GAS TRANSMISSION CAPACITY FROM ROMANIA TO HUNGARY AND FROM HUNGARY TO AUSTRIA

BINDING OPEN SEASON PROCEDURE

INVITATION TO BID

Table of Contents

1. Introduction 3
2. Definitions 4
3. Binding Open Season Procedure 6
 3.1. Purpose of the binding Open Season Procedure 6
 3.2. Regulatory involvement 6
 3.3. Information Provision 6
 3.4. Binding Open Season Procedure Overview 7
 3.5. Registration 8
 3.6. Data Protection and Privacy 9
4. Allocation of Capacities 10
 4.1. Offered Capacity Products and Tariffs 10
 4.2. Determination of Economic Viability 12
 4.3. Capacity Allocation Concept 16
5. Financial Guarantees 19
6. Miscellaneous 19
7. Notices 20
8. Annexes 21

1. Introduction

GAS CONNECT AUSTRIA GmbH, (hereinafter referred to as "GCA") is a gas transmission system operator on the territory of Austria (Market Area East).

FGSZ Natural Gas Transmission Private Company Limited by Shares (hereinafter referred to as "FGSZ") is a gas transmission system operator on the territory of Hungary

S.N.T.G.N TRANSGAZ S.A., (hereinafter referred to as "TRANSGAZ") is a gas transmission system operator on the territory of Romania.

GCA, FGSZ and TRANSGAZ (hereinafter referred to as "TSOs") are conducting a joint procedure known as binding Open Season regarding firm natural gas transmission services on the following interconnection points:

- IP1: Csanádpalota (EIC 21Z000000000236Q):
  from Romania to Hungary and from Hungary to Romania at the interconnection point
- IP2: Mosonmagyaróvár (EIC 21Z000000000003C):
  from Hungary to Austria at the interconnection point

Capacity will be allocated as yearly capacity products on a firm basis[1] via bundled allocation procedure at each IP in the offered directions (1 October-1 October) at Csanádpalota (RO>HU) / (HU>RO) and at Mosonmagyaróvár (HU>AT) starting with 1 October 2022 until 1 October 2037[2]. The method applied for capacity allocation was determined based on the results of the market survey on capacity allocation concepts.

All interested Applicants shall be aware and agree that all winning Bids in the present binding Open Season shall be considered as legally binding upon the expiry of the exit right.

The TSOs do not offer 10% of the incremental capacity within the binding Open Season Procedure, which would be eventually reserved for short-term capacity booking and would allocate this capacity on a non-discriminatory basis according to the regulation eventually replacing Regulation 984/2013/EU.

The TSOs have assessed non-binding market demand and included the relevant infrastructure projects in their national network development plans (Romanian NDP, Hungarian NDP, Austrian NDP).

Based on these considerations, the TSOs hereby officially announce the invitation to bid for the Binding Open Season procedure.

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[1] For exact definitions of "firm" reference is made to annexes 3, 4 and 8.
[2] The allocation of 1.75 bcm/y at IP1 (RO>HU) which will be available from gas year 2019/2020 will be offered in regular CAM yearly capacity auctions taking place according to the applicable auction calendar from 2019 onwards. For gas year 2022/2023 onwards availability is subject to the results of the OS procedure. Interruptible capacity at IP2 (HU>AT) is offered already. Allocation of the before mentioned capacities will take place on the Regional Booking Platform.

2. Definitions

Unless the context requires otherwise, words and expressions used in this document shall have the meanings stated below:

"**Applicant**" shall mean a network user who submits an application to the TSOs to participate in the binding Open Season Procedure.

“**Bid**” shall mean the Bidder’s binding commitment to book capacities.

"**Bidder**" shall mean an Applicant whose application has been accepted by GCA, FGSZ and TRANSGAZ, as relevant, under the Rules of this binding Open Season Procedure and submits a binding bid with the necessary annexes to the TSOs under the Rules of this binding Open Season Procedure.

“**Bid Revision**” shall mean the Bidder’s voluntary submission of an updated Bid with a modified price-quantity relationship, in which the product of the price and the quantity element shall be higher than in the original Bid and replaces the previously submitted Bid, respectively. If no updated Bid is submitted by a Bidder, the respective original Bid remains valid for the Economic Test.

“Indicative Reserve Price P_o (in EUR)” shall mean the sum of the related entry and exit fees at IP 1 and/or IP2 applicable at the capacity allocation procedure. The fees payable to the TSOs shall be settled in the national currencies under the relevant capacity booking contracts between the Shipper and the TSO.

"**Interconnection Point 1**" shall mean the physical connection of the Romanian national gas transmission system and the Hungarian national transmission system near Csanádpalota at the Romanian-Hungarian state border. The EIC of IP1 is 21Z000000000236Q.

"**Interconnection Point 2**" shall mean the physical connection of the Hungarian national gas transmission system and the Austrian national transmission system near Mosonmagyaróvár at the Hungarian-Austrian state border. The EIC of IP2 is 21Z000000000003C.

“Gas Day” shall mean the period from 5:00 to 5:00 UTC the following day for winter time and from 4:00 to 4:00 UTC the following day when daylight saving is applied.

“Binding Open Season Procedure" shall mean the procedure, including possible congestion management procedures through which GCA, FGSZ and TRANSGAZ allocate the Offered Capacity of IP1 and IP2 to Applicants on a binding basis.

Economic Test shall mean the TSOs’ economic analysis of bids submitted by Bidders.

“Offered Capacity” shall mean the highest offer level, expressed in energy unit allocable per hour on IP1 in direction from Romania to Hungary as well as in direction from Hungary to Romania, and IP2 in direction from Hungary to Austria within the scope of the Binding Open Season Procedure, starting from the Target Commercial Operation Date minus 10% of the highest offer level, expressed in energy unit per hour, which is reserved for potential short term capacity booking.

“Participation Fee” shall mean a fee of EUR 2,000 per each IP (EUR 1,000 per TSO at the IP).

"**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 GCA, FGSZ and TRANSGAZ.

“Received results” shall mean the bids confirmed by the TSOs after Economic Test I.

“Successful Bidder” shall mean those Bidders that receive a confirmation on their bids.

"Target Commercial Operation Date" shall be 1st of October 2022.

“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 1st of October of a calendar year and ending on the 1st of October the following calendar year.

3. Binding Open Season Procedure

A Binding Open Season 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 IP1 and IP2.

3.1. Purpose of the binding Open Season Procedure

The main objective of the binding Open Season Procedure is to assess the market interest in natural gas transmission capacity on the basis of the received binding bids of the Bidders.

3.2. Regulatory involvement

The content of this document has been agreed upon by the Romanian National Authority for Energy Regulation (ANRE), the Hungarian Energy and Public Utility Regulatory Authority (MEKH) and Energie-Control Austria für die Regulierung der Elektrizitäts- und Erdgaswirtschaft (E-Control).

3.3. Information Provision

The TSOs have taken all reasonable steps to ensure that the information regarding the Binding Open Season 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 Open Season Procedure Overview

Milestone	Date
Announcement of the Binding Open Season Procedure	31.03.17
Customer Registration	01.04.17 – 17.04.17
Confirmation Customer Registration (TSOs)	by 24.04.17
Submission of bids	28.04.17 – 31.05.17
Economic Test I	01.06.17 – 14.06.17
In case of positive Economic Test I:	
TSO to send allocation results and contract (signed by TSO) to Bidders	by 16.06.17
Bidders to return signed contract to TSO	by 30.06.17
In case of negative Economic Test I:	
Bid revision: TSOs to submit revision requirements to Bidders	03.07.17 – 15.08.17
Bid revision: Bidders to submit updated bids to TSOs	16.08.17 – 13.09.17
Economic Test II	14.09.17 – 27.09.17
In case of negative Economic Test II:	
TSO to inform Bidders about suspended Open Season procedure	by 29.09.17
In case of positive Economic Test II:	
TSOs to send allocation results and contract (signed by TSO) to Bidders	by 29.09.17
Bidders to return signed contract to TSO	by 17.10.17

Bidders' latest execution date of step back right from contracts concluded upon positive Economic Test I or II	01.10.2018
In case of step back right not being executed:	
Successful completion of the Open Season procedure (concluded contracts remain in place)	02.10.2018
In case of step back right being executed:	
TSOs latest execution date of step back right from concluded contracts[3]	by 31.10.18

[3] If considered appropriate, TSOs reserve the right to offer another bid revision. The relevant information, e.g. potential changes related to the timeline, will be communicated accordingly.

3.5. Registration

Customer Registration process

Applicants that are interested in participating in the binding Open Season Procedure should proceed as follows, taking into account the detailed timetable provided in Chapter 3.4.

To initiate the Registration Process Applicants have to fill in the Registration form (Annex 1) duly signed by authorized person(s) and submit it to each TSO and pay the Participation Fee in the time period 01.04.2017 – 17.04.2017. The payment of the Participation Fee by 17.04.2017 is a precondition for the Applicant to participate in the Binding Open Season Procedure. The Participation Fee applies for the participation for incremental capacity at each IP. The Applicant shall pay half of the Participation Fee to each TSOs of on the IP (i.e. EUR 1,000 per TSO). The Participation Fee shall be paid to the following bank accounts including the reference “Participation Fee Open Season”:

Gas Connect Austria GmbH:
Account keeping financial institution: UniCredit Bank Austria AG
IBAN: AT03 1200 0506 6003 2300
Bank Identifier Code (BIC): BKAUATWW

For FGSZ Zrt.:
Account keeping financial institution: OTP Bank Plc.
Bank account number: HU21 1176 3945 0141 8888 0000 0000
SWIFT code: OTPVHUHB

For SNTGN TRANSGAZ S.A.:
Account keeping financial institution: BRD – Groupe Societe Generale, MEDIAS Branch, 1 Mihai Eminescu street, Medias, Romania
Bank account number: RO19 BRDE 330S V829 1259 3300
SWIFT code: BRDEROBUXXX

By 24.04.2017 the TSOs will confirm the successful registration and provide the Applicant with the Bid Form (Annex 2) only if the Applicant registers with both TSOs at the relevant IP and the Participation Fee is duly paid to both TSOs. Please note that applications and payments received after 17.04.2017 COB cannot be considered.

Submission of bids

Return the Bid form by registered post or courier (original) duly signed by authorized person(s) within your organization to all of the relevant Parties at IP1 (Transgaz and FGSZ) or IP2 (FGSZ and GCA), as relevant, until 31 May 2017, 16.00 CET. Parties’ addresses are listed in Chapter 7 (Notices). An advance copy by e-mail to sales.transmission@gasconnect.at, openseason@fgsz.hu and openseason@transgaz.ro is recommended.

By submitting the registration form and the Bids, the Applicant agrees, accepts and acknowledges the present Open Season Rulebook, including the contractual terms and conditions of the TSOs contained in the Annexes. Successful bidders are obliged to duly sign and return to the TSOs the relevant contracts as contained in the Annexes.

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 Open Season 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 Open Season 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-á-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
e) is communicated to the relevant regulatory authorities for the purpose of evaluating the Project.

The eventual termination of the binding Open Season 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

The TSOs offer to sell the following transmission capacities:

4.1. Offered Capacity Products and Tariffs

Flow Direction Romania ➔ Hungary and Hungary ➔ Austria				
TSO	**Transgaz**	**FGSZ**		**GCA**
Yearly Standard Capacity Product on a firm basis	Yes	Yes	Yes	Yes
Number of Offered Gas Years	15	15	15	15
First Availability	1 October 2022	1 October 2022	1 October 2022	1 October 2022
Network Point Name	Csanádpalota	Csanádpalota	Mosonmagyaróvár	Mosonmagyaróvár
Entry/Exit	Exit	Entry	Exit	Entry
EIC	21Z000000000236Q	21Z000000000236Q	21Z000000000003C	21Z000000000003C
Flow Direction	Romania➔Hungary	Romania➔Hungary	Hungary ➔Austria	Hungary➔Austria
Minimum Bookable Capacity Unit	1 kWh/h/year	1 kWh/h/year	1 kWh/h/year	1 kWh/h/year
Reserve Price	a. 15.873120 RON/kWh/h/year[4]*	b. 1,483.63 HUF/kWh/h/year[5]	c. 1) in the case of HU/AT pressure management service is included: 631.25 + 1,189.76 [Fixed sum of tariff + supplement] HUF/kWh/h/year[6] c. 2) in the case of HU/AT pressure management service is excluded: 631.25 + 806.44 [Fixed sum of tariff + supplement] HUF/kWh/h/year	d. 0.77 + 3.31 [Floating reserve price + fixed supplement][7] EUR/kWh/h/year
Applied exchange rate	4.49 EUR/RON**	310 EUR/HUF	310 EUR/HUF	N/A
Indicative Reserve Price P_o (in EUR)	8.3211 EUR/kWh/h/year (IP1, a+b)		(IP2, c1+d) (IP2, c2+d)	
Price Evolution After Capacity Allocation	• Reserve price: Floating • Potential premium: fixed • Volume-based tariff upon the usage of the capacity: yes	• Reserve price: Fixed • Potential premium: fixed • Volume-based tariff upon the usage of the capacity: no	• Reserve price: Floating with floating reserve price supplement, where the sum of the reserve price and the supplement is fixed and escalated • Potential premium: fixed • Volume-based tariff upon the usage of the capacity: yes	• Reserve price: Floating[8] with fixed reserve price supplement[9] • Potential premium: fixed • Volume-based tariff upon the usage of the capacity: no
Offered incremental Capacity (kWh/h/year)	IP Csanádpalota (RO➔HU)		IP Mosonmagyaróvár (HU➔AT)	
Gas year 2022/2023	4 648 063		5 740 470	
Gas year 2023/2024	4 648 063		5 740 470	
Gas year 2024/2025	4 648 063		5 740 470	
Gas year 2025/2026	4 648 063		5 740 470	
Gas year 2026/2027	4 648 063		5 740 470	
Gas year 2027/2028	4 648 063		5 740 470	
Gas year 2028/2029	4 648 063		5 740 470	
Gas year 2029/2030	4 648 063		5 740 470	
Gas year 2030/2031	4 648 063		5 740 470	
Gas year 2031/2032	4 648 063		5 740 470	
Gas year 2032/2033	4 648 063		5 740 470	
Gas year 2033/2034	4 648 063		5 740 470	
Gas year 2034/2035	4 648 063		5 740 470	
Gas year 2035/2036	4 648 063		5 740 470	
Gas year 2036/2037	4 648 063		5 740 470	

Note ANRE:

* Tariff Lei/MWh/h (15°C/15°C) approved by ANRE for 2016-2017 is 1.81 Lei/MWh/h for one year contracts.

Tariff [Lei/kWh/h] (0°C/25°C) = Tariff Lei/MWh/h (15°C/15°C) *0,9486 /0,9476 /1000 = 0.001812 Lei/kWh/h for one year contracts.

[4] The capacity-based transmission tariffs as approved by Order no. 39/10.08.2016 of the ANRE (http://www.transgaz.ro/en/node/1923)
[5] Indicative tariff as of 1 January 2017, subject to amendment by MEKH.
[6] The sum of the reserve price and the supplement is fixed and escalated, escalation formula is to be revised later on.
[7] Based on the tariffs included in the current version of the Gas System Charges Ordinance: https://www.e-control.at/documents/20903/388512/GSNE-VO_2013_konsolidierte_Fassung_1-1-2017_FINAL.pdf/ae0088a6-fa95-928b-be00-a4252d359ece
[8] The tariff methodology for TSOs in the Austrian Market Area East can be accessed on the homepage of the Austrian Regulator E-Control: https://www.e-control.at/documents/20903/388512/Methode+2017-2020+Fernleitungsnetzbetreiber+Gas_TSO_20161212.pdf/e5fa1729-efc0-ab06-06a3-2dd7088ed7c8
[9] For additional explanations regarding the evolution of the reserve price supplement with capacity bookings beyond considered threshold, refer to "Economic Viability @ Gas Connect Austria" in section 4.2 and note that value may also change, e.g. depending on revision of technical scope of the project.

based on the following formula and according to SR ISO 13443/2000: V(0°C) = V(15°C) * 0,9476 and PCS(25°C/0°C) = PCS(15°C/15°C) / 0,9486.

Tariff Yearly [Lei/kWh/year] (0°C/25°C) = Tariff [Lei/kWh/h] (0°C/25°C) * 24 h * no. days of year = 15.873120 Lei/kWh/year for one year contracts. This tariffs are already published on TRANSGAZ web page, for Csanádpalota (interconnection point).

**the estimate exchange rate by National Commission for Prognosis available for 2016.

Flow Direction Hungary ➔ Romania		
TSO	**FGSZ**	**Transgaz**
Yearly Standard Capacity Product on a firm basis	Yes	Yes
Number of Offered Gas Years	15	15
First Availability	1 October 2022	1 October 2022
Network Point Name	Csanádpalota	Csanádpalota
Entry/Exit	Exit	Entry
EIC	21Z000000000236Q	21Z000000000236Q
Flow Direction	Hungary ➔ Romania	Hungary ➔ Romania
Minimum Bookable Capacity Unit	1 kWh/h/year	1 kWh/h/year
Reserve Price	e. 747.88 HUF/kWh/h/year (fixed) + 631.25 HUF/kWh/h/year (floating)	f. 16.135920 RON/kWh/h/year[10]
Exchange rate	313.04 EUR/HUF	4.49 EUR/RON*
Indicative Reserve Price P_o (in EUR)	7.999349 EUR/kWh/h/year	
Price Evolution After Capacity Allocation	• Reserve price: Partly fixed, partly floating • Potential premium: fixed • Volume-based tariff upon the usage of the capacity: Yes	• Reserve price: Floating • Potential premium: fixed • Volume-based tariff upon the usage of the capacity: no
Offered Capacity (kWh/h/year)	IP Csanádpalota (HU➔RO)	
Gas year 2022/2023	3 149 722	
Gas year 2023/2024	3 149 722	
Gas year 2024/2025	3 149 722	
Gas year 2025/2026	3 149 722	
Gas year 2026/2027	3 149 722	
Gas year 2027/2028	3 149 722	
Gas year 2028/2029	3 149 722	
Gas year 2029/2030	3 149 722	
Gas year 2030/2031	4 828 354	
Gas year 2031/2032	4 828 354	
Gas year 2032/2033	4 828 354	
Gas year 2033/2034	4 828 354	
Gas year 2034/2035	4 828 354	
Gas year 2035/2036	4 828 354	
Gas year 2036/2037	4 828 354	

Note ANRE:

* Tariff Lei/MWh/h (15°C/15°C) approved by ANRE for 2016-2017 is 1.84 Lei/MWh/h for one year contracts.

Tariff [Lei/kWh/h] (0°C/25°C) = Tariff Lei/MWh/h (15°C/15°C) *0,9486 /0,9476 /1000 = 0.001842 Lei/kWh/h for one year contracts based on the following formula and according to SR ISO 13443/2000: V(0°C) = V(15°C) * 0,9476 şi PCS(25°C/0°C) = PCS(15°C/15°C) / 0,9486.

Tariff anual [Lei/kWh/year] (0°C/25°C) = Tariff [Lei/kWh/h] (0°C/25°C) * 24 h * no. days of year = 16.135920 Lei/kWh/year for one year contracts. This tariffs are already published on TRANSGAZ web page, for CSANÁDPALOTA (interconnection point).

**the estimate exchange rate by National Commission for Prognosis available for 2016.

[10] The capacity-based transmission tariffs as approved by Order no. 39/10.08.2016 of the ANRE (http://www.transgaz.ro/en/node/1923)

4.2. Determination of Economic Viability

4.2.1 General description

In this section, the economic test to determine the economic viability for each individual TSO is described. The information provided should give applicants insight into the aggregate booking level that has to be achieved in order to render the projects in each Market Area successful

Condition for a successful Economic test: $\mathbf{PV_{UC} \geq f * PV_{AR}}$

- $\mathbf{PV_{UC}}$ … value of binding commitments of network users (unknown before the capacity allocation)
- $\mathbf{PV_{AR}}$ … value of the estimated increase in the allowed revenue[11] of the TSO associated with the incremental capacity
- **f** … f-factor

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

Economic test I

In case the Economic Test I is positive the TSO shall submit the Contract, being already signed by the TSO in duplicate, with registered mail or courier to the Successful Bidders by 16.06.2017.
The successful Bidders are obliged to duly sign and return to the TSO one original version of the received Contract with registered mail or courier by 30.06.2017.
In case the Economic Test I is negative, the remaining Successful Bidders are informed accordingly by email and the TSO shall ask Successful Bidders for revised bids.

Economic Test II

In case the Economic Test II of revised Bids submitted by Bidders is positive, the TSO shall submit the Contract, being already signed by the TSO in duplicate, with registered mail or courier to the Successful Bidders by 29.09.2017. The successful Bidders are obliged to duly sign and return to the TSO one original version of the received Contract with registered mail or courier by 17.10.2017.
In case the Economic Test II is negative, the TSO shall inform Bidders via e-mail about the suspension of the Open Season procedure by 29.09.2017.

[11] For further details on capital cost estimates and their underlying technical project planning please refer to the respective national network development plans of the TSOs.

4.2.2 TSO-specific explanations

Economic Viability @ Gas Connect Austria GmbH.

The economic tests (Economic Test I and Economic Test II) for incremental capacity at the entry point Mosonmagyaróvár are based on the following parameters:

- PV_{AR} = 156,325,000 EUR
- f = 0.75
- $PV_{UC} \geq$ 117,243,750 EUR

That means that the economic test will be positive if the value of binding commitments of network users is equal to or higher than 117,243,750 EUR.
As the allocation of all incremental capacity at the reference price (i.e. 0.77 €/kWh/h/y) would not generate sufficient revenues for a positive economic test outcome, a mandatory minimum premium (i.e. 3.31 €/kWh/h/y) (supplement) is applied for the allocation of the incremental capacity. The mandatory minimum supplement has been calculated based on the assumption of 1,913,490 kWh/h/y minimum booked incremental capacity for 15 years in a row. This means that any level of booked capacity exceeding this threshold will result in a decrease of the mandatory minimum premium. For example, a booking level twice as high as the above mentioned (i.e. 3,826,980 kWh/h/y for 15 years in a row would reduce the mandatory minimum premium to 1.27 €/kWh/h/y).

Economic Viability @ FGSZ Ltd.[12]

1) <u>in the case of HU/AT pressure management service is included:</u>

The economic tests (Economic Test I and Economic Test II) for incremental capacity at the entry point Csanádpalota and at the exit point Mosonmagyaróvár are based on the following parameters:

- PV_{AR} = 156,207,200,000 HUF
- f = 1
- $PV_{UC} \geq$ 156,207,200,000 HUF

That means that the economic test will be positive if the present value of binding commitments of network users is equal to or higher than 156 207.2 M HUF.

As the allocation of all incremental capacity at the reference prices would not generate sufficient revenues for a positive economic test outcome, a mandatory supplement (i.e. 1,189.76 HUF/kWh/h/year) is applied for the allocation of the incremental capacity. The mandatory minimum supplement has been calculated based on the assumption of 90.8% of minimum booked incremental capacity for 15 years in a row. This means that any level of booked capacity exceeding this threshold will result in a decrease of the mandatory minimum supplement.
Capacity fee = (Reserve price + reserve price supplement) * escalation formula. The escalation formula is to be decided later on.

[12] Exact data to be published at a later stage.

2) in the case of HU/AT pressure management service is excluded:

The economic tests (Economic Test I and Economic Test II) for incremental capacity at the entry point Csanádpalota and at the exit point Mosonmagyaróvár are based on the following parameters:

- PV_{AR} = 138,875,000,000 HUF
- f = 1
- PV_{UC} ≥ 138,875,000,000 HUF

That means that the economic test will be positive if the present value of binding commitments of network users is equal to or higher than 138 875.0 M HUF.

As the allocation of all incremental capacity at the reference prices would not generate sufficient revenues for a positive economic test outcome, a mandatory supplement (i.e. 806.44 HUF/kWh/h/y) is applied for the allocation of the incremental capacity. The mandatory minimum supplement has been calculated based on the assumption of 90.8% of minimum booked incremental capacity for 15 years in a row. This means that any level of booked capacity exceeding this threshold will result in a decrease of the mandatory minimum supplement.

In case of IP2, the reserve price is floating with floating reserve price supplement, where the sum of the reserve price and the reserve price supplement is fixed and escalated annually according to the following formula:

Capacity fee = (Reserve price + reserve price supplement) * escalation formula. The escalation formula is to be decided later on.

Economic Viability @ SNTGN Transgaz SA.[13]

The economic tests (Economic Test I and Economic Test II) for incremental capacity at the entry/exit point Csanádpalota are based on the following parameters:

- PV_{AR} = 2,904,798,770 Lei (equivalent of 646,948,501 EUR)
- f = 0.75
- PV_{UC} ≥ 2,178,599,080 Lei (equivalent of 485,211,376 EUR)

That means that the economic test will be positive if the value of binding commitments of network users is equal to or higher than 2,178,599,080 Lei (equivalent of 485,211,376 EUR)

As the allocation of all incremental capacity at the reference price (i.e. 22.45* Lei/kWh/h/y for exit point equivalent of 5 €/kWh/h/y, respectively 22.89** Lei/kWh/h/y for entry point equivalent of 5.1 €/kWh/h/y) would not generate sufficient revenues for a positive economic test outcome, a mandatory minimum premium is applied for the allocation of the incremental capacity. No mandatory minimum premium is

[13] Exact data to be published at a later stage.

applied if at least 75% of offered exit capacity is booked and at least 75% of offered entry capacity is booked, for 15 years in a row.

*22.45 Lei/kWh/h/y for exit point represent the capacity-based transmission tariffs as approved by Order no. 39/10.08.2016 of the ANRE, recalculated using a split between fixed and variable components of total revenue in accordance with provisions of ANRE Order no. 10/2017. That means a split in 85% fixed component and 15% variable component of the revenue.

**22,89 Lei/kWh/h/y for entry point represent the capacity-based transmission tariffs as approved by Order no. 39/10.08.2016 of the ANRE, recalculated using a split between fixed and variable components of total revenue in accordance with provisions of ANRE Order no. 10/2017. That means a split in 85% fixed component and 15% variable component of the revenue.

4.3. Capacity Allocation Concept

Prior to the binding Open Season a market consultation on "Capacity Allocation Concepts in the RO-HU-AT Open Season Procedure" was held from 08th February 2016 – 24th February 2016. Based on the responses received the following method (Method 3) is applied in the Binding Open Season:

Basic Capacity Allocation Principles

- IP1 and IP2 are allocated separately in each offered gas year.
- The Applicants are required to submit maximum 1 bid per gas year and per IP, i.e. it is not permitted to submit multiple (alternative) bids by a single Applicant for the same gas year and IP.
- IP1 and IP2 are jointly evaluated from a willingness-to-pay point of view in order to resolve any eventual congestion of the Open Season.
- Capacities are allocated at the reserve price in case of no overbooking as well as in case of overbooking.
- In case the Economic Test is not met, Applicants will have the possibility to indicate a higher willingness-to-pay upon the proposal of the TSOs (see under "Bid revision").

Capacity allocation methodology

1. The Bid submission window is the time period between 28 April 2017 and 31 May 2017.
    a. Bids submitted outside of the above specified time period shall not be evaluated.
    b. Bids must comply with formal requirements as specified below.
2. The Bidder shall indicate in its Bid according to the Bid form (Annex 2):
    a. The relevant capacity quantity it intends to book expressed in kWh/h/year,
        i. Bids containing capacity quantities higher than the offered capacity shall be refused.
    b. The relevant interconnection point(s),
    c. The relevant gas year(s),
    d. Conditionality, i.e. whether the Applicant accepts any partial fulfilment to its Bid in case not the entire amount of capacity applied for could be allocated to the Applicant related to the required quantity ("fill or kill principle") and/ or whether his Bids are linked over both IPs and/or whether his Bids are linked across a given number of years and/or whether his Bid is conditional on the allocation of a minimum amount of capacity.
    e. Only one bid may be submitted per gas year per IP by a Bidder. Bids containing more than 1 (one) capacity quantity request for the same gas year and IP shall be refused.
3. The willingness to pay is established as the sum of the monetary value of the Bidder's bid for every specified gas year including both interconnection points and flow directions.
4. Bids are evaluated as follows:
    a. The willingness to pay of all Bidders shall be ranked in descending order, i.e. starting from the highest Bidder's willingness to pay.
    b. Higher willingness to pay shall have precedence over lower willingness-to-pay.

c. In case of no overbooking at any of the IPs or across any of the gas years occur, all capacities shall be allocated at the reserve price.

d. In the case of overbooking at any of the IPs and gas years, the following allocation methodology shall apply:

   i. The capacity request indicating the highest willingness-to-pay shall be allocated first.

   ii. The remaining unallocated capacity shall be allocated by taking the second, third, fourth, etc. highest willingness to pay, subject to the available capacity after each allocation step, and subject to the indicated conditionality by the Bidder.

   iii. 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.

   iv. Capacities shall be booked at the reserve price P_0 for all Bidders to whom capacity could be allocated to, according to their respective willingness-to-pay value, taking into account the conditionalities indicated.

Confirmation by TSO

Subject to the allocation of the submitted Bids taking into account the indicated conditionalities, Bids shall be confirmed by the TSOs.

Bid Revision

Should the Economic Test not be met, the TSOs shall offer Bidders to submit Bids based on an updated price-quantity relationship, communicated to the remaining Successful Bidders. Successful Bidders may participate in the Bid Revision on a voluntary basis. A Bid submitted by a Successful Bidder in a bid revision process as outlined in section 3.4 shall replace the previously submitted Bid, respectively. If no updated Bid is submitted by a Bidder, the respective original Bid remains valid for the Economic Test.

Cancellation by Bidder through step back right

Successful Bidders shall be entitled to step back until 01.10.2018 (final allocation), without the obligation to give reasons for this decision. In such a case, the Bidder shall pay 0.033% of the value of its Bid towards FGSZ, 0.1% to Transgaz and 0.033% to GCA, as affected by the individual Bid. In case all bidders whose offers were considered in the positive economic test, relinquish their step back right before the deadline of 01.10.2018, TSOs shall proceed with the execution of the project without delay.

Cancellation by TSO

In case one or more Successful Bidder(s) cancel their bids by making use of their step back right, leading to a negative Economic test, another bid revision may be offered to the remaining bidders. The relevant requirements and information, e.g. potential changes related to the timeline, will be communicated accordingly.

In case the bidders do not accept and the Economic Test II remains negative, the remaining bookings shall be cancelled by the TSOs until 31.10.2018. If TSOs cancel the capacity allocation, no cancellation fee is to be paid by the Bidders who did not step back from their contracts.

5. Financial Guarantees

5.1. Applicable Financial Guarantees of SNTGN Transgaz SA

5.1.1. Financial security before the final allocation

The Bidder shall submit a financial guarantee equal to the amount of 0.1% of the value of the Bid to SNTGN Transgaz upon the submission of the Bid.

In case of cancellation by Bidder before the final allocation, the Bidder shall pay a financial penalty according to the Article 4.3. If the Bidder fails to fulfil this obligation, SNTGN Transgaz shall be entitled to withdraw the financial guarantee of the Bidder.

5.1.2. Financial security after the final allocation

In this case the provisions of the prevailing Framework gas transmission contract concluded as a result of the auctions for capacity booking at the Csanádpalota interconnection point of SNTGN Transgaz shall be applied.

5.2. Applicable Financial Guarantees of FGSZ Zrt.

5.2.1. Financial security before the final allocation

The Bidder shall submit a financial guarantee equal to the amount of 0.033% of the value of the individual Bid to FGSZ upon the submission of the Bid.

In case of cancellation by Bidder before the final allocation, the Bidder shall pay a financial penalty according to the Article 4.2. If the Bidder fails to fulfil this obligation, FGSZ shall be entitled to withdraw the financial guarantee of the Bidder.

5.2.2. Financial security after the final allocation

In this case the provisions of the prevailing Capacity Booking Contract of FGSZ shall be applied.

5.3. Applicable Financial Guarantees of Gas Connect Austria GmbH

The financial Guarantees outlined in the Frame Capacity Contract of GAS CONNECT AUSTRIA GmbH (Annex 5) apply.

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 for the attention of the person 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. The language of all notices shall be the English language.

Relevant contacts of the TSOs:

a) For GCA:
Address: Floridsdorfer Hauptstrasse 1, 1210 Vienna, Austria
Attention: Aleksandar Savic, Key Account Manager, Sales Transmission
Fax number: +43 1 27500 88291
e-mail: sales.transmission@gasconnect.at

b) For FGSZ:
Address: Tanácsház utca 5, Siófok H-8600, Hungary
Attention: Erika Kajtán, Head of Capacity Sales
Fax number: +36-84-505-592
e-mail: openseason@fgsz.hu

c) For TRANSGAZ:
Address: Piaţa C. I. Motaş no. 1, 551130 Mediaş, Romania
Attention: Craciun Bucur Neagu, Head of Gas Transmission Contracts Department
Fax number: +40-269-841181
e-mail: openseason@transgaz.ro

All notices shall be effective upon receipt.

8. Annexes

The following Annexes form an integral part of the Open Season Procedure and shall be published on the TSOs' website in due course:

- Annex 1. (Registration form)
- Annex 2. (Bid form)
- Annex 3. (Framework gas transmission contract of SNTGN Transgaz SA)
- Annex 4. (Capacity Booking Contract of FGSZ Zrt., including the respective general terms and conditions)
- Annex 5. (General Terms and Conditions of Gas Connect Austria GmbH)
- Annex 6. (Letter of payment guarantee form of SNTGN Transgaz SA)
- Annex 7. (Frame Capacity Contract of Gas Connect Austria GmbH)
- Annex 8. (Capacity Contract for capacities allocated in the course of the ROHUAT Open Season of Gas Connect Austria GmbH)
- Annex 9. (Model Bank Guarantee Security Deposit of Gas Connect Austria GmbH)