

## **GAS TRANSMISSION CAPACITY FROM HUNGARY TO SLOVAKIA**

### **RULEBOOK - BINDING INCREMENTAL CAPACITY PROCEDURE ACCORDING TO THE COMMISSION REGULATION (EU) No. 459/2017**



# GAS TRANSMISSION CAPACITY FROM HUNGARY TO SLOVAKIA

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## **1. Introduction & Scope**

Eustream, a.s. (hereinafter referred to as “**Eustream**”) is gas transmission system operator in the territory of the Slovak Republic, FGSZ Ltd. (hereinafter referred to as “**FGSZ**”), is the gas transmission system operators in the territory of Hungary (operator of the Slovak-Hungarian gas interconnection in the territory of Hungary). Eustream and FGSZ (hereinafter referred to individually as the “**Party**” and collectively as the “**Parties**”) are conducting a joint Incremental Capacity Procedure (hereinafter ICP) according to the Commission Regulation (EU) No. 459/2017 regarding firm natural gas transmission services on the following interconnection point and direction:

- IP: Veľké Zlievce / Balassagyarmat (EIC 21Z00000000358C), direction from Hungary to Slovakia

The capacity defined in this Rulebook, will be offered in an incremental capacity auction. Capacities will be allocated in the successful auction based on the conditionality fulfilment defined in this Rulebook.

Capacity will be allocated as yearly bundled capacity products on a firm basis via incremental capacity auction at the IP in the offered direction at the interconnection point starting with 1 October 2024 until 1 October 2039.

All interested Network Users shall be aware and agree that all Bids received in the present binding ICP by the TSO's shall be considered as legally binding request for capacity booking and basis for the allocation of capacities pursuant to Article 4.4 “Capacity allocation concept”.

On the IP Veľké Zlievce/Balassagyarmat, TSOs will set aside short term quotas of the incremental capacity within the binding ICP, which would be reserved for short-term capacity booking and would allocate this capacity on a non-discriminatory basis according to Commission regulation (EU) No. 459/2017.

These ICP Rules are results of a public consultation based on the Article 27 of the Commission Regulation (EU) No. 459/2017. Parties have also included the relevant infrastructure projects in their national network development plan proposals (Slovak NDP, Hungarian NDP).

Based on these considerations, the TSOs hereby officially announce their invitation to bid for the Binding Incremental Capacity Procedure.

The Parties have the right to change the conditions in the Rulebook - binding Incremental Capacity Procedure which in accordance with the Commission Regulation (EU) No. 459/2017 (“CAM NC”) establishes general rules and conditions that network users must accept to participate and access

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capacity in the binding capacity allocation phase of the incremental capacity process (hereinafter HU-SK Rulebook) subject to the consultation process and approvals of NRAs.

The Parties establish and initiate this Incremental Capacity Procedure based on the non-binding demand indications, market demand assessment, and on the decision by MEKH No.: H1344/2020. and by the decision of Úrso.

The Parties shall terminate this Incremental Capacity Procedure in case the economic test is unsuccessful.

## 2. Definitions

Words and expressions used in this document shall have the meanings stated below:

“**Bid**” shall mean the Bidder’s offer for a binding commitment to book capacities at the auction.

“**Network User**” shall mean a legal entity that is eligible to participate both in FGSZ’s and EUS’s capacity auctions according to the relevant national regulations and the TSOs’ general terms and conditions.

“**Binding Incremental Capacity Procedure**” shall mean the binding Incremental Capacity Procedure according to the Commission Regulation (EU) No. 459/2017 based on which Eustream and FGSZ allocate the Offered Capacity of the IP to Successful Network Users on a binding basis.

“**Gas Day**” shall mean a time period of 24 hours, starting at 6.00 hours CET, on the day of transition to Central European Summer Time, the gas day shall be a time period of 23 hours and on the day of transition to Central European (Winter) Time, the gas day shall be a time period of 25 hours.

“**Indicative Reserve Price  $P_o$  (EUR/kWh/h/y)**” shall mean the sum of the related entry and exit fees at the IP applicable at the capacity allocation procedure as stipulated in Article 4.1. The fees payable to the TSOs shall be settled in the national currencies under the relevant contracts between the Bidder and the TSO as annexed hereto.

“**Interconnection Point**” (hereinafter referred to as “**IP**”) shall mean the physical connection of the Slovak national gas transmission system and the Hungarian national transmission system near Veľké Zlievce / Balassagyarmat at the Slovak / Hungarian state border, the EIC of IP is 21Z00000000358C.

“**Offered Capacity**” shall mean the capacity, expressed in energy unit allocable per hour on the IP in direction from Hungary to Slovakia (IP Veľké Zlievce / Balassagyarmat, EIC 21Z00000000358C) within the scope of the Binding Incremental Capacity Procedure, starting from the Target Commercial Operation

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Date. For avoidance of any doubt the Offered Capacity does not include 10% of the incremental capacity which is dedicated for short-term bookings at IP Veľké Zlievce / Balassagyarmat in each direction.

**“Price Decision”** the valid applicable tariff with its calculation mechanism set by the relevant National Regulatory Authority. For avoidance of doubt for EUS, the valid Price Decision in respect to this incremental capacity allocation, is decision No. 0040/2019/P from 29.5.2019.

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

**“RBP”** Regional Booking Platform is a platform solution for natural gas capacity auctions and capacity trade. Network Users and Parties perform their business transactions and the Incremental Capacity Procedure in the RBP Application, which is an internet-based client solution, accessible to the registered Network Users.

**“Successful Network User”** shall mean Network Users to whom capacity is allocated pursuant to Article 4.2.1.

**“Target Commercial Operation Date”** for yearly standard capacity products shall be 1<sup>st</sup> of October 2024.

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

### **3. Binding Incremental Capacity Procedure**

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

#### **3.1. Purpose of the binding Incremental Capacity Procedure**

The main objective of the binding Incremental Capacity Procedure is to assess the binding market interest in natural gas transmission capacity on the basis of the received binding bids of the Network Users.

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### 3.2. Regulatory involvement, special conditions

The content of this document has been approved by the Slovak Regulatory Office for Network Industries (ÚRSO) in its ordinance and by the Hungarian Energy and Public Utility Regulatory Authority (MEKH) in its ordinance No.: H1344/2020.

Nevertheless, due to the current pandemic and the emergency phase announced by the Hungarian Government Decree No. 40/2020 (III. 11.) caused by it FGSZ is exempted from the liability for damages towards Network Users in case contractors cannot complete the Project by the due deadline which results delay in the incremental capacities' availability compared with the starting operational date (Date of Commissioning) (01.10.2024).

The application of the special contractual condition above has been approved by the Hungarian Energy and Public Utility Regulatory Authority (MEKH).

### 3.3. Information Provisions

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

### 3.4. Binding Incremental Capacity Procedure Overview

Parties shall offer the incremental capacity from Hungary to Slovakia direction in accordance with Article 29 of Commission Regulation (EU) No. 459/2017 in the annual yearly capacity auction as standard bundled products in ascending clock auctions according to Article 17 and in accordance with Article 8(8) and (9) and Article 19 of Commission Regulation (EU) No. 459/2017.

*All deadlines are to be understood as 23:59 CET of the respective day unless it is indicated otherwise*

Milestone	Date (DD.MM.) in 2020
Announcement of the Binding Incremental Capacity Procedure	05.05.2020
Customer Registration for Eustream	09.06.2020
Confirmation of Customer Registration (Eustream) Network User Registration for FGSZ at RBP platform	19.06.2020 03.07.2020 (12:00 CET)
Bid submission starting date: Submission of Bids in RBP system according to Auction calendar	06.07. 2020. 09:00
Preliminary Results of Economic Test and information on binding commitments, if any (date subject to the closure of the capacity auctions)	07.07. 2020
Final Results of the Economic Test subject to submission of Contractual Guarantees	10 working days from the closure of the auctions

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<i>In case of positive Economic Test</i>	
FGSZ and EUS to accept the successful Bids in the RBP system and send the allocation result confirmation to Successful Network Users and inform Network Users about aggregate allocation	10 working days from the closure of the auctions
<i>In case of negative Economic Test</i>	
FGSZ and EUS to inform Network Users about terminated Incremental Capacity Procedure	10 working days from the closure of the auctions

### 3.5. Registration

#### Customer Registration process for Eustream

Applicants that are interested in participating in the binding Incremental Capacity Procedure should proceed as follows, taking into account the timing provided in Article 3.4.

To initiate the Registration Process Applicants have to submit Eustream before the Customer Registration Closing set in Article 3.4:

- i) the filled in Registration form (Annex 1) duly signed by authorized person(s) of their organization
- ii) in case of Eustream, submit duly signed “Framework contract on access to the transmission network and gas transmission through HU-SK Incremental Allocation Procedure” (hereinafter as FWC) (Annex 2) and a) in case of new customer relevant standard registration documents  
b) in case of existing customer relevant standard registration documents update if needed;
- iii) All Applicants shall have dully signed contract with the operator of the Regional Boking Platform (hereinafter as RBP) and register for incremental capacity for the ICP.

#### Network User Registration process for FGSZ

There is no separate registration process associated with this incremental capacity booking procedure, only the standard RBP Network User Registration process (see Operational Rules of RBP on FGSZ's website). Due to capacities being offered in a bundled incremental capacity allocation process, Network Users shall be eligible to book annual capacity products according to the prevailing rules and regulations and the FGSZ's general terms and conditions for Network Usage Contracts (GTC 4.d). The precondition of the participation on the auction is to have a valid Network Usage Framework Contract in force.

#### Bid submission in Incremental Capacity Auction

Parties will organize one capacity auction per all respective gas years for the Offer Level. Bidders has the right to submit its Bids to the auction for the Offer Level. Parties will accept the auction, based on the economic results of the auction related to the Offer Level.

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Bidder shall submit its Bid in the **Incremental Capacity Auction** at the RBP system, according to the Commission Regulation (EU) No. 459/2017 Article 29. Bidder shall submit the Bid by authorized person(s) within its organization on the Regional Booking Platform (hereinafter referred to as "RBP"). All offered capacities by the TSOs are firm capacity products.

By submitting the registration form and the Bids, the Applicant/Bidder agrees, accepts and acknowledges the HU-SK Rulebook as well as the contractual terms and conditions of the TSOs, as well as the Operational Rules of the RBP.

All Bids submitted by the Bidder are legally binding request for capacity bookings, which in case of acceptance by the TSOs are generating a contract according to Annex 3. of the present Rulebook between the Bidder and FGSZ, regardless to the fact that the written signature of paper contract will be done retrospectively, after the receipt of the contractual guarantee. (In case of FGSZ, allocation result sent by RBP system as Auction confirmation, is part of the FGSZ's contractual framework.)

The allocation capacities shall be subject and limited to the predefined conditionality as stipulated in Article 4.3 of this HU-SK Rulebook.

The performance of the Contracts for allocated capacities shall be subject to the predefined conditionality as stipulated in Article 3.2 of this Rulebook.

### **3.6. Data protection and Privacy**

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

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

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



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e) is communicated to the relevant regulatory authorities for the purpose of evaluating the Incremental Capacity Procedure.

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

### 4. Allocation of Capacities

Incremental capacities shall be offered in a bundled way in the annual yearly auction to be held on 06<sup>th</sup> of July 2020 for 15 consecutive gas years starting from 01<sup>st</sup> October 2024 via the RBP. The TSOs offer to allocate the following transmission capacities:

#### 4.1. Offered Capacity Products and Tariffs

##### Flow Direction Hungary -> Slovakia

TSO	FGSZ	Eustream
Yearly Standard Capacity Product on a firm basis	Yes	Yes
Number of Offered Gas Years	15	15
Type of capacity	firm	firm
First Availability	1.10.2024	1.10.2024
Network Point Name	Balassagyarmat	Veľké Zlievce
Entry/Exit	Exit	Entry
EIC	21Z000000000358C	21Z000000000358C
Minimum Bookable Capacity Unit (kWh/h/year)	1000	1000
Reserve Price	739.84 HUF/kWh/h/y** + 704.15*** HUF/kWh/h/y (Reserve price based on the floating, regulated tariff + fixed supplement)	2.8752 (EUR/kWh/h/year)* Entry capacity fee
Volume based Price	42.02 (HUF/MWh)	0.85% of nominated quantity
Volume based Supplement Price	N/A	N/A
Price Evolution After Capacity Allocation	<b><u>Reserve price and volume based prices are: floating tariff always based on the currently effective Hungarian regulation set by MEKH.</u></b> <u>Potential premium on Reserve price: N/A</u> <u>Volume-based tariff upon the usage of the capacity: applied floating based on the Hungarian regulation set by MEKH</u>	<u>Allocated price: fixed, subject to escalation</u> <u>Potential premium: N/A</u>

Note:

\* All fees for transmission services (i.e. Tariffs, Gas for Operational Needs tariff rate and Neutrality charge, other fees – if applicable) of respective TSO are governed and shall be applied according to applicable national law or NRA decisions or approvals (for more details consult respective TSO).

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\*\* The actual price is determined by using the above stipulated regulated tariff (capacity fee), but – since the floating tariff method is applicable - the payable price will be calculated with the use of the prevailing capacity fee in the period of capacity usage.

\*\*\* Figure represents maximal fixed supplement fee that may be charged to Successful Network Users by FGSZ. In case some of the investments, included in this Binding Incremental Capacity Procedure, will be implemented as part of a different project/s as well or under standard network development process, this fixed supplement fee shall be reduced appropriately.

### Offered Capacity Level (kWh/h/year)

IP Veľké Zlievce/Balassagyarmat direction from Hungary to Slovakia	
Gas year	Capacity offered in the auction under the Binding Incremental Capacity Procedure
2024 / 2025	5 724 340
2025 / 2026	5 512 328
2026 / 2027	5 512 328
2027 / 2028	5 512 328
2028 / 2029	5 512 328
2029 / 2030	5 512 328
2030 / 2031	5 512 328
2031 / 2032	5 512 328
2032 / 2033	5 512 328
2033 / 2034	5 512 328
2034 / 2035	5 512 328
2035 / 2036	5 512 328
2036 / 2037	5 512 328
2037 / 2038	5 512 328
2038 / 2039	5 512 328

This represents the total capacity of IP Velke Zlievce/Balassagyarmat, including the existing and the incremental technical capacity, less capacity that is set aside as per CAM NC. For the avoidance of doubt, aggregated existing and incremental capacity are offered in the Incremental Capacity Procedure for the tariffs detailed under 4.1.

Existing technical capacity shall be offered also in separate standard annual capacity auction for the same tariffs as mentioned above, except of fixed supplement on Hungarian side that is not applicable for existing capacity under this auction.

Existing technical capacity from the standard annual capacity auction will be allocated to the shippers only in case of unsuccessful economic test of the Binding Incremental Capacity Procedure. Please note that due to this allocation rule, network users involved only in the standard annual capacity auction may not obtain capacity through that procedure.

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

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

### **4.2.1. Process of Economic Test and Bid Submission in Incremental Capacity Auction**

#### **Incremental Capacity Auction**

Bids shall be submitted technically in the RBP according to the Commission Regulation (EU) No. 459/2017 Article 29.

#### **Economic Test**

After the conclusion of the Economic Test TSOs shall inform Bidders about the individual and aggregated allocation results by 10th working days from the closure of the auctions. The TSOs shall accept the successful offers resulting in positive Economic Test.

## **4.3. Conditions for a positive Economic Test**

**Base year - 2024**

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

$PV_{UC}$  – the present value of binding commitments of network users for contracting capacity

$PV_{AR}$  – the present value of the estimated increase in the allowed or target revenue of the transmission system operator associated with the incremental capacity

$f$  – f-factor

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

The Economic Tests are based on the allocation results pursuant to Article 4.2 which shall be subject and limited to the predefined conditionality (Article 4.4). The Economic Test for the IP is successful only in case the Economic Tests of both TSOs on both sides of the IP were successful.

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After each concluded Economic Test, TSOs shall publish aggregated allocation results on their respective websites. This shall include the capacity to be allocated for the IP, TSO, year and direction based on the Bids and related conditionality, being subject to a positive Economic Test for the IP and the successful completion of the Incremental Capacity Procedure and the degree to which the individual Economic Tests of the TSOs for the IP is positive.

### **Economic Viability @ Eustream, a.s.**

The economic test parameters for incremental capacity are covered by Article 22 (1) of the Commission Regulation (EU) No. 459/2017. With regards to the Slovak side of the Interconnection Point Veľké Zlievce / Balassagyarmat it can be concluded upfront, that the Economic Test will be positive if Economic Test on the Hungarian side of the Interconnection Point capacity Veľké Zlievce / Balassagyarmat will be positive. The above parameter  $PV_{AR}$  has a value of zero (0) and incremental capacity being offered on Slovak side of the interconnection point Veľké Zlievce / Balassagyarmat is subject to investments and incremental capacity offer on Hungarian side of the Interconnection Point Veľké Zlievce / Balassagyarmat.

### **Economic Viability of Balassagyarmat capacity @ FGSZ Ltd.**

The Economic Tests for incremental capacity at the entry point Balassagyarmat are based on the following parameters:

$$PV_{UC(VZ\ 2020)} \geq 54\ 443\ 710\ 660\ \text{HUF}$$

$$PV_{AR(VZ\ 2020)} = 54\ 443\ 710\ 660\ \text{HUF}$$

$$f_{(BGY)} = 1,00$$

That means that an Economic Test for the IP Balassagyarmat will be positive if the value of binding commitments of network users is equal to or higher than 54 443 710 660 HUF. The above PVUC value can be reached by an approximate, flat 78% capacity booking for all gas years.

Present value calculation shall be at 7.9 % discount rate. With regards to the Commission regulation (EU) No. 460/2017 of 16 March 2017 establishing a network code on harmonized transmission tariff structures for gas the reference prices shall be equal with the relevant tariffs in force.

## **4.4. Capacity Allocation Concept**

### **Capacity allocation methodology**

The Bid(s) shall be submitted by the Bidder in the incremental capacity auctions at the RBP system according to the Commission Regulation (EU) No. 459/2017 Article 29, defined in this document and offered by the TSOs at the RBP system.

### **Confirmation by TSO**

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Subject to the allocation of the submitted Bids, the TSOs shall perform an Economic Test according to Article 4.3. The allocation results from incremental capacity auction at RBP system are subject to evaluation of economic test and are considered as preliminary.

In case of positive economic test, TSOs shall confirm the allocation results from RBP system till 07.07.2020 (Note: the final allocation results confirmation sent by Eustream respecting the applicable Operational Order and Price Decision shall be considered as binding).

In case of FGSZ allocation result sent by RBP system (auction confirmation) results legally binding contract, the writing of which is made on paper using the sample contract attached as Annex 3..

If the viability of the incremental capacity is not justified by the result of the economic test (the capacity booking does not meet the success criteria at either of the bidding rounds), i.e the economic test results in a negative outcome, FGSZ shall have the right to withdraw from the capacity booking contracts unilaterally, without paying any compensation. FGSZ shall publish a notice on its website thereof, which shall mean the termination of the capacity booking contracts with immediate effect at the time of the publication.

### **5. Financial Guarantees**

#### **5.1. Applicable Financial Guarantees of Eustream, a.s.**

Financial guarantees shall be provided in accordance with FWC.

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

Auction guarantee:

The Bidder shall submit a financial security (auction security) of HUF 70 million as a prerequisite for the participation in the auction. This financial security provides the possibility to participate in all (i.e. for all non-incremental and for all incremental) yearly capacity auctions of FGSZ to be run on 6 July 2020.

Contractual guarantee:

In case of valid Bid and positive economic test within 8 (eight) days from the allocation of capacities Successful Network User shall provide an additional financial security to ensure the payment of the contractual penalty for termination of the contract for reasons attributable to the Network User. The amount of the financial security shall be 100% of the contractual value relating to the gas year involved in the highest capacity booking. The contractual value shall be determined by using the prevailing tariff and, the appropriate price supplement. The submission of this guarantee is the precondition of entry into force of the Capacity Booking Contract.

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### Guarantee for the Capacity usage

Financial guarantees for the usage of the capacity shall be provided in accordance with the provisions of the Business Code, General Terms and Conditions (GTC 4.d) under the provisions on contractual security related to network usage and Network Usage Framework Contract and Capacity Booking Contract for Incremental Capacity of FGSZ (see in Annex 3).

Financial guarantees shall be provided in accordance with the provisions of the Business Code, General Terms and Conditions (GTC 4.d) and Network Usage Framework Contract and Capacity Booking Contract concluded under Incremental Capacity Procedure of FGSZ (see in Annex 3).

## **6. Miscellaneous**

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

## **7. Notices**

Unless expressly otherwise provided for in this document, all notices or other communications to be given or made hereunder shall be in writing, shall be addressed to the addressees indicated below and shall be delivered personally or sent by prepaid post. In case of Eustream, the delivery is also possible by fax. All notices given by fax shall be confirmed in writing delivered or sent as aforesaid. Date of receipt of the document in case of fax is the receipt of the writing. The language of all notices shall be the English language.

Relevant contacts of the TSOs:

a) For Eustream:

Address: Votrubova 11/A, 821 09 Bratislava, Slovakia

Attention: Marek Lendvorský, Head of Commerce & Contracting

Fax number: +421 2 6250 7155

e-mail: [transmission@eustream.sk](mailto:transmission@eustream.sk)

b) For FGSZ:

Address: 8600 Siófok, Tanácsház u. 5., Hungary

Attention: FGSZ Capacity Sales

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

All notices shall be effective upon receipt.

## **8. Annexes**

The following Annexes form an integral part of the present Rulebook on the Incremental Capacity Procedure and are published on the TSOs' websites: ( FGSZ: [www.fgsz.hu](http://www.fgsz.hu) ; Eustream: [www.eustream.sk](http://www.eustream.sk); )

- Annex 1. (Registration form)
- Annex 2. (Framework contract for incremental capacity on access to the transmission network and gas transmission through HU-SK Incremental Allocation Procedure of Eustream, a.s.)
- Annex 3. (Business Code, Network Usage Framework Contract, General conditions of contract regarding network usage contracts /GTC 4.d/ and sample Capacity booking contract concluded under Incremental Capacity Procedure of FGSZ)