

Questions and answers

2nd information package

General Information

General Information, Capacity Booking

1. In what cases is a submitted bid not valid?

A: The terms and conditions for submitting a binding bid are set out under Sections 3.5, 4.3.1 and 4.3.2 of the Rulebook. These conditions must always be met in order to be considered valid.

2. What are the consequences for FGSZ Ltd and for the bidder if the trading process is delayed/ does not start in time?

A: The above-mentioned issue is specified under Section Number 5 of the Capacity Booking Contract.

If after the start date of the service specified in the capacity booking contract, the Network User does not have the contracted capacity for reasons directly attributable to the FGSZ Ltd, then FGSZ Ltd shall pay nomination deviation penalty set out in the Tarif Decree as earnest money according to the General Terms and Conditions.

3. In our understanding, in case of a bid withdrawal, the partial cancellation may be related either to the duration of the bidding process and/or to lowering the bidding quantity that is applied for, is it right?

A: Yes.

4. In our understanding, according to 4.3.1 it is not possible for a legal entity to submit a bid for both levels (Level 1 and Level 2) for the same gas year? Do we have to decide ahead whether we will bid for bid level 1 or bid level 2 for the actual gas year?

A: The interpretation is not correct. The correct interpretation is that capacity levels have alternatives, it means that a legal entity may submit one bid either for capacity level 1 or for capacity level 2 or for both levels at the same time.

5. How can we double check that the bidder is calculating the right amount of the required guarantee correctly? Can FGSZ Ltd provide a calculation table for bidders?

A: A calculation table will be available until the offer window is opened

6. Should the offer guarantee be valid until 30/04/2020?

A: Based on this consultation material, our answer is: yes. However, the terms and conditions will become final once the final content of the Open Season Rulebook has been approved by the MEKH in a resolution.

7. If FGSZ Ltd decides to terminate the Open Season procedure prematurely, will the tender security be returned to the tenderer before its expiry date?

A: Yes. According to the paragraph 5.1 of the Rulebook, as far as the technical details are concerned: FGSZ will release the security and transfer the security amount within 15 days of the procedure's termination.

8. In what order will the capacity allotment procedure take place in case of oversubscription if bidders have differently indicated their minimum capacity requirements, for different periods, and some bids are valid only for each year combined?

A: Oversubscription is specified under Section 4.3.2 of the Rulebook. See our numeric example in the presentation.

9. Can a bidder submit capacity bids only evenly or by profile? If both are possible, is there any kind of difference regarding the bids submitted?

A: The Bidder may submit capacity bids based on any profile with a minimum time duration of a gas year. The gas years are not necessarily consecutive. Based on these facts, there is no difference in the evaluation of the submitted bids. The capacity allocation methodology is specified under Section 4.3.2 of the Rulebook.

10. Can the offer for different gas years be related to different capacity volumes? Can some years be "zero"?

A: Yes, they can differ and it can be 0 as well.

11. What are the formal requirements for exercising the step-back right?

A: There is no separate form for this, but the intention of exercising the step-back right must be stated in a declaration, specifying for which gas years and quantities the step back right will apply. The declaration must be duly signed and then sent to FGSZ Ltd till 4 p.m. on the 14th of April 2020. The original statement can be sent by post or via courier, but must be received by the above-mentioned deadline by FGSZ Ltd.

12. In case of Bid withdrawal, in whole or in part, of any annual standard capacity product, the Tenderer shall pay a compensation fee that equals to 0.033% of the bid value affected by the withdrawal within 15 days of the written notice of withdrawal, based on the related invoice. The Bid Value shall be calculated by multiplying the Starting Price and the Supplement Fee (specified in this binding Open Season procedure) by the planned contracted capacity of the Network User.

Question: Is the calculation based on the value of one year or on the value of the entire contract period?

A: The relevant bid value shall be based on the entire contractual period.

13. Is it necessary to submit a bid for both capacity levels in order to be able to have capacity allocated to the Bidder in case of fulfilment of any of the mentioned capacity level?

A: In accordance with specifications under Section 4.3 of the Rulebook, the capacity can be allocated to the Bidder only if he has submitted a bid for the mentioned capacity level.

14. Although the capacity offer procedure concerns the HU side, please indicate if for this project EU regulation of third party access is foreseen to apply at the Exit SRB for unsold capacity.

A: FGSZ is not competent in this matter, please contact Gastrans Novi Sad d.o.o.

15. 10 per cent of the technical capacity for the entire booking period will be allocated in the form of unbundled, short-term capacity products.

A: Yes

16. What kind of small price steps and large price steps will be used?

A: FGSZ foresees 10% /1%.

17. On what price will the short-term capacities be offered? The short-term reserve price will be the same as the amount of the tariff + supplement evolved during the OS corrected with the seasonal factors?

A: Yes

18. Will the remaining capacity be offered on the RBP after the OS proceeding? If yes, under what conditions?

A: Yes, under FGSZ' GT&Cs.

19. Supplement: term „maximized” is used. Our understanding is that the function of the supplement, together with the regulated tariff, is to ensure the income of the TSO as return. As the regulated tariff changes, it is unclear to us, what does the term „maximized” means in this case, because we understand that if the tariff decreases, then the supplement increases. Please clarify.

A: The supplement remains the same even if the underlying tariff changes.

20. Withdrawal of the bid by the bidder:

„If a Bid is withdrawn in its entirety, or in relation to any standard yearly capacity product in full or part, after serving a written notification of the withdrawal, within 15 days following the issuance of the associated invoice the Bidder shall pay a fee in an amount corresponding to 0.033% of the offered value (earnest money).”

When will the invoice be issued?

A: Within 30 days from the receipt of the withdrawal notice.

21. What is the starting date and the expiry date of the validity of the financial security relating to the performance of the contract?

22. Please confirm that the financial security has to be submitted within eight days of 15/04/2020 at the latest.

23. In case of bank guarantee, the bank guarantee has to be extended yearly. If yes, should the fee for the highest yearly capacity be granted to FGSZ?

A: Deadline:

within 8 days following the announcement of the successful implementation of the OS procedure, based on the current timeline 30.04.2020

Amount:

capacities booked for five years or more five times the highest annual capacity fee capacities booked for less than 5 years or if less than 5 years remain from the contractual period the total amount of the annual capacity fees

Validity:

whole term of the contract+ 90 days extension until the 30th day preceding the expiry of the currently valid financial security

24. Should the discount rate and the escalation rate be taken into consideration when calculating the offered value?

A: No

25. Any single Bidder – including its affiliated companies – may submit a Bid for maximum 50% of the offered capacity.

We understand that this restriction applies to Offered Capacities with respect to a single Gas Year (i.e. not with respect to the aggregated capacity booking of the Bidder).

A: Correct.

We also understand that this restriction applies separately for each capacity level (i.e. no aggregation will be made across capacity levels). Please confirm that our understanding is correct.

A: Yes, correct.

Questions regarding the Bid form

26. Quote: "Please indicate which of the following applies to your bid:
Bidding obligation for consecutive gas years

The Bid submitted for the given number of gas years is jointly valid:
Kiskundorozsma 1200 - (RS> HU import) for consecutive gas years:

Ajánlati kööttség a Minimum mennyiségre vonatkozóan
Binding Bid on Minimum Quantity

A benyújtott Ajánlat kizárólag az ajánlatbeadási táblázat "Minimum mennyiség" oszlopának egyes soraiban megadott minimum mennyiségek teljesülése esetén érvényes."

Szükségünk lenne a fent idézett két kérdés részletesebb magyarázatára.

The Tender submitted shall be valid only if the minimum quantities specified in each row of the "Minimum quantity" column of the submission table are met. "

We need a more detailed explanation of the two issues mentioned above. Are these mutually exclusive options, even alternatives? Can be marked only for example a period of consecutive 10 years? Regarding the first question mentioned above, I do not understand what happens if I do not indicate it?

Concerning the second question, we would you like to understand what happens if we do not tick the box. Could be there such a scenario where less amount will be allocated than originally requested by the Applicant/Tenderer?

A: These are conditions that can be applied also together.

If there is no specification regarding the minimum quantity, any capacity may be allocated to the Bidder based on the application of the pro rata principle.

In case of specifying a minimum quantity, this offer will be valid for the actual gas year only if the minimum quantity rule can be satisfied also after application of the pro rata principle.

If combined availability of gas years is also a condition, it means that each offer for the actual gas year is only valid if the requested capacity can be allocated for each gas year.

In accordance with conditions regarding gas year, it is not necessary that this applies to consecutive gas years, too.

Legal questions

1. In which cases would FGSZ exercise its step back right?

A: Chapter 6 of the OS Rulebook shall apply, i.e.:

FGSZ has the right to terminate this procedure in writing, with immediate effect

-Within 7 days after the issuance of the MEKH Decision in relation to the approved Open Season Rulebook,

-in any phase thereof in case the course of the procedure is materially influenced by uncontrollable, unavoidable causes (force majeure cases), as well as

-until 15.04.2020. if the preconditions set out in MEKH's Decision no. H805/2019 are not satisfied in relation to the Open Season Procedure.

Cases of force majeure shall include, in particular: natural disasters, international embargoes, wars, civil wars, the application of international sanctions affecting FGSZ or any associated company thereof.

The above conditions and deadlines become final only if and when HEA will have approved the contents of the OS Rulebook.

2. Is there a limit for capacity booking if the bid is submitted by a natural gas consumer, producer or network operator?

A: Not within the OS Rulebook. If there are any other rules restricting such capacity booking and usage, it is the responsibility of the network user to ascertain what is the limit according to the applicable legislation relevant to them. HEA may verify this within its market supervisory role.

3. In FGSZ's interpretation, what is an affiliated company?

A: According to the OS Rulebook: "Affiliated Company" shall have the meaning defined in Section 23 of Article 4 of Act LXXXI of 1996 on corporate income tax and dividend withholding tax.

23. 'affiliated company' shall mean:

a) the taxpayer and the person in which the taxpayer has a majority control - whether directly or indirectly - according to the provisions of the Civil Code;

b) the taxpayer and the person that has majority control in the taxpayer - whether directly or indirectly - according to the provisions of the Civil Code;

c) the taxpayer and another person if a third party has majority control in both the taxpayer and such other person - whether directly or indirectly - according to the provisions of the Civil Code, where any close relative holding a majority control in the taxpayer and the other person shall be recognized as third parties;

d) a nonresident entrepreneur and its domestic place of business and the business establishments of the nonresident entrepreneur, furthermore, the domestic place of business of a nonresident entrepreneur and the person who maintains the relationship defined under Paragraphs a)-c) with the nonresident entrepreneur;

e) the taxpayer and its foreign branch, and the taxpayer's foreign branch and the person who maintains the relationship defined under Paragraphs a)-c) with the taxpayer;

f) the taxpayer and other person if between them dominating influence is exercised relating to business and financial policy having regard to the equivalence of management;

g) Paragraphs a)-c) notwithstanding, affiliation shall be considered to exist for the purposes of Point 11, Point 53 and Paragraph f) of Subsection (1) of Section 8 even if the taxpayer holds directly or indirectly a participation in terms of voting rights or capital ownership of 25 per cent or more or is entitled to receive 25 per cent or more of the profits in an entity, with the proviso that for the purposes of these provisions compliance with Paragraph f) shall not be taken into account;

According to point 4.3.2.1. of the OS Rulebook, the Bid of the Bidder(s) and its affiliated companies are null and void if they jointly bid for more than 50% of the offered capacity. Taking this onto account, in case of any doubt on certain companies being affiliated, during the bid submission period FGSZ may request additional declarations and/or documents (Chapter 7 of the OS Rulebook) from such companies to clarify the situation. The Bidders should in this case prove that no affiliation exists between the relevant companies. If the Bidders fail to provide the required declarations and/or documents or fail to prove that lack of affiliation, such Bidders' Bids shall become null and void.

4. According to Chapter 7 of the Rulebook, what kind of additional documents could FGSZ require from the Applicants? For what reason? What is the consequence if the Applicant does not fulfil or partially fulfils this requirement?

A: See the first set of Q&A, point 3. Example: articles of association.

5. "FGSZ has the right to terminate this procedure in writing, with immediate effect until 15/04/2020 if the preconditions set out in MEKH's Decision no. H805/2019 are not satisfied in relation to the Open Season Procedure."

Please confirm that the preconditions are the ones, which are set out in Section II/.1.1 of the MEKH's Decision referred to above?

A: We confirm.

Question related to the Bid Form

6. May the Bid only be signed by the authorised representatives indicated during the restoration?
Or could any authorised representative sign the bid form?

A: Authorised representatives not indicated in the registration form may also sign the bid form in case the specimen signature is also attached. In case of joint company representation this refers to both (or more, as the case may be) specimen signature of the authorised representatives.

7. In case of joint representation, is it correct to state the data of the authorised representatives under each other?

A: The Bid form will be amended to accommodate this option, too. Name of the company, name of the signatories, position and signature will be required.

8. In the address field, whose address is needed to be provided? The company's address or the address of the authorised representative?

A: the address of the company. FGSZ submits all documents to this address.

9. Please provide the Bid form in an editable format.

A: it will be editable.

Financial questions

1. Do we understand correctly that if the total capacity request of all network users will be less than 90% for 15 years or 100% for 14 years, the OS will be unsuccessful?

A: The basic requirement of the evaluation is that the discounted revenue (PVUC) resulting from the capacity contracts reaches the required threshold, which criterion is triggered at around an average booking of 90%.

2. What does it mean that from the 2022/23 gas year, FGSZ will review the level of escalation? What can change and under which conditions?

A: The revision of the escalation takes into account the CPI for the relevant year as published by the Hungarian National Bank (MNB).

$$P_n = P_{(n-1)} * (1 + \text{MNB factual CPI}_{(n-1)})$$

where P_n = the starting the of the year n
 $P_{(n-1)}$ = the starting the of the year n-1
MNB factual CPI_(n-1) = factual CPI (%) published in the Inflation report by the Hungarian National Bank in March of year n for the year n-1

3. Penultimate paragraph of Chapter 4.2.2. regarding the supplement. According to the addition to the calculation of the reserve price and supplement, the supplement will be escalated by 1% from 2021/2022. Does this mean that the supplement will be already higher in 2021/2022 than indicated in Chapters 4.1.1. and 4.1.2. of the OS Rulebook?

A: Please refer to Answer no. 2.

4. “The supplement has been calculated on the basis of the assumption that at least 90% of the offered capacity will be continuously booked for 15 years in the direction from Serbia to Hungary. If more than 90% of the offered capacities would be booked within the Open Season Procedure or at any later capacity auction, the rate of the supplement shall be decreased. Examples: if 100% of the offered capacities is booked, the supplement will change to 746.89 HUF/kWh/h/y. If less than 90% of the offered capacities would be booked within the Open Season Procedure, then the economic test of the second capacity level will be unsuccessful.”

In our view the Rulebook calculates with a wrong exit tariff (739,84 HUF/kWh/h/year) instead of applying the correct entry tariff (891,31 HUF/kWh/h/year). As a result, in our view also the calculation of the supplement is wrong. Please clarify the underlying calculation methodology.

A: we would like to clarify and correct the value of the floating element of the P0 indicative price. As per definition above this value is currently equal to 891.31 HUF/kWh/h/y based on prevailing price regulation, at the time of the announcement cross-border entry fee determined in MEKH Decree No. 13/2016 (XII. 20.).

5. “Capacities shall be allocated at the reserve price and supplement in case no overbooking occurs.”

Please clarify it, because the reserved price and the supplement may change until the time of the booking (e.g. due to change in the tariff, or the reserve supplement may change depending on the volume of the booking).

A: The reserve price may indeed change but the supplement shall not be changed.

6. Please provide the template for the financial security required for the Bids. The general terms of business of FGSZ contains template only for securities regarding the performance of the contract. Please confirm if such template can be used relating to the bid security

A: [we will publish on our website](#)

Technical questions

1. What is the technical content of the first capacity level?

A: Pipeline DN1200, PN75: from SRB/HU border to Kiskundorozsma 2 MS, 15 km

New Kiskundorozsma 2 Metering Station (bidirectional)

2. What is the technical content of the second capacity level?

A: Pipeline DN1200, PN75 from SRB/HU border to Kiskundorozsma MS, 15 km;

Pipeline DN1000, PN75 Kiskundorozsma MS to Városföld CS, 67 km;

New Kiskundorozsma 2 Metering Station (bidirectional); Node modifications

3. What will be the gas quality at the Kiskundorozsma 1200 IP?

A: Gas quality and gas composition at the Kiskundorozsma 1200 IP will be contained FGSZ's Special contractual terms and conditions.

4. Was an open season procedure already conducted on the Serbian side? With what results?

A: Gastrans Novi Sad d.o.o. conducted an open season procedure. For any details, please contact this company.

5. How can more than 90% of capacity be booked, if no more than 90% of the technical capacity is offered?

A: in both offer levels, 90% of the technical capacity is offered. For a successful economic test approximately 90% of the **offered** capacity, i.e. 81% of the technical capacity is to be booked by all network users. The remaining 10% of the technical capacity will be offered in CAM NC capacity auctions on the RBP platform.