Annex No. 5:   Rules of procedure for profit and cost settlement

1. Definitions:
    1.1. opening stock value (HUF): gas energy (kWh) injected in 15 days following the start of the contract * Day ahead Close price on the CEGH Platform (EUR/MWh_GCV) prices /1000* MNB exchange rate
    1.2. opening stock value (HUF/kWh): sum of the gas energy (kWh) injected in 15 days following the start of the contract * Day ahead Close price on the CEGH Platform (EUR/MWh_GCV) prices /1000* MNB exchange rate (EUR/HUF exchange rate applicable on the day of injection)/ sum of injected gas energy (kWh)
    1.3. Exchange rate: MNB HUF/EUR exchange rate (http://www.mnb.hu/arfolyamok)
    1.4. Day ahead Close price on the CEGH Platform (EUR/MWh_GCV): the last valid price of the period from 9 a.m. till 5:30 p.m. on each trading day
    Currently according to the following on the website: http://www.cegh.at/day-ahead-contracts The applicable settlement bid unit price on the CEGH Platform.
    1.5. stock value (HUF): injected gas energy (kWh) * purchase price (HUF/kWh) shall be the method of calculating the applicable stock vale
    1.6. weighted stock value (HUF/kWh): (injected gas energy (kWh) * purchase prices (HUF/kWh))/ sum of injected gas energy (kWh) shall be the applicable weighted stock value
    1.7. Closing gas energy stock value (HUF): stock value (HUF) of gas energy in storage upon the expiry of the contract
    1.8. Closing gas energy weighted stock value: weighted stock value (HUF/kWh) of gas energy in storage upon the expiry of the contract
    1.9. KELER: Organisation performing clearing house and Central Counterparty activity between FGSZ Zrt and KELER KSZF Zrt as required for the operation of the KP trading platform
    1.10.Transaction: Network point based product, natural gas quantity sold/purchased on the given entry or exit point of the natural gas transmission system as modification in supply or consumption in order to maintain or restore balance.

2. The opening stock value of the gas energy injected by the System User in 15 days following the conclusion of the contract shall be determined in HUF according to the following:

    injected gas energy [kWh] * Day ahead Close price applicable on the day of injection on the CEGH Platform [EUR/MWh_GCV]/1000 * MNB exchange rate applicable on the day of injection [HUF/EUR]

    Currently according to the following on the website: http://www.cegh.at/day-ahead-contracts

CEGH Day Ahead Market

Trading Day	Contract	Open €/MWh	High €/MWh	Low €/MWh	Close €/MWh	Volume acc.	Trades	CEGHEDI	VWAP/CEGHIX €/MWh	Trend	Best Bid	Best Ask
12.04.2016	Wednesday	12.075	12.150	12.050	12.150	29,784	41	12.100	12.070	↗		
11.04.2016	Tuesday	11.950	12.100	11.900	12.000	38,232	47	11.990	11.971	➤		
08.04.2016	Monday	12.000	12.050	11.950	12.000	36,816	33	11.990	12.002	➤		
08.04.2016	Weekend	12.000	12.050	11.900	12.050	91,008	38	12.020	11.999	➤		

Exchange rate: http://www.mnb.hu/arfolyamok

If injection starts on a non-business day: the last published Day ahead Close price on the CEGH Platform preceding the day of injection (EUR/MWh_GCV) (EUR/MWh).
If injection starts on a business day, but there is no trading: the last published Day ahead Close price on the CEGH Platform preceding the day of injection (EUR/MWh_GCV) (EUR/MWh).

If injection is not confined to one day:

opening stock value (HUF) shall be determined using the sum of daily injected gas energy (kWh) * Day ahead Close price for the reference day on the CEGH Platform (EUR/MWh_GCV) prices/1000* MNB exchange rate (HUF/EUR exchange rate applicable on the day of injection), while

opening gas energy weighted stock value (HUF/kWh) =((sum of daily injected gas energy (kWh) * Day ahead Close price for the reference day on the CEGH Platform (EUR/MWh_GCV) prices/1000* MNB exchange rate (HUF/EUR exchange rate applicable on the day of injection))/ sum of the injected gas energy (kWh), i.e. it shall be determined by using the weighted average.

3. Profit calculation and cost settlement between MFGT and System User:

3.1. Profit calculation per transaction

Transaction settlement prices (HUF/kWh) shall be submitted to MFGT according to the following:
   a. System User shall send to MFGT the invoices it received or issued on the basis of the concluded Transactions, for information purposes, as scanned copy by email until the 4th business day following the reference month
   b. Throughout the duration of the contract, System User shall continuously keep track of the data required for settlement, per transaction, in the agreed excel structure (e.g.: selling/purchase prices (HUF/kWh), opening stock value in HUF, opening gas energy weighted stock value (HUF/kWh), applicable stock value (HUF), Profit (HUF), weighted stock value of gas energy in storage (HUF/kWh), which shall be agreed with MFGT prior to invoicing.
   c. Settlement of the Transaction concluded – via KELER – with the Transmission Company shall be settled with MFGT according to the following:

Example - Purchase: 4000 kWh at 6 HUF/kWh,

> The applicable stock value (HUF) shall be increased by the stock value of the gas energy purchased. The stock value of the purchased gas energy is to be calculated by multiplying the purchased gas quantity with its unit price. The sum of the resulting quantity and the applicable stock value shall make up the new stock value.
>
> The stock value (HUF) of the gas energy purchased shall be calculated according to the following:
>
>> Using the example: Formula: 4000 kWh*6 HUF/kWh
>>
>> Thereafter, the stock value increased by the stock value of the gas energy purchased shall be the applicable figure.
>
> Stock value (HUF) shall be re-calculated in case of every purchase transaction, regardless of whether the purchase transaction was above or below stock value.

Example - Sale: 2000 kWh at 9 HUF/kWh

> Upon withdrawal/sale, the applicable stock value (HUF) changes and the weighted stock value (HUF/kWh) of the gas energy in storage does not change.
>
> Settlement of profit related to the gas energy withdrawn for sale in the event of sale:
>
>> Profit (HUF) formula: ((selling price of gas energy withdrawn/sold (HUF/kWh minus the weighted stock value (HUF/kWh) of gas energy in storage)) * gas energy sold (kWh)
>>
>> Using the example: Profit (HUF) = ((9 HUF/kWh minus the weighted stock value (HUF/kWh) of the gas energy in storage)) * 2000 kWh
>>
>> In the event of selling below stock value, no profit is generated, hence there is no profit sharing between the System User and MFGT. The loss will not be deducted from the total profit, i.e. it is to be recognized at 0 (zero) value during final settlement.

3.2. Cost Settlement

During the contract term of profit sharing, transmission and storage costs (HUF) required for and incurred in relation to injection and withdrawal comprise the following to be declared by the System User:

Transmission:
  a. Storage entry capacity for the contract period up to the injection peak capacity specified in the contract
  b. Backhaul capacity fee up to the peak capacity for the contract period
  c. Volume Fee

Storage:

  a. Capacity fee:

b. Injection volume fee or withdrawal volume fee (depending on the gas flow)
c. optional services (e.g.: daily Peak Plus fee)

During the final settlement process, System User deducts transmission and storage costs from the profit.
System User shall substantiate to the Storage company the costs incurred during transmission with invoices.

3.3. Selling gas in storage upon the expiry of the contract

Prior to the expiry of the contractual period, System user shall withdraw the gas energy still in storage.
Withdrawal/settlement of the gas energy at the end of the contractual period may take place as follows:

Via HEG-type transaction on the FGSZ KP Trading Platform

At a profit:

Weighted stock value of closing gas energy, which is sale above weighted stock value (HUF/kWh) of gas energy in storage upon the expiry of the contract.

Settlement:
Profit (HUF) Formula:
((selling price of gas energy withdrawn/sold (HUF/kWh)
minus the weighted stock value (HUF/kWh) of gas energy in storage
* gas energy sold (kWh))

At a loss:

Weighted stock value of closing gas energy, which is sale below weighted stock value (HUF/kWh) of gas energy in storage upon the expiry of the contract.

Settlement:
Loss (HUF) Formula:
((selling price of gas energy withdrawn/sold (HUF/kWh)
minus the weighted stock value (HUF/kWh) of gas energy in storage
* gas energy sold (kWh))

In this case, the profit of the sale transaction shall be recognized at 0 (zero) value during the final settlement process.

Day ahead Close price (EUR/MWh) on the CEGH Platform: http://www.cegh.at/day-ahead-contracts

Profit (HUF)

Weighted stock value of closing gas energy, which is sale above weighted stock value (HUF/kWh) of gas energy in storage upon the expiry of the contract.

Formula:
((selling price of gas energy withdrawn/sold (EUR/MWh), which is Day ahead Close price applicable on the day of withdrawal on the CEGH Platform (EUR/MWh_GCV)/1000 * MNB exchange rate (HUF/EUR exchange rate applicable on the day of withdrawal)
minus the weighted stock value (HUF/kWh) of gas energy in storage
* gas energy sold (kWh))

At a loss:

Weighted stock value of closing gas energy, which is sale below weighted value (HUF/kWh) of gas energy in storage upon the expiry of the contract.

Settlement:
Calculating the closing average stock value in EUR/MWh:
Formula: the weighted stock value (HUF/kWh) of gas energy in storage*MNB EUR/HUF exchange rate on the withdrawal day (which is the day of withdrawal)

4. Final settlement between the System User and MFGT

Final settlement between the System User and MFGT shall take place as follows, formula:

profit from gas energy sale/purchase transactions with FGSZ (as per Section 3.1)
minus costs paid by the System User to FGSZ and MFGT during the contract period in relation to the Profit Sharing Contract (as per Section 3.2)
minus/plus the profit/loss from the sale of gas in storage upon the expiry of the contract (as per 3.3)

MFGT and System User shall share the profit thus calculated in the ratio of 20%-80%, and MFGT shall not share the risks with the System User in case of loss.