

Incremental Capacity Auction – Guideline

1. Capacities

- Only one of the 4 capacity levels (numbered from 0 to 3) can be successful at the end of the incremental capacity auctions.
- In all 4 capacity levels for 15 gas years are offered
 - Level 0: the existing available capacities
 - Level 1-3: the existing available + the incremental capacity according to the project proposal
- Bidding for all 4 capacity levels start from 2024/2025 gas year. The first year with incremental capacity becomes available from the gas year for 2028/2029 (level 1 and 2), and in case of level 3 from the gas year 2029/2030. Only one of the capacity levels (i.e. the one realising the highest capacity subject to fulfilling the necessary Net Present Value requirement) will be successful at the end. The capacity levels are offered on separate auctions therefore, it is recommended for network users to submit the bid for the capacity planned to be booked for the given gas year at each capacity level considering the relevant reserve price. There is no prescribed minimum binding quantity for individual network users, and the booked capacity in individual gas years can also be different.

2. Reserve Price, price steps

- The Reserve price is the sum of the regulated tariff and the mandatory minimum premium (at the applicable offer levels and gas years).
- In case of oversubscription, prices steps are: 10% large price step (LPS) and 1% small price step (SPS). While calculating the financial security please take into account potential auction premium that may arise due to over subscription.

3. Necessary steps to be taken during the process of auction

Before the auction:

No registration fee is applied to the incremental capacity auctions in the binding phase.

- 26.06.2024 at the latest – Network User Registration for FGSZ on RBP Registration (RBP, IP).
- 28.06.2024 (12:00 CET, noon) at the latest – Provision of the auction security (for further details please study 4. Securities) and valid and effective Network Usage Framework Contract For further information concerning the registration process please study [FGSZ - How to become a network user](#) and contact our colleagues at kap@fgsz.hu.

The auction:

- 01.07.2024 (9:00 CET) – Bid submission starting date. Submission of Bids in RBP according to the [Auction calendar](#).
- Auction runs according to ascending clock auction algorithm regulated in [CAM NC](#).
- 4 levels run simultaneously as it detailed at above.
- If an auction of a given capacity level is oversubscribed, the given auction continues at the same capacity level with price steps according to the rules of the ascending price auction algorithm (there is no jump to a higher capacity level).

After the closure the auction:

- Within 1 working day – Economic test.
- Within 2 working days after the closure of the auction – Publication of the final results of the economic test.
- Within 10 working days – In case of a positive economic test, FGSZ sends the confirmation of the allocation result to the Network User making a successful bid and the [Capacity Booking Contract Concluded under Incremental Capacity Procedure](#) will be entered in writing.
- Within 10 working days – Return of the auction security that did not result in an incremental capacity contract.

4. Securities (bank guarantee or cash deposit)

4.1 Auction security

- When submitting the financial security, network users must make sure that:
 - The validity of the bank guarantee is from at the latest 1st of July 2024 until at least the 30th of September 2025.
 - The amount of the auction security for the incremental capacity auctions shall be the contractual value for the highest capacity commitment (possibly including any potential auction premium). Please follow [the link for the calculation table](#).
 - The auction security for the incremental capacity auctions must be calculated on top of the available financial limit so that regular (non-incremental) capacity at annual auctions can be booked as well.
- Deadline of submission: 12.00 (CEST, noon) 28 June 2024.
- Minimum amount 35 million HUF.
- Locked amounts during the incremental auction on RBP: no amount will be locked during the incremental auction.
- The risk category of the Network User has not any effect on this security.

4.2 Contractual security for incremental capacity booking contracts

The security to cover the contractual penalty in case of termination of the contract for reasons attributable to the Network User.

- Auction security will be automatically converted after the success of the auction. Validity of the guarantee needs to be prolonged continuously on a yearly basis during the entire term of the contract, calculated on the basis of the sum of regulated capacity fee in force, mandatory minimum premium, and auction premium (if any).
- The amount of the security for the incremental capacity auctions shall be the contractual value for the highest capacity commitment (possibly including any potential auction premium). (Calculation table can be found in paragraph 4.1.)
- Validity in case of guarantee: for the entire term of the Capacity Booking Contract Concluded Under Incremental Capacity Procedure for the successful capacity level starting from the announcement of the winning (or the expiry of the step-back right,

if relevant). If no bank guarantee can be provided for the entire contractual term, the validity of the bank guarantee shall be prolonged continuously during the entire term of the incremental capacity contract.

- The risk category of the Network User has not any effect on this security.

4.3 Contractual security

- Deadline of submission depends on the risk category of the partner according to the GTC.
- Calculation is [available here](#).
- Validity in case of guarantee from the last calendar day prior to the start of the subject gas year (30 September 2028 in case of 2028/2029 gas year) at the latest till at least 30 November of the concerned gas year (30 November 2029 in the subject case).
- Locked automatically after the auction on IP.

5. Economic Test (principles in general)

Within 1 working day after the closure of the auction, FGSZ evaluates the results and conducts the economic tests for each capacity level, which will be published within 2 days following the closure of the auction.

The economic test of FGSZ is positive in case the present value of the network users' binding bids (PV_{UC} of corresponding capacity level) equals or exceeds the projected increase of the allowed revenue of the transmission system operator as a result of the incremental capacity project (PV_{AR} of corresponding capacity level), multiplied by the f factor ($PV_{UC} \geq f * PV_{AR}$).

- Capacity level 1: $PV_{AR} * f = 1,665.05$ million HUF
- Capacity level 2: $PV_{AR} * f = 68,062.97$ million HUF
- Capacity level 3: $PV_{AR} * f = 68,103.53$ million HUF.

The "f-factor" concerning each capacity level is 1.0.

If the economic analysis of several capacity levels is positive, then the capacity level that creates the highest capacity will be implemented, regardless of whether the realizable PV is higher at a lower capacity level.

6. Contracting structure

- Valid and effective Network Usage Framework contract is precondition. This precondition is checked on 28.06.2024 (12:00 CET, noon).
- Confirmation of the Specific Capacity Booking Transactions generated by IP automatically based on the approval of successful capacity level. It contains the capacity and tariff data for each successfully and effectively contracted gas year.
- Capacity Booking Contract Concluded Under Incremental Capacity Procedure for the successful capacity level.