

# **Draft Project Proposal for the Incremental Capacity Project at IP Tekovo / Mediesu Aurit Located at the Border between Ukrainian and Romanian Gas Transmission Systems**

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This document is a joint draft project proposal for the incremental capacity project on the border between Ukraine and Romania jointly conducted by:



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The Market Demand Assessment Report (MDAR) assessed the non-binding capacity indications received from 5 July 2021 to 30 August 2021. Based on the outcome of the MDAR for the incremental capacity process starting in 2021 between the Ukrainian gas transmission system and the Romanian gas transmission system and published on both TSOs websites on 25 October 2021 ([https://tsoua.com/wp-content/uploads/2021/10/MDAR\\_2021\\_UA-RO\\_ENG.pdf](https://tsoua.com/wp-content/uploads/2021/10/MDAR_2021_UA-RO_ENG.pdf), [https://www.transgaz.ro/sites/default/files/users/user822/2021.10.25%20Report%20DAR%20Ukraine-Romania\\_2021\\_final\\_EN.pdf](https://www.transgaz.ro/sites/default/files/users/user822/2021.10.25%20Report%20DAR%20Ukraine-Romania_2021_final_EN.pdf)) the two TSOs concerned have begun the design phase based on Article 27 of COMMISSION REGULATION (EU) No 2017/459 of 16 March 2017 establishing a network code concerning capacity allocation mechanisms in gas transmission systems and repealing Regulation (EU) No 984/2013 (NC CAM).

This document is the result of the technical studies and calculations conducted by LLC “Gas Transmission System Operator of Ukraine” and SNGTN TRANSGAZ S.A. and may be subject to change, based on feedback received via the public consultation.

The public consultation will be conducted during 18 January 2022 - 17 March 2022.

Please provide your replies by 17 March 2022 by email to [commercial@tsoua.com](mailto:commercial@tsoua.com) and to [capacitateincrementala@transgaz.ro](mailto:capacitateincrementala@transgaz.ro).

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## 1. Description of the incremental capacity project

This section describes the common draft project proposal for incremental capacity on the border between Ukraine and Romania, at IP Tekovo / Mediesu Aurit, based on the relevant technical studies conducted by LLC “Gas Transmission System Operator of Ukraine” and SNGTN TRANSGAZ S.A. The description also includes a cost estimation.

The demands for incremental capacity have been indicated in the direction from Romania to Ukraine. Currently, there is no existing firm capacity between the entry-exit system of Ukraine and Romania, at this IP, in the requested direction.

Based on MDAR conclusions, LLC “Gas Transmission System Operator of Ukraine” and SNGTN TRANSGAZ S.A. have conducted studies to prepare a project for incremental capacity on the Ukrainian-Romanian border at IP Tekovo / Mediesu Aurit.

Consequently, as a result of the technical studies, LLC “Gas Transmission System Operator of Ukraine” and SNGTN TRANSGAZ S.A suggest initiating an **incremental capacity project at the current interconnection point Tekovo / Mediesu Aurit between Ukraine and Romania.**

**Based on the demand indications received in the demand assessment phase LLC “Gas Transmission System Operator of Ukraine” and SNGTN TRANSGAZ S.A propose incremental capacity level of 3 059 667 kWh/h/year<sup>1</sup>.**

**Summary of project proposal technical parameters:**

| Parameter                    | RO Section   | UA Section   |
|------------------------------|--|--|
| Technical capacity           | 3.059.667 kWh/h/year<br>(25°/0°C)  | 3.059.667 kWh/h/year<br>(25°/0°C)  |
| Capacity type (quality)      | firm   | firm   |
| Interconnection Point        | Medieșu Aurit (Exit)   | Tekovo (Entry)   |
| Flow direction               | RO→UA  | RO→UA  |
| Border pressure              | 35 barg  | 35 barg  |
| New pipeline length          | 100+150=250 Km   | -  |
| Required technical equipment | 1 Compressor station (15 MW installed capacity) with<br>3 compressor groups (2 active + 1 back-up) | 1 Compressor station (up to 10 MW installed capacity) with<br>2 compressor groups (1 active + 1 back-up) |
| Estimated Cost               | 300.000.000 EUR  | 35.000.000 EUR   |
| Cost estimate accuracy       | ± 20%  | ± 20%  |

<sup>1</sup> which corresponds 6,9 mcm/d (20°C)

### 1.1. Description of the project on the Ukrainian side (LLC “Gas Transmission System Operator of Ukraine”)

New infrastructure required to be implemented on the LLC “Gas Transmission System Operator of Ukraine” side.

In order to ensure the possibility of gas transmission in the direction from Romania to Ukraine (pressure level 35 barg from the Romanian side at the RO-UA border) with a maximum capacity level of 3 059 667 kWh/h, the following investments are required on the Ukrainian side:

- Construction of new compressor station in Tekovo.

Expected commissioning: Quarter 3/2026.

### 1.2. Description of the project on the Romanian side (SNGTN TRANSGAZ S.A)

In order to ensure the maximum capacity at the pressure of 35 barg at the border, the following objectives are necessary to be achieved:

- Gas transmission pipeline DN 700 mm, PN 63 barg in length of approx. 100 km from Coroi to Cesar;
- Gas transmission pipeline DN 800 mm, PN 50 barg in length of approx. 150 km from Șendreni to Onești;
- Construction of a new natural gas compressor station with an installed capacity of 15 MW at Coroi, with 3 compression groups (2 active +1 backup);
- Enabling bidirectional gas flows through GMS Mediesu Aurit.

Expected commissioning: Quarter 3/2026.

### 1.3. Cost estimation on the Ukrainian side (LLC “Gas Transmission System Operator of Ukraine”)

Approximately EUR 35 million is needed for the construction of a compressor station in Tekovo.

#### 1.4. Cost estimation on the Romanian side (SNGTN TRANSGAZ S.A.)

The preliminary cost estimation for the implementation of the above-mentioned investment objectives on the Romanian side is approx. EUR 300million (CAPEX).

## 2. Offer level for harmonized capacity products

The table below shows the common offer-level for the capacity marketing in the yearly capacity auction in 2023 of LLC “Gas Transmission System Operator of Ukraine” and SNGTN TRANSGAZ S.A. taking into account the obligations of the set aside capacity for short-term products of NC CAM.

Based on the above-mentioned description of the incremental capacity project and considering the capacity for short-term products required to be set-aside, i.e. 10% of the technical incremental capacity according to Article 8(8) of NC CAM, the level of the offer for bundled capacity products at **IP Tekovo / Mediesu Aurit, in the direction RO-UA**, are as follows:

| No. of years | Gas year  | Level of the harmonized offer in the direction RO→UA for the technical capacity proposed to be developed of 274.562 m <sup>3</sup> /h/year (0°C), (kWh/h/year) (25/0°C) <sup>2</sup> |
|--------------|-----------|--|
| 1            | 2026/2027 | 2.753.700  |
| 2            | 2027/2028 | 2.753.700  |
| 3            | 2028/2029 | 2.753.700  |
| 4            | 2029/2030 | 2.753.700  |
| 5            | 2030/2031 | 2.753.700  |
| 6            | 2031/2032 | 2.753.700  |
| 7            | 2032/2033 | 2.753.700  |
| 8            | 2033/2034 | 2.753.700  |
| 9            | 2034/2035 | 2.753.700  |
| 10           | 2035/2036 | 2.753.700  |
| 11           | 2036/2037 | 2.753.700  |
| 12           | 2037/2038 | 2.753.700  |
| 13           | 2038/2039 | 2.753.700  |
| 14           | 2039/2040 | 2.753.700  |
| 15           | 2040/2041 | 2.753.700  |

<sup>2</sup> This offer level is only viable if the concerned national regulatory authorities publish a coordinated and positive decision on the project proposal by 20.04.2023 at the latest.

### 3. Alternative allocation mechanism for incremental capacity

Both TSOs have agreed to use the standard auction allocation process for the allocation of the incremental capacity, since the conditions in Article 30(2) of CAM NC have not been met.

### 4. Provisional timeline

The incremental capacity project will generally follow this timeline. However, the implementation phase will only start if there is a commitment by the market to acquire the respective incremental capacities in the 2023 yearly auction and if successfully passes the economic test for each of the TSOs concerned. The dates shown below are subject to change.

| Start Date | End Date   | Description  |
|------------|------------|--|
| 18.01.2022 | 17.03.2022 | Public consultation of the incremental project   |
| 18.03.2022 | 17.10.2022 | Evaluation of consultation findings by the TSOs and further development of the project proposal in close cooperation with the NRAs                                 |
| 18.10.2022 |            | Submission of the project proposal to ANRE.  |
| 19.10.2022 | 19.04.2023 | Period of 6 months in order for the national authorities to publish the coordinated decisions on the project proposal acc. to Art. 28(2) of NC CAM by the NRAs     |
| 03.05.2023 |            | Publication by the TSOs of the approved parameters and of a template of the contract(s) related to the capacity to be offered for the incremental capacity project |
| 03.07.2023 |            | Kick-off date for Yearly capacity auction including the incremental capacity offer   |

| Milestone   | LLC "Gas Transmission System Operator of Ukraine" deadline | SNGTN TRANSGAZ S.A. deadline |
|---|--|------------------------------|
| Yearly capacity auction and economic test <sup>3</sup>                          | Q3/2023  | Q3/2023                      |
| Start of project implementation, if the result of the economic test is positive | Q3/2023  | Q3/2023                      |

<sup>3</sup> This stage is only viable if the concerned national regulatory authorities publish a coordinated and positive decision on the project proposal by 20.04.2023 at the latest



|  |            |            |
|--|------------|------------|
| Defining technical terms & conditions and tendering documentation, selecting the contractor for the project documentation  | Q1/2024    | Q1/2024    |
| Project documentation finalization and obtaining of building permit  | Q4/2024    | Q4/2024    |
| Defining tendering documentation for the selection of contractor for the construction works                                | Q4/2024    | Q4/2024    |
| Tenders for the construction works and signing of contracts with the selected contractors; start of the construction works | Q1/2025    | Q1/2025    |
| Completion of the project development  | Q3/2026    | Q3/2026    |
| Start-up of commercial operation   | 01.10.2026 | 01.10.2026 |

## 5. General rules and conditions for participating in the capacity auctions

During the binding capacity allocation phase, LLC “Gas Transmission System Operator of Ukraine” and SNGTN TRANSGAZ S.A. will offer the incremental capacities in an annual yearly auction on the RBP Platform.

For LLC “Gas Transmission System Operator of Ukraine” general rules and conditions have been developed for the participation in the capacity auctions for incremental capacity in 2023. These are attached to this consultation document.

### LLC “Gas Transmission System Operator of Ukraine”

The general rules and conditions that a network user shall accept to participate and access capacity in the binding capacity allocation phase of the incremental capacity process are set out in Annex 1 of this consultation document and in the [Network Code](#) of LLC “Gas Transmission System Operator of Ukraine”.

### SNGTN TRANSGAZ S.A.

The general rules and conditions that a network user has to accept in order to participate and have access to capacity in the binding capacity allocation phase of the incremental capacity process are published on Transgaz' website at the following links:

[https://www.transgaz.ro/sites/default/files/Downloads/2021.12.14\\_Site\\_Codul%20Retelei\\_actualizat%20\\_EN2.pdf](https://www.transgaz.ro/sites/default/files/Downloads/2021.12.14_Site_Codul%20Retelei_actualizat%20_EN2.pdf)

<https://www.transgaz.ro/sites/default/files/Downloads/Ordin%20ANRE%20nr.%20130%20din%2024.06.2020-EN.pdf>

## 6. Information on the fixed price approach for the allocation of incremental capacity

LLC “Gas Transmission System Operator of Ukraine” and SNGTN TRANSGAZ S.A. do not choose the application of a fixed price approach for the acquisition of incremental capacity in 2023 (Article 28 (1) lit. g) NC CAM).

## 7. Estimation of the f-factor

LLC “Gas Transmission System Operator of Ukraine” proposes that the level of the f-factor shall be 1. The project assumptions are based on the non-binding demand indication received in the demand assessment phase. This f-factor was estimated based on the assumption that the given incremental capacity project is purely a market driven project and that the full cost of the project shall be covered by the capacity bookings in the relevant binding capacity auction.

SNTGN TRANSGAZ S.A. proposes the level for the f-factor to be 0.85. This f-factor level was estimated based on the assumption that 85% of the TSO allowed revenue is recovered from the capacity booking products, and 15% is recovered by applying of the commodity tariff for the transmitted quantity.

The f-factor will be applied to the current value of SNTGN TRANSGAZ S.A. authorized revenue estimated increase. The current value of the TSO authorized revenue estimated increase is determined based on the incremental capacity project estimated costs and on the rules for the calculation of the regulated revenue established in the Methodology for the establishment of the regulated tariffs for gas transmission services approved by Order 41/2019 of ANRE President.

## 8. Information on additional demand indications

Neither LLC “Gas Transmission System Operator of Ukraine” or SNGTN TRANSGAZ S.A. has received any additional demand indications for IP Tekovo / Mediesu Aurit in accordance with Article 26(7) of NC CAM.

## 9. Information on a possible impact on other non-depreciated gas infrastructure in the same and adjacent entry-exit systems

The realization of this incremental capacity project will not lead to a sustained and significant decrease in the utilization of other existing gas infrastructures in the two and adjacent entry-exit systems.

## 10. Contact information



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