



Draft project proposal for incremental capacity between the entry-exit systems of Romania ('RO') and Hungary ('HU')

This draft project proposal is a joint public consultation document pursuant to Article 27 (3) of Commission Regulation (EU) 2017/459 of 16 March 2017 establishing a network code on capacity allocation mechanisms in gas transmission systems and repealing Regulation (EU) No 984/2013 ('the NC CAM') prepared by SNTGN TRANSGAZ SA ('TRANSGAZ') and FGSZ Ltd. ('FGSZ').

The public consultation on this present draft project proposal runs from 01 February 2024 until 29 February 2024. Please provide your responses by 29 February 2024 via email to businessdevelopment@fgsz.hu and demand.assessment@transgaz.ro. Please note, that your responses will be published on the internet pages of FGSZ and TRANSGAZ.

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Based on Article 27 of the Commission Regulation (EU) 2017/459 (NC CAM) this analysis concerns the draft project proposal on the incremental capacity project for the Csanádpalota interconnection point (IP).

The Market Demand Assessment Report (MDAR) complying Article 26 NC CAM assessed the non-binding demand indication received in the Market Demand Assessment (MDA) launched on 3 July 2023. Based on the outcome of the MDA the MDAR for the Incremental Capacity between Romania and Hungary was published on 23 October 2023.

Assumptions presented in this document are based on the evaluation of last available known data and information.

Consultation period:

1 February 2024 - 29 February 2024.

1. Description of the incremental capacity project, including cost estimation

The Hungarian TSO, FGSZ Ltd. (FGSZ) and the Romanian TSO, Transgaz S.A. (Transgaz) propose the development of existing interconnection capacities at Csanádpalota interconnection point (IP).

The current technical capacity of the IP is 3,283,570 kWh/h (2.63 bcma). During the non-binding MDA carried out, capacity demands were received from several market participants, which, aggregated with the booked (reserved) capacities, could reach a maximum of 6,640,375 kWh (5.32 bcma) for the period concerned, thus foreseeably exceeding the current maximum technical capacity.

FGSZ and Transgaz identified three potential capacity levels, requiring different level of investment each.

Capacities, estimated CAPEX

Scenario	1	2	3
Capacity level	3,721,379 kWh/h (2.98 bcma)	5,472,617 kWh/h (4.38 bcma)	6,640,375 kWh/h (5.32 bcma)
Transgaz			
Expected CAPEX	25 mn EUR determined by applying the share of additional capacity in IP Csanádpalota in the total additional capacity provided by NTS developments of EUR 160 million	535 mn EUR determined by applying the share of additional capacity in IP Csanádpalota in the total additional capacity provided by NTS developments amounting to EUR 670 million	940 mn EUR determined by applying the share of additional capacity in IP Csanádpalota in the total additional capacity provided by NTS developments amounting to EUR 1075 million

Necessary developments	<ul style="list-style-type: none"> - New natural gas transmission pipeline Recas-Horia with diameter DN800, length approx. 50 km; - Amplification of the Podisor, Bibesti and Jupa Compressor Stations through the installation of a new additional compressor unit (4,6 MW of amplified installed power group) in each station; - Rehabilitating/ reclassifying existing pipelines; 		
		<ul style="list-style-type: none"> - New natural gas transmission pipelines: DN800-Bordosiu-Coroi x 14.4 km, DN800-Sendreni-Onesti x 150 km, DN800-Botorca-Băcia x 126 km; - Two new compression stations: Coroi with installed capacity of 13.8 MW and Cobadin with installed capacity of 9.2 MW. - Expansion of an existing compressor station at Onesti with an installed capacity of 4.6 MW. 	<ul style="list-style-type: none"> - New natural gas transmission pipelines: DN800-Bordosiu-Coroi x 14.4 km, DN800-Sendreni-Onesti x 150 km, DN800-Botorca-Băcia x 126 km, DN700-Horia-Csanadpalota x 62 km, DN600-Vintu-Băcia x 52 km, DN250-Cristur-Bordosiu x 27.5 km. - Four new compressor stations: Coroi with an installed capacity of 24.6 MW, Cobadin with an installed capacity of 9.2 MW, Bătani with an installed capacity of 24.6 MW, Hateg with an installed capacity of installed capacity 9.2 MW (and the use of the Vintu compressor station as the first the first compression stage for the new Hateg compression station). - Expansion of an existing compressor station at Onesti with an installed capacity of 4.6 MW.
f-factor	0.85	0.85	0.85
Planned commercial operational date	2028	2028	2029
FGSZ			
Expected CAPEX	3.1 mn EUR	127.2 mn EUR	131.1 mn EUR
Necessary developments	Upgrade of Csanádpalota CS with 1 additional unit		
		Upgrade of Csanádpalota GMS depending on final capacity Construction of Algyő-Városföld DN1000, PN63, 70 km pipeline and upgrading the Algyő node	
f-factor	1.0	1.0	1.0
Planned commercial operational date	2028	2028	2029

2. Offer levels for bundled capacity products at the interconnection point IP Csanádpalota

In the direction RO-HU taking into account the booked capacity and the capacity required to be set aside for short-term products, i.e. 10% of existing technical capacity in the first 5 gas years (between gas years 2024/2025 and 2028/2029 included) and 20% thereafter, in accordance with Art. 8(8) of the NC CAM, and 10% of the incremental capacity starting with the year 2028/2029, the levels of the offer for bundled capacity products at the interconnection point are as follows:

No.of Years	Gas year	Available existing capacity offer (kWh/h/year)	Incremental capacity offer in Scenario 1 (increase by 40.000 Scm/h) (kWh/h/year)	Level of the harmonised offer in the direction RO→HU for existing capacity and incremental capacity - related to Scenario 1 (kWh/h/year)*
1	2024/2025	1.924.713		1.924.713
2	2025/2026	2.019.212		2.019.212
3	2026/2027	2.950.712		2.950.712
4	2027/2028	772.026		772.026
5	2028/2029	772.026	394.028	1.166.054
6	2029/2030	686.246	394.028	1.080.274
7	2030/2031	1.665.638	394.028	2.059.666
8	2031/2032	1.665.638	394.028	2.059.666
9	2032/2033	2.626.856	394.028	3.020.884
10	2033/2034	2.626.856	394.028	3.020.884
11	2034/2035	2.626.856	394.028	3.020.884
12	2035/2036	2.626.856	394.028	3.020.884
13	2036/2037	2.626.856	394.028	3.020.884
14	2037/2038	2.626.856	394.028	3.020.884
15	2038/2039	2.626.856	394.028	3.020.884

* Only the offer level for which the national regulatory authorities concerned publish a coordinated and positive decision on the project proposal by 26.04.2024 at the latest is viable.

No.of Years	Gas year	Available existing capacity offer (kWh/h/year)	Incremental capacity offer in Scenario 2 (increase by 200.000 Scm/h) (kWh/h/year)	Level of the harmonised offer in the direction RO→HU for existing capacity and incremental capacity - related to Scenario 2 (kWh/h/year)*
1	2024/2025	1.924.713		1.924.713
2	2025/2026	2.019.212		2.019.212
3	2026/2027	2.950.712		2.950.712
4	2027/2028	772.026		772.026
5	2028/2029	772.026	1.970.142	2.742.168
6	2029/2030	686.246	1.970.142	2.656.388
7	2030/2031	1.665.638	1.970.142	3.635.780
8	2031/2032	1.665.638	1.970.142	3.635.780

9	2032/2033	2.626.856	1.970.142	4.596.998
10	2033/2034	2.626.856	1.970.142	4.596.998
11	2034/2035	2.626.856	1.970.142	4.596.998
12	2035/2036	2.626.856	1.970.142	4.596.998
13	2036/2037	2.626.856	1.970.142	4.596.998
14	2037/2038	2.626.856	1.970.142	4.596.998
15	2038/2039	2.626.856	1.970.142	4.596.998

* Only the bid level for which the relevant national regulatory authorities publish a coordinated and positive decision on the project proposal by 26.04.2024 at the latest is viable

No.of Years	Gas year	Available existing capacity offer (kWh/h/year)	Incremental capacity offer in Scenario 3 (increase by (307.000 Scm/h) (kWh/h/year)	Level of the harmonised offer in the direction RO→HU for existing capacity and incremental capacity - related to Scenario 3 (kWh/h/year)*
1	2024/2025	1.924.713		1.924.713
2	2025/2026	2.019.212		2.019.212
3	2026/2027	2.950.712		2.950.712
4	2027/2028	772.026		772.026
5	2028/2029	772.026	-	772.026
6	2029/2030	686.246	3.021.125	3.707.371
7	2030/2031	1.665.638	3.021.125	4.686.763
8	2031/2032	1.665.638	3.021.125	4.686.763
9	2032/2033	2.626.856	3.021.125	5.647.981
10	2033/2034	2.626.856	3.021.125	5.647.981
11	2034/2035	2.626.856	3.021.125	5.647.981
12	2035/2036	2.626.856	3.021.125	5.647.981
13	2036/2037	2.626.856	3.021.125	5.647.981
14	2037/2038	2.626.856	3.021.125	5.647.981
15	2038/2039	2.626.856	3.021.125	5.647.981

*Only the bid level for which the relevant national regulatory authorities publish a coordinated and positive decision on the project proposal by 26.04.2024 at the latest is viable.

3. Provisional timelines of the incremental capacity project

	FGSZ project scenarios			Transgaz project scenarios		
Milestone	1	2	3	1	2	3
Binding Capacity Allocation and Economic Test	July 2024	July 2024	July 2024	July 2024		
Final investment decision	Q4 2024	Q4 2024	Q4 2024	Q3 2024		

Completion of engineering and permitting	Q4 2025	Q4 2025	Q4 2025	Q3 2024	Q2 2026	Q4 2026
Construction starts	Q1/2026	Q3 2025	Q3 2025	Q2 2025	Q1 2027	Q3 2027
Construction ends	Q4/2026	Q4 2027	Q4 2027	Q4 2026	Q2 2028	Q2 2029
Commercial operation	Q1/2027	Q4 2027	Q4 2027	Q1 2027	Q3 2028	Q3 2029

4. General rules and conditions for the binding capacity allocation phase

TRANSGAZ's general rules and conditions that a network user must accept to participate and access capacity in the binding capacity allocation phase of the incremental capacity process are set out in ANRE order no 130/2020 as amended and supplemented accessible [here](#).

FGSZ's general rules and conditions that a network user must accept to participate and access capacity in the binding capacity allocation phase of the incremental capacity process are set out in the Business Code of FGSZ Ltd. accessible [here](#).

Capacities will be offered on Regional Booking Platform, jointly identified by concerned TSOs, as bundled capacities in both directions in the annual yearly auction for 15 consecutive gas years starting from 1 October 2024 and starting with the 2028/2029 gas year incremental capacity will be included.

The Design phase will be finalized by 15 March 2024 at the latest and it will be concluded with the submission of all the relevant documentation to the Hungarian and Romanian NRAs for evaluation and approval. In case of coordinated approvals of the proposed project by the NRAs, an allocation notice is expected to be published on 1 May 2024 and the incremental capacity to be allocated during the annual yearly auctions on 1 July 2024.

In order to proceed with the realization of the Transportation Contract(s) by all the Shipper(s) with successful binding commitments, the outcome of economic tests on both sides of the interconnection point must be positive.

5. Provisional calendar

The incremental capacity project will generally follow this calendar. However, the implementation phase will only start if there is a firm commitment from the market to procure sufficient incremental capacity in the annual auction on 1 July 2024 so that the economic tests for the Romanian TSO and the Hungarian TSO are positive, and the incremental capacity allocation process is successfully completed.

The deadlines below may be modified.

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 to project parameters based on responses to the public consultation
16.03.2024		Submission of project proposal to NRAs
17.03.2024	26.04.2024	Deadline for publication of coordinated decisions by national regulatory authorities on the project proposal
01.05.2024		Publication by TSOs of parameters approved by NRAs and model contract(s) related to capacity to be offered
		Deadline for publication of auction notice for incremental capacity offer
01.07.2024		Annual capacity auction/incremental capacity auction
		Publication of the result of the incremental (bundled) capacity auctions
2 days from auction close		Economic test
1 day from obtaining the result of the economic test		Allocation/or not of requested incremental capacity and publication of the results

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

FGSZ and SNGTN TRANSGAZ S.A. do not choose to apply a fixed price approach for the procurement of incremental capacity in 2024 (Article 28(1)(g) CAM NC).

7. Level of user commitments as an estimate of the f-factor

The level of user commitments, expressed as TRANSGAZ's estimate of the f-factor is 0.85. This level of the f-factor was estimated based on the assumption that 85% of the recognised revenue of the TSO is recovered from the capacity booking products and 15% is recovered by applying the commodity tariff for the transmitted quantity.

The level of user commitments, expressed as FGSZ' estimate of the f-factor is 1.0.

8. Additional demand indications

TRANSGAZ did not receive any additional demand indications in accordance with Article 26(7) of the NC CAM.

FGSZ did not receive any additional demand indications in accordance with Article 26(7) of the NC CAM.

9. Miscellaneous

- Shipper is committed to the contracted incremental capacity and is not allowed to cancel the contracted incremental capacity at any time.
- The commitment of Transgaz and FGSZ to the contracted incremental capacity is subject to positive outcomes of the economic tests on both sides of the interconnection point for the relevant offer level.
- In case more than one offer level results in a positive outcome of the economic test on both sides of the relevant interconnection point Transgaz and FGSZ shall initiate an incremental capacity project corresponding to the offer level with the largest amount of capacity that resulted in a positive outcome.
- In case the outcomes of the economic tests on both sides of the relevant interconnection point are negative according to the requirements set by Commission Regulation (EU) 2017/459 at all offer levels, the incremental capacity process shall be terminated.
- All contracted incremental capacity that, as a result of the negative economic tests, will not be part of an incremental capacity project shall automatically be terminated, without the obligation for Transgaz and FGSZ to pay any damages or costs to shipper.
- If Transgaz and FGSZ are unable to make the contracted incremental capacity for the interconnection point Csanádpalota available to shipper in time, Transgaz and FGSZ shall continue to endeavor to make the contracted incremental capacity available at the earliest practicable date thereafter.