

B.4 Terms for the electricity delivery to Power Intensive Users¹

0. Changes to the previous version

The present version is the initial one.

1. Introduction

- 1.1 These Terms are set on the basis of the Electricity Act No. 65/2003, as subsequently amended; of Regulation No. 1040/2005 on the implementation of the Electricity Act; of Regulation No. 513/2003 on system management; of Regulation No. 1050/2004 on electricity trading and metering, as subsequently amended; and Regulation No. 1048/2004 on the quality and secure delivery of electricity.
- 1.2 These Terms have been confirmed by the Minister pursuant to Article 9, Paragraph 6, of the Electricity Act.
- 1.3 These Terms shall apply to all contracts between LANDSNET and Power Intensive Users, in accordance with the general provisions of such contracts. Power Intensive Users that are connected to the Transmission System shall comply with these Terms and other valid Terms and Conditions of LANDSNET. In the case of discrepancy between clauses in a contract between LANDSNET and a Power Intensive User on the one hand, and these Terms on the other, these Terms shall apply. The same shall apply if there is a discrepancy between clauses in these Terms and other Terms and Conditions of LANDSNET. Other Terms and Conditions of LANDSNET shall also apply unless explicitly exempted.

2. Definitions

The following definitions apply in these Terms:

- 2.1 *Affiliate* means any entity controlled, directly or indirectly, by either a Power Intensive User or LANDSNET, as the case may be, including any owners and shareholders.
- 2.2 *Ancillary Service* shall mean a service, other than the production of electricity, which is used to operate a stable and secure power system including reactive power, operating reserve, frequency control, blackstart capability and instantaneous disturbance reserve.
- 2.3 *Change of Control* shall mean (i) with respect to the Power Intensive User, the occurrence of a transaction or series of related transactions pursuant to which: (A) the owner of the relevant Power Intensive User does not after such transaction or transactions continue to hold the direct or indirect Control of the Power Intensive User whether by ownership of equity interests, contract, or otherwise; or (B) all or substantially all of the Power Intensive User's assets are sold or otherwise transferred to any other entity that is not under the direct or indirect Control of the Power Intensive User, or (ii) with respect to LANDSNET, the occurrence of a transaction or series of related transactions pursuant to which: (A) the Republic of Iceland or Landsvirkjun does not continue to hold the direct or indirect Control of LANDSNET, or retain the same level of control in relation to LANDSNET as of the date of these terms, whether by ownership of equity interests, contract, or otherwise; (B) all or substantially all of LANDSNET's assets are sold or otherwise transferred to any other Entity that is not under the direct or indirect Control of the Republic of Iceland. For the avoidance of doubt, it is not considered "Change of control" if Landsvirkjun acquires a greater interest in LANDSNET or all of LANDSNET.

¹ This is a translation from the Icelandic version of the grid code. In case of discrepancy the Icelandic version shall apply.

- 2.4 *Contract Power* shall mean the total energy and power transmitted as specified in the relevant transmission agreement.
- 2.5 *Control* means, (a) in relation to a corporation, the ownership at the relevant time of shares of the share capital of such corporation carrying more than 50% of the voting rights ordinarily exercisable at meetings of shareholders of the corporation where such voting rights are sufficient (and are exercised) to elect a majority of the directors of the corporation; (b) in relation to a person or an entity that is a partnership, limited liability company or joint venture, the ownership at the relevant time of more than 50% of the ownership interests of the partnership, limited liability company or joint venture or the holding of a position or interests in circumstances where it can reasonably be expected that the person or entity can, directly or indirectly, direct the day-to-day business of the partnership, limited liability company or joint venture; and (c) in any other case, the power to direct, directly or indirectly the direction of the management and policies of a person or entity; and the words "Controlled by", "Controlling" and similar words have corresponding meanings; the person or entity who Controls a controlled entity shall be deemed to Control a corporation, partnership, limited liability company, joint venture or trust which is Controlled by the controlled entity, and so on.
- 2.6 *Date of Full Delivery* shall mean the date specified in the relevant transmission agreement.
- 2.7 *Firm Commitment* has the meaning specified in sections 4.1 – 4.3.
- 2.8 *Force Majeure* shall have the meaning assigned to that expression in sections 6.1 – 6.4 of these terms.
- 2.9 *National Energy Authority* shall mean the public authority established under Act No. 87/2003 on the National Energy Authority.
- 2.10 *Parties* shall collectively mean LANDSNET and a Power Intensive User, and the singular ("Party") shall be construed accordingly. Any reference to a Party shall include that Party's successors and permitted assigns.
- 2.11 *Point of Delivery* has the meaning assigned to that expression in the Annex to the Electricity Act, No. 65/2003, as subsequently amended.
- 2.12 *Power Intensive User* is a user who is described as such according to the Electricity Act No. 65/2003 as amended.
- 2.13 *Power Supplier(s)* shall mean shall mean power suppliers supplying Contract Power to the Power Intensive User.
- 2.14 *Start-up* shall mean the gradual increase of electricity usage from the energization of the first additional formation machine until full capacity is reached.
- 2.15 *Switchyard* means the switchyard designed for transformation of high voltage Contract Power where LANDSNET delivers the Contract Power.
- 2.16 *Terms and Conditions of LANDSNET* or *Terms and Conditions* shall mean terms and conditions, including tariffs, based on current legislation on electricity matters at all times and adopted by LANDSNET.
- 2.17 *Transmission System* has the meaning assigned to it in the Electricity Act No. 65/2003 as amended.

2.18 *Transmission System Works* shall mean the works to be conducted by LANDSNET as specified in the relevant transmission agreement.

3. Quality of the Contract Power – Current, Voltage, Power Factor, Phase Balance and Reserve

- 3.1. The Contract Power is to be transmitted as a three-phase alternating current at 50 Hz and at nominal voltage as stated in the respective transmission agreement. The operating voltage range at the Point of Delivery is 0.90 p.u. – 1.10 p.u., i.e. the voltage may vary from minus ten per cent (-10%) to plus ten per cent (+10%) of the nominal voltage under normal operating circumstances. Provisions on operating voltage range at Point of Delivery in Transmission Agreements that are already in force and differ from the above, shall prevail. Landsnet shall furthermore ensure that the frequency and voltage quality of the Contract Power complies with the provisions of Regulation No. 1048/2004 on quality of electricity and reliability of supply.
- 3.2. The power factor (cos.phi) of the Contract Power supplied at the Plant at Point of Delivery is derived from measurements of the active energy in MW-hours and reactive energy in MVar. The power factor of the Contract Power shall not be below 0.98, measured as the average power factor for a calendar month. Permissible operational range is 0.95 to 1.0, leading or lagging. The Power Intensive User shall ensure that the Switchyard design will include sufficient redundancy, so that single component failures of reactive power producing equipment (the n-1 criteria) shall not result in the average hourly power factor being reduced below the above minimum. Should the power factor fall below any of these values for reasons other than Force Majeure the excess reactive power shall be paid for according to the Terms and Conditions at any given time. Provisions on power factor (cos.phi) of the Contract Power in Transmission Agreements that are already in force and differ from the above, shall prevail.
- 3.3. The Power Intensive User shall balance its consumption as equally as possible on all three phases according to these Terms. The Power Intensive User shall install satisfactory equipment for minimizing any frequency and voltage variations arising from load changes. Despite the provisions of Article 11 of Regulation 1048/2004, the difference in load current between phases shall not lead to more than 1% voltage asymmetry at the Point of Delivery. In the event of being alleged unsatisfactory control by the Power Intensive User resulting in voltage out of the limits specified under section 3.1 above and frequency being out of the limits of +/- 1.0 Hz in normal operations (to the exclusion of any emergency situations such as emergency shut-offs of the Power Intensive User's load, which are specifically excluded hereunder), LANDSNET may ask for a formal clarification of such an event by the Power Intensive User and, if the National Energy Authority deems this clarification unsatisfactory, suspend transmission of electricity after having given the Power Intensive User a formal notice. The respective terms shall apply to any damages that may occur. LANDSNET shall resume supply of electricity as soon as possible after sufficient measures have been taken to prevent unsatisfactory control by the Power Intensive User.
- 3.4. LANDSNET shall provide the Power Intensive User with information on the network, including possible future changes, necessary for harmonics filter design of the filter bank at the Power Intensive User's Switchyard. The design shall furthermore take into consideration a minimum short circuit power at the Point of Delivery given by LANDSNET for the specific project.

- 3.5 No later than the Date of Full Delivery the maximum permissible harmonics distortion at the Point of Delivery shall be within the emission limits as indicated in the IEEE std. 519-1992, in percentage of nominal fundamental frequency voltage as shown in the following table:

Transmission level at the Point of Delivery (kV)	Individual Voltage distortion Limit (%)	THD, Total Harmonics Voltage Distortion Limit (%)
≤ 69 kV	3,0	5,0
69,001 kV ≤ 161 kV	1,5	2,5
> 161 kV	1,0	1,5

The limits listed in the table above should be used as system design values for normal operation (conditions lasting longer than one hour). For shorter periods than one hour or during Start up, the limits may be exceeded by 50%.

The harmonics current emission limit shall be defined within the minimum requirements listed in the table above, based on harmonic studies performed by the Power Intensive User and approved by LANDSNET. Following LANDSNET's approval in writing of the harmonic current emission limit, the Power Intensive User is responsible for maintaining the defined harmonics current limit, accepted in writing by both Parties.

- 3.6 LANDSNET will measure the harmonics at the Point of Delivery. After the Date of Full Delivery, a repeated harmonics measurement will be carried out by LANDSNET in order to verify, that the harmonics distortion is within the contractual limits as specified above.
- 3.7 The Parties shall agree on provisions which shall apply during the period of Start-up of the Power Intensive User in lieu of the provisions in this chapter 3 on the quality of the contract power.

4. Payments and Firm Commitment

- 4.1 The provisions of Landsnet's general terms and conditions A.1 on price and payment methods, in particular its section 6, shall apply with regard to Power Intensive Users in addition to the provisions of this section 4.
- 4.2. The Power Intensive User undertakes to pay the Firm Commitment for the transmission of the Contract Power for each year, whether or not the electricity in such periods is actually transmitted or not or does reach the average annual amount thus applicable.
- 4.3 From the Date of Full Delivery the Firm Commitment will be applicable on a yearly basis and the Power Intensive User thus obliged to pay for the transmission of 85% of the Contract Power per Year and respective annual capacity throughout the contract period. For the first and the last year the Firm Commitment shall be adjusted pro rata based on the portion of the year which forms a part of the respective contract period.

- 4.4 Sections 4.1 and 4.2 notwithstanding, the Power Intensive User shall be excused from this Firm Commitment in the case of a Force Majeure or if LANDSNET is in material breach of its obligation to transmit the Contract Power in accordance with these Terms due to its own failure.
- 4.5 For Power Intensive Users on a voltage below 132kV and not using more than 75 MW on an annual basis it shall be an option to either a) pay the Firm Commitment according to this section 4 or b) pay the additional costs prior to the commencement of the transmission as further specified in terms B9 for Transmission of Electricity to Power Intensive Users on a voltage below 132 kV.

5. Liability

- 5.1 According to these terms and relevant transmission agreements the Parties shall only be liable for losses that a Party imposes on the other Party through intentional or gross negligence. It shall be the responsibility of the affected Party to take suitable measures to limit/prevent the loss. Failure to do so may result in limitation of the damages to which the affected Party would otherwise be entitled in accordance with general rules on liability for damages.
- 5.2 Neither of the Parties shall have any right to damages for indirect or consequential losses, for example loss of profits, operating losses and impediments to the fulfilment of obligations to a third party, except to the extent such loss is caused by any intentional contractual breach of the relevant Party or any subcontractor (at any level) of such Party.
- 5.3 LANDSNET shall not be liable for losses incurred by the Power Intensive User, due to failure of any Power Supplier having the balance obligation according to terms B.3, to report, make settlement or otherwise not having provided by the time agreed with LANDSNET correct information on electricity trade and related issues to LANDSNET.
- 5.4 LANDSNET shall not be liable for damages due to failure in the supply of electricity beyond the obligation to provide Ancillary Services.
- 5.5 Without prejudice to section 5.1, the Power Intensive User shall be responsible for any damages to LANDSNET's facilities and the facilities of the users of the Transmission System, if the damages are caused by the electrical current from the Power Intensive User, provided that neither LANDSNET nor the third party claimant, as the case may be, has not caused the damage. In such cases the general principles of law of tort pertaining to simple negligence shall apply. Should a third party customer to LANDSNET cause damages to a Power Intensive User due to electrical current of or from such third-party customer, then the Power Intensive User shall be entitled to collect any damages paid to LANDSNET by such third-party customer of LANDSNET in relation with the Power Intensive User's damages.

6. Force Majeure

- 6.1 The provisions of the Terms and Conditions of Landsnet on Force Majeure are binding for the relevant Power Intensive User and shall apply in relation to their contractual obligations under these terms, in addition to the provisions of sections 6.2 – 6.4.
- 6.2 These terms shall be extended by a period of time equal to the duration of the event of Force Majeure, unless otherwise specifically agreed between the Parties.
- 6.3 Following a reduction in the supply of Contract Power due to an event of Force Majeure, LANDSNET and the Power Intensive User agree that (a) the Parties will remain in constant

communication concerning the Power Intensive User's ramp up to the full amount of Contract Power, with each Party using its best reasonable efforts to ramp up as quickly as possible, (b) the relevant Party shall endeavor to replace the electrical power that might be lost by such Force Majeure with electrical power from another source and (c) to the extent technically feasible, for outages that are less than twenty-four (24) hours in duration, the Power Intensive User will be entitled to have transmitted additional power as Contract Power for a period of time to be agreed by the Parties.

6.4 Notwithstanding anything to the contrary contained in sections 6.1 – 6.4 prior to the Date of Full Delivery:

(a) If at any time there occurs an event of Force Majeure causing or being likely to cause a delay in completing the Project, the Transmission System or any necessary facility of the Power Suppliers, the Party affected by such Force Majeure shall (a) promptly give written notice to the other Party, and (b) take all reasonable measures within its power to avoid or overcome the effects of the Force Majeure and shall at the same time seek consultation with the other Party with respect to the event and the potential response thereto. If the effects of the event are such that the Party affected cannot in its best estimate overcome a delay in the construction work on its project by taking all reasonable measures available to it, this Party shall be entitled to declare, by notice in writing to the other Party, a postponement of the Date of Full Delivery to a later date specified in such notice, provided always that the period of such postponement shall not exceed the period of delay caused by the Force Majeure.

(b) A declaration of postponement pursuant to the preceding Paragraph shall be presented as promptly as practicable and in any case not more than thirty (30) days after the cessation of the period of delay caused by the Force Majeure. Should the Force Majeure event declared by the Power Intensive User have caused a delay in completing the necessary facilities of a Power Supplier, the Parties shall endeavor to replace the electrical power that might be lost by such Force Majeure with electrical power from another source. In any event, the other Party may challenge the notice of postponement, the duration of any alleged period of delay, or the use of measures to overcome such delay, provided that such challenge is asserted in writing not later than sixty (60) days after the notice was received. Any such challenge, if not amicably settled, may be submitted to adjudication or arbitration, the latter at the request of either party. The court or arbitration tribunal shall be empowered to make such disposition of the issues to which the challenge relates as may be appropriate.

7. Compliance

7.1 LANDSNET and the Power Intensive User shall each be obliged to construct, maintain and operate their respective facilities to the standards of a reasonable and prudent operator and to correct without delay all faults and defects which are or may become risk to the other party.

7.2 If a fault or defect occurs in the facilities of the Power Intensive User which may involve a material risk to the prudent operation of LANDSNET's facilities, for LANDSNET's deliveries to other customers or for the facilities of LANDSNET's customers, LANDSNET shall be entitled to suspend the supply of power to the Power Intensive User, until such fault or defect has been remedied. Whenever possible a prior warning should be given, followed at all times by a written notice.

7.3 The Power Intensive User shall exercise all proper precautions and install all equipment necessary to limit its total power requirements to the capacity and quantity of Contract Power. LANDSNET shall be entitled to suspend supply if the Power Intensive User, without the consent of LANDSNET, exceeds the capacity or the quantity of Contract Power and does

not cease to do so when requested. The Power Intensive User must verify that the necessary reduction will be made before LANDSNET shall be obliged to resume supply.

- 7.4 LANDSNET agrees that before exercising any of the right which it may have to curtail or suspend the supply of power to the Power Intensive User whether or not by reason of the non-performance or non-observance by the Power Intensive User of any obligation under these terms, LANDSNET shall, wherever possible, give the Power Intensive User advance warning, if possible in writing, of the proposed suspension or curtailment and allow it a reasonable time to remedy the default before suspending or curtailing the power supply.
- 7.5 No rebates on payments will be allowed for a suspension of operations due to LANDSNET's exercise of its rights under sections 7.2 – 7.4.
- 7.6 In the event of non-performance or non-observance of any obligation by LANDSNET or the Power Intensive User under these terms, the non-defaulting party shall be released from any corresponding obligation and shall be entitled to damages or an order for specific performance, subject to force majeure and any exemption from or limitation of liability set forth in these terms.

8. Cooperation Committee

- 8.1 A forum for consultation between LANDSNET, the Power Intensive User and the Power Suppliers may be established for the purposes of providing a ready and standing arrangement for exchanges of information and mutual discussion on matters concerning the planning, construction and operational phases relating to transmission of electricity to the Power Intensive Users during the Contract Period (hereinafter referred to as the "Cooperation Committee"). The Parties will mutually agree on the composition and rules of procedures of the Cooperation Committee.
- 8.2 The Cooperation Committee will discuss and take action where necessary concerning inter alia:
- a. The process of obtaining licences and other necessary public approvals for the Power Intensive User, power projects, and the Transmission System Works;
 - b. System operation of LANDSNET;
 - b. Limitations of transmission facilities;
 - c. Analysis of accuracy of the Transmission System;
 - d. Schedules for protection schemes;
 - e. Organisation of maintenance stops and maintenance needs of both Parties as well as the Power Suppliers;
 - g. Any other matters relevant for the implementation and fulfillment of the Parties obligations under these terms.
- 8.3 When a Cooperation Committee is established, representatives of LANDSNET, the relevant Power Suppliers and the Power Intensive User shall participate, both representatives of the management and project management. Meetings of the Cooperation Committee shall be held quarterly from the time it is established until the Date of Full Delivery and not less than once a year after the Date of Full Delivery, and more frequently if the Parties and the Power Suppliers agree. The Cooperation Committee will not take formal decisions with regard to these terms but adopts working rules as necessary.

9. Assignment

- 9.1 The Parties shall not have the right to assign or delegate their rights or obligations under these Terms without the express written consent of the other Party, such consent not to be unreasonably withheld.
- 9.2 Notwithstanding section 9.1, it shall not constitute a breach of this provision if LANDSNET, without the consent of the Power Intensive User, assigns its rights and obligations hereunder to a company or companies or other legal entity, that is resulted from direct governmental order, either administrative or judicial, or that results from a change in or new legislation or regulation, provided that such third party assignee shall be fully liable for performance of all LANDSNET's obligations hereunder and that a sixty (60) days written notice is provided to the Power Intensive User.
- 9.3 Notwithstanding section 9.1, it shall not constitute a breach of this provision if the Power Intensive User, without the consent of LANDSNET, assigns its rights and obligations under these Terms to any Affiliate of the Power Intensive User, or to any of its lenders or financial institutions lending to the Power Intensive User or its Affiliates, as security for any financing or refinancing related to the Plant, provided that a sixty (60) days written notice is provided to LANDSNET.

10. Breach of terms

- 10.1 If a Power Intensive User neglects its duties according to these Terms LANDSNET has the authority to cancel the respective agreement on transmission of electricity or to request that the National Energy Authority of Iceland act on the basis of Chapters VII and VIII of the Electricity Act.

11. Regulation and remedies

- 11.1 The National Energy Authority shall regulate the operation of companies pursuant to the Electricity Act and their compliance with the conditions applying to these operations according to laws, regulations and these Terms.
- 11.2 In case of disagreement on the implementation or interpretation of provisions in LANDSNET's Terms, the parties shall strive to resolve this dispute.
- 11.3 In case of disagreement on the implementation or interpretation of provisions in LANDSNET's Terms, the National Energy Authority shall be asked for a resolution in instances where it has the power to make a ruling on the basis of Chapters VII and VIII of the Electricity Act, and the Appeals Committee on Electricity asked when applicable. Rulings of the Appeals Committee may be appealed to the courts, as provided for in Article 30, Chapter VII, of the Electricity Act.
- 11.4 If the resolution of a dispute does not fall under the National Energy Authority, the case may be referred to the District Court of Reykjavik for a decision.

12. References

- 12.1 Terms B.3 on balance responsibility
- 12.2 General terms A.1 on electricity transmission and system management