

**FGSZ NATURAL GAS TRANSMISSION PRIVATE
COMPANY LIMITED BY SHARES**

BUSINESS CODE

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I. GENERAL PART

I.1 THE PURPOSE AND SUBJECT OF THE BUSINESS CODE

The purpose of the Business Code of FGSZ Natural Gas Transmission Private Company Limited by Shares (hereinafter the Company) is to define the general terms and conditions regarding safety, technical, commercial issues, quantity and quality clearance, and also the contractual terms and condition of payment, the rights and obligations of the contracting parties applicable to the services provided by the Company through the integrated natural gas

system and to the use thereof for the market operators concluding contracts with the Company.

In connection with the operation of the Company the Business Code regulates in detail the content and the terms and conditions of services used and provided by the Company as the performance of its obligations.

The Company performs its activity and also its integrated natural gas system operation and coordination tasks pursuant to the transmission network operator's operation licence issued by the Hungarian Energy Office (its legal successor: Hungarian Energy and Public Utility Regulatory Authority, hereinafter the Authority) in its regulation no. 630/2012 dated 28 June 2012.

The Business Code defines the terms and conditions of basic natural gas transmission services, optional services provided at a specific fee, other services and also other services available on special requests.

I.2 THE SCOPE OF THE BUSINESS CODE

The Business Code shall apply to the agreements and contracts concluded with the Company pursuant to the applicable law.

The conclusion of the agreements and contracts shall be governed by the laws listed in Annex No. 2 of this Business Code, including in particular the provisions stipulated in Commission Regulation (EU) 2017/459 establishing a network code on capacity allocation mechanisms in gas transmission systems and repealing Regulation (EU) No 984/2013 (hereinafter CAM NC), in Act XL of 2008 on Natural Gas Supply (hereinafter the Gas Supply Act), in Government Decree 19/2009 (I.30.) on the implementation of Act XL of 2008 (hereinafter the Implementation Decree), in Hungarian Energy and Public Utility Regulatory Authority (MEKH) Decree 8/2016. (X.13.) of the President of the Authority on the framework of defining network usage charges, additional charges and connection fees (hereinafter the Framework Regulation), in MEKH Decree 11/2016. (XI.14) of the President of the Authority on the rules of applying network usage fees, additional charges and connection fees (hereinafter the Price Application Decree), in MEKH Decree 13/2016. (XII.20) of the President of the Authority on the the level of network usage fees, additional charges and connection fees (hereinafter the Tariff Decree), in the decrees of the President of the Authority and in the resolutions thereof issued in administrative proceedings, in the Business and Commercial Code of the Hungarian Natural Gas Network (hereinafter the BCC), in the Operational Rules of the Capacity Booking Platform (hereinafter the CBP Operational Rules) and the provisions stipulated in the amendment thereof.

The contracts shall not be in conflict with the provisions of the Business Code, they shall not amend or restrict the content, scope and term of the Business Code. Therefore the option of accepting bids aimed at concluding contracts shall be expressly limited by the Company, as a tenderer of contracts regulated by this Business Code, solely to the terms and conditions specified in the bid. Legal statements deviating from or supplementing the bid shall not become part of the contract(s).

Pursuant to the applicable provision of the Gas Supply Act the Business Code shall enter into force upon its approval by the Authority.

A Company is entitled to amend the Business Code if:

- (a) its existing services are terminated or the nature thereof changes for business policy related reasons or otherwise

- (b) new services are offered
- (c) the effective law applicable to its natural gas transmission and system operation activities is amended, or
- (d) new laws enter into force.

The proposal for the amendment of the Business Code shall be filed by the Company with the Authority for approval.

The approved Business Code shall be displayed by the Company in a way accessible for customer, and upon request the Company shall provide it to anyone requesting it, and the Company shall make the Business Code available on its Internet website.

I.3 DEFINITIONS

I.3.1 RELATED TERMS DEFINED IN OTHER LAWS AND OTHER SOURCES

	Description	Place of definition
1.	Active Network User	BCC
2.	Active System Operator	BCC
3.	Auction Result Confirmation	CBP REGULATION
4.	Entry/Exit Point	GAS SUPPLY ACT
5.	Single-Sided Nomination	BCC
6.	Notification on Single-Sided Nomination	BCC
7.	Balancing Service	BCC
8.	Interconnected Natural Gas System	Gas Supply Act
9.	Clearing Metering (clearing basic data)	Gas Supply Act
10.	Clearing Price	CBP REGULATION
11.	Clearing Unit Price	CBP REGULATION
12.	Clearing Fee	CBP REGULATION
13.	Clearing House	BCC
14.	Licensed Operator	Gas Supply Act
15.	Customer	Gas Supply Act
16.	Resource Gap	BCC
17.	Natural gas	Gas Supply Act
18.	Natural Gas Trading	Gas Supply Act
19.	Natural Gas Storage	Gas Supply Act
20.	Natural Gas Producer	Gas Supply Act
21.	Natural Gas Transmission System Error of Measurement	BCC
22.	Natural Gas Transmission	Gas Supply Act
23.	Gas Delivery Station	Gas Supply Act
24.	Gas Year	Gas Supply Act
25.	Gas Day	Gas Supply Act
26.	Title Transfer Service	BCC
27.	Capacity Auction	BCC
28.	Capacity conversion	CAM NC
29.	Balancing Gas	Gas Supply Act
30.	Balancing Surcharge	Implementation Decree
31.	Limitation	Gas Supply Act, BCC
32.	Directly supplied Transmission Pipeline User	BCC
33.	Booked capacity (booked transmissions, capacity	Gas Supply Act

	booking)	
34.	Hungarian Gas Balancing Point (Magyar Gázkiegyenlítési Pont - hereinafter: MGP)	Implementation Decree
35.	Secondary Capacity Trading	Gas Supply Act
36.	Quality Clearing Rules (in Hungarian: <i>Minőség Elszámolási Rend</i> - MER)	BCC
37.	Nomination	Gas Supply Act
38.	Passive Network User	BCC
39.	Passive System Operator	BCC
40.	Network User	Gas Supply Act
41.	Network Usage Contract	Gas Supply Act
42.	System Operation	Gas Supply Act
43.	System Operator	Gas Supply Act
44.	Available Capacity	Gas Supply Act
45.	Transmission System Operator	Gas Supply Act
46.	Transmission Pipeline	Gas Supply Act
47.	Organised Natural Gas Market	Gas Supply Act
48.	Over-nomination	CAM NC, BCC
49.	Re-allocation Procedure	BCC
50.	Business and Commercial Code	Gas Supply Act
51.	Supply Disruption	Gas Supply Act

I.3.2 TERMS AND ABBREVIATIONS DEFINED IN THE BUSINESS CODE

(a) Accessibility and protection:

In replacing natural gas transmission pipelines and its parts for external interests it shall mean the exploration, relocation, installation, alteration, testing and commissioning, technical handover, occupancy of the transmission pipelines touching and/or crossing the path or area of the facility to be developed (e.g. motorway, road, railway, area designated for property development etc.) and its accessories, if necessary, the creation and modification of an easement right or cable right at the costs of the developer and for the benefit of the Company, and also in case of a pipeline and parts to be abandoned, the de-registration of the easement right, including the complete administration at the land registry, furthermore all other auxiliary activity that ensures the proper and safe operation of the natural gas transmission pipeline and its parts in a constant technical quality for the owner (operator) thereof, and that ensures for the developer a construction area free of obstacles and obstructions which is suitable for the undisturbed construction of the facility intended to be built, and the purpose which is to restore the original function of the natural gas transmission pipeline and its parts.

(b) General Terms and Conditions of Contract (hereinafter: General Terms and Conditions):

It contains the Company's General Terms and Conditions of Contract as applicable to the Network Usage Contracts, Network Usage Framework Contracts, Accession Contracts, the Cooperation Agreements concluded with the Neighbouring Network Operator and the Direct Transmission Pipeline User listed therein of which it shall form an integral part.

(c) Specific Capacity Booking Transaction:

Electronically generated transactions concluded for capacity booking or capacity booking changes, the documents of which may record capacity auction results, over-nomination, capacity booking changes due to customer migration or capacity transfer or network point separation/merging, capacity changes due to congestion management procedures or capacity changes due to capacity conversion (Annexes 1.a-1.c of Annex 4.1).

(d) Specific Congestion Management Transaction:

Electronically generated transactions concluded for congestion management procedure in accordance with the relevant point of the BCC (Annex 1.d and 1.e of Annex 4.1)

(e) Informativ Platform (hereinafter: IP):

An application system operated by the Company together with the related database managers which, based on the rules pre-defined by the applicable law, is capable of establishing standard bi-directional data connections with other system, and which is used by Network Users, network operators and the Authority subject to their access authorisations.

(f) Informativ Platform User Contract (hereinafter: IP User Contract):

The contract concluded by and between the Company and the user of the Informativ Platform with the purpose of defining the terms and conditions of using the Informativ Platform.

(g) IP User:

The gas industry actor who by concluding the Informativ Platform User Contract accepts the rules applicable to the use of the Informativ Platform.

(h) ipDATA:

The data access interface which may be used under the Data Supply Contract. It may be accessed from the IP system with an Internet connection through WEB technology.

(i) Regional Booking Platform (RBP):

The electronic capacity trading interface created and operated by the Company.

(j) Operational Rules of the Regional Booking Platform (hereinafter: RBP Operational Rules)

It contains the operational rules of capacity booking and auction processes, the terms and conditions of network user's participation, the rules of contracting, the capacity products, the financial security system applied and also the rights and obligations of the contracting parties.

(k) Trading Platform (hereinafter: TP):

Trading interface defined by Point 44.(a) of Section 3 of the Gas Supply Act.

(l) MOP (Maximum Operating Pressure):

Maximum operating pressure - The highest pressure under which the system can be operated within normal operating circumstances.

(m) National Telemechanic System of Hungary (hereinafter: NTS):

A telemechanic system that collect the metering data and signals of the gas industry object and the transmitted natural gas with the help of the telecommunications network in the SCADA (Process Control) centres with reserves where such data and signals are processed and displayed on high-performance computers connected to the national network by this ensuring the remote operation and monitoring of the natural gas transmission network, the continuous and operative control of the technological data, condition, and also the quantity and quality parameters of the control devices installed within the natural gas transmission network.

(n) OTR GW:

The OTR electronic access interface on which the data supply may be used under the Data Supply Contract (Annex 4.9).

(o) Network Usage Framework Contracts:

The terms and conditions governing the specific capacity booking electronic transactions and other specific capacity booking transactions between the Network User and the Company concluded as a result of an auction on the Capacity Booking Platform.

(p) Network Usage Contracts:

Pursuant to Section 3(51) of the Gas Supply Act the Network Usage Contracts:

An umbrella term for the use of capacity booking, natural gas transmission, system operation, odorization services, the clearing of balancing natural gas, and the use of balance keeping service and title transfer service, the use of the Informatic Platform, data supply, furthermore for the confirmations on specific capacity booking transactions.

I.4 ANNEXES OF THE BUSINESS CODE

1. Specifications, technical data of the natural gas transmission network
2. Contact details of the customer service centre
3. Technical and financial conditions precedent to accession
4. Contract templates
5. Optional services and charges

I.5 APPENDICES OF THE BUSINESS CODE

1. Organisational structure of the Company
2. Legal regulations
3. Representative organisations

I.6 THE COMPANY

I.6.1 THE OFFICIAL DETAILS OF THE COMPANY

Description of the authorisation:	Transmission system operator's operating license
Name of the license holder company:	FGSZ Földgázszállító Zártkörűen Működő Részvénytársaság (FGSZ Zrt.) FGSZ Natural Gas Transmission Private Company Limited by Shares (FGSZ Ltd.)
Registered seat of the license holder Company:	H-8600 Siófok, Tanácsház utca 5., Hungary
Company registration no. of the Company:	Cg. 14-10-300230
Court keeping the company register and acting as supervisory authority:	Company Registry Court of Kaposvár Regional Court
Statistical code of the Company:	12543331-4950-114-14
Account holding bank:	Hungarian Branch of ING Bank N.V.
Bank account number:	13700016-04200013-00000000
IBAN account number:	HU08 13700016-04200013-00000000
SWIFT:	INGBHUHB
Invoicing address:	H-8600 Siófok, Tanácsház utca 5., Hungary
Mailing address for invoices:	FGSZ Ltd. Accounting and Taxes, H-8601 Siófok PO.: 8., Hungary
Tax number of the Company:	12543331-2-14
Community tax number of the Company:	HU12543331
Internet website of the Company:	www.fgsz.hu

I.7 THE SCOPE OF THE SERVICES PROVIDED BY THE COMPANY

The Company shall perform its activities in the territory of Hungary according to the organisational structure presented in Annex No. 1.

Services provided by the Company with the exception of the system operation tasks may be used only if a valid contract is concluded and enters into force for the service used.

The general and special terms and conditions of using the basic services provided by the Company are set out in Annex No. 4.

In addition to the basic services the Company may also provide optional services with specific fee and services that are available upon individual request and are not considered as activities subject to licence, under a separate agreement.

Should the Company provide specific services or discount for a basic service to a Network User, Neighbouring Network Operator or Network User, such service or discount shall also be made available to the other Network Users, Neighbouring Network Operators and Users with the same terms and conditions.

The fees payable for the optional services provided by the Company, as approved by the Authority pursuant to Section 150 of the Implementation Decree, shall be defined in the contracts concluded pursuant to Annex No. 4 on the use of such services, and also in Annex No. 5 which shall both be published on the Company's website.

I.7.1. THE SCOPE OF THE BASIC NATURAL GAS TRANSMISSION SERVICES PROVIDED BY THE COMPANY

I.7.1.1 Basic services provided by the transmission system operator

The transmission system operator's basic services provided by Company to all Network Users shall be the following:

- (a) defining and publishing available capacities on the entry/exit points of the natural gas transmission network
- (b) concluding network usage contracts for the natural gas transmission network capacities published pursuant to the BCC as follows:
 - Exit point pressure
 - in case of new exit points:
 - The regulated pressure may be requested to be between 3 and 15 bars. The precision of the pressure set shall be +5, -4%.
 - Non-regulated, so-called pipeline exit pressure may be requested; in this case the guaranteed minimum pressure shall be offered by the Company subject to the features of the natural gas transmission network which may be revised and, if necessary, modified later on if the boundary conditions change.
 - in case of the existing exit points:
 - It shall be provided in accordance with the transmission system operator's operating license.

- The regulated or non-regulated exit pressure may be modified following a system suitability test subject to the consent of the Company.

In case of new exit points exit pressure shall be agreed in the Connection Contract or in the Development Agreement, or following implementation the Neighbouring Network System Operators shall also set it out in the cooperation agreement.

- Exit temperature: the gas temperature measured at the exit point shall not be less than 0 °C outside the period defined in the cooperation agreement.
- (c) ensuring metering at the precision level required (pursuant to the applicable annex of the BCC);
- (d) managing capacity booking with respect to the natural gas transmission network pursuant to the BCC and the applicable legal regulations:
- assessing and defining the capacity of the natural gas transmission network at the entry/exit points;
 - publishing the technical and available capacity of the natural gas transmission network with respect to the entry/exit points;
 - receiving and processing customer demand forecasts;
 - arranging auctions;
 - managing long-term and short-term capacity bookings;
 - arranging secondary capacity transactions;
 - managing capacity conversion.
- (e) receiving and processing nominations with respect to the natural gas transmission network;
- (f) performing natural gas transmission duties pursuant to the nominations by Network Users and the Network Usage Contracts as follows:
- at entry points receiving natural gas/in case of transmission with reverse direction of the physical flow, delivering natural gas and certifying the quantity and quality thereof (to the extent required for defining the precise quantity);
 - at exit points qualitative and quantitative delivery of natural gas/in case of transmission with reverse direction of the physical flow, receiving and certifying the natural gas;
 - transmission and responsible custody of the natural gas delivered by Network Users between entry and exit points;
 - verifying whether the nominations received with respect to the interconnection points of the interconnected natural gas system match to each other, in case of non-matching developing and applying applicable procedural rules with the related Hungarian System Operator;
- (g) performing measures to ensure the hydraulic balance of the natural gas transmission network:
- planning the within-day balance of the interconnected natural gas system;

- taking daily operative measures to ensure the system balance in case of the availability or the lack of the flexibility devices provided by the Network Users primarily on the trading platforms, and in other transparent and non-marked manners, with the help of the Company's own resources;
- (h) defining and allocating the quantity of natural gas distributed (received-delivered) at the entry/exit points of the natural gas transmission network for Network Users based on the allocations of the Neighbouring Network Operators;
- (i) drafting a final quality and financial clearing corrected during the re-allocation procedure, including capacity overrun, nomination difference and balancing surcharges, and delivering the same to the contracted partner;
- (j) developing and operating the IP applicable to the processes of the natural gas transmission network:
 - ensuring basic data supply stipulated in the applicable law and the BCC;
 - ensuring data supply to contracted partners as stipulated in the applicable law and the BCC;
- (k) representing the interconnected natural gas system in international professional organisations;

Network Users are only entitled to use the basic services provided by the Company when the transmission system operation fees stipulated in the Tariff Decree are paid and the related price applications terms and conditions are met.

I.7.1.2 Other basic services provided by Company to Network Users as defined by the law:

(a) Odorization

Odorization of natural gas is a natural gas transmission service provided subject to the terms and conditions agreed in the Network Usage Framework Contract and the fees payable pursuant to the Tariff Decree.

In case of injection by producers into the distribution pipeline if the producer itself odourises the natural gas to be injected, then it has the right to enforce the fees stipulated in the Tariff Decree (Section 103/3-4/ of the Implementation Decree). With respect to such activity it shall enter into an "Odorization services contract" with the Company pursuant to Annex 4.2. The odorization fee shall be cleared by the Company towards Network Users.

Within the framework of the service provided to Network Users on a mandatory basis, the Company shall deliver the natural gas odourised pursuant to standards MSZ ISO/TS 16922 at those exit points agreed in the Network Usage Framework Contract, where an odorization fee shall be paid with respect to which Section 21 of the Price Application Decree.

The injection norm of the odorant at 15 °C for each m³ shall be as follows:

- (a) in the period between 1 April and 1 October: 16.0 ±10% ml/em³
- (b) in the period between 1 October and 1 April: 13.3 ±10% ml/em³

The changeover between summer and winter seasons may take place at different times subject to weather conditions and consumption.

Injection norm settings different from the above may be modified by the Company based on odour level measurements, and upon the specific and technically reasonable request, initiative of the Network User or the Neighbouring Network Operator subject to a consultation with the Network User concerned. The modification shall be registered in the MER and published on the Company's website of which all Network Users concerned and the System Operator shall be notified.

The natural gas odorization system (central and individual injectors) shall be operated pursuant to the internal policy of the Company.

The odorant applied shall be a mixture of even amount of (50 per cent each) tetrahydro-thiophene and tert-butyl-mercaptan which shall be injected with the central or the individual (station) odorization units.

The quantity of the odorant injected shall be monitored and documented by the Company per odorization unit; in case of deviation an oral notice shall be sent to the Network Users or based on the cooperation agreement to the Neighbouring Network Operator as soon as practically possible which shall be confirmed in writing as well. The odour shall be measured on the related system subject to the standards MSZ-09-74.0011 by the System Operators directly connected to the natural gas transmission network.

The distributor licensees shall ensure the regular check on the odour level on the connecting distribution systems operated by them and deliver written feedback on the compliance of the odour level to the locally competent Natural Gas Transmission Region of the Company once a month. In case of failure to deliver such monthly written feedback, the Company shall deem the odour level to be adequate.

The quantity of the odorant injected shall be measured by an independent laboratory, in this case the norm set for the odorization unit shall be compared to the findings of the independent measuring.

Odour level may be measured with the following methods: sensory analysis, odorimeter, test tubes (H₂S testing in separate tube), re-calibrated SULFIWARN device or sulphur sensitive chromatograph.

Inadequate odour level shall be immediately reported by the distributor licensee to the locally competent regional center of the Natural Gas Transmission Region of the Company on phone which then shall be confirmed in writing.

Then the Company shall inspect whether the odorant is injected at the relevant odorization unit in compliance with the requirements. The Network User shall be immediately notified of the findings of such inspection which shall also be confirmed in writing afterwards.

Twice a year the concentration of the gas odorant is measured at delivery points centrally odorised. At places individually odorized the concentration of the gas odorant shall be measured twice a year on the connected high-medium pressure system upon prior consultation with the connected user.

Once a year the injection precision of the central odorization devices shall also be tested at a distance equalling at least 70 d from the injection device.

The injection precision of individual odorization devices shall be alternatingly tested once a year at 10 appointed points.

The Network User or its contracted partner may test the odour at the delivery points of the use of the odorant at the injection points with a prior written notice delivered to the competent Natural Gas Transmission Region of the Company.

In the monthly transaction minutes the contracted partner of the Network User shall enter a declaration for each delivery point regarding the compliance of odorization. In case of non-compliance the change request shall also be recorded.

I.7.2 THE BASIC SYSTEM OPERATION TASKS CARRIED OUT BY THE COMPANY

The Company as appointed transmission system operator shall carry out system operation and coordination tasks defined by the Gas Supply Act.

The Company shall operate a data traffic and informatic system allowing the Company to perform the tasks above.

I.7.3 OTHER SERVICES WITH SPECIFIC FEE

Other services in addition to the basic services stipulated in the Framework Decree are provided by the Company for extra charge stipulated in the Tariff Decree.

I.7.3.1 TITLE TRANSFER SERVICE

In case the Network Users wishes to transfer a right of disposal of a certain quantity of natural gas to another Network User at a physical or virtual point of the natural gas transmission network, then it shall enter into a contract with the Company with respect to the title transfer service. The terms and conditions of using the service provided by the Company are set out in Annex No. 4.7.

I.7.3.2 DATA SUPPLY REQUESTED BESIDE THE DATA TRAFFIC RELATED TO THE BASIC DATA SUPPLY

The terms and conditions of optional data supply requested in addition to the data provision related to the basic services provided by the Company are set out in Annex No. 4.9 of the Business Code.

I.7.3.3 BALANCING SERVICES TO NETWORK USERS WITHOUT TRADING PLATFORM MEMBERSHIP

If the Network User is not a member of any trading platforms, the contract regarding balancing services (Annex 4.6.) shall be concluded with the Company.

I.7.4 OPTIONAL SERVICES PROVIDED BY THE COMPANY

The Company provides optional services to network users requiring these services, pursuant to Section 79(3) of the Implementation Decree subject to Section 150 of the Implementation Decree at the prices approved by the Authority:

I.7.5 OTHER SERVICES AVAILABLE UPON INDIVIDUAL REQUEST, CONSIDERED AS ACTIVITIES NOT SUBJECT TO LICENCE

The Company may provide services that are not considered as activities subject to licence, available upon individual requests based on demand from Network Users or System Operators or its own development pursuant to Section 79(4) of the Implementation Decree, with respect to such services the Company shall enter into contracts with those intending to use them. If the Company enters into a contract with respect to a certain service available upon individual request, it may only agree to provide the same to third parties subject to the principles of equal treatment.

I.8 COMPANY COMMUNICATION WITH EXTERNAL ENVIRONMENT

The Company may communicate with:

- (a) Superior bodies (the Hungarian Energy and Public Utility Regulatory Authority, the ministry competent in issues related to energy, the Hungarian Office for Mining and Geology, Government Offices, the Hungarian Trade Licensing Office etc.)
- (b) System Operators connected to the a natural gas transmission network
- (c) natural gas producers if they inject into the natural gas transmission network
- (d) natural gas transmission companies of neighbouring and other companies
- (e) Network Users
- (f) contractors performing contracted maintenance or development activities on the natural gas transmission network
- (g) other organisations that are involved in the natural gas transmission activity (local governments, disaster management services, police etc.).
- (h) gas industry organisations of the EU (e.g. ENTSOG)

The general technical conditions and requirements of communication, the scope of information to be provided to consumers and Network Users and the terms and conditions of providing it shall be stipulated in the BCC and other legal regulations.

II ACTIVITIES OF THE COMPANY

II.1 GENERAL SAFETY REGULATIONS

II.1.1 GUARANTEES OF SAFE SUPPLY TO NETWORK USERS

Safe supply to Network Users shall be guaranteed by the Company if Network Users comply with the applicable legal regulations and their obligations stipulated in their Network Usage Contracts, in particular those related to ensuring natural gas sources required to supply their consumers.

In the certification procedure preceding the issuance of the transmission system operator's operating license the Authority specifically assessed compliance by the Company with the requirements stipulated in Chapter IV of Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC and in the applicable chapters of the Gas Supply Act.

In the licensing procedure the Authority has reviewed the technical, economic and human criteria stipulated by the law which it has found appropriate, and it has issued the operating licence to the Company that grants the Company exclusive right and defines an obligation to operate the natural gas transmission network defined in the licence, to sell its capacities and to coordinate the integrated natural gas system pursuant to the BCC to ensure the balance of the interconnected natural gas system.

The Company's activity, the terms, quality of its operation is regularly monitored by Authority, the Hungarian Office for Mining and Geology and the National Directorate General for Disaster Management, Ministry of the Interior.

The natural gas transmission network shall be developed, operated, maintained and all defects, interruptions thereof shall be remedied by the Company subject to the network users' demand and with the approval of the Authority.

The list of legal regulations governing the natural gas transmission and transmission network operator's activities performed by the Company shall be included in Appendix No. 2 hereto.

II.1.2 SECURITIES REGARDING DATA PROTECTION

The Company shall operate a technical and IT system that ensures the delivery of basic data to be supplied by the Company pursuant to the BCC to authorised transmission system operators, natural gas traders, natural gas distributors, natural gas storing company, organised natural gas market companies and site licence holders, Network Users and the Authority on a standard, safe interface.

The protection of data shall include at the Company the protection of data owned by the Company and received from the other party, and also in the possession of the Company because of its role. The requirement of confidential data processing shall also apply to the sub-contractors of the Company.

The Company shall only receive, disclose and process data from the other party pursuant to the provisions of a contract concluded by the two parties or stipulated in legal regulations applicable to both parties.

The Company shall manage the personal data obtained and processed during the conclusion and the performance of contracts in line with the legal requirements on the protection of personal data, in particular, complying with the following:

- (a) regulations of Act No. 112/2011 on informational self-determination and freedom of information protection,
- (b) recommendations, guidelines and decisions of the National Authority for Data Protection and Freedom of Information and the data protection working party established by Article 29 of Directive No. 95/46/EC,
- (c) Regulation (EU) 2016/679 of the European Parliament and of the Council (hereinafter: GDPR) on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC,
- (d) other relating applicable provisions.

During data management, the Company shall continuously ensure the reasonable and highest level of security of personal data managed (principle of data security) in line with the best industry practices.

The Company shall ensure that the data management carried out by the Company complies with the requirements of fairness, legality as well as the complete and up-to-date data management. Furthermore, the Company shall ensure the accessibility of data for the data subjects as authorized individuals and the inaccessibility of data for the unauthorized persons.

The Company shall ensure that data are accessible only for those employees and data processors whose data management and processing are considered as complying with the principle of purpose limitation.

II.1.3 NATURAL GAS TRANSMISSION SERVICE RELATED TO THE ENVIRONMENT

The Company's activity related to the protection of the environment shall be governed by the provisions of the Gas Supply Act, the Implementation Decree, and the Mining Act, the Environment Act and the implementation decrees thereof.

Pursuant to the Environment Act and other legal regulations, prior to commencing activities with a major impact built or natural environment, then later the Company shall prepare a final environment impact study or an IPPC application, and it shall perform the required environmental reviews.

Subject to the above laws the Company shall have an internal regulatory environment that ensures compliance with the criteria concerning energy efficiency and waste management. The Company shall perform its basic activity accordingly, it shall build the supervision of its own and suppliers' environmental performance and regular development thereon.

The Company's environmental reports shall be published in national and international publications.

Prior to publishing the environmental studies, actions and reports shall be audited by licensed certification institutions.

II.1.4 TECHNICAL AND SAFETY REQUIREMENTS APPLICABLE TO THE CONSUMERS' NETWORK DIRECTLY CONNECTED TO THE NATURAL GAS TRANSMISSION NETWORK

Pursuant to the provisions of the Gas Supply Act if a consumer is directly connected to the transmission pipeline, the natural gas distributor's tasks shall be performed by the transmission system operator.

The developer of the consumers' network shall provide the Company with a developer's declaration that states that the facility complies with the technical and safety requirements, it is suitable for operation, the necessary licences are available and the conditions for gas delivery are met.

II.2 QUALITY OF SUPPLY

II.2.1 QUALITY RELATED PROPERTIES OF THE NATURAL GAS TRANSMISSION AND THE TRANSMISSION NETWORK OPERATOR'S ACTIVITIES

The Company's integrated management system, which includes the quality control, technical safety management, information security, energy management, welding and calibration laboratory management system, ensures that the contracts on which the Company's activity is based comply with the applicable quality requirements and criteria; by giving work processes an organised structure and by providing the necessary infrastructure it shall enhance efficient cooperation with market partners.

The requirements of the integrated management system are defined in the standards ISO 9001 (quality control system), ISO/IEC 27001 (information security control system), ISO 3834-2 (welding management system, ISO/IEC 17025 (calibration laboratory management system) and ISO 50001 (energy management system). The technical safety management system is regulated by the regulations of the Hungarian Office for Mining and Geology, and it is operated under the supervision of the same. Based on such requirements and regulations the Company performs its activity in a licenced manner.

The complex of the components in the system set up provides a satisfactory regulatory framework for all processes affecting quality.

The process specifications of the integrated management system cover all important areas of the natural gas transmission and transmission system operator's activities.

The primary focus of the integrated management system is the preventive activities with the help of which defects can be avoided.

The integrated management system includes the regular internal and external audit of the Company's work organisation and operation, and also the continuous development of the processes.

As a result of the integrated management system operated by the Company the processes of the individual management levels are regulated, monitored and fully documented individually and in their mutual relations.

II.2.2 QUALITY REQUIREMENTS OF THE NATURAL GAS DISTRIBUTED

The Network User shall be responsible for ensuring that the quality of the natural gas delivered to the natural gas transmission network complies with the requirements stipulated in Annex No. 11 of the Implementation Decree, the MER, the BCC and the Network Usage Contracts, furthermore, the General Terms and Conditions related thereto.

The quality of the natural gas injected into the natural gas transmission network shall be certified by the Network User and/or the Neighbouring Network Operator on the date of the Network Usage Contract, or during injection regularly.

As a result of the fixed nature of the natural gas transmission network natural gas of different quality is mixed, therefore the quality of the natural gas injected and released may be different.

If the Network User has natural gas transmitted to a cross-border point where the required quality of the gas to be delivered to the neighbouring network operator is different from that specified in Annex No. 11 of the Implementation Decree, then the gas quality stipulated in the effective cooperation agreement between the Company and the neighbouring Network Operator shall be ensured at the entry points.

Quantity and quality on the natural gas transmission network shall be metered and measured for the purpose of clearance and also certification at the exit points. Quality measurements shall be allocated to each entry or exit point

- in case of hourly hydraulic simulation or
- a defect in the simulation system, based on the MER annually drawn up by the Company.

II.2.3 DETAILED PROCEDURAL RULES OF CONTROLLING THE QUALITY OF NATURAL GAS

II.2.3.1 GAS QUALITY CONTROL

The quality parameters of the natural gas metered and calculated are as follows (at reference temperatures 25 /0 °C and 15 /15 °C and at reference pressure 101 325 Pa)

- (a) component concentration (methane, ethane, propane, n-butane, i-butane, n-pentane, i-pentane, neo-pentane, hexane, and hydrocarbons heavier than these, carbone dioxide, nitrogene
- (b) relative density
- (c) minimum calority (caloric value)
- (d) maximum calority (combustion heat)
- (e) Wobbe number

If the quality of the natural gas injected to the natural gas transmission network is different from that stipulated in Clause II.2.2, the Company shall act according to Clause II.2.3.3.

Network Users shall be held liable for damages caused by injecting natural gas of insufficient quality.

II.2.3.2 CALIBRATION OF DEVICES MEASURING GAS QUALITY

The defect free operation of devices measuring gas quality (chromatographs) shall be ensured with daily automatic calibrations. Calibration shall be performed with the reference material tested by the Hungarian Trade Licensing Office (hereinafter: MKEH) (calibration gas with its composition certified by the MKEH).

In addition to the daily automatic calibration the precise operation of chromatographs are also verified by the Company by comparing the measurement results of chromatographs measuring gas of identical quality. If the daily average values of the measurement data on chromatographs measuring gas of identical quality differ to a higher extent than that justified

by the measurement uncertainty of chromatographs, then it shall take action to have the defective chromatograph repaired.

If in testing chromatographs, the Company find that the chromatograph is defective, the measurement data of such defective chromatograph shall not be taken into consideration in case of clearance, instead hourly hydraulic simulation is recommended, or in case of failure of the system, the measurement data of the substituting sample flow defined in the MER shall be used. If the given sample flow has no substituting sample flow, then the clearance data shall be defined by analysing the natural gas sample in a laboratory. The test shall be performed by an accredited laboratory organisation.

II.2.3.3 PROCEDURAL RULES IN CASE OF INJECTION OF NATURAL GAS OF INSUFFICIENT QUALITY

The processes to be applied in case of injection of natural gas of insufficient quality shall be performed pursuant to the provisions stipulated in the BCC. Such processes shall be defined in the chapter "Procedural Rules In case of Injection of Natural Gas of Insufficient Quality" of the BCC.

II.3 TECHNICAL SPECIFICATIONS

II.3.1 MAIN TECHNICAL PARAMETERS NOT CONSIDERED TO BE TRADE SECRETS AND APPLICABLE TO UNINTERRUPTED AND SAFE SERVICE

Details of the natural gas transmission network are indicated in the Company's transmission system operator's operating license and Annex No. 1 hereto.

The Company's operating license is publicly available at the customer service office and the website of the office.

II.3.2 OPERATING MANAGEMENT RULES OF THE SYSTEM OPERATED BY THE COMPANY, THE SYSTEM ENSURING THE REMOTE MONITORING AND DATA TRAFFIC THEREOF

The operation of the natural gas transmission network shall be managed by the Company's personnel consisting of qualified engineers and technicians, monitoring shall be provided by the organisation of Network Operation and Balancing (System Operation Centre).

The organisation of Network Operation and Balancing (System Operation Centre) and the regional dispatcher employees of the locally competent Natural Gas Transmission Region shall monitor the operation of the technology, and they shall control the regional controller system that ensures the necessary and adequate level of troubleshooting and failure recovery.

Communication between the Company, the Neighbouring Network Operators and the Network Users shall follow the requirements stipulated in the relevant contracts and the cooperation agreements.

The contact details of the Company's competent contacts and the address of certain areas of the Natural Gas Transmission Regions shall be defined in the Network Usage Contracts and the cooperation agreements which also indicate the names, position and contact details of the contact persons as well as with respect to such data the declaration on the compliance with the GDPR.

II.4 THE MANNER AND DETAILED RULES OF SATISFYING NETWORK USERS' DEMAND

II.4.1 TERMS AND CONDITIONS OF SATISFYING CAPACITY DEMAND

Network Users may book capacities on the natural gas transmission network pursuant to terms and conditions, and procedural rules stipulated in the BCC, this Business Code and the CBP Operational Rules.

As a condition precedent to participation at a capacity auction, the Network User Membership Agreement and the Network Usage Framework Contract under Annex 4.1 of the Business Code shall be concluded as well as the auction security pursuant to the Business Code shall be submitted

The data and relevant documents requested from Network Users shall be set out in the BCC and the CBP Operational Rules.

Network Users shall be notified by the Company of the fact of winning capacities pursuant to the provisions of the CBP Operational Rules.

II.4.2 QUOTING/CONTRACTING OBLIGATION AND THE CONSEQUENCES OF THE FAILURE THEREOF

The Company shall enter into the Network Usage Contracts with the Network Users who comply with the requirements stipulated in the Business Code, the CBP Operational Rules and the BCC.

In case of network accession request the Company shall deliver a quote to the person submitting the accession request if it meets the requirements stipulated herein and in the BCC.

If the Company fails to submit a quote/conclude a contract despite the requirement above being met, the person submitting the request has the right to file for remedy with the Authority.

II.4.3 PROCEDURE TO BE FOLLOWED IN CASE OF A CHANGE AT THE NETWORK USER

If changes occur at the Network User, the procedure to be followed shall be the same stipulated in the General Terms and Conditions for changes in the person of the contracting parties or the contractual terms and conditions.

II.5 CONTRACTUAL TERMS AND CONDITIONS FOR NETWORK USAGE AND NETWORK CONNECTION CONTRACTS

II.5.1 CONTRACT TYPES

The Company and the Network Users enter into the following types of contracts and agreements:

- (a) Network Usage Framework Contract (Annex No. 4.1)

- (b) Transmission System Operation Interconnection Agreement (Annexes No. 4.3.1. and 4.3.2.)
- (c) Informatic Platform User Contract (Annex No. 4.4)
- (d) Connection Contract (Annex thereto: Financing Agreement) (Annex No. 4.11)
- (e) Development Contract (Annex No. 4.12)

The Company and the Network Users may also enter into the following types of contracts and agreements:

- (a) Contract on Balancing Natural Gas Settlement and the Use of Balancing Service for Network Users that are not Members of the Trading Platform(s) (Annex No. 4.6)
- (b) Contract for using of Title Transfer Services (Annex No. 4.7)
- (c) Contract on Balancing Natural Gas Settlement for Network Users that are Members of the Trading Platform(s) (Annex No. 4.8)
- (d) Data Supply Contract (Annex No. 4.9)

The Company and non Network Users enter into the following types of contracts and agreements:

- (a) System Operation Contract (Annex No. 4.2)
- (b) Compensation and Cooperation Agreement (with regard to accessibility agreed with third parties) (Annex No. 4.5)
- (c) Cooperation Agreement (with Neighbouring Network Operators/Direct Transmission Pipeline Users) (Annex No. 4.10)
- (d) Data Supply Contract (Annex No. 4.9)
- (e) Agreement - delivery of non refundable monetary assets (Annex No. 4.13)

II.5.2 GENERAL TERMS AND CONDITIONS OF CONTRACT

The Company enters into contracts and agreements with Network Users/Licensed Operators based on the contract types under Clause II.5.1 as approved by the Authority, with the content and in the form of the contract approved by the Authority in advance.

The applicable General Terms and Conditions have been developed by the Company for each service and contractual partner type in order to regulate its own activity and the services provided by it.

According to the type of the activity and the contracting obligation the following contracts and agreements have their separate General Terms and Conditions:

- (a) General Terms and Conditions of Accession Contracts (Annex No. 4.b)
- (b) General Terms and Conditions of Cooperation Agreements to be concluded with Neighbouring Network Operators and direct transmission pipeline users (Annex No. 4.c)
- (c) General Terms and Conditions of Network Usage Contracts (Annex No. 4.d)

The General Terms and Conditions specific to each contract type shall be an integral part of the contracts concluded as their annex.

Issues not regulated in the contract shall be governed by the related General Terms and Conditions.

The fees of the services provided to Network Users and also the technical and other conditions applicable to System Operators shall be defined in the contract.

To the extent permitted by law, for technical operational considerations the Company reserves the right to unilaterally amend the General Terms and Conditions applicable to each contract type as it may affect the contracts currently in effect, but always with the approval of the Authority as follows:

Network Users concerned and Neighbouring Network Operators (including direct transmission pipeline users as well) shall be notified by the Company of the amendments made to the General Terms and Conditions by publishing the new text approved by the Authority, and at the same time the Company shall send personal notices in the manner stipulated for communication in the contract or in the Network User Membership Agreement related to the Capacity Booking Platform.

If the General Terms and Conditions are amended by the Company unilaterally (not including amendments under the law), the Network User or the Neighbouring Network Operator (including direct transmission pipeline users as well) may terminate the contract in writing with reference to the amendment with a termination period stipulated in the contract, or if no such period is defined, then with a 30-day termination notice.

The rules above shall not apply to amendments that are required as a result of the implementation of new services, and if the amendment does not affect the General Terms and Conditions applicable to the services already provided, and contradicting, invalid provisions, errors in style, wording, grammar, changes in the use of terms, if any.

Considering the fact that in performing its regulated activity the Company shall ensure that its conduct towards its contracting partners is not discriminatory or anti-competitive, therefore in the contracts governing its regulated activity the Company shall not deviate for the General Terms and Conditions, the scope thereof shall apply to all the partners entering into contracts with the Company with respect to the above. In order to ensure that the contents of the contracts concluded are identical, the Company shall expressly exclude even the use of the general conditions of contract of its contractual partners in respect of the contracts concluded by it.

Compliance of the contracts to be concluded pursuant to Annex No. 4 hereto with the provisions of Section 121/E(4) of the Gas Supply Act shall be certified by the Company in the quarterly report compiled by the compliance officer pursuant to paragraph g) of Section 141/C(4) of the Implementation Decree.

II.5.2.1 NETWORK USAGE CONTRACTS

The party using transmission system operator's services shall be bound by a contracting obligation. The relevant contract is concluded by and between the Company and the Network User.

The transmission system operator's services provided by the Company may be used subject to a valid Network Usage Contract.

The Network Usage Framework Contract applicable to capacity booking shall be concluded by the Network User and the Company in writing. Based on the Network Usage Framework Contract capacity bookings shall be governed by the procedural rules stipulated in the CBP Operational Rules.

Network Users shall deliver the signed Network Usage Framework Contracts to the Company 2 (two) business days prior to the auction start and the Company shall receive it.

II.5.2.2 INFORMATIC PLATFORM ACCESS AND INFORMATIC PLATFORM USER CONTRACT

The Company shall provide gas market entities with daily information through the IP for no extra charges and with interfaces serving for the performance of tasks (capacity request, nomination, allocation etc. as described by the Company in detail).

Access to the IP shall be initiated by the Network User/Neighbouring Network Operators not later than 10 business days before the date of the actual access to the IP.

The conditions precedent to the IP access:

- (a) As a condition precedent the activity related license issued by the Authority shall be presented, the consumer or producer status shall be proven to the Company. In case of foreign Network Users thorough transportation right shall be proven in the manner stipulated in the BCC.
- (b) The user of the IP shall have its own electronic certification. The electronic certification shall be issued by a trusted service provider authenticated to issue electronic certificates. The certificate shall comply with the requirements detailed in the IP User Agreement, and as part of such compliance the certificate shall state the name, e-mail address and company name of the holder. Information required for setting the certificate shall be delivered to the Company in an annex to the IP User Agreement not later than 10 business days before the date of the actual access to the IP.
- (c) The IP user shall accept and acknowledge the terms and conditions of IP use stipulated in the IP User Contract. The signed IP User Contract shall be delivered to the Company not later than 10th business days before the date of the actual access to the IP. The agreement shall not stipulate any financial obligations.
- (d) Within 3 business days after compliance with the conditions precedent to the IP access the Company shall ensure the IP user the actual access to the IP.

II.5.2.3 COOPERATION AGREEMENT WITH THIRD PARTIES FOR ACCESSIBILITY

In connection with accessibility and/or protection tasks by third parties affecting the natural gas transmission network operated by the Company and the accessories thereof, such third party (developer) shall be bound by a contracting obligation.

Construction plans drafted based on third party written request for the relevant accessibility/replacement and/or protection with the technical content issued by the Company, shall be submitted by such third party to the Company for approval.

Preparatory works of accessibility and/or protection may be commenced based on the operator's declarations issued by the Company with respect to the submitted and approved construction plans, and also based on the contracts concluded.

The third party (developer) undertakes to bear all the costs incurred, including the services stipulated in the contract concluded as to be used on a mandatory basis.

If replacement involves pipeline interruption or consumer gas supply interruption, the date thereof shall be negotiated by the third party (developer) with the concerned Network Users if the request for such interruption is submitted following the compilation of the annual maintenance/interruption schedule. During the negotiations the parties shall act with a view to the provisions of the BCC.

The value of natural gas used in case of blowdown, rinsing required during accessibility and/or protection shall be paid by the third party (developer) which shall be agreed by the parties pursuant to Annex No. 3 of the contract concluded.

II.5.2.4 TERMS AND CONDITIONS OF CONNECTING TO THE NETWORK

If the conditions precedent stipulated in Annex No. 3 of the Business Code for connecting to the natural gas transmission network, the Company enters into a contract with the applicant regarding the connection.

II.5.2.5 REPRESENTATIONS AND WARRANTIES

Legal statements shall only be valid if made in writing on paper or in electronic form. Legal statements cannot be validly made to the other Party verbally, by conduct or silence. Legal statements shall enter into effect upon delivery to the other Party.

By concluding the contract concluded all contracting parties accept and represent that they are economic entities legally operating and registered and that they are not subject to bankruptcy or liquidation proceedings.

The contracting parties represent that there are no pending or threatening court or other proceedings against them which endanger the performance of the contract concluded.

II.5.2.6 GOVERNING LAW

The contracting parties agree that the governing law shall be the law of Hungary.

Issues not regulated in the contracts shall be governed by the provisions of the Hungarian and EU substantive law, including primarily the Civil Code of Hungary, the Gas Supply Act, the Implementation Decree, the Regulation (EU) No2017/459, and the applicable Government Decrees, ministerial decrees and the provisions of the BCC.

II.5.2.7 DISPUTE RESOLUTION

The contracting parties agree that in case of disputes between them regarding the performance, termination of the contract concluded by and between them they shall resolve such disputes amicably through negotiations.

In case of the failure of such negotiations the contracting parties . refer the case to the competent court with general jurisdiction defined in the Code of Civil Procedure.

II.5.3 MANAGING SPECIAL TERMS AND CONDITIONS

Deviations from the contractual terms and conditions of the contracts stipulated in Annex No. 4 and Appendix No. 4 of the Business Code, shall be agreed in a separate annex to the contract.

II.5.4 PROVISIONS ON REMEDY DISRUPTIONS IN SUPPLY

Subject to the principles of the Gas Supply Act in case of disruptions in supply the licensed operators of the integrated natural gas system and the Network User shall cooperate with the Company pursuant to the BCC and the internal technical regulations applicable to the maintenance of the natural gas transmission network and troubleshooting.

In order to ensure continuous supply to network users the Company performs its activity in uninterrupted work schedule, and it has personnel suitable for managing the remedying of disruptions, limitations and crisis.

The Company may refuse access to the natural gas transmission network in an objective and transparent manner without applying discrimination, or it may limit, reduce, suspend supplies already booked if the events defined in the Gas Supply Act and the Implementation Decree occur.

II.5.4.1 INTERRUPTION

The detailed rules and criteria of interruption by the Company on the natural gas transmission network shall be defined in the BCC, the Price Application Decree and the part of the Network Usage Framework Contract applicable to the booking of interruptible capacity.

II.5.4.2 LIMITATION

The detailed rules of limitation by the Company on the natural gas transmission network shall be defined in the BCC and the Limitation Grading.

The current Limitation Grading issued with the approval of the Authority shall be published by the Company on its website.

In case of a limitation being instituted Network Users shall cooperate with the Company pursuant to the applicable provisions of the Gas Supply Act, the Implementation Decree and Government Decree No. 265/2009. (XII. 1.) on the limitation of natural gas consumption, the usage of strategic natural gas reserves and other actions to be taken in case of a natural gas supply crisis (hereinafter: Government Decree No. 265/2009 (XII.1.), and the BCC.

II.5.5 MAINTENANCE OF THE NATURAL GAS TRANSMISSION NETWORK AND THE RULES OF TROUBLESHOOTING THEREON

Procedures and rules applicable to maintenance and troubleshooting are defined in the BCC, the maintenance schedule is set out in the annual maintenance/interruption plan. The annual maintenance/interruption plan and all the current information related to troubleshooting also affecting Network Users shall be published by the Company on its website. The published and regularly updated information contains the codes of the gas industry objects affected, the code of the neighbouring Network Operator affected, the commencement and end date or time of the projected maintenance/interruption on the natural gas transmission network, and also the information provided by the neighbouring Network Operators.

II.5.6 REQUIREMENTS TOWARDS CONTRACTING PARTNERS

II.5.6.1 LICENSED OPERATOR NETWORK USER

Financial, economic conditions towards licensed operator contracting parties are particularly the following:

- (a) the copy of the company extract obtained within the last 30 days shall be submitted electronically that contains the company name, registered seat, scope of activities, registered capital, tax number and list of people authorised to sign for the company, and the original or the certified copy of the specimen signature of the people authorised to sign for the company shall be submitted on paper in Hungarian or English,
- (b) the audited report of the last closed year with the audit opinion shall be submitted electronically in Hungarian or English,
- (c) it shall be in possession of the contractual security stipulated in the General Terms and Conditions of Network Usage Contracts,
- (d) it shall hold an operating license issued by the Authority.

II.5.6.2 NON LICENSED OPERATOR NETWORK USER

Contracting requirements towards non licensed operator contracting parties:

- (a) the copy of the 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 in Hungarian or English, and also the specimen signature of the people authorised to sign for the company, or the original or certified copy of the authorisation shall be in Hungarian or English,
- (b) the audited report of the last closed year with the audit opinion shall be delivered in Hungarian or English,
- (c) it shall be in possession of the contractual security stipulated in the General Terms and Conditions of Network Usage Contracts,
- (d) in case of cross-border delivery and using underground storages, the copy of the relevant declaration shall be submitted pursuant to the BCC in Hungarian or English.

II.6 CLEARANCE AND PAYMENT REQUIREMENTS

II.6.1 THE FEE PAYABLE FOR CONNECTION, THE AMOUNT AND THE CALCULATION RULES THEREOF

The amount of the accession fee payable by prospective users or natural gas producers to the Company for being permitted to connect to the natural gas transmission pipeline system shall be defined in the Tariff Decree.

II.6.2 THE FEE PAYABLE FOR NATURAL GAS TRANSMISSION, THE AMOUNT AND THE CALCULATION RULES THEREOF

The rules of fee calculation, the terms and conditions of the application of the fees shall be stipulated in the Framework Regulation and the Price Application Decree, the amount of the fees payable for natural gas transmission services shall be stipulated in the Tariff Decree.

II.6.3 THE FEE PAYABLE FOR NATURAL GAS ODORIZATION, THE AMOUNT AND THE CALCULATION RULES THEREOF

The amount of the fee payable for natural gas odorization shall be defined in the Tariff Decree. The fee payable for natural gas odorization shall be defined by the Company with the help of the norms defined for the odorization of natural gas of 0 °C as set out in the annually updated MER.

II.6.4 THE AMOUNT OF THE TITLE TRANSFER FEE AND THE CALCULATION RULES THEREOF

The fee payable for title transfer services are stipulated in Tariff Decree of the Minister of National Development, the rules of using the service are stipulated in the BCC and the Contract for Using Title Transfer Services (Annex No. 4.7 of the Business Code).

II.6.5 THE PRICE OF THE BALANCING NATURAL GAS AND THE CALCULATION RULES THEREOF

II.6.5.1 GENERAL RULES OF DEFINING THE CLEARING PRICE

The system operator perceives a daily clearing price of the balancing gas on the basis of the transactions concluded on trading platform(s). The value of the applicable minor correction is defined in the relevant decree of the Authority.

Marginal sell price shall be applied if the network user's injection for the given gas day exceeds its off-takes for the same gas day; marginal buy price shall be applied if the network user's off-takes for the given gas day exceed its injection for the same gas day.

Marginal sell and marginal buy prices of a gas day shall be defined as follows:

a) the marginal sell price is defined if the transactions concluded on the given gas day are put in specific price order, such marginal sell price shall be the lowest specific price of the following cases:

- in case of title products (MGP) and locational products (HEG) the lowest specific price if during the sale transactions of the network users the buyer is always the transmission system operator, or
- weighted average price defined based of the transaction(s) concluded for title products (MGP) and locational products (HEG) less the small adjustment.

b) the marginal buy price is defined if the transactions concluded on the given gas day are put in specific price order, such marginal buy price shall be the lowest specific price of the following cases:

- in case of title products (MGP) and locational products (HEG) the lowest specific price if during the sale transactions of the network users the seller is always the transmission system operator,
or
- weighted average price defined based of the transaction(s) concluded for title products (MGP) and locational products (HEG) plus the small adjustment.

All entities operating Trading Platforms on the Hungarian natural gas transmission network shall deliver the data required for the calculation and publication of the price before 10.00 a.m. following the closing of the gas day as is agreed in the specific agreement concluded with the transmission system operator operating the Trading Platform.

The transmission system operator shall publish the clearing price on the Company's website before 2.00 p.m. following the closing of the gas day.

II.6.5.2. SPECIAL RULES OF DEFINING CLEARING PRICE

If no transaction has been concluded for a gas day that could serve as a basis for calculating clearing price, the clearing price of the previous day shall be used in the accounting of the given gas day.

If the trading platforms were unavailable for a certain part of the given gas day or for the entire gas day due to server error or restriction, the clearing price shall be established by taking into consideration the price of the instruments used pursuant to Clause 5.1.6.2. The transmission system operator shall credibly document the transactions involved in clearing pricing.

II.6.5.3. THE CONTINUOUS PUBLICATION OF THE CLEARING PRICE WITHIN THE GAS-DAY

Following the conclusion of a transaction on the trading platforms the transmission system operator shall without undue delay publish the marginal buy and marginal sell prices based on the data of all transactions concluded during the period until the transaction on the given gas day pursuant to the calculation procedure stipulated in Clause 7.2.1.

If more than one trading platform is operated on the Hungarian natural gas transmission network, then following the conclusion of a transaction on any of the trading platforms the transmission system operator shall without undue delay publish the marginal buy and marginal sell prices. All entities operating trading platforms shall deliver the data required for the calculation and publication of the price pursuant to the specific agreement concluded with the transmission system operator.

The delivery of data is made in HUF/kWh. If the settlement of the trade is executed in euro on the given trading platform, the value of the transaction concluded in euro shall be converted into HUF by using the average HUF/EUR exchange rate applying on the date of the transaction and published by the Central Bank of Hungary. The delivery of data required for the pricing shall be made with the data converted as described above.

II.6.5.4. CLEARING PRICE COMMITTEE

The body set up to establish, supervise and examine the clearing price shall be the Clearing Price Committee (Committee).

The aim of the Committee is:

- i) to specify the method of clearing pricing and to propose its modification if required,
- ii) to supervise the setting of the clearing price,
- iii) to initiate the revision of the clearing price.

The Committee shall supervise and monitor the procedure of setting the clearing price applied during the settlement of commercial imbalances.

If according to a Committee member the end-of-day clearing price does not adequately reflect the state of the natural gas market, and therefore a different clearing price needs to be set, or if a Committee member believes that the clearing price has not been set partly or fully in

compliance with the methodology stipulated herein e.g. due to a technical failure, then within one hour following the publication of the clearing price pursuant to Clause 7.2.1. herein, if the publication falls on a public holiday, on the first banking day following the public holiday(s), the Committee member shall submit a proposal accompanied by a justification for a modified end-of-day clearing price. The Committee shall decide on the proposal within another hour, but not later than 3.00 p.m. The Committee may only adopt a decision regarding the modification of the clearing price with a unanimous resolution.

Pursuant to the decision the Committee shall:

- i) approve the clearing price, or
- ii) modify the clearing price based on the proposal submitted, or
- iii) submit a proposal accompanied by an adequate justification to the Authority to initiate the judicial review of the clearing price. In such case the original clearing price shall be applied until the legally binding judicial decision is adopted.

The Committee shall record its decisions regarding the modification of the clearing price in writing together with the documentation of the members' votes. The written decision shall be published on the Company's website.

The Committee may submit a proposal to modify the clearing pricing rules to the Company before 31 December each year. Such decisions shall be adopted by the Committee with consensus. Based on the proposal the Company shall work out the necessary modifications of the rules, and it shall submit them to the Authority for approval within 60 days. The rules of clearing pricing may only be modified with regard to a full gas year.

The Committee is made up of 5 people, out of which 1 member is delegated by each TP operator, 1 by KELER CCP Ltd., 1 by the Authority, 1 by the Company.

The Company shall initiate the setting up of the Committee at least 60 days before the start of the gas year.

Members of the Committee shall keep the trade secrets received during committee work, in order to avoid cartel formation and unfair market practices. Only the public data of the TPs shall be disclosed to them during the performance of their duties.

Members of the Committee shall receive no remuneration for their work.

The Committee's work shall be coordinated by the Committee secretary who shall always be a member delegated by the Company.

Members of the Committee shall:

- i) actively participate in Committee work,
- ii) immediately assess the proposal regarding clearing price modification circulated by the Committee secretary and participate in the related decision making within the timeframe specified.

Members of the Committee are entitled to:

- i) submit a proposal to the Committee,
- ii) appoint a substitute in case of necessity,
- iii) view all documents related to the work of the Committee,
- iv) submit a proposal regarding the methodology of setting the clearing price and work out the methodology.

The mandate of the members shall terminate:

- i) with revocation,
- ii) with resignation,
- iii) if the member's employment is terminated by the employee or the employer,
- iv) if the mandate expires,
- v) in case of events at the occurrence of which the member may not be elected.

The Committee shall be convened by the secretary as may be necessary. The meetings and decisions of the Committee shall be recorded in minutes. The minutes shall be signed by the members of the Committee.

The Company is responsible for the smooth operation of the Committee.

II.6.5.5 EXERCISING WRONGFUL INFLUENCE ON CLEARING PRICE

All members of the TPs, including the Company, are entitled to initiate the review of the clearing price set by the authorized body if there is a suspicion that the clearing price established pursuant to Business Code has been subject to wrongful influence.

The below cases shall in particular be considered as exercising wrongful influence on setting the clearing price:

- i) submitting a purchase order negotiated in advance with two or more TP members, and concluding transactions as a result of such purchase orders,
- ii) quoting conspicuously high or low price in the bid, or concluding a transaction at a conspicuously high or low price,
- iii) a transaction concluded by exercising significant market dominance,
- iv) a transaction concluded with the aim of intentionally diverting the clearing price,
- v) insider trading pursuant to Regulation (EU) No 1227/2011.

Until the final conclusion of the proceeding of clearing price review, the clearing price requested to be reviewed shall be applied.

II.6.6 THE AMOUNT OF THE BALANCING SERVICE FEE AND THE CALCULATION RULES THEREOF

The commercial imbalance of Network Users who are not members of the trading platforms or any other trading platforms not operated by our Company shall be settled pursuant to Annex No. 4.6 of the Business Code.

II.6.7 THE AMOUNT OF THE FEE PAYABLE FOR THE RE-ALLOCATION OF THE PERIOD ALREADY CLOSED WITH A SETTLEMENT

Request for the correction of a clearance period already closed shall be submitted by the Neighbouring Network Operators to the Company. If necessary, correction clearance affecting the already closed period and the settlement between TP members may be initiated by the Company toward the Clearing House.

In case of a re-allocation request by the Neighbouring Network Operator following a period closed with clearance, the neighbouring Network Operator shall pay the Company HUF 50 thousand per occasion for each Network User affected with the re-allocation.

II.6.8 CLEARANCE BASE, PERIOD AND RULES OF NATURAL GAS TRANSMISSION

II.6.8.1 DAILY FINAL DATA SUPPLY

The basis of daily final data supply shall be the metering data collected by the Company on the OTR on the given day, and also the gas quantities allocated to this metering by the Neighbouring Network Operators for the given day.

The daily final data supply shall be made by the Company on the IP before 2 p.m. on the day following the relevant gas day.

The detailed rules and content of the daily final data supplies shall be set out in the BCC.

II.6.8.2 MONTHLY FINAL TRAFFIC CLEARANCE

The monthly final traffic clearance shall be based on the metering data collected by the Company on a daily basis on the OTR in the given gas month, and also the gas quantities allocated by the Neighbouring Network Operator for such metering on a daily basis.

The detailed rules and content of monthly final clearance shall be set out in the BCC.

The invoicing and payment requirements related to the monthly final clearance shall be stipulated in the General Terms and Conditions of the contracts.

II.6.8.3 MONTHLY CORRECTED CLEARANCE

The monthly corrected clearance shall be based on the metering data obtained from the heat calculators, and the result of the re-allocation procedure of the corrected quantitative data as evidenced in the protocol between the neighbouring network operators.

The detailed rules and content of monthly corrected clearance shall be set out in the BCC.

The invoicing and payment requirements related to the monthly corrected clearance shall be stipulated in the General Terms and Conditions of the contracts.

II.6.9 RULES OF PRICE DISCOUNTING APPLIED AS COMPARED TO THE OFFICIAL PRICE

Natural gas transmission activity shall be used for the fee defined by the law or in the Tariff Decree.

In case of deviation from the maximum fee (discount) stipulated by the law the discounted price shall be published by the Company on its website as required by the law and it shall enforce the same towards other Network Users as well.

II.6.10 DETAILED DESCRIPTION OF THE CALCULATIONS APPLIED IN METERING AND TRAFFIC CLEARANCE

In the metering systems gas quantity is calculated by the calculators operated by the Company.

The gas quantity shall be calculated according to the calculation algorithms specified in the applicable standards and/or regulations:

- (a) calculation of fluid flow in an orifice system pursuant to MSZ EN ISO 5167
- (b) calculation of fluid flow in a turbine meter and rotary system pursuant to MSZ EN 12405
- (c) calculation of compression factor of natural gas pursuant to MSZ ISO 12213-2 and MSZ ISO 12213-3

II.6.10.1 DETAILED DESCRIPTION OF THE CALCULATIONS APPLIED IN CLEARANCE

The processes to be applied during clearance shall be performed pursuant to the provisions stipulated in the BCC.

II.6.11 RULES OF INVOICING AND MANAGING INVOICE COMPLAINTS

II.6.11.1 SUBMITTING THE INVOICE

The submission of the invoice shall be deemed completed:

- (a) at the certified time of delivery in case of personal delivery
- (b) at the certified time of delivery in case of delivery by courier
- (c) at the certified time of delivery in case of delivery as a recorded mail
- (d) at the time of electronic dispatch in case of an e-invoice.

The rules of the Civil Code shall be reasonably applied to disputes related to the due date of the invoices or the completion of the submission of the invoice and the late performance of payment obligations.

II.6.11.2 THE RULES OF INVOICING

All payments between the Company and the Network Users shall be made in HUF.

The Company's invoices related to Network Usage Contract shall be issued pursuant to the currently effective Tariff Decree, in accordance with the provisions of the currently effective law on value added tax (VAT) for an amount rounded to the forint.

The fee items set out in the Tariff Decree with respect to defining the natural gas transmission network usage fees shall be exclusive of the VAT.

II.6.11.3 CLEARING SERVICE FEE ELEMENTS

The clearing of fee elements applicable to services shall be set out in the General Terms and Conditions of Network Usage Contracts.

II.6.11.4 CONTENT OF THE INVOICE

Invoice shall always be issued pursuant to the effective statutory regulations.

In addition to the data content defined by the law invoices shall contain the following data:

- (a) customer code of the client

- (b) method and due date of payment
- (c) consideration for the product (service) including tax listed as per items and as a total
- (d) the grand total of the invoice
- (e) the contract ID number

II.6.11.5 MANAGEMENT OF INVOICE COMPLAINTS

The rules of managing invoices against which complaints were submitted by Network Users shall be defined in the General Terms and Conditions of the contracts under the present Business Code.

II.6.12 THE RULES OF CHARGING AND PAYING SURCHARGES

The detailed description on charging and paying surcharges shall be defined the General Terms and Conditions of the contracts under the present Business Code.

II.6.13 METHOD OF PAYMENT

Payments shall be made by bank transfer to the bank account number indicated by the Company.

II.6.14 PAYMENT TERMS

The terms of payment and due dates applicable to the basic services provided by the Company shall be defined in the General Terms and Conditions of the contracts.

The terms of payment applicable to optional services provided by the Company shall be defined in Annex No. 4 hereto.

II.6.15 PENALTIES APPLICABLE IN CASE OF LATE PAYMENT

Detailed description of the sanctions applicable in case of late payment shall be set out in the General Terms and Conditions of the contracts.

If the Company grants discounts on interests to be invoiced in connection with late payment or disputed clearing, such discount shall be published on its website and if necessary, it shall grant the discount to all Network Users.

II.7 RULES APPLICABLE IN CASE OF DEFAULT

II.7.1 EVENTS OF DEFAULT

The detailed description of the events of default shall be set out in Annexes No. 4.b), 4.c) and 4.d) of the Business Code, with the reasonable application of the General Terms and Conditions of the contract type, and the terms and conditions of the Framework Contract (Appendix No. 4 - Annex No. 4.2).

Events of default by the Network User shall include particularly, but not exclusively:

- (a) taking more natural gas than the capacity booked in the Network Usage Contract
- (b) if a limitation is instituted, upon receipt the limitation notice non compliance with the reduction indicated in the limitation notice by the deadline stated therein

- (c) if capacity is interrupted, within the due date indicated in the applicable contract, failure to set the requested performance, i.e. interruption failure.

Events of default by the Company shall include in particular, but shall not be limited to:

- (a) failure to provide the Network User with the capacity booked in accordance with the Network Usage Framework Contract, save for the cases stipulated in the law
- (b) failure to ensure the processes, information detailed in the contract and the BCC
- (c) failure to perform odorization
- (d) failure to provide the transmission system operation tasks

II.7.2 SANCTIONS AND CONSEQUENCES

II.7.2.1 CONSEQUENCES OF DEFAULT

The description of the sanctions and legal consequences applicable in case of default shall be set out in Annexes No. 4.b), 4.c) and 4.d) of the Business Code, with the reasonable application of the General Terms and Conditions of the contract type, and the terms and conditions of the Framework Contract (Appendix No. 4 - Annex No. 4.2)

II.7.2.2 CONSEQUENCES OF TAKING GAS WITHOUT A CONTRACT

Taking more natural gas than the capacity booked in the Network Usage Contract shall be deemed taking without a contract. In this case the Network User shall pay the Company an additional capacity fee and excess capacity surcharge stipulated in the Price Application Decree.

If following the Company's due request to interrupt capacity the Network User fails to set the capacity to the level requested by the Company for the indicated network point within the date defined, then the Network User shall pay the Company the interruption surcharge stipulated in the Price Application Decree.

If following the Company's due request to limit capacity the Network User fails to set reception to the level requested for the indicated exit point within the date defined in Government Decree No. 265/2009 (XII.1.) as per the category identified in the Limitation Grading, then the Network User shall pay the Company the capacity overrun surcharge stipulated in the Price Application Decree. In addition to this the Network User may be subject to further sanctions stipulated in the provisions of the Gas Supply Act, the Implementation Decree and Government Decree No. 265/2009. (XII. 1.).

The Network User shall be liable for damages caused by the failure to comply with the limitation.

II.7.3 RESTORATION OF THE CONTRACTUAL CONDITION

Should a provision of a contract between the Company and the Network User become invalid, such shall only apply to the given provision, and shall not affect the validity of the entire contract or other provisions thereof.

The contracting parties undertake to immediately enter into negotiations in good faith to replace the invalid provision with another provision.

II.7.4 METHOD OF MAKING GAS TAKING WITHOUT A CONTRACT LEGAL

Taking gas without a contract shall become contractual if the person taking gas without a contract

- (a) enters into the relevant contracts,
- (b) discontinues the defaulting conduct, state of affairs,
- (c) has paid in full or in instalments the countervalue defined pursuant to this Business Code,
- (d) has complied with other payment obligations (fee in arrears, default interest, surcharge, penalty, etc.),
- (e) has paid the costs incurred with the discontinuing of taking without a contract and with the restoration if these extra costs are being proven by the Company.

II.8 THE RULES OF MANAGING COMPLAINTS

II.8.1 RECEIVING CUSTOMER COMPLAINTS

Customer complaints may be filed with the Company in a duly signed letter sent by post or by fax, or in person at the customer service office.

II.8.2 ADMINISTERING CUSTOMER COMPLAINTS

Complaints received shall be managed by the Company according to its internal policy.

The justified nature of the complaint is investigated and further measures are taken within 30 days. The Company shall deliver a written notice to the complaining party, about the result of the investigation and the fact that the customer complaint is closed.

If the investigation exceeds the 30 days, the Company shall notify the complaining party in writing about the expected date of closing.

If the administration related to the customer complaint is beyond the power of the Company, such shall be communicated to the customer in a notice specifying the company or organisation competent to respond to the customer complaint.

II.9 DESCRIPTION OF THE ACTIVITIES PERFORMED IN ADDITION TO THE BASIC ACTIVITY

The description of the activities performed in addition to the basic activity and the terms and conditions of using them shall be published on the Company's website.

Siófok, 30 August 2018

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Kristóf Lajos Terhes
CEO

Approval clause:

This Business Code has been approved by the Hungarian Energy and Public Utility Regulatory Authority on 21 September 2018 with the effective date of 1 October 2018 in its resolution no. 10115/2018.