

**GAS TRANSMISSION CAPACITY FROM ROMANIA TO HUNGARY
AND FROM HUNGARY TO AUSTRIA**

BINDING OPEN SEASON PROCEDURE

INVITATION TO BID



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1. Introduction

GAS CONNECT AUSTRIA GmbH, (hereinafter referred to as “GCA”) is a gas transmission system operator on the territory of Austria (Market Area East).

FGSZ Natural Gas Transmission Private Company Limited by Shares (hereinafter referred to as “FGSZ”) is a gas transmission system operator on the territory of Hungary

S.N.T.G.N TRANSGAZ S.A., (hereinafter referred to as “TRANSGAZ”) is a gas transmission system operator on the territory of Romania.

GCA, FGSZ and TRANSGAZ (hereinafter referred to as “TSOs”) are conducting a joint procedure known as binding Open Season regarding firm natural gas transmission services on the following interconnection points:

- IP1: Csanádpalota (EIC 21Z000000000236Q):
from Romania to Hungary and from Hungary to Romania at the interconnection point
- IP2: Mosonmagyaróvár (EIC 21Z000000000003C):
from Hungary to Austria at the interconnection point

Capacity will be allocated as yearly capacity products on a firm basis¹ via bundled allocation procedure at each IP in the offered directions (1 October-1 October) at Csanádpalota (RO>HU) / (HU>RO) and at Mosonmagyaróvár (HU>AT) starting with 1 October 2022 until 1 October 2037². The method applied for capacity allocation was determined based on the results of the market survey on capacity allocation concepts.

All interested Applicants shall be aware and agree that all winning Bids in the present binding Open Season shall be considered as legally binding upon the expiry of the exit right.

The TSOs do not offer 10% of the incremental capacity within the binding Open Season Procedure, which would be eventually reserved for short-term capacity booking and would allocate this capacity on a non-discriminatory basis according to the regulation eventually replacing Regulation 984/2013/EU.

The TSOs have assessed non-binding market demand and included the relevant infrastructure projects in their national network development plans ([Romanian NDP](#), [Hungarian NDP](#), [Austrian NDP](#)).

Based on these considerations, the TSOs hereby officially announce the invitation to bid for the Binding Open Season procedure.

¹ For exact definitions of “firm” reference is made to annexes 3, 4 and 8.

² The allocation of 1.75 bcm/y at IP1 (RO>HU) which will be available from gas year 2019/2020 will be offered in regular CAM yearly capacity auctions taking place according to the applicable auction calendar from 2019 onwards. For gas year 2022/2023 onwards availability is subject to the results of the OS procedure. Interruptible capacity at IP2 (HU>AT) is offered already. Allocation of the before mentioned capacities will take place on the Regional Booking Platform.

2. Definitions

Unless the context requires otherwise, words and expressions used in this document shall have the meanings stated below:

"Applicant" shall mean a network user who submits an application to the TSOs to participate in the binding Open Season Procedure.

"Bid" shall mean the Bidder's binding commitment to book capacities.

"Bidder" shall mean an Applicant whose application has been accepted by GCA, FGSZ and TRANSGAZ, as relevant, under the Rules of this binding Open Season Procedure and submits a binding bid with the necessary annexes to the TSOs under the Rules of this binding Open Season Procedure.

"Bid Revision" shall mean the Bidder's voluntary submission of an updated Bid with a modified price-quantity relationship, in which the product of the price and the quantity element shall be higher than in the original Bid and replaces the previously submitted Bid, respectively.³ If no updated Bid is submitted by a Bidder, the respective original Bid remains valid for the Economic Test.

"Indicative Reserve Price P_o (in EUR)" shall mean the sum of the related entry and exit fees at IP 1 and/or IP2 applicable at the capacity allocation procedure. The fees payable to the TSOs shall be settled in the national currencies under the relevant capacity booking contracts between the Shipper and the TSO.

"Interconnection Point 1" shall mean the physical connection of the Romanian national gas transmission system and the Hungarian national transmission system near Csanádpalota at the Romanian-Hungarian state border. The EIC of IP1 is 21Z000000000236Q.

"Interconnection Point 2" shall mean the physical connection of the Hungarian national gas transmission system and the Austrian national transmission system near Mosonmagyaróvár at the Hungarian-Austrian state border. The EIC of IP2 is 21Z000000000003C.

"Gas Day" shall mean the period from 5:00 to 5:00 UTC the following day for winter time and from 4:00 to 4:00 UTC the following day when daylight saving is applied.

"Binding Open Season Procedure" shall mean the procedure, including possible congestion management procedures through which GCA, FGSZ and TRANSGAZ allocate the Offered Capacity of IP1 and IP2 to Applicants on a binding basis.

³ Concerning the quantities offered by Transgaz, a possible bid revision will only allow the bidder to offer an updated quantity (and no updated price).

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Economic Test shall mean the TSOs' economic analysis of bids submitted by Bidders.

“Offered Capacity” shall mean the highest offer level, expressed in energy unit allocable per hour on IP1 in direction from Romania to Hungary as well as in direction from Hungary to Romania, and IP2 in direction from Hungary to Austria within the scope of the Binding Open Season Procedure, starting from the Target Commercial Operation Date minus 10% of the highest offer level, expressed in energy unit per hour, which is reserved for potential short term capacity booking.

“Participation Fee” shall mean a fee of EUR 2,000 per each IP (EUR 1,000 per TSO at the IP).

“Project” shall mean the necessary evaluation, design development, construction, installation, financing, insuring, ownership, operation, repair, replacement, refurbishment, maintenance, expansion, and extension (including laterals) on the transmission network of GCA, FGSZ and TRANSGAZ.

“Received results” shall mean the bids confirmed by the TSOs after Economic Test I.

“Successful Bidder” shall mean those Bidders that receive a confirmation on their bids.

“Target Commercial Operation Date” shall be 1st of October 2022.

“Yearly Standard Capacity Product” shall mean a capacity product, which may be applied for, in a given amount, by a network user for all Gas Days in a particular gas year starting on the 1st of October of a calendar year and ending on the 1st of October the following calendar year.

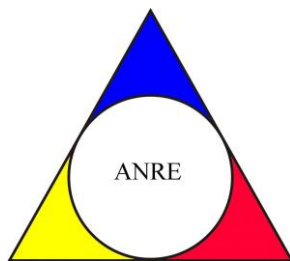
3. Binding Open Season Procedure

A Binding Open Season Procedure is conducted by the involved TSOs in order to determine the binding market interest for natural gas transmission capacities established by the projects at IP1 and IP2.

3.1. Purpose of the binding Open Season Procedure

The main objective of the binding Open Season Procedure is to assess the market interest in natural gas transmission capacity on the basis of the received binding bids of the Bidders.

3.2. Regulatory involvement



The content of this document has been agreed upon by the Romanian National Authority for Energy Regulation (ANRE), the Hungarian Energy and Public Utility Regulatory Authority (MEKH) and Energie-Control Austria für die Regulierung der Elektrizitäts- und Erdgaswirtschaft (E-Control).

3.3. Information Provision

The TSOs have taken all reasonable steps to ensure that the information regarding the Binding Open Season was correct at the time of publication. The TSOs cannot be held responsible for any misinterpretation or usage of the data contained in this document and they accept no liability of any kind for acts, consequences, losses, et cetera, arising from the information or from inaccuracy, incompleteness, or omissions in the contents of this publication.

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3.4. Binding Open Season Procedure Overview

Milestone	Date
Announcement of the Binding Open Season Procedure	15.05.17
Customer Registration	15.05.17 – 09.06.17
Confirmation Customer Registration (TSOs)	by 16.06.17
Submission of bids	19.06.17 – 14.07.17
Economic Test I	17.07.17 – 31.07.17
<i>In case of <u>positive</u> Economic Test I:</i>	
TSO to send allocation results and contract (signed by TSO) to Bidders	by 02.08.17
Bidders to return signed contract to TSO	by 16.08.17
<i>In case of <u>negative</u> Economic Test I:</i>	
Bid revision: TSOs to submit revision requirements to Bidders	17.08.17 – 28.09.17
Bid revision: Bidders to submit updated bids to TSOs	29.09.17 – 27.10.17
Economic Test II	30.10.17 – 13.11.17
<i>In case of <u>negative</u> Economic Test II:</i>	
TSO to inform Bidders about suspended Open Season procedure	by 15.11.17
<i>In case of <u>positive</u> Economic Test II:</i>	
TSOs to send allocation results and contract (signed by TSO) to Successful Bidders	by 15.11.17
Bidders to return signed contract to TSO	by 30.11.17
Bidders' latest execution date of step back right from contracts concluded upon positive Economic Test I or II	01.10.2018
<i>In case of <u>step back right not being executed</u>:</i>	
Successful completion of the Open Season procedure (concluded contracts remain in place)	02.10.2018
<i>In case of <u>step back right being executed</u>:</i>	
Bid revision: TSOs to submit revision requirements to Bidders	03.10.18 – 19.10.18
Bid revision: Bidders to submit updated bids to TSOs	22.10.18 – 02.11.18
Economic Test III	05.11.18 – 16.11.18
<i>In case of <u>positive</u> Economic Test III:</i>	
TSOs to send allocation results and contract (signed by TSO) to Successful Bidders	by 21.11.18
Bidders to return signed contract to TSO	by 05.12.18
<i>In case of <u>negative</u> Economic Test III:</i>	
TSO to inform Bidders about suspended OS procedure (TSOs using step back right)	by 21.11.18

3.5. Registration

Customer Registration process

Applicants that are interested in participating in the binding Open Season Procedure should proceed as follows, taking into account the detailed timetable provided in Chapter 3.4.

To initiate the Registration Process Applicants have to fill in the Registration form (Annex 1) duly signed by authorized person(s) and submit it to each TSO and pay the Participation Fee in the time period 15.05.2017 – 09.06.2017. The payment of the Participation Fee by 09.06.2017 is a precondition for the Applicant to participate in the Binding Open Season Procedure. The Participation Fee applies for the participation for incremental capacity at each IP. The Applicant shall pay half of the Participation Fee to each TSOs of on the IP (i.e. EUR 1,000 per TSO). The Participation Fee shall be paid to the following bank accounts including the reference "Participation Fee Open Season":

Gas Connect Austria GmbH:

Account keeping financial institution: UniCredit Bank Austria AG

IBAN: AT03 1200 0506 6003 2300

Bank Identifier Code (BIC): BKAUATWW

For FGSZ Zrt.:

Account keeping financial institution: OTP Bank Plc.

Bank account number: HU21 1176 3945 0141 8888 0000 0000

SWIFT code: OTPVHUHB

For SNTGN TRANSGAZ S.A.:

Account keeping financial institution: BRD – Groupe Societe Generale, MEDIAS Branch, 1 Mihai Eminescu street, Medias, Romania

Bank account number: RO19 BRDE 330S V829 1259 3300

SWIFT code: BRDEROBUXXX

By 16.06.2017 the TSOs will confirm the successful registration and provide the Applicant with the Bid Form (Annex 2) only if the Applicant registers with both TSOs at the relevant IP and the Participation Fee is duly paid to both TSOs. Please note that applications and payments received after 09.06.2017 COB cannot be considered.

Submission of bids

Return the Bid form by registered post or courier (original) duly signed by authorized person(s) within your organization to all of the relevant Parties at IP1 (Transgaz and FGSZ) or IP2 (FGSZ and GCA), as relevant, until 14 July 2017, 16.00 CET. Parties' addresses are listed in Chapter 7 (Notices). An advance copy by e-mail to sales.transmission@gasconnect.at, openseason@fgsz.hu and openseason@transgaz.ro is recommended.

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By submitting the registration form and the Bids, the Applicant agrees, accepts and acknowledges the present Open Season Rulebook, including the contractual terms and conditions of the TSOs contained in the Annexes. Successful bidders are obliged to duly sign and return to the TSOs the relevant contracts as contained in the Annexes.

3.6. Data Protection and Privacy

The TSOs acknowledge that any data, information or notification to be prepared by Applicants and Bidders to the binding Open Season Procedure that will be handed over shall be considered as confidential. The TSOs declare that such confidential information shall only be used in connection with the evaluation of the binding Open Season Procedure and shall not be disclosed to any third Party without written consent of the relevant Applicant / Bidder.

The obligation of non-disclosure shall not apply to information which:

- a) is in the public domain, or – due to a reason other than the act or omission of the receiving party – subsequently becomes publicly known, or
- b) was provably in the possession of the receiving party prior to disclosure by the relevant Applicant/Bidder, or
- c) the receiving party acquired from a third party who is not under a confidentiality obligation vis-à-vis the party concerned by such information, or
- d) is to be made public or disclosed pursuant to the law, stock exchange regulation or authority order, to the extent such disclosure is legally required or
- e) is communicated to the relevant regulatory authorities for the purpose of evaluating the Project.

The eventual termination of the binding Open Season Procedure or the project, for whatever reason, shall not affect the confidentiality obligation, which shall expire 3 years from the date of termination.

4. Allocation of Capacities

The TSOs offer to sell the following transmission capacities:

4.1. Offered Capacity Products and Tariffs

Flow Direction Romania → Hungary and Hungary → Austria				
TSO	Transgaz	FGSZ		GCA
Yearly Standard Capacity Product on a firm basis	Yes	Yes	Yes	Yes
Number of Offered Gas Years	15	15	15	15
First Availability	1 October 2022	1 October 2022	1 October 2022	1 October 2022
Network Point Name	Csanádpalota	Csanádpalota	Mosonmagyaróvár	Mosonmagyaróvár
Entry/Exit	Exit	Entry	Exit	Entry
EIC	21Z000000000236Q	21Z000000000236Q	21Z000000000003C	21Z000000000003C
Flow Direction	Romania→Hungary	Romania→Hungary	Hungary →Austria	Hungary→Austria
Minimum Bookable Capacity Unit	1 kWh/h/year	1 kWh/h/year	1 kWh/h/year	1 kWh/h/year
Reserve Price	a. 15.873120 Lei/kWh/h/year [22.45 Lei/kWh/h/year] ^{4*}	b. 1,483.63 HUF/kWh/h/year ⁵	c. 631.25 + 562.61 [Floating reserve price + supplement] HUF/kWh/h/year ⁶	d. 0.77 + 3.31 [Floating reserve price + fixed supplement] ^{7,8} EUR/kWh/h/year
Applied exchange rate	4.49 EUR/Lei**	310 EUR/HUF	310 EUR/HUF	N/A
Indicative Reserve Price P ₀ (in EUR)	8.3211 EUR/kWh/h/year (IP1, a+b)		(IP2, c+d)	
Price Evolution After Capacity Allocation ⁹	<ul style="list-style-type: none"> Reserve price: Floating Potential premium: fixed Volume-based tariff upon the usage of the capacity: yes 	<ul style="list-style-type: none"> Reserve price: Floating Potential premium: fixed Volume-based tariff upon the usage of the capacity: no 	<ul style="list-style-type: none"> Reserve price: Floating Potential premium: floating Volume-based tariff upon the usage of the capacity: yes 	<ul style="list-style-type: none"> Reserve price: Floating¹⁰ with fixed reserve price supplement¹¹ Potential premium: fixed Volume-based tariff upon the usage of the capacity: no
Volume based tariff			1. in the case of HU/AT ¹² pressure management service is excluded: 30.92 ¹³ + 61.63 (regulated volume-based tariff + supplement) HUF/MWh	
Offered incremental Capacity (kWh/h/year)	IP Csanádpalota (RO→HU)		IP Mosonmagyaróvár (HU→AT)	
Gas year 2022/2023	4 648 063		5 740 470	
Gas year 2023/2024	4 648 063		5 740 470	
Gas year 2024/2025	4 648 063		5 740 470	
Gas year 2025/2026	4 648 063		5 740 470	
Gas year 2026/2027	4 648 063		5 740 470	
Gas year 2027/2028	4 648 063		5 740 470	
Gas year 2028/2029	4 648 063		5 740 470	
Gas year 2029/2030	4 648 063		5 740 470	
Gas year 2030/2031	4 648 063		5 740 470	
Gas year 2031/2032	4 648 063		5 740 470	
Gas year 2032/2033	4 648 063		5 740 470	
Gas year 2033/2034	4 648 063		5 740 470	
Gas year 2034/2035	4 648 063		5 740 470	

⁴ The capacity-based transmission tariffs as approved by Order no. 39/10.08.2016 of the ANRE (<http://www.transgaz.ro/en/node/1923>). For the value in brackets, please see explanations in Chapter 4.2.2. Economic viability @SNTGN Transgaz SA.

⁵ Indicative tariff as of 1 January 2017, subject to amendment by MEKH.

⁶ Indicative tariff as of 1 January 2017, subject to amendment by MEKH. For additional explanations regarding the calculation and evolution of the reserve price and the supplement, refer to "Economic Viability @ FGSZ Ltd." in section 4.2. The supplement may change according to the booked capacities.

⁷ Based on the tariffs included in the current version of the Gas System Charges Ordinance: https://www.e-control.at/documents/20903/388512/GSNE-VO_2013_konsolidierte_Fassung_1-1-2017_FINAL.pdf/ae0088a6-fa95-928b-be00-a4252d359ece

⁸ The supplement contains the cost of providing the sufficient pressure conditions on the HU-AT border. FGSZ and GCA are investigating a possible solution that is economically more suitable for potential shippers. In case a positive outcome of the investigation FGSZ and GCA have the right to modify the terms of the present OS rulebook and the contracts in a way that the supplement of GCA can be decreased and the supplement and subsequent volumetric fee of FGSZ can be increased but as a sum can not be higher than the present supplement of GCA. The possible changes do not affect the level of quantities and the quality of services.

⁹ Tariff forecasts pursuant to the tariff network code will be delivered once applicable.

¹⁰ The tariff methodology for TSOs in the Austrian Market Area East can be accessed on the homepage of the Austrian Regulator E-Control: https://www.e-control.at/documents/20903/388512/Method+2017-2020+Fernleitungsnetzbetreiber+Gas_TSO_20161212.pdf/e5fa1729-efc0-ab06-06a3-2dd7088ed7c8

¹¹ For additional explanations regarding the evolution of the reserve price supplement with capacity bookings beyond considered threshold, refer to "Economic Viability @ Gas Connect Austria" in section 4.2 and note that value may also change, e.g. depending on revision of technical scope of the project.

¹² Subject to final approval

¹³ Indicative tariff as of 1 January 2017, subject to amendment by MEKH.

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Gas year 2035/2036	4 648 063	5 740 470
Gas year 2036/2037	4 648 063	5 740 470

Note ANRE:

* Tariff Lei/MWh/h (15°C/15°C) approved by ANRE for 2016-2017 is 1.81 Lei/MWh/h for one year contracts.

Tariff [Lei/kWh/h] (0°C/25°C) = Tariff Lei/MWh/h (15°C/15°C) * 0.9486 / 0.9476 / 1000 = 0.001812 Lei/kWh/h for one year contracts.

based on the following formula and according to SR ISO 13443/2000: $V(0^{\circ}\text{C}) = V(15^{\circ}\text{C}) * 0.9476$ and $\text{PCS}(25^{\circ}\text{C}/0^{\circ}\text{C}) = \text{PCS}(15^{\circ}\text{C}/15^{\circ}\text{C}) / 0.9486$.

Tariff Yearly [Lei/kWh/year] (0°C/25°C) = Tariff [Lei/kWh/h] (0°C/25°C) * 24 h * no. days of year = 15.873120 Lei/kWh/year for one year contracts. This tariffs are already published on TRANSGAZ web page, for Csanádpalota (interconnection point).

**the estimate exchange rate by National Commission for Prognosis available for 2016.

Flow Direction Hungary → Romania		
TSO	FGSZ	Transgaz
Yearly Standard Capacity Product on a firm basis	Yes	Yes
Number of Offered Gas Years	15	15
First Availability	1 October 2022	1 October 2022
Network Point Name	Csanádpalota	Csanádpalota
Entry/Exit	Exit	Entry
EIC	21Z000000000236Q	21Z000000000236Q
Flow Direction	Hungary → Romania	Hungary → Romania
Minimum Bookable Capacity Unit	1 kWh/h/year	1 kWh/h/year
Reserve Price	e. 631.25 ¹⁴ HUF/kWh/h/year (floating)	f. 16.135920 Lei/kWh/h/year [22.89 Lei/kWh/h/year] ¹⁵
Exchange rate	310 EUR/HUF	4.49 EUR/Lei*
Indicative Reserve Price P ₀ (in EUR)	5.63 EUR/kWh/h/year	
Price Evolution After Capacity Allocation	<ul style="list-style-type: none"> • Reserve price: floating • Potential premium: not applied • Volume-based tariff upon the usage of the capacity: Yes¹⁶ 	<ul style="list-style-type: none"> • Reserve price: Floating • Potential premium: fixed • Volume-based tariff upon the usage of the capacity: no
Offered Capacity (kWh/h/year)	IP Csanádpalota (HU→RO)	
Gas year 2022/2023	3 149 722	
Gas year 2023/2024	3 149 722	
Gas year 2024/2025	3 149 722	
Gas year 2025/2026	3 149 722	
Gas year 2026/2027	3 149 722	
Gas year 2027/2028	3 149 722	
Gas year 2028/2029	3 149 722	
Gas year 2029/2030	3 149 722	
Gas year 2030/2031	4 828 354	
Gas year 2031/2032	4 828 354	
Gas year 2032/2033	4 828 354	
Gas year 2033/2034	4 828 354	
Gas year 2034/2035	4 828 354	
Gas year 2035/2036	4 828 354	
Gas year 2036/2037	4 828 354	

Note ANRE:

* Tariff Lei/MWh/h (15°C/15°C) approved by ANRE for 2016-2017 is 1.84 Lei/MWh/h for one year contracts.

Tariff [Lei/kWh/h] (0°C/25°C) = Tariff Lei/MWh/h (15°C/15°C) * 0.9486 / 0.9476 / 1000 = 0.001842 Lei/kWh/h for one year contracts

based on the following formula and according to SR ISO 13443/2000: $V(0^{\circ}\text{C}) = V(15^{\circ}\text{C}) * 0.9476$ și $\text{PCS}(25^{\circ}\text{C}/0^{\circ}\text{C}) = \text{PCS}(15^{\circ}\text{C}/15^{\circ}\text{C}) / 0.9486$.

Tariff annual [Lei/kWh/year] (0°C/25°C) = Tariff [Lei/kWh/h] (0°C/25°C) * 24 h * no. days of year = 16.135920 Lei/kWh/year for one year contracts. This tariffs are already published on TRANSGAZ web page, for CSANÁDPALOTA (interconnection point).

**the estimate exchange rate by National Commission for Prognosis available for 2016.

¹⁴ Indicative tariff as of 1 January 2017, subject to amendment by MEKH.

¹⁵ The capacity-based transmission tariffs as approved by Order no. 39/10.08.2016 of the ANRE (<http://www.transgaz.ro/en/node/1923>). For the value in brackets, please see explanations in Chapter 4.2.2. Economic viability @SNTGN Transgaz SA.

¹⁶ Indicative tariff as of 1 January 2017, subject to amendment by MEKH, current value is 30.92 HUF/MWh

4.2. Determination of Economic Viability

4.2.1 General description

In this section, the economic test to determine the economic viability for each individual TSO is described. The information provided should give applicants insight into the aggregate booking level that has to be achieved in order to render the projects in each Market Area successful. Please note that the economic test for one IP is successful only in case the economic tests of both TSOs on both sides of the IP were successful.

Condition for a successful Economic test: $PV_{UC} \geq f * PV_{AR}$

- PV_{UC} ... value of binding commitments of network users (unknown before the capacity allocation)
- PV_{AR} ... value of the estimated increase in the allowed revenue¹⁷ of the TSO associated with the incremental capacity
- f ... f-factor

That means that the Economic Tests of a specific TSO will be positive if the value of binding commitments of network users is equal to or higher than the estimated increase in the allowed revenue of the TSO associated with the specific incremental capacity.

Economic test I

In case the Economic Test I is positive the TSO shall submit the Contract, being already signed by the TSO in duplicate, with registered mail or courier to the Successful Bidders by 02.08.2017.

The successful Bidders are obliged to duly sign and return to the TSO one original version of the received Contract with registered mail or courier by 16.08.2017.

In case the Economic Test I is negative, all Bidders are informed accordingly by email and the TSO shall ask Bidders for revised bids.

Economic Test II

In case the Economic Test II of revised Bids submitted by Bidders is positive, the TSO shall submit the Contract, being already signed by the TSO in duplicate, with registered mail or courier to the Successful Bidders by 15.11.2017. The successful Bidders are obliged to duly sign and return to the TSO one original version of the received Contract with registered mail or courier by 30.11.2017.

¹⁷ For further details on capital cost estimates and their underlying technical project planning please refer to the respective national network development plans of the TSOs.

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In case the Economic Test II is negative, the TSO shall inform Bidders via e-mail about the suspension of the Open Season procedure by 15.11.2017.

Economic test III

In case one or more Successful Bidder(s) cancel their confirmed bids by making use of their step back right and thus turn the previous Economic Tests negative, another bid revision is offered to those Bidders who have not exercised their step back right.

If the Economic Test III of revised bids submitted by Bidders is positive, the TSO shall modify their Contract accordingly, and send it to Bidders signed by the TSO, with registered mail or courier to the Successful Bidders by 21.11.2018¹⁸. The successful Bidders are obliged to duly sign and return to the TSO one original version of the received modification of Contract with registered mail or courier by 05.12.2018.

In case the Economic Test III is negative, the TSOs shall inform the Bidders by 21.11.2018 concerning the suspended Open Season procedure and the cancellation of any remaining bids and allocations (using their step back right according to section 4.3).

4.2.2 TSO-specific explanations

Economic Viability @ Gas Connect Austria GmbH.

The economic tests (Economic Test I and Economic Test II) for incremental capacity at the entry point Mosonmagyaróvár are based on the following parameters:

- $PV_{AR} = 156,325,000$ EUR
- $f = 0.75$
- $PV_{UC} \geq 117,243,750$ EUR

That means that the economic test will be positive if the value of binding commitments of network users is equal to or higher than 117,243,750 EUR.

As the allocation of all incremental capacity at the reference price (i.e. 0.77 €/kWh/h/y) would not generate sufficient revenues for a positive economic test outcome, a mandatory minimum premium (i.e. 3.31 €/kWh/h/y) (supplement) is applied for the allocation of the incremental capacity. The mandatory minimum supplement has been calculated based on the assumption of 1,913,490 kWh/h/y minimum booked incremental capacity for 15 years in a row. This means that any level of booked capacity exceeding this threshold will result in a decrease of the mandatory minimum premium. For example, a booking level twice as high as the above mentioned (i.e. 3,826,980 kWh/h/y for 15 years in a row would reduce the mandatory minimum premium to 1.27 €/kWh/h/y).

¹⁸ If no updated Bid is submitted by a Bidder who has not used his step back right, the respective original Bid remains valid and the already concluded contract remains in place. In such a case no further modification of contract is sent by the TSO.

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Economic Viability @ FGSZ Ltd.¹⁹

The economic tests (Economic Test I and Economic Test II) for incremental capacity at the entry point Csanádpalota and at the exit point Mosonmagyaróvár are based on the following parameters:

- $PV_{AR} = 114,288,300,000$ HUF
- $f^{20} = 1$
- $PV_{UC} \geq 114,288,300,000$ HUF

That means that the economic test will be positive if the present value of binding commitments of network users is equal to or higher than 114, 288.3 M HUF.

As the allocation of all incremental capacity at the reference prices would not generate sufficient revenues for a positive economic test outcome, a mandatory supplement (i.e. 562.61 HUF/kWh/h/year) is applied for the allocation of the incremental capacity. The mandatory minimum supplement has been calculated based on the assumption of 70% of minimum booked incremental capacity for 15 years in a row for both IPs. This means that any level of booked capacity exceeding this threshold will result in a decrease of the mandatory minimum supplement.

Regarding the calculation of the reserve prices and the supplement:

With regards to the TAR NC²¹ the reserve prices shall equal with the relevant tariffs in force. The reserve prices are floating therefore to get a solid tariff design the potential change of the tariffs modify the supplement, however the sum of the reserve prices and the supplement is fixed and escalated. For calculation purposes escalation is considered from 2017 to 2022 1%, after that 3%.

Capacity fee = (Reserve price + reserve price supplement) * escalation.

From the gas year of 2022/23 the calculation is going to be revised and taken into account the relevant gas year's consumer price index which published by the Magyar Nemzeti Bank (National Bank of Hungary)²².

The volume-based tariff supplement is subject of regular revision, which consists of the analysis of the natural gas price and the relevant component of the volume-based tariff.

¹⁹ Exact data to be published at a later stage.

²⁰ The f-factor reflects only the ROHUAT stage II. project. If all of the related development would be taken into account, than the f-factor would be smaller than 1, but the PVUC would be the same. Considering the fact that the transit shippers would use some of the existing Hungarian system the HEA decided in favour of the non-discriminatory price setting and approved the PVAR with f-factor 1.

²¹ COMMISSION REGULATION (EU) 2017/460 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas

²² <http://www.mnb.hu/en/publications/reports/inflation-report>

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Economic Viability @ SNTGN Transgaz SA.

The economic tests (Economic Test I and Economic Test II) for incremental capacity at the entry/exit point Csanádpalota are based on the following parameters:

- $PV_{AR} = 2,904,798,770$ Lei (equivalent of 646,948,501 EUR)
- $f = 0.75$
- $PV_{UC} \geq 2,178,599,080$ Lei (equivalent of 485,211,376 EUR)

That means that the economic test will be positive if the value of binding commitments of network users is equal to or higher than 2,178,599,080 Lei (equivalent of 485,211,376 EUR)

As the allocation of all incremental capacity at the reference price (i.e. 22.45* Lei/kWh/h/y for exit point equivalent of 5 €/kWh/h/y, respectively 22.89** Lei/kWh/h/y for entry point equivalent of 5.1 €/kWh/h/y) would not generate sufficient revenues for a positive economic test outcome, a mandatory minimum premium is applied for the allocation of the incremental capacity. No mandatory minimum premium is applied if at least 75% of offered exit capacity is booked and at least 75% of offered entry capacity is booked, for 15 years in a row.

*15,873120 Lei/kWh/h/y (presented in the table in Chapter 4.1) represents the Capacity booking tariff in the exit direction calculated under the **current circumstances** where the revenue approved by ANRE Order no. 39/10.08.2016 is 60% recovered by the application of the capacity booking tariff and 40% by the application of the commodity tariff.

ANRE Order no 10/2017 provides for the annual increase by 5% of the share related to the recovery of the approved revenue by the application of the capacity booking tariff up to the level of 85%. Such order also provides for the transmission system operator to publish information used for determining the approved revenue and the regulated tariffs in force. Such information is posted onto http://new.transgaz.ro/sites/default/files/Downloads/anexa_3_2016-2017_ordin_10-2017_final_english_0.pdf.

Consequently, the tariff of 22.45 Lei/kWh/h/y, representing the capacity booking tariff in the exit direction is calculated under the circumstances according to which the revenue approved by ANRE Order no. 39/10.08.2016 is recovered 85% by the application of the capacity booking tariff and 15% by the application of the commodity tariff.

**The clarifications above are also valid in the case of the 22,89 Lei/kWh/y tariff, representing the capacity booking tariff in the entry direction.

4.3. Capacity Allocation Concept

Prior to the binding Open Season a market consultation on “Capacity Allocation Concepts in the RO-HU-AT Open Season Procedure” was held from 08th February 2016 – 24th February 2016. Based on the responses received the following method (Method 3) is applied in the Binding Open Season:

Basic Capacity Allocation Principles

- IP1 and IP2 are allocated separately in each offered gas year.
- The Applicants are required to submit maximum 1 bid per gas year and per IP, i.e. it is not permitted to submit multiple (alternative) bids by a single Applicant for the same gas year and IP.
- IP1 and IP2 are jointly evaluated from a willingness-to-pay point of view in order to resolve any eventual congestion of the Open Season.
- Capacities are allocated at the reserve price in case of no overbooking as well as in case of overbooking.
- In case the Economic Test is not met, Applicants will have the possibility to indicate a higher willingness-to-pay upon the proposal of the TSOs (see under “Bid revision”).

Capacity allocation methodology

1. The Bid submission window is the time period between 19 June 2017 and 14 July 2017.
 - a. Bids submitted outside of the above specified time period shall not be evaluated.
 - b. Bids must comply with formal requirements as specified below.
2. The Bidder shall indicate in its Bid according to the Bid form (Annex 2):
 - a. The relevant capacity quantity it intends to book expressed in kWh/h/year,
 - i. Bids containing capacity quantities higher than the offered capacity shall be refused.
 - b. The relevant interconnection point(s),
 - c. The relevant gas year(s),
 - d. Conditionality, i.e. whether the Applicant accepts any partial fulfilment to its Bid in case not the entire amount of capacity applied for could be allocated to the Applicant related to the required quantity (“fill or kill principle”) and/ or whether his Bids are linked over both IPs and/or whether his Bids are linked across a given number of years and/or whether his Bid is conditional on the allocation of a minimum amount of capacity.
 - e. Only one bid may be submitted per gas year per IP by a Bidder. Bids containing more than 1 (one) capacity quantity request for the same gas year and IP shall be refused.
3. The willingness to pay is established as the sum of the monetary value of the Bidder’s bid for every specified gas year including both interconnection points and flow directions.
4. Bids are evaluated as follows:
 - a. The willingness to pay of all Bidders shall be ranked in descending order, i.e. starting from the highest Bidder’s willingness to pay.
 - b. Higher willingness to pay shall have precedence over lower willingness-to-pay.

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- c. In case of no overbooking at any of the IPs or across any of the gas years occur, all capacities shall be allocated at the reserve price.
- d. In the case of overbooking at any of the IPs and gas years, the following allocation methodology shall apply:
 - i. The capacity request indicating the highest willingness-to-pay shall be allocated first.
 - ii. The remaining unallocated capacity shall be allocated by taking the second, third, fourth, etc. highest willingness to pay, subject to the available capacity after each allocation step, and subject to the indicated conditionality by the Bidder.
 - iii. In case there are equal willingness-to-pay values by different Bidders, and these affect the same IP and the same gas year, such bids shall be allocated pro rata.
 - iv. Capacities shall be booked at the reserve price P_0 for all Bidders to whom capacity could be allocated to, according to their respective willingness-to-pay value, taking into account the conditionalities indicated.

Confirmation by TSO

Subject to the allocation of the submitted Bids taking into account the indicated conditionalities, Bids shall be confirmed by the TSOs.

Bid Revision

Should the Economic Test not be met, the TSOs shall offer Bidders to submit Bids based on an updated price-quantity relationship²³, communicated to all Bidders. Bidders may participate in the Bid Revision on a voluntary basis. A Bid submitted by a Bidder in a bid revision process as outlined in section 3.4 shall replace the previously submitted Bid, respectively. If no updated Bid is submitted by a Bidder, the respective original Bid remains valid for the Economic Test.

Cancellation by Bidder through step back right

Successful Bidders shall be entitled to step back until 01.10.2018 (final allocation), without the obligation to give reasons for this decision. In such a case, the Bidder shall pay a fixed rate of the value of its Bid for a five year period for which the highest amount of capacity was allocated by the respective TSO to the Bidder. The fixed rate for Transgaz shall be 0.1%, and for FGSZ and GCA 0.033% of the respective value of the individual Bid.

In case all bidders whose offers were considered in the positive economic test, relinquish their step back right before the deadline of 01.10.2018, TSOs shall proceed with the execution of the project without delay.

²³ Concerning the quantities offered by Transgaz, a possible bid revision will only allow the bidder to offer an updated quantity (and no updated price).

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Second Bid Revision and Cancellation by TSO

In case one or more Successful Bidder(s) cancel their bids by making use of their step back right, leading to a negative Economic test, another bid revision is offered to those bidders who have not exercised their step back right.

In case the bidders do not accept and the Economic Test II remains negative, the remaining bookings shall be cancelled by the TSOs until 21.11.2018. If TSOs cancel the capacity allocation, no cancellation fee is to be paid by the Bidders who did not step back from their contracts.

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5. Financial Guarantees

5.1. Applicable Financial Guarantees of SNTGN Transgaz SA

5.1.1. Financial security before the final allocation

The Bidder shall submit a financial guarantee equal to the amount of 0.1% of the value of the Bid to SNTGN Transgaz upon the submission of the Bid per IP. In case of a longer than 5 years commitment, 0.1% of the value of the 5 highest individual year per IP shall be taken into consideration.

The Bidder shall submit the financial guarantee as follows:

- a) As a letter of bank guarantee in Lei or EURO equivalent according to the European Central Bank (ECB) exchange rate on the date the guarantee is issued and/or
- b) As a guaranteed account (collateral deposit) in Lei or EURO equivalent according to the ECB exchange rate on the date the guarantee is issued and/or
- c) As an escrow account in Lei or EURO equivalent according to the ECB exchange rate on the date the guarantee is issued.

Transgaz accepts letters of bank guarantee issued by a bank with a rating from one of the following rating agencies: Standard&Poors, Moody's or Fitch, at least at the level of "investment grade"

In case of cancellation by Bidder before the final allocation, the Bidder shall pay a financial penalty according to the Article 4.3. If the Bidder fails to fulfil this obligation, SNTGN Transgaz shall be entitled to withdraw the financial guarantee of the Bidder.

5.1.2. Financial security after the final allocation

In this case the provisions of the prevailing Framework gas transmission contract concluded as a result of the auctions for capacity booking at the Csanádpalota interconnection point of SNTGN Transgaz shall be applied.

5.2. Applicable Financial Guarantees of FGSZ Zrt.

5.2.1. Financial security before the final allocation

The Bidder shall submit a financial guarantee equal to the amount of 0.033% of the value of the individual Bid to FGSZ upon the submission of the Bid per IP. In case of a longer than 5 years commitment, 0.033% of the value of the 5 highest individual year per IP shall be taken into consideration.

In case of cancellation by Bidder before the final allocation, the Bidder shall pay a financial penalty according to the Article 4.2. If the Bidder fails to fulfil this obligation, FGSZ shall be entitled to withdraw the financial guarantee of the Bidder.

5.2.2. Financial security after the final allocation

In this case the provisions of the prevailing Capacity Booking Contract of FGSZ shall be applied.

5.3. Applicable Financial Guarantees of Gas Connect Austria GmbH

The financial Guarantees outlined in the Frame Capacity Contract of GAS CONNECT AUSTRIA GmbH (Annex 7) apply.

6. Miscellaneous

The TSOs reserve the right to ask for supplementary documents from any Applicant, if required.

7. Notices

Unless expressly otherwise provided for in this document, all notices or other communications to be given or made hereunder shall be in writing, shall be addressed for the attention of the person indicated below and shall be delivered personally or sent by prepaid post or by fax. All notices given by fax shall be confirmed in writing delivered or sent as aforesaid. The language of all notices shall be the English language.

Relevant contacts of the TSOs:

a) For GCA:

Address: Floridsdorfer Hauptstrasse 1, 1210 Vienna, Austria

Attention: Aleksandar Savic, Key Account Manager, Sales Transmission

Fax number: +43 1 27500 88291

e-mail: sales.transmission@gasconnect.at

b) For FGSZ:

Address: Tanácsház utca 5, Siófok H-8600, Hungary

Attention: Erika Kajtán, Head of Capacity Sales

Fax number: +36-84-505-592

e-mail: openseason@fgsz.hu

c) For TRANSGAZ:

Address: Piața C. I. Moțaș no. 1, 551130 Mediaș, Romania

Attention: Craciun Bucur Neagu, Head of Gas Transmission Contracts Department

Fax number: +40-269-841181

e-mail: openseason@transgaz.ro

All notices shall be effective upon receipt.

8. Annexes

The following Annexes form an integral part of the Open Season Procedure and shall be published on the TSOs' website in due course:

- Annex 1. (Registration form)
- Annex 2. (Bid form)
- Annex 3. (Framework gas transmission contract of SNTGN Transgaz SA)
- Annex 4. (Capacity Booking Contract of FGSZ Zrt., including the respective general terms and conditions)
- Annex 5. (General Terms and Conditions of Gas Connect Austria GmbH)
- Annex 6. (Letter of payment guarantee form of SNTGN Transgaz SA)
- Annex 7. (Frame Capacity Contract of Gas Connect Austria GmbH)
- Annex 8. (Capacity Contract for capacities allocated in the course of the ROHUAT Open Season of Gas Connect Austria GmbH)
- Annex 9. (Model Bank Guarantee Security Deposit of Gas Connect Austria GmbH)