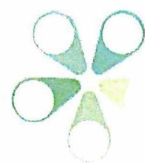


**GAS TRANSMISSION CAPACITY FROM HUNGARY TO SLOVAKIA  
AND FROM SLOVAKIA TO AUSTRIA**

**RULEBOOK - BINDING ALTERNATIVE ALLOCATION PROCEDURE ACCORDING TO  
THE COMMISSION REGULATION (EU) No. 459/2017**

**INVITATION TO BID**



**27.07.2018**

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## **1. Introduction & Scope**

Market Demand Assessments (hereinafter: MDA) based on non-binding demand indications received in October 2017 concluded that an Incremental Capacity Project (hereinafter: ICP) by Magyar Gáz Tranzit, ZRt., Eustream, a.s. and Gas Connect Austria GmbH (hereinafter: GCA) "consistent with intention of" Commission Regulation (EU) No. 459/2017 Art 26 shall be started. GCA is prepared to offer jointly an ICP related specific amount of its available existing entry capacity treated as incremental capacity in the course of this bundled/coordinated alternative allocation procedure. MGT, Eustream and GCA consider the ICP as involving more than two entry-exit (hereinafter: E/E) systems in the meaning of Art. 30 (2) a) and respecting conditionality's of the non-binding demand indications thereby meeting a prerequisite to conduct an alternative capacity allocation. Following the MDA capacity under the ICP shall be allocated based on alternative capacity allocation methodology as provided for under Art. 30 of NC CAM.

Eustream, a.s. (hereinafter referred to as "**Eustream**") is a gas transmission system operator in the territory of the Slovak Republic, Magyar Gáz Tranzit ZRt. (hereinafter referred to as "**MGT**") is one of the gas transmission system operators in the territory of Hungary, operator of the Slovak-Hungarian gas interconnection in the territory of Hungary and Gas Connect Austria GmbH (hereinafter referred to as "**GCA**") is one of the gas transmission system operators in the territory of Austria. Eustream, MGT and GCA (hereinafter referred to individually as the "**Party**" or "**TSO**" and collectively as the "**Parties**" or "**TSOs**") are conducting a joint binding Alternative Allocation Procedure according to the CAM NC regarding firm natural gas transmission services on the following interconnection points:

- IP: Veľké Zlievce/Balassagyarmat (EIC 21Z000000000358C), direction from Hungary to Slovakia  
and/or
- IP: Baumgarten (EIC 21Y---A001A023-Y), direction from Slovakia to Austria

Capacity will be allocated as yearly capacity products on a firm basis via bundled allocation procedure at the IP in the offered directions (1<sup>st</sup> October – 30<sup>th</sup> September) at both interconnection points starting with 1 October 2022 until 1 October 2037

All interested Applicants shall be aware and agree that all Bids received in the present binding Alternative Allocation Procedure by the TSOs shall be considered as legally binding request for capacity booking and basis for the allocation of capacities pursuant to Article 4.4 "Capacity allocation concept".

On the IP Baumgarten, EUS will set aside 40% of the total incremental capacity 7 800 000 KWh/h (18 00 mcm/d). On the IP Veľké Zlievce/Balassagyarmat, respective TSOs will set aside 20% of the incremental capacity within the binding Alternative Allocation 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.

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These Alternative Allocation Procedure Rules are result of non-binding Market Demand Assessment. Respective TSOs have also included the relevant infrastructure projects in their national network development plan proposals (Slovak NDP, No. 7689/2018 Hungarian NDP)

Based on these considerations, the TSOs hereby officially announce their invitation to bid for the Binding Alternative Allocation Procedure.

## 2. Definitions

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

**"Applicant"** shall mean a network user as defined in the Commission regulation (EU) 715/2009 who submits an application to the respective TSOs to participate in the binding Alternative Allocation Procedure.

**"Bid"** shall mean the Bidder's offer for a binding commitment to book capacities.

**"Bidder"** shall mean an Applicant whose application has been accepted by Eustream and MGT and/or EUS and GCA, as relevant, under the Rules of this binding Alternative Allocation Procedure and who submits a Bid with the necessary annexes to the respective TSOs under the Rules of this binding Alternative Allocation Procedure.

**"Binding Alternative Allocation Procedure"** shall mean the joint binding Alternative Allocation Procedure according to the Commission Regulation (EU) No 2017/459 based on which Eustream, MGT and GCA allocate the Offered Capacity of IP to Bidders on a binding basis.

**"Indicative Reserve Price  $P_o$  (EUR/kWh/h/y)"** shall mean the sum of the related entry and exit fees at 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:

- i. the physical connection of the Slovak national gas transmission system and the Hungarian national transmission system near Veľké Zlievce/Balassagyarmat at the Slovak/Hungarian state border, the EIC of IP is 21Z000000000358C, or
- ii. the physical connections of the Slovak national gas transmission system and the Austrian national transmission system near Baumgarten at the Slovak/Austrian state border, the EIC of IP is EIC 21Y---A001A023-Y.

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**"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.

**"Offered Capacity"** shall mean the offer level, expressed in energy unit allocable per hour on IPs in direction:

- i. from Hungary to Slovakia (IP Veľké Zlievce/Balassagyarmat, EIC 21Z000000000358C)
- ii. from Slovakia to Austria (IP Baumgarten, EIC 21Y---A001A023-Y)

within the scope of the Binding Alternative Allocation Procedure, starting from the Target Commercial Operation Date. For avoidance of any doubt the Offered Capacity does not include 20% of the incremental capacity which is dedicated for short-term bookings at IP Veľké Zlievce/Balassagyarmat EIC 21Z000000000358C and 40% on the Slovak exit at IP Baumgarten EIC 21Y---A001A023-Y

**"Price Decision"** the valid applicable tariff with its calculation mechanism set by the National Regulatory Authority

**"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 relevant TSO's necessary to make the Offered Capacity available. TSOs shall publish aligned and up-to-date information concerning the progress of the project on their websites

**"Successful Bidder"** shall mean those Bidders that receive a full or partial acceptance of the Bid pursuant to Article 4.2.1

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

**"Willingness to pay"** shall mean the total value of all Bids for the incremental capacity bid for under this alternative allocation mechanism expressed in Euro submitted by the Bidder for the period October 2022 – October 2037, taking into account Indicative Reserve Price  $P_0$ . In case of Hungary converted from local currency to Euro at the currency exchange rate stated in this document in Article 4.1. (For avoidance of any doubts to calculate Willingness to pay only the Indicative Reserve Price  $P_0$  is applied as a constant regardless of the size and duration of the capacity booking i.e. the price to calculate the Willingness to pay may differ from the actual price of the allocated capacities as per valid Price Decision).



“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 Alternative Allocation Procedure**

A Binding Alternative Allocation 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 IPs.

#### **3.1. Purpose of the binding Alternative Allocation Procedure**


The main objective of the binding Alternative Allocation 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 Slovak Regulatory Office for Network Industries (ÚRSO), Hungarian Energy and Public Utility Regulatory Authority (MEKH) and Austrian National Regulatory Authority (e-control).

#### **3.3. Information Provisions**

The TSOs have taken all reasonable steps to ensure that the information regarding the Binding Alternative Allocation Procedure 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.

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## 3.4. Binding Alternative Allocation Procedure Overview

### Activities 2018

*All deadlines are to be understood as 23 59 CET of the respective day*

Milestone	Date (Day. Month)
Public consultation period	10 May – 25 June
Announcement of the Binding Alternative Allocation Procedure	on 27 July
Customer Registration Closing	on 14 August
Confirmation Customer Registration (TSOs)	by 20 August
Bid submission window I Submission of Bids	21 August - 27 September
Economic Test I	on 28 September
TSOs to publish the aggregated allocation results	on 01 October
<i>In case of <u>positive</u> Economic Test I.</i>	
TSO to send the allocation result confirmation to Successful Bidders and inform Bidders about the aggregated allocation	on 01. October
<i>In case of <u>negative</u> Economic Test I:</i>	
Bid submission window II TSOs to submit updated requirements to Bidders	by 05 October
Bid submission window II Bidders may submit updated Bids to TSOs	06 October - 19. October
Economic Test II	20 October - 24 October
TSOs to publish aggregated allocation results	on 24 October
<i>In case of <u>negative</u> Economic Test II</i>	
TSO to inform Bidders about terminated Alternative Allocation Procedure	on 24 October
<i>In case of <u>positive</u> Economic Test II</i>	
TSO to send the allocation result confirmation to Successful Bidders and inform Bidders about the aggregated allocation	on 24 October

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Activities 2019

*All deadlines are to be understood as 23:59 CET of the respective day*

Milestone	Date (Day. Month)
Bidders' latest execution date of step back right from contracts concluded upon positive Economic Test I or II	29. March 2019.
<i>In case of no step back right being executed:</i>	
Successful completion of the Alternative Allocation Procedure (concluded contracts remain in place, TSOs to inform Successful Bidders)	by 02 April
<i>In case of any step back right being executed</i>	
TSOs to inform and send requirements, the same as for previous Bid submission window, to Bidders which submitted the Bids in Bid submission window I/II and capacity were not allocated/partly allocated to them (Non allocated Bidders) that may submit new Bids for the remaining available capacity to TSOs.	by 05 April
Bid submission window III: Non allocated Bidders may submit new Bids for the remaining available capacity to TSOs.	05 – 17 April
Economic Test III	18 - 19 April
TSOs to publish aggregated allocation results	19 April
<i>In case of <u>positive</u> Economic Test III.</i>	
TSO to send the allocation result confirmation to Successful Bidders and inform Bidders about aggregate allocation	19 April
<i>In case of <u>negative</u> Economic Test III:</i>	
Bid submission window IV: TSOs to submit requirements to bidders	23 April
Bid submission window IV: Bidders may submit new additional) Bids for the remaining available capacity to TSOs	23. April - 30. April
Economic Test IV	02. May
TSOs to publish aggregated allocation results.	by 03 May



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<i>In case of <u>positive</u> Economic Test IV</i>	
Successful completion of the Alternative Allocation Procedure (capacities allocated before 29 March 2019 remain in place, TSO to inform Successful Bidders), TSO to send the allocation result confirmation to Successful Bidders	by 03 May
<i>In case of <u>negative</u> Economic Test IV</i>	
TSO to inform Bidders about terminated Alternative Allocation Procedure and termination of the contracts	by 03 May

### 3.5. Registration

#### Customer Registration process

Applicants that are interested in participating in the binding Alternative Allocation Procedure should proceed as follows, taking into account the detailed timetable provided in Article 3 4.

To initiate the Registration Process Applicants have to submit to the respective TSOs before the Customer Registration Closing set in Article 3 4

- i) the filled in Registration form (Annex 1) duly signed by authorized person(s) of their organization
- ii) in case of Eustream, submit duly signed Framework contract (Annex 3),  
in case of GCA, such Registration form shall contain the reference to a valid Frame Capacity Contract between GCA and the respective Applicant;  
in case of MGT, Applicant shall send the filled in Registration form (Annex 1) duly signed by authorized person(s) of their organization, with indication the reference of a valid Framework contract by and between MGT and a respective Applicant in the Registration form (in case the already signed Framework contract differs from the latest Framework contract approved by the HU NRA please consult MGT on signing the amendment thereto,) In case the already signed Framework Contract signatures are differ from the Registration form signatures Applicant shall send the required documents set in Article 2 4 4 of Business Code of MGT for validation In case of no Framework contract by and between MGT and the respective Applicant is in place, the Applicant shall go through on the standard KYC ("Know Your Customer") process of MGT, whereas Applicant shall send the filled in Registration form (Annex 1) duly signed by authorized person(s) of their organization and all

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the documents set in Article 2 4.4. of the Business Code of MGT, 5 days before the "Customer Registration Closing date" set in Article 3.4 . MGT shall send electronically the draft Frame Capacity Contract (Annex 4) 2 working days after receiving of all the required documents set above (sending the draft Framework Contract does not mean its acceptance by the TSO) Applicant shall submit to MGT the duly signed Frame Capacity Contract (Annex 4) latest by the "Customer Registration Closing date" set in Article 3.4

- iii) the Applicant shall pay the Participation Fee in the Amount of 2000 EUR per IP. The payment of the Participation Fee by August 14, 2018 is a precondition for the Applicant to participate in the Binding Alternative Allocation Procedure. The Participation Fee applies for the participation for incremental capacity as well as existing capacity treated as incremental capacity at the respective IP. The Applicant shall pay to each TSO the half of the Participation Fee at the respective IP. The Participation Fee shall be paid to the below mentioned bank accounts stating the reference "Participation Fee - Alternative Allocation Procedure and Company Name"

**For Eustream, a.s.:**

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

Bank account number: SK78 1100 0000 0029 3570 0511

SWIFT code: TATRSKBX

**For Magyar Gáz Tranzit, ZRt.:**

Account keeping financial institution: Erste Bank Zrt.

Bank account number: 11600006- 00000000-52492459

IBAN/ABO. HU-21-11600006-00000000-52492459

SWIFT code: GIBAHUHB

**For Gas Connect Austria GmbH:**

Account keeping financial institution: UniCredit Bank Austria AG

IBAN: AT03 1200 0506 6003 2300

BIC: BKAUATWW

By 20. August 2018 the respective TSOs will send back duly signed framework contracts (applies only to Eustream and/or MGT) and confirm the successful registration only if the Applicant successfully registers with the respective TSOs at the respective IP, the Participation Fee is duly paid to TSOs and fulfils the Contractual and Registration requirements of the TSO. Please note that applications, framework contracts and payments received after 14. August 2018 23.59 CET cannot be considered. The Participation Fee shall not be reimbursed in any case.

### **Bid submission window**

Submit 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 IPs (Eustream and MGT and/or respectively Eustream and GCA), in the Bid submission windows specified in Article 3.4 Parties' addresses are listed in Article 7 (Notices). An advance copy by e-mail to [transmission@eustream.sk](mailto:transmission@eustream.sk), [huskat@gaztranzit.hu](mailto:huskat@gaztranzit.hu) and [sales.transmission@gasconnect.at](mailto:sales.transmission@gasconnect.at) is recommended (In case so required by the respective TSO, Applicant shall make sure the respective TSO has the authorized persons signature specimen or any other required document for validation of signatures).

By submitting the registration form and the Bids, the Applicant/Bidder agrees, accepts and acknowledges the present Alternative Allocation Rulebook, its Annexes, as well as the contractual terms and conditions of the respective TSOs contained in the Annexes. The allocated capacities stated in these contracts shall be subject and limited to the predefined conditionality. This Alternative Allocation Rulebook has a binding nature for Applicants/Bidders and TSOs.

### **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 Alternative Allocation 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 Alternative Allocation 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-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 Alternative Allocation Procedure.

The eventual termination of the binding Alternative Allocation 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

The TSOs offer to sell following transmission capacities:

### 4.1. Offered Capacity Products and Tariffs

**Flow Direction Hungary -> Slovakia**

TSO	MGT	Eustream
Yearly Standard Capacity Product on a firm basis	Yes	Yes
Number of Offered Gas Years	15	15
First Availability	01 October 2022	01 October 2022
Network Point Name	Balassagyarmat	Veľké Zlievce
Entry/Exit	Exit	Entry
EIC	21Z000000000358C	21Z000000000358C
Minimum Bookable Capacity Unit (kWh/h/year)	1000	1000
Reserve Price	631 25 (HUF/kWh/h/year) Exit capacity	2 604 (EUR/kWh/h/year)* Entry capacity
Volume based Price	47.31 (HUF/MWh)	0 1% from nominated quantity
Volume based Supplement Price	N/A	N/A
Applied exchange rate for indicative	310 HUF/EUR	N/A
Indicative Reserve Price P <sub>0</sub> (EUR/kWh/h/year)	4 640290323	
Price Evolution After Capacity Allocation	<p><u>Reserve price and volume based prices:</u> floating tariffs always based on the current effective Hungarian regulation set by MEKH.</p> <p><u>Volume-based tariff</u>, applied upon the usage of the capacity, floating based on the Hungarian regulation set by MEKH,</p> <p><u>Volume base supplement:</u> N/A</p> <p>All tariffs shall be paid according to the effective tariff decree in Hungary set by MEKH,</p> <p><u>Potential surcharge:</u> fixed</p>	<p><u>Allocated price:</u> fixed, subject to escalation</p> <p><u>Volume-based tariff upon the usage of the capacity:</u> applied</p> <p><u>Potential surcharge:</u> fixed</p>



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**Flow Direction Slovakia -> Austria**

TSO	Eustream	GCA
Yearly Standard Capacity Product on a firm basis	Yes	Yes
Number of Offered Gas Years	15	15
First Availability	01. October 2022	01 October 2022
Network Point Name	Baumgarten	Baumgarten
Entry/Exit	Exit	Entry
EIC	EIC 21Y---A001A023-Y	EIC 21Y---A001A023-Y
Minimum Bookable Capacity Unit (kWh/h/year)	1000	N/A
Reserve Price P <sub>0</sub>	4.46736 (EUR/kWh/h/year)*	0.77 (EUR/kWh/h/year)
Volume based Price	1.10% from nominated quantity	N/A
Volume based Supplement Price	N/A	N/A
Applied exchange rate for indicative	N/A	N/A
Reserve Price P <sub>0</sub> (EUR/kWh/h/year)	5 23736	
Price Evolution After Capacity Allocation	<u>Allocated price</u> fixed, subject to escalation <u>Volume-based tariff upon the usage of the capacity</u> : applied <u>Potential surcharge</u> fixed	<u>Reserve price</u> : floating <u>Potential surcharge<sup>1</sup></u> : fixed

\* the Reserve price at Eustream represents tariff for the transmission capacity within the first tariff group and shall be applied for the calculation of the Willingness to pay for the allocation process

Note. All fees for transmission services (i.e. Tariffs, Gas for Operational Needs tariff rate and Neutrality charge, other fees – if applicable) of respective TSO are governed and shall be applied according to applicable national law or NRA decisions or approvals (for more details consult respective TSO).

<sup>1</sup> GCA uses the term „surcharge“ in all its specific annexes to this rulebook. It is to be understood as a potential premium to the Reserve Price P<sub>0</sub> for the booked capacity

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**Offered Capacity (kWh/h/year)**

Gas year	Offered Capacity level of incremental capacity at Interconnection Point (kWh/h/year)		
	IP Velké Zlievce/Balassagyarmat Level I.	IP Velké Zlievce/Balassagyarmat Level II <sup>2</sup>	IP Baumgarten
2022/2023	1 914 000	5 088 000	4 648 063
2023/2024	1 914 000	5 088 000	4 648 063
2024/2025	1 914 000	5 088 000	4 648 063
2025/2026	1 914 000	5 088 000	4 648 063
2026/2027	1 914 000	5 088 000	4 648 063
2027/2028	1 914 000	5 088 000	4 648 063
2028/2029	1 914 000	5 088 000	4 648 063
2029/2030	1 914 000	5 088 000	4 648 063
2030/2031	1 914 000	5 088 000	4 648 063
2031/2032	1 914 000	5 088 000	4 648 063
2032/2033	1 914 000	5 088 000	4 648 063
2033/2034	1 914 000	5 088 000	4 648 063
2034/2035	1 914 000	5 088 000	4 648 063
2035/2036	1 914 000	5 088 000	4 648 063
2036/2037	1 914 000	5 088 000	4 648 063

<sup>2</sup> Level II. values include Level I



## **4.2. Determination of Economic Viability**

In this section, the process of Economics Tests and Bid submission windows and the conditions for a positive Economic Test to determine the economic viability for each individual TSO are described. The information provided should give insight into the aggregated booking level that has to be achieved in order to render the Projects for each TSO successful.

### **4.2.1. Process of Economic Tests and Bid Submission windows**

#### **Bid submission window I**

Duly signed Bids to be submitted by registered post or courier (original) until 27. September 2018 23:59 CET. For the avoidance of any doubt, no supplement will be used (Reserved price  $P_0$  only).

#### **Economic Test I**

After the conclusion of the Economic Test I, TSOs shall inform Bidders about the individual and aggregated allocation results by 01. October 2018. In case the Economic Test I is positive, the relevant TSO(s) shall send duly signed allocation result confirmation as part of the respective TSO contractual framework with registered mail or courier to the Successful Bidders by 01. October 2018.

#### **Bid submission window II**

In case the Economic Test I is negative, the TSOs shall offer Bidders to submit Bids based on an updated price-quantity relationship, communicated to all Bidders. Bidders may increase their value of the Bid in the Bid submission window II on a voluntary basis by increasing their capacity request and/or by price premium offer. A Bid submitted by a Bidder in the Bid submission window II as outlined in Article 3.4 shall replace the previously submitted Bid, if such Bid is higher as in Bid submission window I. Lower Bids shall not be taken into consideration. If no updated Bid is submitted by a Bidder, the respective original Bid remains valid for the Economic Test II and as well as for the capacity allocation.

#### **Economic Test II**

After Bids have been received in the course of the Bid submission window II, the Economic Test II will be performed taking into account Bids submitted in the Bid submission window I and II. TSOs shall inform Bidders about the individual and aggregated allocation results by 24. October 2018. In case the Economic Test II is positive the relevant TSO(s) shall send duly signed allocation result confirmation as part of the respective TSO framework contract with registered mail or courier to the Successful Bidders by 24. October 2018.

In case the Economic Test II is negative, all TSOs shall inform Bidders via registered mail about the termination of the Alternative Allocation Procedure and the earlier informed Successful Bidders about the termination of their specific concluded contracts within this Alternative Allocation Procedure as part of the respective TSO framework contract by 24. October 2018.

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### **Termination by Bidder through step back right**

Successful Bidders shall be entitled to step back from their contracts concluded with GCA, EUS and MGT in the course of this alternative allocation mechanism upon a positive Economic Test I or II by 29<sup>th</sup> March 2019 23.59 CET without the obligation to give reason for their decision. For the avoidance of doubt a partial step back, e.g. stepping back from only parts / yearly tranches of the booked capacity, is not permissible and thus not valid. In case a Successful Bidder exercises its step back right at one side of an IP, the Successful Bidder shall be obliged to at the same time to exercise its step back right at the other side of such IP too. In case a Successful Bidder has received acceptance of its Bid at more than one IP, such shipper shall exercise its step back right at all IPs at the same time only. The step back right of Successful Bidders as well as the obligation of all TSOs to terminate all contracts concluded within this Alternative Allocation Procedure in case of a negative Economic Test (as stipulated in this Rulebook) are applicable only for contracts concluded in this Alternative Allocation Procedure.

In such a case, the Bidder shall pay a termination fee being a fixed rate of the value of its Bid. The value of its Bid shall be calculated by multiplying the Reserve Price as stipulated in this Alternative Allocation Procedure, as applicable, as a result of a binding Alternative Allocation Procedure, with the capacity that was allocated to the Bidder. The fixed rate for Eustream shall be 0.15%, for MGT 0.15% and for GCA 0.033% of the respective amount of the individual Bid calculated on the Reserve Price.

In case all Bidders whose offers were considered in the positive Economic Test, relinquish their step back right before the deadline of 29<sup>th</sup> of March 2019 23.59 CET, TSOs shall proceed with the execution of the Project without delay and publish the successful completion of the Alternative Allocation Procedure.

### **Bid submission window III**

In case one or more Successful Bidder(s) make use of their right to step back from concluded contracts upon a positive Economic Test I or II, TSOs shall inform and submit requirements to Bidders which submitted the Bids in Bid submission window I/II (except those who have exercised their step back right) and capacity to them were not allocated or partly allocated (Non allocated Bidders) that may submit new Bids for the remaining available capacity to TSOs. Requirements for Bid submission window III shall be the same as for previous Bid submission window. Capacities offered in Bid submission window III shall be allocated according to willingness-to-pay for the incremental capacity offered under this alternative allocation mechanism and shall take into account the remaining available capacities offered in Bid submission window III only. For avoidance of doubt, capacities allocated or Bids submitted in Bid submission window I/II shall not be included in the calculation of Willingness to Pay in Bid submission window III.

Unless terminated by Successful Bidder in accordance with its step back right, capacities allocated to such bidders in Bid submission window I/II remain in place until in case of negative Economic Test the Alternative Allocation Procedure and the contracts concluded are terminated by the TSOs



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**Economic Test III**

The Economic Test III will be performed taking into account Bids submitted in the Bid submission window I and II for which no Step back right was used and Bids submitted in Bid submission window III. TSOs shall inform Bidders about the individual and aggregated allocation results by 19. April 2019. In case the Economic Test III is positive the relevant TSO(s) shall send acceptance of the Bids in form of duly signed allocation result confirmation as part of the respective TSO framework contract with registered mail or courier to the Successful Bidders by 19 April 2019.

In case Economic Test III is negative, another Bid submission window is offered (Bid submission window IV). TSOs shall inform Bidders by 23. April 2019.

**Bid submission window IV**

TSOs shall offer Bidders to submit Bids in the Bid submission window IV on a voluntary basis, based on an updated price-quantity relationship, communicated to all Bidders. In this Bid submission window IV only the released and remaining available (i.e. not allocated) capacity shall be offered by the TSOs to all Bidders, including unsuccessful Bidders from previous Bid submission windows and Applicants who did not submit the Bid in the previous Bid submission windows, except those who have exercised their step back right. The amount of capacity offered in the Bid submission window IV shall be published by TSOs for the IP. Capacities offered in Bid submission window IV shall be allocated according to willingness-to-pay taking into account capacities offered in Bid submission window IV only. For avoidance of doubt, capacities allocated or Bids submitted in Bid submission window I/II/III shall not be included in the calculation of Willingness to Pay in Bid submission window IV,

**Economic Test IV**

A final Economic Test will be performed (Economic Test IV) after new Bids have been received in the course of the Bid submission window IV.

TSOs shall inform all Bidders about the individual and aggregated allocation results by 03. May 2019

If the Economic Test IV is positive, the relevant TSO(s) shall send acceptance of new Bids in form of duly signed allocation result confirmation as part of the respective TSO framework contract with registered mail or courier to the Successful Bidders by 03 May 2019.

In case the Economic Test IV is negative, all TSOs shall inform the Bidders by 03 May 2019 via registered mail about the termination of the Alternative Allocation Procedure and the termination of the concluded contracts. In such case, no penalties, damages or termination fee is to be paid by the Bidders who did not step back from their contracts



#### 4.3. Conditions for a positive Economic Test

Condition for a positive Economic Test:  $PV_{UC} \geq f * PV_{AR}$

$PV_{UC}$  – the present value of binding commitments of network users for contracting capacity

$PV_{AR}$  – the present value of the estimated increase in the allowed or target revenue of the transmission system operator associated with the incremental capacity

$f$  – f-factor

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

The Economic Tests are based on the allocation results pursuant to Article 4.2 which shall be subject and limited to the predefined conditionality (Article 4.4). The Economic Tests shall apply to those IPs/sides of an IP where incremental capacity will be allocated. The Economic Tests is successful only in case the Economic Tests of both TSOs on both sides of the relevant IP/IPs were successful.

After each concluded Economic Test, TSOs shall publish aggregated allocation results on their respective websites. This shall include the capacity to be allocated for the IP, TSO, year and direction based on the Bids and related conditionality, being subject to a positive Economic Test for the relevant TSO and the successful completion of the Alternative Allocation Procedure and the degree to which the individual Economic Tests of the TSOs for the IPs is positive.

#### **Economic Viability @ Gas Connect Austria GmbH**

Art 22 Para 1 NC CAM covers the economic test parameters for incremental capacity. With regards to the Austrian side of the interconnection point Baumgarten it can be concluded upfront, that the economic test will be positive if existing capacity will be offered exclusively and therefore no cost for incremental investments will occur. The above parameter  $PV_{AR}$  has a value of zero (0) in case no incremental investments are needed to offer the capacity under this alternative allocation mechanism. Consequently, there would be no increase in the allowed revenue and the f-factor is multiplied by zero (0). Hence, the above inequation is always fulfilled in case of bookings of existing capacity. It is therefore not meaningful to depict the defined parameters of Art 22 Para 1 NC CAM regarding the Austrian side of the interconnection point Baumgarten



**Economic Viability @ Eustream, a.s. for Level I. and Level II.**

The Economic Tests I - IV for incremental capacity for the Alternative Allocation Procedure are based on the following parameters

$$PV_{UC} \geq 71\,792\,433 \text{ EUR}$$

$$PV_{AR} = 71\,792\,433 \text{ EUR}$$

$$f = 1.0$$

Positive Economic Tests I – IV for incremental capacity for Eustream, a.s. shall be deemed as positive if the present value of binding commitments of network users on points Veľké Zlievce and Baumgarten is equal or higher than 71 792 433 EUR.

**Economic Viability of Balassagyarmat Level I. @ Magyar Gáz Tranzit, ZRt.**

The Economic Tests I - IV for incremental capacity at the entry point Balassagyarmat are based on the following parameters.

$$PV_{UC(LI)} \geq 645\,000 \text{ EUR}$$

$$PV_{AR(LI)} = 645\,000 \text{ EUR}$$

$$f_{(BGY)} = 1.0$$

That means that an Economic Test for the IP Balassagyarmat will be positive if the value of binding commitments of network users is equal to or higher than 645 000 EUR. The total value of the binding commitments must compensate the tariff increase effect of the additional investment.

**Economic Viability of Balassagyarmat Level II. @ Magyar Gáz Tranzit, ZRt.**

The Economic Tests I - IV for incremental capacity Level II at the entry point Balassagyarmat are based on the following parameters.

$$PV_{UC(LII)} \geq 58\,463\,870 \text{ EUR}$$

$$PV_{AR(LII)} = 58\,463\,870 \text{ EUR}$$

$$f_{(BGY)} = 1.0$$

That means that an Economic Test for the IP Balassagyarmat Level II. will be positive if the value of binding commitments of network users is equal to or higher than 58 463 870 EUR. The total value of the binding commitments must be compensate the tariff increase effect of the additional investment it means the minimum booked capacity is 49,9 % of the offered maximum incremental capacity

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Present value calculation shall be at 8,7 %. With regards to the Commission regulation (EU) No 460/2017 of 16 March 2017 establishing a network code on harmonized transmission tariff structures for gas the reference prices shall equal with the relevant tariffs in force

### 4.4. Capacity Allocation Concept

#### Basic Capacity Allocation Principles

- Capacities are allocated separately for each interconnection point (IP) and offered gas year
- The Applicants are allowed to submit for capacity one offer per Bid submission window per IP. In the offer the Applicants are allowed to place maximum 1 Bid per gas year, i.e. it is not permitted to submit multiple (alternative) bids by a single Applicant for the same gas year
- Both interconnection points are jointly evaluated from a willingness-to-pay point of view in order to resolve any eventual congestion of the Alternative Allocation Procedure
- Capacities are allocated based on willingness-to-pay for incremental capacity offered under this alternative allocation mechanism. Capacities are charged at relevant tariffs of respective TSO's in line with their valid and effective Price Decisions
- In Bid submission window II, all Bidders will have the possibility to indicate a higher willingness-to-pay upon the proposal of the TSOs
- In Bid submission window III non allocated Bidders from previous Bid submission windows, except those who have exercised their step back right, have the possibility to submit an additional/new Bid for the remaining available (i.e. not allocated) capacity upon the proposal of the TSOs.
- In Bid submission window IV Bidders, including unsuccessful Bidders from previous Bid submission windows, except those who have exercised their step back right, and Applicants who did not submit the Bid in the previous Bid submission windows have the possibility to submit an additional/new Bid for the remaining available (i.e. not allocated) capacity upon the proposal of the TSOs

#### Capacity allocation methodology

1. The Bid submission windows are at the time periods specified in Article 3.4 The capacity on offer in the Bid submission windows I and II is indicated in Article 4.1 In Bid submission windows III and IV only released and remaining available capacity shall be offered by the TSOs.
  - a) Bids submitted outside of the specified time periods 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),

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- d) Predefined conditionality, if any, i.e.
- i. whether the Bidder accepts any partial fulfilment to its Bid in case not the entire amount of capacity applied for could be allocated to the Bidder related to the required quantity ("fill or kill principle") and/ or
  - ii. whether the Bids between both IPs are linked (whether capacity allocated at one IP is subject to capacity allocated at the other IP)
  - iii. whether the Bids are linked to a minimum number of years and/or whether the Bid is conditional on the allocation of a minimum amount of capacity
- e) In general in each Bid submission window only one Bid may be submitted per gas year by a Bidder. Bids containing more than 1 (one) capacity quantity request for the same gas year shall be refused. During the Bid submission window III, unsuccessful Bidders from previous Bid submission windows may submit a new Bid for the released and remaining available capacity on offer. During the Bid submission window IV, Bidders who did not exercise their step back right may submit a new Bid for the released and remaining available capacity on offer.
- 3 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 across IPs/sides of an IP where incremental capacity was bid for.
  - b) Higher willingness to pay shall have precedence over lower willingness-to-pay.
  - c) In case of no overbooking all Bidders are allocated based on their Bids.
  - d) In the case of overbooking at any of the gas years, the following allocation methodology shall apply.
    - i. The capacity request for respective yearly capacity product of the bidder with the highest willingness-to-pay shall be allocated first.
    - ii. The remaining unallocated capacity for respective gas year shall be allocated by taking the second, third, fourth, etc. highest willingness to pay of other Bidders, subject to the available capacity after each allocation step.
    - 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.

Capacities shall be allocated according to their respective willingness-to-pay value in the relevant bid submission window, taking into account the conditionalities indicated



#### **Confirmation by TSO**

Subject to the allocation of the submitted Bids taking into account the indicated predefined conditionality, the TSOs mentioned in Article 3.4 shall perform an Economic Test according to said Article. TSOs shall inform Bidders about the allocation results according to Article 4.2.1.

### **5. Financial Guarantees**

#### **5.1. Applicable Financial Guarantees of Eustream, a.s.**

##### **5.1.1. Financial security for the Bid submission**

The Bidder shall submit a financial guarantee equal to the termination fee (penalty fee) as set out in Article 4.2.1 above, upon the end of the relevant Bid submission window.

In case of the Bidder's exercise of the step back right by 29<sup>th</sup> of March 2019 23:59 CET, the Bidder shall pay a financial penalty according to the Article 4.2.1. If the Bidder fails to fulfil this obligation, Eustream shall be entitled to draw the financial guarantee to the termination fee (penalty fee) of the Bidder subject to the terms of the contracts signed. The security expires 8 weeks after the expiration of the step back right. If Bids are not accepted by the TSO or the Bidder relinquishes its step back right before the deadline of 29<sup>th</sup> of March 2019 23:59 CET, the security shall be released by the TSO within 15 days upon request of the Bidder. The Bidder shall submit the financial guarantee as follows:

- a) As a letter of bank guarantee in EURO and/or
- b) As a collateral deposit;

##### **5.1.2. Financial security for the transmission service**

In this case the provisions of Framework contract shall apply.

#### **5.2. Applicable Financial Guarantees of Magyar Gáz Tranzit ZRt.**

##### **5.2.1. Financial security for the Bid submission (auction guarantee)**

The Bidder shall submit a financial guarantee equal to the termination fee (penalty fee) as set out in Article 4.2.1 above, upon the end of the relevant Bid submission window.

In case of the Bidder's exercise of the step back right by 29<sup>th</sup> of March 2019 23:59 CET, the Bidder shall pay a financial penalty according to the Article 4.2.1. If the Bidder fails to fulfil this obligation, MGT shall be entitled to draw the financial guarantee to the termination fee (penalty fee) of the Bidder subject to the terms of the contracts signed. The security shall expire 8 weeks after the expiration of the step back right. If Bids are not accepted by the TSO or the Bidder relinquishes its step back right before the

deadline of 29<sup>th</sup> of March 2019 23 59 CET, the security shall be released by the TSO within 15 days upon request of the Bidder

The Bidder shall submit the financial guarantee as follows:

- a) As a letter of bank guarantee in set in the GTC of MGT in HUF (Hungarian Forint) and/or
- b) As a collateral deposit, at bank account detailed in section 3.5 of this document

### **5.2.2. Contractual guarantees and other guarantees and securities**

In this case the provisions of the Business Code, General Terms and Conditions and Framework Contract of MGT shall apply (see in Annex 4).

## **5.3. Applicable Financial Guarantees of Gas Connect Austria GmbH**

### **5.3.1. Financial security for the Bid submission**

An Applicant not yet registered with GCA can choose between Easy Access (no activation deposit required) and Full Access (activation deposit required)<sup>2</sup> The Bidder does not have to provide financial securities securing the termination fee to GCA at the time of bid submission, but every Successful Bidder shall provide a financial security equal to the termination fee in form of a bank guarantee or cash deposit to GCA within five (5) working days after receipt of the acceptance of its bid in form of the contract duly signed by GCA. The bank guarantee must correspond to the sample bank guarantee attached hereto as Annex 7 and shall be valid until 10 May 2019. In case the Successful Bidder relinquishes its step back right before the deadline of 29<sup>th</sup> of March 2019 23:59 CET, the security shall be released by GCA within 15 days.

### **5.3.2. Financial security for the transmission service**

The financial security outlined in the Frame Capacity Contract of GCA (hereto attached as Annex 5) shall apply. The detailed provisions concerning security deposits are described in the current approved General Terms and Conditions for Transmission Network Access of Gas Connect Austria GmbH under Article IV

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<sup>2</sup> For a more detailed description please see <http://www.gasconnect.at/en/Fuer-Kunden/Sales-Transmission%20neu/Auktionen>

## **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.

MGT will publish the Rulebook both in English and Hungarian languages, the prevailing language for the Rulebook is the English version. MGT will publish its Business Code, General Terms and Conditions and Framework Contract both in English and Hungarian languages, the prevailing language for them is the Hungarian

Relevant contacts of the TSOs:

a) For Eustream:

Address: Votrubova 11/A, 821 09 Bratislava, Slovakia

Attention: Marek Lendvorský, Head of Commerce & Contracting

Fax number: +421 2 6250 7155

e-mail: [transmission@eustream.sk](mailto:transmission@eustream.sk)

b) For MGT:

Address: 1031 Budapest Záhony utca 7/B II. em (Graphisoftpark), HUNGARY

Attention: Beáta Göbolyös, Commercial and Contracting expert,

Fax number: 00-36-1-304-2797

e-mail: [beata.gobolyos@gaztranzit.hu](mailto:beata.gobolyos@gaztranzit.hu) and [huskat@gaztranzit.hu](mailto:huskat@gaztranzit.hu)

b) For GCA

Address: Floridsdorfer Hauptstraße 1, 1210 Vienna, Austria

Attention: Michael Unterberger, Sales Transmission

Fax number: +43 1 27500 88291

e-mail: [michael.unterberger@gasconnect.at](mailto:michael.unterberger@gasconnect.at)

All notices shall be effective upon receipt





## **8. Annexes**

The following Annexes form an integral part of the Alternative Allocation Procedure and are published on the TSOs' websites. ([www.gaztranzit.hu](http://www.gaztranzit.hu); [www.eustream.sk](http://www.eustream.sk); [www.gasconnect.at](http://www.gasconnect.at))

Annex 1 (Registration form)

Annex 2 (Bid form)

Annex 3 (Framework gas transmission contract of Eustream, a.s.)

Annex 4 (Business Code, General Terms and Conditions and Framework gas transmission contract of MGT, Hungarian version of the Rulebook)

Annex 5 (Frame Capacity Contract of Gas Connect Austria GmbH)

Annex 6 (Capacity Contract for capacities allocated in the course of the "HUSKAT" Binding Alternative Allocation Procedure of Gas Connect Austria GmbH)

Annex 7 (Model bank guarantee security regarding termination fee of Gas Connect Austria GmbH)

Annex 8 (Alternative Allocation Procedure Schema)