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RULES FOR CARRYING OUT THE BINDING PHASE OF THE OPEN SEASON PROCEDURE

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VERSION OF THE DOCUMENT FOR THE SECOND ROUND OF THE BINDING PHASE

This version of the Rules for carrying out the binding phase of the Open Season procedure, of 21 June 2018 has been prepared for the purpose of the second call to the tenderers in compliance with the steps for carrying out activities described in this document, and considering the changes of the offered capacity by LNG Croatia due to modified features of the Floating Storage Regasification Unit (FSRU)

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1 INTRODUCTION

Plinacro Ltd. (hereinafter: **Plinacro**) as a Transmission System Operator in the Republic of Croatia and FGSZ Natural Gas Transmission Private Company Limited by Shares (hereinafter: **FGSZ**) as a Transmission System Operator in Hungary are jointly carrying out the binding phase of the *Open Season procedure for contracting the firm transmission system capacity* (hereinafter: **Open Season procedure**).

The aim of the binding phase of the Open Season procedure is to provide all participants on the gas market with the access to the transmission system in a transparent and a non-discriminatory way under the same rules, and all this for the purpose of the delivery of natural gas from the terminal for liquefied natural gas on the island of Krk (hereinafter: **LNG terminal**).

In the Open Season procedure Plinacro independently offers firm capacity at the entry into the transmission system from the LNG terminal (hereinafter: **Omišalj entry**) and at Donji Miholjac /Drávaszerdahely interconnection point in the direction from Croatia to Hungary (hereinafter: **Drávaszerdahely interconnection**) it offers firm capacity jointly with FGSZ (hereinafter: **relevant points** (Omišalj entry and the existing Drávaszerdahely interconnection point jointly)).

The aim of the Rules for carrying out the binding phase of the Open Season procedure (hereinafter: **Open Season Procedure Rules**) is to provide the Bidders with as many as possible information on the LNG project, and especially information on the offered capacities, manner of capacity allocation as well as the deadlines for the execution of individual phases of the relevant procedure as well as to stipulate the rules according to which the binding phase of the Open Season procedure for contracting firm transmission system capacity is to be carried out on the relevant points.

For the sake of clarity, the infrastructure in Hungary for importing LNG from Croatia is already developed and existing since 2011. The present Open Season procedure aims to assess the needs of the market for developing a new transmission pipeline with the described capacity parameters in Croatia. In Hungary, the present Open Season wouldn't result in new capacity and capacity allocation carried out in a non-standard manner.

1.1 About Plinacro

The Plinacro Ltd. Company was established in 2001 as a Croatian national gas transmission system operator and it is 100% owned by the Republic of Croatia. The main activity of Plinacro is carrying out energy activity of gas transmission. Plinacro guarantees a secure, reliable and quality natural gas transmission from the transmission system entry to the transmission system exit to the transmission system users. It is responsible for the management, supervision, maintenance, development and construction of the transmission system as well as for other activities necessary for technical and commercial system operation.

1.2 About FGSZ

FGSZ Ltd is a gas transmission system operator in Hungary operating under the ITO certificate. FGSZ's gas transmission system has a strategic role in the energy supply of both Hungary and the region and ensures the permanent and plannable availability of the capacities that are required by the consistent gas supply.

1.3 LNG Project

LNG Croatia d.o.o. (hereinafter: **LNG Croatia**) is a company incorporated with the intention of constructing and managing the infrastructure necessary for the receipt, storing and regasification of the liquefied natural gas. A previous technical solution for the LNG terminal anticipated a construction of the onshore terminal with the maximal annual capacity of 6 bcm/y. Pursuant to the adopted Regulation the Croatian Government requested from the project promotor and the shareholders to speed up the preparations and commissioning of the sub-phase of the project by constructing the LNG terminal based on the FSRU technology (Floating Storage Regasification Unit).

LNG Croatia, a promotor of the LNG terminal project has focused its further activities on the implementation of the LNG terminal based on the FSRU technology. On 18 December 2017 LNG Croatia signed the Financing Agreement for the construction of the floating LNG Terminal on the Island of Krk with Connecting Europe Facility (CEF). A co-financing of the studies was approved in the amount of 747,000.00 EUR (50% of the total costs) and of the works in the amount of 101,400,000.00 EUR (27,92% of the total costs), which means that the grant in total equals 102,147,000.00 EUR. Furthermore, it is necessary to point out that the project was awarded grant by CEF Transport as well; namely for the development of the future pilot project of the so called LNG Bunkering Station (station for filling LNG as a fuel for vessels, heavy vehicles and containers) in Rijeka – the studies in the amount of 1,307,725.80 EUR (85% of the total cost).

1.4 Harmonisation of the Open Season procedure Plinacro/FGSZ with the Open Season procedure LNG Croatia

Plinacro has harmonized the Open Season Procedure Rules and the time schedule of carrying out the relevant procedure with the *Open Season procedure LNG Croatia*; however, it is necessary to highlight that two separate Open Season procedures (Open Season procedure Plinacro/FGSZ and Open Season procedure LNG Croatia) are carried out since Plinacro/FGSZ and LNG Croatia offer different products in their Open Season procedures.

In the Open Season procedure LNG Croatia offers, for each gas year, a total amount of gas that can be delivered into the transmission system from the LNG terminal whereas Plinacro offers transmission system capacity at Omišalj entry and Drávaszerdahely interconnection.

The time of the execution and the procedure rules have been harmonised in order to make it easier for the participants of both Open Season procedures to carry out the contracting with

LNG Croatia and Plinacro/FGSZ, all for the purpose of facilitating the delivery of gas from the LNG terminal.

2 THE OPEN SEASON PROCEDURE

2.1 Legal grounds for carrying out the procedure

The Open Season procedure has been prepared in a way so that it fully respects the basic principles of transparency and non-discrimination anticipated by the provisions of Directive 2009/73/EC of the European Parliament and the Council of 13 July 2009 concerning the common rules for the internal market in natural gas; Regulation 715/2009 of the European Parliament and the Council of 13 July 2009 on conditions for access to the natural gas transmission networks; Commission Regulation (EU) 2017/459 of 16 March 2017 establishing a network code on capacity allocation mechanisms in gas transmission systems and repealing Regulation (EU) no. 984/2013 (hereinafter: **CAM Regulation**).

Due to the fact that as regards the potential demand for the incremental capacity CAM Regulation anticipates harmonized procedure on the level of the European Union in the form of the incremental capacity procedure, Plinacro and FGSZ asked from their national regulatory agencies an exclusion from the relevant procedure pursuant to article 31 of CAM Regulation.

Based on article 31 of CAM Regulation and the Decision by the Croatian Energy Regulatory Agency (hereinafter: **HERA**) and the Hungarian Energy and Public Utility Regulatory Authority (hereinafter: **MEKH**) on providing an approval for the Draft Rules for the transmission system capacity allocation at Drávaszerdahely interconnection point in the binding phase of the Open Season procedure the formal preconditions have been met to continue the commenced Open Season procedure instead of the incremental capacity process at an interconnection envisaged by CAM Regulation.

In addition, the Open Season procedure is carried out in compliance with ERGEG guidelines for good practice on Open Season procedure of 21 May 2007 (hereinafter: **ERGEG guidelines**[1]) so that all participants on the gas market would be provided the same legal framework for the participation in the contracting procedures as well as the access to the transmission system. Although the ERGEG guidelines do not have any binding effect, by the strength of the authoritative character they represent the best business practice pursuant to which the Open Season procedure should be carried out, so in basic mechanisms they overlap with the standards stipulated for carrying out the incremental capacity process.

2.2 The non-binding phase of the Open Season procedure

In the period from 18 January to 4 March 2016, Plinacro carried out a non-binding phase of the Open Season procedure with the aim of gathering information about the interest of potential Bidders for the transmission system capacities as regards the planned construction of the gas pipeline for delivery of natural gas from the LNG terminal. Pursuant to the collected non-binding bids it has been determined that there is an increased interest for the transmission of gas from the LNG terminal in the direction of Hungary. Based on the received information, Plinacro has made the appropriate infrastructure scenarios for the transmission system upgrade which would provide an increase of technical capacity at Drávaszerdahely interconnection in the direction from Croatia to Hungary, stated in section 3 of this document.

[1] ERGEG Guidelines for Good Practice on Open Season Procedures (GGPOS)

2.3 The Binding phase of the Open Season procedure

In the first part of the binding phase of the Open Season procedure Plinacro conducted Consultations with the interested public in the period from 14 July to 15 September 2017. During the Consultations Plinacro delivered to the potential participants the information about the project and it collected necessary information for further continuation of the binding phase of the Open Season procedure. Based on the results of the consultations with the interested public Plinacro drafted these Open Season Procedure Rules in cooperation with LNG Croatia and FGSZ.

The announcement of the first call to the bidders for submission of bids for contracting the capacity of the relevant points in the first round of the *Open Season* procedure (hereinafter: the **first round**) lasted in the period from 19 March to 8 April 2018.

The deadline from the second call to the bidders for contracting the capacity of the relevant points in the *Open Season* procedure (hereinafter: **the second round**) has been postponed in relation to the deadline from the previous version of the Rules of the *Open Season* procedure, since the first round resulted in a negative economic test and since LNG Croatia modified the amount of the offered gas quantity that can be delivered from the LNG terminal into the transmission system, due to modified features of the Floating Storage Regasification Unit (FSRU). The Rules of the *Open Season* procedure described in this document have been modified accordingly.

3 PROJECT DESCRIPTION

3.1 Significance of the LNG project

Plinacro and LNG Croatia jointly wish to implement the LNG Project which includes the construction of the LNG terminal on the island of Krk and the gas pipeline for the delivery of gas from the LNG terminal. LNG Project is a strategic project for the Republic of Croatia and it is of great importance for the EU. The construction of the LNG terminal on the island of Krk and the delivery gas pipelines will provide a new supply gas route for the market of the Republic of Croatia as well as the markets of other countries of the central and southeastern Europe which will make the Republic of Croatia an important gas hub for increasing the security of supply and diversification of gas supply routes in the EU.

3.2. The existing transmission system of Plinacro

Gas pipelines of the existing transmission system of Plinacro PN75 along with the construction of the new Omišalj-Zlobin gas pipeline will be used for the supply of the gas market of the Republic of Croatia and the transmission of gas from the LNG terminal on the island of Krk in the direction of Hungary. The existing transmission system PN75 includes the gas pipelines from Zlobin gas node to Slobodnica gas node and further to Drávaszerdahely interconnection (Figure 1).

Regardless of the results of the Open Season procedure by the applicable ten-year development plan for the gas transmission system of the Republic of Croatia (hereinafter referred to as: **Ten-Year Plan**) Plinacro has been approved investments to be implemented in the next planning period.

One of significant projects from the Ten-Year Plan is the construction of the compressor station Velika Ludina (CS1). The compressor station will increase the efficiency of the transmission system, provide significant flexibility in managing transmission system capacity and provide security of gas supply. Plinacro has taken a positive final investment decision on its construction, and obtaining of construction permits is in progress. It is planned that the CS1 will be operational in the Q1 2019 at the latest.

3.3. Plan of the upgrade of the existing transmission system of Plinacro

For the implementation of the LNG Project it is necessary to construct gas pipelines for taking over the gas from the LNG terminal into the transmission system. Three options are considered depending on the capacity of the LNG terminal:

- Omišalj-Zlobin gas pipeline (PN75) is necessary to connect the LNG terminal to the existing transmission system and it is a subject of the continuation of the binding *Open Season* procedure, that is, the second round
- Zlobin-Bosiljevo-Sisak-Kozarac gas pipeline would enable transmission of additional quantities of gas from the LNG terminal in the direction of Hungary
- Kozarac-Slobodnica gas pipeline would enable utilisation of a maximum capacity of the onshore LNG terminal.

Omišalj-Zlobin gas pipeline

The key facility that Plinacro needs to construct in order to provide the receiving of gas from the LNG terminal into the transmission system is Omišalj-Zlobin gas pipeline (Figure 1). The anticipated Omišalj-Zlobin gas pipeline will be of nominal diameter 1000 mm (40"), maximum operating pressure 100 bar and it will be 18 km long. The planned CAPEX for Omišalj-Zlobin gas pipeline is EUR 35 million (HRK 265 million). The European Commission awarded

Plinacro on 25.1.2018 50% of eligible cost (EUR 16.433.500) for the construction works of Phase I (https://ec.europa.eu/inea/en/connecting-europe-facility/cef-energy/construction-works-lng-evacuation-gas-pipeline-section-omi%C5%A1alj). Omišalj-Zlobin gas pipeline is in the phase of a building permit obtaining. The completion of the gas pipeline construction has been planned in 2019, and its commercial commissioning has been planned in the gas year 2019/2020, depending on the construction and commissioning of the infrastructure of the LNG terminal.

Figure 1 The existing transmission system of Plinacro, location of the LNG terminal and Omišalj-Zlobin gas pipeline

Zlobin-Bosiljevo-Sisak-Kozarac gas pipeline and Kozarac-Slobodnica gas pipeline

The construction of Zlobin-Bosiljevo-Sisak-Kozarac gas pipeline, which would be connected to Omišalj-Zlobin gas pipeline at Zlobin gas node (Figure 2 – section II), would increase the capacity at Omišalj entry and at Drávaszerdahely interconnection. The length of the gas pipeline would equal 180 km, nominal diameter 800 mm (32''), and maximum operating pressure 100 bar. Connecting to the existing transmission system gas pipelines PN75 has been planned at Kozarac gas node. The planned CAPEX of this gas pipeline system is EUR 182,15 million.

The construction of Zlobin-Bosiljevo-Sisak-Kozarac gas pipeline depends on the second phase of the LNG terminal.

The construction of Kozarac-Slobodnica gas pipeline would provide the utilisation of the maximum capacity of the onshore LNG terminal (Figure 2 – section III). The gas pipeline

Kozarac-Slobodnica would be 128 km long, nominal diameter would be 800 mm, and the maximum operating pressure 75 bar. The planned CAPEX of this gas pipeline is EUR 100 which means that the total cost of the necessary investments for all three gas pipelines equals EUR 317,15 million (35 million + 182.15 million + 100 million). The system of the stated new gas pipelines would be connected to the existing Slobodnica-Donji Miholjac-Drávaszerdahely gas pipeline.

Figure 2 The existing transmission system of Plinacro, location of the LNG terminal and the gas pipelines Omišalj-Zlobin, Zlobin-Bosiljevo-Sisak-Kozarac and Kozarac-Slobodnica

The project of Omišalj-Zlobin-Bosiljevo-Sisak-Kozarac-Slobodnica gas transmission system and the CS1 are on the third list of the Projects of Common Interest of the EU of November 2017 and belong to the cluster no. 6.5. LNG terminal on Krk and gas pipelines towards Hungary and beyond towards other European countries:

- Omišalj - Zlobin gas pipeline - PCI 6.5.1
- CS 1 - PCI 6.5.5
- Zlobin-Bosiljevo-Sisak-Kozarac-Slobodnica gas transmission system – PCI 6.5.6

In November 2015 an agreement was signed between Plinacro and INEA awarding grant from the Connecting Europe Facility (CEF) in the amount of EUR 2,250,000 for the implementation of the pre-investment phase of the project of the Zlobin-Bosiljevo-Sisak-Kozarac-Slobodnica gas transmission system for transit of gas from the LNG terminal. In

January 2018 the CEF Coordination Committee provided a positive opinion on financing of 50% of works of Omišalj-Zlobin gas pipeline.

3.4 The transmission system of FGSZ

The transmission system of FGSZ (Figure 4) is fully prepared to take over the entire quantity of natural gas which will be transported from the LNG terminal to Drávaszerdahely interconnection. On the side of FGSZ there is no need for any further capital investments related to the capacities projected in this Open Season procedure for any of the scenarios described under point 3.3. The involvement of FGSZ in this Open Season procedure has been limited solely to allocation of the available firm bundled capacity at Drávaszerdahely interconnection point in the direction from Croatia to Hungary.

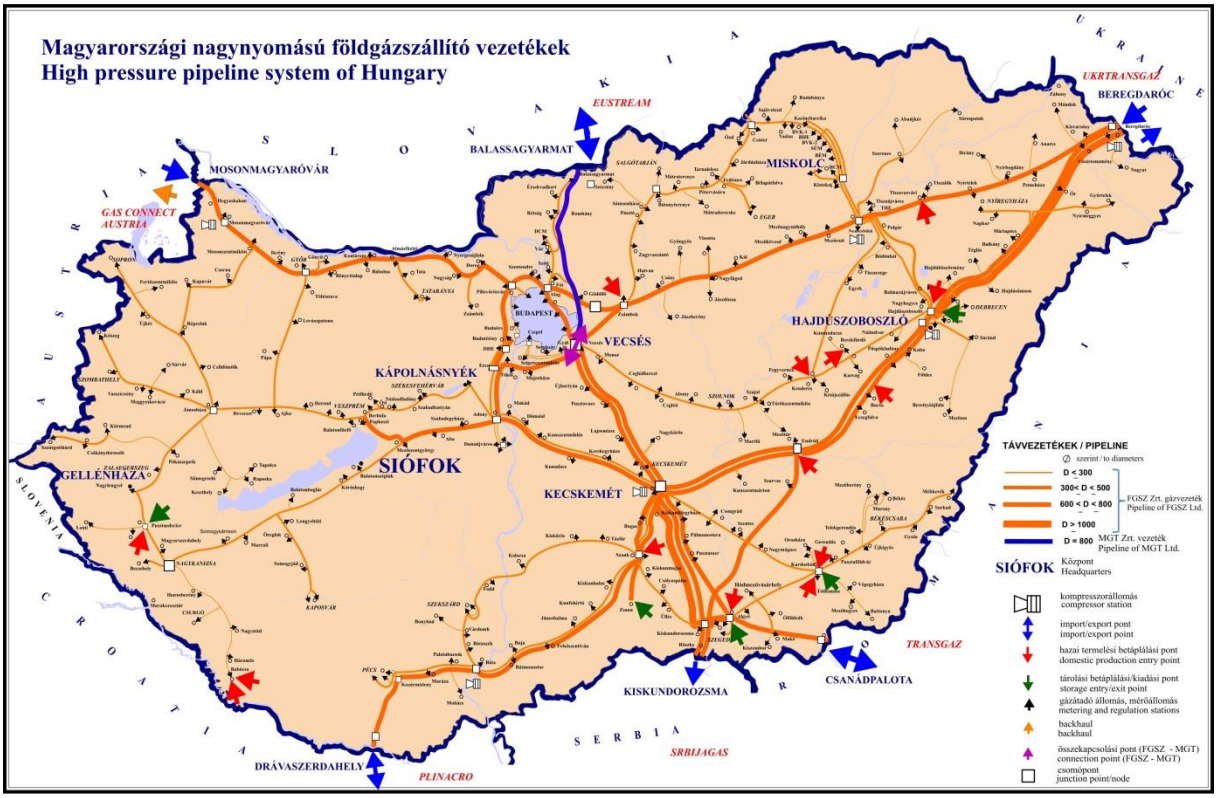

Figure 3 Transmission system of Hungary

4 CAPACITY

In the binding phase of the Open Season procedure it is possible to contract capacity at the relevant points:

1. Omišalj entry (with Plinacro);
2. Drávaszerdahely interconnection in the direction from Croatia to Hungary (with Plinacro and with FGSZ)

4.1 Capacity products offered in the Open Season procedure

Omišalj entry

At Omišalj entry, which is also the exit from the LNG terminal, in the Open Season procedure Plinacro offers yearly capacity product.

Yearly capacity product (hereinafter: **YCP**) implies firm capacity that a Bidder may use, in the contracted amount, for all gas days in a particular gas year, starting on 1 October of a calendar year and ending on 30 September of the following calendar year, except in the first year in which it will be able to use capacity from the moment the LNG terminal and the delivery gas pipeline are put into operation.

The offered capacity is the unbundled capacity which means that in the Open Season procedure a Bidder contracts transmission system capacity at Omišalj entry (transmission system entry), while in the Open Season procedure conducted by LNG Croatia it contracts gas quantities delivered from the LNG terminal into the transmission system of Plinacro.

Drávaszerdahely interconnection

At Drávaszerdahely interconnection between the Republic of Croatia and Hungary, in the Open Season procedure, Plinacro and FGSZ jointly offer a *yearly standard capacity product* for the transmission of gas in the direction from Croatia to Hungary (YSCP HR>HU).

Yearly standard capacity product (hereinafter: **YSCP HR>HU**) implies firm bundled capacity that a Bidder may use, in the contracted amount, for all gas days in a particular gas year, starting on 1 October of a calendar year and ending on 30 September of the following calendar year, except in the first year of a particular scenario in which it will be able to use capacity from the moment the LNG terminal and the delivery gas pipeline are put into operation.

The offered capacity is the bundled capacity which means a firm capacity of entry and exit capacity on the both sides of the interconnection. By contracting this product the Bidder signs a contract with Plinacro and FGSZ, respectively, and contracts the same amount of capacity on the both sides of the interconnection.

5 TECHNICAL CAPACITY

The amount of the technical capacity has been expressed in a unit kWh/d for each of the offered relevant points for an individual gas year.

A fixed flow rate in a gas day is used for the conversion of the capacity amount into kWh/h as defined in CAM Regulation.

In case Omišalj-Zlobin gas pipeline is constructed, the planned technical capacity refers to the relevant points from the moment the LNG terminal and Omišalj-Zlobin gas pipeline are put into commercial operation, which is planned in the gas year 2020/2021, as shown in Table 1.

Pursuant to valid *General terms for gas supply* and valid *Network Code of the transmission system* at the entries and exits in Croatia the calculation of taken over, that is, delivered gas energy is expressed in kWh/h at net calorific value.

The amount of the delivered energy is calculated in a way so that the volume of gas flown through the billing measuring point in one hour (m^3/h) is multiplied by the amount of the net calorific value – NCV expressed in kWh/m^3 at reference conditions 15°C/15°C.

In the *Open Season* procedure a net calorific value of 9,6 kWh/m^3 is taken as the relevant net calorific value of gas at the reference conditions 15°C/15°C. A conversion of capacity expressed in kWh/d for the net calorific value (NCV) and reference conditions 15°C/15°C into the capacity expressed in kWh/d for the gross calorific value (GCV) and reference conditions 25°C/0°C is conducted by multiplying by factor 1,1770833.

Table 1 indicates the amount of the technical capacity at the relevant points.

Table 1 Technical capacity at Omišalj entry and Drávaszerdahely interconnection

Technical capacity		
Omišalj entry **[kWh/d]**	**Dravaszerdahely interconnection (HR → HU) [kWh/d]** $NCV_{15°/15°}$= 9,6 kWh/m^3	**Dravaszerdahely interconnection (HR → HU) [kWh/d]** $GCV_{25°/0}$
69 120 000 (300 000 m^3/h)	46 080 000 (200 000 m^3/h)	41 518 080 (200 000 m^3/h)

5.1 Capacity offered in the Open Season procedure

In the Open Season procedure, at Omišalj entry, Plinacro will offer 100% of the foreseen technical capacity for the period of minimum 1 and maximum 20 years as a yearly capacity product.

At Drávaszerdahely interconnection point, in the Open Season procedure, Plinacro and FGSZ will offer 90% of the foreseen technical capacity in the direction of Hungary, for the period of minimum 1 and maximum 20 years as a yearly standard capacity product.

The remaining 10% of the anticipated technical capacity will be offered as short-term standard capacity products via auctions to be run on auction platform in compliance with CAM Regulation and at the earliest at the auction for quarterly standard capacity products for the gas year 2020/2021, subject to putting the LNG terminal and the delivery gas pipeline into operation.

Table 2 Capacity offered in the Open season procedure

Gas year	Capacity offered in the Open Season procedure		
	Omišalj entry [kWh/d]	**Drávaszerdahely interconnection (HR → HU) [kWh/d] NCV**	**Drávaszerdahely interconnection (HR → HU) [kWh/d] GCV**
2020/2021	69 120 000	41 472 000	37 366 272
2021/2022	69 120 000	41 472 000	37 366 272
2022/2023	69 120 000	41 472 000	37 366 272
2023/2024	69 120 000	41 472 000	37 366 272
2024/2025	69 120 000	41 472 000	37 366 272
2025/2026	69 120 000	41 472 000	37 366 272
2026/2027	69 120 000	41 472 000	37 366 272
2027/2028	69 120 000	41 472 000	37 366 272
2028/2029	69 120 000	41 472 000	37 366 272
2029/2030	69 120 000	41 472 000	37 366 272
2030/2031	69 120 000	41 472 000	37 366 272
2031/2032	69 120 000	41 472 000	37 366 272
2032/2033	69 120 000	41 472 000	37 366 272
2033/2034	69 120 000	41 472 000	37 366 272
2034/2035	69 120 000	41 472 000	37 366 272
2035/2036	69 120 000	41 472 000	37 366 272
2036/2037	69 120 000	41 472 000	37 366 272
2037/2038	69 120 000	41 472 000	37 366 272
2038/2039	69 120 000	41 472 000	37 366 272
2039/2040	69 120 000	41 472 000	37 366 272

6 THE TIME SCHEDULE FOR CARRYING OUT THE OPEN SEASON PROCEDURE

❖ **Public announcement of the document *Rules for carrying out the binding phase of the Open Season procedure***	**17.1.2018.**
➢ A period for the Bidders to inspect the documents for carrying out the *Open Season* procedure	17.1.2018 – 19.3.2018
❖ **Announcement of the Call for the submission of the binding bids for contracting capacity in the *Open Season* procedure (1st call to Bidders)**	**19.3.2018**
➢ A period for delivery of bids for contracting capacity in the 1st round of the Open Season procedure	19.3.2018 (from 0:00 CET) – 8.4.2018 (until 23:59 CET)
➢ A period for analysis of the received binding bids, implementation of the economic test I	9.4.2018– 20.4.2018
In case the **economic test I** is positive:	
❖ **Delivery of the Notice on the positive economic test I to the successful Bidders** ❖ **Delivery of the aggregated data on the received bids for each gas year to all Bidders**	**20.4.2018**
❖ **If there are any available capacities, the announcement of the call to the Bidders to submit the supplement to the bids (2nd call to Bidders)**	**23.4.2018**
In case the **economic test I** is negative:	
❖ **Delivery of the Notice on the negative economic test I to the Bidders** ❖ **Delivery of the aggregated data on the received bids for each gas year to all Bidders**	**20.4.2018**
➢ **Announcement of the call for the supplement of Bids** ➢ **(2nd call to Bidders)**	**22.6.2018**
➢ A period for the submission of the supplemented bids	22.6.2018 (from 0:00 CET) - 03.8.2018 (to 23:59 CET)
➢ A period for analysis of the received supplemented bids, implementation of the economic test II	06.08.2018 – 13.8.2018
In case the **economic test II** is positive:	
❖ **Delivery of the Notice on the allocation of the capacity to successful Bidders and further activities related to contract signing**	**13.08.2018**
In case the **economic test II** is negative:	
❖ **Delivery of the Notice on the negative economic test II to the Bidders** ❖ **Delivery of the aggregated data on the received bids for each gas year to the Bidders**	**13.08.2018**

❖ **Announcement of the call for the acceptance of new indicative tariff calculated based on the total expressed interest or delivery of supplement to the Bid (3rd call to Bidders)**	
➢ A period for delivery of the Bidders' declarations on the acceptance of the new indicative tariffs or supplemented Bids	13.08.2018 (from 0:00 CET) – 20.8.2018 (to 23:59 CET)
➢ Analysis of the Bidders' declarations on the acceptance of the new indicative tariffs and supplemented Bids, implementation of the economic test III	20.8.2018 – 27.8.2018
In case the **economic test III** is positive:	
➢ A capacity allocation pursuant to the bids of Bidders for capacity contracting	27.8.2018
❖ **Delivery of the Notice on the allocation of the capacity to successful Bidders and further activities related to contract signing**	**27.8.2018**
In case the **economic test III** is negative:	
❖ **Plinacro will inform the Bidders on the completion of the Open Season procedure**	**27.8.2018**

❖ - **Milestone**
➢ - Activity

6.1 A change of deadlines in the Open Season procedure

A time schedule for carrying out the Open Season procedure may depend on certain changes, especially if there is no increased interest of the Bidders and the Open Season procedure is completed after the 2nd call for the submission of Bids is carried out.

Plinacro and FGSZ retain the right to prolong a certain planned deadline before the expiry of the final deadline anticipated by the OSP Rules at their own discretion.

Regardless of the above mentioned, Plinacro and FGSZ may at any time before the anticipated final deadline prolong such deadline if deemed necessary.

6.2 The announcement of information regarding the change of deadlines

If a specific deadline is prolonged, Plinacro and FGSZ will publish the notice about it without any delay, but at least 24 hours prior to the extension of the respective deadline on their internet pages and will inform about it all participants registered in the Open Season procedure accordingly via an e-mail as well.

7 PROCEDURE DESCRIPTION

In the binding phase of the Open Season procedure Plinacro offers contracting of capacity products in the amounts from Table 2.

In the binding phase of the Open Season procedure Bidders may submit bids for the contracting of capacity for any of the offered points or for both offered points for a minimal period of 1 year and for the maximal period of 20 gas years.

Upon the carried out economic test, Plinacro will in cooperation with LNG Croatia allocate transmission system capacities and complete the Open Season procedure.

Table 3 The amount of capacity offered on the relevant points

	CAPACITY OFFERED	
Gas year	**Omišalj entry** **[kWh/d] NCV**	**Dravaszerdahely Interconnection (HR → HU) [kWh/d] GCV**
2020/2021 to 2039/2040	69 120 000	37 366 272

7.1 Indicative tariffs in the Open Season procedure

In compliance with the Methodology for determining the amount of tariff items for gas transmission the Bidders who contracted capacity in the Open Season procedure shall settle the fee for Omišalj entry point and/or fee for Drávaszerdahely exit interconnection point as well as the fee for the quantity of gas at the exit point depending on which relevant point they have contracted.

The reference indicative tariff items have been calculated pursuant to estimate of contracted capacities. The estimate of contracted capacities has been made by analysing indicative requests submitted in the Consultations with the interested public. The reference indicative tariff items as well as the associated capacities have been stated in Table 4:

Table 4 Reference indicative tariff items.

year	Estimated amount of contracted capacity (kWh/d)		Indicative tariff item Omišalj (kn/kWh/d)	Indicative tariff item Dravaszerdahely (kn/kWh/d)	Indicative tariff item commodity (kn/kWh)
	Omišalj	Dravaszerdahely			
2021	39 452 055	26 301 370	1,2592	1,6181	0,0014
2022	39 452 055	26 301 370	1,1944	1,5385	0,0013
2023	39 452 055	26 301 370	1,1694	1,5063	0,0013
2024	39 452 055	26 301 370	1,1406	1,4722	0,0012
2025	39 452 055	26 301 370	1,1205	1,4459	0,0012
2026	39 452 055	26 301 370	1,0936	1,417	0,0012
2027	39 452 055	26 301 370	1,0654	1,3854	0,0012
2028	39 452 055	26 301 370	1,0069	1,325	0,0011
2029	39 452 055	26 301 370	0,9695	1,2831	0,0011
2030	39 452 055	26 301 370	0,9336	1,2426	0,0011
2031	39 452 055	26 301 370	0,8991	1,2034	0,001
2032	39 452 055	26 301 370	0,868	1,1664	0,001
2033	39 452 055	26 301 370	0,8406	1,1326	0,001
2034	39 452 055	26 301 370	0,8141	1,0997	0,0009
2035	39 452 055	26 301 370	0,7885	1,0678	0,0009
2036	39 452 055	26 301 370	0,7637	1,037	0,0009
2037	39 452 055	26 301 370	0,7002	0,953	0,0008
2038	39 452 055	26 301 370	0,6791	0,9266	0,0008
2039	39 452 055	26 301 370	0,6587	0,901	0,0008
2040	39 452 055	26 301 370	0,639	0,8761	0,0008

Source: Decision by CERA of 15.06.2018

In order to provide the Bidders with the best possible insight into the fluctuation of tariff items in the continuation there is a Table with the preview of the indicative tariffs at Omišalj entry, Drávaszerdahely interconnection and tariff for gas quantity at the transmission system exit for the cases when the amount of the requested capacities is larger than the one presented in Table 4. Indicative items have been shown per year in Tables 5, 6 and 7:

Taking into account that LNG Croatia changed the characteristics of the FSRU, the following four scenario have been introduced:

Scenario 1 (S1 – Referent scenario): 1,5 bcm/a entry Omišalj = 0,5 bcm exit in HR + 1 bcm exit toward HU

Scenario 2 (S2): 1,7 bcm/a entry Omišalj = 0,5 bcm exit in HR + 1,2 bcm exit toward HU

Scenario 3 (S3): 2,0 bcm/a entry Omišalj = 0,4232 bcm exit in HR + 1,5768 bcm exit toward HU

Scenario 4 (S4): 2,63 bcm/a entry Omišalj = 1,0512 bcm exit in HR + 1,5768 bcm exit toward HU

Table 5 Indicative amounts of tariff items for gas transmission for the period 2021 – 2040 at the entry into the transmission system from the terminal for the regasification of liquefied natural gas (Omišalj entry) according to the planned scenarios of gas transmission for the energy entity PLINACRO Ltd.

Scenario	Unit (@NCV)	2021.	2022.	2023.	2024.	2025.	2026.	2027.	2028.	2029.	2030.
S1	kn/kWh/d	1,2592	1,1944	1,1694	1,1406	1,1205	1,0936	1,0654	1,0069	0,9695	0,9336
S2	kn/kWh/d	1,2271	1,1642	1,1399	1,1120	1,0924	1,0662	1,0389	0,9826	0,9464	0,9116
S3	kn/kWh/d	1,1602	1,1012	1,0783	1,0522	1,0335	1,0090	0,9835	0,9317	0,8979	0,8654
S4	kn/kWh/d	1,2550	1,1904	1,1655	1,1368	1,1168	1,0900	1,0619	1,0037	0,9664	0,9307
Scenario	**Unit (@NCV)**	**2031.**	**2032.**	**2033.**	**2034.**	**2035.**	**2036.**	**2037.**	**2038.**	**2039.**	**2040.**
S1	kn/kWh/d	0,8991	0,8680	0,8406	0,8141	0,7885	0,7637	0,7002	0,6791	0,6587	0,6390
S2	kn/kWh/d	0,8782	0,8480	0,8214	0,7956	0,7708	0,7467	0,6847	0,6643	0,6444	0,6253
S3	kn/kWh/d	0,8342	0,8059	0,7810	0,7568	0,7335	0,7109	0,6521	0,6329	0,6142	0,5962
S4	kn/kWh/d	0,8964	0,8654	0,8381	0,8117	0,7861	0,7615	0,6981	0,6772	0,6569	0,6372

Source: Decision by CERA of 15.06.2018

Table 6 Indicative amounts of tariff items for gas transmission for the period 2021 - 2040 at the transmission system exit at the interconnection according to the planned scenarios of gas transmission for the energy entity PLINACRO Ltd.,

Scenario	Unit (@NCV)	2021.	2022.	2023.	2024.	2025.	2026.	2027.	2028.	2029.	2030.
S1	kn/kWh/d	1,6181	1,5385	1,5063	1,4722	1,4459	1,4170	1,3854	1,3250	1,2831	1,2426
S2	kn/kWh/d	1,5006	1,4274	1,3977	1,3664	1,3419	1,3151	1,2861	1,2316	1,1932	1,1561
S3	kn/kWh/d	1,3200	1,2565	1,2306	1,2034	1,1816	1,1581	1,1329	1,0872	1,0541	1,0220
S4	kn/kWh/d	1,3200	1,2565	1,2306	1,2034	1,1816	1,1581	1,1329	1,0872	1,0541	1,0220
Scenario	**Unit (@NCV)**	**2031.**	**2032.**	**2033.**	**2034.**	**2035.**	**2036.**	**2037.**	**2038.**	**2039.**	**2040.**
S1	kn/kWh/d	1,2034	1,1664	1,1326	1,0997	1,0678	1,0370	0,9530	0,9266	0,9010	0,8761
S2	kn/kWh/d	1,1201	1,0862	1,0551	1,0249	0,9957	0,9673	0,8893	0,8651	0,8415	0,8185
S3	kn/kWh/d	0,9909	0,9615	0,9346	0,9085	0,8832	0,8585	0,7899	0,7688	0,7483	0,7284
S4	kn/kWh/d	0,9909	0,9615	0,9346	0,9085	0,8832	0,8585	0,7899	0,7688	0,7483	0,7284

Source: Decision by CERA of 15.06.2018

Table 7 Indicative amounts of tariff items for commodity for the period 2021-2040 at the transmission system exit according to the planned scenarios of gas transmission for the energy entity PLINACRO Ltd.,

Scenario	Unit (@NCV)	2021.	2022.	2023.	2024.	2025.	2026.	2027.	2028.	2029.	2030.
S1	kn/kWh	0,0014	0,0013	0,0013	0,0012	0,0012	0,0012	0,0012	0,0011	0,0011	0,0011
S2	kn/kWh	0,0013	0,0012	0,0012	0,0012	0,0011	0,0011	0,0011	0,0011	0,0010	0,0010
S3	kn/kWh	0,0012	0,0011	0,0011	0,0011	0,0011	0,0010	0,0010	0,0010	0,0009	0,0009
S4	kn/kWh	0,0012	0,0011	0,0011	0,0011	0,0011	0,0010	0,0010	0,0010	0,0009	0,0009
Scenario	**Unit (@NCV)**	**2031.**	**2032.**	**2033.**	**2034.**	**2035.**	**2036.**	**2037.**	**2038.**	**2039.**	**2040.**
S1	kn/kWh	0,0010	0,0010	0,0010	0,0009	0,0009	0,0009	0,0008	0,0008	0,0008	0,0008
S2	kn/kWh	0,0010	0,0009	0,0009	0,0009	0,0009	0,0008	0,0008	0,0008	0,0007	0,0007
S3	kn/kWh	0,0009	0,0009	0,0008	0,0008	0,0008	0,0008	0,0007	0,0007	0,0007	0,0007
S4	kn/kWh	0,0009	0,0009	0,0008	0,0008	0,0008	0,0008	0,0007	0,0007	0,0007	0,0007

Source: Decision by CERA of 15.06.2018

Additionally, for the period from 1 October till 31 December 2020 estimated amounts of tariff items will be approximately equal to the amounts of tariff items for 2021.

Based on the received bids in the procedure of carrying out the economic test Plinacro will calculate new indicative tariff items for the individual gas year at Omišalj entry and for Drávaszerdahely interconnection and for the quantity of gas at the exit point.

A Bidder is obliged to sign the contract on gas transmission in compliance with the requested capacities from the bid for each gas year for which the amount of new indicative tariff items is lower or equal to the indicative tariff item from Table 4. If the amount of new indicative tariff items for particular gas year is higher than the Reference indicative tariff items from Table 4, the Bidder may but does not have to sign the contract on gas transmission for that gas year.

All tariff items in this document (indicative, reference indicative and other) have been calculated for informational purposes only and they are not binding in any way, Reference indicative tariffs are calculated for the purpose of defining the obligation of signing the contract on gas transmission within the Open Season procedure. In the fee for the use of the transmission system a Bidders will be charged the applicable tariff items to be approved and published by CERA in compliance with the Methodology for determining the amount of tariff items for gas transmission.

When considering the amount of tariff items for gas transmission from the LNG terminal it is necessary to have in mind that in the previous period Plinacro invested significant financial means in Zlobin-Drávaszerdahely gas pipeline system to enable transmission of gas from the LNG terminal (especially Slavonski Brod-Drávaszerdahely gas pipeline) so all mentioned investments are the part of the cost which needs to be recovered through the fees for the transmission of gas from the LNG terminal.

Furthermore, the EU grant for Omišalj-Zlobin pipeline (point 3.3) was taken into consideration in the calculation of indicative tariff items, the value of the investment for Omišalj-Zlobin pipeline was decreased by the amount of the grant.The Bidders contracting capacity at Drávaszerdahely interconnection point shall pay to FGSZ a fee for the entry at the

interconnection in Hungary. The fee shall be calculated based on the tariff item applicable at the moment of the use of the product.

7.2 The course of the Open Season procedure – second round

Since after the first round, carried out from 19 March to 8 April 2018, the economic test was negative, Plinacro informed the Bidders about the negative result and delivered to them the aggregated information on the bids received for an individual gas year and the notice on the postponement of the second round.

The second round for the submission of the bids is opened on 22 June 2018, and in the period from 22 June to 3 August 2018 supplemented bids may be submitted.

The Bidders that submitted a bid in the first round may submit the supplement to the bid in which they shall state only additional capacity they want to contract with regard to the one they requested initially. In case they fail to submit a supplement to the bid the request submitted initially, in the first round, shall be deemed final for the purpose of the Economic test II.

After the expiry of the deadline for the submission of the supplements to the bids, Plinacro will carry out the economic test II on the grounds of the total received capacity amounts.

If the economic test II is positive, Plinacro will in cooperation with LNG Croatia carry out the allocation of gas quantities for the delivery from the LNG terminal and transmission system capacities. After capacity allocation, Plinacro will deliver a notice on the capacity allocation and further information concerning the signing of a gas transmission contract to the successful Bidders.

A Call for the acceptance of a new reference indicative tariff and Bid supplementing (Economic test III)

If the total expressed requests for capacity contracting are not sufficient for the positive economic test II, Plinacro will calculate new reference indicative tariffs based on the total expressed interests and call the Bidders to deliver their statements whether they accept new reference indicative tariffs in compliance with which the result of the economic test would be positive or to submit the supplement to their Bids.

After the notice and the call are delivered a new round for the submission of the answers and supplements is open in the period from 13 August to 20 August 2018.

After it collects the answers and supplements to bids, Plinacro will carry out the Economic test III from 20 till 27 August 2018. If any of the Bidders does not deliver the answer concerning the acceptance of the new indicative tariff it will be deemed that he agrees with the made request.

If the economic test III is positive, Plinacro will carry out allocation of the gas quantities for delivery from the LNG terminal and the transmission system capacities in cooperation with LNG Croatia. After capacity allocation, Plinacro will deliver a notice on capacity allocation and further information concerning the contract signing to the successful Bidders.

If the economic test III is negative for the lower offer level, Plinacro will inform the Bidders about the unsuccessful contracting of transmission system capacity and completion of the Open Season procedure.

8 THE ECONOMIC TEST PROCEDURE

Pursuant to the decision by CERA of 15 June 2018, Plinacro is a responsible energy entity carrying out the economic test for the purpose of the Open Season procedure. Upon the completion of the relevant procedure Plinacro will deliver the results to CERA which provides consent for the performed economic test. Since FGSZ does not perform any investment activities it will not perform the economic test.

The economic test will apply in order to assess economic profitability of the project, in this case to assess the justification of the investment in the infrastructure necessary for the transmission of gas from the LNG terminal in the direction of Hungary. Since the transmission system of FGSZ is fully prepared to take over the quantity of natural gas that will be transported from the LNG terminal to Drávaszerdahely interconnection no combining into the single economic test as defined by article 24 of CAM Regulation will take place.

Depending on the interest of the Bidders in the second round of the binding phase of the Open Season procedure the economic test will be carried out in a minimum one round and the maximum two rounds.

8.1 Conditions for a positive Economic test

Conditions for a positive Economic test are the following:

1. $PV_{UC\text{-}INCR} \geq f * PV_{AR}$
   - $PV_{UC\text{-}INCR}$ – the present net value of the binding bids
   - f – f- factor
   - PV_{AR} – difference of allowed income, or
2. satisfactory increase of N-1 indicator.

The economic test will be positive if the present net value of additionally booked capacity by binding bids of the Bidders is equal or higher than the difference of the allowed income of the transmission system operator.

The present net value of binding bids is calculated as a sum of present net values for each year of capacity booking:

$$PV_{UC\text{-}INCR} = \sum (kap_{Omišalj} * t_{Omišalj} + kap_{Dravszerdahely} * t_{Drávaszerdahely} + kap_{UL,INT1} * t_{UL,INT1} - kap_{UL,INT2} * t_{UL,INT2})$$

- $kap_{Omišalj}$ – total requested capacity at Omišalj entry according to submitted binding bids
- $t_{Omišalj}$ – tariff item for Omišalj entry according to submitted binding bids
- $kap_{Drávaszerdahely}$ – total requested capacity at Drávaszerdahely exit according to binding bids
- $t_{Drávaszerdahely}$ – tariff item for Drávaszerdahely exit according to submitted binding bids

- $kap_{UL,INT1}$ – capacity to be contracted at entry interconnections if the project is implemented
- $t_{UL,INT1}$ – tariff item at the entry at interconnections if the project is implemented
- $kap_{UL,INT2}$ – capacity to be contracted at entry interconnections if the project is not implemented
- $t_{UL,INT2}$ – tariff item for the entry at interconnections if the project is not implemented

discounted by a rate of 5,22%

Based on the decision on the amount of f-factor taken by CERA, it was determined that the level of f-factor is 1.

The levels of estimated increases of the allowed income have been calculated in compliance with the valid *Methodology for determining the amount of tariff items for gas transmission*.

- PV_{AR} = HRK 161.914.595
- Which means that the economic test will be positive if $PV_{UC\text{-}INCR} \geq$ HRK 161.914.595

9 RULES FOR CAPACITY ALLOCATION

Plinacro will carry out the allocation of the transmission system capacities at Omišalj entry in cooperation with LNG Croatia whereas the allocation of capacities at Drávaszerdahely interconnection Plinacro will carry out in cooperation with FGSZ.

Plinacro and LNG Croatia have jointly prepared the rules for the capacity allocation at Omišalj entry with the aim to provide the users of the LNG terminal with the easiest possible access to the transmission system of Plinacro as well as further transmission in the direction of Hungary.

9.1 Rules for the transmission system capacity allocation at Omišalj entry

Upon the carried out binding phase of the Open season procedure LNG Croatia is the first to carry out the allocation of gas quantities for the delivery from the LNG terminal. After LNG Croatia had carried out the allocation, it will submit the results to Plinacro who will in compliance with the submitted results carry out the allocation of transmission system capacity at Omišalj entry, taking into consideration the results of LNG Croatia allocation.

Referring to the mentioned, for the purpose of the transmission system capacity allocation, LNG Croatia and Plinacro have agreed on the method of conversion of the gas quantities contracted at the terminal into the associated transmission system capacities pursuant to the following formula:

$$K=Q/365$$

Whereas:

K = the amount in kWh/d up to which a Bidder has a priority at the transmission system capacity allocation at Omišalj entry

Q = a quantity of gas in kWh allocated to the Bidder at the LNG terminal

When allocating the transmission system capacities Plinacro will give priority to the Bidders who were allocated gas quantities for the delivery at the LNG terminal, and who also requested transmission system capacities. After capacity is allocated to the terminal users the remaining available capacity will be allocated to the Bidders who requested only transmission system capacities at the relevant points.

1st round of capacity allocation

In the first round, the capacity at Omišalj entry will be allocated according to formula K=Q/365

If the Bidders requested more capacity than the one allocated to them in the first round, and after the first round not all offered capacity at Omišalj entry is allocated the second round of the allocation will take place.

2nd round of capacity allocation

In the second round of allocation, when allocating the available capacity at Omišalj entry a priority will be given to the Bidders who at the same time also requests contracting of capacity at Drávaszerdahely interconnection. If at the same time more than one Bidder requests contracting of capacity at Drávaszerdahely interconnection, the priority will be given to the Bidder requesting the capacity at Drávaszerdahely interconnection for the longest period.

If more than one Bidder requests capacity at Drávaszerdahely interconnection for the same period of time the capacity at Omišalj entry will be allocated proportionally among such Bidders.

3rd round of capacity allocation

After capacity is allocated to the Bidders who requested contracting of capacity at Drávaszerdahely interconnection, the remaining available capacity at Omišalj entry is allocated to the Bidder requesting capacity only at Omišalj entry whereas the priority is given to the Bidder requesting the capacity for the longest period.

If two or more Bidders request capacity only at Omišalj entry for the same period of time the capacity will be allocated to them proportionally.

9.2 Rules for the allocation of capacity at Drávaszerdahely interconnection

The Rules for the allocation of transmission system capacities at Drávaszerdahely interconnection point in the binding phase of the Open Season procedure have been approved by CERA on 26 July 2017 and MEKH on 31 July 2017 and they constitute Annex 1 of OSP Rules.

After the closure of the Open Season procedure, any contracted capacity product can be the subject of secondary capacity transactions in accordance with TSO procedures and CAM regulation.

10 REGISTRATION and SUBMISSION OF BIDS

10.1 A registration for participation

All Bidders can participate in the binding phase of the Open Season procedure, regardless of whether they have participated in the non-binding phase of the Open Season procedure or not and regardless whether they have participated in the first round. By registering for the participation in the Open Season procedure a Bidder will be provided an opportunity to take part in the binding phase of the Open Season procedure.

Bidders who registered in the non-binding phase of the *Open Season* procedure do not have to repeat the registration procedure.

Users who did not participate in the non-binding phase of the Open Season procedure shall pay the participation fee to Plinacro's account and deliver the proof of payment to the following e-mail: openseason@plinacro.hr or via registered mail with remark "Binding Open Season Procedure" - The participation fee in the amount of HRK 4,000.00 shall be paid to the following account:

NAME OF THE BANK*: PRIVREDNA BANKA ZAGREB*

IBAN: *HR8323400091100225794*

BIC (SWIFT): *PBZGHR2X*

For the purpose of the registration, Bidders are obliged to submit to Plinacro, by 3 August 2018 at the latest, the following documents:

1) the filled-in form for the registration signed by the authorized person of the applicant
2) proof of legal and business capability and the rights of the person authorized for the representation (the document for the entry into a business, court /commercial, professional, craft or other adequate register, which may not be older than six months from the date of submission)
3) proof of financial ability (adequate annual financial statements for the year 2017)
4) proof of participation fee payment
5) signed and by official seal certified Data Confidentiality Agreement

The application for the registration and Data Confidentiality Agreement Form are available on Plinacro's official website.

Two copies of the signed Data Confidentiality Agreement and the remaining documents shall be delivered to Plinacro´s address, Savska cesta 88a, 10000 Zagreb, Croatia and on the e-mail address: openseason@plinacro.hr

If any of the conditions have not been met, the Bidder shall not be able to participate in the binding phase of the *Open Season* procedure.

For FGSZ, the following documents shall be submitted via e-mail to openseason@fgsz.hu by 3 August 2018, 23:59 CET, at the latest:

- the notarised company extract obtained within the last 30 days that contains the company name, registered seat, scope of activities, registered capital, tax number and list of people authorised to sign for the company;
- the notarised specimen signature of the people authorised to sign (independently or jointly) for the company;
- the audited balance sheet and profit and loss statement of the last closed year;
- (limited) trading licence, if any, issued by the Hungarian NRA.

The original documents shall be sent by post to the following address:

"HR/HU Open Season Procedure – Registration"
FGSZ Ltd., Attention: Mr Balázs Tatár, Head of Sales and Customer Support
Tanácsház utca 5.
8600 Siófok
Hungary

10.2 Submission of Bids

By submitting a bid the Bidder guarantees that by the time of contract consummation he will obtain a valid permit for carrying out energy activity of gas supply or gas trade in the Republic of Croatia. For Hungary the Bidder shall obtain the necessary license before the actual usage of the capacities, however, being a registered network user with FGSZ at the time of the bid submission is not required. .

The bid needs to be signed by the authorised persons in the company of the Bidder. Duly signed Bid Form needs to be delivered to Plinacro along with Bid security by registered mail or by a courier service in the foreseen periods to the following address:

PLINACRO d.o.o.
Savska cesta 88a
10 000 Zagreb
Croatia

Bids containing the Drávaszerdahely interconnection point shall be submitted to FGSZ as well to the following address:

"HR/HU Open Season Procedure – Binding Bid"
FGSZ Ltd., Attention: Mr Balázs Tatár, Head of Sales and Customer Support
Tanácsház utca 5.
8600 Siófok
Hungary

Before sending the Bid Form by the mail or a courier service it would be advisable to send a copy of the relevant documents to the following e-addresses: openseason@plinacro.hr and openseason@fgsz.hu

By signing and submitting the bid the Bidder:

1 accepts and agrees to apply the OSP Rules including all annexes, especially but not exclusively to apply the provisions of a Gas transmission contract form, concluded based on the Open Season procedure, contained in Annex no. 2 OSP Rules,

2 confirms that it has been introduced with and that it accepts the application of the legislation of the Republic of Croatia regulating the gas market, the Network Code of the transmission system, General terms of use of gas transmission service at an interconnection, General terms of the transmission system use and other rules and acts regulating the gas market,

3 confirms that it has been introduced with and that it accepts the application of the legislation of Hungary regulating the gas market, the Business and Commercial Code of the transmission system, the Business Code of FGSZ Ltd and other rules and acts regulating the gas market.

4 accepts and confirms that the submitted bid is binding and irrevocable for the Bidder and the Transmission System Operators in full.

The Bidder is acquainted with and accepts the fact that Plinacro Ltd. shall neither consider nor take into account any Bid along with which all previously mentioned documents are not submitted.

10.3 Bid security

When submitting their binding Bids for contracting transmission system capacity all Bidders shall deliver to Plinacro a bank bid security. The bank Bid can be delivered as a Cash deposit or a Bank guarantee

The Bank Bid security shall be delivered in the amount of 0,5% of the total value of the fee for capacity use, calculated for the entire contract period from the Bid, calculated on the grounds of the reference indicative tariffs from the Open Season Procedure Rules.

The Bank Bid security shall be irrevocable, unconditional, with “no objection" and payable on first written call, issued by the bank acceptable to the Transmission System Operator and with the validity period until 30 September 2018. The Bank Bid security shall be issued in writing in the Croatian language or if it is delivered in any other language along with the original guarantee it is necessary to deliver a translation by an authorised court interpreter in the Croatian language. All expenses related to the relevant Bank Bid security shall be borne by the Bidder.

The Transmission System Operator shall return the Bank Bid security to the Bidder within 5 days from:

a) receiving the signed Contract and a payment security instrument from the Bidder pursuant to the Contract, or

b) the delivery of the Notice on the negative Final Investment Decision

If the Transmission System Operator does not receive a duly signed Contract and the payment security instrument from the Bidder pursuant to provisions of the contract within 10 days as of the day on which the Bidder is deemed to have received the letter from the Transmission System Operator by which the Contract is delivered to him for signing, then the Transmission System Operator is authorised to submit the bank guarantee to the bank for payment and collect the entire amount for which the Bank Bid security has been issued.

It is deemed that the Bidder received the letter from the Transmission System Operator in which he is delivering to him a Contract for signing, by the expiry of 3 days from submitting the relevant letter to the post office to be sent by the registered mail.

For the sake of clarity, FGSZ does not require any financial security for the bid submission. Financial securities shall be submitted according to the Business Code of FGSZ before the usage of the capacity.

11 SECURITY PAYMENT INSTRUMENTS - Plinacro

When signing the gas transmission contract concluded based on the Open Season procedure, the Bidder who is allocated transmission system capacity on one or both relevant points shall deliver a security payment instrument to Plinacro. Provisions which define the delivery of the security payment instrument have been determined by the gas transmission contract and in these Rules they have been described for informational purposes only. For more information please see Annex 2

FOR A YEARLY STANDARD PRODUCT:

A) A Bank guarantee

A Bank guarantee in the minimum amount of three monthly fees for the use of the transmission system increased by the amount of VAT (if VAT is applicable) for a yearly standard product for one gas year.

In case a Bidder submitted the request for a yearly standard product for two or more consecutive gas years he shall deliver a Bank guarantee in the minimum amount of three monthly fees for the use of the transmission system and renew a security instrument for each following year.

The Bank guarantee shall be unconditional, irrevocable, without cavil and payable on first demand and issued by the first-class bank acceptable to the Transmission System Operator. The Bank guarantee shall be valid for at least 60 days after expiry of the contract period, that is, 60 days from the end of each single gas year during the contracted period for which the transmission system user intends to contract capacity. The Bank guarantee has to be issued in writing in the Croatian language or if it is delivered in any other language along with the original guarantee it is necessary to deliver a translation by an authorised court interpreter in the Croatian language.

B) A Cash deposit

As a payment security instrument instead of Bank guarantee the Bidder may deliver a cash deposit in the amount of 3 monthly fees which it needs to deposit on a special transaction account of Plinacro.

ANNUAL CAPACITY PRODUCT

A) A Bank guarantee

If the subject of this contracting is exclusively contracting of the capacities at Omišalj entry than in relation to the bank guarantee and a cash deposit apply the same conditions as for the contracting of transmission system capacities at Drávaszerdahely interconnection point.

A Bank guarantee for contracting capacity at Omišalj entry has to be valid throughout the whole duration of the gas transmission contract and for the minimum of 60 days after the expiry of the contract period.

B) A Regular debenture

With the consent of Plinacro, a Bidder can exceptionally deliver a regular debenture as a payment security instrument only if the Bidder is already a user of Plinacro's transmission system who has been fulfilling his contractual obligations dully and on time during the last 12 months.

As an exception to the above stated, provisions allowing Bidders to deliver a regular debenture as a payment security instrument do not apply to the Bidders whose seat is not in the Republic of Croatia.

12 ANNEXES

The relevant Annexes make a constituent part of the *Rules for carrying out the binding phase of the Open Season procedure* and they are available on the web pages of Plinacro.

Annex 1. - Rules for the allocation at Drávaszerdahely interconnection
Annex 2. - Contract Form Plinacro
Annex 3. - General terms of the transmission system use (GT) Plinacro
Annex 4. - Contract Form FGSZ
Annex 5. GTC FGSZ