

**Rules for carrying out the binding phase of the Open Season procedure**

**Q&A**

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1. In case of the second bidding round whether we can reduce our bid quantity?

*No, unfortunately you cannot reduce your bid quantity. In the second bidding round bidders can only submit additional capacity request. If bidders do not submit a bid for additional capacity in the second bidding round, then TSOs take into account only the bidders capacity request gather in the first bidding round for the economic test II.*

2. Can we exercise the step back right after contracting?

*No, the step back right is not foreseen after contracting.*

3. Can you please explain what it does mean kapUL,INT1; tUL,INT1; kapUL,INT2; tUL,INT2?

*kapUL,INT1- capacity to be contracted at entry interconnections if the project is implemented*

*tUL,INT1 - tariff item at the entry at interconnections if the project is implemented*

*kapUL,INT2 - capacity to be contracted at entry interconnections if the project is not implemented*

*tUL,INT2 - -- tariff item for the entry at interconnections if the project is not implemented*

4. When shall we apply the discount rate of 5,22%?

*5,22% is weighted average cost of capital (WACC) and it has been applied in indicative tariff amounts calculations and it is also a discount rate.*

5. How do you calculate the PV UC-INCR if, for example we submit 100 kWh/d bid quantity at the Omišalj entry (Plinacro) and at the Drávaszerdahely exit (Plinacro) and entry (FGSZ) points?

*For the calculations of the economic test, Plinacro will sum up all requested capacities, from all the shippers, for each year, in order to calculate new indicative tariffs for each year. Then Plinacro will multiply each year's capacity booking amount with responding new indicative tariffs and discount that number to calculate yearly Open Season revenue. In the end Plinacro will sum up each year's revenue and compare that amount with corresponding  $PV_{AR}$ . All this is subject to HERA's approval.*

6. Have you already calculated the published indicative tariffs with discount factor or without it?

*HERA has calculated the published indicative tariffs applying the 5,22% WACC rate, and they are presented in the Open Season Rules.*

7. Unfortunately, we don't find the bid form. Please let us know where I can find it on your website.

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*The bid form will be published on Plinacro's web site during this week.*

8. According to the 10.2 point of the Rulebook: “by the time of contract consummation he will obtain a valid permit for carrying out energy activity of gas supply or gas trade in the Republic of Croatia”. Currently we don't have trading license in Croatia. Therefore, please inform us about the registration process.

*The registration process is prescribed by HERA's Ordinance on Licenses for Energy Activities and Keeping the Register of Issued and Revoked Licenses for Energy Activities, OG 88/15 and 114/15 ([Link](#) to the document in Croatian language). You can find the Guidance for obtaining gas Licenses on HERA's website in section F.A.Q.*

9. Can you please send us a tariff calculator and a calculation table of Economic tests?

*We cannot publish the tariff calculator and calculation table for Economic test because it is a closed intelinked model and it is impossible to predict the total amount of capacity bookings in different scenarios.*

10. According to the 8.1. point of Rulebook the conditions for a positive Economic test:  $PVUC-INCRCR \geq f * PVAR$  OR satisfactory increase of N-1 indicator. How shall we calculate the N-1 indicator? How will you apply the N-1 indicator in the carrying out of the economic tests?

*The Economic test will be calculated to assess the economic profitability of the project, but it will also determine the influence of LNG infrastructure on the security of supply through N-1 indicator according to the applicable regulatory framework. The results of the economic test are a subject to HERA's consent.*

11. Please send us a bank guarantee template for the bid submission and for the transmission service as well.

*In this moment Plinacro can't provide you with a template of the bank guarantee for bid submission or for the transmission service due to certain banking laws and rules. The bank guarantee which your bank issues to your company must contain all the elements mentioned in the article 5 (5) GT-INT.*

*But on form of bank guarantee which your bank will issue to your company must be mentioned as a provision that the bank guarantee of performance security and security form shall be irrevocable, unconditional, with “no objection” and payable on first written call with the specified time duration, as it is written in Rules for carrying out the binding phase of the Open season procedure. Also, in the same guarantee must be mentioned this rule: “To any disputes which might arise in relation to this guarantee the Croatian law shall be applied and the Commercial Court in Zagreb will be authorized for settlement of disputes.”*

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*All the attribute elements of the bank guarantee are a subject to an assessment by transmission system operator.*

12. Can you please let us know when we shall obtain the Croatian trading license?  
We understand that we shall obtain the necessary license before the actual usage of the capacities. For example: if we booked capacity from 1<sup>st</sup> of October, 2019, we would obtain the Croatian trading license till 30<sup>th</sup> of September 2019.  
Can you please confirm it?

*You must obtain the necessary license before the actual usage of the capacities, but according to the article 7 (1) of the Gas transmission contract no later than 7 working days before the Application Start Date. At least 30 days before the expected period of the Date of Initial Application Plinacro will notify user of it.*

13. What will happen if:

the total requested capacity is 250 000 m<sup>3</sup>/h in the 1<sup>st</sup> bid round then,  
the total requested capacity is 450 000 m<sup>3</sup>/h in the 2<sup>nd</sup> bid round then,  
the total requested capacity is 570 000 m<sup>3</sup>/h in the 3<sup>rd</sup> bid round?

→we understand that there is economic test 4. What will happen in the 4. bid round?

*Plinacro can't give you a precise answer to your question because there are too many unknown elements in your question. For instance, it is unknown for what period in time are the submitted requests (e.g. 5,10 or 20 years). Also, the capacity is offered at Omišalj and Dravaszedahely point and the total requested capacity from your question can be divided in different ways among this point. This is relevant because in SC1 offered capacity at the IP point is not equal to the entry point Omišalj.*

15. What will happen if

the total requested capacity is 310 000 m<sup>3</sup>/h in the 1<sup>st</sup> bid round then,  
the total requested capacity is 310 000 m<sup>3</sup>/h in the 2<sup>nd</sup> bid round

→we understand that there is no economic test 3. →Economic test 2. will be positive, 300 000 m<sup>3</sup>/h capacity will be allocated.

*The same as previous question.*

16. What will happen if

the total requested capacity is 200 000 m<sup>3</sup>/h in the 1<sup>st</sup> round then,  
the total requested capacity is 200 000 m<sup>3</sup>/h in the 2<sup>nd</sup> round

→we understand that there is economic test 3. with new indicative tariff (if the bidders won't increase their previous bid). How much will be the new indicative tariff in this case? If the bidders will accept neither the new tariff and nor increase their previous bid →Economic test 3. will be negative.

*The same as previous question.*

17. What will happen if

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the total requested capacity if 200 000 m<sup>3</sup>/h in the 1<sup>st</sup> round then,  
the total requested capacity if 200 000 m<sup>3</sup>/h in the 2<sup>nd</sup> round then,  
the total requested capacity if 340 000 m<sup>3</sup>/h in the 3<sup>rd</sup> round.

→we understand that there is no economic test 4. Economic test 3. is positive, the capacity of 300 000 m<sup>3</sup>/h will be allocated.

*The same as previous question.*

18. After the 1<sup>st</sup> round if there is available capacity (it's all the same to the economic test 1. is negative or positive) →there is economic test 2. Please confirm it.

*Yes, after the 1st round if there is available capacity there is economic test 2 no mater that economic test 1 is positive or negative.*

19. When will you carry out the Economic test 4. in the above mentioned cases? What will be the result of the economic test 4. in this cases? How much capacity will be allocated in this cases?

*The same as question no. 17*

20. Can you please calculate the capacity and the commodity fees (if we book Omisalj entry and Drávaszerdahely capacity as well) in the above cases?

*The same as previous question.*

21. We understand that Croatian VAT is not applicable as the place of supply of capacity services for VAT purposes is the place where the customer is located. Can you please confirm it?

*Yes, we can confirm that Croatia VAT is not applicable in your case, as for VAT application, the place of supply of capacity services is the place where the customer is located.*