

SK-HU Interconnector

Open Season Process

Non-binding Phase

1. Introduction and General Information

Eustream, a.s. (**Eustream**) is a gas transmission system operator in the territory of the Slovak Republic and FGSZ Natural Gas Transmission Closed Company Limited by Shares (**FGSZ**) is a gas transmission system operator in the territory of Hungary. The companies are planning to construct a new interconnection between their gas transmission systems (**the SK-HU Interconnector**) by a 115 km long gas pipeline between Veľký Krtíš on the Slovak side and Vecsés in the suburbs of Budapest in Hungary. This project will improve the integration of the EU gas infrastructure system, produce new transmission opportunities for market participants, enhance cross-border liquidity and increase the security of gas supplies of the region.

On 16 June 2009, Eustream and FGSZ signed a Memorandum of Understanding on the implementation of the SK – HU Interconnector, which governs their cooperation in developing the interconnection of their natural gas transmission networks, including a market survey with the aim of sizing up market demand.

The project has been also officially implemented into the European Energy Programme for Recovery (EEPR) set by the European Commission in December 2008. At this stage, financial support amounting to EUR 30 million has been earmarked by the Commission in support of the SK-HU Interconnector Project.

Following the goal of assessing market demand on an ongoing basis, the respective two companies wish to discuss the pipeline transportation capacity requirements with interested parties. The sole purpose of this non-binding Open Season phase is that interested shippers inform Eustream and FGSZ about their interest in capacity booking along the new

interconnector pipeline. The Open Season procedure consists of a non-binding phase and a binding phase. The information provided by interested shippers in the non-binding phase of the Open Season will not be considered legally binding.

Eustream and FGSZ agree to review, examine and inspect or obtain information from Participants, exclusively for the purpose described in this document, and they will otherwise hold such information confidential.

Based on the information obtained from Participants, the concept of the process can be adjusted and other parties might be invited to join the project at a later stage.

The official language used during the whole Open Season procedure is English.

2. About us

2.1. Information about Eustream

Eustream operates a high-pressure gas transmission system that is interconnected with major European trunk lines in Ukraine, the Czech Republic and Austria. The annual capacity of the system exceeds 90 billion cubic meters.

The transmission system consists of four or five parallel pipelines, mostly 1200/1400 mm in diameter, with an operating pressure of 7.3 MPa. The pressure differential needed for a continuous gas flow is ensured by four large compressor stations with an aggregated power of more than 1000 MW. The most important station is located at Velké Kapušany near the Ukrainian-Slovak border, allowing an entry flow of almost 300 million cubic meters per day. The day-to-day operations of the whole system are dealt with by the dispatching center in Nitra.

Map of the Slovak Transmission Network operated by Eustream.



Eustream provides access to the gas transmission system on a non-discriminatory and transparent basis. The services are provided in line with all relevant national and European regulations. Access to the transmission system is entry-exit based. For entering and exiting the system customers can choose from the following four entry/exit points:

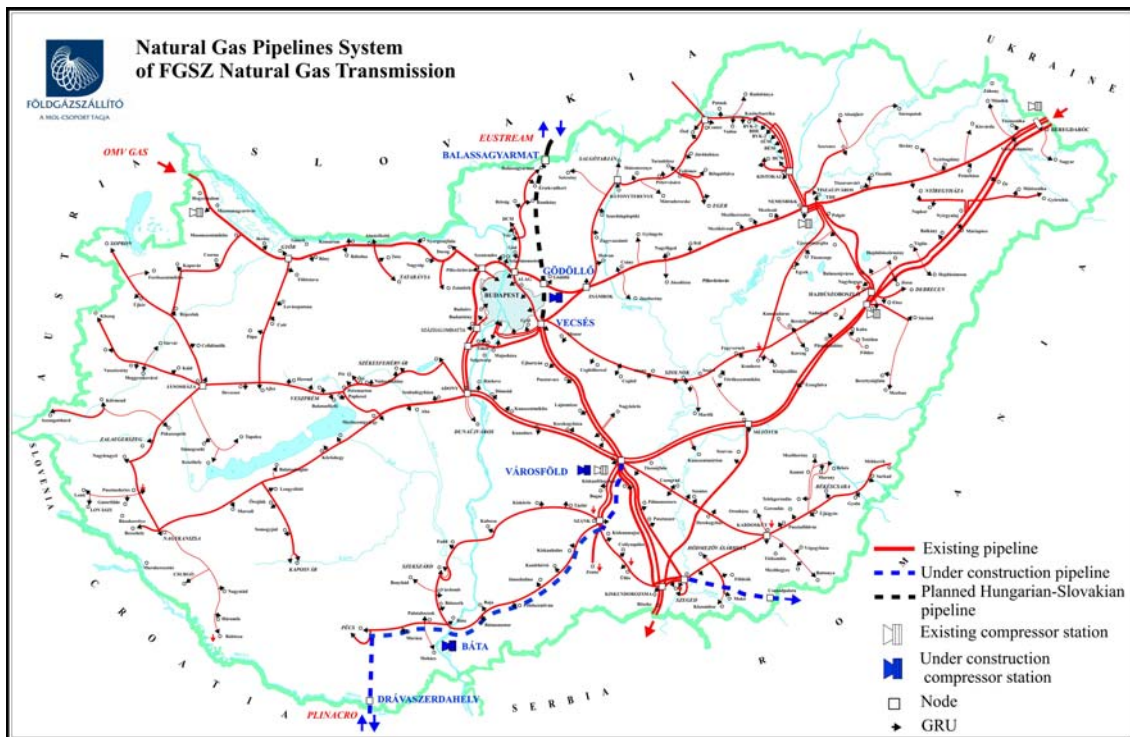
- Velké Kapušany (interconnection border point between the Slovak Republic and Ukraine);
- Baumgarten (interconnection border point between the Slovak Republic and Austria);
- Lanžhot (interconnection border point between the Slovak Republic and the Czech Republic);
- Domestic point (virtual aggregated interconnection to and from domestic storage facilities and distribution networks).

2.2. Information about FGSZ

FGSZ is the operator of the high pressure natural gas transmission system covering the entire territory of Hungary over a length of almost 5550 km and interconnected with gas transmission systems in Ukraine, Austria, Serbia and in future also with Romania, Croatia and potentially Slovenia. The annual capacity of the transmission system exceeds 20 billion cubic meters.

This high-pressure pipeline system supplies natural gas to 9 gas distribution companies and power plants and large industrial consumers directly connected to the gas transmission grid. The typical diameter of this system is 100-1400 mm, the operating pressure ranges between 40 and 75 bar. There are 12 domestic and 2 import entry points to accept natural gas from domestic production, 6 underground storage (UGS) facilities, and also from import sources, all measured for quantity and quality. The pressure differential needed for a continuous gas flow is ensured by 5 large compressor stations with an aggregated power of 190 MW. The most important station is located at Beregovo near the Ukrainian/Hungarian border, allowing an entry flow of 56.3 million cubic meters per day.

The day-to-day operation of the whole grid is managed by the Siófok-based system operation centre.



FGSZ provides access to the gas transmission system on a non-discriminatory and transparent basis. The transmission services are regulated, in line with all relevant national and European regulations. Access to the transmission system is entry-exit based. For entering and exiting the system customers can choose from the following entry/exit points:

- Ukrainian-Hungarian border entry point from Beregovo direction;
- Austrian-Hungarian border entry point from Baumgarten direction;
- Domestic UGS points;
- 12 domestic production points;
- Hungarian-Serbian border exit point/Kiskundorozsma;
- 306 domestic points;
- from the beginning of 2010, Hungarian-Romanian border exit/entry point;
- from the beginning of 2011 (planned), Hungarian-Croatian border entry/exit point;
- from the planned beginning of Nabucco in 2014, Városföld entry point.

3. Information on the planned project

3.1. Goal of the project

The main goal of the SK-HU Interconnector project is to establish a natural gas pipeline interconnector between Vecsés - Hungary and Veľké Zlievce - Slovakia (connection to the main transit route from the Russian Federation towards the European Union). By establishing a link between the respective national transmission grids, the project aims (1) to create a platform for a competitive, liquid internal gas market, while enabling the entry of new market players; (2) to increase gas supply security in the respective countries and in the broader

Central-South-East European region and (3) to ensure implementation of the North – South gas corridor.

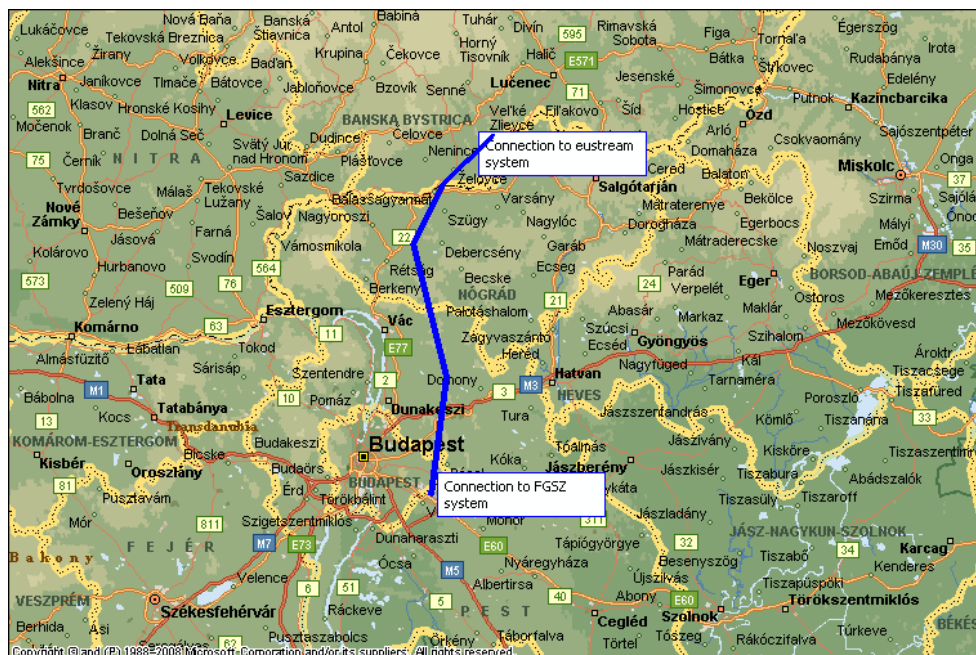
Moreover, the project will provide the potential to connect with other trans-European gas transmission systems (e.g. Nabucco, South Stream) or with the Croatian LNG terminal. In the event of a potential gas supply disruption, the SK-HU Interconnector would be able to secure gas supplies from the direction of Germany, the Czech Republic, Slovakia via Hungary, towards the Hungarian, Serbian, Bosnia-Herzegovinian, Romanian and Croatian markets (hereinafter referred to as "Reverse Flow Scenario"). The Reverse Flow Scenario is intended as an important contribution to the security of supplies in the region of Central and South-East Europe.

3.2. Project details

The main goal of the project is to complete a network construction in order to facilitate safe and reliable gas supplies by establishing a bi-directional high pressure gas interconnector between Hungary and Slovakia; the length of this interconnector section will be approximately 115 km. The planned transit capacity will be approximately 5 Bcm/y, and may be adjusted according to actual market demand. The start of operations is expected no later than at the beginning of 2013.

Technical data			
Length in km	Hungary – 94	Slovakia - 21	Total – 115
Transmission Capacity (Bcm/y)	approximately 5	Pressure (MPa)	7.5
Bi-directional flow capability (Y/N)	Y		
Geographical system	CS-03 Veľké Zlievce , Border SK-H, Balassagyarmat, Gödöllő, Vecsés		

Map of the SK – HU Interconnector:



Timetable of the construction:

Milestones	2009				2010				2011				2012			
	I.	II.	III.	IV.	I.	II.	III.	IV.	I.	II.	III.	IV.	I.	II.	III.	IV.
Theoretical and technical preparation phase																
Public procurement																
Project realization																
Permits acquisition																
Procurement																
Construction																
Testing and commissioning																

3.3. Tariffs and access to the system

All rules for access to the SK-HU Interconnector, as well as for setting the respective business terms and conditions, including transmission tariffs, will be in full compliance with the valid regulatory framework of Slovakia (for the Slovak part of the SK-HU Interconnector), Hungary (for the Hungarian part of the SK-HU Interconnector) and the EU. The terms and conditions will be determined in accordance with the approval of the Slovak and Hungarian National Energy Regulatory Authorities.

The Tariffs for the Slovak part of the SK-HU Interconnector will be consistent with the valid entry-exit tariff system of Eustream (please consult www.eustream.sk).

The Tariffs for the Hungarian part of the SK-HU Interconnector will be consistent with the valid entry-exit tariff system of FGSZ (please visit <http://www.fgsz.hu/en/content/tariffs-and-fees>).

The additional exit capacity fee applicable for the Hungarian border crossing point of the SK-HU Interconnector will be published later on by the Hungarian Energy ministry.

3.4. Regulatory issues

The non-binding Open Season phase will be organized in a non-discriminatory and transparent way, fully complying with the relevant national and EU law and regulations, and ERGEG Guidelines for Good Practice on Open Season Procedures and with standards used by European TSOs as well. The support of the European Union authorities for this project has been demonstrated by its inclusion in the list of eligible projects to be co-financed by the EEPR programme, as published in the Regulation of the EP and C No. 663/2009. Simultaneously, the state authorities of both the Slovak Republic and Hungary have also expressed their full support in several key state documents and manifestos as the national energy master plan, the State Energy Policy, governmental resolutions, etc. The National Regulatory Authorities of both states have been duly consulted.

4. Procedural information

4.1. General

All the information about the planned investment project presented in this document has a non-binding character and serves solely the purpose of clarifying market interest and opening a discussion with potential users of the new gas transmission project. The information contained in this document has not yet been agreed on in detail with the Slovak regulatory authority (URSO) and with the Hungarian regulatory authority (MEH). The companies have taken all reasonable steps to ensure that the information was correct at the time of publication. Eustream and FGSZ 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. The next phase of the Open Season procedure might differ substantially from the stipulations presented in this document.

Information campaign

Eustream and FGSZ will provide all necessary information to all involved stakeholders in a continuous manner. Besides information, conveyed by means of regular updates on their web sites, those applicants for transmission capacity who have registered in the non-binding phase of the process, as well as interested third parties, considering their participation in or support for the SK-HU Interconnector project, will be invited to a common information meeting with interactive presentation and consultation. The venue and date of this meeting will be announced by Eustream and FGSZ in due time (please consult www.eustream.sk and www.fgsz.hu).

4.2. Procedure structure

Open Season procedure consists of these two phases:

- Phase 1: Non-binding phase
- Phase 2: Binding phase

Purpose of the non-binding phase:

In the non-binding phase, the market requirements will be further analyzed. This phase will cover registration, discussion with all involved stakeholders, the collection, evaluation and publication of the interest of market players in the planned project.

Purpose of the binding phase:

In the binding phase, all applicants that have registered and taken part in the non-binding phase or that will register to the binding phase exclusively, can submit binding bids for their requested capacity. After the evaluation process and final allocation procedures, the transmission contracts will be concluded.

4.3. Timetable

Eustream and FGSZ will publish information and instructions for the Open Season on their respective websites (www.eustream.sk and www.fgsz.hu).

Timetable of the Non-binding Open Season Phase:

Non-binding phase	Initial date	
	02/11/2009	Start of the registration process
	17/11/2009	Submission of questions
	24/11/2009	Information meeting
	07/12/2009	Submission of non-binding bids
	15/12/2009	Evaluation and publication of the results of the non-binding phase

Indicative timetable of the Binding Open Season Phase:

Binding phase	Initial date	
	01/03/2010	Start of the registration process
	15/03/2010	Submission of questions
	30/03/2010	Information meeting
	30/04/2010	Submission of binding bids
	14/05/2010	Evaluation and allocation process, publication of the results
18/06/2010	Conclusion of the long term transmission contracts	

5. How to participate in the non-binding phase of the Open Season

Stakeholders (**Participants**) who are interested in participating in the non-binding phase should proceed as follows:

1. Fill in Annex 1 with the company details. Return the document by post (original) duly signed by an authorized person within your organization, to the Eustream or FGSZ address listed in Annex 1 as soon as possible, but preferably before 17 November 2009. An advanced copy by fax or e-mail to transmission@eustream.sk or openseason@mol.hu is recommended.
2. Fill in Annex 2 for each non-binding nomination the Participant wants to make. Return the documents by post (original) duly signed by an authorized person within your organization to the Eustream or FGSZ address listed in Annex 1 before 15 December 2009. An advanced copy by fax or e-mail to transmission@eustream.sk or openseason@mol.hu is recommended.
3. Eustream and FGSZ will confirm receipt of the documents.
4. Eustream and FGSZ will analyze the obtained responses to the non-binding phase and

announce in due course next steps regarding the Open Season phase 2, through which transmission capacity in the SK-HU Interconnector can be committed contractually on a binding basis.

Eustream and FGSZ acknowledge that any data, information or notification to be prepared by Applicants to the present non-binding Open Season phase that will be handed over shall be considered confidential. Eustream and FGSZ declare that the above confidential information will only be used in connection with the preparation and evaluation of the project.

6. Disclaimer

Eustream and FGSZ reserve the right to withdraw the non-binding Open Season until expiry of the submission date without any obligation to give reasons. Eustream and FGSZ would let Participants know about the withdrawal by a written notification. Eustream and FGSZ will not take any responsibility toward Participants for consequences arising out of the withdrawal. Participants may not claim any refund from Eustream and/or FGSZ for elaborating the non-binding Open Season. The costs incurred in respect of the preparation of the non-binding bid and the participation in the non-binding Open Season procedure shall be borne by the Bidder.

Eustream, FGSZ and its consignees and employees proceeding on its behalf do not owe responsibility for the accuracy and appropriateness of information and data provided for the Preliminary non-binding Open Season.

Open Season - Annex 1

Registration Form

Send to:
Eustream, a.s.
Mlynské nivy 42
Bratislava 841 05
Slovak Republic

Attention:
Dr. Milan Sedláček
Phone.: +421/2/ 5869 – 2544
Fax.: +421/2/ 5869 – 2649

FGSZ Ltd.
8600 Siófok
Tanácsház utca 5.
Hungary

Attention:
Ms. Erika Kajtán
Phone: +36/84/505-748
Fax: +36/84/505-218

Participant's name:	
Participant's contact person:	
Phone:	
Fax:	
E-Mail:	
Participant's business address:	
Participant's status (please specify)	
<input type="checkbox"/> Producer	<input type="checkbox"/> End-user
	<input type="checkbox"/> Trader

Date:

Signature:

Open Season - Annex 2

Indication of requested transmission capacities

Please insert the requested **capacity – Daily Flow Rate (DFR)** in Nm^3 at individual entry / exit points in the white cells and the **duration (start and end day)** of the **booking period** in the grey cells of the matrix on the next page. Transmission capacities will be available from the date operations start, i.e. as from 1 January 2013.


At all entry points the daily and hourly flow rate of 24 is to be calculated with.

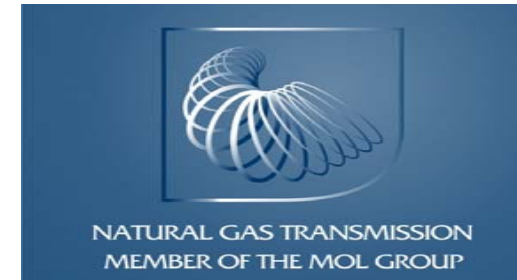
Definitions

Daily Flow Rate (DFR): shall mean the flow of gas within one day, expressed in Nm^3 (15 degrees Celsius) per day.

Nm^3 : shall mean the quantity of natural gas, which, at a temperature of 15 degree Celsius (288.15 K) and at an absolute pressure of 1.01325 bar (101.325 kPa), occupies one cubic meter.

SK-HU Interconnector
Indication of requested capacities

EXIT	ENTRY	Domestic	Lanžhot	Baumgarten	Veľké Kapušany	Balassagyarmat	Beregovo	HAG	Kiskundorozsma	Domestic UGS point	Domestic point	Domestic production point	Csanádpalota (RO-HU Interconnector)	Drávaszerdahely* (CRO-HU interconnector)	Városföld* (Nabucco)		
		Domestic	DFR														
	Period																
Lanžhot	DFR																
	Period																
Baumgarten	DFR																
	Period																
Veľké Kapušany	DFR																
	Period																
Balassagyarmat	DFR					n.a.											
	Period																
Beregovo	DFR																
	Period																
HAG	DFR																
	Period																
Kiskundorozsma	DFR																
	Period																
Domestic UGS point	DFR																
	Period																
Domestic point	DFR																
	Period																
Domestic production point	DFR																
	Period																
Csanádpalota (RO-HU Interconnector)	DFR																
	Period																
Drávaszerdahely* (CRO-HU interconnector)	DFR																
	Period																
Városföld* (Nabucco)	DFR																
	Period																



* planned Interconnection points