




HU-SK-AT SHIPPER INFO DAY

05/06/2018

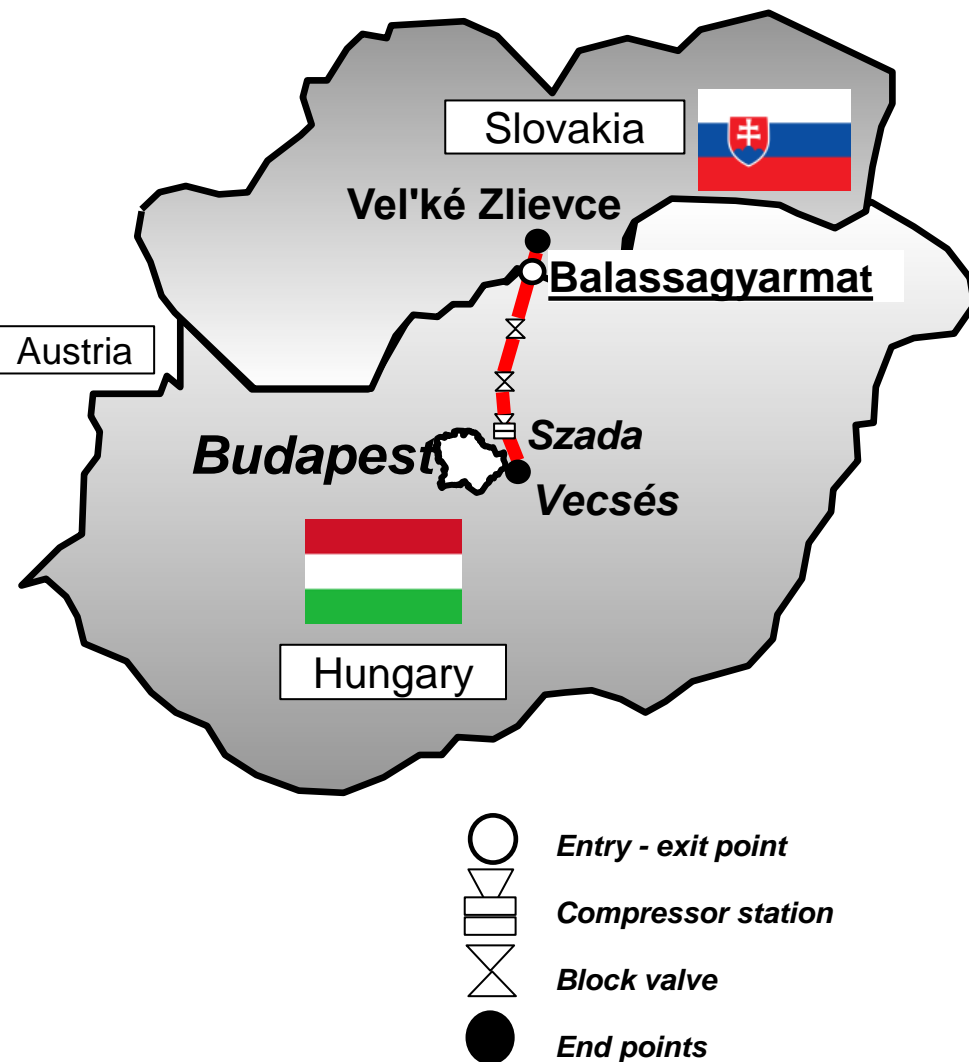
AGENDA TOPICS	Duration	Timetable
Welcoming coffee/registration	30 min	11:00-11:30
1. Opening speech (MEKH)	15 min	11:30-11:45
2. HU-SK-AT Alternative Allocation Procedure in details		
2.1 HU-SK-AT Project introduction (10 min/TSO's)	30 min	11:45-12:15
2.2 HU-SK-AT Alternative Allocation Registration process (TSO)	30 min	12:15-12:45
Coffee break	15 min	12:45-13:00
2.3 HU-SK-AT Alternative Allocation procedure Timeline (TSO)	15 min	13:00-13:15
2.4 HU-SK-AT Capacity allocation rules (TSO)	30 min	13:15-13:45
Coffee break	15 min	13:45-14:00
3. Q and A session (All)	60 min	14:00-15:00
4. Closing remark,	10 min	15:00-15:10



HUSKAT alternative allocation in detail: ***Project introduction***

INTRODUCTION OF EXISTING SYSTEM

MGT



Bidirectional gas transmission pipeline:

Technical capacities

SK⇒ HU direction	5 382 182 kWh/hour
HU⇒ SK direction	2 126 683 kWh/hour

Total yearly technical capacities

SK⇒ HU direction	~4,38 billion m ³ /year
HU⇒ SK direction	~1,75 billion m ³ /year

Balassagyarmat:

- the Hungarian side of the Interconnector
- International Metering Station

Vel'ké Zlievce:

- the Slovak side of the Interconnector

Vecsés:

- the interconnection point to FGSZ system

Szada: compressor station

Offered capacities

SK⇒ HU direction	FIRM
HU⇒ SK direction	Interruptible

Due to current design of Balassagyarmat metering station direction switch time requirement

2 TSO systems in Hungary

Regulations:

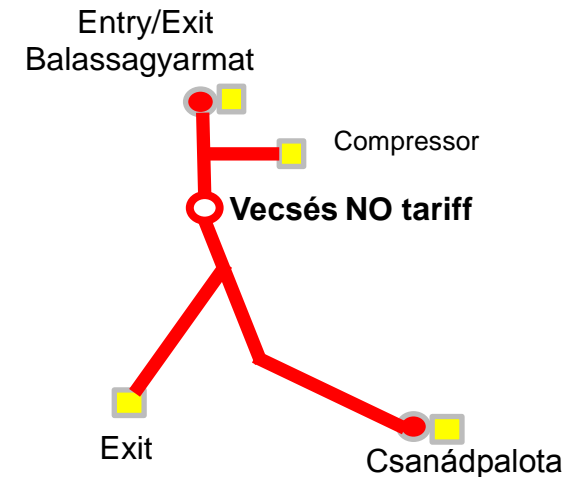
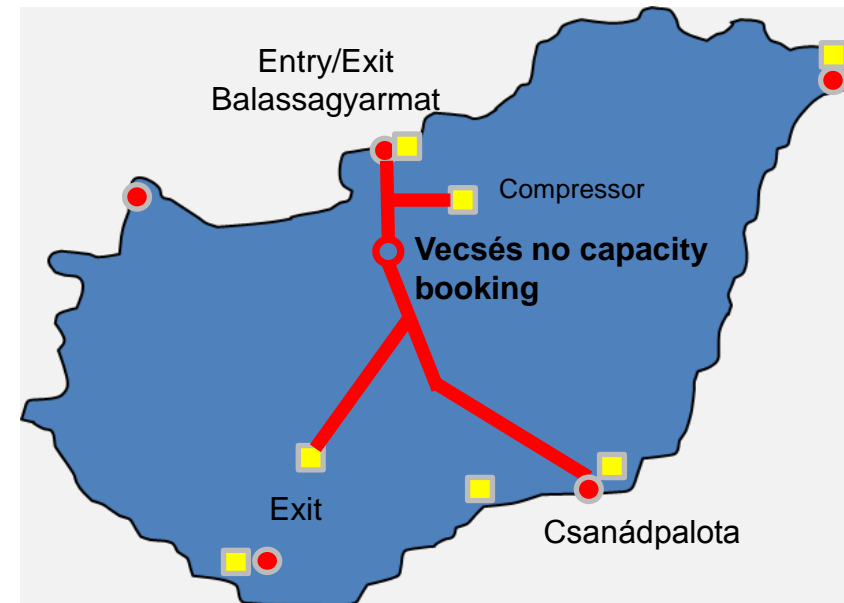
Vecsés MGT/FGSZ connection point rules

- Vecsés is a **connection point** in Hungary
- **No capacity booking at Vecsés**
- Vecsés capacities are acquired by booking at Balassagyarmat capacities (MGT/FGSZ shall enable the capacity) - hand over at IT platforms
- **No tariff at Vecsés**
- **Nomination is required at Vecsés**

Tariff system :

- Postage stamp tariff mechanism
- MEKH defines the Tariff levels
- **Floating Tariff**
- **Entry point: capacity fee**
- **Exit point:**
 - Capacity fee and
 - Volume based fee

Inter TSO compensation mechanism



PROJECT INTRODUCTION

MGT

Level I.

Automation of the reversal-pressure compensation technology in Szada

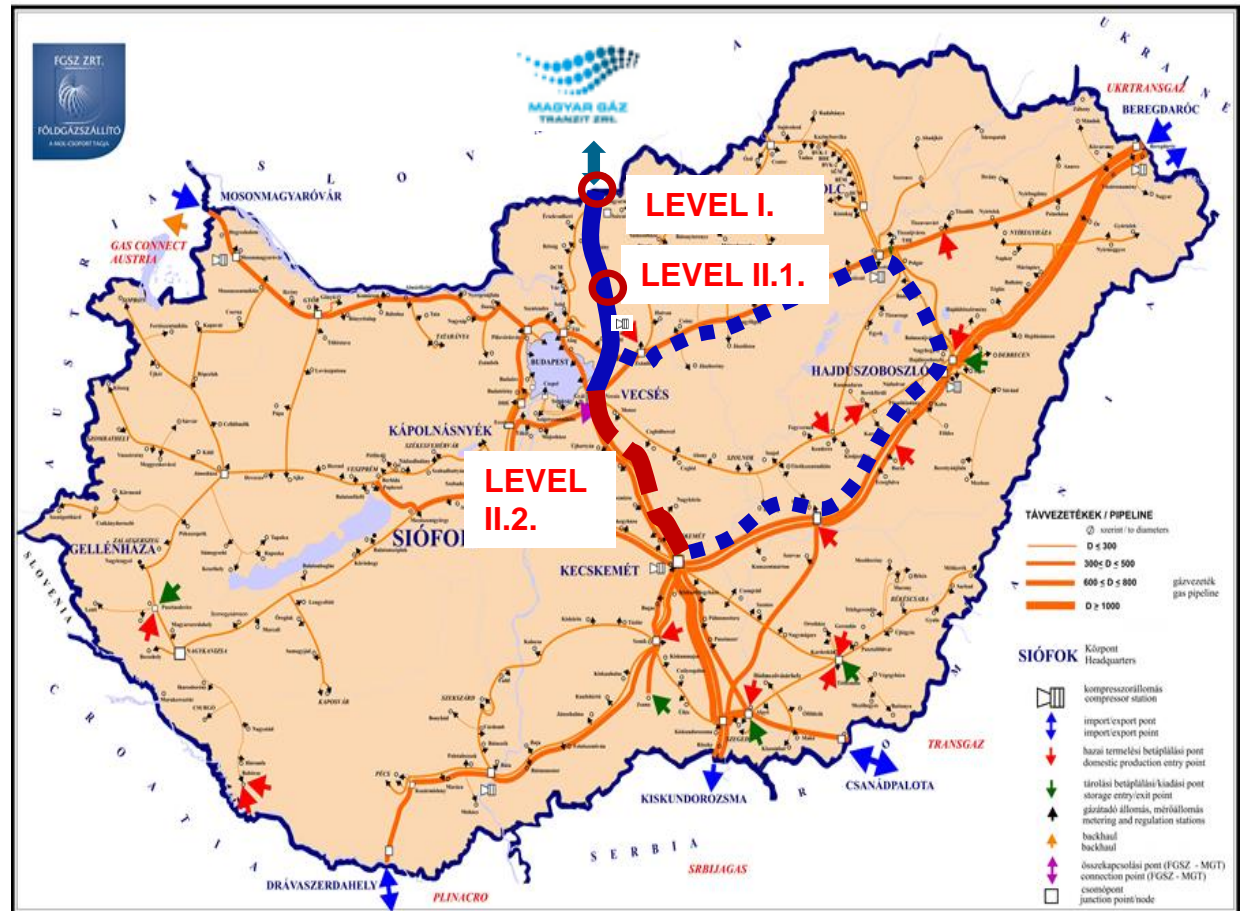
Level II.1.

Compressor Capacity expansion at Szada compressor station and connection to FGSZ

Increased pressure towards
Eustream

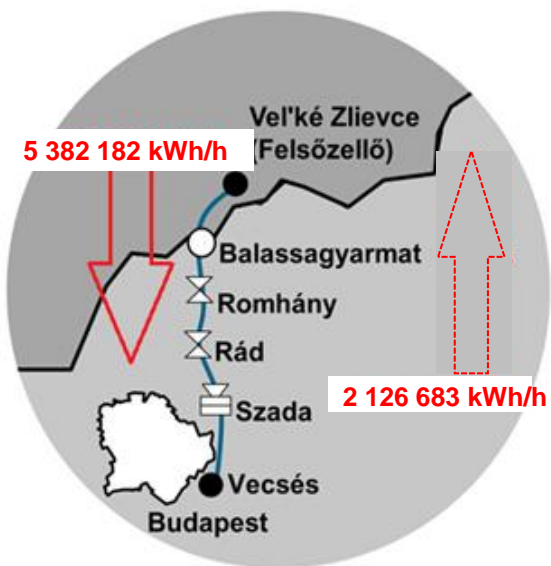
Level II.2

Vecsés – Városhöld transit line,
Vecsés pressure separator block,
Városhöld hub and metering station

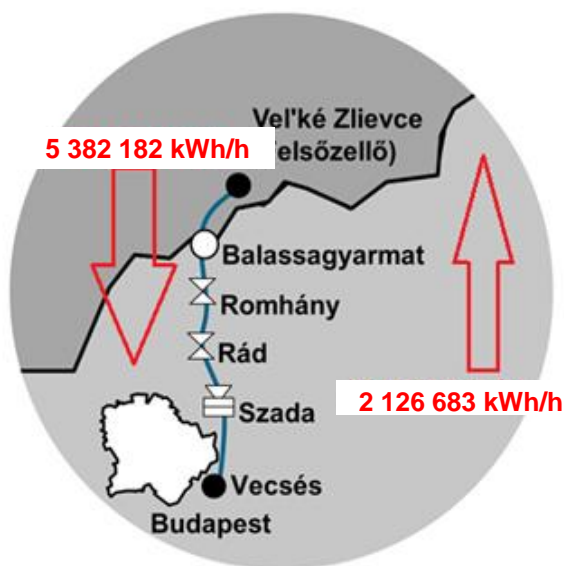


Capacity increase – introduction of the *PROJECTS*

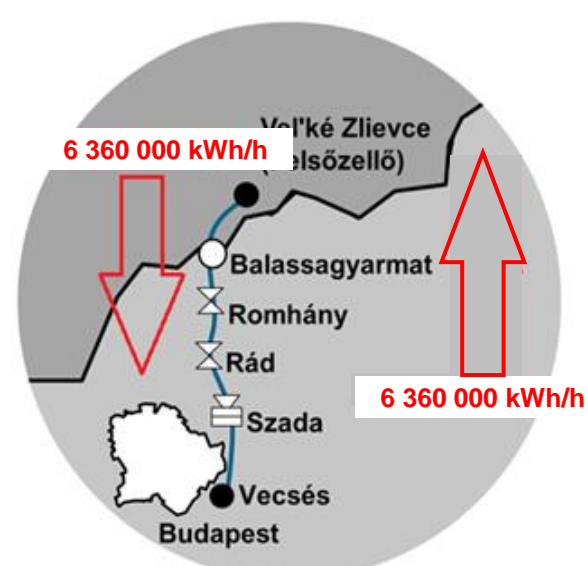
Current



Level I.



Level II.



Technical Capacities

SK ⇒ HU 5 382 182 kWh/h

FIRM

5 382 182 kWh/h

FIRM

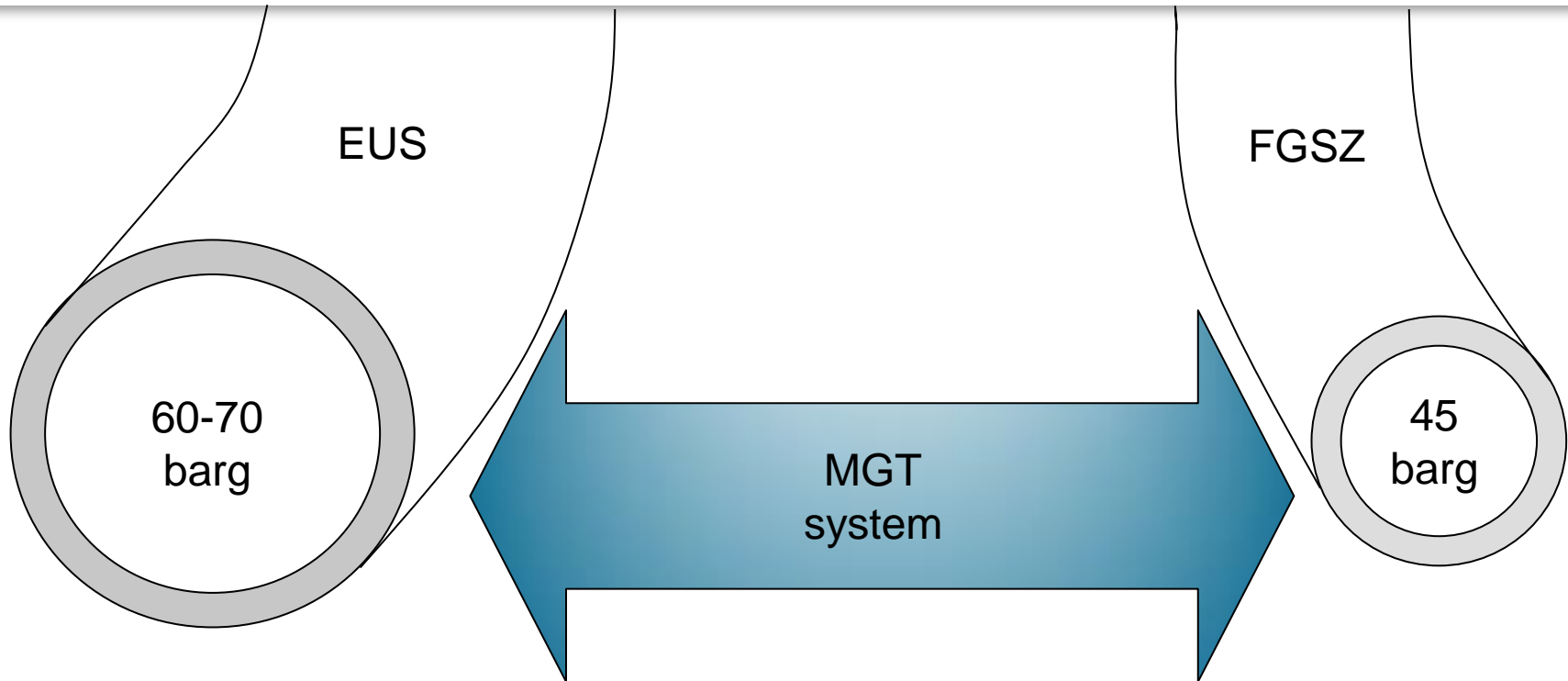
6 360 000 kWh/h

FIRM

HU ⇒ SK 2 126 683 kWh/h
Interruptible

2 126 683 kWh/h
FIRM

6 360 000 kWh/h
FIRM



Interconnection:

MGT- EUS Interconnection Agreement:	Current guaranteed border pressure level: 53 barg
	<u>Required border pressure: 67 barg</u>
MGT- FGSZ Interconnection Agreement:	Current guaranteed pressure at Vecsés: 45 barg
	<u>Required connection point pressure: 46,3 barg</u>

Current negotiations and their impact

MGT in cooperation with its adjacent transmission system operators, eustream a.s. and FGSZ Zrt. targets to set and agree on required gas quality and gas pressure at the SK-HU border and the connection points between the TSOs.

MGT in cooperation with eustream a.s.:

- Development and finalization of the Extra pressure Agreement
- Amendment of the Interconnection Agreement (guaranteed pressure level at border 67 barg and Gas quality parameters)

MGT in cooperation with FGSZ Zrt.:

- Amendment of the Interconnection Agreement (finalization of guaranteed pressure, increased quantity level and minimum Gas quality parameters at Vecsés/Gödöllő)

Target date to finalize : mid June 2018

Vecsés – Városföld gas transit pipeline

In case no technical solution will be agreed on during the current negotiations



MGT as the project promoter of the Vecsés - Városföld gas transit pipeline project (Third PCI project list 6.2.14. and TYNDP project TRA-N-831 and National Development Plan) will submit a proposal to the Hungarian Energy and Public Utility Regulatory Authority for approval simultaneously with the Rulebook in order to implement the pipeline project.

eustream, a.s.

HU-SK-AT Project introduction

Key part of the European infrastructure

- **77.4 bcm/y**
Technical capacity of the entry point
Veľké Kapušany/Budince (SK/UA)
- **64.2 bcm/y**
Gas transmission in 2017
- **4 compressor stations**
Total installed power 500 MW
- **2,332 km**
4-5 parallel lines 48"/56"
- **73 bars**
Maximum operating pressure



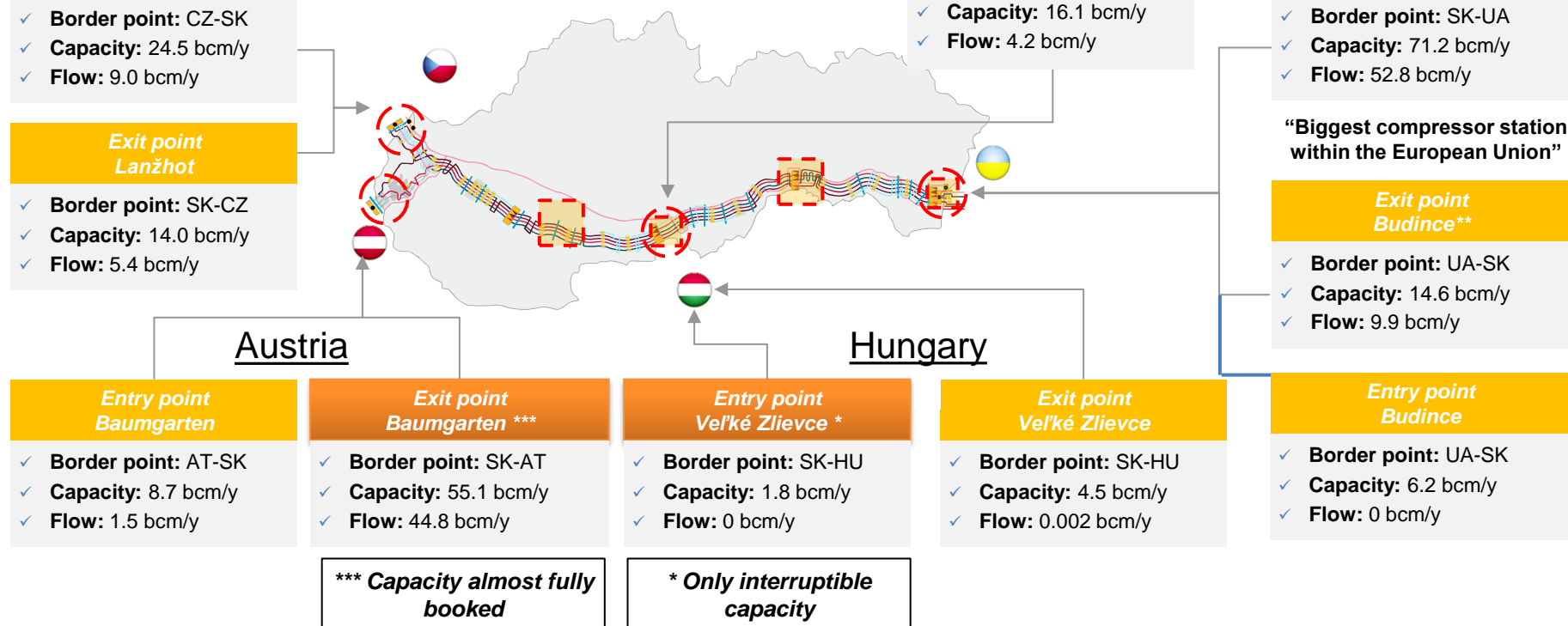
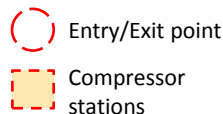
**Nearly 2 500 bcm of natural gas
transmitted since 1972**

Modern Infrastructure Connecting Key European Markets

Czech Republic

Entry point Lanžhot
✓ Border point: CZ-SK
✓ Capacity: 24.5 bcm/y
✓ Flow: 9.0 bcm/y

Exit point Lanžhot
✓ Border point: SK-CZ
✓ Capacity: 14.0 bcm/y
✓ Flow: 5.4 bcm/y



Source: Company Information

Note: Capacities as of 2017, Flow in 2017

Budince Entry capacity available from 4/4/2016

Domestic point entry commercial flow – 1.0 bcm

**Capacity partially interruptible

HU-SK-AT project

Commercial operation:

- 10/2022

Total estimated CAPEX:

- 58.07 mEUR

Maximum working pressure:

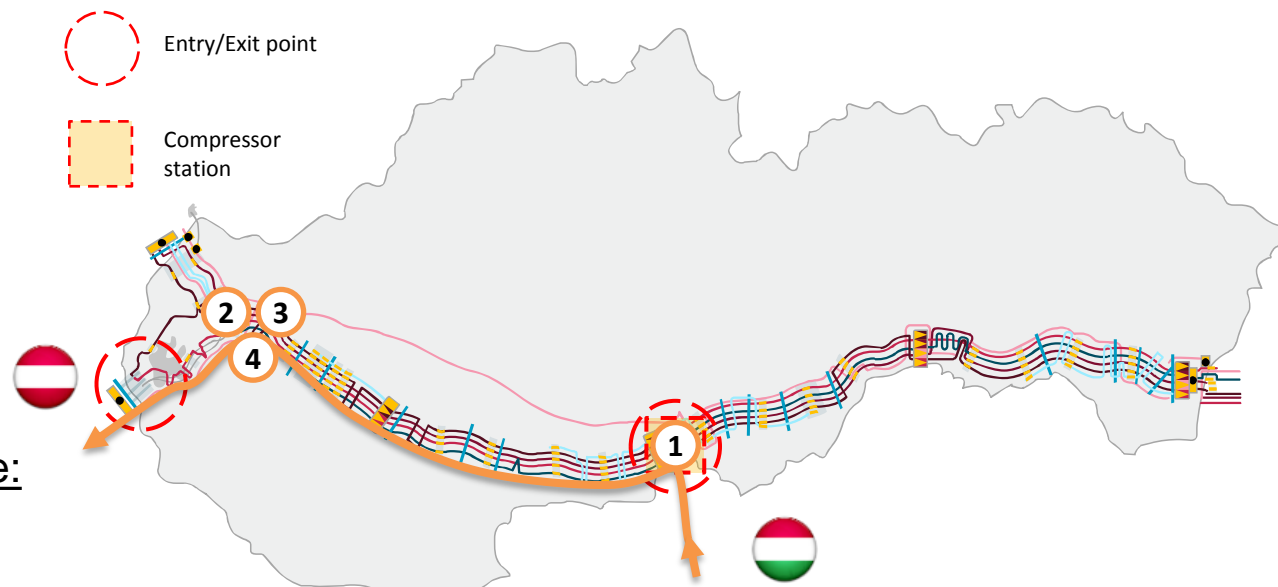
- 73 bars

Compressor unit rated output

- 3 x 3.5 MW at CS Veľké Zlievce ①
- 12 MW in the Western part of the EUS Grid ②

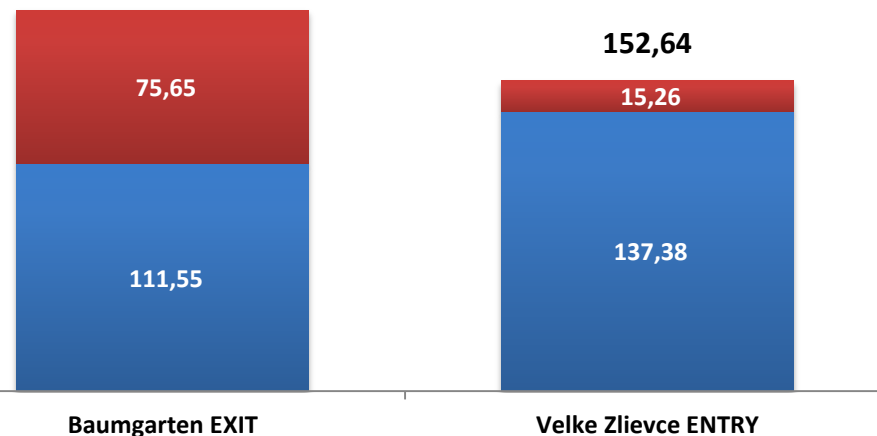
System enhancement

- Technological upgrade of 23.2 MW Compressor unit and control system ③
- Pipelines Modification of interconnector from DN700 to DN1000 at distribution point Vysoká pri Morave ④



Incremental Capacity (GWh/d)

187,20



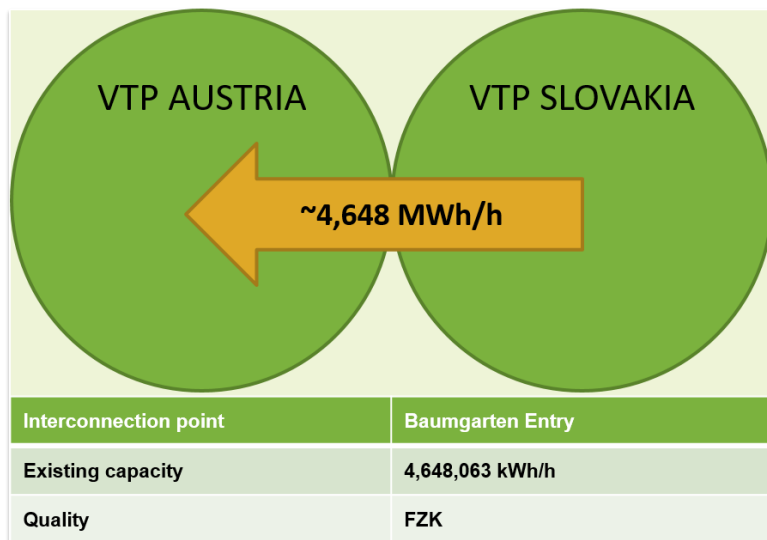


HUSKAT alternative allocation in detail:
Project introduction: GCA

HUSKAT Alternative allocation procedure

Commercial project scope in AT

Core information



Commercial terms


Offered gas years: **15**

Period: **GY 2022/23 - GY 2036/37**

Price structure:

Reserve price*	0.77 EUR/kWh/h/y (floating)
Mandatory minimum premium	None
Potential premium	Fixed

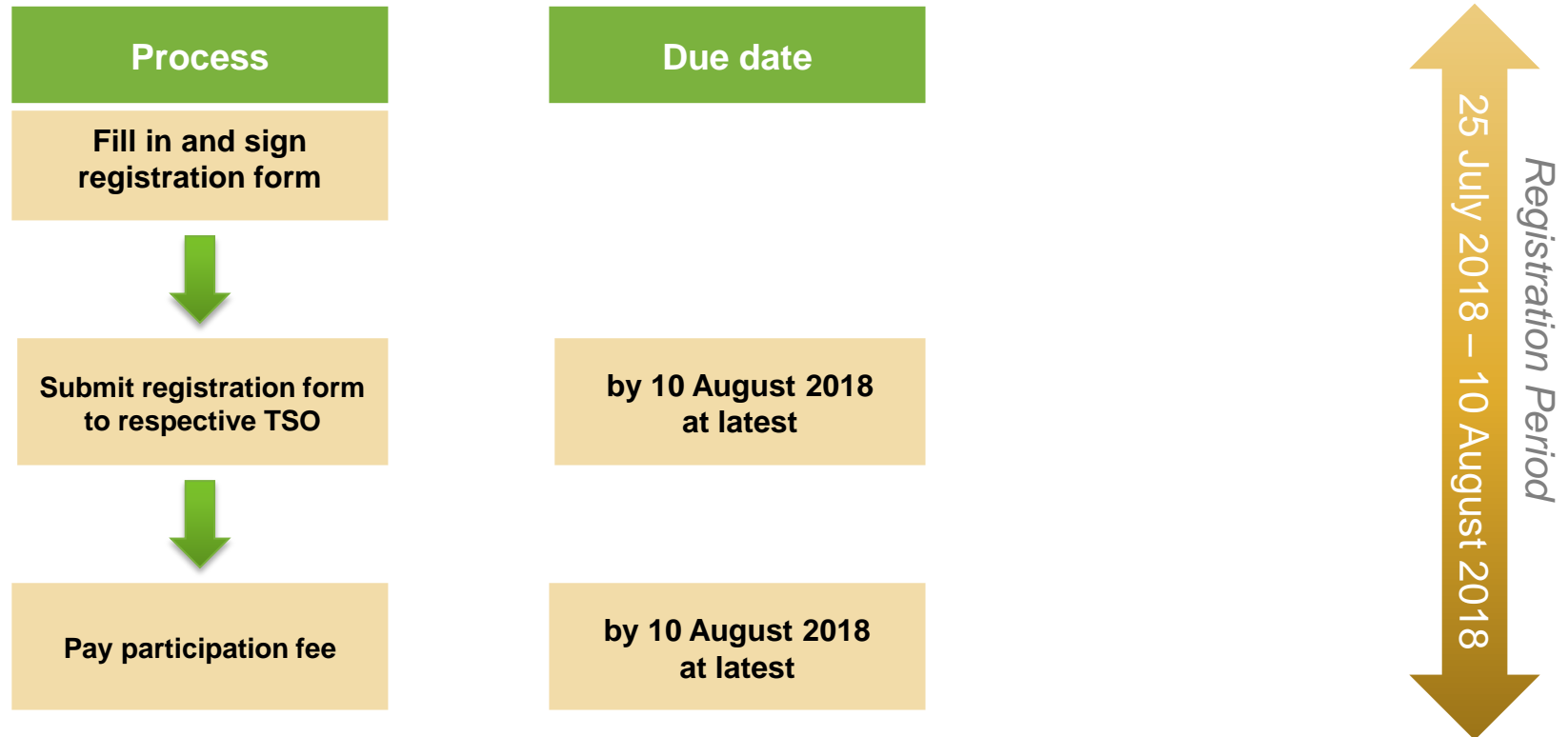
*According to Austrian Gas-System-Charges-ordinance as amended



HUSKAT alternative allocation in detail: ***Registration***

HUSKAT Alternative allocation procedure

Registration



- TSOs will confirm successful registration by 20 August 2018
- Registration forms and payments received after 10 August 2018 will not be considered

HUSKAT Alternative allocation procedure

Participation fee

- **Participation fee:** shall mean a fee of EUR 2,000 per IP
- **Half of the participation fee** shall be paid to each TSO on the IP (i.e. EUR 1,000 per TSO)
- **Payment** is a precondition to participate in the alternative allocation procedure
- **Participation fee** shall be paid to following bank accounts stating the reference „Participation fee – alternative allocation procedure / [company name]“

Gas Connect Austria GmbH

Account keeping financial institution:
UniCredit Bank Austria AG

IBAN:
AT03 1200 0506 6003 2300

Bank Identifier Code (BIC):
BKAUATWW

Eustream, a.s.

Account keeping financial institution:
Tatra bank, a.s., Bratislava branch

Bank account number:
SK78 1100 0000 0029 3570 0511


SWIFT code:
TATRSKBX

Magyar Gáz Tranzit ZRt.

Account keeping financial institution:
Erste Bank, Zrt.

IBAN:
HU-21-11600006-00000000-52492459

SWIFT code:
GIBAHUHB



HUSKAT alternative allocation in detail: ***Timeline***

HU-SK-AT Project High level Timeline

Start date	End date	Description	
25.05.2018	25.06.2018	Public Consultation	} SHIPPERS
06.05.2018		Shipper day event	
02.04.2018	18.06.2018	Negotiations and the implementation of technical parameters of the project	} TSOs
29.05.2018	25.06.2018	Preparation of the supporting documents of the Development decision	
26.06.2018	02.07.2018	Finalization of the Rulebook	
03.07.2018	16.07.2018	Approval of the Rulebook by the NRAs (HU/SK/AT)	NRAs
17.07.2018	24.07.2018	TSO internal approval of the Development	TSOs
25.07.2018		Announcement of the Binding Alternative Allocation Procedure	} SHIPPERS
26.07.2018	10.08.2018	Customer registration	
13.08.2018	20.08.2018	Customer registration confirmation by TSOs	

HU-SK-AT Project Timeline between 01.09.2018 – 31.12.2018



26.09.2018

Bid submission window I. – closing date of Submission of bids

28.09.2018

Economic Test I.

01.10.2018

TSO's to publish the aggregated allocation results

In case of Positive Economic Test I.

01.10.2018 TSO to send the allocation result confirmation to Successful Bidders and inform Bidders about the aggregated allocation

In case of Negative Economic Test I.

05.10.2018 Bid submission window II: TSOs to submit updated requirements to Bidders

19.10.2018 Bid submission window II: Bidders may submit updated Bids to TSOs



24.10.2018

Economic Test II.

24.10.2018

TSO's to publish the aggregated allocation results

In case of Negative Economic Test II.

24.10.2018 TSO to inform Bidders about terminated Alternative Allocation Procedure

In case of Positive Economic Test II.

24.10.2018 TSO to send the allocation result confirmation to Successful Bidders and inform Bidders about the aggregated allocation



28.12.2018

Bidders' latest execution date of step back right from contracts concluded upon positive Economic Test I or II

In case of no step back right being executed:

21.03.2019 Successful completion of the Alternative Allocation Procedure

(concluded contracts remain in place, TSOs to inform Successful Bidders)

HU-SK-AT Project Timeline between 01.01.2019 – 30.04.2019

In case of any step back right being executed:

- 22.03.2019 TSOs to inform and send requirements, the same as for previous Bid submission window, to Bidders which submitted the Bids in Bid submission window I/II and capacity were not allocated/partly allocated to them (Non allocated Bidders) that may submit new Bids for the remaining available capacity to TSOs.
- 29.03.2019 Bid submission window III: Non allocated Bidders may submit new Bids for the remaining available capacity to TSOs.



01.04.2019

Economic Test III.

08.04.2019

TSO's to publish the aggregated allocation results

In case of Positive Economic Test III.

08.04.2019 TSO to send the allocation result confirmation to Successful Bidders and inform Bidders about the aggregated allocation

In case of Negative Economic Test III.

11.04.2019 Bid submission window IV: TSOs to submit updated requirements to Bidders

19.04.2019 Bid submission window IV: Bidders may submit updated Bids to TSOs



22.04.2019

Economic Test IV.

30.04.2019

TSO's to publish the aggregated allocation results

In case of Positive Economic Test IV.

30.04.2019 Successful completion of the Alternative Allocation Procedure (capacities allocated before 30. December 2018 remain in place, TSO to inform Successful Bidders), TSO to send the allocation result confirmation to Successful Bidders

In case of Negative Economic Test IV.

30.04.2019 TSO to inform Bidders about terminated Alternative Allocation Procedure and termination of the contracts



HUSKAT alternative allocation in detail:
Principals of alternative allocations

05/06/2018



- Willingness to Pay
- Capacity Allocation Principles
- Bids Evaluation
- Other Bids Conditions
- Step Back Right
- Submission Process

the total value of all Bids for the incremental capacity bid for under this alternative allocation mechanism expressed in Euro submitted by the Bidder for the period October 2022 – October 2037, taking into account Indicative Reserve Price P_0 (For avoidance of any doubts to calculate Willingness to pay only the Indicative Reserve Price P_0 is applied as a constant regardless of the size and duration of the capacity booking i.e.: the price to calculate the Willingness to pay may differ from the actual price of the allocated capacities as per valid Price Decision)

- Both interconnection points are jointly evaluated from a willingness to pay point of view in order to resolve any eventual congestion of the Alternative Allocation Procedure
- Capacities are allocated based on willingness-to-pay for incremental capacity offered under this alternative allocation mechanism. Capacities are charged at relevant tariffs of respective TSO's in line with their valid and effective Price Decisions
- The Applicants are allowed to submit for capacity one offer per Bid submission window per IP. In the offer the Applicants are allowed to place maximum 1 Bid per gas year, i.e. it is not permitted to submit multiple (alternative) bids by a single Applicant for the same gas year

- Capacities are allocated separately for each interconnection point (IP) and offered gas year
- In Bid submission window II, all Bidders will have the possibility to indicate a higher willingness-to-pay upon the proposal of the TSOs
- In Bid submission window III non allocated Bidders from previous Bid submission windows, except those who have exercised their step back right, have the possibility to submit an additional/new Bid for the remaining available (i.e. not allocated) capacity upon the proposal of the TSOs

- The willingness to pay of all Bidders shall be ranked in descending order, i.e. starting from the highest Bidder's willingness to pay across IPs/sides of an IP where incremental capacity was bid for
- Higher willingness to pay shall have precedence over lower willingness to pay
- In case of no overbooking all Bidders are allocated based on their Bids
- In the case of overbooking at any of the gas years, the following allocation methodology shall apply:
 - The capacity request for respective yearly capacity product of the bidder with the highest willingness to pay shall be allocated first
 - The remaining unallocated capacity for respective gas year shall be allocated by taking the second, third, fourth, etc. highest willingness to pay of other Bidders, subject to the available capacity after each allocation step
 - In case there are equal willingness to pay values by different Bidders, and these affect the same IP and the same gas year, such bids shall be allocated pro rata (applicable if specific conditions are not requested)

- Bids submitted outside of the specified time periods **shall not be evaluated**
- The relevant capacity quantity it intends to book expressed in kWh/h/year,
 - Bids containing capacity quantities higher than the offered capacity **shall be refused**
- Bids should include the relevant interconnection point(s) and the relevant gas year(s)

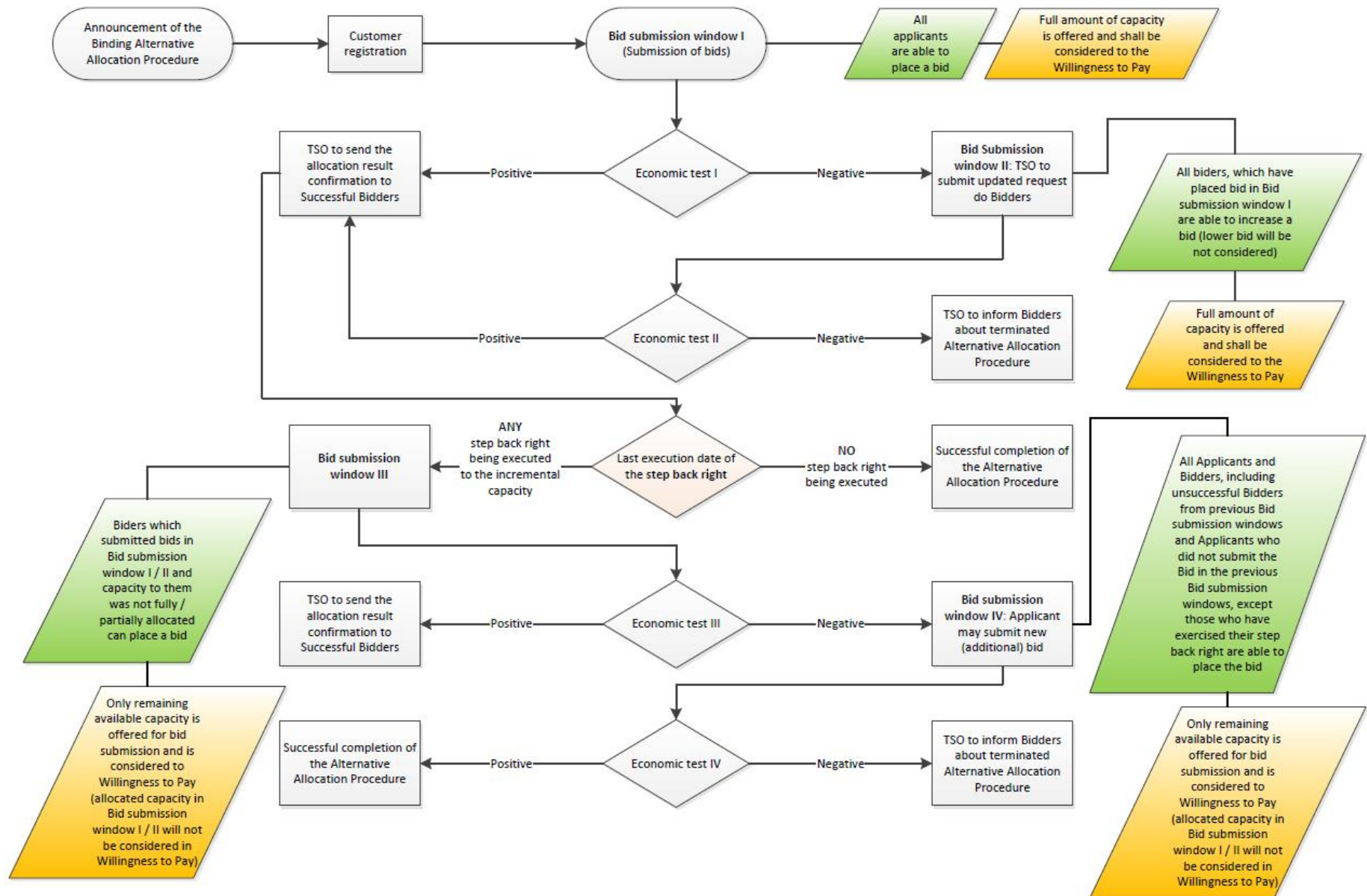
- Bids should contain: predefined conditionality, if any, i.e.
 - Bids linked over flow directions
 - Bids linked across years
 - Minimum amount

- In general in each Bid submission window only one Bid may be submitted per gas year by a Bidder. Bids containing more than 1 (one) capacity quantity request for the same gas year **shall be refused**. During the Bid submission window III, unsuccessful Bidders from previous Bid submission windows may submit a new Bid for the released and remaining available capacity on offer. During the Bid submission window IV, Bidders who did not exercise their step back right may submit a new Bid for the released and remaining available capacity on offer.

Termination through Step Back Right

- Shall be executed after positive Economic Test I or II by:
28 December 2018 23:59 CET
Without any reason for this decision
- Successful Bidders shall be entitled to step back from their contracts concluded:
with **Gas Connect Austria** (full capacity only)
and/or
with **Eustream** and **Magyar Gáz Tranzit** (full capacity only)
- In case of SBR execution, the Bidder shall pay following **termination fee** being a fixed rate of the value of this bids (Reserve Price * Allocated Capacity):
for **Eustream 0,15%**
for **Magyar Gáz Tranzit 0,15%**
for **Gas Connect Austria 0,033 %**

Submission process







HUSKAT alternative allocation in detail:
Back up slides

05/06/2018

