

DECISION No 797 / 22.04.2024

for approving the incremental capacity project proposal between the natural gas transmission systems of Romania and Ukraine, at the common interconnection point Isaccea 1/Orlovka 1, according to the provisions of Commission Regulation (EU) 2017/459 establishing a network code on capacity allocation mechanisms in gas transmission systems and repealing Regulation (EU) No 984/2013

Having regard to the provisions of:

- Article 28 paragraph (2) 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, hereinafter referred to as *Regulation (EU) 2017/459*,
- Article 99 letter k), Article 102¹ paragraph (2¹), and Article 130 paragraph (1) letter q) of Electricity and Natural Gas Law No 123/2012, as subsequently amended and supplemented,

Taking into account:

- The document entitled "*Report on the incremental capacity demand assessment between the gas transmission system in Ukraine and the gas transmission system in Romania*" dated 23.10.2023, issued by the National Natural Gas Transmission Company "Transgaz" S.A. and LLC "Gas Transmission System Operator of Ukraine", as operators of the natural gas transmission systems of Romania and Ukraine respectively, in accordance with Article 26 of Regulation (EU) 2017/459, published on the websites of the above-mentioned operators on 23.10.2023 and communicated to the Romanian Energy Regulatory Authority – ANRE by Transgaz SA address No 4094/16.01.2024, registered at ANRE under No 5649/17.01.2024, which indicates that an incremental capacity project must be initiated;
- The joint public consultation on the document entitled "*Draft project proposal on incremental capacity at the common interconnection point IP Isaccea 1/Orlovka*", carried out by Transgaz SA and LLC "Gas Transmission System Operator of Ukraine" during the period 01.02.2024-29.02.2024, in accordance with Article 27 paragraph (3) of Regulation (EU) 2017/459, which was communicated to the Romanian Energy Regulatory Authority by Transgaz SA address No 11808/09.02.2024, registered at ANRE under No 23674/12.02.2024;
- The incremental capacity project proposal developed by the National Natural Gas Transmission Company "Transgaz" S.A. and LLC "Gas Transmission System Operator of Ukraine", in accordance with Article 27 of Regulation (EU) 2017/459, submitted to ANRE and registered under No 47675/26.03.2024,

Pursuant to Article 5 paragraph (1) letter d) and Article 10 paragraph (1) letter a) of Government Emergency Ordinance No 33/2007 on the organisation and functioning of the Romanian Energy Regulatory Authority, approved with amendments and supplements by Law No 160/2012, as subsequently amended and supplemented,

The President of the Romanian Energy Regulatory Authority issues the following

DECISION

Art. 1 The incremental capacity project proposal between the natural gas transmission systems of Romania and Ukraine, developed by the National Natural Gas Transmission Company “Transgaz” S.A. and LLC “Gas Transmission System Operator of Ukraine”, in accordance with the provisions of Article 27 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, as set out in the Annex hereto, is hereby approved.

Art. 2 The National Natural Gas Transmission Company “Transgaz” S.A. and LLC “Gas Transmission System Operator of Ukraine” shall publish jointly, by 1 May 2024, a notice in the Romanian and the Ukrainian language and, to the extent possible, in English, which shall include the information provided under Article 28 paragraph (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.

Art. 3 The present decision shall be communicated to the National Energy and Utilities Regulatory Commission of Ukraine - NEURC, the National Natural Gas Transmission Company "Transgaz" S.A. and LLC "Gas Transmission System Operator of Ukraine" and published on the website of ANRE.

Art. 4 The present decision shall enter into force upon approval by the National Energy and Utilities Regulatory Commission of Ukraine - NEURC of the incremental capacity project proposal referred to under Article 1, in accordance with the provisions of Article 28 paragraph (2) 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.

President of the Romanian Energy Regulatory Authority

George-Sergiu Niculescu

**Incremental Capacity Project Proposal according
to Article 28 (1) NC CAM for IP Isaccea1/Orlovka1
Located at the Border between Ukraine and
Romania Gas Transmission Systems**

2024-03-16



The application for an incremental capacity project for the market border between Ukraine and Romania has to be approved by the respective national regulatory authorities (NRAs). This document presents an incremental capacity project proposal for the interconnection point between Ukraine and Romania (in the direction from Romania to Ukraine) Isaccea1/Orlovka1 and has been jointly developed by:



**LLC "Gas Transmission System Operator
of Ukraine"**

Liubomyra Huzara av. 44

03065 Kyiv

Ukraine

E: commercial@tsoua.com

SNTGN TRANSGAZ S.A.

C.I. Motas Square Nr.1

551130 Medias/Sibiu,

Romania

E: cabinet@transgaz.ro



According to Article 28 (1) NC CAM, LLC "Gas Transmission System Operator of Ukraine" (hereinafter, GTSOU) submits this proposal for approval to the National Energy and Utilities Regulatory Commission (hereinafter, the NEURC) and SNTGN TRANSGAZ S.A. (hereinafter, TRANSGAZ S.A.) submits this proposal for approval to Romanian National Energy Regulatory Authority (hereinafter, the ANRE).

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1. Introduction to the application of the project proposal for incremental capacity

The following abbreviations are used in this document:

NC CAM = 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;

NC TAR = Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas.

Following the structure of Article 28 (1) NC CAM, this application is structured as follows:

- Offer Level of the incremental capacity (Art. 28 (1) (a) NC CAM),
- Terms and Conditions for the Incremental Capacity Auction to be accepted by the network user for the acquisition of incremental capacity (Art. 28 (1) (b) NC CAM),
- Timetable for the project of incremental capacity (Art. 28 (1) (c) NC CAM),
- Parameters of the economic test (Art. 28 (1) (d) NC CAM),
- Information on a possible extended time horizon for contracting incremental capacity (Art. 28 (1) (e) NC CAM),
- Information on an alternative allocation mechanism (Art. 28 (1) (f) NC CAM),
- Information on a possible fixed price approach (Art. 28 (1) (g) NC CAM).

Transmission system operators GTSOU and TRANSGAZ S.A. **have received non-binding demand indications for the firm capacity in the direction from Romania to Ukraine.** Currently, there is no existing firm capacity between the entry-exit system of Ukraine and Romania in the requested direction.

The Market Demand Assessment Report (MDAR) assessed the non-binding demand indication received from 3 July 2023 to 28 August 2023. Based on the outcome of the MDAR for the incremental capacity process starting in 2023 between Ukraine gas transmission system and Romania gas transmission system, published on both TSOs' websites on 23 October 2023, the TSOs concerned have begun the design phase based on Article 27 of NC CAM.

As a result of the technical studies, GTSOU and TRANSGAZ S.A. suggest implementing an **incremental capacity project at the current IP Isaccea1/Orlovka1 (direction RO-UA) between Romania and Ukraine.**

GTSOU and TRANSGAZ S.A. decided to offer for the incremental capacity process the maximum capacity in the amount of 206 520 746 kWh/d/y.

Considering maturity of the technical solution, both Transmission System Operators propose the readiness to conduct the auction in July 2024.

The public consultation of the Draft Project Proposal were held from 1 February to 29 February 2024. GTSOU and TRANSGAZ S.A. received comments on the Project Proposal. The questions and answers are presented in Annex 2 to this document. Neither GTSOU nor TRANSGAZ S.A. received comments to the General Terms and Conditions of participation in and access to capacity in the binding phase of allocation of incremental capacity on the border between Ukraine and Romania (GTSOU and TRANSGAZ S.A. documents).

2. Offer level for incremental capacity (Art. 28 (1) (a) NC CAM)

According to Article 28 (1) (a) NC CAM, GTSOU and TRANSGAZ S.A. apply to the relevant NRAs to approve the common offer level for **unbundled capacity products** to be marketed at IP Isaccea1/Orlovka1 at the **yearly capacity auction in 2024** as presented below.

Currently there is no existing firm capacity between the entry-exit system of Ukraine and Romania at this IP in the requested direction. Both GTSOU and TRANSGAZ S.A. are currently offering capacity of IP Isaccea1/Orlovka1 (direction RO-UA) on the interruptible basis. The interruptible nature of the capacity offered at IP Isaccea1/Orlovka1 point (direction RO-UA), 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 IPs Kaushany and Grebenyky between GTSOU and Vestmoldtransgaz (hereinafter, VMTG - gas transmission system operator of Moldova).¹

The table below shows the common offer-level for the capacity marketing in the yearly capacity auction on 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 offer levels for unbundled capacity products at **IP Isaccea1/Orlovka1 (direction RO-UA)** are as follows:

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

No. of years	Gas year	Offer of existing available capacity, (kWh/d/y)	Offer of incremental capacity, (kWh/d/y)	Level of the harmonized offer in the direction RO→UA for the existing capacity and the incremental capacity, (kWh/d/y) ²
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 IP Isaccea1/Orlovka1 (direction RO-UA) remains interruptible until harmonization of the quality requirements in Romania, Bulgaria and Ukraine.

The offer level of incremental capacity can be marketed to network users no earlier than gas year 2027/2028 because of the project's specifics upstream, on the Bulgarian side and on downstream, on the Ukrainian side.

GTSOU and TRANSGAZ S.A. will market the offer level at an annual yearly auction on 1 July 2024 on the RBP Platform.

² This offer level is only viable if the concerned national regulatory authorities publish a coordinated and positive decision on the project proposal by 26 April 2024.

3. Terms and Conditions for the incremental capacity auction to be accepted by the network user for the acquisition of incremental capacity (Art. 28 (1) (b) NC CAM)

For the marketing of incremental capacity (i.e. the offer level) in the yearly capacity auction 2024, GTSOU and TRANSGAZ S.A. have developed individual general terms and conditions for the incremental capacity auction to be accepted by the network user before the incremental capacity auction. These are attached to this Project proposal for the approval.

According to Article 28 (1) (b) NC CAM,

- GTSOU submits to the NEURC its “General Terms and Conditions to Which Network Users Shall Agree in Order to Obtain Access to Capacity in the Binding Phase of Capacity Allocation of the Incremental Capacity Procedure on the Border between Ukraine and Romania at IP Isaccea1/Orlovka1 for the flow direction (RO-UA)” (hereinafter: INC GT&C) which have been provided along with this application (Annex 1 of this Project proposal for the approval). To be eligible to participate in the auction, network users will have to accept the INC GT&C as well as other GTSOU rules that are required to participate in the auction on a regular basis, such as the Gas Transportation Agreement of GTSOU, the Transmission Network Code;

- 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.

Regardless of the fact that both GTSOU and TRANSGAZ S.A. publish terms and conditions for the incremental capacity auction in English and in their respective national languages, only Ukrainian and Romanian versions respectively, shall be considered as binding.

4. Timetable for the binding incremental capacity procedure and incremental capacity project (Art. 28 (1) (c) NC CAM)

The TSOs shall offer incremental capacity in the Romania-Ukraine direction in accordance with Article 29 NC CAM in the annual capacity auction as standard unbundled products in ascending price auctions in accordance with Article 17 and in accordance with Article 8(8) and (9) and Article 19 NC CAM.

Milestone	Deadline* (dd/mm/yyyy)
Announcement of the binding procedure on incremental capacity	02.05.2024
Registration of network users for GTSOU on the RBP platform	24.06.2024
Registration of network users for TRANSGAZ S.A. on the RBP platform	24.06.2024
Provision of the guarantee for participation in the auction to GTSOU	25.06.2024
Provision of the auction guarantee to TRANSGAZ S.A.	25.06.2024
Start date for submission of bids: Submission of bids in the RBP according to the 2024 auction calendar	01.07.2024 (10:00 EET)
Publication of the final results of the economic test.	within 2 working days from the date of the end of the auction
In the case of a positive economic test, the two TSOs shall send confirmation of the result of the allocation to the Network User(s) who submitted a successful bid.	within 1 working day from the date of publication of the economic test results
The capacity booking contract(s) concluded under the Incremental Capacity Procedure shall be concluded in writing for TRANSGAZ S.A.	within 10 working days from the date of the closing of the auction
Return of auction guarantee that did not result in an incremental capacity contract	within 10 working days from the date of the closing of the auction

** All deadlines shall be deemed to be 23:59 EET of that day unless otherwise indicated*

According to Article 28 (1) (c) NC CAM, GTSOU requests to approve the following timetable for its incremental capacity project.

Option 1.

Time period	Milestone
01/07/2024	Yearly capacity auction in July 2024 and followed by an economic test
2Q/2025	Building permits obtained
4Q/2025	Construction contracts signed
3Q/2026	Permit to use obtained
4Q/2026	Commissioning of the project
1/10/2027	Expected start of commercial operation of the new infrastructure

Option 2.

Time period	Milestone
01/07/2024	Yearly capacity auction in July 2024 and followed by an economic test
3Q/2025	Building permits obtained
1Q/2026	Construction contracts signed
3Q/2028	Permit to use obtained
4Q/2028	Commissioning of the project
1/10/2028	Expected start of commercial operation of the new infrastructure

Time periods for signing contracts and obtaining building permits are indicated as the latest finished milestones.

The timeframes of work completion may be updated due to existing uncertainty related russia's full-scale war with Ukraine.

The construction phase will only start if there is a commitment by network users to acquire the respective incremental capacities in the yearly auction 2024 and if the result of economic test is positive for GTSOU. Besides, the amount of total booked capacity must be in the range specified in option 1 or option 2 respectively, to comply with technical requirements.

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/day/year);
- **Option 2**, long-term solution. Stable physical flow via CS Pivdennobuzka (UA) in the range (22 770 000 – 176 465 000 kWh/day/year).

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

Parameter	TRANSGAZ S.A. Section	GTSOU Section
Technical capacity	206 520 746 kWh/day/year	206 520 746 kWh/day/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 – 35,4 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).

* 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	TRANSGAZ S.A. Section	GTSOU Section
Technical capacity	206 520 746 kWh/day/year	206 520 746 kWh/day/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 – 35,4 bar)
New pipeline length	-	-
Required technical equipment	-	Reverse piping system of the unit Orlivka-2 of CS Orlivka. Reconstruction of CS Pivdennobuzka: <ul style="list-style-type: none"> • 2 gas pumping units (3 MW installed capacity); • 2 gas pumping units (6 MW installed capacity).

* 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

Description of the project on the Ukrainian side (GTSOU)

Expansion required within the GTSOU grid:

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 Orlovka-2 of CS Orlovka and CS Pivdenobuzka.

Expected commissioning: Quarter 4/2026.

Cost estimation: 2 600 000 EUR³.

Cost estimate accuracy: ± 10%.

2. Option 2. Reverse piping system of the unit Orlovka-2 of CS Orlovka. 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.

Cost estimation: 68 444 000 EUR⁷

Cost estimate accuracy: ± 10%.

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

Description of the project on the Romanian side (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 IP Isaccea1/Orlovka1, in the exit direction to Ukraine, is conditional on the provision of at least the same capacity at IP Negru Voda1/Kardam, in the entry direction to Romania.

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

5. Parameters of the economic test (Art. 28 (1) (d) in conjunction with Art. 22 (1) NC CAM)

According to Article 28 (1) (d) NC CAM, GTSOU and TRANSGAZ S.A. send requests to approve the parameters of the economic test.

³ the average monthly exchange rate of the NBU for January 2024 was used to calculate the cost in euros (1 EUR = UAH 41.36)

The economic test is based on the following parameters according to Article 22 (1) NC CAM:

- a) The present value of the binding commitments of the network users for contracting capacity.
- b) The present value of the estimated increase in the allowed or target revenue of the TSO associated with the incremental capacity included in the respective offer level.
- c) The f-factor.

Tariff for determining the present value of binding commitments of network users - GTSOU

The economic test will use the current tariff for IP Isaccea1/Orlovka1 (entry), which is determined for the period from 1 January 2020 to 31 December 2024, and approved by the NEURC resolution No. 3013 of 24 December 2019. The specified tariff for a yearly product is USD 4.45 for 1000 cm/day without VAT (USD 0.502/(MWh/h)/h⁴ with VAT; EUR 0.460/(MWh/h)/h⁵ with VAT⁶).

The present value of the estimated increase in the allowed revenue of the transmission system operator associated with the incremental capacity - GTSOU

The value of the expected increase in the allowed revenues corresponds to the value of investment costs for the project and is calculated for the period covering the contractual incremental capacity that is offered during the auction allocation of capacity for IP Isaccea1/Orlovka1.

GTSOU accepted the discount rate of 6.50% to calculate the discounted value of the allowed revenues related to the implementation of the project and supply on the capacity market on the border between Romania and Ukraine in 2027-2039.

The discount rate (6.50%) is determined as of December 2023 based on the interest rate on new loans in US dollars to non-financial corporations for a period of more than 5 years (Financial markets statistics "Interest rates on loans and deposits. Securities issued by residents. PFTS index" <https://bank.gov.ua/ua/statistic/sector-financial#2fs>).

F-factor for GTSOU

The f-factor must take the following into account:

- a) The amount of technical capacity set aside according to Articles 8 (8) and (9) NC CAM;
- b) The positive externalities of the incremental capacity project on the market, the transmission network, or both;
- c) The duration of the binding commitments of the network users for contracting capacity compared to the economic life of the asset;

⁴ assumed gross calorific value 10,64 kWh/m³ (25/20)

⁵ the average monthly exchange rate of the NBU for January 2024 was used to calculate the tariff (1 USD = UAH 37.87).

⁶ the standard VAT rate in Ukraine in 2023 is 20%

- d) The extent to which the demand for the capacity established in the incremental capacity project can be expected to continue after the end of the time horizon used in the economic test.

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. Based on it, on the GTSOU side, there are no conditions allowing GTSOU to request an approval involving an f-factor which is less than 1.

In addition, considering the level of incremental capacity to be offered and the required level of revenues from the binding commitments of the network users to pass the economic test with an f-factor equalling 1, **it is not necessary to apply a mandatory minimum premium.**

GTSOU requests approval of an f-factor which amounts to 1 for the application of the economic test.

Based on the above considerations a single economic test is planned with the relevant results of binding incremental capacity auctions for IPs Isaccea1/Orlovka1 (direction RO-UA). The economic test calculation tool provided by GTSOU has been filled in accordingly and is attached along with this application.

Reference price for determining the present value of the binding commitments of network users – TRANSGAZ S.A.

The reference price for Transgaz is the capacity booking tariff for exit points from the NTS, approved by ANRE for the gas year October 2024 - September 2025.

Present value of the estimated increase in the allowed revenues due to capacity increase – TRANSGAZ S.A. This is not the case, considering that the incremental capacity offer does not imply any new investment.

F-factor for TRANSGAZ S.A.

For SNTGN TRANSGAZ S.A. the level for the f-factor is 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.

6. Possible extended time horizon for contracting incremental capacity (Art. 28 (1) (e) NC CAM)

Based on a common decision, GTSOU and TRANSGAZ S.A. agree that, for this incremental capacity project, no extended time horizon for contracting incremental capacity is needed according to Art. 30 NC CAM.

7. Alternative allocation mechanism (Art. 28 (1) (f) NC CAM)

GTSOU and TRANSGAZ S.A. abstain from an application of an alternative allocation mechanism for the acquisition of incremental capacity according to Article 28 (1) (f) NC CAM. Based on a common decision, both TSOs will apply the standard auction procedure for incremental capacity in 2024.

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

8. Information on the fixed price approach for the allocation of incremental capacity (Art. 28 (1) (g) NC CAM)

GTSOU and 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).



9. Contact information



LLC "Gas TSO of Ukraine"

Gas Transmission Operator SNTGN TRANSGAZ S.A.

Andrii Yefanov

Barbu Teodora

Head of Auction Platforms Support Unit

Head of Transmission Capacities
Management Department

Telephone:
+38 044 298 69 56

Telephone:
+400269/803125

Email:
yefanov-av@tsoua.com

Email:
teodora.barbu@transgaz.ro

Liubomyra Huzara av. 44
03065, Kyiv
Ukraine

C.I. Motas, Nr 1. Square
551130, Medias, Sibiu,
Romania

Telephone:
+38 044 239 78 43

Fax:
+4 0269 841181

Email:
commercial@tsoua.com

Email:
cabinet@transgaz.ro



Annex 1. GTSOU General terms and conditions to which network users shall agree in order to obtain access to capacity in the binding phase of capacity allocation of the incremental capacity procedure on the border between Ukraine and Romania at IP Isaccea1/Orlovka1 for the flow direction (RO-UA).

The document is published on the official website of GTSOU and is available at the following link:

<https://tsoua.com/en/business-services/order-and-payment/capacity-allocation-at-interconnection-points/auction-platforms-and-interconnection-points/incremental-capacity-process-non-binding-phase/>

Annex 2. Outcome of the Public Consultation

The following questions were received during the consultation:

1. As mentioned in the document, *„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.”* Furthermore, the document mentions that *„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.”*

As this is the case, would you be able to provide a timeframe for the harmonization of the quality requirements in question, and as a consequence a date from which the capacity made available will have a firm type?

Answer: Regarding the existence of a timetable for the harmonisation of quality requirements, we would like to mention that the issue of harmonisation of quality requirements is currently being addressed at regional level under the coordination of DG ENER. Thus, at the CESEC High Level Group Ministerial Meeting held on 19.01.2024 in Athens, the CESEC Gas Action Plan was endorsed, which foresees in Chapter 2.2. Gas Market Integration Actions and Policy Priorities, and the Gas Quality Harmonisation Action, with a deadline for completion by the end of 2024.

2. As the type of the mentioned capacity is linked to the issue of gas quality requirements, is it fair to understand that should the project be approved (including via commitments from market participants), then there is the possibility that the new (incremental) capacity will only be made available as interruptible?

Answer: As soon as the process of harmonization of quality requirements is complete, both existing physical capacity and capacity resulting from the incremental capacity process will become firm capacity.

3. Section 1.2 of the document mentions that *„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.”*

Seeing that the project in question involves investments on both the Romanian and Ukrainian side, would it be possible to include and mention the necessary investments such that the necessity of the same capacity at Negru Voda 1/Kardam IP be lifted?

Answer: First of all we would like to point out that, according to the draft Incremental Capacity Project Proposal for Isaccea 1/Orlovka 1 IP, **no** investments are needed on the Romanian side.

The indicative non-binding demands for incremental capacity, received during the application assessment period, showed a high level of capacity needs both in IP Negru Voda 1/Kardam, on the entry direction in Romania from Bulgaria, and in IP Isaccea 1/Orlovka 1, on the exit direction from Romania to Ukraine and further downstream, via interconnection points Kaushany and Grebenyky between GTSOU and VMTG.

In close correlation with the indicative demands received, the Project Proposal considers the provision of capacity of 206 520 746 kWh/d/y at Isaccea 1/Orlovka 1 - Exit IP, subject to the provision of at least the same capacity at Negru Voda 1/Kardam - Entry IP, in the context of natural gas transmission on the Transbalkan corridor, through the former transit pipelines, in the South → North direction.

4. Since this project is a consequence of the Market Demand Assessment Report (MDAR) in 2023, which showed interest in increased capacity made available to the market on the Romania – Ukraine direction, is there also a possibility of putting forward a proposal for capacity on the IP Tekovo/Mediesu Aurit?

This is also following the consultation from January 2022 on the „Draft Project Proposal for the Incremental Capacity Project at IP Tekovo/Mediesu Aurit Located at the Border between Ukrainian and Romanian Gas Transmission Systems”. Would you be able to provide and update on the said project at IP Tekovo/Mediesu Aurit?

Answer: According to the Report on the evaluation of the incremental capacity demands between the Ukrainian gas transmission system and the Romanian gas transmission system, published on the TRANSGAZ website on 23.10.2023, for the IP Mediesu Aurit - Tekovo, regardless of the transmission direction, no indicative non-binding demands for incremental capacity have been submitted.

The project proposal for incremental capacity at Tekovo/Mediesu Aurit IP in 2021 agreed by the two transmission operators has been submitted to ANRE for approval. In the absence of an answer from ANRE within the deadline set by Regulation (EU) 2017/459 - CAM NC, the incremental capacity project was stopped. No communication has been received from the Ukrainian side regarding the approval/rejection of the project by the Ukrainian regulator either.

It is possible to request incremental capacity in the next demand assessment process in 2025.

5. As a follow-up on the previous question, could you provide a timeframe for making available to the market the existing capacity at the IP Tekovo/Mediesu Aurit, which would also help in reducing transport costs in the region?

Answer: We are unable to provide a timeline. For the existing capacities at the Tekovo/Mediesu Aurit UA-RO IP, the Romanian TSO and the Ukrainian TSO are in the process of negotiating the signing of a new Interconnection Agreement.

6. Section 1.1 of the document mentions that, in order for the capacities to be made available on the Ukrainian side, „firm capacities must be established further downstream, via interconnection points Kaushany and Grebenyky between GTSOU and VMTG”. This being the case, is this project also coordinated with Vestmoldtransgaz, and if not, wouldn't it be necessary to also include the need for investment on VMTG side in the updated project proposal to be sent to NRAs and market participants?

Answer: GTSOU and Vestmoldtransgaz are implementing the incremental capacity project between Ukraine and Republic of Moldova Gas Transmission Systems with consistent technical parameters for this Project. More details regarding the technical parameters and VMTG are available here: https://tsoua.com/wp-content/uploads/2024/01/Consultation_document_INC-UA_MD_EN_2024.pdf. The combined economic test for both these projects must be positive and agreement with VMTG has to be concluded in order to make an investment decision on GTSOU side.