit, it shall earn interest at the then current prime rate quoted by the Bank of Israel minus one percent (1%). Such accumulated interest shall be credited towards the Shipper's invoices on a quarterly basis and the security deposit or the autonomous bank guarantee, as the case may be, will be returned to the Shipper upon the later of:

- iv) the expiration or Assignment of this Agreement, and
- v) the satisfactory discharge by the Shipper of all of its obligations pursuant to this Agreement.

Such security shall be updated annually according to the Capacity Fee then in effect.

19.5.3. Upon signature of this Agreement, the Shipper shall lodge as security for the amounts to be paid to INGL under Section 20.1.2 one of the following:

- i) an autonomous bank guarantee in the amount of 15% (fifteen percent) of the Connection Fee Budget issued by an Israeli bank or a first class international bank, the identity of such bank and form of guarantee as agreed by the Parties; or
- ii) a letter of undertaking issued by the Shipper or a guarantee issued by its parent company in the amount of 15% (fifteen percent) of the Connection Fee Budget, in a form and conditions acceptable to INGL, provided that the Shipper or the parent company, as the case may be, proves financial strength satisfactory to INGL.

19.6. Interest

19.6.1. Except as provided in Section 19.6.2 below, any amount payable by the Shipper under this Agreement which has not been paid by its due date shall bear interest from the due date until the date of actual payment in accordance

with the most recently published default rate of interest ('*Ribit Pigurim*') of the Accountant General of the Ministry of Finance.

- 19.6.2. Reimbursements due to correction of incorrect measurements according to Section 9.3 shall bear interest until the date of actual payment according to the most recently published rate of regular interest of the Accountant General of the Ministry of Finance ('*Ribit Hashkal*').
- 19.6.3. Reimbursements to which the Shipper is entitled to have reimbursed, other than reimbursements due to correction of incorrect measurements according to Section 9.3, shall bear interest until the date of actual payment according to the most recently published default rate of interest ('*Ribit Pigurim*') as published by the Accountant General of the Ministry of Finance.

19.7. Rounding

Invoice amounts shall be rounded up or down, as the case may be, to two decimal places.

19.8. Payment of Disputed Invoices

- 19.8.1. The Shipper must raise any objections in relation to any invoice within four (4) weeks of the date that such invoice is deemed to have been received pursuant to Section 16, save that objections concerning quantities determined pursuant to Section 13, or an error that the Shipper was unable to detect at no fault of its own, may be made after expiry of the aforementioned four (4) week period but no later than eighteen (18) months thereafter. Such objections shall be made without delay once the Shipper gained knowledge of the reason for the objection.
- 19.8.2. Except as provided according to the terms of Section 20.1.4 in respect of the Connection Fee, at the request of INGL or the Shipper, any dispute between them which may arise in respect of amounts due for payment under this Agreement shall be referred to an Expert.
- 19.8.3. Notwithstanding Section 19.8.2 above, objections to invoices or measurements shall not give the Shipper a right to delay, reduce or refuse payment of any amount due under this Agreement, provided that payment of such disputed amount shall not prejudice the Shipper's right to refer the dispute to the Expert as aforesaid.
- 19.8.4. Notwithstanding Section 19.8.2 and 19.8.3 above, disputes with respect to invoices issued under Section 19.2.2 above shall be referred to the Chief Executive Officers of the Shipper and INGL who shall endeavor to resolve such disputes within 30 Days of the Invoice Date.

19.9. Reimbursements

Any reimbursements due to the Shipper as a result of an objection to an invoice under Section 19.8 above shall be set off against the next invoice.

19.10. Set Offs

Each Party may only set off his claims or exercise any other rights vis-à-vis the other Party, including, without limitation, a lien, charge or attachment, irrespective of the obligation from which they derive, or exercise a right of retention against the demands of the other Party under this Agreement, if and to the extent that said claims of the Party are undisputed or have been confirmed either by an Expert or by a final non-appealable judgment. For the avoidance of doubt, neither Party shall be entitled to set off any claims deriving from any other agreement between the Parties, unless otherwise specifically stipulated under such other agreement.

19.11. Time of Payment

Payment shall be deemed to have been made on time when the amount involved has been actually credited to INGL's account within the period specified in Section 19.5.1 above.

20. CONSTRUCTION OF GAS INSTALLATIONS

20.1. Connection Fee

20.1.1. For the purposes of Section 19 and this Section 20, the following definitions shall apply:

- "Connection Facilities"** - shall mean the PRMS and any additional investment made by INGL in the Shipper's premises;
- "Connection Costs"** - shall mean the actual investment costs associated with the Connection Facilities, including the cost of land, design, supervision, third party inspection, materials, construction and equipment, and a management charge of 2% of the Connection Fee Budget for all items except the cost of land, supervision and third party inspection ("**Management Charge**");
- "Connection Fee Budget"** - Shall mean the budget for the Connection Costs set out in Annex 2 (Connection Fee Budget) to Appendix 1 (Commercial Terms);
- "Connection Fee Budget Tolerance"** - Shall mean 10% of the Connection Fee Budget excluding the cost of land and the Management Charge, plus the difference between the actual cost of land and that provided for in the Connection Fee Budget;

20.1.2. The Shipper will pay a Connection Fee to cover the Connection Costs, in accordance with the following Milestones:

Milestone	Charges
A Signature of this Agreement	15% (fifteen percent) of the Connection Fee Budget
B Factory Acceptance Test	30% (thirty percent) of the Connection Fee Budget
C Site Acceptance Test	30% (thirty percent) of the Connection Fee Budget
D Start Date	25% (twenty-five percent) of the Connection Fee Budget
E 30 days following the Start Date	Any difference between the Connection Costs and the Connection Fee Budget, whether positive or negative, subject to Section 20.1.4 below

Any Connection Costs related to land, including as a result of any claim of any third party made pursuant to Section 197 of the Building and Planning Law, 1965, or Section 28 of the Natural Gas Market Law, incurred by INGL after payment of Milestone E above, shall be promptly invoiced by INGL and paid by the Shipper within 30 Days of such invoice.

INGL shall promptly notify the Shipper of any such third party claim and shall allow the Shipper to participate (on its own risk and account) in the proceedings or negotiations originating from such claim. INGL shall not settle such claim without the consent of the Shipper.

- 20.1.3. Following completion of the construction of the Connection Facilities, INGL shall notify the Shipper as to the Connection Costs incurred. Such notification shall be made in the same format and level of detail as the Connection Fee Budget.
- 20.1.4. In the event that the Connection Costs exceed the Connection Fee Budget by an amount greater than the Connection Fee Tolerance, the Shipper shall be entitled to refer the matter to an Expert, in which case the Shipper shall pay the Connection Fee Budget Tolerance at Milestone E of Section 20.1.2 above, and the remainder shall be paid according to the Expert's decision.
- 20.1.5. In the event that, pursuant to Section 3.4, the Shipper requests to increase its Redelivery Capacity, any additional investment costs associated with meeting such request shall be considered additional Connection Costs and an additional Connection Fee shall apply as set forth in Sections 19.1.1 to 19.1.4 above mutatis mutandis.

20.2. Use

The Shipper acknowledges that INGL may utilize its Gas Installations constructed on the Shipper's property for Other Shippers. In such case, an appropriate allocation of costs will be determined for the Connection Fee, including retroactive reallocation if appropriate, as follows, subject to the Statutory Requirements applicable at such time:

- 20.2.1. Costs of investments which are exclusively for the Shipper shall be allocated to the Shipper;
- 20.2.2. Costs of investments which are exclusively for an Other Shipper shall be allocated to that Other Shipper;
- 20.2.3. Costs of investments which are shared by the Shipper and Other Shipper(s) shall be allocated pro rata to the highest relevant annual Redelivery Capacity booked during the Transportation Period.

20.3. Responsibility and Access

- 20.3.1. INGL shall be responsible for acquiring all building permits, rights of way and other arrangements with respect to the receipt of land rights for the purposes of constructing and operating the Connection Facilities, and the Shipper will cooperate and assist INGL in fulfilling this responsibility.

The Shipper shall cooperate fully with INGL or anyone on its behalf in the connection of the PRMS to the required utilities, including electricity, water for PRMS operations and fire fighting, sewage, drainage, communication and compressed air. In this context, where reasonably practicable, the Shipper shall allow INGL to connect its utilities at an agreed location near the PRMS. For the removal of doubt, in any event, the cost of such utility connections (but not the utility services provided thereby during the Transportation Period), to the extent incurred by INGL, shall be included in the Connection Costs under the terms of Section 20.1 above.

- 20.3.2. The Shipper shall cooperate fully with INGL or anyone on its behalf in the construction, connection, commissioning, operation and maintenance of the Gas Installations including providing full access and ensuring that full access is provided throughout the term of this Agreement to any such Gas Installations that are constructed on its property at any time including the access roads on its property to such Gas Installations and shall not limit such entrance and access in any way or demand payment therefore. In the event that full access is not provided, the Shipper will be liable to INGL for the damages caused by such breach according to the terms of Section 23, including to Other Shippers.

20.4. Waiver of Property Rights

- 20.4.1. The Shipper acknowledges that in accordance with Section 54 of the Natural Gas Market Law, Section 12 of the Law of Property, 1969, shall not apply to Gas Installations constructed and/or installed by INGL (or on its behalf) on the property of the Shipper, and the Shipper waives any right or title to any

Gas Installations constructed or installed by INGL on the Shipper's property as aforesaid.

- 20.4.2. The Shipper hereby agrees that INGL may register any such Gas Installations (including easement of access for the purposes mentioned in Section 20.3.2 above) in all applicable registers in accordance with the law without the need for the further consent of the Shipper and the Shipper will cooperate with INGL in this matter.

20.5. Waiver of Compensation

The Shipper declares that it waives any objections to or rights or claims to compensation with regard to the expropriation (if so exercised by INGL) of the land of the Shipper on which the Gas Installations are constructed and for any damages caused to the property of the Shipper during such construction in accordance with Sections 44, 53 and 55(b) of the Natural Gas Market Law and other applicable laws, including Section 197 of the Building and Planning Law, 1965, and Section 28 of the Natural Gas Market Law.

20.6. Limitation of Rights

The Shipper shall not:

- 20.6.1. limit INGL in its use of such Gas Installations in any way; and/or
- 20.6.2. pledge, charge, place a lien or attachment and/or foreclose on such Gas Installations that would in any way impair any right of INGL or the State of Israel with respect to such Gas Installations.

21. FORCE MAJEURE

- 21.1. Each Party shall, in accordance with and subject to this Section 21, be relieved from liability for failure or delay to perform, in whole or in part, any obligation under this Agreement, and (in the case of the Shipper) an inability of the Shipper to deliver or to take delivery of Natural Gas pursuant to this Agreement, if and to the extent that such failure or delay is caused by Force Majeure. In this Agreement, "**Force Majeure**" shall mean any event or circumstance or combination of events or circumstances which is beyond the reasonable control of the Party claiming Force Majeure (such Party acting and having acted as a Reasonable and Prudent Operator) and which results in or causes the failure (including by delay) or inability of such Party to fulfill any of its obligations under this Agreement, and (in the case of the Shipper) an inability of the Shipper to deliver or to take delivery of Natural Gas pursuant to this Agreement, which failure or inability could not have been prevented or overcome by the exercise by it of the standard of a Reasonable and Prudent Operator. Without prejudice to the generality of the foregoing "an event or circumstance" referred to above shall include, but shall not be limited to:

- 21.1.1. general strikes, lockouts, or other labor related disputes;

- 21.1.2. an act of the public or foreign enemy, terrorism, war (declared or undeclared), military actions, blockade, revolution, riot, insurrection, civil commotion, invasion or armed conflict;
- 21.1.3. sabotage or other related events such as acts of vandalism, terrorism, criminal damage or the threat of such acts;
- 21.1.4. acts of God, lightning, earthquake, hurricane, storm, typhoon, tornado, epidemic, fire, flood, drought and other extreme weather or environmental conditions, meteorites, the occurrence of pressure waves caused by aircraft or other aerial devices traveling at supersonic speeds, explosions, including well blowouts, radioactive, chemical or other hazardous contamination or ionizing radiation;
- 21.1.5. with respect to the relevant Party, failure to obtain or renew any National Outline Plan (TAMA), building permit or right of way which is required for the carrying out of such Party's obligations under this Agreement, provided that such Party made best efforts and due diligence to obtain such permit and that such failure is not the result of any action taken or omitted to be taken by the Party (or its Affiliate) claiming Force Majeure and is beyond its reasonable control;
- 21.1.6. withdrawal of any consent or change in any Statutory Requirement causing the restriction of operation or the shutting down of the Upstream Operator's Gas Installations, the Transmission System or the Downstream Facilities which withdrawal of consent or change in Statutory Requirement was not the result of any action taken or omitted to be taken by the Party (or its Affiliate) claiming Force Majeure; or
- 21.1.7. the declaration of a state of emergency in the Natural Gas Market by the Minister in accordance with Section 91 of the Natural Gas Market Law.

21.2. Notwithstanding anything to the contrary stated in this Section 21, the following events or conditions shall not, under any circumstance, constitute Force Majeure:

- 21.2.1. the non-availability or lack of funds or failure to indemnify the other Party or to pay money when due;
- 21.2.2. failure by either Party to give any notice required under this Agreement;
- 21.2.3. failure by INGL to take Natural Gas tendered for delivery by or on behalf of the Shipper to the extent such failure is attributable to the inability of INGL to make a profit or achieve a satisfactory rate of return;
- 21.2.4. failure by the Shipper to tender or cause to be tendered for delivery Natural Gas to INGL as a result of the inability or geophysical failure of any reservoir to produce Natural Gas or the failure of performance, depletion or exhaustion of any reservoir, or, as a result of the failure of the Upstream Operator to obtain Natural Gas supplies;

- 21.2.5. the breakdown or failure of machinery caused by normal wear and tear which should have been avoided by a Reasonable and Prudent Operator, the failure to comply with the manufacturer's recommended maintenance and operating procedures, or the non-availability at appropriate locations of standby equipment or spare parts in circumstances where a Reasonable and Prudent Operator would have had such equipment or spare parts available;
- 21.2.6. shortage of materials or employees that is not a national general shortage declared by order of the government of the State of Israel;
- 21.2.7. with respect to the relevant Party, strikes, labor disputes, lockouts, boycotts or other similar occurrence declared directly against such Party hereto or caused as a result of its act or omission; or
- 21.2.8. inability of the Shipper to deliver electricity to any public electricity distribution or transmission network due to failure, for any reason, of such network.

21.3. Without derogating from Section 21.2 above, if and to the extent that either Party uses, or is materially reliant upon, third party facilities for the performance of its obligations under this Agreement or is materially reliant upon any person responsible for the construction, maintenance or operation of its facilities, an event in respect of such third party facilities or person, as the case may be, which would constitute Force Majeure under this Section 21 shall also be deemed to be Force Majeure under this Agreement for the benefit of the Party concerned.

21.4. Release

- 21.4.1. If and as long as INGL is prevented from performing its obligations or cannot reasonably be expected to perform its obligations due to Force Majeure, the Shipper shall be released correspondingly from its payment obligations under Article 3A (Transportation Fee) of Appendix 1 (Commercial Terms).
- 21.4.2. Notwithstanding anything to the contrary stated in this Section 21, Force Majeure, when the Party claiming Force Majeure is the Shipper, shall not relieve the Shipper from its liability to pay the Capacity Fee to INGL in accordance with this Agreement. However, in the event that the Shipper is unable to deliver or to take delivery of Natural Gas due to an event of Force Majeure of the Shipper lasting for more than 7 consecutive Days, the Shipper shall be correspondingly released from the obligation to pay the relevant Transportation Fee applicable from the 8th to the 21st Day (inclusive) of such Force Majeure event, subject to exhaustion of its rights under its existing insurance policies.

21.5. Notification and Access

If a Party is prevented from performing its obligations due to Force Majeure, that Party shall immediately inform the other Party thereof by notice to the other Party that it intends to claim relief and state the nature of, the precise reasons for, and

prospective duration of, the disruption that has occurred, and shall inform the other Party of the measures taken and to be taken to prevent or mitigate such disruption, to the extent it is reasonably practicable.

Upon request from the other, the Party claiming relief shall as soon as reasonably possible to the extent it is entitled to do so give or procure access to the other Party to examine the scene of the Force Majeure event (such access to be at the sole risk and cost of the Party seeking access).

21.6. Resumption of Performance

If a Party is prevented from performing its obligations due to Force Majeure, that Party shall take all commercially reasonable steps to ensure the resumption of normal performance of this Agreement within the shortest reasonably possible time and until such time shall take all commercially reasonable steps to resume performance of this Agreement to the extent possible.

21.7. Entitlement to Damages

Neither Party shall be entitled to damages or any Balancing Incentive Charges or other charges under Section 14, as a result of the existence of an event of Force Majeure.

21.8. Extension of the Transportation Period

The Shipper shall be entitled to extend the Transportation Period by the period of the existence of Force Majeure (subject to payment of the Transportation Fee).

22. REDUCED TRANSMISSION CAPACITY AND MAINTENANCE

22.1. Reduction of Transmission Capacity

22.1.1. INGL, acting as a Reasonable and Prudent Operator shall be entitled to reduce or suspend temporarily the provision of the Transmission Services, if and to the extent such reduction or suspension is necessitated for any reason related to security, safety or emergency. Unless the circumstances do not allow time for prior notification, INGL shall as soon as reasonably practicable acting as a Reasonable and Prudent Operator notify the Shipper of any such reduction or suspension and shall endeavor to coordinate its activities with the Shipper and the Upstream Operator.

22.1.2. Reduction or suspension of the Transmission Services under Section 22.1.1 above shall release the Shipper from its obligation to pay the relevant portion of the Transportation Fee, pro rata to the extent and duration of such event. Such release shall be the sole and exclusive remedy of the Shipper for any and all damages, which may be caused to the Shipper by the reduction or non-availability of the Transmission Services. Notwithstanding the above, such release from the Transportation Fee shall not apply in the event that the Shipper is responsible by act or omission for such reduction or suspension.

- 22.1.3. For the avoidance of doubt, any such reduction or suspension in the Transmission Capacity shall be considered Curtailment, and the provisions of Section 12.8 shall apply.
- 22.1.4. For the avoidance of doubt, in the event of any such reduction or suspension in the Transmission Capacity, the Shipper shall (as notified by INGL but without prejudice to any right or remedy which it may have), curtail its deliveries of Shipper Gas to the Designated Delivery Points or the offtake of Natural Gas at the Designated Redelivery Points to such extent as may be required in order that (having deducted Fuel Gas) the Shipper complies with its obligation pursuant to Section 14, or take other measures in coordination with INGL to ensure compliance with Section 14.

22.2. Maintenance

- 22.2.1. For the purpose of this Section 22, "**Scheduled Maintenance**" means repair, maintenance, modification, replacement, extension and/or upgrade of the Transmission System which has been scheduled by INGL in accordance with this Section 22.2, and "**Maintenance Days**" means the Days, whether consecutive or not, nominated by INGL pursuant to the provisions of this Section 22.2 as Days on which INGL performs or is entitled to perform Scheduled Maintenance in respect of all or part of the Transmission System in accordance with this Section 22.2.
- 22.2.2. INGL shall be entitled to reduce the Transmission Capacity, in order to carry out Scheduled Maintenance on the Transmission System or any part thereof, on the Maintenance Days. Subject to the following sentence, the Shipper shall be released from its obligation to pay the applicable portion of the Transmission Fee for Maintenance Days pro rata to the extent and duration to which the Transmission Capacity is reduced on such Maintenance Days. The Shipper shall not be released from its obligation to pay the relevant portion of the Transportation Fee for the first seven Maintenance Days in any Contract Year on which the Transmission Capacity is reduced for each Designated Redelivery Point, or in the event that all Maintenance Days in any Contract Year for a Designated Redelivery Point are scheduled within Shipper's maintenance.
- 22.2.3. Scheduled Maintenance shall be carried out in accordance with the following provisions:
- i) At least 6 (six) months before the beginning of each Contract Year, the Parties shall meet to discuss the dates during that Contract Year upon which Scheduled Maintenance shall be carried out and the Parties shall use reasonable endeavours to agree to mutually convenient dates for the carrying out of such works.
 - ii) At least 3 (three) months before the beginning of each Contract Year, INGL (having taken reasonable account of the views expressed by the Shipper and the Other Shippers and having, to the extent possible, coordinated with the Shipper and the Upstream Operator as applicable)

shall fix and notify the Shipper of the dates of the Maintenance Days during that Contract Year, if any, and INGL shall not subsequently vary such dates except in exceptional circumstances.

- iii) Notwithstanding sub-Sections 22.2.3(i) and (ii) above, Scheduled Maintenance during the first Contract Year shall be scheduled by INGL in coordination with the Shipper at least 45 Days prior to the commencement of such Scheduled Maintenance.
- iv) Notwithstanding sub-Sections 22.2.3(i) to (iii) above, the Parties may mutually agree on Scheduled Maintenance with shorter periods of coordination.
- v) When INGL notifies the Shipper of the Maintenance Days for a year, to the extent possible, INGL shall notify the Shipper of the amount (which may be the whole amount) by which the Transmission Capacity will be reduced on each of those Days.
- vi) INGL shall use reasonable endeavors to minimize the reduction of the Transmission Capacity on any Maintenance Day.
- vii) The limitations set out in sub-Sections 22.2.3(i) and (ii) above, shall be without prejudice to the rights of INGL, acting as a Reasonable and Prudent Operator, to carry out any additional unscheduled maintenance due to unforeseen circumstances which may be considered by INGL to be necessary and/or prudent in order to ensure the operational integrity of the Transmission System, subject to INGL having given the Shipper advance notice, such notice to be given as soon as reasonably practicable, recognizing that such maintenance is unscheduled.

Reduction or suspension of the Transmission Services caused by such unscheduled maintenance shall release the Shipper from its obligation to pay the relevant portion of the Transportation Fee, pro rata to the extent and duration of such event. During the first seven (7) Days of such unscheduled maintenance during any Contract Year, such release shall be the sole and exclusive remedy of the Shipper for any and all damages, which may be caused to the Shipper by the reduction or non-availability of the Transmission Services (such waiver shall not apply after such first seven (7) Days).

Notwithstanding the above, such release from the Transportation Fee shall not apply in the event that the Shipper is responsible by act or omission for such reduction or suspension.

For the removal of doubt, the provisions of this sub-clause 22.2.3(vii) shall not derogate in any way from the provisions of Section 21.

23. LIABILITY

23.1. General

- 23.1.1. Unless this Agreement says otherwise, the liability of each Party under this Agreement shall be limited to any Direct Damages caused by the breach of

any of the provisions of this Agreement or any actions or failure to act under this Agreement, of any Party and their respective officers, employees and agents.

- 23.1.2. Notwithstanding Section 23.1.1 above, the Shipper shall be liable and will indemnify INGL for:
- i) any claim, demand, action or proceedings made by any Other Shipper, as a result of damages caused by the actions or failure to act of the Shipper, including without limitation, any transmission capacity payment obligation that INGL is required to release an Other Shipper from; and
 - ii) damages caused to the State of Israel as a result of Shipper's failure to comply with Statutory Requirements or as a result of breach of the Shipper's obligations under this Agreement.
- 23.1.3. Other than with respect to (i) Willful Misconduct or (ii) fees owing under this Agreement including, without limitation, amounts owing under Section 14 and Section 15, the liability of each Party under this Agreement, with respect to each Designated Redelivery Point, shall be limited to the amounts set forth in Article 7 (Liability) of Appendix 1 (Commercial Terms).
- 23.1.4. For the avoidance of any doubt, failure by INGL to provide the Transmission Services or any part thereof in any hour, such failure constituting a breach of its obligations under this Agreement, shall release the Shipper from its obligation to pay the relevant portion of the Transportation Fee in respect of such hour, pro rata to the extent of the reduction in that hour of the Transmission Capacity.
- 23.1.5. Notwithstanding any limitation on liability under this Section 23, the Shipper declares that it will have no claim, demand or complaint against INGL and/or the Ministry of Defense, and exempts INGL and/or the Ministry of Defense and those acting on their behalf from any liability, in respect of any direct or indirect damage (including financial and consequential damage) resulting from any act or omission of the Ministry of Defense in military zones. In this regard, the Shipper shall deliver to INGL, upon the signature of this Agreement, a duly signed waiver in the form of Appendix 2 (Waiver Regarding Military Zones) to this Agreement.

23.2. Indemnification

- 23.2.1. A Party which has a right to be indemnified in accordance with this Agreement ("**the Indemnified Party**") shall promptly notify the Party obliged to make such indemnification ("**the Indemnifying Party**") of the assertion or commencement of any claim, demand, action or proceedings in respect of which the Indemnified Party may be indemnified by the Indemnifying Party ("**an Indemnifiable Action**").
- 23.2.2. The Indemnified Party shall at the request of the Indemnifying Party:

- i) at the expense of the Indemnified Party) assume responsibility for the defence or settlement of any Indemnifiable Action with legal counsel reasonably satisfactory to the Indemnifying Party (provided that the Indemnifying Party shall at its own expense have the right to participate fully in the defence or settlement of such Indemnifiable Action); and/or
- ii) allow the Indemnifying Party (at its own expense) to assume responsibility for the defence or settlement of any Indemnifiable Action, with such defence or settlement to be at the sole risk and expense of the Indemnifying Party.

23.2.3. Neither Party shall settle any Indemnifiable Action without the prior written consent of the other Party (such consent not to be unreasonably withheld).

24. SUSPENSION OF TRANSMISSION AND TERMINATION OF AGREEMENT

24.1. Events of Suspension of Transport

24.1.1. INGL may suspend the Transmission Services with immediate effect if:

- i) as a result of the Shipper being in breach of any of the terms of this Agreement, INGL, acting as a Reasonable and Prudent Operator, reasonably considers it likely that its transportation facilities, the safety of its operations, third party rights or security of supply will be significantly or repeatedly impaired and the Shipper did not cure the situation within fifteen (15) days of the receipt of notification from INGL of its obligation to do so;
- ii) the Shipper fails to pay in whole or part any amounts invoiced by INGL within fifteen (15) days from receiving a reminder which set a deadline for payment of fifteen (15) days of the date of such reminder;
- iii) the Shipper fails to comply with any of the following Sections of this Agreement within fifteen (15) days of the receipt of notification from INGL of its failure to comply with such Sections: Section 8, Section 20 and Section 31;
- iv) INGL acting as a Reasonable and Prudent Operator believes that the Shipper's Gas Installations pose an unreasonable hazard for the Transmission System or for other INGL customers and did not cure the situation within fifteen (15) days of the receipt of notification from INGL of its obligation to do so; and/or
- v) the Shipper attempted to impair the rights of INGL and/or the State of Israel with respect to any Gas Installation, including, without limitation, by means of a pledge, charge, lien or attachment and did not cure the situation within fifteen (15) days of the receipt of notification from INGL of its obligation to do so.

INGL shall be entitled to reduce or cancel the cure periods specified in sub-Section 24.1.1(i) and (iii) to (v) above when INGL consider it reasonable in its sole and absolute discretion.

- 24.1.2. INGL shall not be liable for any damages caused to the Shipper as a result of the suspension of Transportation Services in accordance with this Section 24 and the Shipper shall nonetheless continue to pay the Transportation Fee during the period of suspension.
- 24.1.3. INGL shall resume providing services under this Agreement to the Shipper in the event that the Shipper cures to INGL's satisfaction any of the foregoing breaches.

24.2. INGL's Right to Terminate the Agreement

INGL is entitled to terminate this Agreement, or, with respect to sub-Section 24.2(iii) below, the relevant rights and obligations thereunder with respect to a particular Designated Delivery Point and/or Designated Redelivery Points, with immediate effect if the Shipper:

- 24.2.1. acts in a manner that entitles INGL to suspend the Transmission Services in accordance with Section 24.1 above and does not cure any such breach within ninety (90) days of the receipt of notification from INGL of its obligation to do so, or
- 24.2.2. fails to pay on time the security deposit or provide the securities specified in Section 19.5.2 and Section 19.5.3, and does not cure such failure within thirty (30) days of the receipt of notification from INGL of its obligation to do so, or
- 24.2.3. is unable to make Natural Gas available at a Designated Delivery Point and/or accept Natural Gas redelivered at a Redelivery Point in accordance with this Agreement,
 - i) for any continuous period of 12 Months, or 12 Months in aggregate during any 18 Month period, if excused by Force Majeure or otherwise excused according to the terms of this Agreement, or
 - ii) for a continuous period of 12 Months commencing with the Start Date, whether or not excused by Force Majeure or otherwise according to the terms of this Agreement, or
 - iii) for any continuous period of 6 Months, or 6 Months in aggregate during any 12 Month period, during the Transportation Period, but not commencing with the Start Date, unless excused by Force Majeure or otherwise excused according to the terms of this Agreement, and the situation is not resolved within 90 Days of INGL's notification to the Shipper of its intention to terminate this Agreement.

24.3. Shipper's Right to Terminate the Agreement

The Shipper is entitled to terminate this Agreement or the relevant rights and obligations thereunder with respect to a particular Designated Delivery Point and/or Designated Redelivery Points with immediate effect if INGL fails to make the Transmission Services available,

- 24.3.1. for any continuous period of 12 Months, or 12 Months in aggregate during any 18 Month period, if excused by Force Majeure or otherwise excused according to the terms of this Agreement, or
- 24.3.2. for a continuous period of 12 Months commencing with the Start Date, whether or not excused by Force Majeure or otherwise according to the terms of this Agreement, or
- 24.3.3. for any continuous period of 6 Months, or 6 Months in aggregate during any 12 Month period, during the Transportation Period, but not commencing with the Start Date, unless excused by Force Majeure or otherwise excused according to the terms of this Agreement,

and the situation is not resolved within 90 Days of the Shipper's notification to INGL of its intention to terminate this Agreement.

24.4. Parties' Right to Terminate the Agreement

Either Party may terminate this Agreement, at any time, in the event that the other Party:

- 24.4.1. becomes insolvent;
- 24.4.2. admits in writing to its insolvency or inability to pay its debts or perform its obligations as they mature;
- 24.4.3. becomes the subject of any voluntary or involuntary proceeding in bankruptcy, liquidation, dissolution, receivership, arrangement with creditors under Section 350 of the Companies Law, 1999, attachment or composition or general assignment for the benefit of creditors; provided that if such condition is assumed involuntarily it has not been dismissed with prejudice within sixty (60) days after it begins.

25. SURVIVABILITY

25.1. The expiration or termination of this Agreement (however caused) shall not affect or prejudice:

- 25.1.1. any rights, obligations or remedies which may have accrued to either Party (at law or under this Agreement) prior to termination, and any provisions of this Agreement necessary to settle any obligations or liabilities accrued in respect of the period prior to termination shall survive termination until such obligations and liabilities have been fully and finally settled; or

- 25.1.2. any term of this Agreement that expressly or by implication comes into effect or continues in effect after termination (including Section 23 and Section 30).

26. ASSIGNMENT AND PLEDGE

26.1. Shipper

- 26.1.1. The Shipper shall be entitled to Assign any of its rights or obligations under this Agreement subject to the prior written consent of INGL, which shall not be unreasonably withheld or delayed if the Shipper proposing the Assignment has shown to the satisfaction of INGL that the proposed assignee has the financial, technical and operational ability to comply with its obligations under this Agreement.
- 26.1.2. No Assignment in accordance with Section 26.1.1 above shall be effective until the Shipper has provided INGL with a written undertaking by the assignee, in a form reasonably acceptable to INGL that, the assignee will comply with its obligations under this Agreement, including, for the avoidance of doubt, a security deposit or bank guarantee pursuant to the terms of Section 19.5.2.
- 26.1.3. Upon an Assignment pursuant to Section 26.1.1 above, the Shipper shall be relieved from its obligations under this Agreement to the extent assumed by the assignee, but no such Assignment shall operate to relieve the Shipper of any liabilities incurred but not yet discharged pursuant to this Agreement prior to the effective date of such Assignment.
- 26.1.4. Notwithstanding all of the above, the Shipper may at any time Assign by way of security this Agreement to or in favour of banks, financial entities or other lenders as security for any financing relating to the Shipper's Upstream or Downstream Facilities, provided that the rights of INGL under this Agreement are not impaired.

26.2. INGL

INGL may at any time, without the consent of the Shipper, Assign any of its rights (but not its obligations) under this Agreement, including, without limitation, for the benefit of financial institutions for the purpose of receiving financing for its activities from such financial institutions, provided that the rights of the Shipper under this Agreement are not impaired.

26.3. INGL's License

The Shipper acknowledges that in the event that INGL's license expires or is cancelled, the provisions of Part 5 of Chapter B of the Natural Gas Market Law, with respect to continuity of service and transfer of INGL's Gas Installations, shall apply.

26.4. Privatization

The Shipper acknowledges that in accordance with the License, the Government of the State of Israel intends to privatize INGL. Irrespective of the structure and/or the method of the privatization of INGL, whether it is to be effected by means of transfer of assets or shares, the formation of a new company or companies and/or any other method, the Shipper further acknowledges that the State of Israel may sell shares in INGL and Assign this Agreement and/or INGLs assets without the consent of the Shipper.

27. MODIFICATIONS

27.1. Effectiveness

Without prejudice to Section 27.2 below and unless this Agreement says otherwise, this Agreement may not be amended or supplemented except by agreement in writing signed on behalf of both Parties.

27.2. Natural Gas Authority

The Shipper acknowledges that:

27.2.1. pursuant to and in accordance with the License, provided that the affected parties are provided an opportunity to present their positions, the terms of this Agreement may be examined and amended periodically by the Natural Gas Authority, in the event that such amendments are essential in order to fulfill the objectives of the Natural Gas Market Law or to ensure proper transportation services to shippers. The first such examination and amendment (if any) shall coincide with the first periodic tariff review under Section 70 of the License which occurs after 1 January 2008. Subsequent examinations and amendments (if any) shall occur at 5 year intervals coinciding with each of the periodic tariff reviews under Section 71 of the License. For the removal of doubt, the period of time between the first and second examinations may be less than 5 years. Any such amendments will constitute an integral part of this Agreement; and

27.2.2. pursuant to and in accordance with the License, if the Natural Gas Authority establishes criteria or instructions in accordance with Sections 38 or 39 of the Natural Gas Market Law and such criteria contradict the provisions of this Agreement, the Natural Gas Authority shall determine the manner to resolve such contradiction.

INGL shall not be liable for any damages caused to the Shipper as a result of such amendments.

27.3. Amendment of License

In the event that the terms of the License are amended by the Minister, the terms of this Agreement shall be amended accordingly to reflect such changes in the License. The Shipper shall cooperate fully with INGL to perform such amendments. INGL

shall not be liable for any damages caused to the Shipper as a result of such amendments.

28. APPLICABLE LAW, SETTLEMENT OF DISPUTES

28.1. Governing Law

This Agreement shall be governed exclusively by the laws of the State of Israel.

28.2. Settlement of Disputes

28.2.1. Except where this Agreement provides for determination by reference to an Expert, or the Parties otherwise agree in writing that a dispute between them shall be resolved by an Expert, any claim, dispute or difference of any kind whatsoever arising in connection with this Agreement (including, without limitation, any question regarding its existence, validity or termination) shall be referred to arbitration in accordance with Section 28.3 below.

For the removal of doubt, nothing in this agreement shall derogate from the Shipper's rights under Sections 34 and 40 of the Natural Gas Market Law regarding the settlement and examination of disputes.

28.2.2. Any dispute pursuant to Section 28.2.1 above shall be duly notified by the claiming Party to the other Party, with due reference to this Section 28, and the Parties shall endeavor to settle such dispute by negotiation within ten (10) days from receipt of said notice.

28.3. Arbitration

In case of failure to settle the dispute by negotiation within the period of time above-mentioned,

28.3.1. subject to Section 28.4 below, a mutually agreed upon arbitrator will be appointed. In the event that an agreement is not reached for the appointment of an arbitrator, the arbitrator shall be appointed, at the request of one of the Parties, by the chairman of the Israeli Bar Association for the District of Tel-Aviv-Jaffe. It is hereby agreed that in any event the arbitration shall take place in Tel Aviv.

28.3.2. The arbitrator shall not be bound by the rules of evidence or procedure and will be entitled to give final judgment or achieve a compromise and may also give interim decisions. The arbitrator shall not be authorized to grant any injunctions and shall only be authorized to grant declarative or monetary relief.

28.3.3. The arbitrator shall be required to explain his decisions or judgments in writing, and shall be required to make his final decision within 60 days of the date on which the matter was first brought before him.

28.3.4. The execution of this Agreement by the Parties shall constitute the execution of a valid arbitration agreement in accordance with the requirements of the

Arbitration Law, 5729-1968 (hereinafter – "**the Arbitration Law**"). The decision of the arbitrator shall constitute an award and shall be final and binding on the Parties. In addition and without derogating from any of the aforementioned, the arbitrator shall be bound by the provisions of the Arbitration Law. Neither party may refuse to perform or delay the performance of any obligation under this Agreement unless the arbitrator has made an order which allows it to do so. Subject to the foregoing and until the final decision of the arbitrator, the Parties shall continue to perform all of their respective obligations under this Agreement.

28.4. Expert Determination

Whenever in this Agreement any Person is to be appointed as the Expert and whenever, during the term of this Agreement, the Parties agree that a point of difference between them shall be resolved by the Expert, the provisions of Appendix 5 (Expert Determination) shall apply.

28.5. Jurisdiction

Subject to Sections 28.3 and 28.4 above, the Parties agree that the competent courts in the Tel Aviv-Jaffe District shall have exclusive jurisdiction over all disputes arising out of or in relation to this Agreement.

29. INEFFECTIVENESS OF PROVISIONS

29.1. Severability

If any provision of this Agreement is or becomes ineffective or void, the other provisions of this Agreement shall remain in full force and effect and the Parties shall substitute for any such ineffective or void provision an effective provision that does not contradict any applicable law or the License which shall be as close commercially and economically to the ineffective or void provision as may be reasonably possible as of the date on which such provision is or becomes ineffective or void.

29.2. Lacuna

If there is any lacuna in the provisions of this Agreement, the other provisions of this Agreement shall remain in full force and effect and the Parties shall add to this Agreement an effective provision which takes adequate account of both Parties' interests and the intent of the Parties at the time this Agreement was entered into, provided that the provision agreed upon by the Parties may not contradict any applicable law or the License.

30. CONFIDENTIALITY

30.1. Non-Disclosure

The Parties undertake to treat confidentially any information that they receive from the other Party directly or indirectly under this Agreement or during its drafting and

implementation. Accordingly, information received from the other Party shall not be disclosed to third parties without the prior written consent of the Party providing the information and such information shall not be exploited economically for the benefit of third parties. The Parties undertake to use the information received exclusively for the purpose of implementing this Agreement.

30.1.1. Any necessary transmission of said information to tax or legal consultants and the transmission of necessary technical data to subcontractors shall be permissible without separate written consent of the Party providing the information, provided that the transmission of information is confined to the scope needed to implement this Agreement and the parties receiving the information themselves undertake to treat it confidentially or are legally obliged by their profession to maintain confidentiality. The Parties undertake to ensure that their employees, representatives and agents also observe these confidentiality requirements.

30.2. Protection

Each Party shall protect information received from the other Party with the same care as it protects its own business and trade secrets, applying at least the care of a diligent businessman.

30.3. Ensuring Confidential Treatment

The obligation to ensure confidential treatment shall not apply to information which

30.3.1. was already known to the Party receiving the information at the time of its transmission, as evidenced in writing, and was not subject to any confidentiality obligation; or

30.3.2. was already publicly available at the time of transmission or is subsequently made publicly available through no fault of the Party receiving the information; or

30.3.3. was independently developed by the Party receiving the information, as evidenced in writing; or

30.3.4. with respect to the Shipper, the monthly reports provided by INGL to the Shipper in accordance with Section 19.4.

30.4. Provision of Information to Financiers and Authorities

30.4.1. Notwithstanding the foregoing provisions, each Party shall be entitled to provide information to any lending or other financial institution in connection with the financing of its operations, but only to the extent required in connection with seeking or obtaining such financing and subject to such institution first agreeing with the other Party to be bound by a strict confidentiality undertaking.

30.4.2. Neither Party shall be required to obtain the prior consent of the other in respect of disclosure of any information to the extent required by any applicable laws, the License, the rules and regulations of any recognized stock exchange having the force of law or compliance with which is in accordance with the general practice of persons subject to the stock exchange concerned or to the extent required by any lawful subpoena or other process in connection with any judicial, arbitral or administrative proceeding. The Shipper acknowledges that INGL is required to disclose to the Natural Gas Authority information relating to the Shipper and its consumption characteristics, all pursuant to and in accordance with the License.

30.5. Term

The confidentiality obligation set forth herein shall remain in force for a period of sixty (60) calendar months beyond the expiration or termination of this Agreement.

31. INSPECTION RIGHTS

The Shipper shall co-operate fully with representatives of the Natural Gas Authority and/or INGL and provide any information and/or document requested by such representative and allow full access to its Gas Installations, all as reasonably required for purposes of this Agreement.

32. GENERAL

32.1. This Agreement constitute the entire agreement and understanding of the Parties as to the subject matter of this Agreement and supersede all documents, minutes of meetings, letters or oral statements which may be in existence at the date of signature of this Agreement.

32.2. Unless provided to the contrary in this Agreement, a Party shall not be deemed to have waived any of its rights under this Agreement unless the waiving Party has expressly stated in writing that it does so waive such right.

IN WITNESS WHEREOF, the Parties have signed this Agreement on the date first mentioned above:

For Israel Natural Gas Lines Company Ltd. For

By: _____

By: _____

Name
and
Title: _____

Name
and
Title: _____

By: _____

Name
and
Title: _____

By: _____

Name
and
Title: _____

Appendix

APPENDIX 1

COMMERCIAL TERMS

to the Agreement for the Transmission of Natural Gas

between

- hereinafter referred to as "**the Shipper**" -

and

Appendix
Israel Natural Gas Lines Company Ltd.

- hereinafter referred to as "**INGL**" -

COMMERCIAL TERMS

TABLE OF CONTENTS

ARTICLE 1 - TRANSMISSION CAPACITY	3
ARTICLE 2 - DELIVERY AND REDELIVERY POINTS	3
ARTICLE 3A - TRANSPORTATION FEE	3
ARTICLE 3B - SPOT GAS FEE	5
ARTICLE 3C - BALANCING	5
ARTICLE 4 - MONTHLY CAPACITY CHARGE	5
ARTICLE 5 - CAPACITY OVERRUNS	6
SECTION 6 - TERM	7
ARTICLE 7 - LIABILITY	9
ARTICLE 8 - FUEL GAS	10
ARTICLE 9 - COMMUNICATIONS	11
ANNEX 1 - FUNNELING MECHANISM	12
ANNEX 2 - CONNECTION FEE BUDGET	13

Article 1 - Transmission Capacity

1. The Shipper hereby books the following Transmission Capacity composed of the Delivery Capacities for the Designated Delivery Points and the Redelivery Capacities for the Designated Redelivery Points for any hour during the Transportation Period pursuant to Article 2 of this Appendix 1, subject to the minimum physical flow required for operation (_____ Ncm/hour):

Designated Delivery Points		Designated Redelivery Points	
Point	Capacity	Point	Capacity (in mmBTU/hour)

Article 2 - Delivery and Redelivery Points

1. The Designated Delivery Points shall mean the following point(s): _____.
2. The Designated Redelivery Points shall mean the following point(s): _____.

Article 3A - Transportation Fee

1. The Shipper shall pay INGL the Transportation Fee, Bi, for the provision by INGL of the Transmission Services in respect of the Transmission Capacity booked by the Shipper in accordance with Article 1 of this Appendix 1.
2. Subject to paragraph 3 below, the formula as at the date of this Agreement for determining the Transportation Fee, Bi, shall be as follows:

Bi is composed of a Capacity Fee, Bc, and a Throughput Fee, Bt,

Such that $B_i = B_c + B_t$

Where:

$$B_c = T_{ci} * C_a * 730$$

$$B_t = T_{ai} * D_i$$

Where,

Tci is the Capacity Fee in respect of each hour of the relevant Month;

Tai is the Throughput Fee for the relevant Month;

$$C_a = A * C_d + B * C_r;$$

Where:

Cd is the sum of the Delivery Capacities (not including any monthly capacity increase approved under Section 3.4.2) for the Designated Delivery Points,

Cr is the sum of the Redelivery Capacities (not including any monthly capacity increase approved under Section 3.4.2) for the Designated Redelivery Points,

A = 0%,

B = 100%,

Di is the quantity of Natural Gas redelivered by INGL to the Shipper at the Designated Redelivery Points during the relevant Month, including Fuel Gas as provided for under Article 8 of this Appendix 1.

$$T_{ci} = T_{c0} * (X_i/X_0^{2/3} + Y_i/Y_0^{1/3})$$

$$T_{ai} = T_{a0} * (X_i/X_0^{2/3} + Y_i/Y_0^{1/3})$$

Where,

Tc0 = [] NIS per mmBTU per hour

Ta0 = [] NIS per mmBTU¹

Xi is the NIS / USD exchange rate published by the Bank of Israel on the last Working Day immediately preceding the date of the relevant invoice.

X0 is 4.703 NIS / USD, which constitutes the NIS / USD exchange rate as published by the Bank of Israel for January 1, 2007.

Yi is the Israeli Consumer Price Index rate published by the Central Bureau of Statistics in respect of the relevant Month.

Y0 is 99.133 (2006 Average = 100), which constitutes the Israeli Consumer Price Index rate known on January 1, 2007.

3. The formula (and/or each of its components) by which the Transportation Fee is determined in accordance with paragraph 2 of this Article 3A, may be adjusted in whole or in part pursuant to Section 36 of the Natural Gas Market Law and the License. INGL shall, acting as a Reasonable and Prudent Operator, notify the Shipper of any such adjustment to the formula (and/or each of its components) by which Bi is determined in accordance with paragraph 2 of this Article 3A as soon as reasonably practicable.

¹ The values of Tc0 and Ti0 shall be as determined under section 36 of the Natural Gas Market Law 2002.

Article 3B - Spot Gas Fee

1. The Shipper shall pay INGL the Spot Gas Fee for any hour of Spot Gas Nomination which was confirmed by INGL according to Section 12.6.
2. The Spot Gas Fee is presently equal to (*)_____ per mmBTU and may be adjusted from time to time in accordance with Section 36 of the Natural Gas Market Law.

** The Spot Gas Fee has not yet been approved by the Natural Gas Authority.*

Article 3C - Balancing

1. The Administrative Fee payable under Section 14 is presently equal to zero (0) and may be adjusted from time to time in accordance with Section 36 of the Natural Gas Market Law.
2. All intermediate calculations required to determine the Balancing Incentive Charges and the Administrative Fee payable under Section 14 shall be carried out without rounding up or down.

Article 4 - Monthly Capacity Charge

1. The Monthly Capacity Charge, Bcm, shall be calculated for each Month as follows:

$$Bcm = [120\%] * Tci * Crm * 730$$

Where:

Tci shall be as defined in Article 3 of this Appendix 1;

Crm shall mean the increased Redelivery Capacity requested by the Shipper and approved by INGL under Section 3.4.2;

2. The Maximum Monthly Capacity Increase shall be determined as follows:

When the Redelivery Capacity at the relevant Designated Redelivery Point and/or Designated Redelivery Point is:	Then the Maximum Monthly Capacity Increase shall equal to the following:
between 2000 SCM and 1,000 mmBTU	The lesser of 100 mmBTU and 20% of the Transmission Capacity booked under Section 3.1.1 for such Designated Redelivery Point and/or Designated Redelivery Point.

1000 mmBTU and above	The lesser of 300 mmBTU and 20% of the Transmission Capacity booked under Section 3.1.1 for such Designated Redelivery Point and/or Designated Redelivery Point.
----------------------	--

Article 5 - Capacity Overruns

1. The Capacity Overrun Charge payable under Section 15.1 shall be calculated as follows:

With respect to any Designated Delivery Point,

$$\text{Capacity Overrun Charge (DP)} = A * Tci * 730 * (\text{Cused} - \text{Cbooked})$$

With respect to any Designated Redelivery Point,

$$\text{Capacity Overrun Charge (RDP)} = B * Tci * 730 * (\text{Cused} - \text{Cbooked})$$

Where,

Tci, A and B are as defined in paragraph 2 of Article 3 of this Appendix 1;

Cused is, in respect of the relevant Month and for each Designated Delivery Point and/or Designated Redelivery Point where a Capacity Overrun occurred, the highest quantity of Shipper Gas allocated to the Shipper at each such Designated Delivery Points and the Designated Redelivery Points; and,

Cbooked is, in respect of the relevant Month and for each Designated Delivery Point and/or Designated Redelivery Point where a Capacity Overrun occurred, the Delivery Capacity for each such Designated Delivery Points and Designated Redelivery Points.

2. The Throughput Fee, Tai, shall be charged pursuant to Article 3A of this Appendix 1, and shall not be affected by the payment of the Capacity Overrun Fee.
3. The following shall replace Sections 15.1.1 and 15.1.2 with regard to shippers with more than one Designated Redelivery Point and with respect to the Redelivery Capacity only:
 - "15.1.1. If, in any hour in a Month, the OVR is overrun by no more than 5% (five percent) of the relevant Redelivery Capacity, and provided that Section 15.1.2 below does not apply during any hour of such Month, the Shipper shall pay:
 - (i) with respect to each such Designated Delivery Point, the Capacity Overrun Fee (DP); and
 - (ii) with respect to each such Designated Redelivery Point, the Capacity Overrun Fee (RDP).

- 15.1.2. If, in any hour in a Month, the OVR is overrun by more than 5% (five percent) of the relevant Redelivery Capacity, the Shipper shall pay:
- (i) with respect to each such Designated Delivery Point, 150% (one hundred and fifty percent) of the Capacity Overrun Fee (DP); and
 - (i) with respect to each such Designated Redelivery Point, 150% (one hundred and fifty percent) of the Capacity Overrun Fee (RDP)."

Where, OVR shall mean the greater of:

- (i) The difference between:
 - (a) the total quantity taken by the Shipper in any hour at all the Designated Redelivery Points, and
 - (b) the sum of the Redelivery Capacity for all the Designated Redelivery Points and any confirmed Spot Gas Nominations,

AND

- (ii) The sum of any overruns in any of the Designated Redelivery Points; such overrun in each Designated Redelivery Point defined as the difference between:
 - (a) the quantity of Natural Gas taken by the Shipper at such Designated Redelivery Point; and
 - (b) the greater of the Redelivery Capacity for such Designated Redelivery Point and the relevant Proper Nomination for such Designated Redelivery Point.

Provided however that, subject to the 15% limitation of Shifted Gas Nominations under Section 12.5.1, the overrun for a Designated Redelivery Point under this sub-paragraph (ii) shall be zero unless the quantity of Natural Gas taken by the Shipper at a Designated Redelivery Point:

- (a) exceeds the Proper Nomination for that Designated Redelivery Point for any hour by more than 5%, and
- (b) exceeds the Redelivery Capacity for that Designated Redelivery Point.

Article 6 - Term

1. The "Start Date" shall be the date determined according to the Funneling Mechanism attached as Annex 1 to this Appendix 1.
2. (*) Notwithstanding anything to the contrary in this Agreement, including Section 2, INGL shall not be obliged to construct the segment of the Transmission System required particularly for the Shipper (for the removal of doubt any segment of the Main

Transmission System according to the Master Plan approved by the NGA, shall not be constituted as a segment required particularly for the Shipper), including the ordering of any equipment, except for preparing engineering plans required for the obtaining of land statutory rights, such as TAMA, building permits or rights of way and the submission of such plans, until the Shipper shall approve specifically in writing to INGL, in a form satisfactory to INGL, that paragraph 3 below shall not apply in connection with this Agreement in any way whatsoever.

3. (*) In the event that the Shipper fails to achieve financial closing required for the erection of its Gas Facilities, it shall be entitled to terminate this Agreement upon notification within [14] Months of executing this Agreement and full payment of [] NIS, a sum which reflects the costs associated with the planning and construction of the Shipper's gas facilities.

** Optional paragraphs relevant to projects pending financial closing. Inclusion of these paragraphs is subject to provision of appropriate securities in the full amount of the "exit payment".*

4. The "Transportation Period" shall mean the period beginning on the Start Date until the earlier of (i) the date this Agreement is terminated in accordance with its terms; and (ii) 6:00 am on the _____th anniversary of the Start Date or as extended by the Parties in writing pursuant to Section 5.2.

Note: The minimum Transportation Period depends on the shipper's total redelivery capacity, as follows:

- Capacity of 2000 scm/hr up to 225 mmBTU/hr - 3 years
- Capacity of 225-535 mmBTU/hr - 5 years
- Capacity of 535-2000 mmBTU/hr - 10 years
- Capacity of 2000 mmBTU/hr or greater - 15 years

Further, the term must be sufficient to provide for recovery of INGL's costs and a reasonable return.

5. The Extension Period shall be _____.

Note: The Extension Period depends on the shipper's total redelivery capacity, as follows:

- Capacity of 2000 scm/hr up to 225 mmBTU/hr - 2 years
- Capacity of 225-535 mmBTU/hr - 2 years
- Capacity of 535-2000 mmBTU/hr - 3 years
- Capacity of 2000 mmBTU/hr or greater - 5 years

** Notwithstanding Section 2, if the Transportation Period is 3 years (Capacity of 2000 scm/hr up to 225 mmBTU/hr), the Shipper shall have the right to extend the Transportation Period upon written notification to INGL of less than twelve (12) months (but more than 6 months) prior to the end of the Transportation Period, subject to the approval of INGL not to be unreasonably withheld.*

Article 7 - Liability

1. The liability of the Parties in accordance with Section 23 shall in each Contract Year, with respect to each Designated Redelivery Point, be limited to an amount equal to fifteen percent (15%) of the Adjusted Annual Capacity Fee for that Contract Year with respect to such Designated Redelivery Point, where the Adjusted Annual Capacity Fee is defined as follows:

When the Redelivery Capacity (not including any monthly capacity increase under Section 3.4.2) at such Designated Redelivery Point is:	Then the Adjusted Annual Capacity Fee shall be equal to:
between 2000 SCM and 225 mmBTU	$Tci * 24 * \text{number of Days in such Contract Year} * 360$
between 225 mmBTU and 535 mmBTU	$Tci * 24 * \text{number of Days in such Contract Year} * 535$
between 535 mmBTU and 2000 mmBTU	$Tci * 24 * \text{number of Days in such Contract Year} * 2000$
2000 mmBTU and above	$Tci * 24 * \text{number of Days in such Contract Year} * (\text{Redelivery Capacity for the relevant Designated Redelivery Point not including any monthly capacity increase under Section 3.4.2})$

The Adjusted Annual Capacity Fee shall be calculated according to the values of Tci and Redelivery Capacity (not including any monthly capacity increase under Section 3.4.2) in effect at the first Day of each Contract Year.

2. INGL’s liability under Section 5.4 shall be limited to 2 (two) US Dollars per Day multiplied by the Redelivery Capacity in effect for that Day, for each Designated Redelivery Point and for each Day for which INGL is unable to provide the Transmission Services for a maximum of 140 (one hundred and forty) Days.

3. INGL's liability under Section 10.4.3(ii) is limited to a daily amount of 0.65 (zero point six five) US Dollars per mmBTU of Redelivery Capacity for a Designated Redelivery Point.
4. Notwithstanding the above, the liability of the Shipper with respect to non-compliant Shipper Gas under Section 10.3 shall in each Contract Year, with respect to each Designated Redelivery Point, be limited to an amount equal to thirty percent (30%) of the Adjusted Annual Capacity Fee for that Contract Year with respect to such Designated Redelivery Point, where the Adjusted Annual Capacity Fee is defined under paragraph 1 above.

Article 8 - Fuel Gas

The maximum amount of Fuel Gas that INGL, acting as a Reasonable and Prudent Operator, is entitled to utilize free of charge, shall be as needed for operation in connection with the actual consumption of Natural Gas by the PRMS, and in any event shall not exceed ____ % of the Shipper Gas Properly Nominated for that Day.

Note: the fuel gas percentage shall be determined on a case by case basis according to the fuel gas required for the PRMS at various operating conditions plus a reasonable margin.

Appendix

Article 9 - Communications

Pursuant to Section 16, any notice or other communication to be given under this Agreement shall be directed to:

1. For INGL:

Israel Natural Gas Lines Company Ltd.

2A Kremenetski St., Engel Bldg.

Tel Aviv 67899

Israel

Tel.: 03-6270400

Fax: 03-5611320

Email: ingl@ingl.co.il

Dispatching Centre:

2. For the Shipper:

[Shipper's details]

Appendix

ANNEX 1 - FUNNELING MECHANISM

The "Start Date" for each Designated Redelivery Point will be determined in accordance with the funnelling mechanism agreed specifically between the Parties and shall be based on the following framework:

The Parties have agreed to a six-month period or a twelve month period, in which they expect the Start Date to occur with regard to each Designated Redelivery Point, as follows:

_____ (**"the Six/Twelve Month Window"**)

[The Six Month Window will be determined as follows: No later than ten months before the commencement of the Twelve Month Window ("**Ten Month Notice Date**"), INGL and the Shipper will provide each other with a proposed sixth-month period in which they expect the Start Date to occur. This proposed six-month period must be within the Twelve-Month Window. The six-month period will be the later of the periods proposed by the two Parties unless the Parties have mutually agreed to a six month period within 15 days from the Ten Month Notice Date. The finally determined six-month period will be the "Six-Month Window".]

No later than five months before the commencement of each Six-Month Window ("**Five Month Notice Date**"), INGL and the Shipper will provide each other with a proposed three-month period in which they expect the Start Date to occur. This proposed three-month period must be within the Six-Month Window. The three-month period will be the later of the periods proposed by the two Parties unless the Parties have mutually agreed to a three month period within 15 days from the Five Month Notice Date. The finally determined three-month period will be the "Three-Month Window".

No later than two months before the commencement of the Three-Month Window ("**Two Month Notice Date**"), INGL and the Shipper will provide each other with a proposed one-month period in which they expect the Start Date to occur. This proposed one-month period must be within the Three-Month Window. The one-month period will be the later of the periods proposed by the two Parties unless the Parties have mutually agreed to a one month period within 15 days from the Two Month Notice Date. The finally determined one-month period will be the "One-Month Window".

ANNEX 2 - CONNECTION FEE BUDGET

			PRMS	pipeline
1	Engineering & Procurement	Detailed engineering		
2.1		Pipes		
2.3		Valves+ fittings + bends		
2.4		PRMS		
2.5		Security devices		
Total Engineering & Procurement				
3.1	Construction	Pipeline incl. Constructor Test&commissioning		
3.2		PRMS incl. Constructor Test&commissioning		
3.3		SCADA connection		
3.4		Reinstatement, rehabilitation and land scarping		
Total Construction				
4.1	Supervision	Supervision Managing Company		
4.2		E.on site Super Intendants		
4.3		3rd party inspection		
Total Supervision				
5.1	Other Cost	Lands, fees and duty		
5.2		Contingency (7%)		
5.3		Insurance (2%)		
5.4		Overhead (2%)		
Total Other Costs				
Sub Total				
Total Connection Fee (subject to notes below)				

Any costs due in accordance with the following shall form an integral part of the above budget:

- (1) the above budget is based on the current known Statutory Requirements and shall include any costs due to changes and/or additions in such requirements, including without limitation any design requirements for approval of any building permit and/or planning specification and/or to conform with security requirements.
- (2) The budget shall be indexed to inflation and/or foreign currency exchange rates according to the terms of the contracts with the relevant suppliers and/or contractors.
- (3) The budget does not include the cost of land procurment, compensation to land owners and one-time taxes, municipal duties and development fees.

Appendix 2
Waiver Regarding Military Zones

The Shipper hereby irrevocably and unconditionally waives, releases and discharges INGL and/or the Ministry of Defence (including their respective employees, officers and those acting on their behalf) from and against any and all claims, demands, actions, damages and liabilities, of whatsoever nature, which in any way arise out of any act or omission of the Ministry of Defence in military zones.

The Shipper hereby agrees to indemnify and hold INGL and/or the Ministry of Defence (including their respective employees, officers and those acting on their behalf) harmless from and against all costs, damages, injuries, claims, liabilities and expenses which the Shipper or any of its employees, officers or those acting on its behalf may suffer, sustain or incur, which arise out of any act or omission of the Ministry of Defence in military zones.

Appendix 3
Gas Quality

1. "CUBIC METER" means a cubic meter at standard conditions, being a temperature of fifteen (15) Degrees Celsius and pressure of one point zero one three two five (1.01325) bar(a).
2. Gas made available for transport under this Agreement shall, at the Delivery Point, be free from odors, materials, dust or other solid or fluid matter, waxes, gums and gum forming constituents and shall contain not more than 1 part per million of condensates. Shipper, or Upstream Operator on its behalf, shall furnish, install, maintain and operate such drips, separators, heaters and other devices as necessary or desirable to effect compliance with this requirement.
3. Without prejudice to the generality of the provisions of Paragraph 2 above, gas at the Delivery Point shall conform to the following parameters:

Water Dew Point	(a)	have a water dew point not greater than zero (0) Degrees Celsius at any pressure up to and including eighty (80) bar gauge.
Hydrocarbon Dew Point	(b)	have a hydrocarbon dew point not greater than five (5) Degrees Celsius at any pressure up to and including eighty (80) bar gauge.
Total Sulphur	(c)	normally contain not more than one hundred (100) parts per million by volume of total sulphur expressed as hydrogen sulphide at any time
Hydrogen Sulphide	(d)	contain not more than eight (8) parts per million by volume of hydrogen sulphide at any time and no more than five (5) parts per million during any eight (8) hour period).

Carbon Dioxide	(e)	contain not more than three (3.0) mol per cent of carbon dioxide.
Total Inerts	(f)	contain not more than five (5.0) mol per cent of inerts.
Oxygen	(g)	contain not more than one hundredth (0.01) mol percent of oxygen.
Methane	(h)	contain not less than ninety two (92.0) per cent by volume of methane (CH ₄).
Higher Heating Value	(i)	have a Higher Heating Value which is not less than zero point zero three four six (0.0346) MMBTU per Cubic Metre and not more than zero point zero three nine five (0.0395) MMBTU per Cubic Metre.
Wobbe Index	(j)	have a Wobbe Index which is not less than zero point zero four six two (0.0462) MMBTU per Cubic Metre and not more than zero point zero five zero nine (0.0509) MMBTU per Cubic Metre.
Temperature	(k)	have a temperature which is not less than ten (10.0) Degree Celsius and not more than thirty eight (38.0) Degrees Celsius.
Pressure	(l)	have a pressure which is not higher than eighty (80) bar(a) and not lower than sixty (60) bar(a), but in any case higher than the pressure necessary to enter the transmission system.

4. For the avoidance of doubt, it is agreed that the Shipper, or the Upstream Operator on its behalf, may (acting as a Reasonable and Prudent Operator) inject substances into the gas, provided that Shipper, or the Upstream Operator on its behalf, removes such substances prior to the Delivery Point, the presence of which does not in any event cause the gas transported under this Agreement to fail to comply with the requirements of paragraphs 2 and 3 above.

5. Gas redelivered under this Agreement shall conform with paragraph 3 above, except with regard to temperature and pressure, for which the following shall apply:

Temperature (k) have a temperature which is not less than ___ Degrees Celsius and not more than ___ Degrees Celsius.

Pressure (l) have a pressure which is not higher than ___ bar(g) and not lower than ___ bar(g).

Appendix

Appendix 3
Measurement Procedures

Contents:

Part A - Metering Provisions

Part B - Gas Quality Measurement

Appendix

Appendix 4 - Part A Metering Provisions

Introduction

This specification covers the measurement of gas by turbine meters and multi-path ultrasonic flow meters as related to the installation, operation and calibration practices for determining volume.

More detailed information regarding these issues is given in document EEN-ESP-SPC-031 "Specification Turbine Meter Runs" and EEN-ESP-SPC-035 "Specification Ultrasonic Gas Meter Run".

This specification does not cover the equipment used in the determination of pressures, temperatures, densities and other variables that must be known for the accurate determination of measured gas quantities. These items are covered by following documents:

EEN-ESJ-SPC-008 "Functional Specification for Gas Analysis System"

EEN-ESJ-SPC-015 "Functional Specification for Volume Corrector"

EEN-ESJ-SPC-001 "Functional Specification for Field Instruments" and

EEN-ESP-RQU-001 "General Design Criteria"

Applicable Codes and Standards

The following standards and publications form an integral part of this specification:

- AGA report no. 7 Measurement of Gas by Turbine Meters
- AGA report no. 8 Compressibility Factor of Natural Gas and Related Hydrocarbon Gases
- AGA report no. 9 Measurement of Gas by Multi-path Ultrasonic Meters
- ANSI B16.5 Pipe Line Flanges and Flanged Fittings;
- API Chapter 21.1 MPMS Flow Measurement Using Electronic Metering Systems
- EN 50014 Electrical apparatus for potential explosive atmosphere;

- EN 50020 Electrical apparatus for potentially explosive atmosphere "intrinsically safe";
- ISO 5208 Industrial Valves / Pressure Testing of Valves
- ISO 9951 Measurement of gas flow conduits- Turbine meters *)
- DIN EN 12261 Gas Meters – Turbine gas Meters *)
- OIML R32 Rotary Piston Gas Meters and Turbine Gas Meters*)
- OIML R6 General Provisions for Gas Volume Meters *)
- [DVGW G685]

[*) Upon availability of specific standards for Ultrasonic Turbine Meters these guidelines shall be used analogously:]

Principles of Measurement

Depending on the gas flow rate the fiscal metering shall be divided into three basic measuring principles:

Single line meter run with check device using turbine meters	-	For gas flow rates up to 15,000 Sm ³ /h
Single line meter run using ultrasonic meter and turbine meter in series	-	For gas flow rates over 20,000 Sm ³ /h
Either of above principles, as agreed by the Parties	-	For gas flow rates from 15,000 Sm ³ /h to 20.000 Sm ³ /h

Every meter run consists of the following components, depending on measuring principle:

- Measuring device for definition of flow rate (gas meter like turbine meter, ultrasonic meter)
- [Measuring device for definition of gas quality (Gas Chromatograph)]
- Switch device between working and reserve line
- Shut-off devices upstream and downstream (Ball valves)
- Check device for gas meter
- Control device
- Communication device
- Applicable number of metering runs
- Pulsation / Vibration absorber (flow straightening vanes)
- Electro technical devices
- Additional equipment

Appendix

Single Line Meter Run with Check Device

This measuring principle is applicable for gas flow rates up to 15.000 Sm³/h.

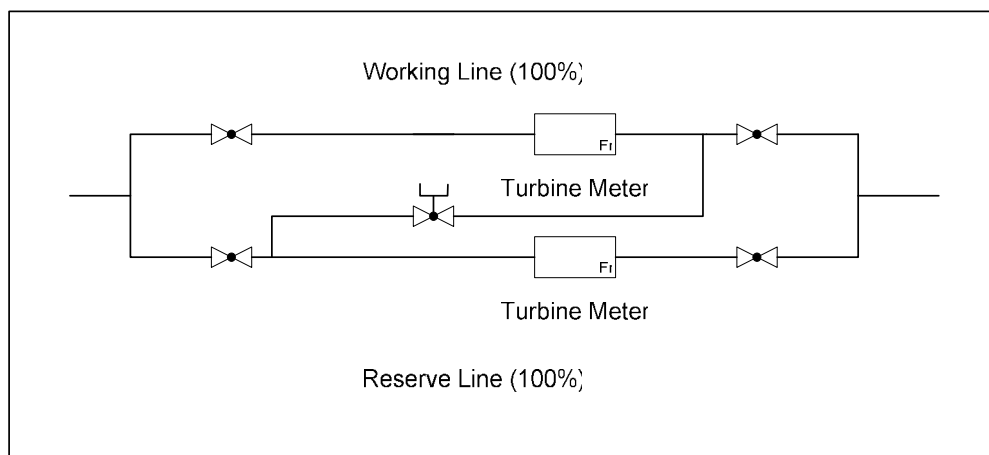


Figure 1: Single Line Meter Run with Check Device

Single line meter run using ultrasonic meter and turbine meter in series

This measuring principle is applicable for gas flow rates over 20.000 Sm³/h.

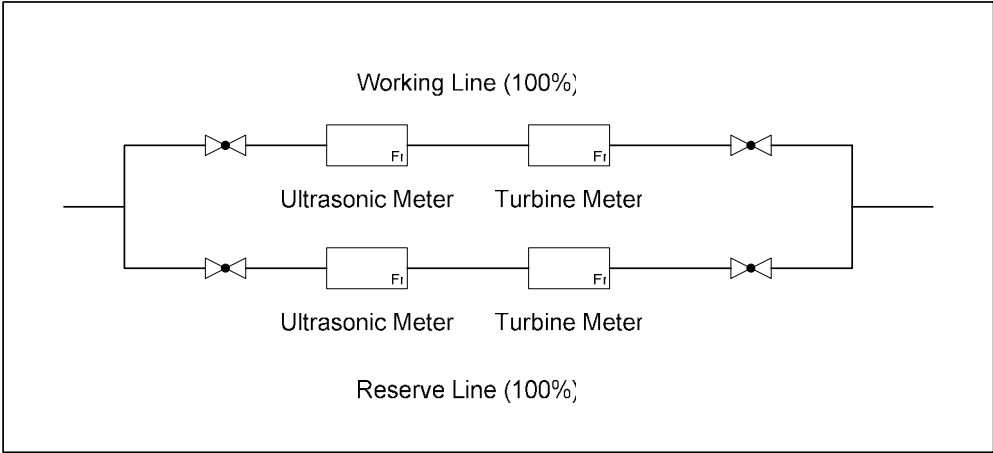


Figure 2: Single line meter run using ultrasonic meter and turbine meter in series

Appendix

General Requirements

General

The meters should be operated within the specific flow range and operating conditions to achieve the desired accuracy and normal life time.

The requirements of accuracy, safety, economy, efficiency, traceability and reliability shall be considered while designing the measurement system.

The metering runs shall be designed such that a single failure does not shut down the whole measurement.

Engineering Units

<u>Parameter</u>	<u>Units</u>
density	kg / m ³
energy	MMBTU
mass	kg
pipe diameter	mm
pressure	bar or Pa
temperature	°C
velocity	m/s
viscosity, absolute dynamic	cP or Pa · s
volume	Sm ³
volume flow rate	Sm ³ / h

Table 1: Engineering Units

Calibration

General

An individual calibration of each meter shall be made prior to operation. The results of this calibration shall be available on request, together with a statement of conditions under which the calibration took place.

Meter Proving on Site

In the case of a single line meter run with check device, the meters shall be proven by serial operation at least annually. In case of a single line meter run using ultrasonic meter and turbine meter in series, the differential between the two meters shall be monitored continuously.

Calibration Intervals

The calibration intervals shall be as follows:

<u>Component</u>	<u>Interval in years</u>
Turbine Meter [G 4000 and G 6000] with oil pump	16
Turbine Meter for custody transfer with <ol style="list-style-type: none">1. $Q_{\max} \geq 3000 \text{ Sm}^3/\text{h}$2. with installation of a reference meter3. possibility to connect both meters in series4. reference measurement during start-up and annual repetition of reference measurement	Unlimited (Note: all four conditions have to be fulfilled)
Calorific value measuring device	1
Flow computer	5
Additional devices except indicators and switch devices	5
Additional switch devices and switch over devices	unlimited

Table 2: Calibration Intervals

As far as the calibration approval defines a shorter period for calibration than given in Table 2: Calibration Intervals then the shorter interval has to be considered.

Maximum Permissible Error

The limit of maximum permissible error has to be defined as well for the single gas meter as for the complete measuring device.

Within the measuring device the systematic error of one gas meter should not be compensated by the contrarily systematic error of another gas meter.

Regarding measurement uncertainty analysis Technical Report ISO/TR 5168 has to be taken into consideration.

Especially the INGL-requirements listed below have to be followed:

Flow rate [m ³ /h]	Maximum permission errors	
	on initial verification	in service
$Q \leq 0.2 \times Q_{\max}$	$\pm 1\%$	$\pm 2\%$
$Q > 0.2 \times Q_{\max}$	$\pm 0.5\%$	$\pm 1\%$

Appendix

Appendix 4- Part B

Gas Quality Measurement

1. General

INGL is operating the Transmission System in order to transport gas for the Shipper and Other Shippers from the Delivery Points to the Redelivery Points, without being the owner of the gas transported. In order to protect the Transmission System, the Shipper, and Other Shippers, INGL has established a gas quality specification, which is set out as Appendix 2 of this Agreement. This specification determines the maximum and minimum values of certain components and parameters of the gas. In order to maintain this quality, INGL shall carrying out quality measurements at certain points of the network

- At the Delivery Points (which may be carried out by the Upstream Operator on INGL's behalf)
- At the Redelivery Points

2. Quality Measurement at the Delivery Points

At the Delivery Points, two principle types of measurement will be carried out

- Online measurement
- Offline Measurement

2.1 Online Measurement

The Following properties will be measured online:

- Gas Composition (Calorific value)
Which will be measured with a Gas Chromatograph.
- Water Dew Point
Which will be measured by a moisture analyser
- Hydrocarbon Dewpoint
Which will be measured by a Hydrocarbon dewpoint analyser
- Hydrogen Sulphide
Which will be measured by a Sulphur analyser

2.2 Offline Measurement

The above online measurements shall be checked and verified by analytic investigation of the gas in a laboratory, initially at monthly intervals. The gas shall be taken by probes from dedicated points at each Delivery Points.

Further, this quality measurement procedure will also be used to determine other components mentioned in Appendix 2, such as sulphur and sulphur compounds.

Upon conclusion by INGL, acting as a Reasonable and Prudent Operator, that the gas quality is stable, the interval may be extended to maximum one year.

3 Quality Gas Measurement at the Redelivery Points

Since the Natural Gas transported in the Transmission System may be from several sources, the gas composition (Calorific value) shall be measured at each Redelivery Point (unless agreed otherwise by the Parties). This measurement will be carried out by a gas chromatograph.

4 Calibration and Verification

Verification of the accuracy the above online measurement facilities will be carried out by means of laboratory analysis of probes at annual intervals (or more frequently, as determined by INGL, acting as a Reasonable and Prudent Operator). In the event of discrepancy between the online facilities and the laboratory analysis, the measurement equipment shall be recalibrated. The maximum interval between calibrations shall be determined in accordance with Statutory Requirements, or, if not applicable, in accordance with the recommendation of the manufacturer of the equipment

Appendix

Appendix 5
Expert Determination

1 Appointment of the Expert

1.1 The procedure for the appointment of an Expert shall be as follows:

- (a) The Party wishing the appointment to be made shall give notice to that effect to the other Party, giving details of the matter which it is proposed shall be resolved by the Expert.
- (b) The Parties shall meet and seek to agree upon a single Expert to whom the matter in dispute shall be referred for determination.
- (c) If, within fourteen (14) days from the date of service of such notice, the Parties have failed to agree upon the Expert, the matter may forthwith be referred by either Party to the Natural Gas Authority, who shall be requested to make the appointment of the Expert within twenty one (21) days. In doing so, the Natural Gas Authority may take such independent advice as it thinks fit.
- (d) Upon the Expert being agreed or selected under the foregoing provisions of this paragraph, the Parties (or either of them) shall forthwith notify the Expert of the Expert's selection and shall request the Expert to confirm to both Parties within seven (7) days whether the Expert is willing and able to accept the appointment.
- (e) If the Expert is unwilling or unable to accept such appointment or shall not have confirmed the Expert's willingness and ability to accept such appointment within such period of seven (7) days, then (unless the Parties are able to agree upon the appointment of another Expert), the matter shall be referred (by

either Party) to the Natural Gas Authority who shall be requested to make an appointment or (as the case may be) a further appointment and the process shall be repeated until the Expert is found who accepts appointment.

- (f) The Parties shall co-operate with each other to ensure that the terms of the contract of appointment of the Expert are agreed with the Expert as soon as possible. The Parties agree that, if there shall be any dispute between them as to the amount of remuneration to be offered to the Expert or any other terms of the Expert's appointment, such amount or such terms shall be determined by the Natural Gas Authority. The decision of the Natural Gas Authority shall be final and binding on the Parties.

1.2 No Person shall be appointed to act as the Expert:

- (a) unless he is qualified by education, experience and training to determine the matter in dispute;
- (b) if, at the time of his appointment or within three (3) years before such appointment, he is or has been a director, office holder or an employee of, or directly or indirectly retained as consultant to, either Party or any Affiliate of either Party;
- (c) if he is the holder of shares in a Party or any Affiliate of a Party unless the Party or Affiliate in question is a company quoted on a recognised stock exchange and the Expert's shareholding is less than one (1) per cent of the issued share capital (of any class) of that Party or Affiliate.

1.3 Subject to paragraph 1.2 above, any Person appointed as the Expert shall be entitled to act notwithstanding that, at the time of the appointment or at any time before he gives the Expert's determination under such appointment, he has or may have some interest or duty which materially conflicts, or may materially conflict, with his function under such appointment, provided that such Person shall, whether before or after accepting such appointment, immediately disclose any

interest or duty of which he is or becomes aware and which conflicts, or may conflict, with his function as the Expert and the Parties shall, after such disclosure, have confirmed such Person's appointment or continuing appointment.

- 1.4 If, within seven (7) days of becoming aware of a conflicting interest or duty, either Party objects to an appointment or proposed appointment of an Expert because it considers that there is a material risk of such interest or duty prejudicing the decision of the Expert or proposed Expert, the provisions of paragraph 1.5 shall apply.
- 1.5 In the circumstances described in paragraph 1.4 above, either Party may apply to the Natural Gas Authority, who shall decide whether, if such Person were to continue as Expert or were to be appointed as Expert (as the case may be), such a material risk would exist. In so deciding, the Natural Gas Authority shall consider any submissions that either Party may wish to make. If the Natural Gas Authority shall so decide, the Natural Gas Authority shall (if necessary) appoint a replacement Expert in accordance with paragraph 1.1 above.

2 Confidentiality

- 2.1 Subject to paragraph 2.2 above, all information, data or documentation disclosed by a Party to the Expert in consequence of or in connection with his appointment as Expert shall be treated as confidential. The Expert shall not disclose any such information, data or documentation to any Person and all such information, data and documentation shall remain the property of the Party disclosing the same and all copies thereof shall be returned on completion of the Expert's work.
- 2.2 The Expert may disclose any such information, data or documentation to employees of the Expert or Affiliates of the Expert or to any advisers to the Expert if (but only if) such employees or Affiliates or advisers have, prior to such disclosure, entered into specific obligations with the

Expert to maintain the confidentiality of such information, data and documentation.

- 2.3 The terms of appointment of the Expert shall contain an obligation on the Expert to comply with the obligations in paragraphs 2.1 and 2.2 above.

3 Terms of reference

- 3.1 The terms of reference of the Expert shall contain (inter alia) provisions to the following effect:

- (a) Not later than fourteen (14) days after his appointment, the Expert shall call the Parties to a meeting. At that meeting, the Expert shall raise any matters requiring clarification (whether arising out of the Expert's contract of appointment or otherwise) and lay down the procedural rules to be applied, which rules shall be in accordance with the terms of this Appendix 4.
- (b) The Parties (or their professional representatives) shall be entitled to supply data and information and make submissions to the Expert.
- (c) The Expert shall make his decision as soon as reasonably practicable after receipt of data, information and submissions supplied and made by the Parties and, in any event, by not later than forty-five (45) days after the Expert's appointment. The Expert shall ignore data, information and submissions supplied and made after the end of such forty-five (45) days' period unless they are furnished in response to a specific request from the Expert.
- (d) The Expert shall be entitled to obtain such independent, professional and/or technical advice as he may reasonably

require and to obtain any secretarial assistance as is reasonably necessary.

- (e) All communications between either of the Parties and the Expert and submissions made by either of the Parties shall be made in writing and a copy shall be simultaneously provided to the other Party. No meeting between the Expert and the Parties or either of them shall take place unless both Parties have a reasonable opportunity to attend such meeting.
- (f) The Expert shall give full written reasons for his determination and shall furnish a draft of the proposed determination to both Parties. Both Parties shall be entitled to make representations to the Expert in connection with the draft determination within seven (7) days after its receipt.

4 Replacement Expert

Appendix

- 4.1 If within a reasonable period (which shall not, without the prior written consent of both Parties, exceed one hundred (100) days) after the acceptance of his appointment, the Expert (the "**Previous Expert**") shall not have rendered his decision, then, at the request of either Party, another Person shall be appointed the Expert (the "**New Expert**") in accordance with this Appendix 4.
- 4.2 On acceptance of such appointment by the New Expert, the appointment of the Previous Expert shall cease unless, prior to the date upon which the New Expert accepts his appointment, the Previous Expert shall have made his decision, in which case such decision shall (subject to paragraph 5.2 below) be binding on the Parties and the instructions of the New Expert shall be withdrawn.

5 Other provisions

- 5.1 The Expert shall be deemed not to be an arbitrator, but shall render the required decision as an expert and the Arbitration Law shall not apply to the Expert or the Expert's decision or the procedure by which the Expert reaches his decision.
- 5.2 The decision of the Expert shall be final and binding upon the Parties, save in the event of fraud, mistake of law or manifest mistake of fact.
- 5.3 Each Party shall bear the costs of providing all data, information and submissions given by it and the costs and expenses of all witnesses and Persons retained by it. The costs and expenses of the Expert and any independent advisers to the Expert and any costs of the Expert's appointment shall be equally shared by INGL and the Shipper.
- 5.4 Pending the determination of the Expert in accordance with the Appendix 4, the Parties, to the greatest extent possible, shall continue to perform their obligations pursuant to this Agreement.

Appendix

Appendix 6

Data Reporting

1. Introduction

- Data transmission to and from INGL shall be through a central data base (CDB) located in proximity to the INGL's central control room (see Figure 1).
- The CDB shall be connected to the central control room in accordance with the Statutory Requirements (Information Security Bureau) with respect to isolation of the SCADA system.
- The CDB shall facilitate transmission of data in both directions, i.e. from INGL to the Shipper, and from the Shipper to INGL.

2. Description of the data

- The data to be managed by the CDB shall include commercial data to be transmitted to the Shipper (Commercial Data), operational data to be transmitted to the Shipper (Operational Data) and nominations to be received from the Shipper (Nominations)
- The Commercial Data shall include the data necessary to support INGL's monthly invoices and to verify compliance with Appendix 2 (Gas Quality) - volume, flow rate, energy content, calorific value and composition of gas redelivered to Shipper at the Redelivery Point
- The Operational Data shall include data related to the characteristics of the gas Redelivered to the Shipper - pressure, flow rate and temperature for each PRMS outlet line, as well as gas composition, status of redundant facilities (in or out of service) and status of shut-down valves (open or closed)
- The Nominations Data shall be composed of the Shipper's weekly nominations, daily nominations and any request for changes to the daily nominations, all according to Section XII (Nomination of Quantities)

3. Frequency of update

- The Commercial Data shall be updated daily by 14:00
- The Operational Data shall be updated continuously, with a short time delay, and shall be accessible no less than 95% of the time
- Nominations shall be provided by the Shipper in accordance with Section XII (Nomination of Quantities)

Final data for invoicing (monthly report) shall be submitted together with the invoice according to the terms of clause 4 of Section XIX (Invoicing and Payment).

The CDB shall be contain raw data; any mis-measurement shall be reported separately, offline, without updating the CDB.

4. Access to the CDB, backup and storage

- The Shipper shall access the CDB through a private network or public network by means of the user name, password and other security measures assigned by INGL from time to time.

- The data, as described above, shall be stored on the CDB for a period of not less than 3 months.
- The data shall be backed up daily and stored by INGL at a remote location for period of not less than 7 years.

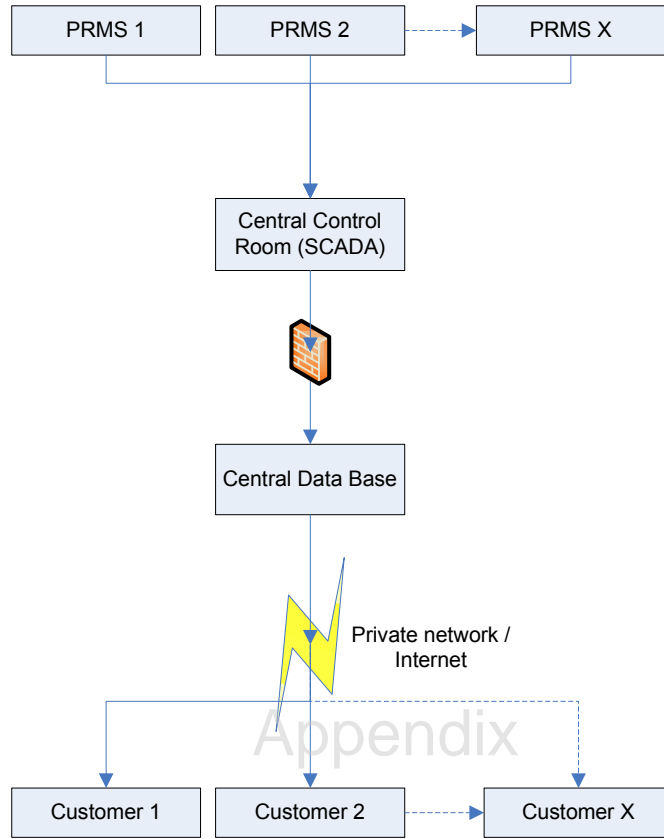


Figure 1