

DECISION No 853/10.05.2024

for approving the incremental capacity project proposal between the natural gas transmission systems of Romania and Hungary, at the common interconnection point Csanádpalota, according to the provisions of Commission Regulation (EU) 2017/459 establishing a network code on capacity allocation mechanisms in gas transmission systems and repealing Regulation (EU) No 984/2013

Having regard to the provisions of:

- Article 28 paragraph (2) of Commission Regulation (EU) 2017/459 of 16 March 2017 establishing a network code on capacity allocation mechanisms in gas transmission systems and repealing Regulation (EU) No 984/2013, hereinafter referred to as *Regulation (EU) 2017/459*,
- Article 99 letter k), Article 102¹ paragraph (2¹), and Article 130 paragraph (1) letter q) of Electricity and Natural Gas Law No 123/2012, as subsequently amended and supplemented,

Taking into account:

- The document entitled “*Report on the incremental capacity demand assessment between Romania and Hungary*” dated 23.10.2023, issued by the National Natural Gas Transmission Company “Transgaz” S.A. and “Földgázszállító Zártkörűen Működő Részvénytársaság” – FGSZ Zrt., as operators of the natural gas transmission systems of Romania and Hungary respectively, in accordance with Article 26 of Regulation (EU) 2017/459, published on the websites of the above-mentioned operators on 23.10.2023 and communicated to the Romanian Energy Regulatory Authority – ANRE by Transgaz SA address No 4094/16.01.2024, registered at ANRE under No 5649/17.01.2024, which indicates that an incremental capacity project should be initiated;
- The joint public consultation on the document entitled “*Draft incremental capacity project proposal at the common interconnection point IP Csanádpalota*”, carried out by Transgaz SA and FGSZ Zrt. during the period 01.02.2024-29.02.2024, in accordance with Article 27 paragraph (3) of Regulation (EU) 2017/459, which was communicated to the Romanian Energy Regulatory Authority by Transgaz SA address No 11808/09.02.2024, registered at ANRE under No 23674/12.02.2024;
- The incremental capacity project proposal developed by the National Natural Gas Transmission Company “Transgaz” S.A. and “Földgázszállító Zártkörűen Működő Részvénytársaság” – FGSZ Zrt., in accordance with Article 27 of Regulation (EU) 2017/459, submitted to ANRE and registered under No 48753/28.03.2024,

- The revised version of the incremental capacity project proposal submitted by S.N.T.G.N. TRANSGAZ S.A. by address No. 38821/08.05.2024, registered at ANRE under No. 66588/09.05.2024

Pursuant to Article 5 paragraph (1) letter d) and Article 10 paragraph (1) letter a) of Government Emergency Ordinance No 33/2007 on the organisation and functioning of the Romanian Energy Regulatory Authority, approved with amendments and supplements by Law No 160/2012, as subsequently amended and supplemented,

The President of the Romanian Energy Regulatory Authority issues the following

DECISION

Art. 1 The incremental capacity project proposal between the natural gas transmission systems of Romania and Hungary, developed by the National Natural Gas Transmission Company “Transgaz” S.A. and “Földgázszállító Zártkörűen Működő Részvénytársaság” – FGSZ Zrt., in accordance with the provisions of Article 27 of Commission Regulation (EU) 2017/459 of 16 March 2017 establishing a network code on capacity allocation mechanisms in gas transmission systems and repealing Regulation (EU) No 984/2013, as set out in the Annex hereto, is hereby approved.

Art. 2 The National Natural Gas Transmission Company “Transgaz” S.A. and “Földgázszállító Zártkörűen Működő Részvénytársaság” – FGSZ Zrt. shall publish jointly a notice in the Romanian and the Hungarian language and, to the extent possible, in English, which shall include the information provided under Article 28 paragraph (3) of Commission Regulation (EU) 2017/459 of 16 March 2017 establishing a network code on capacity allocation mechanisms in gas transmission systems and repealing Regulation (EU) No 984/2013.

Art. 3 The present decision shall be communicated to the Hungarian Energy and Public Utility Regulatory Authority – MEKH, the National Natural Gas Transmission Company "Transgaz" S.A. and published on the website of ANRE.

Art. 4 The present decision shall become effective upon approval by the Hungarian Energy and Public Utility Regulatory Authority – MEKH of the incremental capacity project proposal referred to under Article 1, in accordance with the provisions of Article 28 paragraph (2) of Commission Regulation (EU) 2017/459 of 16 March 2017 establishing a network code on capacity allocation mechanisms in gas transmission systems and repealing Regulation (EU) No 984/2013, date from which ANRE Decision No. 796/22.04.2024 regarding the approval of the incremental capacity project proposal between the natural gas transmission systems in Romania and Hungary, at the common interconnection point Csanádpalota, in accordance with the provisions of Commission Regulation (EU) 2017/459 establishing a network code regarding the capacity allocation mechanisms in gas transport systems and the repeal of Regulation (EU) no. 984/2013 ceases to apply.

President of the Romanian Energy Regulatory Authority
George-Sergiu Niculescu



Project proposal for incremental capacity between the entry-exit systems of Romania ('RO') and Hungary ('HU')

This project proposal is a document for an incremental capacity project pursuant to Article 28 (1) of Commission Regulation (EU) 2017/459 of 16 March 2017 establishing a network code on capacity allocation mechanisms in gas transmission systems and repealing Regulation (EU) No 984/2013 ('the NC CAM') jointly prepared by SNTGN Transgaz SA ('Transgaz') and FGSZ Ltd. ('FGSZ').

FGSZ and Transgaz submit this project proposal to the relevant regulatory authorities, particularly The National Energy Regulatory Authority (ANRE, RO) and The Hungarian Energy and Public Utility Regulatory Authority (MEKH, HU) for their coordinated approvals.

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Based on Article 27 of the Commission Regulation (EU) 2017/459 (NC CAM) this analysis concerns the project proposal on the incremental capacity project for the Csanádpalota interconnection point (IP).

The Market Demand Assessment Report (MDAR)¹ complying Article 26 NC CAM assessed the non-binding demand indication received in the Market Demand Assessment (MDA) launched on 3 July 2023. Based on the outcome of the MDA the MDAR for the Incremental Capacity between Romania and Hungary was published on 23 October 2023.

Assumptions presented in this document are based on the evaluation of last available known data and information.

Consultation period:

1 February 2024 - 29 February 2024.

1. Description of the incremental capacity project, including cost estimation

The Hungarian TSO, FGSZ Ltd. (FGSZ) and the Romanian TSO, Transgaz S.A. (Transgaz) propose the development of existing interconnection capacities at Csanádpalota (RO>HU) interconnection point (IP) (EIC: 21Z000000000236Q).

The current technical capacity of the IP is 3,283,570 kWh/h (2.63 bcma). During the non-binding MDA carried out, capacity demands were received from several market participants, which, aggregated with the booked (reserved) capacities, could reach a maximum of 6,640,375 kWh (5.32 bcma) for the period concerned, thus foreseeably exceeding the current maximum technical capacity.

According to Article 27 (2) of CAM NC, considering the aggregated capacity demands in MDAR and the technical feasibility, FGSZ and Transgaz identified three potential capacity levels, requiring different level of investment each.

Methodology of determining the capacity levels:

Level 1: definition of the most cost-effective way to develop incremental capacity which satisfies the capacity demand level submitted in the non-binding MDA process (3,797,945 kWh/h), taking into account the technical feasibility requirements.

Level 2: this is the maximum level of the incremental capacity development examined by FGSZ and Transgaz in previous years, taking into account the sum of incremental capacity demands submitted in the non-binding MDA process and the long-term capacities booked for the IP for the gas years of 2030/31 and 2031/32 (5,416,135 kWh/h).

Level 3: the sum of the incremental capacity demands submitted in non-binding MDA process and the capacities booked for the IP for long term (gas years of 2028/29 and 2029/30) (6,640,375 kWh/h).

¹ Demand Assessment Report in English: [dar_2023_huro_fgsz_transgaz_en.pdf](#)

Capacities, estimated CAPEX

Scenario	1	2	3
Capacity level	3,721,379 kWh/h (2.98 bcma)	5,472,617 kWh/h (4.38 bcma)	6,640,375 kWh/h (5.32 bcma)
Transgaz			
Expected CAPEX	25 mn EUR determined by applying the share of additional capacity in IP Csanádpalota in the total additional capacity provided by NTS developments of EUR 160 million	535 mn EUR determined by applying the share of additional capacity in IP Csanádpalota in the total additional capacity provided by NTS developments amounting to EUR 670 million	940 mn EUR determined by applying the share of additional capacity in IP Csanádpalota in the total additional capacity provided by NTS developments amounting to EUR 1075 million
Necessary developments	<ul style="list-style-type: none"> - New natural gas transmission pipeline Recas-Horia with diameter DN800, length approx. 50 km; - Amplification of the Podisor, Bibesti and Jupa Compressor Stations through the installation of a new additional compressor unit (4.6 MW of amplified installed power group) in each station; - Rehabilitating/ reclassifying existing pipelines. 		
		<ul style="list-style-type: none"> - New natural gas transmission pipelines: DN800-Bordosiu-Coroii x 14.4 km, DN800-Sendreni-Onesti x 150 km, DN800-Botorca-Băcia x 126 km; - Two new compression stations: Coroi with installed capacity of 13.8 MW and Cobadin with installed capacity of 9.2 MW. - Expansion of an existing compressor station at Onesti with an installed capacity of 4.6 MW. 	<ul style="list-style-type: none"> - New natural gas transmission pipelines: DN800-Bordosiu-Coroii x 14.4 km, DN800-Sendreni-Onesti x 150 km, DN800-Botorca-Băcia x 126 km, DN700-Horia-Csanádpalota x 62 km, DN600-Vintu-Băcia x 52 km, DN250-Cristur-Bordosiu x 27.5 km. - Four new compressor stations: Coroi with an installed capacity of 24.6 MW, Cobadin with an installed capacity of 9.2 MW, Bătani with an installed capacity of 24.6 MW, Hateg with an installed capacity of installed capacity 9.2 MW (and the use of the Vintu compressor station as the first compression stage for the new Hateg compression station). - Expansion of an existing compressor station at Onesti with an installed capacity of 4.6 MW.
f-factor	0.85	0.85	0.85

Planned commercial operational date	2028	2028	2029
FGSZ			
Expected CAPEX	3.3 mn EUR	133.0 mn EUR	137.2 mn EUR
Necessary developments	Upgrade of Csanádpalota CS with 1 additional unit		
		Upgrade of Csanádpalota GMS depending on final capacity	
		Construction of Algyő-Városföld DN1000, PN63, 70 km pipeline and upgrading the Algyő node	
f-factor	1.0	1.0	1.0
Planned commercial operational date	2028	2028	2029

2. Offer levels for bundled capacity products at the interconnection point IP Csanádpalota²

In the direction RO-HU taking into account the booked capacity and the capacity required to be set aside for short-term products, i.e. 10% of existing technical capacity in the first 5 gas years (between gas years 2024/2025 and 2028/2029 included) and 20% thereafter, in accordance with Art. 8(8) of the NC CAM, and 10% of the incremental capacity starting with the year 2028/2029, the levels of the offer for bundled capacity products at the interconnection point are as follows:

No. of Years	Gas year	Available existing capacity offer (kWh/h/year)	Incremental capacity offer in Scenario 1 (increase by 40.000 Scm/h) (kWh/h/year)	Level of the harmonised offer in the direction RO→HU for existing capacity and incremental capacity - related to Scenario 1 (kWh/h/year)*
1	2024/2025	1.810.213		1.810.213
2	2025/2026	1.915.212		1.915.212
3	2026/2027	2.950.212		2.950.212
4	2027/2028	529.450		529.450
5	2028/2029	529.450	394.028	923.478
6	2029/2030	201.093	394.028	595.121
7	2030/2031	1.425.333	394.028	1.819.361
8	2031/2032	1.425.333	394.028	1.819.361
9	2032/2033	2.626.856	394.028	3.020.884
10	2033/2034	2.626.856	394.028	3.020.884
11	2034/2035	2.626.856	394.028	3.020.884
12	2035/2036	2.626.856	394.028	3.020.884
13	2036/2037	2.626.856	394.028	3.020.884
14	2037/2038	2.626.856	394.028	3.020.884
15	2038/2039	2.626.856	394.028	3.020.884

² In line with Article 28 paragraph (1) point a) of CAM NC.

* Only the offer level for which the national regulatory authorities concerned publish a coordinated and positive decision on the project proposal is viable.

No. of Years	Gas year	Available existing capacity offer (kWh/h/year)	Incremental capacity offer in Scenario 2 (increase by 200.000 Scm/h) (kWh/h/year)	Level of the harmonised offer in the direction RO→HU for existing capacity and incremental capacity - related to Scenario 2 (kWh/h/year)*
1	2024/2025	1.810.213		1.810.213
2	2025/2026	1.915.212		1.915.212
3	2026/2027	2.950.212		2.950.212
4	2027/2028	529.450		529.450
5	2028/2029	529.450	1.970.142	2.499.592
6	2029/2030	201.093	1.970.142	2.171.235
7	2030/2031	1.425.333	1.970.142	3.395.475
8	2031/2032	1.425.333	1.970.142	3.395.475
9	2032/2033	2.626.856	1.970.142	4.596.998
10	2033/2034	2.626.856	1.970.142	4.596.998
11	2034/2035	2.626.856	1.970.142	4.596.998
12	2035/2036	2.626.856	1.970.142	4.596.998
13	2036/2037	2.626.856	1.970.142	4.596.998
14	2037/2038	2.626.856	1.970.142	4.596.998
15	2038/2039	2.626.856	1.970.142	4.596.998

* Only the bid level for which the relevant national regulatory authorities publish a coordinated and positive decision on the project proposal is viable

No. of Years	Gas year	Available existing capacity offer (kWh/h/year)	Incremental capacity offer in Scenario 3 (increase by 307.000 Scm/h) (kWh/h/year)	Level of the harmonised offer in the direction RO→HU for existing capacity and incremental capacity - related to Scenario 3 (kWh/h/year)*
1	2024/2025	1.810.213		1.810.213
2	2025/2026	1.915.212		1.915.212
3	2026/2027	2.950.212		2.950.212
4	2027/2028	529.450		529.450
5	2028/2029	529.450		529.450
6	2029/2030	201.093	3.021.125	3.222.218
7	2030/2031	1.425.333	3.021.125	4.446.458
8	2031/2032	1.425.333	3.021.125	4.446.458
9	2032/2033	2.626.856	3.021.125	5.647.981
10	2033/2034	2.626.856	3.021.125	5.647.981
11	2034/2035	2.626.856	3.021.125	5.647.981
12	2035/2036	2.626.856	3.021.125	5.647.981
13	2036/2037	2.626.856	3.021.125	5.647.981
14	2037/2038	2.626.856	3.021.125	5.647.981

15	2038/2039	2.626.856	3.021.125	5.647.981
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*Only the bid level for which the relevant national regulatory authorities publish a coordinated and positive decision on the project proposal is viable.

3. Provisional timelines of the incremental capacity project

Milestone	FGSZ project scenarios			Transgaz project scenarios		
	1	2	3	1	2	3
Binding Capacity Allocation and Economic Test	July 2024			July 2024		
Final investment decision	Q4 2024			Q3 2024		
Completion of engineering and permitting	Q2 2026	Q2 2026	Q4 2026	Q3 2024	Q2 2026	Q4 2026
Construction starts	Q3 2026	Q1 2027	Q3 2027	Q2 2025	Q1 2027	Q3 2027
Construction ends	Q4 2027	Q2 2028	Q2 2029	Q4 2027	Q2 2028	Q2 2029
Commercial operation	Q1 2028	Q3 2028	Q3 2029	Q1 2028	Q3 2028	Q3 2029

GANTT diagrams

The GANTT diagrams of the relevant developments and projects of both TSO shall be found in Annex 1 and Annex 2.

4. General rules and conditions for the binding capacity allocation phase

Transgaz' general rules and conditions that a network user must accept to participate and access capacity in the binding capacity allocation phase of the incremental capacity process are set out in ANRE order no 130/2020 as amended and supplemented accessible [here](#).

FGSZ's general rules and conditions that a network user must accept to participate and access capacity in the binding capacity allocation phase of the incremental capacity process are set out in the Business Code of FGSZ Ltd. accessible [here](#).

Capacities will be offered on Regional Booking Platform (RBP), jointly identified by concerned TSOs, as bundled capacities in both directions in the annual yearly auction for 15 consecutive gas years starting from 1 October 2024 and starting with the 2028/2029 gas year incremental capacity will be included.

The notice on the incremental capacity offer will be published immediately upon the receipt of the coordinated approval of the concerned NRAs and the incremental capacity will be allocated during the annual yearly auctions on 1 July 2024.

In order to proceed with the realization of the Transportation Contract(s) by all the Shipper(s) with successful binding commitments, the outcome of economic tests³ on both sides of the interconnection point must be positive.

5. Provisional calendar⁴

The incremental capacity project will generally follow this calendar. However, the implementation phase will only start if there is a firm commitment from the market to procure sufficient incremental capacity in the annual auction on 1 July 2024 so that the economic tests for the Romanian TSO and the Hungarian TSO are positive, and the incremental capacity allocation process is successfully completed.

The deadlines below may be modified.

Start date	End date	Description
01.02.2024	29.02.2024	One-month public consultation
01.03.2024	15.03.2024	Further development of the project proposal, potential adjustments to project parameters based on responses to the public consultation
28.03.2024		Submission of project proposal to NRAs
		Publication of coordinated decisions by national regulatory authorities on the project proposal
Immediately upon the receipt of the coordinated approval of the concerned NRAs		Publication by TSOs of parameters approved by NRAs and model contract(s) related to capacity to be offered
		Deadline for publication of auction notice for incremental capacity offer
01.07.2024		Annual capacity auction/incremental capacity auction
		Publication of the result of the incremental (bundled) capacity auctions
2 working days from auction close		Economic test
1 working day from obtaining the result of the economic test		Allocation/or not of requested incremental capacity and publication of the results

6. Information on the fixed price approach for incremental capacity allocation

FGSZ and SNGTN Transgaz S.A. do not choose to apply a fixed price approach for the procurement of incremental capacity in 2024 (Article 28(1)(g) CAM NC).

³ In line with Article 22 paragraph (2) of CAM NC.

⁴ In line with Article 28 paragraph (1) point c) of CAM NC.

7. Level of user commitments as an estimate of the f-factor

The level of user commitments, expressed as Transgaz' estimate of the f-factor is 0.85. This level of the f-factor was estimated based on the assumption that 85% of the recognised revenue of the TSO is recovered from the capacity booking products and 15% is recovered by applying the commodity tariff for the transmitted quantity.

The level of user commitments, expressed as FGSZ' estimate of the f-factor is 1.0.

8. Supplement fee

Transgaz' supplement fee

Following conditions have been taken into consideration related to the developments in order to establish the required capacity level at Csanádpalota IP:

- Expected capital costs of the developments presented at point 1
- Regulated rate of return on invested capital: 6.39%.
- Estimated operating costs
- Factor f: 0.85
- Expected booking rate of the announced capacity (load factor): 70%.
- Conversion rate: 1 EUR = 5.00 RON (According to the winter forecast of the National Strategy and Forecast Commission)

	Level 1	Level 2	Level 3
Incremental capacity	437,809 kWh/h/y	2,189,047 kWh/h/y	3,356,805 kWh/h/y
Reserved capacity rate	10%	10%	10%
Announced capacity	394,028 kWh/h/y	1,970,142 kWh/h/y	3,021,125 kWh/h/y
Load factor	70%	70%	70%
PV _{AR}	198,47 mn RON	4.294,26 mn RON	7.331,16 mn RON
PV _{UC}	168,70 mn RON	3.650,12 mn RON	6.231,49 mn RON
"f"-factor	0.85	0.85	0.85
CAPEX	25 mn EUR	535 mn EUR	940 mn EUR
Commercial operation	2028/29	2028/29	2029/30
Economic lifetime	11 years	11 years	10 years
Supplement fee	3.2076 RON/kWh/h/y	86.3689 RON/kWh/h/y	130.2182 RON/kWh/h/y
Supplement fee (specific)	0.0732 EUR/MWh	1.9719 EUR/MWh	2.9730 EUR/MWh
Current tariff	29.1708 RON/kWh/h/y		
Current tariff (specific)	0.67 EUR/MWh		

FGSZ' supplement fee

Following conditions have been taken into consideration related to the developments in order to establish the required capacity level at Csanádpalota IP:

- Expected costs of each incremental capacity offer level, considering 10% contingency
- For all capacity levels, the estimated useful lifetimes of the assets are the same as those set out in the accounting policy (e.g. pipeline: 50 years, compressor: 20 years) while in the fee calculations the expected payback time was determined based on the assumed capacity booking for the period of 10 and 11 gas years.
- WACC (before tax, nominal): 10.88%, discount factor (after tax, nominal): 9.90%
- "f" factor: 1.0⁵
- Estimated OPEX indexation: 1%
- Expected booking rate of the announced capacity (load factor): 70%
- Fixed fee
- Conversion rate: 1 EUR = 410 HUF.

	Level 1	Level 2	Level 3
Incremental capacity	437,809 kWh/h/y	2,189,047 kWh/h/y	3,356,805 kWh/h/y
Reserved capacity rate	10%	10%	10%
Announced capacity	394,028 kWh/h/y	1,970,142 kWh/h/y	3,021,125 kWh/h/y
Load factor	70%	70%	70%
Parameter in line with the Article 22 paragraph (1) point a) subpoint (i)	4.06 mn EUR	103.73 mn EUR	119.65 mn EUR
Parameter in line with the Article 22 paragraph (1) point a) subpoint (ii)	0.00 mn EUR	62.27 mn EUR	46.45 mn EUR
Parameter in line with the Article 22 paragraph (1) point b)	4.06 mn EUR	166.01 mn EUR	166.11 mn EUR
"f"-factor	1.0	1.0	1.0
CAPEX	3.3 mn EUR	133.0 mn EUR	137.2 mn EUR
Commercial operation	2028/29	2028/29	2029/30
Economic lifetime	11 gas yrs	11 gas yrs	10 gas yrs
Supplement fee	0.00 HUF/kWh/h/y	2,887.36 HUF/kWh/h/y	2,045.43 HUF/kWh/h/y
Supplement fee (specific)*	0.00 EUR/MWh	0.80 EUR/MWh	0.57 EUR/MWh

⁵ In line with Article 22 paragraph (1) point c) of the CAM NC.

Current tariff	1,352.98 HUF/kWh/h/y
Current tariff (specific)*	0.38 EUR/MWh

* only for informational purposes

9. Additional demand indications

Transgaz did not receive any additional demand indications in accordance with Article 26(7) of the NC CAM.

FGSZ did not receive any additional demand indications in accordance with Article 26(7) of the NC CAM.

10. Public consultation

The public consultation in connection with the Project Proposal has been carried out between 1st February 2024 and 29th February 2024. The result of the consultation process, as the comments and remarks are summarized in the Annex 3 of this Project Proposal.

11. Binding incremental capacity procedure

TSOs shall offer the incremental capacity from Romania to Hungary direction in accordance with Article 29 of Commission Regulation (EU) No. 459/2017 in the annual yearly capacity auction as standard bundled products in ascending clock auctions according to Article 17 and in accordance with Article 8(8) and (9) and Article 19 of Commission Regulation (EU) No. 459/2017.

Milestone	Deadline* (dd/mm/yyyy)
Announcement of the Binding incremental capacity procedure	Immediately upon the receipt of the coordinated approval of the concerned NRAs
Network User registration for Transgaz on RBP Platform	24.06.2024
Network User registration for FGSZ on RBP platform	26.06.2024
Submission of the auction participation security to Transgaz	25.06.2024
Provision of the auction security to FGSZ	28.06.2024 (12:00 CET)
Bid submission starting date: Submission of Bids in RBP according to the Auction calendar 2024	01.07.2024 (9:00 CET, 10:00 EET)
Publication of the final results of the economic test.	within 2 working days after the

	closure of the auction
In case of a positive economic test FGSZ and TRANSGAZ send the confirmation of the allocation result to the Network User/Users making a successful bid.	1 day from obtaining the result of the economic test
The capacity booking contract/contracts to be concluded within the Incremental Capacity Procedure shall be concluded in writing	Within 10 working days from auction closing date
Return of the auction security that did not result in an incremental capacity contract.	within 10 working days after the closure of the auction

*All deadlines are to be understood as 23:59 CET of the respective day unless it is indicated otherwise.

FGSZ and Transgaz shall set a Rulebook⁶ with the following content:

- Binding incremental capacity procedure
 - Information procedures
 - Binding incremental capacity procedure overview
 - Network User registration process
 - Data protection and privacy
- Allocation of capacities
 - Offered capacity products and tariffs
 - Offer levels
 - Bid submission in Incremental capacity auction
 - Determination of the results of the Economic Test
 - Capacity allocation concept and confirmation of the transmission system operator
- Financial Securities
 - Auction participation financial security
 - Contractual financial security for incremental capacity booking contracts
- Other provisions
- Notifications and Annexes

12. Miscellaneous

- Network User is committed to the contracted incremental capacity and is not allowed to cancel the contracted incremental capacity at any time.
- The commitment of Transgaz and FGSZ to the contracted incremental capacity is subject to positive outcomes of the economic tests on both sides of the interconnection point for the relevant offer level.

⁶ In line with Article 28 paragraph (1) point b) of CAM NC, also the Rulebook contains the economic test to be completed according to the Article 22 paragraph (1) of the CAM NC.

- In case more than one offer level results in a positive outcome of the economic test on both sides of the relevant interconnection point Transgaz and FGSZ shall initiate an incremental capacity project corresponding to the offer level with the largest amount of capacity that resulted in a positive outcome.
- In case the outcomes of the economic tests on both sides of the relevant interconnection point are negative according to the requirements set by Commission Regulation (EU) 2017/459 at all offer levels, the incremental capacity process shall be terminated.
- All contracted incremental capacity that, as a result of the negative economic tests, will not be part of an incremental capacity project shall automatically be terminated, without the obligation for Transgaz and FGSZ to pay any damages or costs to shipper.
- If Transgaz and FGSZ are unable to make the contracted incremental capacity for the interconnection point Csanádpalota available to shipper in time, Transgaz and FGSZ shall continue to endeavour to make the contracted incremental capacity available at the earliest practicable date thereafter.
- According to CAM NC Article 28 the measures to be taken by FGSZ to prevent delays and minimise the impact of delays (in case of the positive outcome of the economic test following the incremental capacity auction, depending on the capacity level):
 - Preparation of the design study (FEED design) prior to final investment decision (FID);
 - Initiation of environmental permitting prior to FID, with immediate internal approval of the resources necessary to act so;
 - Completion of tenders for each project with bid validity until FID.

13. Annexes

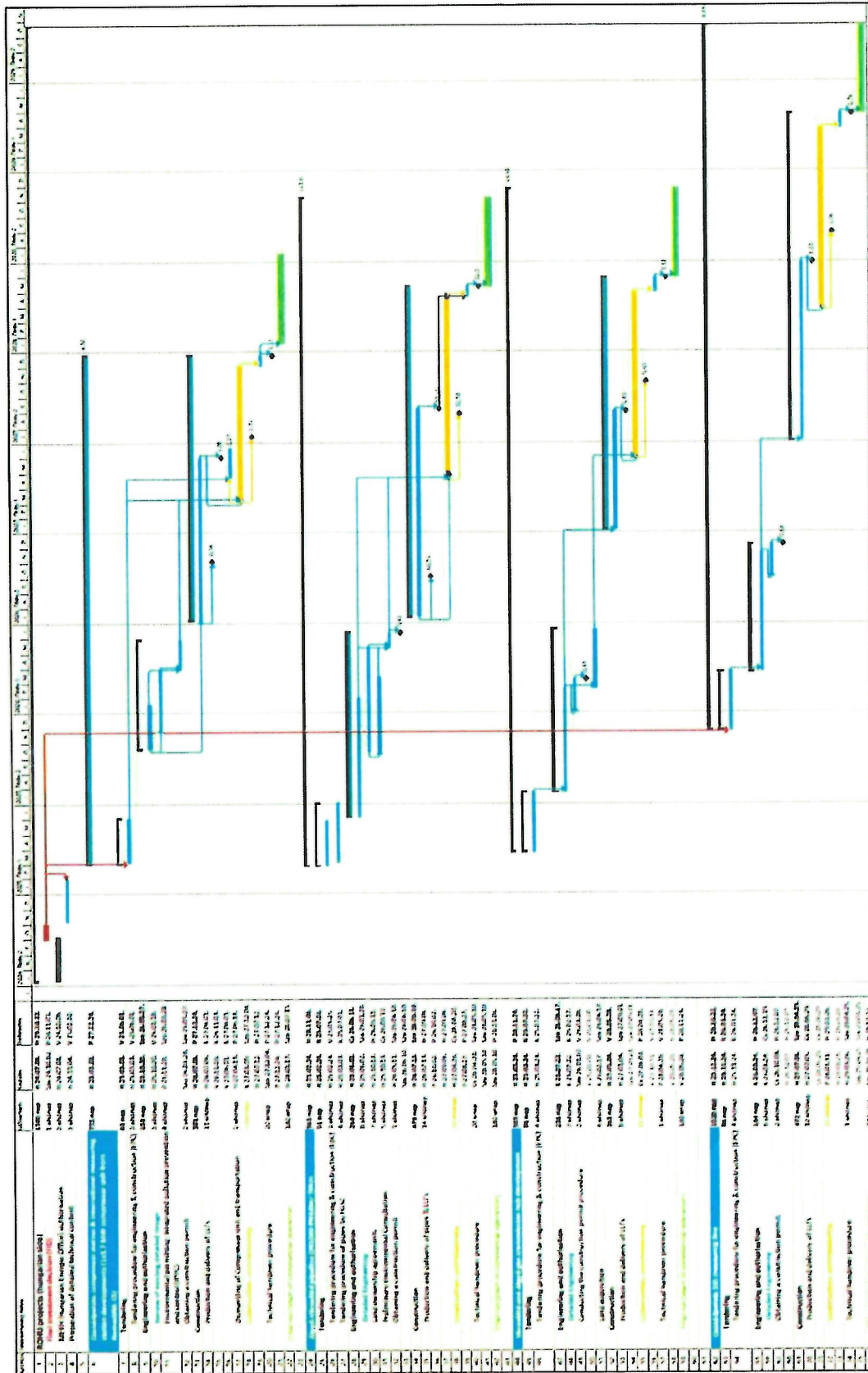
Annex 1: GANTT diagram of FGSZ' projects

Annex 2: GANTT diagram of Transgaz' projects

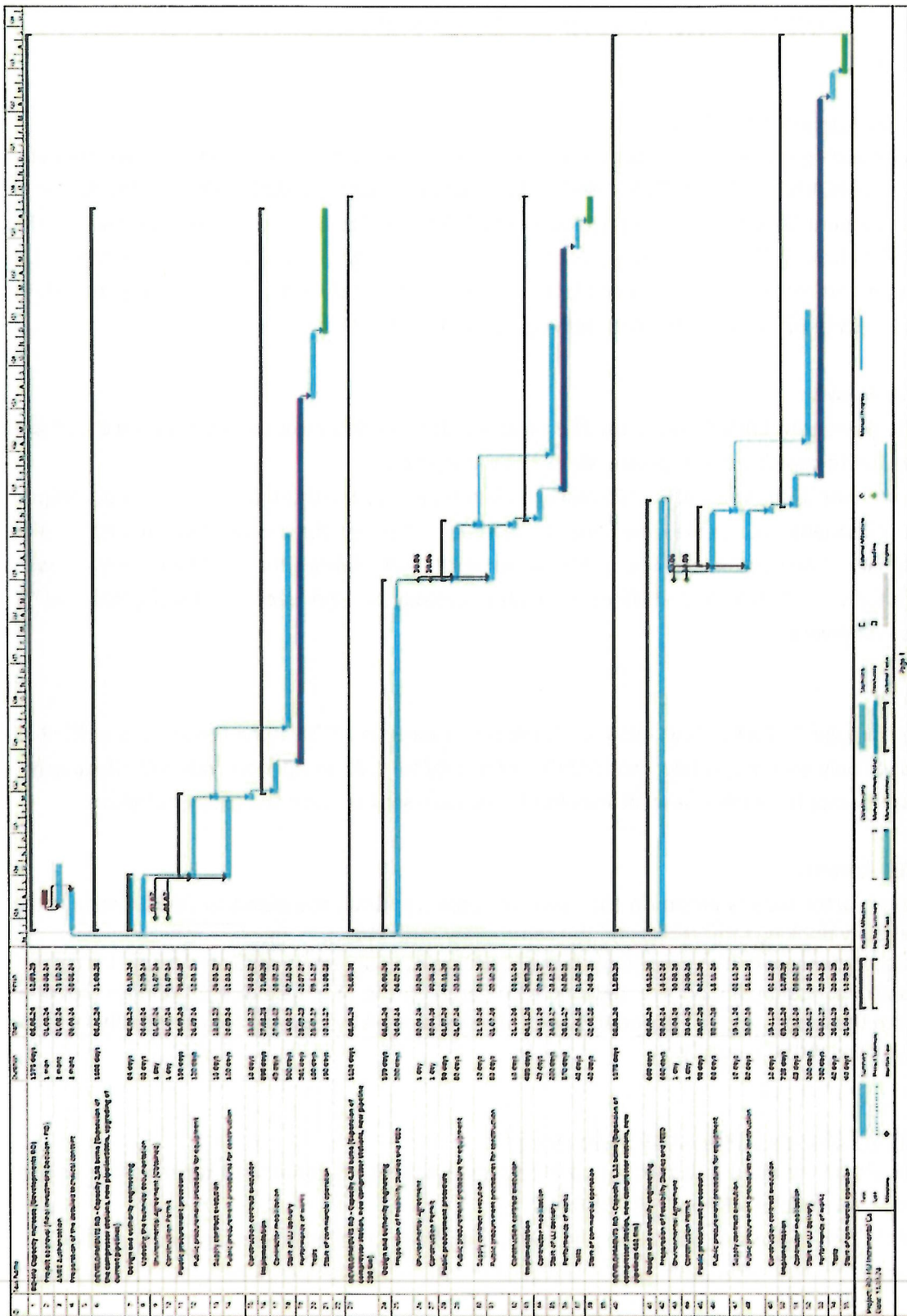
Annex 3: Result of the Public Consultation

Annex 4: FGSZ' Rulebook

Annex 1 – GANTT diagram of FGSZ projects



Annex 2 - GANTT diagram of Transgaz projects



Annex 3 - Result of the Public Consultation

Following questions have been received during the consultation:

Dr. Jozsef Balogh (16/02/2024)

1) Regarding scenario 1-3 on page 3-4: the estimated CAPEX recuperated at the Romanian side of the ROHU border is 25-535-940 mEUR, while f-factor is 0.85. What is the basis of supplement fee calculation: total CAPEX or CAPEX related to the capacity development at the ROHU border? Also, what is the exact breakdown of the highlighted items under scenario 1-3 and its estimated CAPEX between internal and IP related developments (i.e. how the 25 to 160, 535 to 670 and 940 to 1075 ratio was determined)?

TSO Answer:

The presented CAPEX values are the basis for the calculation of the auction price and are related to capacity development at the IP Csanadpalota.

In scenario 1, the value of EUR 25 million is determined as the share of the capacity developed at IP Csanadpalota in the total capacity developed through the project implementation. For scenario 2 and scenario 3, the additional value of CAPEX (above the total value presented in scenario 1 of EUR 160 million) is related entirely to the capacity development at IP Csanadpalota.

2) On page 7 f-factor determination is unclear. Based on NC TAR: the commodity tariff shall cover only cost of gas flow, not CAPEX. Is the f-factor 0.85 in relation with 0.85 of capacity-commodity tariff ratio? A tariff scenario publication shall support the project proposal

TSO Answer:

The f-factor 0.85 is based on the revenue recovery ratio recognized by ANRE through the capacity booking tariff (85%) and the commodity tariff (15%).

In accordance with the provisions of the Methodology for setting regulated tariffs for natural gas transmission, 85% of the revenue recognized by the TSO, including CAPEX, is recovered from the capacity booking products and 15% is recovered by applying the commodity tariff for the transmitted quantity.

MVM CEEnergy (20/02/2024 – only to FGSZ)

Would be the annual and incremental capacity auctions be announced separately or as part of one auction at RBP on 01/07/2024?

What kind of capacity allocation rules will be applied to the incremental capacity auction?

Based on the estimated CAPEX included in the consultation document, at what tariff (+supplement) will the capacity be announced?

TSO Answer:

TSOs shall offer the incremental capacity from Romania to Hungary direction in accordance with Article 29 of Commission Regulation (EU) No. 459/2017 in the annual yearly capacity auction as standard bundled products in ascending clock auctions according to Article 17 and in accordance with Article 8(8) and (9) and Article 19 of Commission Regulation (EU) No. 459/2017.

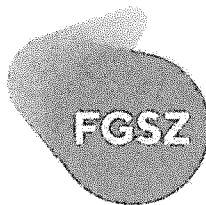
Network Users shall submit their Bid or Bids in the Incremental Capacity Auction in RBP, according to CAM NC Article 29. and the current Incremental Capacity Process Rulebook. Network Users shall submit the Bid or Bids on the Regional Booking Platform by authorized person(s) within their organization.

FGSZ will hold one capacity auction for all of the concerned gas years for each of the Offer Levels. Network Users may submit offers at the auction for either one, two or all of the Offer Levels (bid submission). FGSZ will determine an auction as successful, if that auction is deemed as successful based on a positive economic test for the Offer Level in question.

Concerning to the Supplement fee to be applied on the given capacity levels, the affected TSOs will publish all relevant information on a transparent and non-discriminatory way, in line with the relevant provisions of the CAM NC.

GAS TRANSMISSION CAPACITY FROM ROMANIA TO HUNGARY

**RULEBOOK - BINDING INCREMENTAL CAPACITY PROCEDURE
ACCORDING TO
COMMISSION REGULATION (EU) NO. 459/2017**



MEMBER OF HGL GROUP

GAS TRANSMISSION CAPACITY FROM ROMANIA TO HUNGARY

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GAS TRANSMISSION CAPACITY FROM ROMANIA TO HUNGARY

1. Introduction

Transgaz SA (hereinafter "Transgaz") is a natural gas transmission system operator in the territory of Romania, operating the Romanian section of the Romania-Hungary gas interconnector. FGSZ Natural Gas Transmission Private Company Limited by Shares (hereinafter "FGSZ") is a natural gas transmission system operator in the territory of Hungary, operating the Hungarian section of the Romania-Hungary gas interconnector. FGSZ and Transgaz are conducting a Binding Incremental Capacity Procedure according to the European Commission's 459/2017 Regulation (CAM NC) in order to establish firm natural gas transmission capacity at the below interconnection point and direction:

- Csanádpalota (EIC 21Z00000000236Q), from Romania to Hungary

The capacity levels set in this Rulebook will be offered to simultaneous running but separate incremental capacity auctions. Capacity allocations will take place only for one of the capacity offer levels, for the one with a successful auction result, provide that all conditions laid down in this Rulebook are met.

Capacity will be allocated as yearly bundled capacity products on a firm basis via incremental capacity auction at the IP in the offered direction at the interconnection point starting with 1st October 2028 for 11 consecutive years in case of capacity level 1 and level 2, and with 1st October 2029 for 10 consecutive years in case of the capacity level 3. All interested Network Users shall be aware and agree that all Bids received in the present binding Incremental Capacity Procedure shall be considered as legally binding request for capacity booking and basis for the allocation of capacities pursuant to Article 4.7 "Capacity allocation concept".

On IP Csanádpalota, TSOs will set aside 10% of the incremental capacity within the binding Incremental Capacity Procedure, which would be reserved for short-term capacity booking and would allocate this capacity on a non-discriminatory basis according to Commission Regulation (EU) No. 459/2017.

The Rulebook of the Incremental Capacity Procedure reflects the results of the public consultation, as carried out according to Article 27 of the Commission Regulation (EU) No. 459/2017. Based on these considerations, FGSZ hereby officially announces its invitation to bid for the Binding Incremental Capacity Procedure.

The "Rulebook - binding Incremental Capacity Procedure according to Commission Regulation (EU) No. 459/2017 ("CAM NC")" establishes general rules and conditions that network users must accept to participate and access capacity in the binding capacity allocation phase of the incremental capacity process. FGSZ establishes and initiates this Incremental Capacity Procedure based on the non-binding demand indications and the market demand assessment. The National Regulatory Authority approved the conditions of the Binding Incremental Capacity Procedure in its decision numbered 10/2024. FGSZ shall terminate this Incremental Capacity Procedure in case the economic test is unsuccessful.

2. Definitions

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

“**Bid**” shall mean the Bidder's offer for a binding commitment to book capacities at the auction.

“**Network User**” shall mean a legal entity that is eligible to participate both in Transgaz's and FGSZ's capacity auctions according to the relevant national regulations and the TSOs' general terms and conditions.

“**Binding Incremental Capacity Procedure**” shall mean the binding Incremental Capacity Procedure according to Commission Regulation (EU) No. 459/2017 based on which Transgaz and FGSZ allocate the Offered Capacity of the Csanádpalota IP to Successful Network Users on a binding basis.

“**Gas Day**” shall mean a time period of 24 hours, starting at 6.00 hours CET, on the day of transition to Central European Summer Time, the gas day shall be a time period of 23 hours and on the day of transition to Central European (Winter) Time, the gas day shall be a time period of 25 hours.

“**Indicative Reserve Price Po (EUR/kWh/h/y)**” shall mean the sum of the related entry and exit fees at the IP applicable at the capacity allocation procedure as stipulated in Article 4.1. The fees payable to the TSOs shall be settled in the national currencies under the relevant contracts between the Bidder and the TSO as annexed hereto.

„**Interconnection Point**” (hereinafter referred to as “**IP**”) shall mean the physical connection of the Romanian national gas transmission system and the Hungarian national transmission system near Csanádpalota near the Romanian and Hungarian state borders, the EIC of the IP is 21Z00000000236Q.

“**Offered Capacity**” shall mean the capacity, expressed in energy unit allocable per hour on the IP in the direction from Romania to Hungary (IP Csanádpalota, EIC 21Z00000000236Q) within the scope of the Binding Incremental Capacity Procedure, starting from the Target Commercial Operation Date For avoidance of any doubt the Offered Capacity does not include 10% of the incremental capacity which is dedicated for short-term bookings at IP Csanádpalota (EIC 21Z00000000236Q) in each direction.

“**Price Decision**” the valid applicable tariff with its calculation mechanism set by the relevant National Regulatory Authority.

„**Project**” shall mean all the activities required to be carried out to make the Offered Capacity available in order to increase the technical capacity of the existing Csanádpalota IP in accordance with the conditions specified in this Rulebook and the Project Proposal. FGSZ shall publish aligned and up-to-date information concerning the progress of the project on its website.

“**RBP**” Regional Booking Platform is a platform solution for natural gas capacity auctions and capacity

GAS TRANSMISSION CAPACITY FROM ROMANIA TO HUNGARY

trade. Network Users and Parties perform their business transactions and the Binding Incremental Capacity Procedure in the RBP, which is an internet-based client solution, accessible to the registered Network Users.

"Successful Network User" shall mean Network Users to whom capacity is allocated pursuant to Article 4.7 of this Rulebook.

"Target Commercial Operation Date" for yearly standard capacity products shall be 1st of October 2028 in case of capacity level 1 and level 2, while 1st October 2029 in case of the capacity level 3.

"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 Incremental Capacity Procedure

FGSZ and Transgaz conduct a binding Incremental Capacity Procedure in order to determine the binding market interest for natural gas transmission capacities established by the Project at the IP. The main objective of the binding Incremental Capacity Procedure is to assess the binding market interest in natural gas transmission capacity on the basis of the received binding bids of the Network Users.

3.1. Information provisions

FGSZ has taken all reasonable steps to ensure that the information regarding the Binding Incremental Capacity Procedure was correct at the time of publication. FGSZ cannot be held responsible for any misinterpretation or usage of the data contained in this document and accepts no liability for any kind of acts, consequences, losses, et cetera, arising from the information or from inaccuracy, incompleteness, or omissions in the contents of this publication.

3.2. Binding Incremental Capacity Procedure Overview

Parties shall offer the incremental capacity from Romania to Hungary direction in accordance with Article 29 of Commission Regulation (EU) No. 459/2017 in the annual yearly capacity auction as standard bundled products in ascending clock auctions according to Article 17 and in accordance with Article 8(8) and (9) and Article 19 of Commission Regulation (EU) No. 459/2017.

All deadlines are to be understood as 23:59 CET of the respective day unless it is indicated otherwise.

Milestone	Deadline (dd/mm/yyyy)
Announcement of the Binding Incremental Capacity Procedure	Immediately upon the receipt of the coordinated approval of the concerned NRAs
Network User Registration for FGSZ on RBP	26.06.2024
Provision of the auction security	28.06.2024 (12:00 CET)
Bid submission starting date: Submission of Bids in RBP according to the Auction calendar	01.07.2024 (9:00 CET)
Publication of the final results of the economic test	within 2 working days after the closure of the auction
In case of a positive economic test, FGSZ sends the confirmation of the allocation result to the Network User making a successful bid and the Capacity booking contract concluded under Incremental Capacity Procedure (Annex 2) will be entered in writing.	within 10 working days after the closure of the auction
Return of the auction security that did not result in an incremental capacity contract	within 10 working days after the closure of the auction

3.3. Network User registration process

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There is no separate registration process associated with this incremental capacity booking procedure, only the standard RBP Network User Registration process (see Operational Rules of RBP on the rbp.eu website). Due to capacities being offered in a bundled incremental capacity allocation process, Network Users shall be eligible to book annual capacity products according to the prevailing rules and regulations and according to FGSZ's Business Code and FGSZ's general terms and conditions for Network Usage Contracts (GTC 4.d), exceptions to which are outlined in this Rulebook. Besides the RBP registration, the precondition of participating in the auction is to have a valid Network Usage Framework Contract in force and that the auction security is provided by 12:00 (CET) on the working day prior to the auctions, as specified by this Rulebook. For further information on the process of becoming a Network User, see the link below: <https://fgsz.hu/en/for-business/network-users/how-to-become-a-network-user>.

3.4. Data protection and privacy

The TSOs acknowledge that any data, information or notification to be prepared by Applicants and Bidders to the binding Incremental Capacity 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 Incremental Capacity Procedure and shall not be disclosed to any third Party without the prior and 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-à-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 Incremental Capacity Procedure.

The eventual termination of the binding Incremental Capacity Procedure or the Project, for whatever reason, shall not affect the confidentiality obligation, which shall expire 3 years from the date of termination.

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4. Allocation of Capacities

Incremental capacities will be offered in a bundled way in the annual yearly auction to be held via RBP on 1st of July 2024 for 11 consecutive gas years starting from 1st October 2028 in case of capacity level 1 and level 2, and for 10 consecutive gas years starting from 1st October 2029 in regard with capacity level 3. The TSOs offer to allocate the following transmission capacities:

4.1. Offered Capacity Products and Tariffs

	FGSZ
Yearly Standard Capacity Product on a firm basis	Yes
Number of Offered Gas Years	11 gas yrs (capacity levels 1 & 2), 10 gas yrs (capacity level 3)
Capacity Type	Firm
Commercial Operation	01.10.2028 (level 1 & 2) 01.10.2029 (level 3)
Network Point Name	Csanádpalota
Entry/Exit	Entry
EIC	21Z000000000236Q
Minimum Bookable Capacity Unit (kWh/h/year)	1
Reserve Price, for Offer Level I.	0 HUF/kWh/h/y ³
Reserve Price, for Offer Level II.	2,887.36 HUF/kWh/h/y ³
Reserve Price, for Offer Level III.	2,045.43 HUF/kWh/h/y ³
Capacity tariffs⁴	1,352.98 HUF/kWh/h/y ^{1,2}
Volume based Supplement Price	N/A

Notes on the table:

¹ The prices for each service offered by the transmission system operators are set by the National Regulatory Authorities, and shall be used according to the governing rules (laws, decrees, regulatory decisions). The tariffs for each gas year are set by the Authorities, taking into account the TAR NC and the deadlines under national legislation. For further information, please contact the NRAs.

² The actual payable prices are calculated based on the regulated tariffs (capacity tariffs and volume based prices) shown above, but since these are floating tariffs, the actual payable prices are always determined based on the actual tariffs of the capacity usage period.

³ The value is set for the maximum fixed supplement (mandatory minimum premium), which shall be paid by Network Users to FGSZ.

⁴ The tariffs for each gas year are set by the Authorities, taking into account the TAR NC and the deadlines under national legislation. For further information, please contact the National Regulatory Authorities. The table only includes the transmission system operation tariffs for the gas year 2023/24 and does not apply to the gas years offered.

The information concerning to the offered capacity products and tariffs on the Exit side of the IP are published by Transgaz.

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4.2. Offer Levels

Offer Level I. (kWh/h/year)

IP Csanádpalota direction Romania to Hungary	
Gas year	Offered Capacity at Interconnection Point
2028/29	394 028
2029/30	394 028
2030/31	394 028
2031/32	394 028
2032/33	394 028
2033/34	394 028
2034/35	394 028
2035/36	394 028
2036/37	394 028
2037/38	394 028
2038/39	394 028

Offer level II. (kWh/h/year)

IP Csanádpalota direction Romania to Hungary	
Gas year	Offered Capacity at Interconnection Point
2028/29	1 970 142
2029/30	1 970 142
2030/31	1 970 142
2031/32	1 970 142
2032/33	1 970 142
2033/34	1 970 142
2034/35	1 970 142
2035/36	1 970 142
2036/37	1 970 142
2037/38	1 970 142
2038/39	1 970 142

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Offer level III. (kWh/h/year)

IP Csanádpalota direction Romania to Hungary	
Gas year	Offered Capacity at Interconnection Point
2029/30	3 021 125
2030/31	3 021 125
2031/32	3 021 125
2032/33	3 021 125
2033/34	3 021 125
2034/35	3 021 125
2035/36	3 021 125
2036/37	3 021 125
2037/38	3 021 125
2038/39	3 021 125

4.3. Bid submission in Incremental Capacity Auction

Network Users shall submit their Bid or Bids in the Incremental Capacity Auction in RBP, according to CAM NC Article 29. and the current Incremental Capacity Process Rulebook. Network Users shall submit the Bid or Bids on the Regional Booking Platform by authorized person(s) within their organization. All capacity product offered by FGSZ is annual firm capacity.

FGSZ will hold one capacity auction for all of the concerned gas years for each of the Offer Levels. Network Users may submit offers at the auction for either one, two or all of the Offer Levels (bid submission). FGSZ will determine an auction as successful, if that auction is deemed as successful based on a positive economic test for the Offer Level in question.

By submitting the Bid or Bids, the Network User agrees to, accept and acknowledge the RO-HU Rulebook, the conditions laid down in the Project Proposal, the contractual terms and conditions of FGSZ as well as the Operational Rules of the Regional Booking Platform.

All Bids submitted by the Network Users are legally binding requests for capacity booking, which in case of a positive economic test generates a contract according to Annex 2. of the present Rulebook between the Network User and FGSZ. The allocation result by RBP as Auction Result Confirmation is part of FGSZ's contractual framework. The allocation of capacities shall be subject and limited to the predefined conditionality as stipulated in point 4.4 of this Rulebook.

4.4. Determination of Economic Viability

This section provides information on what is the required aggregated level of capacity booking for the Project to be deemed successful for FGSZ.

Base year – 2028 for capacity level 1 and level 2, and 2029 for capacity level 3

Condition of a positive economic test: $PV_{UC} \geq f * PV_{AR}$

- PV_{UC} - present value of the network users' binding bids for capacity booking
- PV_{AR} - present value of the transmission system operator's allowed or determined increase in allowed revenue, as a result of the incremental capacity
- f – f-factor

This means that the economic test of a transmission system operator is positive in case the present value of the network users' binding bids equals or exceeds the projected increase of the allowed revenue of the transmission system operator as a result of the incremental capacity project, multiplied by the f factor.

Economic tests are based on allocation results as per point 4.4, which have only limited availability, depending on the predetermined conditions of point 4.5. The Project may only be initiated if the

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economic test has a positive result on both sides of the Interconnection Point (IP), for both transmission system operators. If the economic test has a positive result on multiple Offer Levels, than the project belonging to the Offer Level with the highest, but still positive economic test, shall be implemented. In case there is no positive result on either Offer Levels, the Incremental Capacity Procedure shall be closed.

4.5. Economic Test of the Incremental Capacity Process in case of FGSZ

The parameters of the economic test of the incremental capacity process at the Csanádpalota IP are the following:

Offer level I.

$$PV_{UC_MMP} = 0 \text{ M HUF}$$

$$PV_{UC_RP} = 1,665.05 \text{ M HUF}$$

$$PV_{AR(VZ 2028)} * f = 1,665.05 \text{ M HUF}$$

$$f_{(BGY)} = 1.0 \text{ (factor)}$$

This means that the economic test of the Csanádpalota IP will be positive in case the value of the network users' binding bids equals or exceeds 1,665.05 M HUF. The discount rate used for the calculation of the present value will be 9,9% (WACC after tax)*. Based on Commission Regulation (EU) 2017/460 establishing a network code on harmonised transmission tariff structures for gas (TAR NC), reference prices shall equal the relevant tariffs in force.

Offer level II.

$$PV_{UC_MMP} = 54,087.29 \text{ M HUF}$$

$$PV_{UC_RP} = 13,975.63 \text{ M HUF}$$

$$PV_{AR(VZ 2029)} * f = 68,062.97 \text{ M HUF}$$

$$f_{(BGY)} = 1.0 \text{ (factor)}$$

This means that the economic test of the Csanádpalota IP will be positive in case the value of the network users' binding bids equals or exceeds 68,062.97 M HUF. The discount rate used for the calculation of the present value will be 9,9% (WACC after tax)*. In line with TAR NC, reference prices shall equal the relevant tariffs in force.

Offer level III.

$$PV_{UC_MMP} = 48,381.48 \text{ M HUF}$$

$$PV_{UC_RP} = 19,722.02 \text{ M HUF}$$

$$PV_{AR(VZ 2029)} * f = 68,103.53 \text{ M HUF}$$

$$f_{(BGY)} = 1.0 \text{ (factor)}$$

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This means that the economic test of the Csanádpalota IP will be positive in case the value of the network users' binding bids equals or exceeds 68,103.53 M HUF. The discount rate used for the calculation of the present value will be 9,9% (WACC after tax)*. In line with TAR NC, reference prices shall equal the relevant tariffs in force.

*The discount rate equals with nominal WACC before tax, assuming a tax rate of 9%.

4.6. Disclosure of the results of the Economic Test

Following the Economic Test, FGSZ will inform Network Users about the individual and aggregated capacity allocation results at the same time, in two working days. FGSZ will accept the successful Bids resulting in a positive economic test. Following the Economic Test, the transmission system operators will publish the aggregated allocation results on their websites. This publication will include whether the Incremental Capacity Process closed successfully or not. If the Incremental Capacity Process is successful, meaning that the result of the Economic Test is positive on both sides of the IP, the transmission system operator will publish on its website the capacity to be allocated at the IP, the adjoining transmission system operator, the years covered by capacity booking, the flow direction, the adjoining conditionality criteria (such as the value of the mandatory minimum premium), and the successful closure of the Incremental Capacity Process.

4.7. Capacity allocation concept and confirmation of the transmission system operator

Depending on the submitted Bids, the transmission system operators will carry out the Economic Test in line with point 4.4. The incremental capacity auction results in the RBP are contingent on the assessment of the economic test and shall be deemed as preliminary results.

In case of FGSZ, the allocation results (auction confirmation) sent by RBP generate a binding contract only upon the condition that the Economic Test yields positive results on both sides of the IP, at least for one of the Offer Levels. Penning a written contract will take place subsequently, with the application of the sample contract in Annex 2. of the present Rulebook.

The contract shall be deemed as a valid written contract if – either as a digital document signed electronically or as a paper-based document – it has been properly (as a company) signed by both sides through their authorized representatives. Through the registration for the Incremental Capacity Auction, Network Users accept that – in case of a positive Economic Test – their valid Bids submitted during the auction generate a binding contract in line with the auction confirmation, which brings about rights and obligations as per the Rulebook and its annexes, even in case – for whatever reason – the signature of the sample contract of the present rulebook does not take place subsequently.

In case the economic viability of the project is not corroborated by the results of the Economic Test (the capacity bookings do not reach the success criteria for either bidding round), or, in other words, the

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Economic Test has a negative result on either side of the IP, than despite the auction confirmation, no capacity booking contract will be generated, FGSZ closes the Incremental Capacity Procedure, and does not implement the project. FGSZ will not pay compensation for Network Users submitting Bids during the incremental capacity auction.

FGSZ will publish information on the results of the Economic Test on its website, penning the written contracts will take place in ten working days following the closure of the auction.

5. Financial Securities applicable by FGSZ

5.1. Auction Security

The Network User shall submit the Financial Security in the form of an auction security as detailed herein by not later than 12.00 (noon) hours CET of the working day preceding the capacity auction in order to be entitled to take part in the auction. The Network User's annual commitment (the annual contractual value) shall not exceed the auction security relevant to the given auction, i.e. the Network User shall be entitled to submit bids per gas years for the capacity offered under the Incremental Capacity Procedure up to the sum of the auction security. The annual contractual value shall be determined based upon the tariffs effective at the time of the auction and the respective minimum supplement. Should the Network User submit bids for annual capacity the value of which exceeds the sum of the auction security, the part of the bid uncovered by the auction security shall be considered null and void and shall be neglected when running the economic test. The auction security not resulting in concluding an incremental capacity booking contract shall be returned within 10 working days upon the closure of the given auction.

5.2. Contractual security for incremental capacity booking contracts

Provided the result of the economic test is positive and the incremental capacity booking contract is entered into force between the Network User and FGSZ as a result of the auction confirmation(s), the auction security accepted for the bids validly submitted by the Network User shall be considered and handled as Contractual Security (i.e. the financial guarantee to cover the contractual penalty in case of termination of the contract for reasons attributable to the Network User) once the given auction is closed, as detailed in GTC 4.d. paragraph 7.5.1. The amount of the financial security shall be the contract value for the gas year covered by the maximum capacity commitment.

5.3. Contractual security

Financial guarantees for the usage of the capacity shall be provided in accordance with the provisions of the Business Code, General Terms and Conditions under the provisions on contractual security related to network usage (GTC 4.d, paragraph 7.5.), the Network Usage Framework Contract and the Capacity Booking Contract concluded under Incremental Capacity Procedure of FGSZ (see Annex 1 and 2).

6. Other provisions

FGSZ reserves the right to request Network Users to submit additional documents if necessary.

7. Notifications

Unless expressly stated otherwise in this document, notices and other communications under this document must be sent by email, duly signed electronically, to the email address below. All notifications must be sent in English. The relevant contact information for FGSZ:

FGSZ Natural Gas Transmission Private Company Limited by Shares

e-mail: kap@fgsz.hu

Notifications become effective when FGSZ confirms the fact of receipt in an email.

8. Annexes

The following Annexes form an integral part of the present Rulebook on the Incremental Capacity Procedure and are published on FGSZ's website (www.fgsz.hu):

- Annex 1. (FGSZ Business Code, FGSZ Network Usage Framework Contract, FGSZ General conditions of contract regarding network usage contracts /GTC 4.d/)
- Annex 2. (sample of Capacity booking contract concluded under Incremental Capacity Procedure of FGSZ)