

# HEXUM Földgáz Zártkörűen Működő Részvénytársaság

## Auction Rules

(for auctions conducted on paper or by electronic means)

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# 1 AUCTION RULES

## 1.1 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 (specifically Article 33.) specifies that access to gas storage should in all cases be granted on the basis of objective, transparent and non-discriminatory criteria.

In accordance with the above, the Act XL of 2008 on Natural Gas Supply (hereinafter: **GET**), Article 1(d), aims to ensure objective, transparent and equal access to the inter-cooperating natural gas system.

HEXUM Földgáz Zártkörűen Működő Részvénytársaság (seat: 2151 Fót, Fehérkő u. 7., trade registry number: Cg. 13-10-042153, tax number: 13780960-2-44, a hereinafter as: **HEXUM Földgáz Zrt., or Tendering Party**) offers for auction, in accordance with the applicable legal provisions, all or part of its free storage capacities available in its portfolio for the purpose of booking these capacities, in accordance with the terms and conditions set out in this Auction Rules, in order to facilitate the development of effective competition and to ensure equal opportunities in access to natural gas storage capacities.

The present Auction Rules contain the rules for auctions conducted by HEXUM Földgáz Zrt. on paper or on the electronic platform of Fluenta Europe Kft.

## 1.2 Purpose, subject and effect of the Auction Rules

The purpose of the Auction Rules (hereinafter as **Auction Rules**) is to set out the conditions for participation in any natural gas storage capacity auction (hereinafter as: **Auction**) to be announced and conducted by the Tendering Party, as well as the manner, procedures and rules for conducting the Auction(s).

The Auction Rules provide information on the range of potential participants, the services offered, the conditions for the use of these services and the way and procedure for conducting the Auction. It also contains all the contractual terms and conditions that will be set out in the Gas Storage Contract to be concluded between the Tendering Party and the successful Bidder following a valid and successful Auction, and, if relevant for the Auction, in the Secondary Capacity Trading Contract for Interruptible Capacities.

The effect of the Rules will cover

- System Users, Bidders and persons acting on their behalf who wish to participate in the Auction, as defined in point 1.3 of the Rules;
- HEXUM Földgáz Zrt. and the natural persons acting on its behalf, who are responsible for the advertising and conducting of the Auction, and the natural persons and legal entities and subcontractors used by the Tendering Party for conducting the Auction.

The Rules have been prepared taking into account the provisions of the GET, Government Decree No. 19/2009 (I.30.) on the implementation of the provisions of the GET (hereinafter as: **Vhr.**), Act V of 2013 on the Civil Code (hereinafter as: **Ptk.**), other GET-related decrees and rules, and the Tendering Party's internal regulations.

The Tendering Party will act in conformity with Section 4 of Act CXII of 2011 on the Right to Information Self-Determination and Freedom of Information (hereinafter as: **Info tv.**) and Regulation (EU) 2016/679 of the European Parliament and of the Council (hereinafter as: **GDPR**), and processes the personal data that comes to its knowledge in the course of the procedure in accordance with the provisions of the Infotv. and GDPR.

The Rules contain several auction types that may be advertised. It is the Tendering Party's discretion to determine which auction type is used to advertise and conduct a given Auction. The Tendering Party is not obliged to announce all auction types for each period.

The Tendering Party publishes the Auction Rules on its website ([gaztarolo.hu](http://gaztarolo.hu)).

### **1.3 Definitions**

The purpose of this section is to explain and clarify the terms used in the Rules in relation to Auctions, in order to avoid any ambiguity in interpretation. This list does not include the terms regulated by the GET, the Vhr., the Business and Trade Regulation of the Hungarian Natural Gas System and the Tendering Party's current Storage License-holder Business Regulation (hereinafter referred to as: **Business Regulation**), which shall be understood as defined in these norms. In the case of financial terms, the Rules only explain terms closely related to the Auction.

#### **1.3.1 Definition of terms**

##### **Bid price**

The natural gas storage capacity tariff (TM) offered during the Auction by the Bidder for each capacity package. The unit of measurement for the Bid price is EUR/MWh. The Bid price is expressed in net amount, excluding value added tax (hereinafter referred to as: **VAT**), and all other official or fiscal charges and fees. The Tendering Party will accept the Bid price at a fixed value up to 4 decimal places. In case a Bidder gives his Bid price with more than 4 decimal places, the Tendering Party will take into account the Bid price without rounding up and up to 4 decimal places and will ignore the other local values.

(The Bid price includes the natural gas storage capacity tariff, but excludes the injection turnover fee and the withdrawal turnover fee, which the Bidder will pay in accordance with the resolution of the Hungarian Energy and Public Utilities Regulatory Office (or, if the regulated price is set by law, by legislation) in force at the time, based on its monthly turnover. The Bid price does not include the fees for any specific services that the Bidder may require and use during the contractual period.)

**Registration Security**

The registration security is a cash deposit specified by the Tendering Party, and its amount is determined per Auction Call for bids in the Auction Call for bids.

**Offer period**

Duration of using the natural gas storage capacities offered in the Auction. The exact period of availability of the capacities will be specified by the Tendering Party in the Auction Call for bids.

**Binding offer**

Obligation of the Bidder to maintain his Offer for the period specified in the Auction Call for bids.

**Bid quantity**

The amount of capacity (the number of capacity packages advertised) for the booking of which the Bidder submits an Offer at the Bid price offered by the Bidder.

**System user entitled to make an Offer**

The System user who fulfils the conditions for participation in a given Auction, i.e. successfully registers for that Auction.

**Bidder**

The system user eligible for access to the natural gas storage under GET who has been successfully registered by the Tendering Party in order to participate in the Auction in accordance with the provisions of Auction Rules Point 1.6.2, and who submits an Offer in accordance with the Auction Call for bids.

**Bidder's representative**

The Bidder may be represented by a senior officer of the Bidder, an employee of the Bidder authorised to sign for and represent the Bidder or by a person authorised by the Bidder in a document with full probative value, as designated by the Bidder in the Registration Data Sheet (**Appendix A.1.**).

**Auction**

The auction described in the Rules, and announced by HEXUM Földgáz Zrt. as the Tendering Party, having the purpose to sell HEXUM Földgáz Zrt.'s free natural gas storage capacities.

**Auction Jury**

A committee of at least 3 people, appointed by the Tendering Party, will examine, process and evaluate the bids received, and arrange for the Bidders' notification, and the announcement of results.

**Auction Call for bids**

A document containing the details of the Auction, as set out in paragraph 1.7.2 of the Auction Rules, for the booking of the Tendering Party's free natural gas storage capacities.

### **Auction Organiser**

The company involved by the Tendering Party into the management of the Auction, who may use an intermediary or assistant for the technical management of the Electronic Bidding Procedures.

### **Auction Declarations**

Declarations to be completed during the Auction registrations procedure (**Appendix A.2.**), in which the System user indicating his intention to participate declares his full acceptance of the conditions of participation in the Auction and payment of the Registration Security.

### **Auction Registration Surface**

An online surface operated by the Tendering Party, and accessible via the Tendering Party's website, through which the registration documents required for participation in Auctions already announced or to be announced in the future by the Tendering Party can be electronically and in a controlled manner submitted to the Tendering Party.

### **Product Released for Auction (Capacity package)**

A capacity package containing specified natural gas storage capacities as defined in the Auction Call for Bids published pursuant to the Rules: mobile capacity, non-interruptible injection capacity, non-interruptible withdrawal capacity. In some cases, in addition to the above, interruptible injection capacity, and interruptible withdrawal capacity.

### **Announcement of results**

At the end of the Auction, the Tendering Party will inform the Bidders of the final result of the Auction, and will notify the winning Bidder(s) in accordance with Rules Points 1.7.4.3. or 1.7.5.3.

### **Unsuccessful Offer**

A valid Offer that is not accepted by the Tendering Party during the evaluation.

### **Notification**

Information on the result of the Auction sent to the Bidders.

### **Regulation on Information for Users**

Regulation on the use of Auction Registrations Surface.

### **Natural gas Storage Agreement**

The system usage agreement to be concluded between the winning Bidder and a Tendering Party for the booking of Capacity packages allocated to the winning Bidder.

### **Correction of defects and deficiencies**

The procedure used during the Registration process, whereby - upon request of the Tendering Party and within the time limit specified by the Tendering Party - the System user has the opportunity to complete the documents and/or certificates required for a successful Registration, to supplement or amend those already submitted, until the time limit specified in the Auction Call for bids.

**No Offer**

No valid Offers are received in the Auction for the Product submitted for Auction.

**Capacity booking demand**

Natural gas storage mobile capacity demand set out for a given storage year expressed in kWh/storage year, taking into account the Auctioned Product and the Bid Quantity as specified in the Auction Call for bids.

**Injection and withdrawal capacity linked to the Capacity booking request**

Non-interruptible and, if necessary, interruptible withdrawal and injection capacity linked to the storage mobile capacity demand set out for a given storage year.

**Secondary Capacity Trading Agreement for Interruptible capacities**

Agreement on interruptible capacities concluded by the successful Bidder with the Hungarian Hydrocarbon Stockholding Association to ensure that the value of the injection and withdrawal capacity of the Capacity Booking Claim can exactly correspond to the injection and withdrawal capacity of the Product put up for Auction. The Hungarian Hydrocarbons Stockholding Association will simultaneously with the Call for Tender issue a commitment declaration for the conclusion of the Secondary Capacity Trading Agreement with the successful Bidder.

**Unit of measurement**

The unit of measurement used in the Auction Call for bids for the Product to be Auctioned (pieces).

**Partner Risk Declaration**

A declaration with the content specified and advertised by the Tendering Party to be submitted by the System user in order to participate in the Auction.

**Pro-rata allocation**

The procedure to be applied in the event of an oversubscription and price identity in the Auction, whereby the quantities awarded are determined and allocated among the Bidders in proportion to the valid Bid quantities. In the event that the quantities awarded as a result of the pro-rata allocation cannot be determined as a whole unit of measurement among the Bidders, the remaining Capacity package(s) will be determined on the basis of the chronological order of receipt of the Bids in case of a paper-based procedure for the winning Bidder, and the chronological order of the bidding in case of an Electronic Bidding Procedure.

**System user**

The market player eligible for access to the natural gas storage in accordance with the GET.

**Registration**

As a prerequisite for participation in the Auction, the System User will in accordance with Section 1.6.2. submit to the Tendering Party the documents described in details in Point 1.6.3.

**Registrations Form**

The form required for Registration in conformity with **A.1. Appendix**.

**Contractual security**

A contractual security defined by the Tendering Party to protect the financial and economic interests of the Tendering Party during the contractual performance period in the event of non-conforming performance delivered by the Storage System User.

**Storage System User**

The Bidder with which a Tendering Party has entered into a Natural Gas Storage Agreement in accordance with **Appendix C.1. or Appendix C.2.** of the Auction Rules following an Auction held pursuant to the Auction Rules.

**System User holding a Technical Registration**

A System User who has obtained electronic access with full right to use the Auction Registration Surface.

**1.3.2 Definition of terms related to paper-based process****Offer submission**

Submission of a Bid in the Auction containing the Bid price and the Bid quantity in the unit of measurement of the given Capacity package, and in the form specified in the Auction Rules.

**Offer Submission Deadline**

The deadline for Offer Submission (day-hour) set out in the Auction Call.

**Undersubscription**

If the number of Capacity packages in the Auction is higher than the total aggregated Bid quantity of the Bidder.

**Initial Price**

The specific maximum (top-fixed) regulated price (EUR/MWh/year) set out for the Product put up for Auction, and determined in accordance with the official resolution in force (or, if the regulated price is determined by law, by law).

**Minimum Price**

The minimum unit price (EUR/MWh/year) set out by the Tendering Party, which is invalid if the Bid price is not reached. The Minimum Price will be determined by the Tendering Party prior to the expiry of the Offer Submission Deadline, but will not be made public.

**Paper-based Offer**

In a paper-based Auction, the Bid price and the Bid quantity offered by the Bidder on the Paper-based Bid Form in the Unit of Quantity of the given Capacity Package.

**Paper-based Offer Form**

In a Paper-based Capacity Auction, Bidding is done by filling in the Paper-based Offer Form and submitting it to the Tendering Party. The Paper-based Offer Form contains the Bidder's Bid price and Bid quantity (**Appendix B.1**).

**Precise subscription**

The total Bid quantity of the Bidder in the Auction is equal to the number of Capacity packages offered by the Tendering Party.

**Oversubscription**

The total aggregate Bid quantity of Bidders in the Auction is higher than the number of Capacity packages offered by the Tendering Party in the Auction.

**1.3.3 Definition of terms relating to Electronic Bidding processes****Price Acceptance Period**

The period of time during which the Bidder is entitled to accept the price quoted in the Dutch and Japanese bidding procedures. The length of this period is specified by the Tendering Party in the Auction Call for bids.

**Auction Round**

The Electronic Bidding Procedure conducted on the day of the announced Auction, in accordance with the rules set out in the given Auction Call for bids, with the following procedural elements:

- Submission of Offers during the Electronic Bidding Procedure Base Period and Extension Period
- Procession and evaluation of the Offers received
- Notification of Bidders.

The Tendering Party may organise several Auction Rounds for a given product on a given day.

**Electronic Offer**

Bid price offered by the Bidder in the Electronic Auction, on the Electronic Bidding surface.

**Electronic Bidding process or Electronic Auction**

Electronic capacity auction published by the Tendering Party.

**Electronic Bidding process basic period**

The period of time announced in advance by the Tendering Party, during which the Electronic Bidding Procedure will continue, without any extension.

**Electronic Bidding process – extension**

The period of time, announced in advance by the Tendering Party, by which the Basic Period of the relevant Electronic Bidding Procedure is extended or the period of time of the already extended bidding procedure is increased.

**Electronic Bidding surface**

An electronic, Internet-based application provided by the Tendering Party, which is suitable for conducting Electronic Bidding Procedures in compliance with the Rules.

**Length of extension**



How many minutes the auction is extended in case of automatic extension.

### **Initial Price**

In the Electronic Bidding Procedure, the initial price set by the Tendering Party, this is the price from which the electronic bidding begins.

### **Bidding Step**

The predefined price step, with this step the current bidding price can be increased or decreased (depending on the type of Auction) during the Electronic Bidding process.

## **1.4 Auction conditions**

### **1.4.1 Legal requirements**

HEXUM Földgáz Zrt. will offer a part of the free natural gas storage capacities available in its portfolio for Auction, i.e. it will conduct a procedure to comply with the legal provisions indicated in Point 1.1., in order to promote efficient competition and ensure equal opportunities in access to the natural gas storage capacities.

Auctions may only be conducted ensuring full compliance with the conditions and rules set out in the Auction Rules.

The Natural Gas Storage Agreement set out in Appendices C.1. / C.2. of the Rules and, if relevant for the given Auction, the Secondary Capacity Trading Agreement set out in Appendix C.3. of the Rules will be concluded with the Bidder/Bidders winning the Auction.

An Offer submitted by a Bidder in an Auction is regarded as an Offer to enter into an agreement, to which the Bidder is bound by the Ptk. 6:64 and remains bound until the 15th (fifteenth) business day following the date of the Announcement of results.

### **1.4.2 Financial conditions**

The Bidders will, in accordance with the amounts and deadlines set out in the Auction preparation and the contracting phases and in the Natural Gas Storage Agreement:

- certify their overall solvency throughout the Registration procedure,
- submit the document verifying the provision of the Registration Security during Registration,
- shall ensure that the amount of the Registration Security is credited to the bank account of the Issuer by the registration deadline specified in the Auction Notice,
- provide the Contractual security required for the conclusion of the Natural Gas Storage Agreement in the form of a bank guarantee declaration and/or a parent company guarantee as set out in the Tendering Party's Business Regulation.

In the case of participation in more than one Auction, Tender Securities may be paid through a single transfer, but the transfer communication shall clearly indicate the Auction name of the relevant Auctions.

Failure to pay the Registration Security by the prescribed due date will disqualify the bidder from the Auction.

The full amount of the Registration Security shall serve as a forfeit money to the Tendering Party in the event that the Bidder fails for whatever reason to conclude the agreements for the Capacity Packages it won pursuant to Appendices C.1./C2. within 8 working days following the date of the Notification of the Auction result, or fails to fulfil the conditions necessary for the entry into force of the Natural Gas Storage Agreement concluded as a result of the Auction within the time limit.

Winning Bidders who sign the Natural Gas Storage Agreement will receive a full refund of the Registration Security within 10 working days following the date of effect of the agreement, and Bidders who do not win the Auction will receive a full refund of the Registration Security within 10 working days following the expiry of the Binding Offer. System Users eligible for making an Offer but have not made an Offer will be refunded the amount of the Registration Security within 10 business days following the Announcement of result.

### 1.4.3 Other conditions

- System Users wishing to submit a Bid in the Auction will provide the Tendering Party with the documents (declarations and supporting documents) required for registration in accordance with Point 1.6.3 within the time limit set out in the Rules.
- Bidders shall maintain a fair market conduct during the Auction. They may not enter into background agreements that are prejudicial to the interests of the Tendering Party and other Bidders or that give them an undue advantage in the Auction.
- By registering, the Bidders accept the terms and conditions set out in the Auction Rules and acknowledge that any breach of these Auction Rules will result in the immediate disqualification of the Bidder(s).
- The language of the procedure is Hungarian, therefore all communication related to the Auction will be in Hungarian, however, the Tendering Party will provide the possibility to submit the documents required for Registration in English, to submit a Paper-based Bidding Form in English in a Paper-based Auction and to use the Electronic Bidding surface in English in an Electronic Auction.

### 1.5 Product offered for Auction

In the Auction, the Tendering Party will offer its free storage capacities for sale in capacity packages, in which the following are fixed per package:

Content of a product package	
• Working gas capacity	[*] kWh
• Injection capacity - not interruptible	[*] kWh/day
• Injection capacity - interruptible	[*] kWh/day

• Withdrawal capacity - not interruptible	[*] kWh/day
• Withdrawal capacity interruptible	[*] kWh/day
• Injection cycle (planned)	...
• Withdrawal cycle (planned)	...

## 1.6 Registration

### 1.6.1 Conditions for Registration

The System User shall register as an Auction participant in order to participate in any Auction announced by the Tendering Party.

The System User is eligible to participate in a particular Auction announced by the Tendering Party as an Eligible System User if:

- you have submitted the registrations documents required for participation in the Auction in question electronically, through the Auction Registrations Surface operated by the Tendering Party, as described in details in Point 1.6.3. to the Tendering Party and they have been accepted;
- the amount of the Registration Security relating to the Auction has been credited to the Tendering Party's bank account by the deadline

### 1.6.2 Registration process

#### 1.6.2.1 Access to the Auction Registration Surface

The System Users can indicate their intention to get access to the Auction Registration Surface by filling in the online form available on the Tendering Party's website ([www.gaztarolo.hu](http://www.gaztarolo.hu)). By completing the form to obtain access to the Auction Registration Surface and submitting his data, the System User accepts the provisions of the User Information Regulation. After filling in the form and submitting the data, the Tendering Party verifies the submitted data and, if found them as correct, sends the technical information required to access to the Auction Registration Surface to the System User by e-mail within 2 working days, who thus can become a System User with Technical Registration.

Once the terms and regulations have been accepted, the Tendering Party will not be in the position to consider any complaint/amendment regarding the provisions of the terms and regulations accepted by the Bidder in connection with the Auction.

#### 1.6.2.2 Submission of registration documents

A System User with Technical Registration has the possibility to submit the registration documents for a given Auction electronically to the Tendering Party via the Auction Registration Surface.

The deadline for submission of registration documents to the Tendering Party for a given Auction is determined by the Auction Call for bids. In the case of late receipt of registration documents, the Registration will be invalid and unsuccessful.

The System User shall send a notification of the submission of the registration documents to the following e-mail address:

[capacity@gaztarolo.hu](mailto:capacity@gaztarolo.hu)

The Tendering Party and/or the Auction Organiser will check the formal and substantive compliance of the registration documents received and will accept or reject the Registration depending upon the fulfilment of the conditions.

The Tendering Party reserves the right to request the System User concerned to rectify any deficiencies in form or content when examining the documents submitted during the Registration, subject to a deadline. If the System User fully complies with the request for completion within the deadline for completion, the Tendering Party will notify the successful Registration within 2 (two) working days after the deadline for completion. If the System User fails to complete the registration documentation in full within the prescribed time limit in accordance with the request for completion, the registration will be finally rejected by the Tendering Party.

A protocol on the evaluation of the Registration is made for each Auction. Acceptance or rejection of the Registration will be confirmed by the Tendering Party to the System User concerned within 2 (two) working days by email. The Tendering Party shall give reasons for the rejection.

The Tendering Party undertakes the obligation and warrants that the documents and data submitted to the Auction by the System User(s) will be treated confidentially and disclosed to third parties (in particular to the Auction Organiser) only in accordance with the provisions of Article 4 of Act CXII of 2011 on the Right of Information Self-Determination and Freedom of Information. By virtue of registering for or by participating in the Auction, the System User acknowledges and expressly consents that the intermediaries involved into the Auction by the Tendering Party may have access to the documents submitted by the System User and their contents, including the personal data provided therein. Intermediaries involved into the Auction are bound by the same confidentiality obligations as the Tendering Party.

### **1.6.3 Documents and certificates to be submitted**

To participate in an Auction advertised by the Tendering Party, the System Users shall submit the following documents to the Tendering Party via the Auction Registration Surface:

<b>Document</b>	<b>Expected frequency of submission</b>	<b>Form to be used from</b>
1. Registrations Data Sheet (signed in original in the	It shall be submitted once a calendar year as part of the	Appendix A.1.

Document	Expected frequency of submission	Form to be used from
company's name or with a certified electronic signature or based on qualified certificate having enhanced security)	first auction Registration (except in the case of data changes)	
2. Auction Declarations (signed in original in the company's name or with a certified electronic signature or based on qualified certificate having enhanced security)	It shall be submitted in connection with the given auction.	Appendix A.2.
3. Partner Risk Declarations (signed in original in the company's name or with a certified electronic signature or based on qualified certificate having enhanced security)	It shall be submitted once a calendar year as part of the first auction Registration (except in the case of data changes)	Appendix A.3.
4. Specimen signature of the authorised signatory(s) representing the system user, or specimen signature countersigned by an attorney-at-law	It shall be submitted once a calendar year as part of the first paper-based auction Registration (except in the case of data changes).	
5. Bidder's company certificate of registration not older than 30 days, in case of a foreign company with a Hungarian translation	It shall be submitted once a calendar year as part of the first paper-based auction Registration (except in the case of data changes).	

The above Declarations can also be validly submitted with an original company signature or with a certified electronic signature or based on qualified certificate having enhanced security.

#### 1.6.4 Registration Security

The successful Registration of the System User is subject to the payment of the Registration Security in the form of a deposit. The amount of the Registration Security:

**EUR 50.000**

Participation in the Auctions announced by the Tendering Party is subject to the availability of the Registration Security in the Tendering Party's bank account, i.e. the Registration Security shall be held in the Tendering Party's bank account in order that the System User is eligible to participate in the Auctions.

The Registration Security becomes a Registration Security if the System User participates in any Auction announced by the Tendering Party:

- After the Auction, if the System User is not awarded a capacity package in the given Auction, the legal title of the amount paid will be re-qualified to Registration Security after the announcement of the Auction results;
- After the Auction, if the System User is awarded a capacity package in the Auction, it will serve as Registration Security until the agreement comes into force and the legal title to the amount paid will re-qualified to Registration Security after the agreement comes into force.
- As long as the cash deposit is qualified as a Registration Security, and another Auction takes place in which the System User wishes to participate, the System User shall ensure the payment of the Registration Security in the amount (50.000 EUR) necessary for the eligibility to participate in the Auction. The Registration Security shall be available in the bank account designated by the Tendering Party at least 1 business day before the start of the relevant Auction, or the confirmation of the transfer shall be sent to the Tendering Party's contact person by email by the same date.

The System User is entitled to claim back the paid Registration Security. The System User may notify the Tendering Party in writing of the request for repayment. In the event of such a request, the Tendering Party shall reimburse the amount of the Registration Security to the System User within 5 working days. In the event of repayment of the Registration Security, the System User's Registration will be suspended and the System User will not be eligible to participate in the Auctions advertised by the Tendering Party during the period of suspension.

In the event of a reduction in the amount of Registration Security during the year, or the participation in the Auction of a Registered System User whose Registration Security has been suspended due to a refunded Registration Security, the condition for participation in the Auction is - provided that the other registration requirements are fully met - the uploading and payment of the Registration Security.

### **1.6.5 Validity of registration, renewal of registration**

Registration will be valid until 31 December of the current calendar year. In December of each year, the Tendering Party notifies the registered System Users by e-mail of the expiry of the Registration at the end of the year and at the same time offers the option to renew the Registration for the following year by repeating the submission of the registration documents.

For System Users who do not renew their registration by 31 December of the relevant calendar year, the Tendering Party will refund the amount of the Registration Security within 10 working days.

## **1.7 Auction**

### **1.7.1 Auction types**

HEXUM Földgáz Zrt. will select the type of auction to be used in a given Auction in accordance with the prevailing market conditions, acting in its sole discretion.

The Tendering Party will specify in the Auction Call for Bids which of the following auction types it will use in a given Auction:

- Paper-based auction
- Anglo-Saxon type Electronic Auction
- Dutch-type Electronic Auction
- Japan-type Electronic Auction

### **1.7.2 Announcement of Auction**

The Tendering Party will issue the Auction Call for Bids for the current Auction at least 13 business days prior to the Offer Submission Deadline:

- announcement on its internet website ([www.gaztarolo.hu](http://www.gaztarolo.hu))
- electronically sending to System Users with Technical Registration to their e-mail address registered for contact.

The Tendering Party may decide to conduct more than one Auction Round on a given day for a given product package.

In addition, the Tendering Party will by e-mail inform the Hungarian Energy Traders Association and the Trade Licensing Round about the announcement.

The Tendering Party will provide the following information and data in the Auction Call for Bids to the System Users entitled to bid, depending on whether it is holding a paper-based or Electronic Auction:

#### In case of paper-based auction:

1. Information required for Registration, registration deadline
2. Size of and quantity in capacity packages
3. Auction type
4. Precise description of the Offer period
5. Offer Submission Deadline
6. Criteria for a valid Offer
7. Binding offer
8. Data of the contact person (availabilities)
9. Amount of the Registration Security

#### In case of Electronic Auction:

1. Information required for Registration, registration deadline
2. Size of and quantity in capacity packages
3. Auction type
4. Number of possible Auction Rounds (maximum)
5. Precise description of the Offer period
6. Starting date of Electronic Bidding process
7. Basic duration of Electronic Bidding process
8. Size of Bidding Step

9. Length and conditions of Extension
10. Price Acceptance Period
11. Criteria for a valid Offer
12. Binding offer
13. Data of the contact person (availabilities)
14. Amount of the Registration Security

After the Auction has been announced, only the contact person appointed by the Tendering Party in the Auction Call for Bids and the Auction Organiser will be authorised to provide information and answer any further questions regarding the Auction.

The Auction will be public for the Registration procedure, after which the Auction becomes a closed process. All further communication will be among the Tendering Party, the Auction Organiser and the Eligible System Users.

The Tendering Party and the Auction Organiser will process the personal data obtained in the course of the procedure in accordance with the provisions of Act CXII of 2011 on the Right to Information Self-Determination and Freedom of Information and the Regulation (EU) 2016/679 of the European Parliament and of the Council (GDPR).

### **1.7.3 Draft agreement(s)**

The Tendering Party will send to the Eligible System Users a sample of the Natural Gas Storage Agreement and, if relevant for the given Auction, the Secondary Capacity Trading Agreement for interruptible capacities within 2 working days after successful Registration.

### **1.7.4 Preparing and conducting a paper-based auction**

#### **1.7.4.1 Process of Offer submission**

Offers may be made by submitting a signed Paper-based Bid Form with official signature for one package, or an integer multiple thereof, in accordance with the Auction Call for Bids.

The Offer shall contain the Bid quantity, and the Bid price.

#### **1.7.4.2 Evaluation**

An Offer submitted by a Bidder will be valid if it fully complies with the terms and conditions applicable to the Bid as set out in the Auction Rules and the relevant Auction Call for Bids and all related documents.

The Bidder may not modify or withdraw its Offer once submitted in the Bidding Process after its submission.



The Offers submitted by the Bidder will be evaluated by the Auction Jury set up by the Tendering Party after the Offer Submission Deadline, in a closed session on the same day, in conformity with the provisions set out in the Rules and the Auction Call for Bids.

In the case of incomplete or incorrectly completed Paper-based Offer Form(s), the Offer(s) will be deemed invalid.

The minimum price of the capacity package(s) to be sold in the Auction will be determined by the Tendering Party. The Minimum Price will be fixed.

If in any case the Bid Price of the valid Bids does not reach the Minimum Price (No Bid), the Auction will be valid but Unsuccessful, and no Bidder will be awarded to conclude a Natural Gas Storage Agreement. In this case the Bids will be considered valid but Unsuccessful.

If at least the Bid Price of one valid Offer reaches the Minimum Price, the Auction will be successful and the Tendering Party will conclude a Natural Gas Storage Agreement with the (winning) Bidder in accordance with the Appendix of the Rules.

In the event that there several valid Offers are submitted with a Bid Price equal to the Minimum Price, and the Bid Prices are different, the Tendering Party will first accept the Offer of the Bidder with the highest Bid Price in the list and declare it the Winning Bid, and then accept the Offer of the Bidder with the next highest price, as long as all advertised packages are sold out.

In case of an undersubscription, all valid Offers will be accepted and satisfied.

In the case of an Exact Subscription, all valid Offers will be accepted and satisfied.

In case of an Oversubscription and the Bid Prices are the same for the Offers in descending order of price and can no longer be satisfied, the Tendering Party will allocate the remaining and still available capacities among the Bidders offering the same Bid Price by pro-rata allocation. In this case it may happen that the Tendering Party will only partially satisfy the Bidders' capacity requirements.

#### **1.7.4.3 Announcement of results**

At the time of the Auction Evaluation pursuant to Point 1.7.4.2., the Auction Jury set up by the Tendering Party will in the Auction Evaluation Report record in the protocol the result of the Auction separately for each Bidder, or, if applicable, the fact that the Auction is Unsuccessful. The evaluation protocol is not public.

During the Announcement of results, the following information will be recorded in the protocol for the Auction: valid Bid Price(s), requested and sold capacity package(s), Offer Period, and the result of the Auction with the designation "Undersubscription", "Exact Subscription", "Oversubscription", or "Subscription Shortfall".

The winning Bidder(s) will be obliged to enter into an agreement for the capacity packages allocated as a result of the Auction (even in case of partial fulfilment).

## **1.7.5 Preparing and conducting an Electronic Auction**

### **1.7.5.1 Access to the Electronic Bidding Surface**

Electronic Auctions will be conducted on the Electronic Bidding Surface provided by the Auction Organiser. Access to the Electronic Bidding Surface will be granted to Authorised System Users for a given Auction. Data required for access data will be sent by the Auction Organiser to the e-mail address provided by the Eligible System User during the registration process.

The Auction Organiser will provide the opportunity for the Eligible System Users to test the Electronic Bidding Surface and prepare for the Auction within the timeframe set in the Auction Call for bids. The Auction Organiser will provide telephone and electronic support to the Eligible System Users during the Auction.

By logging on to the Electronic Bidding Surface, Eligible System users will agree to abide by the rules governing the electronic bidding process.

### **1.7.5.2 Process of submitting an Offer**

Offers in a given Auction can be submitted via the Electronic Bidding Surface provided by the Auction Organiser, as specified in the Auction Call for Bids

Prior to the starting time of the Electronic Bidding Procedure announced in the Auction, the Bidder shall specify the Bid Quantity on the Electronic Bidding Surface, i.e. the capacity quantity (the number of capacity packages) for which the Bidder will submit an Offer at the Bid Price offered by him in the Electronic Bidding Procedure

If the Bidder fails to make this submission, or is late in doing so, and nevertheless participates in the Electronic Bidding Procedure, the Tendering Party will automatically, without any further legal declaration, consider the Bid Quantity of the Bidder concerned as 1 capacity package (1 LOT), and will take it into account accordingly in the evaluation of the bidding procedure

The Initial Price of the capacity package to be sold in the Auction will be determined by the Tendering Party. The Initial Price will be published on the Electronic Bidding Surface at the start of the electronic bidding procedure towards the Bidders participating in the Auction.

Offers can be submitted with a valid bid in the Electronic Bidding Procedure made in accordance with the Auction Call for Bids. The Bid Price given in the Electronic Bidding Procedure will apply for one capacity package (1 LOT).

### **1.7.5.2.1 Anglo-Saxon type electronic auction**

Procedures for Bidding:

- The Initial Price will become known to the Bidder when logging in to the Electronic Bidding Surface.
- The advertised capacity package cannot be purchased below the Starting Price.
- The Bidder may only enter a bidding price equal to the Initial Price if no bidding has yet been received for that lot.
- The basic duration of the Electronic Bidding Procedure will be set out in the Auction Call for Bids.
- The Electronic Bidding Procedure will be extended by the Extension Rate if a valid Offer is received within the time period specified in the Auction Call for Bids before the expiry of the Electronic Bidding Procedure's Base Time Period. The Electronic Bidding Procedure will be automatically extended as long as a valid, sequence-changing Offer is received before the current expiry date of the bidding procedure.
- Offers can be submitted with the predefined Bidding Step (minimum increment). The Bidding increment for a given Auction will be specified in the Auction Call for Bids.
- The price shall be expressed in EUR/MWh to 4 decimal places.
- Offers once submitted cannot be withdrawn on the Electronic Bidding Surface.
- Every Bidder will see the current highest Offer in an anonymous manner.
- There is no upper limit to the amount of the Offer.
- During the Auction, the price of the Bidder's Offer shall be higher than the current price, i.e. than the current highest bid price according to the predefined minimum increment.
- The current price will show the price of the Bidder's last and currently highest Offer.
- If during the Electronic Bidding Process the same Offer is received from more than one Bidder, the Offer of the Bidder who first entered the Offer on the Electronic Bidding Surface will be valid, no dead heat will be allowed.
- The winner of the Auction will be the Bidder who has submitted the highest Bid Price by the close of the Auction
- The Bid Price may be higher than the prevailing regulated price.

The winning Bidder will be obliged to contract with the Tendering Party for the Bid Quantity at the winning price according to the terms and conditions specified in the Auction Call for Bids. If the Bidder with the winning price buys less capacity packages than the total capacity packages in described in the Auction Call for Bids, the remaining capacity packages will be taken by that Bidder at the 2nd best bidding price. If the Bidder with the 2nd best bidding price buys less capacity packages than the total remaining capacity packages, then the remaining capacity packages will be taken by the Bidder with the 3rd best bidding price, and so on.

### **1.7.5.2.2 Dutch-type electronic auction**

Procedures for Bidding:

- The Initial Price becomes known to the Bidder when logging in to the Electronic Bidding Surface.
- The Bidder will have a Price Acceptance Period to accept the Initial Price.
- Bidders shall indicate their acceptance of the Initial Price on the Electronic Bidding Surface.
- The Bidder who is the first to accept the purchase of the capacity package at the highest Bid Price will be the winner of the given Auction.
- If the Initial Price is not accepted, the Bidders have nothing to do.
- If a Bidder accepts the Initial Price, the Electronic Bidding Procedure will be closed as described above, and the Bidder who has submitted the price will on the Initial Price buy the Bid Quantity he has requested.
- If there is no acceptance within the Price Acceptance Period, the Auction Organiser will reduce the Initial Price with the pre-defined amount (minimum reduction) as specified by the Tendering Party. The Bidders will have the acceptance period with the same length to accept the new reduced price, and they shall indicate this acceptance on the Electronic Bidding Surface. If the new price is not accepted, the Bidders have nothing to do.
- If there is no acceptance within the Price Acceptance Period, the Auction Organiser will reduce the new price again by the pre-defined amount, as specified by the Tendering Party. This process will be repeated as long as a Bidder accepts the given price or the Minimum Price is reached. The Minimum Price will be determined by the Tendering Party and will not be known to the Bidders. The Bidder will win who is the first to accept the price within the Price Acceptance Period, and will thus win the package corresponding to the package number they have requested at the accepted price.
- The minimum amount of the valid bidding step (minimum reduction) for a given Auction will be fixed in the Auction Call for Bids.
- The Tendering Party will provide the Initial Price expressed in EUR/MWh to 4 decimal places.
- The submitted Offer cannot be withdrawn on the Electronic Bidding Surface

The winning Bidder will be obliged to contract with the Tendering Party for the Bid Quantity at the winning price in accordance with the terms and conditions specified in the Auction Call for Bids.

If the Bidder with the winning price buys less capacity packages than the total number of capacity packages presented in the Auction Call for Bids, the Tendering Party may sell the remaining capacity packages in the same Auction process(es) repeated on the same day (Auction round(s)). The number of possible Auction Rounds will be fixed in the Auction Call for Bids.

### 1.7.5.2.3 Japanese-type electronic auction

Procedures for Bidding:

- The Initial Price will become known to the Bidder when logging in to the Electronic Bidding Surface.
- The Bidder will have the Price Acceptance Period to accept the Initial Price.
- Bidders shall indicate their acceptance of the Initial Price on the Electronic Bidding Surface.
- If the Initial Price is not accepted by any Bidder, the Electronic Bidding Procedure will be closed as Unsuccessful.
- If only one Bidder accepts the Initial Price, the Electronic Bidding Procedure will be closed, and the Bidder submitting this price will for the Initial Price purchase the Bid Quantity he has applied for.
- If at least two Bidders accept and give the Initial Price within the Price Acceptance Period, the Initial Price will be increased by the amount specified by the Auction Organiser (minimum increment) as specified by the Tendering Party. The new increased price will be available for acceptance during the Price Acceptance Period for those Bidders who have accepted the Initial Price. If at least two Bidders accept and give the new price by the deadline, the Electronic Bidding Procedure will continue.

The Bidding Procedure can be closed in two ways:

- if only one Bidder accepts the price according to the last Bidding Step, the Bidding Procedure will continue as long as there is a valid Bid;
- if no Bidder accepts the price of the next Bidding Step, but the price of the previous Bidding Step price was accepted by two or more Bidders, the advertised capacity packages will be allocated between them on a pro-rata basis.
- The price of the Bidding Step (minimum increment) valid for a given Auction will be fixed in the Auction Call for Bids.
- The Tendering Party will provide the Initial Price expressed in EUR/MWh to 4 decimal places.
- The submitted Offer cannot be withdrawn on the Electronic Bidding Surface
- The Bid Price may be higher than the then prevailing regulated price.

The winning Bidder will be obliged to contract with the Tendering Party for the Bid Quantity at the winning price in accordance with the terms and conditions specified in the Auction Call for Bids.

If the Bidder with the winning price buys less capacity packages than the total number of capacity packages presented in the Auction Call for Bids, the Tendering Party may sell the remaining capacity packages in the same Auction process(es) repeated on the same day (Auction round(s)).

The number of possible Auction Rounds will be fixed in the Auction Call for Bids.

### **1.7.5.3 Evaluation**

The Auction Organiser will aggregate the results of the Auction after the Electronic Bidding procedure(s) announced for that day have been completed.

The Auction Jury set up by the Tendering Party will evaluate the results based on this aggregation in accordance with the Auction Call for Bids, and determine whether or not the given Auction was valid and successful.

- The Auction will be declared as valid and successful if at least one Bidder's Offer in the Auction can meet the bidding requirements set out in the Auction Call for Bids.
- The Auction will be declared as valid and Unsuccessful if no Offer is submitted by the Bidders during the Auction that can meet the bidding criteria set out in the Auction Call for bid.

### **1.7.5.4 Announcement of results**

Bidders participating in the Electronic Auction will receive a Notification of their results at the end of the Auction from Tendering Party. The Notification will include the number of capacity packages sold to the Bidder and the Bidder's purchase price as determined by the bidding procedure.

### **1.7.5.5 Technical problems to be considered in the Electronic Auction process**

If a Bidder encounters any technical problem during the Electronic Bidding procedure (e.g. power failure, internet outage, etc.), he will participate in the process with the last valid Offer.

If the Auction Organiser suffers any technical failure during the Electronic Bidding process (e.g. power failure, internet outage, etc.), the Auction will be considered invalid and will be re-advertised on a new date, preferably within the same calendar day. In this case, the Bidders will not be entitled to claim any damages, penalties or other claims against the Tendering Party and/or the Auction Organiser, and the Tendering Party and/or the Auction Organiser will not be liable for any failure beyond its control that makes system access difficult or prevents such access.

### **1.7.6 Invalid auction**

The Tendering Party may declare the Auction advertised for a given product invalid if:

- in the case of an electronic procedure, the Auction Organiser encounters a technical problem according to Point 1.7.5.4
- in the case of paper-based procedures, unforeseen technical problems may arise during the Auction, which the Tendering Party is unable to overcome. In such a case, the Auction will take place at a later date. An Auction so held will

be subject to the same rules in accordance with these Auction Rules as to the failed Auction;

- any Bidder is engaging in inappropriate auction conduct or demonstrably using unfair methods to gain or attempt to gain an unfair advantage to the detriment of other participants' interests. In such a case, the Tendering Party will declare the Auction invalid, stating the reason, and the Auction will take place at a later date, in which the Bidder concerned who has given the reason for the invalidation of the Auction will not be allowed to register and participate. If the Bidder concerned still submits the Registration Data Sheet, the Bidder will be automatically disqualified.

### **1.7.7 Suspension of Auction**

The Tendering Party will reserve the right to suspend any announced Auction during the entire duration of the Auction without giving any reason, or to withdraw the Auction Call for Bids, while informing the Bidders. In the event of withdrawal, the Tendering Party will return the Registration Security within 10 business days at the latest, but will not pay any cost, interest or compensation in respect of the withdrawal of the Auction Call for Bids, and therefore the termination of the Auction.

In the event of suspension or withdrawal of the Auction as described above, the Office may request the Tendering Party to subsequently provide the reasons for the suspension or withdrawal or may investigate the justification for the Tendering Party's decision to do so.

## **1.8 Contracting**

### **1.8.1 Contracting**

The Bidder will have 8 (eight) working days following the date of the Notification to conclude the Natural Gas Storage Agreement in accordance with its obligation to conclude the Agreement.

The entry into force of the Natural Gas Storage Contract is subject to full compliance with the suspensive conditions set out therein.

In the event that the Winning Bidder does not fulfil its obligation to conclude the agreement for the won product, i.e. does not conclude the agreement within the prescribed period or does not fulfil the conditions necessary for the entry into force of the Natural Gas Storage Agreement, the Tendering Party is entitled to use the Registration Security provided by the Registration as a forfeit money according to Point 1.4.2.

The terms of payment for the Capacity Packages awarded to the successful Bidder will be set out in the Natural Gas Storage Agreement and, where relevant, the Secondary Capacity Sales Agreement for interruptible capacities.

Capacity packages applicable for different durations cannot be managed in one single Natural Gas Storage Agreement.

The annual capacity booking fee payable to HEXUM Földgáz Zrt. for the booked mobile capacity:

- if interruptible capacity is not offered for booking, then the "mobile capacity according to the winning Offer x Bid Price";
- if any interruptible capacity is also included in the capacity package offered for booking, then "mobile capacity according to the winning Offer x Bid Price x 92,5%".

The annual capacity booking fee payable to the MSZKSZ for interruptible injection and withdrawal capacities (if payment of such a fee is required for the specific capacity package advertised) is "mobile capacity according to the winning bid x Bid price x 7.5%".

### **1.8.2 Contractual Security**

The granting of the Contractual Security will be the condition of the entry into force of the Natural Gas Storage Agreement with the successful Bidder, and this Bond will be used in the event of non-conforming performance by the Storage System User.

The Contractual Security will be governed by the provisions set out in the Appendix "*Rules on Contractual Guarantees*" of the Tendering Party's Business Code in force from time to time.

## **2 APPENDICES**

### **A. Appendix: Documentation of Registration**

- A.1. Registration form
- A.2. Auction declarations
- A.3. Partner risk declarations

### **B. Appendix: Paper-based Offer Form (for paper-based auctions)**



C. Appendix: Model agreements

C.1. Draft agreement for using and providing seasonal basic services for natural gas storage (with interruptible withdrawal and injection capacities)

C.2. Draft agreement for using and providing seasonal basic services for natural gas storage (without interruptible withdrawal and injection capacities)

C.3. Draft secondary capacity trading agreement for interruptible capacities

D. Appendix: Bank guarantee declaration form

E. Appendix: Parent company's guarantee (sample form)