

**GAS TRANSMISSION CAPACITY FROM ROMANIA TO HUNGARY AND FROM HUNGARY TO ROMANIA  
BINDING OPEN SEASON PROCEDURE**

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

**RULEBOOK - BINDING OPEN SEASON PROCEDURE**

**INVITATION TO BID**



## **Table of Contents**

1. Introduction .....	3
2. Definitions .....	4
3. Binding Open Season Procedure.....	5
3.1. Purpose of the binding Open Season Procedure .....	5
3.2. Regulatory involvement.....	5
3.3. Information Provision .....	5
3.4. Binding Open Season Procedure Overview .....	6
3.5. Registration .....	8
3.6. Data Protection and Privacy.....	9
4. Allocation of Capacities .....	10
4.1. Offered Capacity Products and Tariffs .....	10
4.2. Determination of Economic Viability.....	14
4.3. Capacity Allocation Concept .....	20
5. Financial Guarantees .....	22
6. Miscellaneous.....	23
7. Notices.....	23
8. Annexes.....	23

## 1. Introduction

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

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

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

- IP: Csanádpalota (EIC 21Z000000000236Q):  
from Romania to Hungary and from Hungary to Romania at the interconnection point

Capacity will be allocated as yearly capacity products on a firm basis<sup>1</sup> via bundled allocation procedure at the IP in the offered directions (1 October-1 October) at Csanádpalota (RO>HU) / (HU>RO) starting with 1 October 2022 until 1 October 2037<sup>2</sup>.

All interested Applicants shall be aware and agree that all Bids received in the present binding Open Season shall be considered as legally binding and all winning Bids build the basis for the allocation of capacities pursuant to Article 4.3. "Capacity allocation concept".

The TSOs do not offer 10% of the incremental capacity within the binding Open Season Procedure, which would be eventually reserved for short-term capacity booking and would allocate this capacity on a non-discriminatory basis according to EU regulation 459/2017/EU.

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

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

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<sup>1</sup> For exact definitions of "firm" reference is made to annexes 3 and 4.

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

## **2. Definitions**

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

**"Applicant"** shall mean a network user as defined in the EU Regulation 715/2009 who submits an application to the TSOs to participate in the binding Open Season Procedure.

**"Bid"** shall mean the Bidder's offer for a binding commitment to book capacities.

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

**"Indicative Reserve Price P<sub>o</sub> (in EUR)"** shall mean the sum of the related entry and exit fees at IP applicable at the capacity allocation procedure. The fees payable to the TSOs shall be settled in the national currencies under the relevant contracts between the Bidder and the TSO as annexed hereto.

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

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

**"Binding Open Season Procedure"** shall mean the procedure through which FGSZ and TRANSGAZ allocate the Offered Capacity of IP to Bidders on a binding basis.

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

**"Project"** shall mean the necessary evaluation, design development, construction, installation, financing, insuring, ownership, operation, repair, replacement, refurbishment, maintenance, expansion, and extension (including laterals) on the transmission network of FGSZ and TRANSGAZ necessary to make the Offered Capacity available. TSOs shall publish aligned and up-to-date information concerning the progress of the project on their websites.

“**Successful Bidder**” shall mean those Bidders that receive a full or partial acceptance of the Bid. pursuant to Article 4.3.

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

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

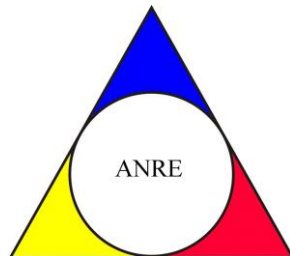
### **3. Binding Open Season Procedure**

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

#### **3.1. Purpose of the binding Open Season Procedure**

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

#### **3.2. Regulatory involvement**



The content of this document has been agreed upon by the Romanian National Authority for Energy Regulation (ANRE) and the Hungarian Energy and Public Utility Regulatory Authority (MEKH).

#### **3.3. Information Provision**

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

**GAS TRANSMISSION CAPACITY FROM ROMANIA TO HUNGARY AND FROM HUNGARY TO ROMANIA  
BINDING OPEN SEASON PROCEDURE**

### 3.4. Binding Open Season Procedure Overview

*All deadlines are to be understood as 23:59 CET of the respective day.*

Milestone	Date
Announcement of the Binding Open Season Procedure	16.10.17
Customer Registration	16.10.17 – 03.11.17
Confirmation Customer Registration (TSOs)	by 15.11.17
Bid submission window I: Submission of Bids	15.11.17 – 19.12.17
Economic Test I	19.12.17 – 29.12.17
TSOs to publish aggregated allocation results	29.12.17
<i>In case of <u>positive</u> Economic Test I:</i>	
TSO to send acceptance of Bids in form of contract duly signed by TSO to Successful Bidders and inform Bidders about aggregate allocation	by 15.01.18
Successful Bidders to return countersigned contract to TSO	by 29.01.18
<i>In case of <u>negative</u> Economic Test I:</i>	
Bid submission window II: TSOs to submit updated requirements to Bidders	by 28.02.18
Bid submission window II: Bidders may submit updated Bids to TSOs	19.03.18 – 06.04.18
Economic Test II	06.04.18 – 10.04.18
TSOs to publish aggregated allocation results	11.04.18
<i>In case of <u>negative</u> Economic Test II:</i>	
TSO to inform Bidders about terminated Open Season procedure	by 12.04.18
<i>In case of <u>positive</u> Economic Test II:</i>	
TSOs to send acceptance of Bids in form of contract duly signed by TSO to Successful Bidders	by 12.04.18
Successful Bidders to return countersigned contract to TSO	by 25.04.18

**GAS TRANSMISSION CAPACITY FROM ROMANIA TO HUNGARY AND FROM HUNGARY TO ROMANIA  
BINDING OPEN SEASON PROCEDURE**

*All deadlines are to be understood as 23:59 CET of the respective day.*

<b>Milestone</b>	<b>Date</b>
Bidders' latest execution date of step back right from contracts concluded upon positive Economic Test I or II	14.12.2018
<i>In case of no step back right being executed:</i>	
Successful completion of the Open Season procedure (concluded contracts remain in place, TSOs to inform Successful Bidders)	by 16.12.2018
<i>In case of any step back right being executed:</i>	
TSOs to inform Bidders that a further Economic test needs to be performed	16.12.18
Economic Test III	07.01.2019 – 21.01.2019
TSOs to publish aggregated allocation results	28.01.19
<i>In case of <u>positive</u> Economic Test III:</i>	
Successful completion of the OS procedure (concluded contracts remain in place, TSOs to inform Successful Bidders)	by 28.01.19
<i>In case of <u>negative</u> Economic Test III:</i>	
Bid submission window III: TSOs to submit requirements to Bidders	by 04.02.19
Bid submission window III: Bidders may submit new additional) Bids for the remaining available capacity to TSOs	05.02.19 – 25.02.19
Economic Test IV	25.02.19 - 04.03.19
TSOs to publish aggregated allocation results	11.03.19
<i>In case of <u>positive</u> Economic Test IV:</i>	
Successful completion of the OS procedure (contracts concluded before 14.12.2018 remain in place, TSOs to inform Successful Bidders), TSOs to send acceptance of Bids in form of contract duly signed by TSO to Successful Bidders	by 12.03.19
Successful Bidders to return signed contract to TSO	by 26.03.19
<i>In case of <u>negative</u> Economic Test IV:</i>	
TSO to inform Bidders about terminated OS procedure and termination of the contracts	by 12.03.19

### **3.5. Registration**

#### **Customer Registration process**

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

To initiate the Registration Process Applicants have to fill in the Registration form (Annex 1) duly signed by authorized person(s) within their organization and submit it to each TSO and pay the Participation Fee of gross EUR 2,000. The payment of the Participation Fee by 03.11.2017 is a precondition for the Applicant to participate in the Binding Open Season Procedure. The Participation Fee applies for the participation for incremental capacity at each IP. The Applicant shall pay half of the Participation Fee to each TSO (i.e. EUR 1,000 per TSO). The Participation Fee shall be paid to the following bank accounts stating the reference "Participation Fee Open Season":

#### **For FGSZ Zrt.:**

Account keeping financial institution: OTP Bank Plc.

Bank account number: HU21 1176 3945 0141 8888 0000 0000

SWIFT code: OTPVHUHB

#### **For SNTGN TRANSGAZ S.A.:**

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

Bank account number: RO19 BRDE 330S V829 1259 3300

SWIFT code: BRDEROBUXXX

By 15.11.2017 the TSOs will confirm the successful registration only if the Applicant registers with both TSOs at the IP and the Participation Fee is duly paid to both TSOs. Please note that applications and payments received after 03.11.2017 23:59 CET cannot be considered. The Participation Fee shall not be reimbursed in case of successful registration.

#### **Bid submission window**

Submit the Bid form by registered post or courier (original) duly signed by authorized person(s) within your organization to all of the relevant Parties at IP (Transgaz and FGSZ), in the Bid submission windows specified in Article 3.4. Parties' addresses are listed in Article 7 (Notices). An advance copy by e-mail to [openseason@fgsz.hu](mailto:openseason@fgsz.hu) and [openseason@transgaz.ro](mailto:openseason@transgaz.ro) is recommended.

By submitting the registration form and the Bids, the Applicant/Bidder agrees, accepts and acknowledges the present Open Season Rulebook as well as the contractual terms and conditions of the TSOs contained in the Annexes. Successful Bidders are obliged to duly sign and return to the TSOs the relevant contracts as contained in the Annexes. The allocated capacities stated in these contracts shall be subject and limited to the predefined conditionalities expressed by the Bidder in the Bid form (Annex 2).



This Open Season Rulebook has a binding nature for Applicants/Bidders and TSOs.

### **3.6. Data Protection and Privacy**

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

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

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

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

**GAS TRANSMISSION CAPACITY FROM ROMANIA TO HUNGARY AND FROM HUNGARY TO ROMANIA  
BINDING OPEN SEASON PROCEDURE**

## 4. Allocation of Capacities

The TSOs offer to sell the following transmission capacities:

### 4.1. Offered Capacity Products and Tariffs

Flow Direction Romania → Hungary		
TSO	Transgaz	FGSZ
Yearly Standard Capacity Product on a firm basis	Yes	Yes
Number of Offered Gas Years	15	15
First Availability	1 October 2022	1 October 2022
Network Point Name	Csanádpalota	Csanádpalota
Entry/Exit	Exit	Entry
EIC	21Z000000000236Q	21Z000000000236Q
Flow Direction	Romania→Hungary	Romania→Hungary
Minimum Bookable Capacity Unit	1 kWh/h/year	1 kWh/h/year
Reserve Price	a. 22.45 RON/kWh/h/year + 22.67 RON/kWh/h/year [Floating reserve Price + fixed supplement] <sup>34</sup> (reserve price currently 15.873120RON/kWh/h/year)	b. 1,483.63 HUF/kWh/h/year <sup>5</sup> + 1166.99 HUF/kWh/h/year <sup>6</sup> [Floating reference price + fixed supplement]
Applied exchange rate for indicative Reserve Price P <sub>o</sub> (in EUR )	4.49 Lei/EUR <sup>7</sup>	310 HUF/EUR
Indicative Reserve Price P <sub>o</sub> (in EUR )	18.59938 EUR/kWh/h/year (IP, a+b)	
Price Evolution After Capacity Allocation <sup>8</sup>	<ul style="list-style-type: none"> <li>• Reserve price: Floating</li> <li>• Potential premium: fixed</li> <li>• Supplement: fixed</li> <li>• Volume-based tariff upon the usage of the capacity: applied</li> </ul>	<ul style="list-style-type: none"> <li>• Reserve price: Floating</li> <li>• Potential premium: fixed</li> <li>• Supplement: fixed</li> <li>• Volume-based tariff upon the usage of the capacity: not applied</li> </ul>

<sup>3</sup> The value in brackets represents the capacity reservation tariff approved by ANRE Order no. 39/10.08.2016 (<http://www.transgaz.ro/en/node/1923>). For the value of the reference price and the fixed supplement please revert to art. 4.2.2, Economic viability @Transgaz SA.

<sup>4</sup> Tariff RON/MWh/h (15°C/15°C) approved by ANRE for 2016-2017 is 1.81RONi/MWh/h for one year contracts. Tariff [Lei/kWh/h] (0°C/25°C) = Tariff Lei/MWh/h (15°C/15°C) \* 0.9486 / 0.9476 / 1000 = 0.001812 Lei/kWh/h for one year contracts. based on the following formula and according to SR ISO 13443/2000: V(0°C) = V(15°C) \* 0.9476 and PCS(25°C/0°C) = PCS(15°C/15°C) / 0.9486. Tariff Yearly [Lei/kWh/year] (0°C/25°C) = Tariff [Lei/kWh/h] (0°C/25°C) \* 24 h \* no. days of year = 15.873120 Lei/kWh/year for one year contracts. This tariffs are already published on TRANSGAZ web page, for Csanádpalota (interconnection point).

<sup>5</sup> Indicative tariff as of 1 January 2017, subject to amendment by MEKH.

<sup>6</sup> If capacity over 70% is booked during the Open Season or afterwards in regular capacity auctions, the supplement shall be reduced. Examples: if 80% of the offered capacity is booked, the supplement shall be 1021.12°HUF/kWh/h/year; if 90% of the offered capacity is booked, the supplement shall be 907.66°HUF/kWh/h/year.

<sup>7</sup> Estimated exchange rate by National Commission for Prognosis available for 2017.

<sup>8</sup> Tariff forecasts pursuant to the tariff network code will be delivered once applicable.

**GAS TRANSMISSION CAPACITY FROM ROMANIA TO HUNGARY AND FROM HUNGARY TO ROMANIA  
BINDING OPEN SEASON PROCEDURE**

<b>Offered incremental Capacity (kWh/h/year)</b>	<b>IP Csanádpalota (RO→HU)</b>
Gas year 2022/2023	4 648 063
Gas year 2023/2024	4 648 063
Gas year 2024/2025	4 648 063
Gas year 2025/2026	4 648 063
Gas year 2026/2027	4 648 063
Gas year 2027/2028	4 648 063
Gas year 2028/2029	4 648 063
Gas year 2029/2030	4 648 063
Gas year 2030/2031	4 648 063
Gas year 2031/2032	4 648 063
Gas year 2032/2033	4 648 063
Gas year 2033/2034	4 648 063
Gas year 2034/2035	4 648 063
Gas year 2035/2036	4 648 063
Gas year 2036/2037	4 648 063

**GAS TRANSMISSION CAPACITY FROM ROMANIA TO HUNGARY AND FROM HUNGARY TO ROMANIA  
BINDING OPEN SEASON PROCEDURE**

Flow Direction Hungary → Romania		
TSO	FGSZ	Transgaz
Yearly Standard Capacity Product on a firm basis	Yes	Yes
Number of Offered Gas Years	15	15
First Availability	1 October 2022	1 October 2022
Network Point Name	Csanádpalota	Csanádpalota
Entry/Exit	Exit	Entry
EIC	21Z000000000236Q	21Z000000000236Q
Flow Direction	Hungary → Romania	Hungary → Romania
Minimum Bookable Capacity Unit	1 kWh/h/year	1 kWh/h/year
Reserve Price	e. 631.25 <sup>8</sup> HUF/kWh/h/year (floating reference price)	f. 22.89 RON/kWh/h/year + 23.12 RON/kWh/h/year [floating reserve price + fixed supplement] <sup>9/10</sup> (reference price currently 16.135920 RON/kWh/h/year)
Applied exchange rate for indicative Reserve Price P <sub>o</sub> (in EUR )	310 HUF/EUR	4.49 RON/EUR <sup>11</sup>
Indicative Reserve Price P <sub>o</sub> (in EUR )	12.28350 EUR/kWh/h/year	
Price Evolution After Capacity Allocation	<ul style="list-style-type: none"> <li>• Reserve price: floating</li> <li>• Potential premium: not applied</li> <li>• Volume-based tariff upon the usage of the capacity: Yes<sup>12</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Reserve price: Floating</li> <li>• Potential premium: fixed</li> <li>• Volume-based tariff upon the usage of the capacity: no</li> </ul>

<sup>9</sup>The value in brackets represents the capacity reservation tariff approved by ANRE Order no. 39/10.08.2016 (<http://www.transgaz.ro/en/node/1923>). For the value of the reference price and the fixed supplement please revert to art. 4.2.2, Economic viability @Transgaz SA.

<sup>10</sup> Tariff RON/MWh/h (15°C/15°C) approved by ANRE for 2016-2017 is 1.84 Lei/MWh/h for one year contracts. Tariff [Lei/kWh/h] (0°C/25°C) = Tariff Lei/MWh/h (15°C/15°C) \* 0.9486 / 0.9476 / 1000 = 0.001842 Lei/kWh/h for one year contracts based on the following formula and according to SR ISO 13443/2000:  $V(0^{\circ}C) = V(15^{\circ}C) * 0.9476$  și  $PCS(25^{\circ}C/0^{\circ}C) = PCS(15^{\circ}C/15^{\circ}C) / 0.9486$ . Tariff annual [Lei/kWh/year] (0°C/25°C) = Tariff [Lei/kWh/h] (0°C/25°C) \* 24 h \* no. days of year = 16.135920 Lei/kWh/year for one year contracts. This tariffs are already published on TRANSGAZ web page, for CSANÁDPALOTA (interconnection point).

<sup>11</sup> Estimated exchange rate by National Commission for Prognosis available for 2017.

<sup>12</sup> The announced indicative tariff as of 1 October 2017 is 47.31 HUF/MWh, subject to amendment by MEKH. The volume fee shall be payable after the daily allocated energy quantity (MWh).

**GAS TRANSMISSION CAPACITY FROM ROMANIA TO HUNGARY AND FROM HUNGARY TO ROMANIA  
BINDING OPEN SEASON PROCEDURE**

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<b>Offered Capacity (kWh/h/year)</b>	<b>IP Csanádpalota (HU→RO)</b>
Gas year 2022/2023	3 149 722
Gas year 2023/2024	3 149 722
Gas year 2024/2025	3 149 722
Gas year 2025/2026	3 149 722
Gas year 2026/2027	3 149 722
Gas year 2027/2028	3 149 722
Gas year 2028/2029	3 149 722
Gas year 2029/2030	3 149 722
Gas year 2030/2031	4 828 354
Gas year 2031/2032	4 828 354
Gas year 2032/2033	4 828 354
Gas year 2033/2034	4 828 354
Gas year 2034/2035	4 828 354
Gas year 2035/2036	4 828 354
Gas year 2036/2037	4 828 354

## **4.2. Determination of Economic Viability**

In this section, the process of Economics Tests and Bid submission windows and the conditions for a positive Economic Test to determine the economic viability for each individual TSO are described. The information provided should give insight into the aggregate booking level that has to be achieved in order to render the Projects for each TSO successful.

### **4.2.1 Process of Economic Tests and Bid submission windows**

#### **Bid submission window I**

Bids to be submitted by registered post or courier (original) duly signed until 19 December 2017, 23:59 CET.

#### **Economic Test I**

After the conclusion of the Economic Test I TSOs shall inform Bidders about the individual and aggregated allocation results by 29.12.2017. In case the Economic Test I is positive the relevant TSO(s) shall send acceptance of the Bids in form of contract(s) duly signed by TSO in duplicate, with registered mail or courier to the Successful Bidders by 15.01.2018.

The successful Bidders are obliged to duly sign and return to the respective TSO one original version of the received Contract with registered mail or courier by 29.01.2018; the omission to do so shall - due to the fact that the Contract has already been entered into at the moment the TSO has duly mailed the signed originals - not impact its validity.

#### **Bid submission window II**

In case the Economic Test I is negative, the TSOs shall offer Bidders to submit Bids based on an updated price-quantity relationship, communicated to all Bidders. Bidders may participate in the Bid submission window II on a voluntary basis. A Bid submitted by a Bidder in the Bid submission window II as outlined in Article 3.4 shall replace the previously submitted Bid. If no updated Bid is submitted by a Bidder, the respective original Bid remains valid for the Economic Test II.

#### **Economic Test II**

After Bids have been received in the course of the Bid submission window II, the Economic Test II will be performed. TSOs shall inform Bidders about the individual and aggregated allocation results by 11.04.2018. In case the Economic Test II is positive the relevant TSO(s) shall send acceptance of the Bids in form of contract(s) duly signed by TSO in duplicate, with registered mail or courier to the Successful Bidders by 12.04..2018.

The Successful Bidders are obliged to duly sign and return to the respective TSO one original version of the received contract with registered mail or courier by 25.04.2018; the omission to do so shall - due to

**GAS TRANSMISSION CAPACITY FROM ROMANIA TO HUNGARY AND FROM HUNGARY TO ROMANIA  
BINDING OPEN SEASON PROCEDURE**

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the fact that the Contract has already been entered into at the moment the TSO has duly mailed the signed originals - not impact its validity.

In case the Economic Test II is negative, the TSO shall inform Bidders via registered mail about the termination of the Open Season procedure by 12.04.2018.

**Termination by Bidder through step back right**

Successful Bidders shall be entitled to step back from their concluded contracts upon a positive Economic Test I or II by 23:59 CET 14.12.2018, without the obligation to give reasons for this decision. In such a case, the Bidder shall pay a termination fee (i.e. penalty fee) being a fixed rate of the value of its Bid within 15 days of the termination notification of the contracts. The value of its Bid shall be calculated by multiplying the Reserve Price and the supplement as stipulated in this Binding Open Season Procedure plus a premium/surcharge, as applicable, as a result of a binding Open Season Procedure, with the capacity that was allocated to the Bidder. The fixed rate for Transgaz shall be 0.033%, and for FGSZ 0.033% of the respective value of the individual Bid.

In case all Bidders whose offers were considered in the positive Economic Test, relinquish their step back right before the deadline of 14.12.2018, TSOs shall proceed with the execution of the Project without delay and publish the successful completion of the Open Season procedure.

**Economic Test III**

In case one or more Successful Bidder(s) make use of their right to step back from concluded contracts upon a positive Economic Test I or II and this release of previously allocated capacity leads to a negative Economic Test (Economic Test III), another Bid submission window is offered. Economic Test III shall take into account the signed commitments of the Successful Bidders from Economic Test I or II who did not exercise their step back right. TSOs shall inform Bidders by 16.12.2018.

**Bid submission window III**

TSOs shall offer Bidders to submit Bids based on a required price-quantity relationship. Bidders may participate in the Bid submission window III on a voluntary basis. In this Bid submission window III only the released and remaining available (i.e. not allocated) capacity shall be offered by the TSOs to all Bidders, including unsuccessful Bidders from previous Bid submission windows, except those who have exercised their step back right. The amount of capacity offered in the Bid submission window III shall be published by TSOs for the IP.

Successful Bidders who did not exercise their step back right retain the capacity allocated to them.

**Economic Test IV**

After new Bids have been received in the course of the Bid submission window III, a final Economic Test will be performed (Economic Test IV).

TSOs shall inform all Bidders about the individual and aggregated allocation results by 11.03.2019.

If the Economic Test IV is positive, the relevant TSO(s) shall send acceptance of new Bids in form of contract(s) duly signed by TSO in duplicate with registered mail or courier to the Successful Bidders by 12.03.2019. The Successful Bidders are obliged to duly sign and return to the TSO one original version of the received contract with registered mail or courier by 26.03.2019; the omission to do so shall - due to the fact that the Contract has already been entered into at the moment the TSO has duly mailed the signed originals - not impact its validity.

In case the Economic Test IV is negative, the TSOs shall inform the Bidders by 12.03.2019 via registered mail about the termination of the Open Season procedure and the termination of the contracts. In such case, no penalties, damages or termination fee is to be paid by the Bidders who did not step back from their contracts.

#### **4.2.2 Conditions for a positive Economic Test**

Condition for a positive Economic Test:  $PV_{UC} \geq f * PV_{AR}$

- $PV_{UC}$  ... value of binding commitments of network users (unknown before the capacity allocation) taken into account in the Economic Test
- $PV_{AR}$  ... value of the estimated increase in the allowed revenue<sup>13</sup> of the TSO associated with the incremental capacity
- $f$  ... f-factor

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

The Economic Tests are based on the allocation results pursuant to Article 4.3. which shall be subject and limited to the predefined conditionalities (Article 4.3. 2d) expressed by the Bidders in the Bid Form. The Economic Test for the IP is successful only in case the Economic Tests of both TSOs on both sides of the IP were successful.

After each concluded Economic Test, TSOs shall publish aggregated allocation results on their respective project websites. This shall include:

- capacity to be allocated for the IP, TSO, year and direction based on the Bids and related conditionalities expressed by the Bidders, being subject to a positive Economic Test for the IP and the successful completion of the OS procedure and
- the degree to which the individual Economic Tests of the TSOs for the IP and direction are positive.

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<sup>13</sup> For further details on capital cost estimates and their underlying technical project planning please refer to the respective national network development plans of the TSOs.



### **Economic Viability @ FGSZ Ltd.**

The Economic Tests I - IV for incremental capacity at the entry point Csanádpalota are based on the supplement included in the network users' binding bids, taking into account the following parameters:

- $PV_{AR} = 80,386,800,000$  HUF
- $f = 0.47662$
- $PV_{UC} \geq 38,313,956,616$  HUF

That means that an Economic Test will be positive if the discounted value ( $PV_{UC}$ ) of the supplement included in the network users' binding bids calculated with the discount rate of 8.9% for the year of 2021 reaches or exceeds the sum of 38,313,956,616 HUF.

As the allocation of all incremental capacity at the reference prices would not generate sufficient revenues for a positive Economic Test outcome without increasing the reference price, a supplement (i.e. from GY 2022/23 of 1166.99 HUF/kWh/h/year) is applied for the allocation of the incremental capacity. The supplement has been calculated based on the assumption of 70% of minimum booked incremental capacity for 15 years in a row for capacities in the direction from Romania to Hungary. Consequently, no booking is mandatory in the Hungary→Romania flow direction to trigger the investment but any capacity booking in this flow direction contributes to the required  $PV_{UC}$ .

If capacity over 70% is booked during the Open Season or afterwards in regular capacity auctions, the supplement shall be reduced. Examples: if 80% of the offered capacity is booked, the supplement shall be 1021.12°HUF/kWh/h/year; if 90% of the offered capacity is booked, the supplement shall be 907.66°HUF/kWh/h/year.

Regarding the calculation of the reference prices and the supplement:

With regards to the TAR NC<sup>14</sup> the reference prices shall equal with the relevant tariffs in force.

The supplement shall be escalated as follows: from 2017 to 2022 1% per year, from 2023 onward indicatively 3% per year. From the gas year of 2022/23 the calculation of the escalation is going to be revised and the relevant year's consumer price index shall be taken into account as published by the National Bank of Hungary (Magyar Nemzeti Bank)<sup>15</sup>.

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<sup>14</sup> COMMISSION REGULATION (EU) 2017/460 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas

<sup>15</sup> <http://www.mnb.hu/en/publications/reports/inflation-report>

**Economic Viability @ SNTGN Transgaz SA.**

In the context of this Economic Test, incremental capacity means the aggregated value of requested capacity exceeding the level of 2,120,142 kWh/h/year at entry/exit point Csanádpalota, capacity level ensured by implementing the BRUA, phase I project

The Economic Test is based on the following parameters:

- $PV_{AR} = 1,982,090.280$  RON (equivalent of 441,445,497 EUR)<sup>16</sup>
- $f = 0.75$
- $PV_{UC} \geq 1,486,567,710$  RON (equivalent of 331,084,122 EUR)

That means that an Economic Test will be positive if the present value of binding commitments of network users related to the incremental capacity is equal to or higher than 1,486,567,710 RON (equivalent of 331,084,122 EUR)

In the context of the Economic Test the present value of binding commitments of network users related to the incremental capacity is calculated as the sum of (i) the amount of the incremental capacity allocated to the successful Bidders multiplied by the sum of the reserve price and the supplement plus (ii) the amount of the capacity ensured by BRUA Phase I Project multiplied by the supplement.

As the allocation of all incremental capacity at the reference price (i.e. 22.45\* Lei/kWh/h/y for exit point equivalent of 5 €/kWh/h/y, respectively 22.89\*\* Lei/kWh/h/y for entry point equivalent of 5.1 €/kWh/h/y) would not generate sufficient revenues for a positive Economic Test outcome, a supplement is applied (22.67 RON/kWh/h/year, the equivalent of 5.05 €/kWh/h/year for the exit point and 23.12 RON/kWh/h/year, the equivalent of 5.15 €/kWh/h/year for the entry point, respectively). The reserve price supplement has been calculated based on a scenario where the capacity allocated further to the results of the Open Season procedure is 70% of the total capacity offered for 15 consecutive years on the RO – HU flow direction and 0% of the total capacity offered on the HU – RO flow direction. This indicates that any amount of reserved capacity exceeding such threshold would generate a decrease of the supplement. As an example, a 100% capacity reservation for 15 consecutive years on the RO-HU flow direction and 0 % reservation on the HU-RO flow direction would result in a decrease of the supplement at 9.20 RON/kWh/h/year (the equivalent of 2.05 €/kWh/h/year) for the exit point and at 9.38 RON/kWh/h/year (the equivalent of 2.09 €/kWh/h/year) for the entry point, respectively.

\*15.873120 Lei/kWh/h/y (presented in the table in Article 4.1) represents the Capacity booking tariff in the exit direction calculated under the current circumstances where the revenue approved by ANRE Order no. 39/10.08.2016 is 60% recovered by the application of the capacity booking tariff and 40% by the application of the commodity tariff.

Order no 32/2017 of ANRE President on the approval of regulated revenue, total revenue and regulated tariff setting methodology for the gas transmission activity, amended by Order no 10/2017 of ANRE President provides for the annual increase by 5% of the share related to the recovery of the approved revenue by the application of the capacity booking tariff up to the level of 85%. Such order also provides

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<sup>16</sup>  $PV_{AR}$  for Transgaz is a non-discounted value, therefore no discount rate has to be applied for respective Bids

**GAS TRANSMISSION CAPACITY FROM ROMANIA TO HUNGARY AND FROM HUNGARY TO ROMANIA  
BINDING OPEN SEASON PROCEDURE**

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for the transmission system operator to publish information used for determining the approved revenue and the regulated tariffs in force. Such information is posted onto [http://new.transgaz.ro/sites/default/files/Downloads/anexa\\_3\\_2016-2017\\_ordin\\_10-2017\\_final\\_english\\_0.pdf](http://new.transgaz.ro/sites/default/files/Downloads/anexa_3_2016-2017_ordin_10-2017_final_english_0.pdf).

As such, the resulting tariff is 22.45 RON/kWh/h/y, representing the capacity booking tariff in the exit direction calculated under the circumstances where the revenue approved by ANRE Order no. 39/10.08.2016 is recovered 85% by the application of the capacity booking tariff and 15% by the application of the commodity tariff.

\*\*The clarifications above are also valid for the 22.89 RONi/kWh/y tariff, representing the capacity booking tariff for the entry direction.

The value of commitments resulting from the Binding Open Season procedure is determined by applying the reserve price to the entire capacity allocated to the Successful Bidders.

### **4.3. Capacity Allocation Concept**

#### **Basic Capacity Allocation Principles**

- IP capacities are allocated separately for each offered gas year.
- The Applicants are allowed to submit for capacity one offer per Bid submission window maximum 1 Bid per gas year and flow direction, i.e. it is not permitted to submit multiple (alternative) bids by a single Applicant for the same gas year and flow direction.
- Both flow directions on IP are jointly evaluated from a willingness-to-pay point of view in order to resolve any eventual congestion of the Open Season.
- Capacities are allocated at the reserve price and supplement (as the case may be) in case of no overbooking.
- In Bid submission window II, all Bidders will have the possibility to indicate a higher willingness-to-pay upon the proposal of the TSOs.
- In Bid submission window III Bidders, including unsuccessful Bidders from previous Bid submission windows, except those who have exercised their step back right, have the possibility to submit an additional/new Bid for the remaining available (i.e. not allocated) capacity upon the proposal of the TSOs.

#### **Capacity allocation methodology**

1. The Bid submission windows are the time periods specified in Article 3.4. The capacity on offer in the Bid submission windows I and II is indicated in Article 4.1. In Bid submission windows III only released and remaining available capacity shall be offered by the TSOs.
  - a. Bids submitted outside of the specified time periods shall not be evaluated.
  - b. Bids must comply with formal requirements as specified below.
2. The Bidder shall indicate in its Bid according to the Bid form (Annex 2):
  - a. The relevant capacity quantity it intends to book expressed in kWh/h/year,
    - i. Bids containing capacity quantities higher than the offered capacity shall be refused.
  - b. The relevant flow direction,
  - c. The relevant gas year(s),
  - d. Predefined conditionality, if any, i.e.
    - i. whether the Bidder accepts any partial fulfilment to its Bid in case not the entire amount of capacity applied for could be allocated to the Bidder related to the required quantity (“fill or kill principle”) and/ or
    - ii. whether the Bids are linked over both flow directions and/or
    - iii. whether the Bids are linked across a given number of years and/or whether the Bid is conditional on the allocation of a minimum amount of capacity.
  - e. In general in each Bid submission window only one Bid may be submitted per gas year per flow direction by a Bidder. Bids containing more than 1 (one) capacity quantity request for the same gas year and flow direction shall be refused. During the Bid

**GAS TRANSMISSION CAPACITY FROM ROMANIA TO HUNGARY AND FROM HUNGARY TO ROMANIA  
BINDING OPEN SEASON PROCEDURE**

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submission window III, Bidders who did not exercise their step back right may submit a new Bid for the released and remaining available capacity on offer.

3. The willingness to pay is established as the sum of the monetary value of the Bidder's Bid for every specified gas year including both flow directions, before adjusting the supplement(s) in the relevant economic test. The determination of the Bidder's willingness to pay in the Bid submission window III will only be based on the Bids submitted in the Bid submission window III.
4. Bids are evaluated as follows:
  - a. The willingness to pay of all Bidders shall be ranked in descending order, i.e. starting from the highest Bidder's willingness to pay.
  - b. Higher willingness to pay shall have precedence over lower willingness-to-pay.
  - c. In case of no overbooking at any of the flow directions or across any of the gas years occur, all capacities shall be allocated at the reserve price and supplement (as the case may be).
  - d. In the case of overbooking at any of the flow directions and gas years, the following allocation methodology shall apply:
    - i. The capacity request indicating the highest willingness-to-pay shall be allocated first.
    - ii. The remaining unallocated capacity shall be allocated by taking the second, third, fourth, etc. highest willingness to pay, subject to the available capacity after each allocation step, and subject to the indicated conditionality by the Bidder.
    - iii. In case there are equal willingness-to-pay values by different Bidders, and these affect the same flow directions and the same gas year, such bids shall be allocated pro rata.
    - iv. Capacities shall be allocated according to their respective willingness-to-pay value, taking into account the conditionalities indicated.

**Confirmation by TSO**

Subject to the allocation of the submitted Bids taking into account the indicated predefined conditionalities, the TSOs shall perform an Economic Test according to the Article 3.4. After the conclusion of any Economic Test TSOs shall inform Bidders about the allocation results (see Article 4.2.1).

## **5. Financial Guarantees**

### **5.1. Applicable Financial Guarantees of SNTGN Transgaz SA**

#### **5.1.1. Financial security for the Bid submission**

The Bidder shall submit a financial guarantee equal to the termination fee (penalty fee) as set out in Article 4.2.1 above, upon the end of the relevant Bid submission window.

In case of the Bidder's exercise of the step back right by 23:59 CET 14.12.2018, the Bidder shall pay a financial penalty according to the Article 4.2.1. If the Bidder fails to fulfil this obligation, SNTGN Transgaz shall be entitled to draw the financial guarantee of the Bidder subject to the terms of the contracts signed. The security expires 8 weeks after the expiration of the step back right. If Bids are not accepted by the TSO or the Bidder relinquishes its step back right before the deadline of 14.12.2018, the security shall be released by the TSO within 15 days upon request of the Bidder.

The Bidder shall submit the financial guarantee as follows:

- a) As a letter of bank guarantee in Lei or EURO equivalent according to the European Central Bank (ECB) exchange rate on the date the guarantee is issued; SNTGN Transgaz SA accepts any template of letter of guarantee complying with the conditions provided in the Binding Open Season Rulebook; SNTGN Transgaz SA accepts letters of guarantee issued by a bank having a strong international reputation; and/or
- b) As a guaranteed account (collateral deposit) in Lei or EURO equivalent according to the ECB exchange rate on the date the guarantee is issued and/or
- c) As an escrow account in Lei or EURO equivalent according to the ECB exchange rate on the date the guarantee is issued.

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

#### **5.1.2. Financial security for the transmission service**

In this case the provisions of Annex 3 (Framework gas transmission contract) shall apply.

### **5.2. Applicable Financial Guarantees of FGSZ Zrt.**

#### **5.2.1. Financial security for the Bid submission**

The Bidder shall submit a financial guarantee equal to the termination fee (penalty fee) as set out in Article 4.2.1 above, upon the end of the relevant Bid submission window.

In case of the Bidder's exercise of the step back right by 23:59 CET 14.12.2018, the Bidder shall pay a financial penalty according to the Article 4.2.1. If the Bidder fails to fulfil this obligation, FGSZ shall be entitled to draw the financial guarantee of the Bidder subject to the terms of the contracts signed. If Bids are not accepted by the TSO or the Bidder relinquishes its step back right before the deadline of 14.12.2018, the security shall be released by the TSO within 15 days upon request of the Bidder.

#### **5.2.2. Financial security for the transmission service**

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

## **6. Miscellaneous**

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

## **7. Notices**

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

Relevant contacts of the TSOs:

a) For FGSZ:

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

Attention: Balázs Tatár, Head of Sales and Customer Support

Fax number: +36-84-505-592

e-mail: [openseason@fgsz.hu](mailto:openseason@fgsz.hu)

b) For TRANSGAZ:

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

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

Fax number: +40-269-841181

e-mail: [openseason@transgaz.ro](mailto:openseason@transgaz.ro)

All notices shall be effective upon receipt.

## **8. Annexes**

The following Annexes form an integral part of the Open Season Procedure and are published on the TSOs' website:

- Annex 1. (Registration form)
- Annex 2. (Bid form)
- Annex 3. (Framework gas transmission contract of SNTGN Transgaz SA)
- Annex 4. (Capacity Booking Contract of FGSZ Zrt., including the respective general terms and conditions)