



**INTERCONNECTION BETWEEN THE SLOVAK AND THE HUNGARIAN GAS TRANSMISSION SYSTEMS
OPEN SEASON PROCEDURE
BINDING PHASE**

INFORMATION DAY - 30 March 2010



No.	Questions	Answers
Binding phase /general issues		
1	In case we confirm our participation but at the end we decide to not send a binding request, is there any penalty?	There is no penalty for not sending a binding bid.
2	Under what conditions will the binding phase be repeated?	If the first bidding case will be deemed as unsuccessful, the project partners will decide whether or not to continue the project and invite for a second run of bidding.
3	Will successful bidders receive information on the results with respect to final capacity allocation to bidders?	Yes, they will receive the information on the results, both their individual result as well as the complete aggregated results.
4	Both application forms do not include a step-out right of shippers in case the allocation goes below a certain value. Do you accept an amendment to the binding application forms, which governs the acceptable minimum amount?	For the case that the binding phase of the Open season process does not prove adequate interest of the market participants, which would guarantee basic economic viability of the project, Eustream will consult its national regulatory authority in relation to potential adjustments of the project design. Any measures in this respect are of course also subject to agreement with FGSZ. Changes in the technological design are a preferred option also for the case of potential overbooking. Based on the signals from the market until now, Eustream however does not see downsizing of allocated capacity to individual applicants as an urgent risk, which would have to be ex-ante covered by the so-called step-out rights.
5	How long will be the bid binding? When the FID will be made?	Following the published rules of the Open Season Binding Phase the bid will be binding for 90 days. Before this period expires the final investment decision must be made and if so, transmission contracts also concluded.
6	How do you judge economics of project, what is minimum commitment of shippers to you to build interconnector; vice versa not to build?	However, FGSZ has the right but will not automatically declare the project as cancelled if less than 70% of the capacity is booked for less than 20 years. Eustream understands and supports the project of the SK-HU Interconnector as a strategically important project for the issue of security of supplies in the region. Nevertheless, Eustream has the right not to build if the project is not economically feasible. In case the binding phase of the Open season does not prove appropriate minimum demand of the market participants, Eustream will consult the evaluation of the economics of the project with the national regulatory authority.
Credit rating		
7	What kind of proof of creditworthiness is accepted besides ratings (for the case a company is not rated)?	Creditworthiness and consequential Non-Secured-Credit-Line shall be supported by rating report.
8	If a company doesn't have credit rating, does it need to do a bank guarantee or bank deposit in order to register for the binding phase? How is calculated the due amount?	Rating and/or Bank Guarantee is not required for the bidding. The financial security is a condition for contracting. Other guarantees to cover the actual system usage will be discussed in the LTC (Long term Natural Gas Transportation Contract).
9	Under what conditions is a grand parent credit rating not approvable?	FGSZ is not considering to accept parent company ratings. Eustream proceeds on a case-by-case basis, depending on evidence provided to eustream.
10	A company is rated by Moody's and Standard and Poor's, what is published on its homepage. Would it be sufficient if it provides you with the appropriate link to this information? If not so, how shall the evidence of credit rating be adduced?	Printed copy is required.
11	Register certificates stating the legal status of a company are only available in mother language. That's why it is not possible to provide you with a notarized copy in English. Would it be sufficient to send you the notarized valid register certificate in mother language including an English translation?	Yes.
12	Is it sufficient to provide you with a currently valid register certificate also stating a company's equity capital?	Balance Sheet and P&L Statement is required.
Tarification		
13	Tariff on Hungarian side: is the Interconnector going to be an integral part of the Hungarian transport system and the border point will be an ordinary entry/exit border point or are there going to be a double exit/entry system (e.g. from Slovakia: Entry Balassagyarmat +Entry Vecsés in the Hungarian system+Exit in Hungary?)	Tariffs on the Hungarian side are the same regardless to the actual direction of the gas flow. On the top of this shippers are required to pay fees (ie. entry and exit plus volume fees) for using the already existing domestic system as well. In case of deliveries from Slovakia the entry point to the domestic system would be Vecsés (entry fee is payable), any other point can be used as exit. In case of delivering from Hungary to Slovakia, any domestic entry point can be as enty. In this case the exit point of the Hungarian network would be Vecsés (exit fee is payable). The domestic volume fee is applicable in both cases.
14	The fee for interconnection pipeline is 6300 HUF/m ³ /h/year. Is it possible, that HEO will modify (decrease or increase) this tariff outside of the escalation?	The 6300 HUF/cm/h/year tariff is the initial tariff, applicable from the start of operation. If the booking conditions would support it, this initial tariff could be decreased. After the start of operation HEO will increase the initial tariff according to the escalation formula every year.
15	How do you justify the initial specific fee, is it something that you might consider to abandon?	See above.
16	FGSZ does foresee a significant change after the tariff revision?	See above.
17	If we would like to use this pipeline for transit purposes e.g. delivery gas from Slovakia to Serbia what would be the tariff fee and what capacities should we book?	Using the current figures as an example, you should calculate with the following values: SK-HU Interconnector initial specific fee = 6,300 HUF/cm/h/year, domestic entry = 13,229 HUF/cm/h/year, domestic exit = 2,454 HUF/cm/h/year, HU-SERBIAN Interconnector = 15,108 HUF/cm/h/year, volume fee = 0.893 HUF/cm
18	Is foreseen any eventual discount for a long time booking?	In Hungary no, it isn't. However, discount for long time booking is provided and it is an integral part of the tariff system of Eustream. For details please see the answer above plus chapter 6.1. of the Rules of the binding phase of the Open Season. In general, Eustream provides discount of 0.6% multiplied by (duration of the contract in years -1)
19	According to the information in your brochure, a financial support amounting to EUR 30 million has been officially allocated in support of the SK-HU Interconnector project. Does this subsidiary have an effect on the interconnector tariff?	Yes. It will be considered while calculating the final tariffs. For your information, a positive EU decision to support this project has been already made on package level.
20	Where can we see announced 30 mio. € European Commission financial support in the tariffs?	FGSZ' tariffs are published as maximum values. They are not incorporated in the tariffs yet. Final value will reflect the EU financial support as well. The funding under the EEPR programme, with which the project was officially awarded in March 2010, was incorporated into the calculations of the economic viability of the project. Notwithstanding, the awarded financial support corresponds to a very minor part of the project costs in case of Eustream, in the order of magnitude of several percents.
21	Is the 30 M€ support of the European commission included in tariffs or not?	The support for Slovak pipeline is 3 M€ and is fully included in the tariffs of eustream.
22	So far, EUSTREAM and FGSZ published indicative tariffs for the interconnection. Will you provide registered parties with fixed tariffs or at least with maximum tariffs (connected with a step-out right) during the binding phase?	As for FGSZ, see above. Eustream makes all efforts in order to publish final tariffs prior to the moment of conclusion of transmission contracts. In this respects Eustream has entered into discussion with the national regulatory authority. A necessary pre-requisite is to adopt certain formal amendments in the valid legislation. This process has been started by the regulatory office in March 2010. In case the law-making process is not fully completed, appropriate contractual provisions are to be included in the transmission contracts, protecting the interests of shippers.
23	When will Eustream publish its capacity costs? Is it possible to know the structure (entry, exit, splitting between fixed and variable costs and any other fee to be taken into account) of at least an estimated range?	It can be assumed that the subject of discussion with the applicants is the structure and level of tariffs. The structure of the Eustream tariffs is elaborated in chapter 6.1. It has to be fully complying with the existing regulated tariff setting system valid in the Slovak Republic. The tariffs consist of two elements: ship-or-pay capacity monetary element (entry and exit tariffs), variable element, which is gas for operational needs, delivered as percentage of really transmitted volumes. All the details are part of Chapter 6.1. and exhaustive description of the eustream tariff system, entry/exit points and online price calculator are available at www.eustream.sk .
24	Is in the tariff included bi-directional transmission in Slovakia?	The system is bi-directional. For the SK-HU direction the shippers pay the exit tariff (since they exit the Slovak transmission system). For the HU-SK direction the shippers pay the entry tariff (since they enter the Slovak transmission system). If they plan to use both directions, the binding bid must contain both directions, transmission contracts will be concluded for both directions and payment shall be made for both directions.
25	What will be the impact of EU regulation 715/2009 and the amendment of regulation 1775/2005 and is eustream going to use pure Entry-Exit system?	Eustream presented the fact that eustream introduced as one of first countries in the region the fully decoupled and pure entry-exit system in 2004 and is in this respect fully compliant with EU practice. Gas for operational needs is also fully calculated on the basis of regulated entry or exit rates.
26	When will the Slovak price decision for the interconnector be officially published?	The situation was fully described, for comprehensive details (proposed tariffs) please consult chapter 6.1 of the Rules of the Open Season Binding Phase.
Capacity booking/Overbooking/Allocation		
27	How much is the total technical capacity?	14.4 Mcm/day; ie 600.000 cm ³ /hour in both directions
28	Are the capacities offered on firm or interruptible basis (if both please specify available capacities)?	Capacities are offered on firm basis.
29	What exactly is the minimum booking amount?	The minimum booking amount is 1 lot, i.e. 100,000 cm ³ /day (later 3,400,000 MJ/day) or 4167 cm ³ /h (141,678 MJ/h).

30	Binding requests shall be whole number multiples of one lot in each category not exceeding 14.4.Mcm/d. Is the reserved of 10% of the technical capacity for short term biddings additional to this capacity?	14.4 Mcm/day includes the 10% capacity reserved for short term being. It means that the maximum acceptable lot size for any single day is 129 lots.
31	If we would like to deliver gas from Slovakia to Hungary, we should book entry capacity in Balassagyarmat. Should we also book exit capacity in the Hungarian system or the exit capacity in our existing portfolio is enough?	In this case you should book the interconnector itself, plus an entry capacity at Vecsés, not Balassagyarmat. Exit capacity can be covered from the your existing portfolio.
32	What are the exact pro rata rules in case of overbooking? (especially for the short terms booking)	In case of overbooking the 20-year requirements shall be satisfied first, followed by 10-year and finally by 5-year requirements.
33	Is the pro-rata method results in not-whole lots and there are companies with the same proportion in the results, according to what procedure will the slots be redistributed among the participants?	Contracting shall be done in whole lots only, if necessary the normal rules of rounding shall be applied. The not-whole-number lots are not allowed, even not after pro-rata allocation. The pro-rata allocation will be accomplished in a way to reach integer number of lots. This eliminates any need for priority mechanisms in pro-rata. You can also consult chapter 5.5. of the Rules of the Open season binding phase.
34	What is the precise procedure in case booked capacities are unused on the interconnector pipeline?	Shippers have the right to sell CUR (Capacity Utility Right) on the secondary market. If shippers don't nominate or sell on the secondary market, FGSZ shall offer the unused (non-nominated) capacities as interruptible daily capacity for the following gas day in Hungary. Shippers have the right to assign their capacities to secondary holders, subject to a corresponding assignment agreement with Eustream. Apart from that, secondary market with capacities is also possible, while the primary holder remains the party liable according to the transmission contract. The shippers can also make use of the bulletin board system published at the website of the company.
35	FGSZ offers capacity in lots (100.000m3/d) with 3 booking periods, Eustream is less specific regarding these issues. Would the offers be aligned in the future?	The chapter 5.2. Lot size, duration of the lots of the Rules of the Open season of FGSZ and Eustream are identical. Therefore this issue is considered as fully aligned.
36	Can shipper in Hungary title transfer gas on Domestic point assuming has / does not have capacity?	Should a shipper book the interconnector only, he will be entitled to title transfer the gas to or from any other shipper who has applicable entry or exit capacity at Vecsés.
37	Shall be booking Entry Vecsés in pair with booking of Exit Domestic point?	Yes, according to entry-exit principle.
38	The non-binding request of EUSTREAM and FGSZ considered gas transit routes (e.g Lanzhot- SK/HU Interconnector). The binding request form only considers the interconnector capacity. Could you guarantee a corresponding down-/upstream capacity in your networks? (note: especially as the available capacities are only published for 18 months ahead and the Open Season participants will have to commit for up to 20 years.)	Up to the published free capacities FGSZ can guarantee the corresponding down-/upstream capacities. As far as Eustream concerned, the binding request considers interconnector capacity only to simplify the whole procedure. It is also full in line with the de-coupled entry/exit system of Eustream. In the binding contract, the participants of course can book capacity either for one or more border points according to their needs. Availability of the individual entry/exit points of eustream is published on daily basis 18 months ahead and in aggregated form longer time ahead (see http://tis.eustream.sk/TIS part "Average capacity outlook"). For the time being, corresponding capacities at other entry / exit points in the eustream network for the period after 2013 are indicated as available.
39	Do you guarantee an equal capacity allocation by both EUSTREAM and FGSZ?	No. The allocation rules published by both FGSZ and Eustream are fully identical.
40	How will be capacity allocated if there is more demand for 5 year contracts and less demand for other two (10 and 20 years) contract durations?	Both FGSZ and Eustream will strictly follow the priority mechanism as in published Rules of the Open Season Binding Phase. The limitation of short-and-medium-term contracts will be done only if overbooking exists, otherwise no limitation will be done.
41	How is eustream going to market the capacity if there will not be enough booking interest to cover all the technical capacity?	Both TSOs are fully regulated entities. The capacity, which might theoretically remain available after completion of the open season, will be marketed after start of operation in a standard regulated way of third party access.
42	How can you assure, that allocation system is fair on both sides? What happens if someone will try to speculate with booking?	In order to minimize speculation and guarantee maximum co-ordination the TSOs prepared clear Rules for Open Season Binding Phase. The allocation will be strictly on the basis of these rules. Certain safeguard against speculation is a requirement for financial guarantee. Booking the capacity later when the pipeline will be in operation cannot be prevented but inevitably brings no predictability and stability in the market and might not satisfy all the players.
Contracting/Long term Natural Gas Transportation Contract (LTC)		
43	Which transport contract should the successful bidder conclude with FGSZ?	The Long Term Capacity Booking and Transmission Contract (LTC) will be based on the General Terms of Contract, approved by HEO. Both documents shall be published on FGSZ's website before 26th April 2010.
44	When can we check the draft contract of the capacity booking?	26th April 2010, the latest.
45	Is available a form of the Contract to be eventually signed by any Party with FGSZ? In particular, will be specified terms and conditions of assignment and subletting?	See above.
46	How strict is the time schedule? What happens if the capacity booking contract cannot be signed until the due date? (e.g. because of negotiation between FGSZ and the contracting parties)	The time schedule is firm, shall not be modified. Operational order of Eustream is a legal document approved by regulatory authority and according to this fact it is binding, with little room for negotiations. Nonetheless there are parts where regulatory office gave mandate to eustream to agree on individual provisions, but these are explicitly defined and can cause no delay since they are applied in a non-discriminative way to all shippers. The publication in due time of Transmission contract can minimize this risk of delay to zero.
47	What happens if the contracting partner terminates the contract before the contract end date? Is there a penalty which should be paid?	This shall be clarified in the LTC of FGSZ. In case of terminating a contract Eustream will act as in any other transmission contracts – the shippers can terminate the transmission contract only in very special cases (mainly non-fulfillment of the contract by eustream). Eustream has similar right to terminate a contract if shipper breaches contractual obligations. The right to claim damages and losses remains unaffected in all cases.
48	Are there renegotiation or termination rights for the participants in case of adverse regulatory change?	No, both applicants and TSOs shall bear the risk of future regulatory change. The contractual terms of Eustream include standard termination or renegotiation provisions, however these are not primarily intended to cover potential future changes in the regulatory framework. The tariffs, as a part of the Transmission contract, are valid during the whole term of the Transmission contract (including automatic yearly adjustment mechanism). As such the tariffs not only provide sharing of the risks by both parties but most notably they guarantee predictability and stability of the economic balance of the contract.
49	Are there any restrictions on the further assignment of capacities by the successful applicants of the binding phase?	Provided that a participant has already signed the LTC and the assignee would comply to all related requirements set either by the OS or the LTC itself, FGSZ shall consider such a proposal. The transfer of rights and obligations in Transmission contracts of Eustream is subject to approval by the TSO, but such an agreement cannot unreasonably withheld. The secondary market trading with capacity is not limited in Slovakia, but shippers shall notify Eustream of such transaction.
50	In case the pipeline is not built until 1st January 2013, will FGSZ Ltd. and EUSTREAM compensate the Contracting Parties for the damage that they have suffered? Is there an "open end" for the possibility of postponement or does the Shipper have the possibility to early terminate the Transportation Contract in case the construction of the pipeline is not terminated within a certain period of time?	It shall be discussed in the LTC. The termination and postponement rights are elaborated in the Rules of the binding phase of the Open Season. A reasonable and justified postponement of the Project does not represent a title for termination of the Transmission contract or for any sort of claims. Nonetheless the agreements between the Parties (FGSZ and Eustream) have strong incentives to keep construction
51	If the capacity on the e.g. Hungarian side is available in time, does the Contracting Party have to pay the fees to the Transmission System Operator even if the Slovakian part of the pipeline has not been finished yet, or vice versa?	The Project (including sub-projects) is fully operational if and only if all the parts are operational.
52	Are the lots only bookable with a starting point 01.01.2013 (or beginning of operations respectively) or is it possible to book with different contract starting dates (eg. 1 lot 01/2013-01/2018 & 1 lot 01/18-01/2023)?	The lots are bookable with the starting points Target Commercial Operation Date (01.01.2013) according to the Rules of the Open Season. The contractual commitment of the parties can of course be extended by booking additional lots subsequently after the expiration of duration of the first lots.
53	What consequences for the transmission system operators if the pipeline is not operational by 1 January 2013?	It will be regulated in the LTC.
54	Is the Operational Order of Eustream binding with regards to the final agreement or its parts are negotiable?	The Operational order of Eustream, which lays down commercial terms of access to the transmission network, is a document of binding legislative nature, approved by the national regulatory authority. approved by regulatory authority and according to this fact it is binding. Notwithstanding, network users conclude with Eustream also fully-termed transmission contracts, which stipulate foremost particular details and parameters of the transmission service, which cannot be regulated in a universal manner. Also please note that the Operational order enables optional alternatives in some contractual provisions. The chosen option is also to be confirmed by the fully-termed contract.
55	Is eustream going to publish the sample Transmission contract (since FGSZ promised to publish LTC on 26th April 2010)?	Due to the requests of open season participants eustream will publish transmission contract, with deadline identical as FGSZ. Eustream would like to re-iterate the fact that eustream is a regulated entity and that almost all contract is already published – please see the network code. Some of the open season participants asked to speed-up the publication, since some companies might need more time because of internal procedures. Eustream promised best endeavours to publish the transmission contract before the deadline 26th April.
Miscellaneous		
56	TAG GmbH has an ongoing physical reverse flow survey, is it (or could it be) linked to the Open Season in object in any way?	It is not a relevant question. However, the TAG GmbH survey is an integral part of the Security of supply solution in the region of Central and Eastern Europe. The reverse flows via Czech Republic and Austria (WAG, TAG) fit with the goal of the SK-HU Inerconnector.
57	What is the motivation for construction of this pipeline and what is the relationship to HAG pipeline?	The motivation of Slovak – Hungarian interconnector is not new and is reflecting close neighbourhood of two big transmission systems. The main driver of building such an interconnection was gas crisis in January 2009, and also building up of a north-southern corridor as well. The details are fully included in the published documents of the open season.