

**Implementation of the Virtual Interconnection Point between
Ukraine and Hungary**

**Notification regarding changes to the business rules and
Public Consultation**

1. Purpose of the notification and consultation

Article 19 of Commission Regulation (EU) No. 2017/459 of 16 March 2017 establishing a Network Code on Capacity Allocation Mechanisms in Gas Transmission Systems and repealing Regulation (EU) No. 984/2013 (NC CAM) stipulates that the gas transmission system operators shall establish Virtual Interconnection Points (VIP) in case two or more physical interconnection points connect the same two adjacent gas transmission systems in order to facilitate the cross-border trading and to simplify the use of the transmission network for shippers.

Gas TSO of Ukraine LLC (hereinafter also – UA TSO) as the operator of the gas transmission system in Ukraine and FGSZ Natural Gas Transmission Private Company Limited by Shares (hereinafter also – FGSZ) as the operator of the Hungarian gas transmission system decided to start preparations for the implementation of the VIP at the cross-border interconnection between Ukraine and Hungary and as the first step of the implementation to consult the rules of VIP with all concerned Parties. The operational test of **“VIP Bereg” virtual interconnection point starts from 04:00 (UTC) 1st May 2020** with two-month test period, during which all interested Party will have the opportunity to accommodate with it and to ask for clarifications from the UA TSO and FGSZ (hereinafter together also referred to as “the Parties”, separately – “the Party”).

2. The actual status of the cross-border interconnection

Currently at Hungarian side firm and interruptible capacity products are allocated to two physical interconnection entry-exit points (Beregdaróc 1400 UA>HU, and Beregdaróc 800 HU>UA) through auctions meaning that a transmission system user who wants to reserve a standard capacity product must take part in an auction on the Regional Booking Platform (RBP) in order to book capacity at the given entry-exit physical interconnection point.

From Ukrainian side capacity allocation is conducted in accordance with the Network Code of Ukraine till the end of this gas year. Starting from gas year 2020/2021 the capacity allocation will be conducted through auctions and the LLC “Gas TSO of Ukraine” will separately inform network users on the rules to be applied and auction platforms to be used.

Gas nominations and allocations are made for individual physical interconnection entry-exit points based on gas transmission contracts between the transmission system operator and transmission system users.

The purpose is to bring together the two physical interconnection points between two adjacent commercial zones into a single VIP, and to simplify rules for transmission system users to allow them to book entry-exit capacity between two adjacent commercial zones at a single VIP. In addition, VIP aims to facilitate the transport and trading of gas between Ukraine and Hungary and to increase liquidity, and consequently competition on both gas markets.

3. Business rules applicable at VIP Bereg (21Z00000000507L)

3.1 Basic parameters

All firm and interruptible capacity will be offered at VIP Bereg. From Hungarian side, capacity will be allocated in auctions using standard capacity products. The auction algorithm at VIP Bereg will be the same for specific standard capacity products as the auction algorithm for individual physical interconnection entry-exit points. From Ukrainian side till the end of gas year 2019/2020 the capacity allocation rules prescribed by Network code of Ukraine will be applied. Auctions will be implemented starting from gas year 2020/2021.

Switching to the VIP Bereg will not have a detrimental effect on the overall technical capacity of the entry-exit system. The size of technical capacity at VIP Bereg will be equal to the sum of technical capacity available at physical interconnection points incorporated into it, namely Beregdaróc 1400 UA>HU, and Beregdaróc 800 HU>UA.

The capacities of VIP Bereg:

- Direction Ukraine – Hungary:
 - firm: 1 895 054 m³/h (0 °C) (21.484.974 kWh/h)
 - interruptible: 1 686 576 m³/h (0 °C) (19.121.377 kWh/h)
- Direction Hungary - Ukraine:
 - firm: 0 m³/h
 - interruptible: 3 581 630 m³/h (0 °C) (40.606.351 kWh/h)

Name and code of the virtual interconnection point on the Informatic Platform of FGSZ

- VIP Bereg (HU>UA), HABERVIP1HHN, 21Z000000000507L
- VIP Bereg (UA>HU), HABERVIP1IIN, 21Z000000000507L

Name and code of the virtual interconnection point on the Regional Booking Platform

- VIP Bereg, 21Z000000000507L

3.2 Capacity booking at FGSZ Ltd.

In case of direction from Hungary to Ukraine network users shall book capacity at Regional Booking Platform for 'VIP Bereg' (21Z000000000507L), exit TSO is FGSZ, entry TSO is Gas TSO of Ukraine LLC.

In case of direction from Ukraine to Hungary network users shall book capacity at Regional Booking Platform for 'VIP Bereg' (21Z000000000507L), exit TSO is Gas TSO of Ukraine LLC, entry TSO is FGSZ at Regional Booking Platform.

FGSZ will offer capacities at VIP Bereg for the first time in the day-ahead auction held on 30 April 2020 at 14:30 (UTC) for the transmission capacities on 1 May 2020. Further capacity auctions will be conducted for VIP Bereg only in accordance with ENTSOG auction calendar.

3.3 Capacity booking at LLC "Gas TSO of Ukraine"

In case of direction from Hungary to Ukraine network users shall book capacity at entry VIP Bereg (HU>UA), i.e. for 21Z000000000507L entry IP, instead of IP Beregdaróc .

In case of direction from Ukraine to Hungary network users shall book capacity at exit VIP Bereg (UA>HU), i.e. for 21Z000000000507L exit IP, instead of IP Beregdaróc.

3.4 Nomination

Concerning the network users there will not be essential changes in the system for nomination, the deadlines for nomination on both sides of the IP will be business as usual.

Nomination for the system of FGSZ:

In case of direction from Hungary to Ukraine network users shall submit their nomination for

- 'VIP Bereg (HU>UA)' (HABERVIP1HHN) exit network point or,
- EIC (21Z000000000507L) and 'OUT' direction in case of Edigas xml.

In case of direction from Ukraine to Hungary network users shall submit their nomination for

- 'VIP Bereg (UA>HU)' (HABERVIP1IIN) entry network point or,

- EIC (21Z000000000507L) and 'IN' direction in case of Edigas xml.

Nomination for the system of UA TSO starting from 1 May 2020 will be accepted and processed only for VIP Bereg (21Z000000000507L) entry / exit direction, instead of IP Beregdaróc or IP Beregovo respectively.

The Network Users in FGSZ's Transmission System and UA TSO's Transmission System shall be entitled to submit to FGSZ / UA TSO the nomination for Gas Day D no later than UTC 13:00 (in winter time) and UTC 12:00 (in summer time) of the Gas Day D-1.

By UTC 15:00 (in winter time) and UTC 14:00 (in summer time) of Gas Day D-1, the Parties shall inform their Network Users about the confirmed quantities.

Network Users active on both sides of the VIP shall have the right to re-nominate between UTC 15:00 (in winter time) and UTC 14:00 (in summer time) of Gas Day D-1 and UTC 02:00 (in winter time) and UTC 01:00 (in summer time) of Gas Day D. The Parties shall start a re-nomination cycle in the beginning of every hour, between UTC 16:00 (in winter time) and UTC 15:00 (in summer time) of Gas Day D-1 and UTC 02:00 (in winter time) and UTC 01:00 (in summer time) of Gas Day D. For re-nominations a lead time of two hours prior to the start of implementation of the nomination shall apply.

Within two hours after the full hour following re-nomination request(s) receipt of Network Users, the Parties shall inform their Network Users about the confirmed quantities.

In case a nomination or re-nomination has not been submitted by a network user or has been rejected by a transmission system operator, the Parties shall use the network user's last confirmed quantity, if any.

3.5 Allocation

The allocation of the quantities delivered and/or received by the relevant Network User(s) shall be carried out based on the matched quantities. The unit of allocation is in kWh (25°C/0°C). The allocated daily quantity for the shippers equals to the latest matched volumes in kWh.

3.6 Communication in case of force major

Both Parties shall undertake to assure prompt exchange of all relevant information (exchange within 30 minutes after occurrence of an emergency), which may affect the quantity of gas being transported in the future and the quality parameters of the gas.

- The communication shall be performed by means of telephone call for information, followed by a written confirmation;
- where an exceptional event occurs on a party's network affecting the interconnection point, the relevant party shall without delay inform and keep informed the other party in respect of the possible impact on the quantities of gas that can be transported over the interconnection point.
- where a party considers there is an evident danger to system security and/or stability and an exceptional event may have an impact on the confirmed quantities of its network users, as soon as reasonably practicable, each contracting party shall inform its respective affected network users that are active at the concerned interconnection point of the consequences for the confirmed quantities;
- once the exceptional event ends, the relevant affected party(ies) shall inform the other party as soon as reasonably practicable and each contracting party shall inform its respective affected network users accordingly.

4. Publication of information

As regards the publication of information, any and all information the transmission system operator publishes in accordance with the legislation will be published in the same manner as at present once the VIP is implemented.

5. Effect of the VIP on existing contracts

From the side of FGSZ the existing contracts , originally entered into for specific physical interconnection points, will be transferred to VIP Bereg, i.e. existing contracts for Beregdaróc 1400 UA>HU (21Z000000000139O) will be transferred to VIP Bereg (UA>HU) (21Z0000000000507L) and existing contracts for Beregdaróc 800 HU>UA (21Z000000000270Q) will be transferred to VIP Bereg (HU>UA) (21Z0000000000507L). The transfer will involve the entire contract, where all terms and conditions will be preserved, including the price, volumes, and duration of the contract term. In contrast, transferring capacity from the VIP to a physical interconnection point will not be possible. Likewise, it will not be possible to switch contracts entered into for the VIP to the original physical interconnection point.

Regarding bilateral transactions valid for the period after 1st May 2020 for Beregdaróc 1400 UA>HU (21Z000000000139O) and Beregdaróc 800 HU>UA (21Z000000000270Q), the network users shall set the transactions by themselves for VIP Bereg (21Z0000000000507L) for the respective directions on the Regional Booking Platform.

From the side of UA TSO the template transmission contract will be applied. Booked capacity for physical IP Beregovo and physical IP Beregdaróc will be transferred to the VIP Bereg.

6. Tariffs

The establishment of the VIP will have no effect on fees for gas transmission services rendered. VIP will be subject to the same entry-exit rates as physical interconnection points.