

**INTERCONNECTION BETWEEN THE SLOVAK AND HUNGARIAN GAS  
TRANSMISSION SYSTEMS**

**BINDING OPEN SEASON**



**SK-HU Interconnector**

**Binding Open Season Procedure 2015**

(hereinafter referred to as **“Open Season Procedure”** or the **“Rules of the Binding Open Season”** or the **“Rules”**)

## 1. Introduction

Eustream, a.s. (hereinafter referred to as “**Eustream**”) is a gas transmission system operator in the territory of the Slovak Republic and Magyar Gáz Tranzit, ZRt. (hereinafter referred to as “**MGT**”) is a gas transmission license holder in the territory of Hungary. Eustream and MGT (hereinafter referred to individually as the “**Party**” and collectively as the “**Parties**”) have finalized a construction of a new bi-directional interconnection between the gas transmission systems of Slovakia and Hungary (hereinafter referred to as the “**SK-HU Interconnector**”), consisting of a 111 km long gas pipeline between Veľké Zlievce on the Slovak side and Vecsés in the suburbs of Budapest in Hungary. This Project improves the integration of the EU gas infrastructure system, produces new transmission opportunities for market players, enhances cross-border liquidity and increases the security of gas supplies in the CEE region.

Eustream and MGT are conducting joint binding Open Season Procedure in order to allocate their respective transmission capacities of the SK-HU Interconnector at the IP Veľké Zlievce at the Slovak System and IP Balassagyarmat at the Hungarian System for the period from 06:00 CET 1<sup>st</sup> of July 2015 until 06:00 CET 1<sup>st</sup> of October 2016. Eustream and MGT will also make available 10% of the technical capacity of the SK-HU Interconnector in each direction for short-term booking and will allocate this capacity on a non-discriminatory basis and according to relevant national regulations outside the Open Season process. Please note that in order to avoid any kind of disproportionality in capacity allocation, any other way of capacity booking for SK-HU Interconnector for the period specified above will be interrupted on Hungarian System and Slovak System during the Open Season Procedure.

The process of the Open Season Procedure consists of a binding phase only (hereinafter referred to as the “**Binding Open Season**” or the “**Binding Phase**”). In case Eustream and MGT receive valid Binding bids in the Binding Open Season Procedure, an allocation procedure will be conducted and the final transmission contracts, separately for Slovak side and Hungarian side, will be concluded by and between Eustream and/or MGT, respectively, on one side and Applicant on the other side. All interested parties are aware and accept the fact that all bids presented by the Applicants in the Binding Phase will be legally binding and irrevocable subject to Rules applicable at the time of bid submission.

By submitting a valid Binding bid each Applicant is obliged to enter subsequently into corresponding transmission contracts, with Eustream and/or MGT according to respective allocated capacity. The contract templates are fully in line with the operational orders of Eustream and MGT and applicable regulations and can be provided to any Participant upon request.

Based on these considerations, Eustream and MGT hereby officially announce the invitation to bid in the Binding Open Season Procedure for the SK-HU Interconnector. These Rules of the Binding Open Season serve for bi-directional capacity of both, Slovak and Hungarian part of the SK-HU

Interconnector. In order to optimize the Open Season for Participants, these Rules are harmonized to maximum possible extent for both Parties.

## 2. Definitions

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

**"Applicant"** shall mean Participant who submits a Binding bid with all necessary Annexes to Eustream and MGT in accordance with the Rules of the Binding Open Season.

**"Binding bid"** means irrevocable capacity request of the Applicant to the capacities of the Slovak System, at IP Veľké Zlievce and/or the Hungarian System at Balassagyarmat by submission of the Annex 2 as described in Article 3.1.3. herein, which in case of acceptance by Eustream for Slovak System or MGT for Hungarian System shall lead into conclusion of transmission contract/contracts.

**"Binding Open Season Procedure"** means the procedure between 24<sup>th</sup> April 2015 and 10<sup>th</sup> of June 2015<sup>th</sup> through which Eustream and MGT offer the transmission capacities in the SK-HU Interconnector to Participants and the Participants can on a binding basis apply for these capacities.

**"Border Point"** means the physical connection of the Slovak System and the Hungarian System near Balassagyarmat at the Slovak-Hungarian state border.

**"Capacity Auction Platform"** or **"Platform"** means the online capacity booking and auctioning platform operated by MGT (MGT KLIP) used in the allocation process in case of overbooking of Joint Capacities.

**"CAM network code"** means Commission Regulation (EU) No 984/2013 of 14 October 2013 establishing a Network Code on Capacity Allocation Mechanisms in Gas Transmission Systems and supplementing Regulation (EC) No 715/2009 of the European Parliament and of the Council

**"Creditworthiness Assessment"** shall mean the procedure as set forth in Chapter 4 which shall be used to determine the level of financial security which Applicant will provide to Eustream and/or to MGT in connection with its bid.

**"Hungarian System"** means the gas pipeline system together with the related equipment and facilities, owned and operated by MGT and connected to Slovak System at the Border Point.

**"Joint Application"** shall mean joint submission of Binding bid in accordance with the Article 3.1.b herein, by one or more Applicant(s), (trading partners). In case of Joint Application the Binding bids are sent both to Eustream and MGT. Eustream shall be responsible solely and exclusively for the allocation

of capacity which is requested in Joint Application in the Slovak System and MGT shall be responsible solely and exclusively for the allocation of capacity which is requested in Joint Application for the Hungarian System except Article 5.4 b) applies when MGT as an operator of the Capacity Auction Platform is fully responsible for the allocation of the capacity performed via this Platform. For the avoidance of doubt, the Binding bids which are sent as a part of Joint Application at both Systems must be symmetrical for Slovak System and Hungarian System, i.e. equal from time, direction and quantity point of view and shall be sent to both Eustream and MGT as well.

**"Participant"** shall mean the party whose registration has been accepted by Eustream and/or MGT in accordance with the Rules of the Binding Open Season.

**"Pipeline"** means the DN800/PN75 gas pipeline of approximately 92 km in length between the Vecsés node (Hungary) and Border Point and the DN800/PN75 gas pipeline of approximately 19 km in length between the Border Point and the Veľké Zlievce connection point (Slovakia) together with the related equipment and facilities.

**"Project"** means the construction, ownership and operation of the SK-HU Interconnector.

**"Reserved price"** means eligible floor price in the auction; tariffs approved by National Regulatory Authorities in Slovak Republic as specified in Article 6.1 in the first tariff group and Hungary as specified in Article 6.2.

**"Slovak System"** means the gas pipeline system together with the related equipment and facilities, owned and operated by Eustream and connected to Hungarian System at the Border Point.

**"Target Commercial Operation Date"** shall be 1 July 2015.

**"Technical Capacity for Hungarian System"** means the quantity of natural gas expressed in energy units that can be transmitted through the Hungarian System per day individually for each gas flow direction. For the purpose of calculation of the Technical Capacity, the reference conditions 25/0°C; 101325 Pa shall be used,

**"Technical Capacity for Slovak System"** means the quantity of natural gas expressed in energy units that can be transmitted through the Slovak System per day individually for each gas flow direction. For the purpose of calculation of the Technical Capacity, the reference conditions 25/0°C; 101325 Pa shall be used

### 3. How to participate in the Binding Open Season Procedure

#### 3.1. General rules

All requested documents, as described further in these Rules, shall be submitted as follows:

- a) In case that the Applicant requests the capacities in both, Hungarian and Slovak System, in the same time period, quantity and direction as specified in the Article 5. herein, then the request shall be submitted to both Parties;
- b) In case that the capacities in both, Hungarian and the Slovak System, in the same time period, quantity and direction as specified in the Article 5. are requested by one or more Applicant(s) jointly (e.g. one Applicant requests capacity in the Slovak System and the same or a second Applicant in Hungarian System) and these requests are considered as Joint Application, then these requests shall be submitted to both Parties with indication of the trading partner's company name in the "Remarks" column;
- c) In case of the capacity request for capacity in Slovak System only, the Binding bid shall be submitted to Eustream only;
- d) In case of the capacity request for capacity in Hungarian System only, the Binding bid shall be submitted to MGT only.

In case that the Binding Bids are sent as Joint Application both to Eustream and MGT and do not follow the criteria set in the Article 3.1.b) that the requested capacities in Slovak System and Hungarian System shall have the same time period, quantity and direction, with trading partner's indication then these Binding bid are considered as individual Bids for Slovak System and Hungarian System, as in the Article 3.1.c) and d).

Parties that are interested in participating in the Binding Open Season Procedure should proceed as follows:

1. Fill in Annex 1 (the "**Registration form**") with the company details. Return the document (original) by registered post or courier duly signed by authorized person(s) to Eustream and/or MGT correspondence addresses listed in Chapter 7 (Notices) not later than CET 14:00 of 22<sup>nd</sup> of May 2015. Advance copies by fax or e-mail to [transmission@eustream.sk](mailto:transmission@eustream.sk) and/or [gaztranzit@gaztranzit.hu](mailto:gaztranzit@gaztranzit.hu) with subject matter "SK-HU Binding Open Season 2015", are appreciated. The Participants shall register at the Party in the System of which the Participant will request the transmission capacity.

As an inevitable part of the registration process, Annex 1 shall be accompanied by the documents required for the Creditworthiness Assessment by methods set forth in Chapter 4. The minimum required set of documents shall include:

- Legal evidence in respect of the company, e.g. excerpt from the court registry of companies;
- Original and notarized evidence of authorized officials for signature. This is required with apostilled document in Hungary for registration by MGT;
- Evidence of equity capital of the company, e.g. annual accounts with auditor's certificate (balance sheet, profit and loss account) for the business year last ended;
- Evidence of credit rating in place at that time including details about the rating agency (in case the bidder does not have a credit rating, then a statement to this effect is required).

Participants willing to bid for the transmission capacity in the SK-HU Interconnector shall then:

2. Fill in a capacity request in Annex 2. The Applicants shall send the Binding Bid to the Party in the System of which the Applicant will request the transmission capacity in relation to SK-HU Interconnector. The Applicants shall send the documents by registered post or courier (original) duly signed by authorized person(s) to Eustream and/or MGT correspondence addresses listed in Chapter 7 (Notices) not later than 16:00 CET 04<sup>th</sup> June 2015. Advanced copies by fax or e-mail to [transmission@eustream.sk](mailto:transmission@eustream.sk) and/or [gaztranzit@gaztranzit.hu](mailto:gaztranzit@gaztranzit.hu), with subject matter "SK-HU Binding Open Season", are recommended. The Binding bids shall be sent in sealed envelopes clearly marked "SK-HU Binding Open Season". For the avoidance of any doubt, the physical delivery of the Binding bids to Eustream and MGT shall be 16:00 CET 04<sup>th</sup> of June 2015 at the latest. Eustream and MGT have the right to decline the Binding bid application, if such application is received physically later than the 16:00 CET 04<sup>th</sup> of June 2015. The Binding bid shall be accompanied by the following documents:

- Original of up to date excerpt from the court registry of companies (or similar evidence) of the Applicant not older than 30 days before the date of submission of the Binding bid (not necessary if such excerpt from the court registry of companies not older than 30 days before the date of submission of the Binding bid has been already submitted during the registration process);
- Copy of the up to date constitutional documents;
- If the Binding bid is not signed by a statutory body of the Applicant in accordance with the foregoing documents, a notarized Power of Attorney (or similar evidence satisfactory to Parties) issued to the signatory and which contains an authority to sign the Binding bid and all related documents (including the documents relating to financial security and transmission contract) on behalf of the Participant;
- Inevitable part of the Binding bid shall also be a financial security in accordance with chapter 4 below.

- Except above mentioned accompanying documents the Applicant is submitting Binding bids in Hungarian System and shall submit i) Hungarian Trading License of the Applicant (sufficient in Hungarian language only, or ii) statement about transit gas transmission in the way defined in the Operation and Commercial Regulations (Grid Code) as well as with the related statements made by adjacent Transmission System Operator about the transit capacity booking (sufficient in Hungarian language only)

All documents, except the Hungarian License and adjacent Hungarian TSO document regarding the transit capacity agreement, shall be submitted in (or translated into) English language. In case of translated documents the official sworn translation shall be provided. Eustream and/or MGT may request further information from the Participant deemed necessary to perform Creditworthiness Assessment and/or for acceptance of the Binding bid. For the avoidance of any doubt only Binding bid submitted by means of Annex 2 shall be considered as valid.

Eustream for Slovak System and MGT for Hungarian System will confirm the receipt of each Registration form and each Binding bid. Eustream for Slovak System and MGT for Hungarian System shall analyze the obtained Binding bids on a non-discriminatory basis and notify each of the Applicants of the Final Allocation in case there is no overbooking of Joint Capacities, by 14:00 CET 05<sup>th</sup> June 2015 at the latest, and in case there is overbooking of Joint Capacities by 10<sup>th</sup> June 2015. Final Allocation shall be considered as a confirmation of Eustream for Slovak System and MGT for Hungarian System to sell respective capacities to the Applicant under the terms and conditions as stated in Annex 3 and Annex 4 (Operational Orders, General Terms and Conditions and Long Term capacity and transportation contract of Eustream and MGT).

Unless otherwise provided in these Rules or as a result of any law or regulation, Parties acknowledge that any data, information or notification to be prepared by Applicants and Participants in the Binding Open Season Procedure that will be handed over to any Party shall be considered as confidential. Parties declare that such confidential information shall only be used in connection with the Binding Open Season Procedure.

Unless otherwise provided in these Rules or as a result of any law or regulation, by the registration in the Binding Open Season the Participant agree to treat any data, information or notification exchanged with any Party in the Binding Open Season Procedure as confidential information.

The above confidentiality obligations of Participants and Parties do not apply to any information, which at the date of the Participant's registration is in the public domain or subsequently enters the public domain without fault of the Participant and/or any Party or which must be transmitted to a third party as a result of any law, decision of a Court or decision of a competent public authority. When disclosure is



made to any third party appropriate safeguards shall be made as a prerequisite to such disclosure to prevent the said third party from making any further disclosure of such information without the consent of the Participant and/or any Party.

Provided the registration documents are submitted to the respective Party on time, the respective Party shall verify their completeness in accordance with these Rules. If it is verified by Parties that the submitted registration documents were received in full, Parties shall notify the respective subject thereof. The subject becomes a Participant in the Binding Open Season Procedure upon receipt of such notification of Parties.

### **3.2. Regulatory issues**

The Binding Open Season Procedure is organized in a non-discriminatory and transparent way, complying with the relevant national and EU laws and regulations.

Parties cannot be held responsible for any misinterpretation or usage of the data contained in this document and Parties do not accept any liability of any kind for acts, consequences, losses, etc., arising from the information or from inaccuracy, incompleteness, or omissions in the contents of this publication.

### **3.3. Information campaign**

Parties will provide all necessary information in respect of the Binding Open Season Procedure by means of regular updates at Parties websites and/or by e-mails to all parties involved.

### **3.4. Timeline**

Eustream and MGT are inviting the potential Applicants directly to the Binding Phase of the Open Season Procedure. The Binding Phase of the Open Season Procedure shall start on 24<sup>th</sup> of April 2015 by start of the registration process. All Participants that have been registered by the respective Party can submit Binding bids for their requested capacity in respect of SK-HU Interconnector, to Eustream for Slovak System and to MGT for Hungarian System or to both Parties in case of Joint Application. The Binding Phase will be completed upon conclusion of the transmission contracts with the Applicants after the final allocation procedures are done.



Parties will publish information and instructions in respect of the Binding Open Season Procedure at their websites [www.eustream.sk](http://www.eustream.sk) and [www.gaztranzit.hu](http://www.gaztranzit.hu).

#### Timeline of the Binding Open Season Procedure:

| Date                      |  |
|---------------------------|--|
| 24.04.2015                | Planned Start of the registration process  |
| till CET 14:00 22.05.2015 | End of the registration process  |
| till CET 16:00 04.06.2015 | Submission of financial security, Submission of Binding bids   |
| till CET 14:00 05.06.2015 | Final Allocation and evaluation process, publication of the results in case of no overbooking by Joint capacities. |
| 10:00 CET 10.06.2015      | Capacity Auction in case of Joint Capacity overbooking   |
| 10.06.2015                | Final Allocation based on the result of the Capacity Auction ( after Auction closing expected time)                |

## 4. Creditworthiness verification procedure

The following creditworthiness verification procedure shall be followed:

### 4.1. General guidelines

- Following the receipt of the Registration form, together with the creditworthiness documents submitted by the Participant, Parties will perform the Creditworthiness Assessment of the Participant, Eustream for the Slovak System and MGT for the Hungarian System.
- The Participant will be notified as soon as possible after registration by Eustream for the Slovak System and MGT for the Hungarian System regarding the levels of the financial securities which the Participant shall provide as separate securities to the respective Party in connection with its Binding bids as per Article 4.1.e).
- The Creditworthiness Assessment will be determined by each Party on the basis of the Participant's credit rating from Moody's, Standard & Poor's or Fitch (or lack of such rating) as set forth below. In the event that the Participant has received ratings from more than one rating agency, the lowest rating will be used.
- For the assessment of the Participant's creditworthiness the respective Party reserves the right to decide on taking into account the credit rating of the Participant's parent company. In

such case all relevant requirements for information to be provided do apply to parent company as well as to the Participant. Parties shall notify the Participant, Eustream for the Slovak System and MGT for the Hungarian System, on its decision as per the previous sentence together with its notification on Creditworthiness Assessment of the Participant in accordance with paragraph b) above. If the Participant is willing to use the credit rating of its parent company, the Participant's parent company irrevocable, unconditional, binding guarantees on first demand for all liabilities of the Participant towards the respective Party stemming from the Binding Open Season Procedure and subsequent transmission contracts shall be provided with a Binding bid on behalf of the Participant.

- e) In order to assess the creditworthiness of the Participants Parties differentiate between three categories:
- Category A: For the Participants with an investment grade rating, i.e. companies with rating equal to or above Baa3 Moody's grade (or equivalent from S&P or Fitch).
  - Category B: For the Participants with no investment rate grading but with rating equal to or above B3 Moody's grade (or equivalent from S&P or Fitch).
  - Category C: For the Participants with no rating or with rating equal to or lower to Caa1 Moody's grade (or equivalent from S&P or Fitch) or with rating from other agencies.

The Participant is obliged to inform Parties of any change in the Participant's (or, if applicable, its parent company) credit rating and/or, if it ceases to have a credit rating. If any change in the Participant's (or, if applicable, its parent company) credit rating occurs or if it ceases to have a credit rating or any negative market information occurs, the respective Party shall have the right to revise its Creditworthiness Assessment and the level of the financial security which the Participant shall provide in connection with its Binding bid (regardless of whether before its submission or thereafter). The respective Party shall notify such Participant on revision of its Creditworthiness Assessment. If the revised level of the financial security which the Participant shall provide in connection with its Binding bid is not provided by the Participant, the respective Party shall have the right to refuse its Binding bid or reduce the request for capacity under such Binding bid so as to meet the requirements of the revised Creditworthiness Assessment with the previously provided financial security.

## 4.2. Security – Slovak part

The general principle of calculation of financial security for the capacity request of the Participant on the Slovak System is as follows:

The Participant shall provide a security in the form of an irrevocable, unconditional bank guarantee payable on first demand or as cash collateral. Together with the Binding bid, the Participant shall submit to Eustream the financial security. In case of cash collateral the bank account number will be provided by Eustream upon the request of the Participant. For the purpose of provision of the bank guarantee, only a bank having an external credit rating at least Baa3 Moody's grade or equivalent from S&P or Fitch shall be used. The minimal amount of financial security requested as per operational order shall be valid for the whole period of the required transmission capacity plus additional two months.

The amount of the financial security to be provided by the Participant shall:

- for Category A Participants be equal at least to the fee expected to be paid by the Participant for capacity during the two months of the highest capacity booking of the Participant's commitment requested by it in the Binding bid,
- for Category B Participants be equal at least to the fee expected to be paid by the Participant for capacity during the four months of the highest capacity booking of the Participant's commitment requested by it in the Binding bid,
- for Category C Participants be equal at least to the fee expected to be paid by the Participant for capacity during the six months of the highest capacity booking of the Participant's commitment requested by it in the Binding bid.

The fee for capacity shall be calculated on the basis of Eustream tariffs for 2015 year as defined by Article 6.1. For avoidance of doubt the security already comprises the security requested as per operational order to be provided in connection with the requests for capacity (only covering the booking under this open season). After the six months of performance of the respective transmission contract concluded with Eustream, Applicant may request Eustream on reduction of the provided financial security to the level of two months of the highest capacity booking of the Participant and Eustream shall consider such request. This is without prejudice to the right of Eustream to request replacement security as per operational order in case the financial security provided by the Participant is used for satisfaction of its due obligations.

### **4.3. Security – Hungarian part**

The general principle of calculation of financial security for the capacity request of the Participant on the MGT System is as follows:

The Participant shall provide a security in the form of an irrevocable, unconditional bank guarantee payable on first demand (referring to the Reference Number: SK-HU Interconnector

Binding Open Season Procedure 2015). Together with the Binding bid, the Participant shall submit to MGT the financial security. For the purpose of provision of the bank guarantee, only a bank having an external credit rating at least Baa3 Moody's grade or equivalent from S&P BBB or Fitch shall be used. The minimal amount of bank guarantee requested by MGT shall be valid for the whole period of the required transmission capacity, volume related transmission fee in case of HU>SK direction plus additional two months.

Considering the current 212/2014 (VIII.27) Hungarian Government Decree defining rules regarding Vecsés connection-point special rules where capacity booking is only for Balassagyarmat at current conditions, the amount of the bank guarantee to be provided by the Participant shall:

- 1) SK>HU direction (Balassagyarmat entry)
  - for Category A Participants be equal at least to the fee expected to be paid by the Participant for capacity during the two months of the highest capacity booking of the Participant's commitment requested by it in the Binding bid,
  - for Category B Participants be equal at least to the fee expected to be paid by the Participant for capacity during the four months of the highest capacity booking of the Participant's commitment requested by it in the Binding bid,
  - for Category C Participants be equal at least to the fee expected to be paid by the Participant for capacity during the six months of the highest capacity booking of the Participant's commitment requested by it in the Binding bid.
  
- 2) HU>SK (Balassagyarmat exit capacity booking): as per current 4.3.1 point defined amount plus 2 month the maximum volume tariff allowing by the booked capacity.

For avoidance of doubt the security already comprises the security requested to be provided in connection with the requests for capacity by Applicants. After the six months of performance of the respective transmission contract concluded with MGT, Applicant may agree with MGT on reduction of the provided financial security to the level of two months of the highest capacity booking plus the respective volume tariff of the Participant. This is without prejudice to the right of MGT to request replacement security in case the financial security provided by the Participant is used for satisfaction of its due obligations.

## 5. Allocation of capacity

For the avoidance of doubt, the capacity for the Slovak System will be allocated by Eustream and for the Hungarian System by MGT in case of auction the allocation party will be MGT on behalf of Eustream and MGT. When overbooking of Joint Capacities occurs the allocation will be made by Capacity Auction Platform. Each of the Parties will allocate the capacity in the following way:

## 5.1. Total Offered Capacities in the Binding Open Season procedure

Parties offer the following transmission capacities to be allocated to the Applicants during the Binding Open Season procedure (hereinafter referred to as “**Offered Capacity**”):

### a) Direction SK-HU

Slovak System:

Exit Point from SK: Vel'ké Zlievce

Daily maximum: 25/0°C Gross Calorific Value (“**GCV**”) corresponding to 114 000 MWh/day

Type of product: firm

Available from: 1<sup>st</sup> July 2015

Hungarian System

Entry Point to HU : Balassagyarmat

Daily maximum: 25/0°C GCV corresponding to 114 000 MWh/day

Hourly average flow rate: 25/0°C GCV corresponding to 4 750 MWh/h

Type of product: firm

Available from: 1<sup>st</sup> of July 2015

### b) Direction HU-SK

Slovak System

Entry Point to SK: Vel'ké Zlievce

Daily maximum: 25/0°C, GCV corresponding to 45 600 MWh/day

Type of product: interruptible : In case of reasonable market interest, securing viability of the needed investment, the type product could change to firm.

Available from: 1<sup>st</sup> of July 2015

Hungarian System

Exit Point from HU: Balassagyarmat

Daily maximum: 25/0°C GCV corresponding to 45 600 MWh/day

Hourly average flow rate: 25/0°C GCV corresponding to 1 900 MWh/h

Type of product: interruptible capacity, interruption lasting longer than 25 gas days. In case of reasonable market interest, securing viability of the needed investment, the type product should change to firm.

Available from: 1<sup>st</sup> of July 2015

## 5.2. Product description

- a. The Applicants can request the capacity as follows:
  - (i) One Applicant requests equivalent capacities (for the same quantity and direction) for both Hungarian and Slovak System;
  - (ii) Two or more Applicants request equivalent capacities (for the same quantity) for both Hungarian and Slovak System, as Joint Application;  
Capacities as per paragraph (i) and paragraph (ii) hereinafter are referred to as “**Joint Capacities**”.
  - (iii) One Applicant requests capacity in Slovak System only
  - (iv) One Applicant requests capacity in Hungarian System only  
Capacities as per paragraph (iii) and paragraph (iv) hereinafter are referred to as “**Non-Joint Capacities**”.For Non-Joint Capacities maximum 50% of the Offered Capacity can be reserved by Parties.
- b. The Applicants shall specify the direction of the requested capacity, which shall be either from Slovak System to Hungarian System or from Hungarian System to Slovak System.
- c. The Offered Capacity is being offered in lots. One lot of the Offered Capacity (hereinafter defined to as “**Lot**”) means transmission capacity of 1 200 MWh/day of Gross Calorific Value of gas at 25/0°C, 101325 Pa offered for the period 6:00 CET 1<sup>st</sup> of July 2015 till 6:00 CET 1<sup>st</sup> of October 2016. The Applicant shall in the Binding bid specify the integer number of Lots (“Group Lot”).
- d. As per Annex 2, the Applicant must specify:
  - (i) The type of the requested capacity as per 5.2. a);
  - (ii) Direction of the requested capacity as per 5.2. b);
  - (iii) Number of Lots as per 5.2. c);
- e. The maximum amount of Offered capacity in Lots which one Applicant or its affiliate can submit is limited by the Offered Capacity as specified in the Article 5.1. herein. In case of a Lot

exceeding this limit (in an individual Binding bid), the exceeding part of this Lot shall not be taken into account and the Binding bid of such application shall be reduced correspondingly. In such case, the Applicant shall accept the reduction of the Binding bid to the level of Offered Capacity. Non-Joint Capacity requested by one Applicant shall be limited to 37,5% of the Offered Capacity. In case of Non-Joint Capacity request exceeds such limit, then the Applicant shall accept the reduction of the Binding bid to 37,5% of the Offered Capacity

### 5.3. Contracting

- a. Parties offer within the Binding Open Season Procedure solely the Offered Capacity (i.e. the entry/exit capacity of the SK-HU Interconnector up to the 90% of the Technical capacity).
- b. The capacities in adjacent transmission systems are contracted separately and each Party is only liable for contracting on its territory.
- c. In case of delay of commissioning of the SK-HU Interconnector Parties shall have the right to correspondingly postpone the starting date of the concluded transmission contracts without being liable and without paying any compensation for any consequence arising from such delay. In such case Parties shall inform Applicants in due time and keep Applicants informed on new estimated date of commissioning. If the technical status of the pipeline will allow operation on an interruptible basis, then for the respective period the capacities of the Applicants shall be transformed to interruptible capacities, with tariffs according to valid price decisions and principles defined in this Rules and the price Regulation. Such postponement will have no impact to tariffs for the access to the transmission network and natural gas transmission agreed in the corresponding transmission contracts set according the Article 6 herein .
- d. In case (and only in such case) of delay of commissioning beyond 30<sup>th</sup> of September 2015 (the “**Long stop date**”) the affected shipper/s would have the right to withdraw from their transmission contracts without any liabilities for Parties toward Applicants and Applicants toward Parties.

### 5.4. Capacity allocation rules

#### 5.4.1 Capacity Allocation rules in case no joint capacity over booking

In case the total capacity requested by the Applicants does not exceed the level of Offered Capacity and the Parties received the Joint Application which capacity is higher than 37,5% of the Offered Capacity,



its acceptance, allocation and contracting might be considered, however it is a subject to the consent of respective Hungarian Energy and Public Utility Regulatory Authority (hereinafter MEKH) .

In such a case Parties will allocate 37,5% of such a capacity requested in Joint Application within this Open Season and the rest of such a capacity will be allocated outside the Open Season Procedure upon the approval of MEKH . For the avoidance of doubt the rest of such a capacity, which allocation is depending on MEKH approval, will be not offered to third Parties unless the approval is denied.

In such a case the final allocation and communication to the relevant Applicant respecting confidentiality of the results shall be done and notified by each of the Parties till 14:00 CET 05<sup>th</sup> of June 2015 (“Final Allocation”) which is the binding acceptance of the Binding Bids.

#### 5.4.2 Capacity Allocation rules in case joint capacity over booking

In case the total capacity requested by the Applicants does exceed the level of Offered Capacity:

a) Shall the aggregated quantities of the total capacities (Joint Capacities and Non-Joint Capacities) requested to be booked in the same direction (either on Slovak System, Hungarian System or both systems) in accepted Binding bids exceed the Offered Capacity as detailed in Chapter 5.1. each of the Parties will apply the rules defined in this Article for allocation of capacity amongst the Applicants as in the following order, Eustream for the Slovak System and MGT for the Hungarian System:

- (i) As first will be allocated Joint Capacities up to the total quantity of the total Offered Capacity and the limit of 37,5% of the Offered Capacity shall be applied to one Applicant.
- (ii) As second, if there is a remaining capacity, the Non-Joint Capacities will be allocated, maximum up to 50% of the total Offered Capacities. In case the sum of Non-Joint Capacities exceeds the remaining capacity or the 50% of the total Offered Capacities, the pro rata allocations shall be applied.

In such a case the final allocation and communication to the relevant Applicant respecting confidentiality of the results shall be done and notified by each of the Parties on 10th of June 2015 (“Final Allocation”) which is the binding acceptance of the Binding Bids.

b) Shall the aggregated quantities of Joint Capacities requested to be booked in accepted Binding bids exceed the Offered Capacity in the same direction, as detailed in Chapter 5.1. the allocation of the capacities to the Applicants will be made via auction mechanism. The auction mechanism shall be conducted by Capacity Auction Platform operated by MGT respecting auction principles as specified in CAM network code Article 17. The Parties will inform all Applicants that overbooking of Joint

Capacities occurred. For the avoidance of doubts in case of overbooking of Joint Capacities there will be no free capacity left to be allocated to the Applicants with Non-Joint Capacities. Key principles of capacity allocation via Platform:

- MGT as the operator of the Platform will contact Applicants with Joint Capacities to perform and complete registration process.
- Applicants with Joint Capacities shall be obliged to enter into respective agreement with Platform Operator (MGT KLIP) – “Capacity booking and Information technology Platform Agreement and the acceptance of the Capacity Auction Rules” and fulfill all conditions required by MGT for successful registration on the Platform. For avoidance of doubt all Applicants with Joint Capacities shall be in contractual relation with Auction Platform Operator even those which are not taken part actively in the Auctioning process and shall accept the result in the Auction achieved by their Joint Capacity partner.
- All registered Applicants in the Platform will receive access (login and password) to the Platform except the case where Joint Application is submitted by two or more Applicants. When the Joint Application is submitted by two or more Applicants they shall inform MGT which of them shall be granted with access and allowed to place a bid in the auction and MGT will grant access to such an Applicant only. Other Applicants with Joint Capacities will be granted with non-active accesses limited for observation of the Auction Process only.
- Auction algorithm shall be performed according to Article 17 of CAM network code while submission of the bids in Joint Applications in this Open Season shall be considered as first bidding (Auction) round which will be set by the Auction platform Operator on behalf of the each Applicant as per CAM network code Art 17. (5) at the Reserve price set in this Rules according to Article 6. and with the provided Guarantee levels.
- The next Auction round in which the first large step above Reserved price will be applied will start on 10<sup>th</sup> of June 2015 at 10:00 CET. The large price step shall be 5% of the Reserved price, the small price step shall be 1% of the Reserved price.
- Should unallocated capacity, as a result of the auction be more than 10% of the Offered Capacity, then such an unallocated capacity will be allocated to the Applicants with Joint Capacities on pro rata basis for the Reserved price. In each case the total Capacity allocated to the Applicant shall not exceed the Joint Capacity requested in its bid. Should unallocated capacity, as a result of the auction

be less than 10% of the Offered Capacity, then such an unallocated capacity will be set aside and offered to the market outside from the Open Season process.

- Auction premium shall be defined as percentage reached during the auction through particular price steps above the Reserved price. According to Hungarian legislation the auction premium is considered as contractual right of the Applicant to sign contract with MGT. Auction premium shall be transposed to the payment expressed in €/MWh and paid 50% to MGT within 5 days after the Final Allocation, and 50% to Eustream in regular monthly instalments as a part of the regular monthly invoices. The Parties will conclude the transmission contracts with the Applicants i) based on the auction results respecting allocated quantities at Reserved price and auction premium obtained in the auction, and/or ii) should unallocated capacity as the result of the auction be more than 10% of the Offered Capacity based on pro rata allocated quantities and tariffs as defined in Article 6. Should the capacity allocated to the Applicant in the Slovak system through the auction be classified into second tariff group (capacity above 18200 MWh/d), the Reserved price shall be determined according to valid price decision as defined in Article 6.1 and the final tariff in the transmission contract shall be adjusted accordingly.
- In case the Platform fails the Joint Capacities will be allocated pro rata

The final allocation and publication to the relevant Applicant respecting keeping the confidentiality of results shall be done and notified by each of the Parties by the closing of the Auction Platform or in case of pro-rata allocation on 10<sup>th</sup> of June 2015 ("**Final Allocation**") which is the binding acceptance of the Binding Bids.

If the financial security provided by the Applicants does not match with the final allocated capacity then it shall be adapted accordingly, fulfilling the relevant conditions of chapters 4.2 and/or 4.3.

## 6. Tariffs and access to the system

All rules for access to the SK-HU Interconnector, as well as for setting the respective business terms and conditions, including transmission tariffs, will be in full compliance with the valid regulatory framework of Slovakia and Hungary.

## 6.1 Tariffs payable for access and transmission – Slovak part

Gas transmission is a fully regulated activity in the Slovak Republic and tariffs for access to the transmission network and transmission service are determined by the National Regulatory Authority - Regulatory Office for Network Industries (“ÚRSO”). Tariffs for gas transmission in the Slovak Republic are structured in a fully de-coupled entry/exit model (please consult the currently valid price decision of ÚRSO No. 0103/2014/P published at [www.eustream.sk](http://www.eustream.sk)).

The tariffs for access to the transmission network and gas transmission (as valid for the year 2015) are as follows, whereas for all contracts the tariffs are subject to escalation in line with currently valid price decision of ÚRSO No. 0103/2014/P. Final tariff is calculated per Group Lot:

| <b>Tariff group*</b><br>(booked daily capacity)                     | <b>Initial tariff rate at the entry point Veľké Zlievce</b><br>( $P_{0en(n)(m)(t)}$ ) (EUR/(MWh/d)/y) | <b>Initial tariff rate at the exit point Veľké Zlievce</b><br>( $P_{0ex(n)(m)(t)}$ ) (EUR/(MWh/d)/y) |
|---|---|--|
| 1. $T_{en1/ex1}$ (up to 18 200 MWh/d)                               | 108,02  | 185,30   |
| 2. $T_{en2/ex2}$ (over 18 200 MWh/d including, up to 416 000 MWh/d) | 109,72  | 188,20   |

\* please note that the final tariff for the capacity group No. 2 is to be calculated from the initial tariff, reflecting the daily capacity factor, according to the formula under Chapter II. of the price decision of ÚRSO No. 0103/2014/P. Final tariffs shall also reflect a duration by applying the Time factor  $I_y$  as described in the mentioned price decision.

Rates of tariffs of gas for operational needs (calculated as percentage rates from the transmitted gas quantity):

| <b>Entry/Exit point Veľké Zlievce</b> |      |
|---------------------------------------|------|
| Tariff rate at the entry point (%)    | 0,10 |
| Tariff rate at the exit point (%)     | 0,70 |

For all further terms and conditions of the tariff-setting methodology, the respective provisions of the price decision of ÚRSO No. 0103/2014/P apply as applicable (document is available at [www.eustream.sk](http://www.eustream.sk)).

Eustream is ready, upon request of a Participant, to calculate the applicable tariff for a capacity for which the Participant is interested to place in his Binding bid.

## 6.2. Hungarian Tariff mechanism

MGT will apply the Tariff mechanism according to the Hungarian Tariff Regulations to the respective period issued by the respective authority. Current Tariff Regulation is 1/2013 (VII.11.) and its modifications issued by MEKH. According to current Tariff Regulations Balassagyarmat entry/exit point tariffs are the following:

Hungary and Slovak Republic international border point Vel'ké Zlievce– Balassagyarmat  
(SK > HU) and (HU > SK) yearly non interruptible capacity fees,

**Valid from 01st July 2015 to 30th September 2015**

| Entry-Exit point: Vel'ké Zlievce – Balassagyarmat | Yearly Firm Capacity Fee | Volume Fee     |
|---|--------------------------|----------------|
|   |                          |                |
| <b>Direction :</b>                                | <b>HUF/(kWh/h)/year</b>  |                |
| Vel'ké Zlievce – Balassagyarmat (SK > HU)         | 1549.24                  |                |
|   |                          |                |
| <b>Direction :</b>                                | <b>HUF/(kWh/h)/year</b>  | <b>HUF/MWh</b> |
| Balassagyarmat- Vel'ké Zlievce (HU > SK)          | 840.99                   | 110.42         |
|   |                          |                |

\*non odorized gas take over and handed between the adjacent system operators

Above Tariffs are defined in gross calorific value (GCV) expressed in kWh/h(25°C/0°C). For the period from the 1<sup>st</sup> July 2015 till the 30<sup>th</sup> September 2015 3/12<sup>th</sup> of the yearly tariff is applied.

**Valid from 01st October 2015 until withdrawal or new announcement,**

| Entry-Exit point: Vel'ké Zlievce – Balassagyarmat | Yearly Firm Capacity Fee | Volume Fee     |
|---|--------------------------|----------------|
|   |                          |                |
| <b>Direction :</b>                                | <b>HUF/(kWh/h)/year</b>  |                |
| Vel'ké Zlievce – Balassagyarmat (SK > HU)         | 1548.72                  |                |
|   |                          |                |
| <b>Direction :</b>                                | <b>HUF/(kWh/h)/year</b>  | <b>HUF/MWh</b> |

|   |        |        |
|---|--------|--------|
| Balassagyarmat- Vel'ké Zlievce<br>(HU > SK) | 840.91 | 110.41 |
|---|--------|--------|

\*non odorized gas take over and handed between the adjacent system operators

Above Tariffs are defined in gross calorific value (GCV) expressed in kWh/h(25°C/0°C). Yearly tariff is payable from the 1<sup>st</sup> October 2015 until 2016 September 30 gas day .

Above prices are the currently announced Tariffs and applicable until new announcement.

.

### 6.3 Terms and conditions of bidding

The concluded Transmission contracts in accordance with these rules shall be valid for their contractual term without prejudice to Chapter 5.3. (d).

Each Binding bid shall contain a commitment that the Applicant will accept all terms and conditions specified in these Rules without reservation. The Applicant may not modify or withdraw the Binding bid(s) submitted by it. The Binding bid shall contain an expressed commitment that it is irrevocable, unconditional and binding.

If the Applicant fails to comply with any of the above commitments or with the terms and conditions of these rules, the respective Party shall have the right to refuse such Binding bid.

The respective Party shall have the right to refuse a Binding bid if:

- it is not submitted in full, at latest at the date specified in the Rules;
- it does not comply with the terms and conditions specified in the Rules;
- it does not contain direct reference to the binding nature of it as it is set out above.

The respective Party shall notify the Applicant in case its Binding bid is refused. If a Binding bid is refused by the any of the Parties, then the Applicant is no longer bound by it.

### 7. Notices

Unless expressly otherwise provided for in this document, all notices or other communications to be given or made hereunder to Parties shall be sent to both Parties in writing, shall be addressed for the

attention of the persons indicated below and shall be delivered personally or sent by prepaid post or by fax. All notices given by fax shall be confirmed in writing delivered or sent as aforesaid but the failure to give such confirmation shall not invalidate the original notice. The language of all notices shall be the English language. The address for service of Eustream and MGT, their respective fax numbers and e-mail addresses shall be:

**For Eustream:**

Address: Votrubova 11/a, 821 09 Bratislava, Slovak Republic

Fax No.: +421 2 6250 7051

Attention: Marek Lendvorský

E-mail: transmission@eustream.sk

**For MGT:**

Address: Hungary 1031 Budapest. Záhony utca 7/B

Fax No.: 00 36 1- 304-3201

Attention: Zsolt Éles

E-mail: gaztranzit@gaztranzit.hu

All communication addressed to Parties shall be effective upon actual receipt.

## 8. Other provisions of the Rules

Parties reserve the right to amend the terms and conditions of the Rules and the Binding Open Season process. In case of such amendment, each Participant shall be informed in a non-discriminative way. Parties do not assume any responsibility vis-à-vis any Participant for any consequence arising from such amendments. Parties reserve the right to ask for supplements from any Participant, if needed. Parties reserve the right to accept no bid and/or to cancel the Rules without giving any reasons thereof and without being liable for any consequence or paying any compensation therefore.

Parties shall have the right to declare the bidding process frustrated without giving any reason thereof and without being liable for any consequence or paying any compensation therefore.

All costs and expenses incurred related to the bidding process and preparation of bid will be solely borne by the Applicant.



## 9. Governing law, dispute resolution

9.1. All matters between Eustream and Applicant or Participant arisen pursuant to these Rules shall be governed by the laws of the Slovak Republic. Any dispute arising from or related to these Rules and related to Eustream shall be settled by the Court of Arbitration of the Slovak Chamber of Commerce and Industry in Bratislava in accordance with its internal rules and regulations. The place of arbitration shall be Bratislava; its language shall be the Slovak language. The number of arbitrators shall be three (3). The resolution of the Court of Arbitration of the Slovak Chamber of Commerce and Industry in Bratislava shall be final and enforceable.

9.2. All matters between MGT and Applicant or Participant arisen pursuant to these Rules shall be governed by the laws of the Hungary. Any dispute arising from or related to these Rules and related to MGT shall be settled by the Court of Arbitration of the Hungarian Chamber of Commerce and Industry in Budapest in accordance with its internal rules and regulations. The place of arbitration shall be Budapest; its language shall be the Hungarian language. The number of arbitrators shall be three (3). The resolution of the Court of Arbitration of the Hungarian Chamber of Commerce and Industry in Budapest shall be final and enforceable.

## 10. Miscellaneous

The following Annexes are an integral part of the Binding Open Season Procedure and shall be published at the Parties websites in due course:

Annex 1: Registration form

Annex 2: Binding bid (Binding capacity request)

Annex 3: Operational Order of Eustream (setting the business conditions)

Annex 4: Operational Order of MGT (setting the business conditions),

Annex 5: General Terms and Conditions of MGT

Annex 6: Annual Contract of MGT