

NATURAL GAS TRADING IN HUNGARY

HU-RO PILOT PROJECT – INFO DAY

MEDIAS, 30. 10. 2014

SECTION 1 - LICENSING ACTIVITIES OF
THE HUNGARIAN ENERGY AND PUBLIC UTILITY
REGULATORY AUTHORITY (HEA)

GERGELY ÉLIÁS

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LEGAL FRAMEWORK

(LIST OF LEGISLATION)

- **Act XL of 2008** on Natural Gas Supply (hereinafter GET)
- **Government Decree No. 19/2009. (I. 30.)** on the implementation of the Act XL of 2008 on Natural Gas Supply
- **Decree of the President of the Hungarian Energy and Public Utility Regulatory Authority No. 1/2014. (III. 4.)** on the rates of administrative fees to be paid to the Hungarian Energy and Public Utility Regulatory Authority (HEA) and rules of payments.



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TYPES OF LICENCES

WITH THE NUMBER OF GIVEN LICENCE HOLDERS (OCTOBER, 2014)



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TRADING

THERE ARE 2 TYPES OF TRADING LICENCE (SINCE 1ST JANUARY 2013)

Trading licence

[GET 28. § (3)]

possibility to supply
customers

shall have financial
guarantee required by law

business code approved by
the HEA

presence in Hungary
(registered seat/branch)

Limited trading licence

[GET 28. § (4)]

no possibility to supply
customers

no financial guarantee
required by law

no business code

agent for service of
process



TRADING LICENCE - REQUIREMENTS

The applicant shall submit the following documents and fulfill the following requirements in order to obtain a trading licence:

- **Monitored business plan** for one year;
- **Independent auditor's opinion** about the business plan;
- **Presentation of the data processing and information technology facilities;**
- **Audited financial statement for the year preceding the request** for authorization;
- Figure about the structure of the organization / **organizational chart** proving the adequacy of personnel, description of the organizational units, **Operational Rules;**
- Presentation about the necessary methods for operating the service,
- Proposed **Business Code;**
- **Plan for emergency or crisis;**
- **Description of the accounting system;**
- **Declaration** of the applicant that it is not subject to bankruptcy, liquidation, winding-up or dissolution procedure;
- **Declaration** of the acknowledgement of the Network Code and the compliance with its provisions;
- **Cooperation agreement with the TSO** (concerning balancing activities, access to data processing and IT facilities and within-day balancing products) or if not available a letter of intent;
- **Presentation of the financial guarantee;**
- **Licence fee** of HUF 4 million (approx. EUR 13 000), certification of the transfer has to be attached to the documentation;
- **Fee** for the approval of the Business Code HUF 1 million (approx. EUR 3 300), certification of the transfer has to be attached to the documentation.

Deadline of procedure: **90 days.**



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LIMITED TRADING LICENCE - REQUIREMENTS

From the 1st January 2013 there is the possibility to get *limited trading licence* in Hungary.

The applicant shall submit the following documents and fulfill the following requirements in order to obtain a limited trading licence:

- **Monitored business plan** for one year;
- **Independent auditor's opinion** about the business plan;
- **Presentation of the data processing and information technology facilities;**
- **Declaration** of the applicant that it is not subject to bankruptcy, liquidation, winding-up or dissolution procedure;
- **Cooperation agreement with the TSO** (concerning balancing activities, access to data processing and IT facilities and within-day balancing products) or if not available a letter of intent;
- **Contact details** of the applicant's representative and the agent for service of process;
- **Contract** of the agent for service of process (original or certified copy)
- **Declaration** of the acknowledgement of the Network Code and the compliance with its provisions;
- **Certification** about the fact that the applicant does its activity in another Member State;
- **Licence fee** of HUF 2 million (approx. EUR 6 600), certification of the transfer has to be attached to the documentation.

Deadline of procedure: **30 days**.



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OTHER OBLIGATIONS

ANNUAL FEE

Furthermore – regardless of the type of trading licence held – the licence holder has to pay an **annual fee** (a supervision charge) to HEA: **0.06 % of the net income of the previous year from the activity on the Hungarian market.** (If no income has been realized before, 0.06% of income included in the Business Plan.)

REPORTING OBLIGATIONS

There are some different types of reporting to HEA in relation with the licence holders activity.

Eg. a **limited trading licensee** has to fulfil the below mentioned:

- **prescribed by the annex. of the licence** (on yearly basis; deadline: 31 March of the given year about the year previous)
- **balance sheet about the natural gas supply** (on monthly basis)
- **basic data about the licence holder** (ad hoc data supply, update needed only in case of change)
- **data supply in relation with annual fee** (ad hoc 2 times a year)
- **ad hoc reporting obligations upon the HEA's request.**



Q&A FOR LICENSING ACTIVITY

INFORMATION ON LIMITED TRADING LICENCE:

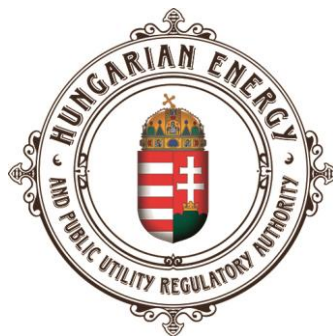
<http://www.mekh.hu/en/licensing/licensing-and-approval-procedure/natural-gas.html>

WITH FURTHER QUESTION PLEASE DO NOT HESITATE TO CONTACT HEA

FOLDGAZFELUGYELET@MEKH.HU



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TARIFICATION AT HU-RO IP

HU-RO PILOT PROJECT – INFO DAY

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SECTION 2 – TARIFICATION REGARDING THE PILOT PROJECT

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HU Tarification

Regarding the HU-RO pilot project:

The relevant tarification rules are determined by the No. 1/2013. (VII. 11.) Decree of the MEKH

- CAM NC is implemented in the field of standard capacities:
 - Sections 3/A - 3/C, 2nd Appendix
 - Within-a-year standard capacity products: Sections 3/B
 - Rules of the interruptibility: Section 3/C
- Standard capacity product:
 - Interruptibility: Firm or interruptible
 - Duration: Yearly, Quaterly, Monthly, Daily (details later)
- Winter time period: 1st of October – 31st of March
- Relevant price correction date: 1st of July
- Specific price correction would be on 1st of the January:
 - Entry-exit ratio correction => entry fee WOULD BE decreased, exit fee WOULD BE increased

Yearly firm standard capacity

YEARLY FIRM Transmission capacity fees	HU -> RO	HU <- RO
Usage of the Csanádpalota IP <u>ONLY</u>	<u>Exit fee (IP exit):</u> 229,50 HUF/(MJ/h)/Year	<u>Entry fee (IP entry):</u> 9,56 HUF/(MJ/day)/Year
Usage of the <u>IP and the Hungarian system</u> (after usage of the booked capacity)	<u>HU exit + IP exit:</u> 199,60 HUF/(MJ/h)/Year + 229,50 HUF/(MJ/h)/Year = 429,10 HUF/(MJ/h)/Year	<u>IP entry + HU entry:</u> 9,56 HUF/(MJ/day)/Year + 24,37 HUF/(MJ/day)/Year = 33,93 HUF/(MJ/day)/Year

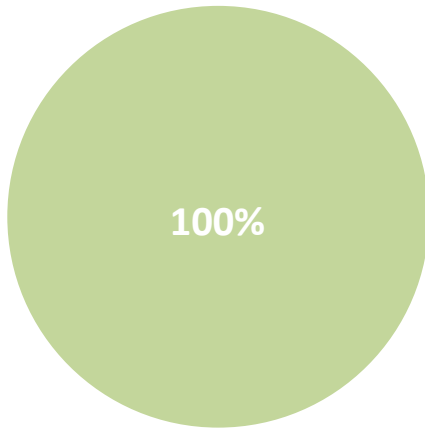
Short-term products

	Winter period	Summer period	INTERRUPTIBLE CAPACITY FEE
Quarterly firm standard capacity fee	45% of the yearly fee per quarters	10% of the yearly fee per quarters	10% of the given firm tariff
Monthly firm standard capacity fee	16% of the yearly fee per months	4% of the yearly fee per months	
Daily firm standard capacity fee	1% of the yearly fee per gas days	0,25% of the yearly fee per gas days	

Visualization of the fee structure

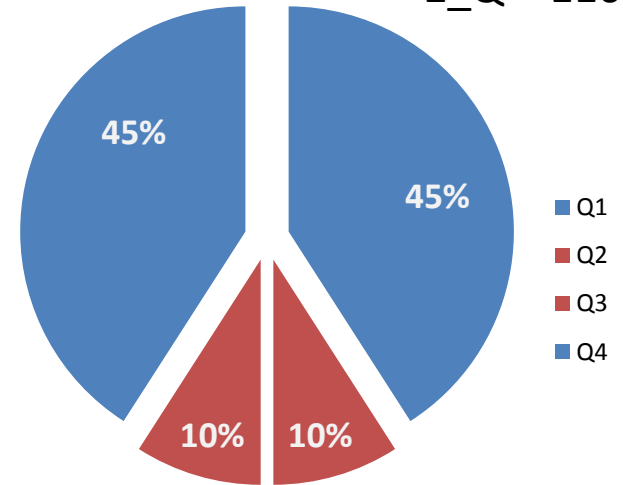
YEARLY

■ Y



QUATERLY

$$\Sigma_Q = 110\% * Y$$



■ 1st of Oct.

■ 2nd of Oct. -
31st of
March

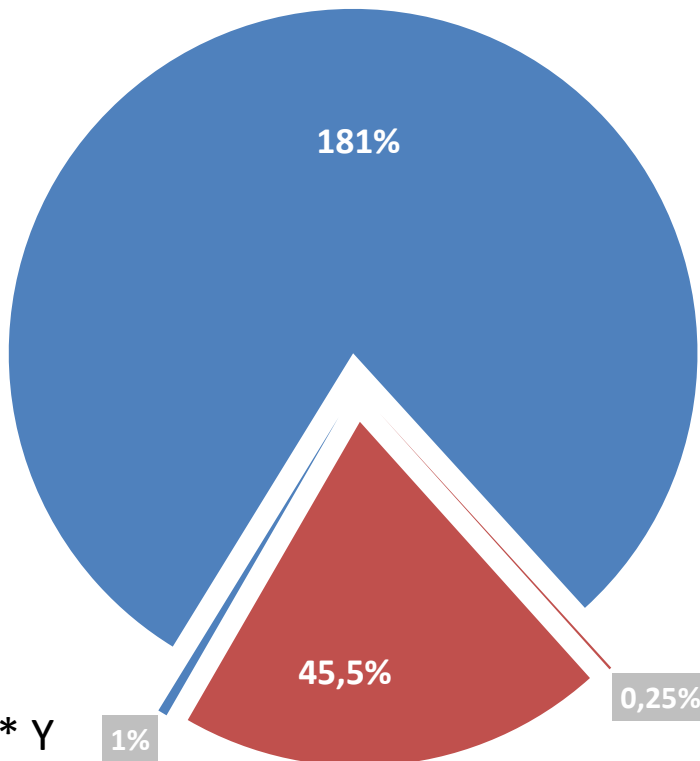
■ 1st of Apr.

■ Rest of Q2 +
Q3

DAILY

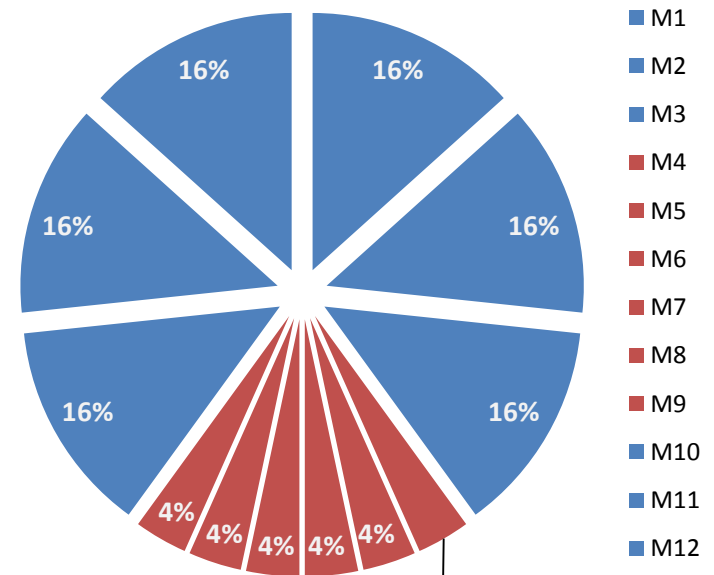
$$\Sigma_D = 227\% * Y$$

1%



MONTHLY

$$\Sigma_M = 120\% * Y$$



THANK YOU FOR YOUR KIND ATTENTION!

Q&A FOR TARIFF ISSUE

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