

LONG-TERM CONTRACT ON USING AND PROVIDING BUNDLED NATURAL GAS STORAGE SERVICE

concluded by and **between**

seat:

mailing address:

account keeping bank:

bank account No.:

invoicing address:

tax No.:

court of Reg. and Reg. No.:

hereinafter referred to as **System User**

and

Hungarian Gas Storage Private Company Limited by Shares

seat: 1051 Budapest, Széchenyi István tér 7-8.

mailing address: 1399 Budapest, Pf. 645.

account keeping bank: CITIBANK

bank account No.: 10800007-00000000-13714002

invoicing address: 1051 Budapest, Széchenyi István tér 7-8.

tax No.: 12543317-2-44

court of Reg. and Reg. No.: Budapest Court as Court of Registration, Cg. 01-10-045043

hereinafter referred to as **MFGT**

or jointly referred to as the **Parties** at the undersigned place and date with the following terms and conditions:

PREAMBLE

On 24th September 2014, MFGT publicly announced an open auction for every system user under the title of “Capacity Auction No. 2014/VIII” to book available storage capacities via open auction (hereinafter referred to as Auction). During the auction a successful bid was submitted by the System User. MFGT has accepted System User’s offer. The offer forms Annex 3 of the present Contract. Pursuant to the Offer, Parties shall conclude the following contract on booking for storage years 2014/2015, 2015/2016, 2016/2017.

I SUBJECT AND DURATION OF CONTRACT

1. The subject matter of this Long-Term Contract on Using and Providing Bundled Natural Gas Storage Service (hereinafter referred to as Contract) shall be:
 - a) The storage of natural gas owned by the System User, along with its firm injection into and withdrawal from the Hungarian underground gas storage facilities owned and operated by MFGT – with regard to bundling the capacity bundles awarded at the Auction – according to the quantity parameters as per Chapter III and quality parameters as per Chapter IV. and
 - b) offering a positive or negative option exceeding 10% of the daily nomination of the System User to the Natural Gas Transmission Company (FGSZ) for the zero point of the MFGT unified storage facility (Flex plus Optional Service). The description and the applicable fees of the service are contained in Section III. of the Code of Business Conduct, and
 - c) providing withdrawal opportunity in the injection cycle, and injection opportunity in the withdrawal cycle for the System User via virtual storage service (Storage plus Optional Service). The description and the applicable fees of the service are contained in Section III. of the Code of Business Conduct.
2. Pursuant to this Contract MFGT shall – upon the contractual instruction of the System User – inject the natural gas taken over for the purpose of natural gas storage during the period as per Section I.4, shall keep it in its storage facilities and shall withdraw it in the period as per Section I.4 and shall provide Flex plus Optional Service and/or Storage plus Optional Service based on the relating instructions of the System User.
3. This present Contract has been concluded for a definite period until 1st April 2017, 06:00 a.m..
4. The Parties contract for using and providing a seasonal basic service, Flex plus Optional Service and/or Storage plus Optional Service. The duration of the contractual injection and withdrawal periods shall be annually published by MFGT. In the first storage year the contractual injection period starts at 06:00 a.m. on 01. 04.2014 and ends at 06:00 a.m. on

01.10.2014, while the contractual withdrawal period starts at 06:00 a.m. on 01.10.2014 and ends at 06:00 a.m. on 01.04.2015. The Flex plus Optional Service and / or Storage plus Optional Service can be used in the injection and withdrawal periods published by MFGT.

5. The System User can use Flex plus Optional Service if it submits an option exceeding 10% of its daily nomination.
6. The System User can use Storage plus Optional Service if it submits a nomination opposite to the storage periods as per Section 4.

II GENERAL TERMS

1. In issues not regulated by the Contract, the provisions of the General Terms and Conditions (hereinafter referred to as ÁSZF), Annex No. 5 of the Code of Business Conduct shall apply.
2. By signing this Contract, the System User shall acknowledge to have fully read and understood the content of the ÁSZF herein mentioned – as available on the MFGT website (www.magyarfoldgazarolo.hu) – and considers it to be the part of this Contract, and so agrees to be bound by it. The Parties shall deem the content of ÁSZF annexed to the Code of Business Conduct approved by the Hungarian Energy and Public Utility Regulatory Authority (MEKH) to be the same as the usual contracting practice.
3. Special conditions not stipulated in the ÁSZF shall be specified in this Contract.

III PROVISION OF STORAGE CAPACITIES

1. Firm storage capacities of booked bundles available to the System User are as follows:
Storage working gas capacity: MJ
Injection (peak) capacity: MJ/day
Withdrawal (peak) capacity: MJ/day
2. The monthly schedule for injection and withdrawal is contained in Annex No. 1.
3. Contracted capacities can be booked only for non-universal service provision purposes, and may not be subject to primary trading.
4. The monthly schedule for injection and withdrawal related to the storage year 2014 / 2015 is contained in Annex No. 1. System User shall submit the monthly schedule of injection and withdrawal quantities for the storage year 2015/2016 until 1st March 2015 the latest. For the storage year 2016/2017, the monthly schedule of the injection and withdrawal capacities shall be submitted until 1st March 2016.

5. The System User understands that the actual injection and withdrawal capacity may vary according to the working gas stocks and to other, normally changing parameters and boundary conditions. The availability of capacities and the minimum and maximum injection and withdrawal capacity values are published by MFGT on its website for the System Users.
6. In case of a positive closing stock for the System User, MFGT shall be entitled to act according to Section 40 of MEKH Decree (Tariff Decree) No. 1/2013.
7. If required by the System User, further storage products are provided by MFGT for the System Users via optional and specific services, for which the Parties shall conclude a separate contract.
8. The System User may use interruptible capacities as well, for which the Parties also conclude a separate contract.
9. The System User shall weekly submit the planned injection and withdrawal quantities for the following week on the MFGT's Information Platform until 12:00 Friday of the preceding week. This is required for planning the operation of the storage facilities, yet this is not equal to the weekly nomination. However, if the System User's nomination submitted for the given day deviates by more than 15% from the planned schedule, and thus endangers service provision to those System Users who use the storage services according to their forecast, MFGT reserves the right to refuse the nomination in full or in part. Furthermore, by fully exploiting the technical capabilities, MFGT shall do its utmost to accept the daily nominations submitted by the System Users, thus providing the most flexible conditions for the System Users, and may penalize System Users with deviation exceeding 15% only if inevitable.
10. MFGT shall be financially responsible for preserving the heat quantity of the actually injected gas, for its settlement and for the injection and withdrawal thereof according to Section III.1 herein.
11. MFGT shall not be obliged to ensure injection and withdrawal capacities exceeding the peak capacity values as per Section III.1 of the Contract, nor to ensure more working gas capacity, or to conduct withdrawal activities exceeding the actually injected working gas heat quantity.
12. System Users shall submit also to MFGT the storage demand forecasts with the date and content prescribed by Section 8.1.4.1 of the Grid Code.

IV STORAGE GAS QUALITY

MFGT shall undertake to inject natural gas which meets the quality parameters prescribed by Annex No. 11 of the Government Decree No. 19/2009 (I.30.) on the implementation of Act No. XL of 2008 on Natural Gas Supply.

V NATURAL GAS DELIVERY AND ACCEPTANCE, MEASUREMENT, SETTLEMENT

According to Section I.3.2 of the Code of Business Conduct, MFGT manages the storage facilities as a unified whole. Based on the daily nomination submitted by the System User for the unified storage facility, MFGT shall allocate the gas quantity to be injected or withdrawn to the relevant underground gas storage facilities. MFGT shall undertake to deliver the nominated quantities allocated for the relevant storage facilities, and in case of non-performance, MFGT shall cover the surcharges and balancing costs incurred by the System User.

VI OPERATIVE FLOW OF INFORMATION

1. In the course of its daily activities, MFGT shall cooperate with the Transmission Company and the Transmission Operator to fulfil its obligations towards the System User.
2. The Parties ensure that besides the regular contacts specified in this present Contract, they shall notify each other of all incidents which may have an effect on their cooperation, and they facilitate smooth communication via consultation opportunities and proper dataflow.
3. Information and data flow between the Parties are governed by the Grid Code and the ÁSZF.

VII STORAGE FEE

1. The System user purchased the capacities booked in Section III.1 in bundle.

One bundle contains:

- working gas capacity: 3 420 000 MJ
- injection capacity: 25 651 MJ/day
- withdrawal capacity: 48 642 MJ/day

The System user purchased..... bundles.

The total price of the purchased bundles is: HUF + VAT.

2. The capacity fees payable by the System User shall be the fees as per the successful price bid submitted by the System User during the auction and accepted by MFGT.

The volume fees applicable during usage shall be determined by the Hungarian Energy and Public Utility Regulatory Authority's prevailing decree on setting the system usage fees (Tariff Decree). Fees and their payment schedule are contained in Annex No. 2 hereof.

3. System User shall pay the price of the purchased bundles in equal monthly instalments. The bundle fee contains the storage capacity fee, excluding the injection volume fee and the withdrawal volume fee, which shall be paid by the System User according to the prevailing Tariff Decree, based on the monthly volume, also excluding the fees of optional services used, as contained in Section III.1 of the Code of Business Conduct.
4. Capacity fees shall be invoiced in equal monthly instalments, while volume fees shall be invoiced upon the actual monthly volume. The fees of FLEX Plus Optional Service and Storage Plus Optional Service shall be contained in Annex No. 2.
5. If during the performance of this Contract, in the fixed duration of the Contract until 1st April 2017, the Decree ceases to apply to storage services, or if the Tariff Decree is repealed, MFGT shall be entitled to index the storage contract according to the following at the beginning of each gas year (on 1st July) until a subsequent fee is specified:
 - a. volume fees (injection volume fee and withdrawal volume fee) shall be adjusted with the annual producer price index of the energy industry as published by the Central Statistical Office for the preceding year (from 1st July to 1st July).
 - b. capacity fees shall remain unchanged
6. Regarding the volume fees, the modified fee items of the Decree shall become a part of the Contract simultaneously with their coming into force as a contract amendment by legislation, without requiring any legal statements; therefore when settling with each other pursuant to this Contract, Parties shall apply the modifications as of the legislation's effective date.

VIII GOVERNING LAW, SETTLEMENT OF DISPUTES

Parties shall agree to settle the disputes relating to the Contract primarily via amicable negotiation.

Failing such settlement in any disputes arising from or relating to the Contract or its breach, termination, validity or interpretation, both Parties hereby agree to subject themselves to the exclusive jurisdiction of the Energy Arbitration Court (Budapest), provided that the Court of Arbitration proceeds according to its own Rules of Procedure. The number of arbitrators shall be three. The language of procedure shall be Hungarian.

IX DATE OF TAKING EFFECT

This contract shall be concluded and shall enter into force upon signature.

X MISCELLANEOUS PROVISIONS

Contact Persons

In issues related to the Contract:

On behalf of MFGT: Katalin Romics

Phone: 30/309 9173

Fax: 1/354-7045

email: romicsk@mfgt.hu

On behalf of the System User:

Phone:

Fax:

email:

In issues of daily operative contact:

On behalf of the System User: the System User's person on duty

Phone:

Fax:

email:

On behalf of MFGT: Dispatching service

Phone: 52/362-574

Fax: 52/558-044

email: dispatcher@mfgt.hu

This present Contract shall be valid together with the attached Annexes, which shall form an inseparable part thereof.

Budapest, DDth September 2014

Magyar Földgáztároló Zrt.

System User

.....

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Annexes:

- Annex No. 1: Planned injection and withdrawal volume data per month for the storage year 201.../201...
- Annex No. 2.: Fees of Flex plus Optional Service and Storage plus Optional Service
- Annex No. 3.: Storage fees
- Annex No. 4.: The successful bid submitted by the System User during the Auction

Annex No. 1: Planned injection and withdrawal volume data per month

Month	Injection [MJ]	Withdrawal [MJ]
2014. April		0
May		0
June		0
July		0
August		0
September		0
October	0	
November	0	
December	0	
2015. January	0	
February	0	
March	0	
TOTAL:		

Annex No. 2.: Fees of Flex plus Optional Service and Storage plus Optional Service

Option (Flex plus) storage product

Flex plus service allows offering a positive or negative option exceeding 10% of the Buyer's daily nomination to the Natural Gas Transmission Company (FGSZ) for the zero point of the unified storage facility of MFGT, which then shall be allocated if used by FGSZ. This is referred to as Hydraulic Balancing Gas Option (HEG, HEGO) by the Daily Natural Gas and Capacity Market (NFKP) and the Grid Code. This service is available to Buyers with Natural Gas Storage contract and storage capacity booking for the given storage year.

MFGT facilitates it for the Buyer to provide a positive or negative option via the MFGT IT platform free of charge up to 10% of the daily nominated quantity, and for a fee in excess of 10%. The sum of the largest possible positive option and the nominated quantity may not exceed the capacity available to the customer, while in case of a negative option, it may not be less than zero together with the nominated quantity.

Fee shall be paid only for the quantity called by FGSZ and allocated by MFGT in excess of 10% of the daily nominated quantity.

If FGSZ calls the quantity offered in the option, the System User shall pay the fee specified in Section III.1 of the Code of Business Conduct.

If the exercised option does not exceed the 10% of the System User's daily nominated quantity, the Flex plus Optional service is free of charge.

If the exercised option exceeds the 10% of the System User's daily nominated quantity, the fee for the Flex plus Optional service shall be 0.02 HUF/MJ + VAT for the amount above 10% of the daily nominated quantity.

The financial settlement and invoicing of the Flex plus Optional service shall be performed posteriorly at the beginning of the month following the base month by settling the volume fee, and shall be based on the daily value called by FGSZ and actually allocated by MFGT above 10% of the daily nominated quantity.

Each month, a statement and an invoice based on the statement shall be sent by MFGT to the System User regarding the fees relating to using the Flex plus Optional service. The payment deadline of the invoice shall be the 30th calendar day from the date of issue.

Payment and guarantee conditions, and the terms of financial guarantees not regulated by the Tariff Decree or the Code of Business Conduct of MFGT shall be specified as agreed by the contracting Parties.

In addition to the above, Annex No. 5.12 of the Code of Business Conduct (template contract) shall be applicable to the service.

Commercial virtual storage (Storage plus service)

Commercial virtual storage service allows the System Users to move gas in the direction opposite to the actual physical flow at the storage facility and/or the direction of flow announced for the relevant period. This means that they will be able to perform injection during the withdrawal cycle, and withdrawal during the injection cycle, regardless of the actual physical direction of flow at the storage facility.

This is possible in two ways:

- either by opposite direction supply at the zero point of the unified storage facility (in which case backhaul capacity (BH) shall be booked at FGSZ Zrt (FGSZ) for using the service);
- or by starting up a storage facility in the flow direction opposite to that of the announced storage cycle.

Anyone intending to use the Storage plus service shall make sure that all the conditions prescribed for the availability of the service are met with regard to the Natural Gas Transmission system for the sake of facilitating transmission. MFGT Zrt shall assume liability exclusively for providing the storage service, while the transmission service shall be performed by the Natural Gas Transmission Company (FGSZ Zrt).

The capacity fee charged for the Storage plus service is 0.1 HUF/MJ/day.

Storage plus capacity fee shall be payable for virtually withdrawn or injected quantities in the event of using the virtual injection or virtual withdrawal service.

The financial settlement and invoicing of the Storage plus service shall take place posteriorly based on the daily approved nominations, and not on actually allocated quantities.

For the days when MFGT interrupts the virtual service, System User shall not pay the fee up to the extent of interruption.

System User shall pay the injection and withdrawal volume fees related to using the Storage plus service in line with the capacities booked in the annual storage contract, at fees calculated pursuant to the Tariff Decree.

The detailed description of the commercial virtual service is contained in Annex No. 10 of the Code of Business Conduct, while the contract template is attached to the Code of Business Conduct as Annex No. 5.8.

Annex No. 3.: