

GAS TRANSMISSION CAPACITY FROM HUNGARY TO AUSTRIA

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



Table of contents

1. INTRODUCTION	3
2. DEFINITIONS.....	4
3. BINDING INCREMENTAL CAPACITY PROCEDURE	6
3.1. INFORMATION PROVISIONS	6
3.2. BINDING INCREMENTAL CAPACITY PROCEDURE OVERVIEW	6
3.3. NETWORK USER REGISTRATION PROCESS	7
3.4. DATA PROTECTION AND PRIVACY	7
4. ALLOCATION OF CAPACITIES.....	8
4.1. OFFERED CAPACITY PRODUCTS AND TARIFFS	8
4.2. OFFER LEVELS.....	9
4.3. BID SUBMISSION IN INCREMENTAL CAPACITY AUCTION.....	10
4.4. DETERMINATION OF ECONOMIC VIABILITY	10
4.5. ECONOMIC TEST OF THE INCREMENTAL CAPACITY PROCESS IN CASE OF FGSZ LTD.	11
4.6. DISCLOSURE OF THE RESULTS OF THE ECONOMIC TEST	11
4.7. CAPACITY ALLOCATION CONCEPT AND CONFIRMATION OF THE TRANSMISSION SYSTEM OPERATOR...	12
5. FINANCIAL SECURITIES APPLICABLE BY FGSZ.....	13
5.1. AUCTION SECURITY	13
5.2. CONTRACTUAL SECURITY FOR INCREMENTAL CAPACITY BOOKING CONTRACTS.....	13
5.3. CONTRACTUAL SECURITY	13
6. OTHER PROVISIONS	13
7. NOTIFICATIONS.....	14
8. ANNEXES.....	15

1. Introduction

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 Hungary-Austria gas interconnector. Gas Connect Austria GmbH (hereinafter “GCA”) is a natural gas transmission system operator in the territory of Austria, operating the Austrian section of the Hungary-Austria gas interconnector. FGSZ and GCA 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:

- Mosonmagyaróvár (EIC 21Z000000000003C), from Hungary to Austria

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 2026 until 1st October 2041. 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 Mosonmagyaróvár, 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. FGSZ also included the relevant infrastructure development requirements in its national network development plan (Hungarian NDP). 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 H1804/2022. 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 FGSZ’s and GCA’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 GCA and FGSZ allocate the Offered Capacity of the Mosonmagyaróvár 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 Austrian national gas transmission system and the Hungarian national transmission system near Mosonmagyaróvár near the Hungarian and Austrian state borders, the EIC of the IP is 21Z000000000003C.

“**Offered Capacity**” shall mean the capacity, expressed in energy unit allocable per hour on the IP in the direction from Hungary to Austria (IP Mosonmagyaróvár, EIC 21Z000000000003C) 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 Mosonmagyaróvár (EIC 21Z000000000003C) 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 Mosonmagyaróvár 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 HUNGARY TO AUSTRIA

trade. Network Users and Parties perform their business transactions and the Binding Incremental Capacity Procedure in the RBP Application, 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 2026.

“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 GCA conducts 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 Hungary to Austria 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	02.05.2022
Network User Registration for FGSZ on RBP platform	29.06.2022. (12:00 CET)
Provision of the auction security	01.07.2022. (12:00 CET)
Bid submission starting date: Submission of Bids in RBP according to the Auction calendar	04.07.2022. (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

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 FGSZ's 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.

GAS TRANSMISSION CAPACITY FROM HUNGARY TO AUSTRIA

4. Allocation of Capacities

Incremental capacities will be offered in a bundled way in the annual yearly auction to be held via RBP on 4th of July 2022 for 15 consecutive gas years starting from 1st October 2026. The TSOs offer to allocate the following transmission capacities:

4.1. Offered Capacity Products and Tariffs

Flow Direction Hungary → Austria

	FGSZ	GCA ⁴
Yearly Standard Capacity Product on a firm basis	Yes	Yes
Number of Offered Gas Years	15	15
Capacity Type	Firm	Firm
First Availability	01.10.2026	01.10.2026
Network Point Name	Mosonmagyaróvár	Mosonmagyaróvár
Entry/Exit	Exit	Entry
EIC	21Z000000000003C	21Z000000000003C
Minimum Bookable Capacity Unit (kWh/h/year)	1	1
Reserve Price, for Offer Level I.	8382.28 HUF/kWh/h/y ³	3.77 EUR/kWh/h/y
Reserve Price, for Offer Level II.	8286.63 HUF/kWh/h/y ³	3.00 EUR/kWh/h/y
Capacity tariffs	887.96 HUF/kWh/h/y ^{1,2}	0.85 EUR/kWh/h/y ¹
Volume based Price	40.32 HUF/MWh ^{1,2}	
Volume based Supplement Price	N/A	N/A

Notes on the table:

¹ The prices for each service offered by the transmission system operators (e.g. capacity tariffs, the tariff of the natural gas used for their operations, neutrality tariffs and other tariffs) are set by the National Regulatory Authorities, and shall be used according to the governing rules (laws, decrees, regulatory decisions) – 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. In case some of the projects included in this incremental capacity procedure are constructed as part of other projects or standard system development, this fixed supplement will be lowered accordingly.

⁴ For information purposes only.

GAS TRANSMISSION CAPACITY FROM HUNGARY TO AUSTRIA

4.2. Offer Levels

Offer Level I. (kWh/h/year)

IP Mosonmagyaróvár direction Hungary to Austria	
Gas year	Offered Capacity at Interconnection Point
2026/27	954 657
2027/28	954 657
2028/29	954 657
2029/30	954 657
2030/31	954 657
2031/32	954 657
2032/33	954 657
2033/34	954 657
2034/35	954 657
2035/36	954 657
2036/37	954 657
2037/38	954 657
2038/39	954 657
2039/40	954 657
2040/41	954 657

Offer level II. (kWh/h/year)

IP Mosonmagyaróvár direction Hungary to Austria	
Gas year	Offered Capacity at Interconnection Point
2026/27	1 145 609
2027/28	1 145 609
2028/29	1 145 609
2029/30	1 145 609
2030/31	1 145 609
2031/32	1 145 609
2032/33	1 145 609
2033/34	1 145 609
2034/35	1 145 609
2035/36	1 145 609
2036/37	1 145 609
2037/38	1 145 609
2038/39	1 145 609
2039/40	1 145 609
2040/41	1 145 609

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.

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, or both 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 HU-AT 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 sent 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 – 2026

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

GAS TRANSMISSION CAPACITY FROM HUNGARY TO AUSTRIA

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 Mosonmagyaróvár IP are the following:

Offer level I.

$$PV_{UC(VZ\ 2026)} \geq 58\ 685,4\ \text{M HUF}$$

$$PV_{AR(VZ\ 2026)} = 65\ 497,2\ \text{M HUF (allowed revenue)}$$

$$f_{(BGY)} = 0,896\ \text{(factor)}$$

This means that the economic test of the Mosonmagyaróvár IP will be positive in case the value of the network users' binding bids equals or exceeds 58 685,4 M HUF. The discount rate used for the calculation of the present value will be 7,18%. 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.

$$PV_{UC(VZ\ 2026)} \geq 69\ 618,9\ \text{M HUF}$$

$$PV_{AR(VZ\ 2026)} = 76\ 420,3\ \text{M HUF (allowed revenue)}$$

$$f_{(BGY)} = 0,911\ \text{(factor)}$$

This means that the economic test of the Mosonmagyaróvár IP will be positive in case the value of the network users' binding bids equals or exceeds 69 618,9 M HUF. The discount rate used for the calculation of the present value will be 7,18%. In line with TAR NC, reference prices shall equal the relevant tariffs in force.

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

GAS TRANSMISSION CAPACITY FROM HUNGARY TO AUSTRIA

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 system 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 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 hours 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 GTS 4.d. paragraph 7.5.1.

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 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 Capacity booking contract concluded under Incremental Capacity Procedure of FGSZ)