

Rules for carrying out the binding phase of the Open Season procedure

Date: 16.3.2018.

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

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Rules for carrying out the binding phase of the Open Season procedure

Contents

1	INTRODUCTION	5
1.1	About Plinacro	5
1.2	About FGSZ	6
1.3	LNG Project.....	6
1.4	Harmonisation of the Open Season procedure Plinacro/FGSZ with the Open Season procedure LNG Croatia.....	6
2	THE OPEN SEASON PROCEDURE	7
2.1	Legal grounds for carrying out the procedure	7
2.2	The non-binding phase of the Open Season procedure.....	7
2.3	The Binding phase of the Open Season procedure	8
3	PROJECT DESCRIPTION	9
3.1	Significance of the LNG project	9
3.2	The existing transmission system of Plinacro.....	9
3.3.1	Scenario 1 - Omišalj-Zlobin gas pipeline.....	10
3.3.2	Scenario 2 - Zlobin-Bosiljevo-Sisak-Kozarac gas pipeline system.....	11
3.3.3	Scenario 3 – Kozarac-Slobodnica gas pipeline.....	13
3.4	The transmission system of FGSZ	14
4	CAPACITY	15
4.1	Capacity products offered in the Open Season procedure	15
	Omišalj entry point.....	15
5	TECHNICAL CAPACITY	16
5.1	Capacity offered in the Open Season procedure	16
6	THE TIME SCHEDULE FOR CARRYING OUT THE OPEN SEASON PROCEDURE ...	18
6.1	A change of deadlines in the Open Season procedure	20
6.2	The announcement of information regarding the change of deadlines	20
7	PROCEDURE DESCRIPTION	21
7.1	Indicative tariffs in the Open Season procedure.....	22
7.2	The course of the Open Season procedure.....	27
7.2.1	A Call for the submission of Bids (Economic test I)	27
7.2.2	A Call for Bid supplementing (Economic test II)	27
7.2.3	A Call for the acceptance of a new reference indicative tariff and Bid supplementing (Economic test III).....	28
7.2.4	Shifting to the lower offer level (Economic test IV)	28
8	THE ECONOMIC TEST PROCEDURE	30
8.1	Conditions for a positive Economic test.....	30

Rules for carrying out the binding phase of the Open Season procedure

9	RULES FOR CAPACITY ALLOCATION.....	32
9.1	Rules for the transmission system capacity allocation at Omišalj entry.....	32
9.2	Rules for the allocation of capacity at Drávaszerdahely interconnection.....	33
10	REGISTRATION and SUBMISSION OF BIDS	34
10.1	A registration for participation.....	34
10.2	Submission of Bids.....	35
10.3	Bid security	36
11	SECURITY PAYMENT INSTRUMENTS - Plinacro.....	37
12	ANNEXES.....	39

Rules for carrying out the binding phase of the Open Season procedure

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 (hereinafter: LNG terminal) on the island of Krk.

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 Omišalj entry and the existing Drávaszerdahely interconnection point jointly: relevant points).

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.

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 gas transmission system entry to the gas transmission system exit to the transmission system users. It is responsible for the management, supervision, maintenance, development and construction of the entire transmission system as well as for other activities necessary for technical and commercial system operation.

Rules for carrying out the binding phase of the Open Season procedure

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. 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.

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 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) will be 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.

Rules for carrying out the binding phase of the Open Season procedure

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: CERA) 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 guidelines¹) 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.

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

Rules for carrying out the binding phase of the Open Season procedure

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 Binding phase of the Open Season procedure will be carried out by the involved Transmission System Operators for the purpose of collecting binding bids for contracting the transmission system capacity at the relevant points.

Rules for carrying out the binding phase of the Open Season procedure

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.

Since the market investigation showed a significant interest for gas from the LNG terminal on the Croatian market and the Hungarian market Plinacro has included the Hungarian transmission system operator, FGSZ in the capacity allocation of the Open Season to make it easier to contract transmission system capacity along the entire route from the LNG terminal to the Hungarian market.

3.2. The existing transmission system of Plinacro

Gas pipelines of the existing transmission system of Plinacro PN75 along with the construction of new gas pipelines will be used for the supply of the Croatian market 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 which have impact on the LNG project as well as other projects.

One of the preconditions for gas transmission and for providing firm bundled capacity at Drávaszerdahely interconnection is the construction and putting into operation of Velika Ludina compressor station (hereinafter: CS1) (Figure 1). CS1 has been approved by the Ten-Year Plan. The implementation of this project is unquestionable and does not depend on the implementation of the construction of the LNG terminal.

Plinacro is in the phase of construction permit obtaining and the preparation for the construction. Putting the compressor station into operation is planned at the latest in the first quarter of 2019, all in compliance with CESEC agreement².

3.3. Scenarios concerning the upgrade of the existing transmission system of Plinacro

For the purpose of the implementation of the LNG Project the following facilities of the transmission system need to be constructed:

- In the first phase, a gas pipeline Omišalj-Zlobin would be constructed in order to connect the existing transmission system of maximal operating pressure 75 bar (PN75) with the LNG terminal on the island of Krk (hereinafter: SC1).

² Memorandum of Understanding on a Joint approach to implement a permanent bi-directional capacity between Hungary and the Republic of Croatia in the context of the Central and South-Eastern European Gas Connectivity (CESEC) initiative

Rules for carrying out the binding phase of the Open Season procedure

- In the second phase, if there is an increased market interest, Plinacro has prepared a project of Zlobin-Bosiljevo-Sisak-Kozarac gas pipeline system construction which would enable transmission of additional quantities of gas from the LNG terminal in the direction of Hungary (hereinafter: SC2).
- In the third phase, if there is interest of the market for the capacity, which exceeds capacity possible to provide in the first and the second phase, Kozarac-Slobodnica gas pipeline would be constructed. By the construction of this gas pipeline the planned projects of constructing the delivery gas pipelines for the transmission of gas from the LNG terminal would be fully implemented (hereinafter: SC3).

3.3.1 Scenario 1 - Omišalj-Zlobin gas pipeline

The key facility that Plinacro needs to construct in order to provide the gas transmission via the existing transmission system is Omišalj-Zlobin gas pipeline. This gas pipeline will connect the LNG terminal on the island of Krk and the existing transmission system PN75 near Zlobin municipality (Figure 1). The anticipated Omišalj-Zlobin gas pipeline will be of nominal diameter 1000 mm (40"), maximal 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). 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.

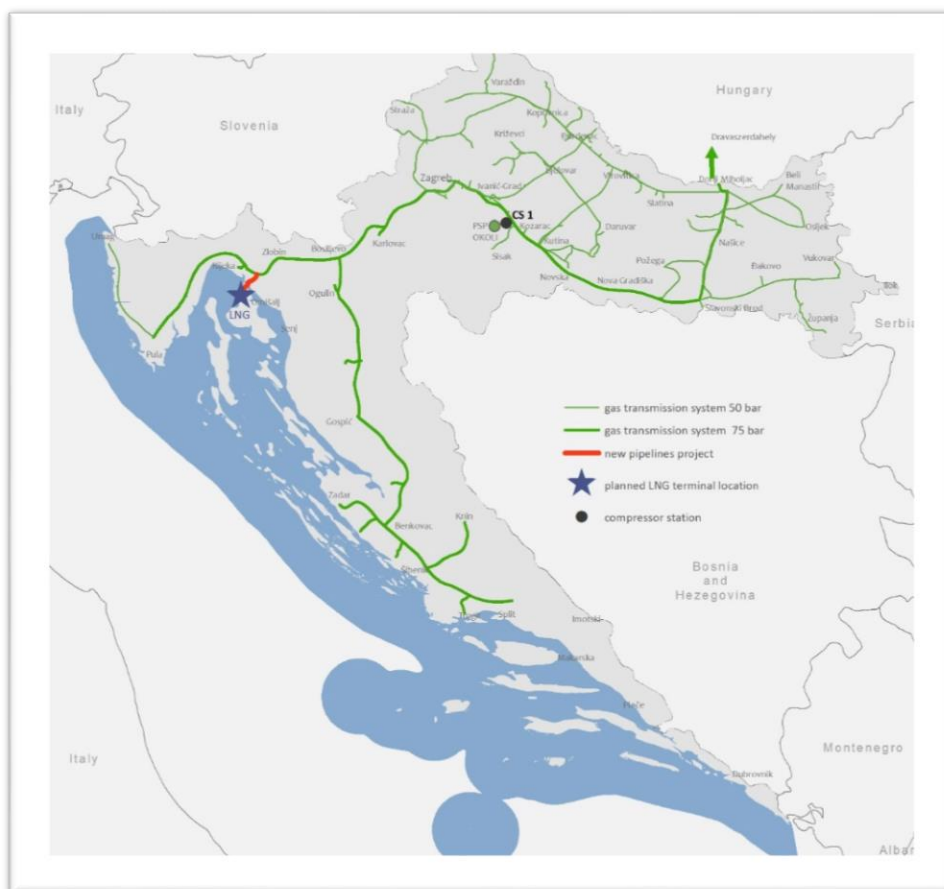


Figure 1 The existing transmission system of Plinacro, location of the LNG terminal, Omišalj-Zlobin gas pipeline and CS1

Rules for carrying out the binding phase of the Open Season procedure

3.3.2 Scenario 2 - Zlobin-Bosiljevo-Sisak-Kozarac gas pipeline system

If there is an increased interest of Bidders for the transmission system capacities which cannot be provided solely by the construction of Omišalj-Zlobin gas pipeline, Plinacro will continue with the second phase of the existing transmission system upgrade.

The construction of Zlobin-Bosiljevo-Sisak-Kozarac gas pipeline system (Figure 2) will increase capacity at Omišalj entry and at Drávaszerdahely interconnection. The new gas pipeline system would be connected with Omišalj-Zlobin gas pipeline at Zlobin gas node. The length of the route of this gas pipeline system from Zlobin to Kozarac would equal 180 km, nominal diameter 800 mm (32"), and maximal operating pressure 100 bar. The route has been planned next to the existing gas pipelines and other infrastructure facilities, where possible. 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 (HRK 1,366 billion), and the total cost of the necessary investments equals EUR 217,15 million (SC1 + SC2 = 35 million + 182,15 million = 217,15 million).

Omišalj-Zlobin-Bosiljevo-Sisak-Kozarac-Slobodnica gas pipeline system project is on the second list of the Projects of common interest (PCI) as a part of the cluster no. 6.5. and CS1 as a part of the cluster no. 6.26. On the proposed third list of the Projects of common interest of November 2017 all mentioned projects are a part of the cluster no. 6.5 of the project for the LNG terminal on Krk and the gas pipelines in the direction towards Hungary and further towards other European countries.

- Omišalj-Zlobin gas pipeline – PCI 6.5.1
- CS1 – PCI 6.5.5
- Zlobin-Bosiljevo-Sisak-Kozarac-Slobodnica gas pipeline system – PCI 6.5.6

Upon the carried out application of the project, in November 2015 an agreement between Plinacro and the INEA was signed. By this agreement a grant from the Connecting Europe Facility (CEF) was awarded in the maximum amount of € 2,250,000 for the implementation of the pre-investment phase of Zlobin-Bosiljevo-Sisak-Kozarac gas transmission system project for the transit of gas from the LNG terminal. In January 2018, the CEF Coordination Committee has given a positive opinion for the funding of the 50% of the works of Omišalj-Zlobin pipeline.

Location permits for Zlobin-Bosiljevo-Sisak-Kozarac gas pipeline system project have been obtained. Further activities imply initiation of drawing up the main designs and obtaining of building permits. The completion of Zlobin-Bosiljevo-Sisak-Kozarac gas pipeline system has been planned in 2020, and its commercial commissioning has been planned in the gas year 2020/2021.

Rules for carrying out the binding phase of the Open Season procedure

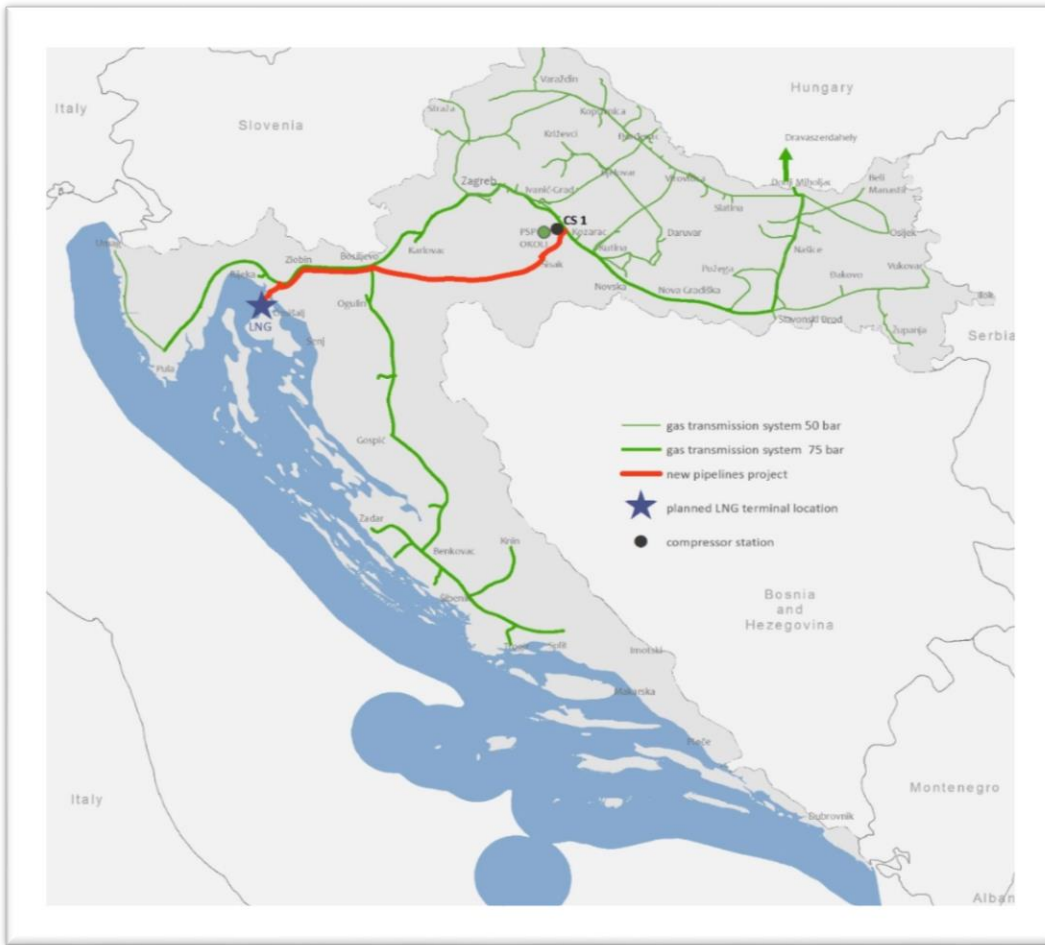


Figure 2 The existing transmission system of Plinacro, location of the LNG terminal, CS1 and Omišalj-Zlobin-Bosiljevo-Sisak-Kozarac gas pipeline

Rules for carrying out the binding phase of the Open Season procedure

3.3.3 Scenario 3 – Kozarac-Slobodnica gas pipeline

If there is an increased interest of bidders for the capacity that cannot be provided by the implementation of the projects included in SC 1 and SC 2, Plinacro will initiate the third and final phase of the construction of the delivery gas pipelines system.

The third phase of the construction of delivery gas pipelines includes the construction of Kozarac-Slobodnica gas pipeline. In this way, the LNG terminal and the existing Slobodnica-Donji Miholjac-Drávaszerdahely interconnection gas pipeline (Figure 3) would be directly connected by the system of new delivery pipelines. The route of Kozarac-Slobodnica gas pipeline, 128 km long, has been planned in the corridor of the existing gas pipelines, a nominal diameter of the gas pipeline would be 800 mm, and the maximum operating pressure of gas 75 bar. The planned CAPEX of this gas pipeline is EUR 100 (total) million (HRK 750 million) which means that the total cost of the necessary investments equals EUR 317,15 million (SC1+SC2+SC3 = 35 million + 182,15 million + 100 million = 317,15 million).



Figure 3 The existing transmission system of Plinacro, location of the LNG terminal, CS 1 and Omišalj-Zlobin-Bosiljevo-Sisak-Kozarac-Slobodnica gas pipeline

Rules for carrying out the binding phase of the Open Season procedure

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.

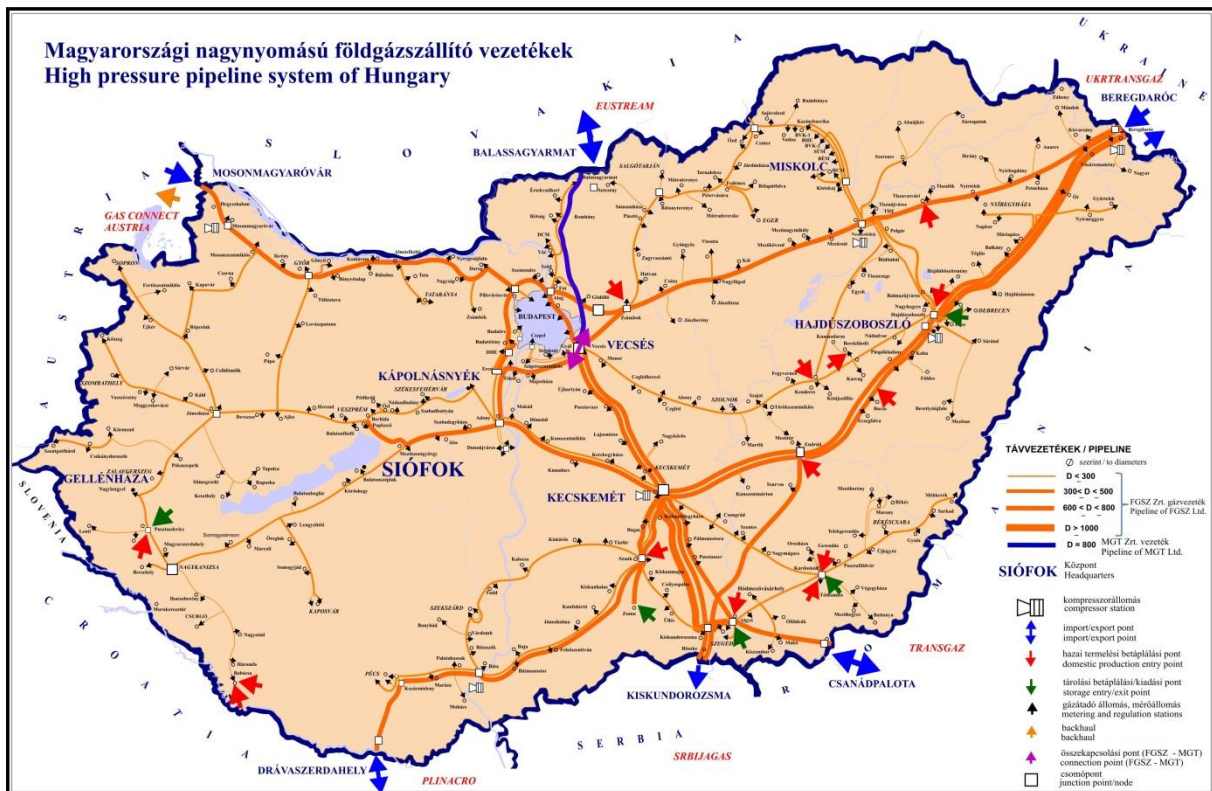


Figure 4 Transmission system of Hungary

Rules for carrying out the binding phase of the Open Season procedure

4 CAPACITY

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

- 1 Omišalj entry (Plinacro);
- 2 Drávaszerdahely interconnection in the direction from Croatia to Hungary (Plinacro/FGSZ) (HR > HU)

4.1 Capacity products offered in the Open Season procedure

Omišalj entry point

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

Yearly capacity product 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 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.

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

Drávaszerdahely interconnection

At Drávaszerdahely interconnection point 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 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.

This is the bundled capacity which means a firm capacity of entry and exit capacity on the both sides of the interconnection point. 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 point.

Rules for carrying out the binding phase of the Open Season procedure

5 TECHNICAL CAPACITY

The amount of the offered technical capacity has been expressed in a unit kWh/d for each of the offered 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 (SC1) 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 2019/2020.

In case additional Zlobin-Bosiljevo-Sisak-Kozarac (SC2) gas pipeline is constructed, the planned technical capacity refers to the relevant points from the moment the gas pipeline is put into commercial operation, which is planned in the gas year 2020/2021.

Pursuant to *General terms for gas supply (OG 158/13, 74/17)* and *Network Code of the gas transmission system (Plinacro 03/2017)*, at the entry and exit points of the Croatian gas transmission system 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 (m³/h) is multiplied by the amount of the net calorific value – NCV expressed in kWh/m³ at reference conditions 15°C/15°C.

In the *Open Season* procedure a net calorific value of 9,6 kWh/m³ 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 shows the planned technical capacities at the relevant points in case of the construction of infrastructure scenario SC1, SC2 and SC3 at the net calorific value.

Table 1 Technical capacity at Omišalj entry and Drávaszerdahely interconnection

	Technical capacity	
	Omišalj entry (LNG Terminal → Plinacro) [kWh/d]	Drávaszerdahely interconnection (HR → HU) [kWh/d]
Scenario 1	69 120 000 (300 000 m ³ /h)	46 080 000 (200 000 m ³ /h)
Scenario 2	92 160 000 (400 000 m ³ /h)	92 160 000 (400 000 m ³ /h)
Scenario 3	138 240 000 (600 000 m ³ /h)	138 240 000 (600 000 m ³ /h)

NCV_{15°/15°} = 9,6 kWh/m³

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.

Rules for carrying out the binding phase of the Open Season procedure

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 2019/2020, subject to putting the LNG terminal and the delivery gas pipeline into operation.

Table 2 Capacities offered in the Open season procedure

Gas year	Capacity offered in the Open Season procedure	
	Omišalj entry [kWh/d] (LNG Terminal → Plinacro)	Drávaszerdahely interconnection [kWh/d] (HR → HU)
2019/2020	69 120 000	41 472 000
2020/2021	92 160 000	82 944 000
2021/2022	92 160 000	82 944 000
2022/2023	92 160 000	82 944 000
2023/2024	138 240 000	124 416 000
2024/2025	138 240 000	124 416 000
2025/2026	138 240 000	124 416 000
2026/2027	138 240 000	124 416 000
2027/2028	138 240 000	124 416 000
2028/2029	138 240 000	124 416 000
2029/2030	138 240 000	124 416 000
2030/2031	138 240 000	124 416 000
2031/2032	138 240 000	124 416 000
2032/2033	138 240 000	124 416 000
2033/2034	138 240 000	124 416 000
2034/2035	138 240 000	124 416 000
2035/2036	138 240 000	124 416 000
2036/2037	138 240 000	124 416 000
2037/2038	138 240 000	124 416 000
2038/2039	138 240 000	124 416 000

Rules for carrying out the binding phase of the Open Season procedure

6 THE TIME SCHEDULE FOR CARRYING OUT THE OPEN SEASON PROCEDURE

❖ Public announcement of the document <i>Rules for carrying out the binding phase of the Open Season procedure</i>	17.1.2018
➤ A period for the Bidders to inspect the documents for carrying out the <i>Open Season</i> procedure	17.1.2018 – 19.3.2018
❖ Announcement of the Call for the submission of the binding bids for contracting capacity in the <i>Open Season</i> procedure (1st call to Bidders)	19.3.2018
➤ A period for delivery of bids for contracting capacity in the 1 st round of the <i>Open Season</i> 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 <u>positive</u> :	
❖ Delivery of the Notice on the positive economic test I to the successful Bidders	20.4.2018
❖ Delivery of the aggregated data on the received bids for each gas year to all Bidders	
❖ 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 <u>negative</u> :	
❖ Delivery of the Notice on the negative economic test I to the Bidders	20.4.2018
❖ Delivery of the aggregated data on the received bids for each gas year to all Bidders	
❖ Announcement of the call for the supplement of Bids (2nd call to Bidders)	23.4.2018
➤ A period for the submission of the supplemented bids	23.4.2018 (from 0:00 CET)– 6.5.2018 (until 23:59 CET)
➤ A period for analysis of the received supplemented bids, implementation of the economic test II	7.5.2018 – 20.5.2018
In case the economic test II is <u>positive</u> :	
❖ Delivery of the Notice on the allocation of the capacity to successful Bidders and further activities related to contract signing	21.5.2018
In case the economic test II is <u>negative</u> :	
❖ Delivery of the Notice on the negative economic test II to the	

Rules for carrying out the binding phase of the Open Season procedure

<p>Bidders</p> <ul style="list-style-type: none"> ❖ Delivery of the aggregated data on the received bids for each gas year to the Bidders ❖ 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) 	21.5.2018
<ul style="list-style-type: none"> ➤ A period for delivery of the Bidders' declarations on the acceptance of the new indicative tariffs or supplemented Bids 	21.5.2018 (from 0:00 CET) – 23.5.2018 (until 23:59 CET)
<ul style="list-style-type: none"> ➤ Analysis of the Bidders' declarations on the acceptance of the new indicative tariffs and supplemented Bids, implementation of the economic test III 	23.5.2018 – 27.5.2018
In case the economic test III is <u>positive</u>:	
<ul style="list-style-type: none"> ➤ A capacity allocation pursuant to the bids of Bidders for capacity contracting 	28.5.2018
<ul style="list-style-type: none"> ❖ Delivery of the Notice on the allocation of the capacity to successful Bidders and further activities related to contract signing 	28.5.2018
In case the economic test III is <u>negative</u>:	
<ul style="list-style-type: none"> ❖ Notice to the Bidders on the completion of the Open Season procedure or Delivery of the Notice on carrying out the economic test IV 	28.5.2018
Economic test IV – Plinacro will carry out the economic test IV only if the total interest of the Bidders was almost sufficient for passing the economic test for SC2 or SC3, but after the last round of the call the economic test was not positive	
<ul style="list-style-type: none"> ➤ A period for carrying out the economic test IV (all submitted bids are taken into account and the capacities from SC1 or SC2 are considered as the offered capacity for all gas years) 	23.5.2018– 27.5.2018
In case the economic test IV is <u>positive</u>:	
<ul style="list-style-type: none"> ❖ Delivery of the Notice on the allocation of the capacity to successful Bidders and further activities related to contract signing 	28.5.2018
In case the economic test IV is <u>negative</u>:	
<ul style="list-style-type: none"> ❖ Plinacro will inform the Bidders on the completion of the Open Season procedure 	28.5.2018

- ❖ - Milestone
- - Activity

Rules for carrying out the binding phase of the Open Season procedure

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.

Rules for carrying out the binding phase of the Open Season procedure

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 years.

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

In order to provide increased amount of the capacity a significant infrastructure intervention is required, and it is estimated to EUR 217.15 million if gas pipelines foreseen in SC2 are constructed, and additional EUR 100 million, if gas pipelines foreseen in SC3 are constructed. If the economic test is negative, in any round of the call for the submission of Bids, Plinacro retains discretionary right to assess whether the total expressed requests for contracting, based on the received Bids, are sufficient for providing a significant possibility for passing the economic test for the offer level from SC2, that is, SC3.

In case there is no increased interest for contracting the capacity, Plinacro will abandon the construction of the gas pipeline anticipated by particular scenario and carry out the economic test according to the capacities for the offer level from SC2 or SC1 depending on the expressed interest of the Bidders, which requires a smaller infrastructure intervention so the possibility for passing the economic test is larger.

Table 4 The level of capacity offer in case of the construction of gas pipelines foreseen in SC1

THE LEVEL OF CAPACITY OFFER SC1		
Gas year	Omišalj entry (LNG terminal → Plinacro) [kWh/d]	Drávaszerdahely IP (HR → HU) [kWh/d]
from 2019/2020 to 2038/2039	69 120 000 (300 000 m ³ /h)	41 472 000 (180 000 m ³ /h)

Table 5 The level of capacity offer in case of the construction of gas pipelines foreseen in SC2

THE LEVEL OF CAPACITY OFFER SC2		
Gas year	Omišalj entry (LNG terminal → Plinacro) [kWh/d]	Drávaszerdahely IP (HR → HU) [kWh/d]
2019/2020	69 120 000 (300 000 m ³ /h)	41 472 000 (180 000 m ³ /h)
from 2020/2021 to 2038/2039	92 160 000 (400 000 m ³ /h)	82 944 000 (360 000 m ³ /h)

Rules for carrying out the binding phase of the Open Season procedure

Table 6 The level of capacity offer in case of the construction of gas pipelines foreseen in SC3

Gas year	THE LEVEL OF CAPACITY OFFER SC3	
	Omišalj entry (LNG terminal → Plinacro) [kWh/d]	Drávaszerdahely interconnection (HR → HU) [kWh/d]
2019/2020	69 120 000 (300 000 m ³ /h)	41 472 000 (180 000 m ³ /h)
from 2020/2021 to 2022/2023	92 160 000 (400 000 m ³ /h)	82 944 000 (360 000 m ³ /h)
from 2023/2024 to 2038/2039	138 240 000 (600 000 m ³ /h)	124 416 000 (540 000 m ³ /h)

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 7:

Rules for carrying out the binding phase of the Open Season procedure

Table 7 Reference indicative tariff items. Based on the expressed interest of potential Bidders in the phase of the Consultations with the interested public and SC1

year	estimated amount of contracted capacity (kWh/day)		indikative tariff item Omišalj (kn/kWh/day)	indicative tariff item Dravaszerdahely (kn/kWh/day)	indicative tariff item commodity (kn/kWh)
	Omišalj	Dravaszerdahely			
2020	47.184.952	26.504.203	1,9852	1,6149	0,0014
2021	47.184.952	26.504.203	1,9993	1,6379	0,0014
2022	47.184.952	26.504.203	1,8855	1,5468	0,0013
2023	47.184.952	26.504.203	1,8464	1,5144	0,0013
2024	47.184.952	26.504.203	1,8023	1,4801	0,0012
2025	42.098.152	23.573.803	1,8074	1,5191	0,0013
2026	42.098.152	23.573.803	1,7648	1,4887	0,0012
2027	42.098.152	23.573.803	1,7205	1,4553	0,0012
2028	42.098.152	23.573.803	1,6316	1,3908	0,0012
2029	42.098.152	23.573.803	1,5730	1,3465	0,0011
2030	30.261.352	20.009.803	1,5470	1,3763	0,0011
2031	30.261.352	20.009.803	1,4915	1,3321	0,0011
2032	30.261.352	20.009.803	1,4411	1,2903	0,0011
2033	30.261.352	20.009.803	1,3966	1,2520	0,0010
2034	30.261.352	20.009.803	1,3536	1,2150	0,0010
2035	30.261.352	20.009.803	1,3119	1,1790	0,0010
2036	30.261.352	20.009.803	1,2716	1,1442	0,0010
2037	30.261.352	20.009.803	1,1671	1,0514	0,0009
2038	30.261.352	20.009.803	1,1327	1,0217	0,0009
2039	30.261.352	20.009.803	1,0994	0,9928	0,0008

Source: Decision by CERA of 22.12.2017

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, Dravaszerdahely 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 7. Indicative items have been shown per year in Tables 8a, 8b and 8c:

Rules for carrying out the binding phase of the Open Season procedure

Table 8a1 Indicative amounts of tariff items for gas transmission for the period 2020 – 2039 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., Savska cesta 88A, Zagreb

Scenario	Capacity booking	Unit (@NCV)	2020.	2021.	2022.	2023.	2024.	2025.	2026.	2027.	2028.	2029.
S1	OS	kn/kWh/day	1,9852	1,9993	1,8855	1,8464	1,8023	1,8074	1,7648	1,7205	1,6316	1,573
	300	kn/kWh/day	1,7843	1,8008	1,6997	1,6646	1,6255	1,5962	1,5595	1,5214	1,4473	1,3971
S2	300	kn/kWh/day	1,8643	1,9093	1,9869	1,9441	1,8964	1,8604	1,8157	1,7608	1,6761	1,6189
	400	kn/kWh/day	1,8643	1,3876	1,4468	1,416	1,3829	1,356	1,3248	1,2865	1,2326	1,1937
S3	400	kn/kWh/day	1,8643	1,3876	1,4468	1,4542	1,4585	1,4689	1,4738	1,3934	1,3327	1,2884
	600	kn/kWh/day	1,8643	1,3876	1,4468	1,4542	1,1838	1,192	1,1965	1,132	1,0864	1,0517
Scenario	Capacity booking	Unit (@NCV)	2030.	2031.	2032.	2033.	2034.	2035.	2036.	2037.	2038.	2039.
S1	OS	kn/kWh/day	1,547	1,4915	1,4411	1,3966	1,3536	1,3119	1,2716	1,1671	1,1327	1,0994
	300	kn/kWh/day	1,3487	1,3021	1,2596	1,222	1,1856	1,1503	1,116	1,0253	0,996	0,9677
S2	300	kn/kWh/day	1,5639	1,5109	1,462	1,4182	1,3759	1,3349	1,2952	1,1986	1,1637	1,1299
	400	kn/kWh/day	1,1561	1,1196	1,0857	1,0552	1,0256	0,9968	0,9689	0,8981	0,8735	0,8496
S3	400	kn/kWh/day	1,2456	1,2043	1,1719	1,139	1,1071	1,0761	1,0461	0,9731	0,9463	0,9202
	600	kn/kWh/day	1,018	0,9855	0,9601	0,934	0,9087	0,8842	0,8602	0,801	0,7796	0,7588

Source: Decision by CERA of 22.12.2017

Table 8a2 Indicative amounts of tariff items for gas transmission for the period 2020 – 2039 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., Savska cesta 88A, Zagreb

Scenario	Capacity booking	Unit (GCV)	2020.	2021.	2022.	2023.	2024.	2025.	2026.	2027.	2028.	2029.
S1	OS	EUR/MWh	0,65	0,66	0,62	0,61	0,59	0,59	0,58	0,57	0,54	0,52
	300	EUR/MWh	0,59	0,59	0,56	0,55	0,53	0,52	0,51	0,50	0,48	0,46
S2	300	EUR/MWh	0,61	0,63	0,65	0,64	0,62	0,61	0,60	0,58	0,55	0,53
	400	EUR/MWh	0,61	0,46	0,48	0,47	0,45	0,45	0,44	0,42	0,41	0,39
S3	400	EUR/MWh	0,61	0,46	0,48	0,48	0,48	0,48	0,48	0,46	0,44	0,42
	600	EUR/MWh	0,61	0,46	0,48	0,48	0,39	0,39	0,39	0,37	0,36	0,35
Scenario	Capacity booking	Unit (GCV)	2030.	2031.	2032.	2033.	2034.	2035.	2036.	2037.	2038.	2039.
S1	OS	EUR/MWh	0,51	0,49	0,47	0,46	0,45	0,43	0,42	0,38	0,37	0,36
	300	EUR/MWh	0,44	0,43	0,41	0,40	0,39	0,38	0,37	0,34	0,33	0,32
S2	300	EUR/MWh	0,51	0,50	0,48	0,47	0,45	0,44	0,43	0,39	0,38	0,37
	400	EUR/MWh	0,38	0,37	0,36	0,35	0,34	0,33	0,32	0,30	0,29	0,28
S3	400	EUR/MWh	0,41	0,40	0,39	0,37	0,36	0,35	0,34	0,32	0,31	0,30
	600	EUR/MWh	0,33	0,32	0,32	0,31	0,30	0,29	0,28	0,26	0,26	0,25

Source: Decision by CERA of 22.12.2017

Rules for carrying out the binding phase of the Open Season procedure

Table 8b1 Indicative amounts of tariff items for gas transmission for the period 2020 - 2039 at the transmission system exit at the interconnection according to the planned scenarios of gas transmission for the energy entity PLINACRO Ltd., Savska cesta 88A, Zagreb

Scenario	Capacity booking	Unit (@NCV)	2020.	2021.	2022.	2023.	2024.	2025.	2026.	2027.	2028.	2029.
S1	OS	kn/kWh/day	1,6149	1,6379	1,5468	1,5144	1,4801	1,5191	1,4887	1,4553	1,3908	1,3465
	300	kn/kWh/day	1,3178	1,3402	1,267	1,2409	1,2135	1,1915	1,1678	1,1424	1,0963	1,0629
S2	300	kn/kWh/day	1,3769	1,4209	1,4813	1,4492	1,4157	1,3887	1,3596	1,3221	1,2696	1,2318
	400	kn/kWh/day	1,3769	0,8795	0,9186	0,8992	0,8794	0,8621	0,8443	0,8217	0,7937	0,7716
S3	400	kn/kWh/day	1,3769	0,8795	0,9186	0,9235	0,9275	0,9339	0,9392	0,89	0,8582	0,8329
	600	kn/kWh/day	1,3769	0,8795	0,9186	0,9235	0,6899	0,6945	0,6985	0,6622	0,6401	0,6217
Scenario	Capacity booking	Unit (@NCV)	2030.	2031.	2032.	2033.	2034.	2035.	2036.	2037.	2038.	2039.
S1	OS	kn/kWh/day	1,3763	1,3321	1,2903	1,252	1,215	1,179	1,1442	1,0514	1,0217	0,9928
	300	kn/kWh/day	1,0306	0,9993	0,9696	0,9425	0,9161	0,8906	0,8657	0,7968	0,7755	0,7548
S2	300	kn/kWh/day	1,1951	1,1595	1,1254	1,0938	1,0632	1,0335	1,0047	0,9315	0,906	0,8813
	400	kn/kWh/day	0,7501	0,7292	0,7091	0,6906	0,6726	0,655	0,6379	0,5926	0,5775	0,5627
S3	400	kn/kWh/day	0,8082	0,7844	0,7654	0,7455	0,7261	0,7072	0,6888	0,642	0,6255	0,6095
	600	kn/kWh/day	0,6039	0,5865	0,5728	0,5584	0,5443	0,5305	0,5172	0,4824	0,4704	0,4587

Source: Decision by CERA of 22.12.2017

Table 8b2 Indicative amounts of tariff items for gas transmission for the period 2020 - 2039 at the transmission system exit at the interconnection according to the planned scenarios of gas transmission for the energy entity PLINACRO Ltd., Savska cesta 88A, Zagreb

Scenario	Capacity booking	Unit (GCV)	2020.	2021.	2022.	2023.	2024.	2025.	2026.	2027.	2028.	2029.
S1	OS	EUR/MWh	0,53	0,54	0,51	0,50	0,49	0,50	0,49	0,48	0,46	0,44
	300	EUR/MWh	0,43	0,44	0,42	0,41	0,40	0,39	0,38	0,38	0,36	0,35
S2	300	EUR/MWh	0,45	0,47	0,49	0,48	0,47	0,46	0,45	0,43	0,42	0,40
	400	EUR/MWh	0,45	0,29	0,30	0,30	0,29	0,28	0,28	0,27	0,26	0,25
S3	400	EUR/MWh	0,45	0,29	0,30	0,30	0,30	0,31	0,31	0,29	0,28	0,27
	600	EUR/MWh	0,45	0,29	0,30	0,30	0,23	0,23	0,23	0,22	0,21	0,20
Scenario	Capacity booking	Unit (GCV)	2030.	2031.	2032.	2033.	2034.	2035.	2036.	2037.	2038.	2039.
S1	OS	EUR/MWh	0,45	0,44	0,42	0,41	0,40	0,39	0,38	0,35	0,34	0,33
	300	EUR/MWh	0,34	0,33	0,32	0,31	0,30	0,29	0,28	0,26	0,25	0,25
S2	300	EUR/MWh	0,39	0,38	0,37	0,36	0,35	0,34	0,33	0,31	0,30	0,29
	400	EUR/MWh	0,25	0,24	0,23	0,23	0,22	0,22	0,21	0,19	0,19	0,18
S3	400	EUR/MWh	0,27	0,26	0,25	0,25	0,24	0,23	0,23	0,21	0,21	0,20
	600	EUR/MWh	0,20	0,19	0,19	0,18	0,18	0,17	0,17	0,16	0,15	0,15

Source: Decision by CERA of 22.12.2017

Rules for carrying out the binding phase of the Open Season procedure

Table 8c1 Indicative amounts of tariff items for commodity for the period 2020 - 2039 at the transmission system exit according to the planned scenarios of gas transmission for the energy entity PLINACRO Ltd., Savska cesta 88A, Zagreb

Scenario	Capacity booking	Unit (@NCV)	2020.	2021.	2022.	2023.	2024.	2025.	2026.	2027.	2028.	2029.
S1	OS	kn/kWh	0,0014	0,0014	0,0013	0,0013	0,0012	0,0013	0,0012	0,0012	0,0012	0,0011
	300	kn/kWh	0,0012	0,0012	0,0011	0,0011	0,0011	0,0011	0,001	0,001	0,001	0,001
S2	300	kn/kWh	0,0012	0,0013	0,0013	0,0013	0,0013	0,0012	0,0012	0,0012	0,0011	0,0011
	400	kn/kWh	0,0012	0,0009	0,0009	0,0009	0,0009	0,0009	0,0008	0,0008	0,0008	0,0008
S3	400	kn/kWh	0,0012	0,0009	0,0009	0,0009	0,0009	0,0009	0,0009	0,0009	0,0009	0,0009
	600	kn/kWh	0,0012	0,0009	0,0009	0,0009	0,0007	0,0007	0,0007	0,0007	0,0007	0,0007
Scenario	Capacity booking	Unit (@NCV)	2030.	2031.	2032.	2033.	2034.	2035.	2036.	2037.	2038.	2039.
S1	OS	kn/kWh	0,0011	0,0011	0,0011	0,001	0,001	0,001	0,001	0,0009	0,0009	0,0008
	300	kn/kWh	0,0009	0,0009	0,0009	0,0008	0,0008	0,0008	0,0008	0,0007	0,0007	0,0007
S2	300	kn/kWh	0,0011	0,001	0,001	0,001	0,001	0,0009	0,0009	0,0008	0,0008	0,0008
	400	kn/kWh	0,0007	0,0007	0,0007	0,0007	0,0007	0,0007	0,0006	0,0006	0,0006	0,0006
S3	400	kn/kWh	0,0008	0,0008	0,0008	0,0007	0,0007	0,0007	0,0007	0,0006	0,0006	0,0006
	600	kn/kWh	0,0006	0,0006	0,0006	0,0006	0,0006	0,0006	0,0005	0,0005	0,0005	0,0005

Source: Decision by CERA of 22.12.2017

Table 8c2 Indicative amounts of tariff items for commodity for the period 2020 - 2039 at the transmission system exit according to the planned scenarios of gas transmission for the energy entity PLINACRO Ltd., Savska cesta 88A, Zagreb

Scenario	Capacity booking	Unit (GCV)	2020.	2021.	2022.	2023.	2024.	2025.	2026.	2027.	2028.	2029.
S1	OS	EUR/MWh	0,17	0,17	0,16	0,16	0,14	0,16	0,14	0,14	0,14	0,13
	300	EUR/MWh	0,14	0,14	0,13	0,13	0,13	0,13	0,12	0,12	0,12	0,12
S2	300	EUR/MWh	0,14	0,16	0,16	0,16	0,16	0,14	0,14	0,14	0,13	0,13
	400	EUR/MWh	0,14	0,11	0,11	0,11	0,11	0,11	0,10	0,10	0,10	0,10
S3	400	EUR/MWh	0,14	0,11	0,11	0,11	0,11	0,11	0,11	0,11	0,11	0,10
	600	EUR/MWh	0,14	0,11	0,11	0,11	0,08	0,08	0,08	0,08	0,08	0,08
Scenario	Capacity booking	Unit (GCV)	2030.	2031.	2032.	2033.	2034.	2035.	2036.	2037.	2038.	2039.
S1	OS	EUR/MWh	0,13	0,13	0,13	0,12	0,12	0,12	0,12	0,11	0,11	0,10
	300	EUR/MWh	0,11	0,11	0,11	0,10	0,10	0,10	0,10	0,08	0,08	0,08
S2	300	EUR/MWh	0,13	0,12	0,12	0,12	0,12	0,11	0,11	0,10	0,10	0,10
	400	EUR/MWh	0,08	0,08	0,08	0,08	0,08	0,08	0,07	0,07	0,07	0,07
S3	400	EUR/MWh	0,10	0,10	0,10	0,08	0,08	0,08	0,08	0,07	0,07	0,07
	600	EUR/MWh	0,07	0,07	0,07	0,07	0,07	0,07	0,06	0,06	0,06	0,06

Source: Decision by CERA of 22.12.2017

Rules for carrying out the binding phase of the Open Season procedure

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 based on the received bids.

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 reference indicative tariff item from Table 8a and 8b. If the amount of new indicative tariff items for particular gas year is higher than the Reference indicative tariff items from Table 7, 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 OS 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.

When calculated the indicative tariff items for the infrastructure scenarios SC1, SC2 and SC3, it was estimated that 30% of the investment for the necessary infrastructure will be financed from 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

7.2.1 A Call for the submission of Bids (Economic test I)

On 19. March 2018 Plinacro will announce the call for submission of binding bids for contracting the capacity in the Open Season procedure.

In the period from 19 March 2018 to 8 April 2018 the Bidders will be able to deliver to Plinacro bids for capacity contracting after which Plinacro will carry out the Economic test I.

7.2.2 A Call for Bid supplementing (Economic test II)

If the economic test I is positive, Plinacro will inform the Bidders about it and provide them with the aggregated information on the bids received for an individual gas year. If there are available capacities, along with the stated information Plinacro will call the Bidders to deliver supplemented Bids for the remaining available transmission system capacities in the new round.

Rules for carrying out the binding phase of the Open Season procedure

If the economic test I is negative, Plinacro will inform the Bidders about the negative economic test and deliver the aggregated information on the bids received for an individual gas year and the request to supplement the Bids in the new round.

After the notices and requests are delivered a new round for the submission of the supplemented bids is opened and Bidders can submit their supplemented bids in the period from 23 April to 6 May 2018.

In the supplement to their bids the Bidders 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.

7.2.3 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 21 May to 23 May 2018.

After it collects the answers and supplements to bids, Plinacro will carry out the Economic test III from 23 May to 27 May. 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.

7.2.4 Shifting to the lower offer level (Economic test IV)

Plinacro retains discretionary right to carry out the economic test IV exceptionally, only if the total interest of the Bidders was almost sufficient for passing the economic test for either SC2 or SC3, but after the last round of calls there was no sufficient interest of the Bidders and the economic test for that scenario was not positive.

Rules for carrying out the binding phase of the Open Season procedure

In such case Plinacro will carry out Economic test IV by shifting to the lower scenario than the one for which it previously carried out the economic test. Economic test IV will take into account delivered bids of the Bidders whereas for the needs of carrying out the economic test the capacity from the lower offer level than the one for which the economic test III was carried out is taken as the offered capacity for the relevant points.

If the economic test IV is positive, Plinacro will in cooperation with LNG Croatia carry out allocation of gas quantities for delivery from the LNG terminal and the transmission system capacities. 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 IV is negative, Plinacro will inform the Bidders about the unsuccessful contracting of transmission system capacities and the completion of the Open Season procedure.

Rules for carrying out the binding phase of the Open Season procedure

8 THE ECONOMIC TEST PROCEDURE

Pursuant to the decision by CERA of 15 December 2017, 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 binding phase of the Open Season procedure the economic test will be carried out in a minimum one round and the maximum four rounds.

8.1 Conditions for a positive Economic test

Conditions for a positive Economic test are the following:

1. $PV_{UC-INCR} \geq f * PV_{AR}$

- $PV_{UC-INCR}$ – 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:

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

- $kap_{Omišalj}$ – 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

Rules for carrying out the binding phase of the Open Season procedure

- $t_{UL,INT1}$ – 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*.

Scenario 1

- $PV_{AR} = \text{HRK } 196,340,880$
- Which means that the economic test will be positive if $PV_{UC-INCR} \geq \text{HRK } 196,340,880$

Scenario 2

- $PV_{AR} = \text{HRK } 1,106,390,508$
- Which means that the economic test will be positive if $PV_{UC-INCR} \geq \text{HRK } 1,106,390,508$

Scenario 3

- $PV_{AR} = \text{HRK } 1,529,472,290$
- Which means that the economic test will be positive if $PV_{UC-INCR} \geq \text{HRK } 1,529,472,290$

Rules for carrying out the binding phase of the Open Season procedure

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.

Rules for carrying out the binding phase of the Open Season procedure

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.

Rules for carrying out the binding phase of the Open Season procedure

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. 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 18 March 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 2016)
- 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 18 March 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;

Rules for carrying out the binding phase of the Open Season procedure

- 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,

Rules for carrying out the binding phase of the Open Season procedure

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.

Rules for carrying out the binding phase of the Open Season procedure

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 45 days after the expiry of the contract period.

Rules for carrying out the binding phase of the Open Season procedure

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 fully 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.

Rules for carrying out the binding phase of the Open Season procedure

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)
- Annex 4. - General terms of use of gas transmission service at an interconnection (GT-INT)
- Annex 5. - Contract Form FGSZ
- Annex 6. GTC FGSZ