

## STORAGE CAPACITY AUCTION REGULATION

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## 1. INTRODUCTION

Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC sets forth that access to natural gas storage facilities shall be provided on the basis of objective, transparent and non-discriminatory criteria.

## 2. OBJECTIVE, SUBJECT AND SCOPE OF THE REGULATION

The objective of this auction regulation (hereinafter referred to as Regulation) is to specify the operation, the framework conditions of participation and the framework rules of annual or specific capacity auctions announced and planned to be carried out by the Hungarian Gas Storage Ltd (hereinafter referred to as MFGT).

This regulation provides information on the scope of participants, the product constituting the subject of the auction, as well as the process of carrying out the auction. Following a successful auction, the Auctioneer and the Bidder of the awarded bid shall conclude the Natural Gas Storage Contract specifying the general contractual terms and conditions of trading, settlement and payment, along with the rights and obligations of the contracting parties. The Natural Gas Storage Contract shall be annexed to the applicable auction notice.

The scope of the regulation shall cover

- the Bidders intending to participate in the auction, specified in the regulation and, as well as their representatives acting on their behalf;
- the Auctioneer announcing and carrying out the capacity auction and offering the product at the auction, the representative acting on its behalf, along with those involved in carrying out the capacity auction.

### 3. DEFINITIONS

The objective of this section is to clarify for every stakeholder the interpretation of the concepts referred to herein. As for financial definitions, this chapter shall only specify the explanation of concepts closely related to the auction.

- Bid:** Bid Price and related capacity booking request submitted by Bidders at the capacity auction.
- Bid Price:** Price offered by the Bidder for capacity bundles offered during the action.
- Bid Bond:** Financial security can be defined by the Auctioneer in the form of a bond, the amount of which can be determined by the Auctioneer in the announcement notice. If the Auctioneer determines a bond, the Bidder shall pay the amount of the bond to MFGT's account prior to 12:00 hours on the business day preceding the auction. Failure to pay the bid bond shall exclude participation in the auction. The bid bond shall serve as a security for paying the earnest money as defined hereunder. The Bidder shall pay earnest money in the amount of the bid bond in the event the Bidder fails to sign the natural gas storage contract within 5 business days from the auction. Following the conclusion of the procedure, the amount of the bid bond shall be reimbursed within 5 business days from the auction to Bidders entitled to conclude a natural gas storage contract.
- Bid Period:** Period of using storage capacities offered at the auction, commencing at 06:00 hours in the morning on the day when the capacities become available – as specified in the bid – and terminating at 06:00 hours in the morning on 1 April at the end of the storage year. The Auctioneer specifies the availability date of the capacities in the auction notice.
- Bid Sheet:** Capacity request submitted by the Bidder in the course of bidding, containing the detailed data of the Bidder and the bid.
- Bid Quantity:** Capacity quantity (capacity bundles) for the booking of which the Bidder makes a bid at the Bid Price.

<b>Bidder:</b>	Any company with a Hungarian gas trading license, having registered successfully in conformity with the auction notice.
<b>Undersubscription:</b>	Quantity – as bid for in total by all the Bidders – failing to reach the capacity offered by the Auctioneer.
<b>Auction Round:</b>	The following processes shall belong to one Auction Round at the auction: submitting the Bids during the period defined for the capacity bundles, processing and evaluating the received Bids and announcing the evaluation result.
<b>Auction Statement:</b>	Statement to be filled in during the registration procedure of the capacity auction (see Appendix No. 2), in which the party indicating its intent to participate makes a statement to the effect of accepting the terms and conditions in relation to the auction.
<b>Unsuccessful Bid:</b>	A bid that is below the Minimum Price set forth by the Auctioneer.
<b>Natural Gas Storage Contract:</b>	Contract entered into by and between the awarded Bidder(s) and the Auctioneer on booking the capacity bundles sold at the auction, which shall in any case be annexed as appendix to the capacity auction notice.
<b>Starting Price:</b>	The price of a capacity bundle unit set by the Auctioneer.
<b>Lack of Subscription:</b>	No valid bid is received for the product offered at the auction.
<b>Auctioneer:</b>	Magyar Földgáztároló Zrt. (seat: 1051 Budapest, Széchenyi István tér. 7-8., Trade Registry No.: 01-10-015043) as natural gas storage licensee.
<b>Minimum Price:</b>	The lowest unit price set forth by the Auctioneer in HUF/MJ/year, below which received bids are unsuccessful. The Auctioneer does not publish the Minimum Price.
<b>MFGT:</b>	The Auctioneer.
<b>Exact Subscription:</b>	Bidders' aggregate request equals to the capacity quantity offered by the Auctioneer.
<b>Registration Datasheet:</b>	The form required for the registration as per Appendix No. 1.

- Registration Code:** Shipper code used to identify the Bidder during the auction.
- Oversubscription:** Bidders' aggregate bid quantity exceeds the product quantity offered by the Auctioneer.

## 4. AUCTION PROCEDURE

### 4. 1. Auction Announcement

The capacity auction shall be announced on the MFGT website and by e-mail to all the companies with natural gas trading license in Hungary.

The Auctioneer publishes the auction regulation governing the relevant auction, together with the auction notice on its website ([www.magyarfoldgaztarolo.hu](http://www.magyarfoldgaztarolo.hu)).

The Auctioneer provides the following information in the auction notice:

- Deadline for submitting the documentation required for the registration;
- Size and quantity of capacity bundles offered;
- Starting Prices of capacity bundle/bundles;
- In case specific auctions, the exact specification of the Bid period;
- Exact place and date of the capacity auction;
- Deadline for receiving the bids;
- Detailed rules of carrying out the auction;
- Name and contact details of the contact person;
- Type and value of the financial security specified by the Auctioneer;
- The auction notice also contains the Natural Gas Storage Contract which stipulates the general, trading, settlement and payment terms and conditions as well as the rights and obligations of the contracting parties.

Following the announcement of the auction, the contact person designated by the Auctioneer shall be entitled to answer any further questions in relation to the auction and to supply information.

The Auctioneer shall handle data obtained during the procedure in compliance with the provisions of Act No. CXII of 2011 on the Right of Informational Self-Determination and on Freedom of Information.

#### 4. 2. Registration Process

The first step of participating in the capacity auction shall be the indication of the intent to participate and the adoption of the auction regulation by filling in the auction statement.

At the capacity auction, bids can be made by only those capacity bidders that are eligible for storage access.

The documents required for the registration are as follows:

- Duly signed registration Datasheet (Appendix No. 1)
- Duly signed Auction Statement (Appendix No. 2), by the signature of which the Bidder verifies its intent to take part and the acceptance of the auction regulation and the Natural Gas Storage Contract template.
- Optionally, depending on the auction announcement:

A credible proof of crediting the Bid Bond to the Auctioneer's account.

The **Bidder may be represented** by its officer authorised to represent the Bidder and entitled act as its sole signatory, or by a person authorized in writing by such an officer (in the event of joint signatories: officers) of the Bidder.

**These documents** shall be submitted to the Auctioneer prior to the date stated in capacity auction announcement notice but not later than 16:00 hours on the business day preceding the capacity auction date. The Auctioneer shall confirm the registration to the applicant.

In the event that the documents are received late or if they are incomplete, the Auctioneer considers the **registration** invalid. In case of a valid registration, the Auctioneer confirms the fact of registration to the Bidder by e-mail.

During registration, the Auctioneer shall be obliged to treat data submitted to the auction in a confidential manner and will not disclose them to any third party.

#### 4. 3. General Rules of Auction

Registered Bidders shall pursue open market behaviour during the auction, therefore they shall not initiate any background agreement infringing the capacity auction participation and interests of the Auctioneer and other Bidders or providing unjustified advantages. The Bidder

shall agree and declare neither to conclude, nor to have concluded any contract or agreement with any other party which would confer any undue advantage in relation to the given auction (e.g.: with regard to the coordination of bidding intention/behaviour, strategy or Bid Prices).

Bidders shall agree to the content of the auction regulation, and understand that breaching the content thereof results in the Bidder's immediate exclusion.

The Auctioneer shall provide the room and the resources required for carrying out the auction.

The Auctioneer offers storage capacities at the auction in bundles of

- withdrawal peak capacity [MJ/day],
- injection peak capacity [MJ/day]
- working gas capacities [MJ]
- and any other service elements.

Any capacity element can be 0 when bundles are created. The Auctioneer is to decide this in view of the available free capacities.

The Bid Price shall not contain the volume-based (withdrawal, injection) fee. Injection and withdrawal fees shall be determined pursuant to the applicable and relating rules of law.

The Auctioneer publishes the Starting Price of capacity bundles in the auction notice.

#### **4. 4. Conducting the Capacity Auction**

The capacity auction shall be carried out on the IT Platform of MFGT or at the place specified by MFGT.

The capacity auction shall have one auction stage:

Bidders can make a Bid for the bundles offered by the Auctioneer in the auction round set forth by the Auction Notice.

The quantity of capacity bundles offered and a starting auction price (Starting Price) shall be announced prior to the auction round.

##### **4. 4. 1. Auction**

###### **1) Making a Bid**

The Auctioneer can announce the quantities intended to be offered and a bundle Starting Price. The Starting Price is fixed. Bids can be made for one bundle or for the integral multiple of a bundle at a Bid Price below or above the Starting Price.

The bid shall contain the capacity quantity requested by the Bidder (in bundles) and the Bid Price.

## **2) Evaluation**

A Bid is valid if it meets the conditions determined in the auction announcement.

During bidding, Bidders cannot modify or withdraw a recorded bid after submission.

Bidders shall be committed to their submitted Bids for 15 business days.

Submitted bids shall be opened by the Auctioneer in the presence of a public notary and / or the representative of the Hungarian Energy and Public Utility Regulatory Authority. Further to this, the opening of bids shall not be public.

In the event that the documents are received late or if they are incomplete, the Auctioneer considers the auction invalid. If submitted valid bids (offer price) fail to reach the Minimum Price, the auction shall be valid, but unsuccessful and no Natural Gas Storage Contract is concluded. In this case the given bid is considered as unsuccessful bid.

If at least one submitted valid bid (offer price) reaches the Minimum Price, the auction shall be successful and the Auctioneer concludes a Natural Gas Storage Contract with the Bidder. If several submitted valid bids reach the Minimum Price and the price offers are different with regard to the price, the Auctioneer concludes the Natural Gas Storage Contract with the Bidder accepting the highest price offer first, then with the Bidder submitting the second highest price up to the extent of the offered capacities. In this case it may occur that MFGT satisfies a Bidder's capacity claim only partially.

In case of oversubscription if several submitted valid bids reach the Minimum Price and their value is the same with regard to the price, MFGT shares available capacities between the Bidders pro rata in accordance with Bidders' submitted bids.

## **4. 5. Announcement of the Results**

Following the auction, the public notary acting on behalf of the Auctioneer shall record the results of the auction in a protocol per each registration code (sold storage capacities, price



established at the auction) or the fact of an unsuccessful auction. The protocol shall not be public. The Auctioneer sends the protocol by electronic means (e-mail) and also by mail to the awarded Bidder, together with information on whom to contact in relation to concluding the contract. Awarded Bidders shall receive from the Auctioneer information relevant only to them.

Other, non-awarded Bidders shall receive from the Auctioneer information relevant only to them.

In as far as the Auctioneer accepts the Bidder's bid, the Bidder shall be bound by the obligation to conclude a contract on the bundles according to the accepted bid under the exclusive contractual terms set forth in the appendix of this Regulation – and adopted by the Bidder in the auction statement –, failure to do so shall entitle the Auctioneer to use the Bid bond.

Following the auction – provided the Auctioneer accepted the Bidder's bid pursuant to Section 4.3 –, the Auctioneer and the Bidder shall conclude the Appendix No.2. "Natural Gas Storage Contract" on the awarded quantity within 5 business days from the auction.

The Natural Gas Storage Contract specifies the payment conditions for the capacity quantities awarded to the Bidder.

## 4. 6. Invalid Auction

**4.6.1.** The Auctioneer shall be entitled to declare the capacity auction invalid if:

- during the auction, unforeseeable technical problems arise which the Auctioneer is unable to control. In this case, the auction will be held at a later announced date. The Auctioneer publishes information on its website regarding the rules of such auction.
- any of the Bidders acts improperly at the auction, or gains or makes an attempt to gain undue advantage by applying demonstrably unfair methods damaging the interests of other participants. In this case, the auction is to be held at a later announced date, excluding the Bidder rendering the auction invalid. The Auctioneer publishes information on its website regarding the rules of such auction.

The Auctioneer reserves the right to suspend the auction or revoke the capacity auction notice without any justification at any time during the auction. In the event of revocation, the Auctioneer shall return the bid bond within 8 days.

**4.6.2.** The Auctioneer reserves the right to announce auctions from time to time under conditions other than those set out in this auction regulation.

## 5. APPENDICES

Appendix No. 1: Registration Datasheet

Appendix No. 2: Auction Statement

APPENDIX NO. 1

**REGISTRATION DATASHEET**

**Registration Datasheet for capacity auction by Magyar Földgáztároló Zrt**

For successful registration, all the fields must be filled in.

**Company data:**

Company name

Country

Town

Street/square

Zip code

**Data of the representative signing the auction bid:**

Representative's name:

Personal ID / passport no.:

Date of birth year/month/day:

E-mail:

Telephone/mobile

Fax

Dated: .....

.....  
Corporate signature

APPENDIX NO. 2

**AUCTION STATEMENT**

On accepting the participation conditions of the auction to be held at **Magyar Földgáztároló Zrt** (1051 Budapest, Széchenyi István tér 7-8).

**The undersigned:** \_\_\_\_\_ registered  
seat: \_\_\_\_\_

\_\_\_\_\_  
Tax No. / Tax identification No.: \_\_\_\_\_

Bank account number: \_\_\_\_\_

as a Bidder makes a statement on accepting the following conditions:

1. The Bidder states that it agrees with the regulation governing the **capacity auction to be held at MFGT** (MFGT Headquarters, 1051 Budapest, Széchenyi István tér 7-8). The Bidder agrees to be bound by the content thereof during the auction and the preceding registration procedure.
2. The Bidder accepts that the “Natural Gas Storage Contract(s)” attached to the regulation – together with the contractual provisions thereof unchanged – and the Code of Business Conduct of the natural gas storage licensee shall be applicable to concluding the contract after the successful bidding procedure and the acceptance of its bid.

Dated:.....

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Bidder’s corporate signature