

**Draft Project Proposal for the Incremental
Capacity Project at IP Isaccea1/Orlovka1
Located at the Border between Ukraine and
Romania 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 3 July 2023 until 28 August 2023. Based on the outcome of the MDAR for the incremental capacity process starting in 2023 between the Ukrainian gas transmission system and the Romanian gas transmission system and published on both TSOs websites on 23 October 2023 (https://tsoua.com/wp-content/uploads/2023/10/2023_10_23_MDAR_UA-RO_ENG.pdf, <https://www.transgaz.ro/en/demand-assessment-reports>) 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 “Gas Transmission System Operator of Ukraine” LLC (hereinafter referred to as **GTSOU**) and SNTGN TRANSGAZ S.A. and may be subject to change, based on feedback received via the public consultation.

The public consultation will be conducted during 1 February 2024 - 29 February 2024.

Please provide your replies by 29 February 2024 by email to commercial@tsoua.com and to demand.assessment@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 Isaccea1/Orlovka1, based on the relevant technical studies conducted by GTSOU and SNTGN 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.

The exit capacity from the NTS through the Isaccea 1/Orlovka 1 point is currently offered by SNTGN Transgaz SA as interruptible capacity.

The interruptible nature of the capacity offered at the Isaccea 1/Orlovka 1 point, on the Romania → Ukraine transmission direction, is conferred by the fact that the minimum natural gas quality requirements in Romania and Bulgaria are different from the quality requirements in Ukraine.

In order to ensure offering firm capacities by GTSOU, the firm capacities must be established further downstream, via interconnection points Kaushany and Grebenyky between GTSOU and Vestmoldtransgaz (VMTG - gas transmission system operator of Moldova).¹

Based on MDAR conclusions GTSOU and SNTGN TRANSGAZ S.A. have conducted studies to prepare a project for incremental capacity on the Ukrainian-Romanian border at IP Isaccea1/Orlovka1 in the (RO-UA) flow direction.

Consequently, as a result of the technical studies, GTSOU and SNTGN TRANSGAZ S.A suggest initiating an **incremental capacity project at the current interconnection point Isaccea1/Orlovka1 between Ukraine and Romania.**

Based on the demand indications received in the demand assessment phase GTSOU and SNTGN TRANSGAZ S.A propose the increase of technical capacity to the level of maximum demand i.e. of 206 520 746 kWh/d/year ².

GTSOU proposes to consider two options depending on the stability of the physical flow via IP Grebenyky:

- Option 1, short-term solution. Stable physical flow via CS Pivdennobuzka (UA) in the range (113 848 000 – 176 465 000 kWh/d/year³);
- Option 2, long-term solution. Stable physical flow via CS Pivdennobuzka (UA) in the range (22 770 000 – 176 465 000 kWh/d/year⁴).

¹ GTSOU and VMTG are conducting separate incremental process on respective interconnection points, for details please see their websites.

² which corresponds 19.3 mcm/d (20°C)

³ which corresponds 10.0-15.5 mcm/d (20°C)

⁴ which corresponds 2.0-15.5 mcm/d (20°C)

Option 1. Summary of project proposal technical parameters (the border pressure at IP Negru Voda1/Kardam 48.5 bar⁵):

Parameter	RO Section	UA Section
Technical capacity	206 520 746 kWh/d/year	206 520 746 kWh/d/year
Capacity type (quality)	Firm*	Firm**
Interconnection Point	Isaccea (Exit)	Orlivka (Entry)
Flow direction	RO→UA	RO→UA
Border pressure	44.1 bar (current minimum pressure 35.4 bar)	44.1 bar (45 kgf/cm ²), pipeline Kardam - Isaccea1. Minimum pressure requirement – 35 bar
New pipeline length	-	-
Required technical equipment	-	Reverse piping system of the unit Orlivka - 2 of CS Orlivka and CS Pivdennobuzka (use of existing gas pumping units)
Estimated Cost	-	2 600 000 EUR ⁶
Cost estimate accuracy	-	± 10%

* Subject to the harmonization of the minimum natural gas quality requirements of Bulgaria, Romania and Ukraine prior to the publication of the auction notification

**Subject to establishment of firm capacities on IPs Kaushany and Grebenyky between GTSOU and VMTG

Option 2. Summary of project proposal technical parameters (the border pressure at IP Negru Voda1/Kardam 48,5 bar):

Parameter	RO Section	UA Section
Technical capacity	206 520 746 kWh/d/year	206 520 746 kWh/d/year
Capacity type (quality)	Firm*	Firm**

⁵ which corresponds 49,6 kgf/cm²

⁶ the average monthly exchange rate of the NBU for November 2023 was used to calculate the cost in euros (1 EUR = UAH 39.01)

Interconnection Point	Isaccea (Exit)	Orlivka (Entry)
Flow direction	RO→UA	RO→UA
Border pressure	44.1 bar (current minimum pressure 35.4 bar)	44.1 bar (45 kgf/cm ²). Minimum pressure requirement – 35 bar
New pipeline length	-	-
Required technical equipment	-	Reverse piping system of the unit Orlivka-2 of CS Orlivka. Reconstruction of CS Pivdenobuzka: <ul style="list-style-type: none"> • 2 gas pumping units (3 MW installed capacity); • 2 gas pumping units (6 MW installed capacity).
Estimated Cost	-	68 444 000 EUR ⁵
Cost estimate accuracy	-	± 10%

* Subject to the harmonization of the minimum natural gas quality requirements of Bulgaria, Romania and Ukraine prior to the publication of the auction notification

** Subject to establishment of firm capacities on IPs Kaushany and Grebenyky between GTSOU and VMTG

1.1. Description of the project on the Ukrainian side (GTSOU)

New infrastructure required to be implemented on the GTSOU side.

In order to ensure the possibility of gas transmission in the direction from Romania to Ukraine (minimum pressure level of 35.4 bar from the Romanian side at the RO-UA border) with a maximum capacity level of 206 520 746 kWh/d/year, the following investments are required on the Ukrainian side:

1. Option 1. Reverse piping system of the unit Orlivka-2 of CS Orlivka and CS Pivdenobuzka.

Expected commissioning: Quarter 4/2025.

2. Option 2. Reverse piping system of the unit Orlivka-2 of CS Orlivka. Reconstruction of CS Pivdenobuzka:

- 2 gas pumping units (3 MW installed capacity);
- 2 gas pumping units (6 MW installed capacity).

Expected commissioning: Quarter 4/2028.

The firm capacities must be established further downstream, via interconnection points Kaushany and Grebenyky between GTSOU and VMTG.

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

In order to ensure the maximum capacity at the minimum pressure of 35.4 bar at the border (Isaccea exit to UA) no investments are needed on the Romanian side. To ensure the pressure of 44.1 bar it is necessary for Bulgartransgaz to make investments in their transmission system to ensure the entry pressure at IP Negru Voda 1/Kardam (BG-RO) of 48.5 bar. The provision of the capacity of 206 520 746 kWh/day/year at Isaccea IP, in the exit direction to Ukraine, is conditional on the provision of at least the same capacity at Negru Voda 1/Kardam IP, in the entry direction to Romania.

1.3. Cost estimation on the Ukrainian side (GTSOU)

The preliminary cost estimation for the implementation of the above-mentioned investment objectives on the Ukrainian side is approx.:

- Option 1. EUR 2.6 million (CAPEX);
- Option 2. EUR 68.4 million (CAPEX).

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

There are no estimated costs on the Romanian side as there is no need for investment objectives.

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 1 July 2024 of GTSOU and SNTGN 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 from the existing capacity, i.e. 10% for the first five years and 20% for the next ten years, according to Article 8(6) of NC CAM, and for the incremental capacity 10% over the whole period, the levels of the offer for bundled capacity products at **IP Isaccea1/Orlovka1 in the (RO-UA) flow direction**, are as follows:

No. of years	Gas year	Offer of existing available capacity (kWh/h/year)	Offer of incremental capacity (kWh/h/year)	Level of the harmonized offer in the direction RO→UA for the existing capacity and the incremental capacity (kWh/day/year) ⁷
1	2024/2025	109.279.087		109.279.087
2	2025/2026	109.279.087		109.279.087
3	2026/2027	109.279.087		109.279.087
4	2027/2028	109.279.087	76.589.584	185.868.671
5	2028/2029	109.279.087	76.589.584	185.868.671
6	2029/2030	97.136.966	76.589.584	173.726.551
7	2030/2031	97.136.966	76.589.584	173.726.551
8	2031/2032	97.136.966	76.589.584	173.726.551
9	2032/2033	97.136.966	76.589.584	173.726.551
10	2033/2034	97.136.966	76.589.584	173.726.551
11	2034/2035	97.136.966	76.589.584	173.726.551
12	2035/2036	97.136.966	76.589.584	173.726.551
13	2036/2037	97.136.966	76.589.584	173.726.551
14	2037/2038	97.136.966	76.589.584	173.726.551
15	2038/2039	97.136.966	76.589.584	173.726.551

The capacity offer (existing plus incremental) made available to the market at the Isaccea 1/Orlovka 1 IP, on the transmission direction Romania → Ukraine, remains interruptible until harmonization of the quality requirements in Romania, Bulgaria and Ukraine.

3. Allocation mechanism for incremental capacity

Both transmission system operators involved offer incremental capacity together with the corresponding available capacity in the annual yearly capacity auction as standard products in ascending clock price auctions.

4. Provisional timeline

The incremental capacity project will generally follow this timeline. However, the implementation phase will only start if there is a firm commitment by the market to acquire sufficient incremental capacity in the yearly auction on 1 July 2024 so that the economic test for the GTSOU is positive and the incremental capacity allocation process is successfully completed.

⁷ This offer level is only viable if the concerned national regulatory authorities publish a coordinated and positive decision on the project proposal by 26.04.2024.

The dates shown below are subject to change.

Start Date	End Date	Description
01.02.2024	29.02.2024	One month public consultation
01.03.2024	15.03.2024	Further development of the project proposal, potential adjustments of the project parameters based on public consultation feedback
16.03.2024		Submission of the project proposal to the NRAs
17.03.2024	26.04.2024	Period for national regulatory authorities to publish coordinated decisions on the project proposal
01.05.2024		Publication by the TSOs of the parameters approved by NRAs and of a template of the contract(s) related to the capacity to be offered
		Final date for publication of auction notice for the incremental capacity offer
01.07.2024		Conducting the yearly capacity auction/incremental capacity auction
		Publication of incremental capacity auctions result (aggregated)
2 days after auction closure		Economic test
1 day after the result of the economic test		Allocation/or not of the requested incremental capacity and publication of the results

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

During the binding capacity allocation phase GTSOU and SNTGN TRANSGAZ S.A. will offer the incremental capacities in an annual yearly auction on the RBP Platform.

For GTSOU general rules and conditions have been developed for the participation in the capacity auctions for incremental capacity in 2024. These are attached to this consultation document.

GTSOU

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](#) and in the [Gas Transportation Agreement](#) of GTSOU.

SNTGN 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 those set out in ANRE Order No 130/2020, as amended, available [here](#).

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

GTSOU and SNTGN TRANSGAZ S.A. do not choose the application of a fixed price approach for the acquisition of incremental capacity in 2024 (Article 28 (1) lit. g) NC CAM).

7. Estimation of the f-factor

GTSOU 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.

8. Information on additional demand indications

Neither GTSOU or SNTGN TRANSGAZ S.A. has received any additional demand indications for IP Isaccea1/Orlovka1 in the (RO-UA) flow direction 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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