Application for the Approval of an Incremental Capacity Project according to Article 28 (1) NC CAM for the Market Border of Poland (E-Gas Transmission System) and GASPOOL

12 October 2018

The application for an incremental capacity project for the market border of Poland (E-Gas Transmission System) and GASPOOL has to be approved by the respective national regulatory authority. This document presents a common project proposal for the interconnection point GCP GAZ-SYSTEM/ONTRAS, as agreed by:

Gas Transmission Operator

GAZ - SYSTEM S.A.

ul. Mszczonowska 4
02-337 Warsaw

Poland

ONTRAS

Gastransport GmbH

Maximilianallee 4
04129 Leipzig

Germany

According to Article 28 (1) NC CAM, GAZ-SYSTEM submits this proposal for the approval through the President of the Energy Regulatory Office (URE) and ONTRAS submits this proposal for the approval through the Bundesnetzagentur (BNetzA) for an incremental capacity project for the market border of Poland (E-Gas Transmission System) and GASPOOL. The interconnection point (IP) GCP GAZ-SYSTEM/ONTRAS connects abovementioned adjacent gas transmission systems.

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

Transmission System Operators, i.e. GAZ-SYSTEM and ONTRAS have received non-binding demand indications for firm capacity in future at the IP between the entry-exit system of GAZ-SYSTEM and the entry-exit system of GASPOOL as presented below.

Indications submitted for each TSO were not the same. The difference occurred due to the fact, that capacity at the given border is unequal for both TSOs. Based on the comment provided by the market participant, the demanded capacity amount requested from each TSO was calculated in order to level up the capacity at the border for this IP.

The following aggregated non-binding demand indication **received by ONTRAS** for firm capacity has been used as a basis for the demand assessment:

From EXIT-Capacity	***To ENTRY-Capacity***	***Gas year***	***Amount (kWh/h)/y***	***Request was submitted to other TSOs***	***Additional Information (e.g. type of capacity)***
Poland	*GASPOOL*	*2019/20 – 2034/35*	*2,025,676*	*Yes, to OGP GAZ-SYSTEM S.A.*	*Freely allocable firm capacity*

The following aggregated non-binding demand indication **received by GAZ-SYSTEM** for firm capacity has been used as a basis for this demand assessment:

From EXIT-CAPACITY	***To ENTRY-CAPACITY***	***Gas year***	***Amount (kWh/h)/y***	***Request was submitted to other TSOs***	***Additional Information (e.g. type of capacity)***
Poland	*GASPOOL*	*2019/20 – 2034/35*	*910,676*	*YES, to ONTRAS Gastransport GmbH*	*Freely allocable firm capacity*

Information on the conditions for the demand indications received by the Operators:

The physical reverse flow on the IP GCP GAZ-SYSTEM/ONTRAS shall equal the import capacity to Poland during the whole year.

This analysis concerns the project of development of the interconnection point GCP GAZ-SYSTEM/ONTRAS. This IP exists since 1 April 2016 and summarizes commercially the physical stations Kamminke, Lasów and Gubin.

The difference in the received indications is caused by the fact that at the moment, the capacities offered on the Polish and German side of the GCP GAZ-System/ONTRAS differ. The capacity offered on the Polish side does not correspond to the capacity offered on the German side (the difference results from the Lasów station capacities on both sides of the border). Due to the lack of the respective capacity on German side – the offered capacity is neither booked nor used by market participants. Implementation of the incremental project will allow both TSOs offer firm, bundled capacity in an amount of 2,025,676 kWh/h. Therefore, for the sake of clarity, in the following document, only the firm capacity existing on both sides of the border (firm capacity of the physical station Kamminke) in an amount of 3,624 kWh/h is considered as existing technical capacity.

The Market Demand Assessment Report (MDAR) assessed the non-binding demand indications received in the demand assessment phase from 6 April 2017 until 1 June 2017.

Based on the outcome of the MDAR for the incremental capacity process starting in 2017 between Poland (E-Gas Transmission System) and GASPOOL and published on both TSOs websites on 27 July 2017, concerned TSOs developed technical studies based on Article 27 NC CAM. This project proposal for approval has been developed based on the aforementioned technical studies.

No comments were received in the public consultation of the technical studies held from 19 October until 19 December 2017 by ONTRAS. One comment from the market was received by GAZ-SYSTEM.

In this document the following abbreviations are used: NC CAM = Commission Regulation (EU) 2017/459; NC TAR = Commission Regulation (EU) 2017/460.

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

- Offer-level 1 of the incremental capacity (Art. 28 (1) lit. 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) li. b) NC CAM),
- Timetable for the project of incremental capacity (Art. 28 (1) lit. c) NC CAM),
- Parameters of the economic test (Art. 28 (1) lit. d) NC CAM),
- Information on a possible extended time horizon for contracting incremental capacity (Art. 28 (1) lit. e) NC CAM),
- Information on an alternative allocation mechanism (Art. 28 (1) lit. f) NC CAM),
- Information on a possible fixed price approach (Art. 28 (1) lit. g) NC CAM)

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

According to Article 28 (1) lit. a) NC CAM, GAZ-SYSTEM and ONTRAS request to approve the Offer-level 1 shown in Table 5. For clarification, the calculation of the offered existing capacity and the offered Offer-level 1 is shown successively beginning with the tables for GAZ-SYSTEM.

The following supplementary information are used within the tables (letters A – F refer to Art. 11 (6) NC CAM):

- A is the transmission system operator's technical capacity for each of the standard capacity products;
- B for annual yearly auctions offering capacity for the next 5 years, is the amount of technical capacity (A) set aside in accordance with Article 8(7) of CAM NC; for annual yearly auctions for capacity beyond the first 5 years, is the amount of technical capacity (A) set aside in accordance with Article 8(7) of CAM NC;
- C is the previously sold technical capacity, adjusted by the capacity which is re-offered in accordance with applicable congestion management procedures;
- D is additional capacity, for such year, if any.

- E is the incremental capacity for such year included in a respective offer level, if any;
- F is the amount of incremental capacity (E), if any, set aside in accordance with Article 8(8) and (9) NC CAM.

Table 1: Depiction of the offered existing capacity (kWh/h/y) **for GAZ-SYSTEM** at the interconnection point GCP GAZ-SYSTEM/ONTRAS (exit):

Table 1) Existing capacity	Sum of offered existing capacity (firm)	Available technical capacity [Art. 11 (6) NC CAM A]	Capacity set aside [Art. 11 (6) NC CAM B]	Previously sold technical capacity [Art. 11 (6) NC CAM C]	Additional capacity [Art. 11 (6) NC CAM D]	Incremental capacity [Art. 11 (6) NC CAM E]	Incremental capacity set aside [Art. 11 (6) NC CAM F]
GY 19/20	**3,262**	3,624	362	0	0		
GY 20/21	**3,262**	3,624	362	0	0		
GY 21/22	**3,262**	3,624	362	0	0		
GY 22/23	**3,262**	3,624	362	0	0		
GY23/24	**3,262**	3,624	362	0	0		
GY 24/25	**2,899**	3,624	725	0	0		
GY 25/26	**2,899**	3,624	725	0	0		
GY 26/27	**2,899**	3,624	725	0	0		
GY 27/28	**2,899**	3,624	725	0	0		
GY 28/29	**2,899**	3,624	725	0	0		
GY 29/30	**2,899**	3,624	725	0	0		
GY 30/31	**2,899**	3,624	725	0	0		
GY 31/32	**2,899**	3,624	725	0	0		
GY 32/33	**2,899**	3,624	725	0	0		
GY 33/34	**2,899**	3,624	725	0	0		
GY 34/35							
GY 35/36							
GY 36/37							
GY 37/38							
GY 38/39							
GY 39/40							

Table 2: Depiction of the offered Offer-level 1 (kWh/h/y) **for GAZ-SYSTEM** at the interconnection point GCP GAZ-SYSTEM/ONTRAS (exit):

Table 2) Offer-level 1	Sum of offered offer-level 1	Available technical capacity [Art. 11 (6) NC CAM A]	Capacity set aside [Art. 11 (6) NC CAM B]	Previously sold technical capacity [Art. 11 (6) NC CAM C]	Additional capacity [Art. 11 (6) NC CAM D]	Incremental capacity [Art. 11 (6) NC CAM E]	Incremental capacity set aside [Art. 11 (6) NC CAM F]
GY 19/20							
GY 20/21							
GY 21/22							
GY 22/23	**1,826,370**	3,624	362	0	0	2,025,676	202,568
GY23/24	**1,826,370**	3,624	362	0	0	2,025,676	202,568
GY 24/25	**1,623,440**	3,624	725	0	0	2,025,676	405,135
GY 25/26	**1,623,440**	3,624	725	0	0	2,025,676	405,135
GY 26/27	**1,623,440**	3,624	725	0	0	2,025,676	405,135
GY 27/28	**1,623,440**	3,624	725	0	0	2,025,676	405,135
GY 28/29	**1,623,440**	3,624	725	0	0	2,025,676	405,135
GY 29/30	**1,623,440**	3,624	725	0	0	2,025,676	405,135
GY 30/31	**1,623,440**	3,624	725	0	0	2,025,676	405,135
GY 31/32	**1,623,440**	3,624	725	0	0	2,025,676	405,135
GY 32/33	**1,623,440**	3,624	725	0	0	2,025,676	405,135
GY 33/34	**1,623,440**	3,624	725	0	0	2,025,676	405,135
GY 34/35	**1,623,440**	3,624	725	0	0	2,025,676	405,135
GY 35/36	**1,623,440**	3,624	725	0	0	2,025,676	405,135
GY 36/37	**1,623,440**	3,624	725	0	0	2,025,676	405,135
GY 37/38							
GY 38/39							
GY 39/40							

Table 3: Depiction of the offered existing capacity (kWh/h/y) **for ONTRAS** at the interconnection point GCP GAZ-SYSTEM/ONTRAS (entry):

Table 3) Existing capacity	Sum of offered existing capacity (FZK)	Available technical capacity [Art. 11 (6) NC CAM A]	Capacity set aside [Art. 11 (6) NC CAM B]	Previously sold technical capacity [Art. 11 (6) NC CAM C]	Additional capacity [Art. 11 (6) NC CAM D]	Incremental capacity [Art. 11 (6) NC CAM E]	Incremental capacity set aside [Art. 11 (6) NC CAM F]
GY 19/20	**3,262**	3,624	362	0	0		
GY 20/21	**3,262**	3,624	362	0	0		
GY 21/22	**3,262**	3,624	362	0	0		
GY 22/23	**3,262**	3,624	362	0	0		
GY23/24	**3,262**	3,624	362	0	0		
GY 24/25	**2,899**	3,624	725	0	0		
GY 25/26	**2,899**	3,624	725	0	0		
GY 26/27	**2,899**	3,624	725	0	0		

GY 27/28	**2,899**	3,624	725	0	0		
GY 28/29	**2,899**	3,624	725	0	0		
GY 29/30	**2,899**	3,624	725	0	0		
GY 30/31	**2,899**	3,624	725	0	0		
GY 31/32	**2,899**	3,624	725	0	0		
GY 32/33	**2,899**	3,624	725	0	0		
GY 33/34	**2,899**	3,624	725	0	0		
GY 34/35							
GY 35/36							
GY 36/37							
GY 37/38							
GY 38/39							
GY 39/40							

Table 4: Depiction of the offered Offer-level 1 (kWh/h/y) **for ONTRAS** at the interconnection point GCP GAZ-SYSTEM/ONTRAS (entry):

Table 4) Offer-level 1 (FZK)	Sum of offered offer-level 1 (FZK)	Available technical capacity [Art. 11 (6) NC CAM A]	Capacity set aside [Art. 11 (6) NC CAM B]	Previously sold technical capacity [Art. 11 (6) NC CAM C]	Additional capacity [Art. 11 (6) NC CAM D]	Incremental capacity [Art. 11 (6) NC CAM E]	Incremental capacity set aside [Art. 11 (6) NC CAM F]
GY 19/20							
GY 20/21							
GY 21/22							
GY 22/23	**1,826,370**	3,624	362	0	0	2,025,676	202,568
GY23/24	**1,826,370**	3,624	362	0	0	2,025,676	202,568
GY 24/25	**1,623,440**	3,624	725	0	0	2,025,676	405,135
GY 25/26	**1,623,440**	3,624	725	0	0	2,025,676	405,135
GY 26/27	**1,623,440**	3,624	725	0	0	2,025,676	405,135
GY 27/28	**1,623,440**	3,624	725	0	0	2,025,676	405,135
GY 28/29	**1,623,440**	3,624	725	0	0	2,025,676	405,135
GY 29/30	**1,623,440**	3,624	725	0	0	2,025,676	405,135
GY 30/31	**1,623,440**	3,624	725	0	0	2,025,676	405,135
GY 31/32	**1,623,440**	3,624	725	0	0	2,025,676	405,135
GY 32/33	**1,623,440**	3,624	725	0	0	2,025,676	405,135
GY 33/34	**1,623,440**	3,624	725	0	0	2,025,676	405,135
GY 34/35	**1,623,440**	3,624	725	0	0	2,025,676	405,135
GY 35/36	**1,623,440**	3,624	725	0	0	2,025,676	405,135
GY 36/37	**1,623,440**	3,624	725	0	0	2,025,676	405,135
GY 37/38							
GY 38/39							
GY 39/40							

Table 5: Depiction of the common offered existing capacity and of the common offered Offer-level 1 (kWh/h/y) for the marketing of bundled capacity **for GAZ-SYSTEM and ONTRAS** at the interconnection point GCP GAZ-SYSTEM in direction GASPOOL:

Table 5) Common offered capacity	Existing capacity (FZK/firm)	Offer-level 1 (FZK/firm)
GY 19/20	**3,262**	
GY 20/21	**3,262**	
GY 21/22	**3,262**	
GY 22/23	**3,262**	**1,826,370**
GY 23/24	**3,262**	**1,826,370**
GY 24/25	**2,899**	**1,623,440**
GY 25/26	**2,899**	**1,623,440**
GY 26/27	**2,899**	**1,623,440**
GY 27/28	**2,899**	**1,623,440**
GY 28/29	**2,899**	**1,623,440**
GY 29/30	**2,899**	**1,623,440**
GY 30/31	**2,899**	**1,623,440**
GY 31/32	**2,899**	**1,623,440**
GY 32/33	**2,899**	**1,623,440**
GY 33/34	**2,899**	**1,623,440**
GY 34/35		**1,623,440**
GY 35/36		**1,623,440**
GY 36/37		**1,623,440**
GY 37/38		
GY 38/39		
GY 39/40		

Table 5 shows the marketable bundled capacity for the interconnection point GCP GAZ-SYSTEM/ONTRAS for the yearly capacity auction 2019 under consideration of the commissioning date of the project in 2022.

The bundled capacity was calculated under consideration of the obligation to set aside capacity of Article 11 (6) NC CAM as well as on the decision of the German BNetzA on 14 August 2015 regarding setting aside capacity on national level (Az. BK7-15-001 (KARLA Gas)). ONTRAS considers a 20% reservation quota for existing and incremental capacity as of gas year 2024.

For the gas years before, a 10% reservation quota is applied for existing and incremental capacity. For obligation of setting aside capacity, GAZ-SYSTEM agrees to follow the same approach in order to offer jointly the amount of bundled capacity. The amount of the set aside capacity shall be a subject of approval of the Polish NRA.

Incremental capacity will be offered along with existing capacity in the yearly capacity auction in 2019. In addition to the offered existing capacity, an Offer-level 1 which is the sum of existing and incremental capacity, will be marketed. Thus, the displayed figures in Table 5 represent the specific yearly offered capacity products to be marketed in 2019.

Based on a positive economic test for ONTRAS for the incremental capacities of Offer-Level 1, these capacities will be included in the process of creating the German Network Development Plan for Gas 2020-2030.

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) lit. b) NC CAM)

For the marketing of incremental capacity (Offer-level 1) in the yearly capacity auction 2019, GAZ-SYSTEM and ONTRAS developed individual terms and conditions for the Incremental Capacity Auction to be accepted by the network user in the incremental capacity auction.

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

- GAZ-SYSTEM requests from URE to approve its General Terms and Conditions for the Incremental Capacity Auction which have been sent along with this application. To be eligible to participate in the auction, network users will have to accept other GAZ-SYSTEM rules that are required to participate in the auction on a regular basis, such as e.g. transmission network code.

- ONTRAS requests from BNetzA to approve its Supplementary Terms and Conditions which have been sent along with this application.

Regardless the fact that both GAZ-SYSTEM and ONTRAS publish terms and conditions for the Incremental Capacity Auction in English and in respective national language, only Polish and German versions respectively, shall be considered as binding.

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

According to Article 28 (1) lit. c) NC CAM, GAZ-SYSTEM requests to approve the following timetable for its incremental capacity project:

Time period	Mile-stone
07/2019	Yearly capacity auction in the month of July
11/2019	Defining technical terms & conditions, choosing the contractor for the project documentation
11/2020	Project documentation finalization and obtaining of building permit
03/2021	Tender for the construction works
08/2022	Commissioning of the project

According to Article 28 (1) lit. c) NC CAM, ONTRAS requests to approve the following timetable for its incremental capacity project. The following timetable shows a rough-date planning on the basis of past projects with current planning status.

Time period	Mile-stone
Q3 / 2019	Yearly capacity auction in July
Q4 / 2019	Tender process for the planning of the construction of the pressure security system (DÜG) in Zodel
Q1 / 2020	Assignment of the planning for the construction of DÜG as well as submission of the application according to § 23 ARegV
Till Q3 / 2020	Preparation of the technical task (feasibility study)
Q4 / 2020	Tender process and the assignment for the construction phase of the DÜG
Till Q2 / 2021	Detailed planning of DÜG Zodel

Till Q4 / 2021	Acquisition of needed material and approval of the construction phase of the DÜG
Q2 / 2022	Start of construction of DÜG
Q3 / 2022	Commissioning date with the foreseen provision of full availability with the start of GY 2022/2023

The experience of past projects of ONTRAS shows that the established rough scheduling contains little time reserve to avoid delays in the provision of capacity. Further detailing is only possible after completion of the feasibility study, which can only be completed after a successful economic test to avoid unnecessary costs.

Description of the project on Polish side (GAZ-SYSTEM) - expansion required within the GAZ-SYSTEM grid:

In order to ensure the possibility of transporting gas in direction from Poland to Germany with maximum capacity level of 2,025,676 kWh/h, the extension of the Kiełczów gas node is required.

- This extension will include in particular installation of:
  two bidirectional control valves;
  one meter run equipped with an ultrasonic gas meter;
- Inlet block valve station;
- before the existing inlet valve it shall be welded vent column and it shall be adopted as an outlet block valve station
- single metering line, equipped in bidirectional ultrasonic meter, mounted on inlet side
- Measurement and Control Equipment containers and separated container for measurement line

The above mentioned extension will be held on the grounds already occupied by existing Kiełczów gas node (no additional cost related to acquiring the grounds are needed).

Taking into consideration planned pressure security system in Zodel, the Lasów station will be only developed by upgrading of existing valves through adding the automatic control system.

Description of the project on the German side (ONTRAS) - aiming at the creation of new technical capacity:

For the technical implementation of the demand, a gas flow from Poland to GASPOOL will provide pressure from the Polish gas system with a pressure of more than 55 bar, possibly even up to 84 bar.

On the German side, the FGL 218.01 line has been designed with a design pressure of 84 bar, but since commissioning the FGL 218.01 has only been operated with a maximum operating pressure of 55 bar.

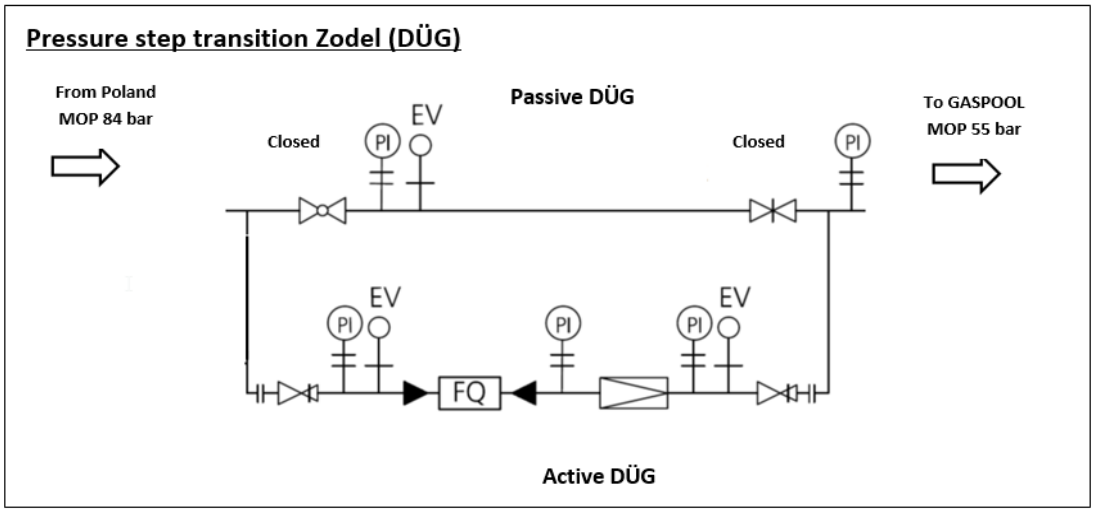
If in the future, contrary to the previous main flow direction of the past years, a gas flow from Poland towards GASPOOL occurs, by installing a pressure step transition (DÜG) in Zodel, directly at the German-Polish border, in future the pressure protection for the following ONTRAS system will take place Location. The DÜG is required as protection for the connection of a gas system with a lower maximum permissible operating pressure (ONTRAS) with a gas system with a higher maximum permissible operating pressure (GAZ-SYSTEM) and is based on the DVGW worksheet G 491.

The active part of the DÜG Zodel consists of shut-off valves arranged on the surface, safety shut-off devices (SAE), volume measurement by means of ultrasonic measurement, control unit for bidirectional operation, measuring points and expansion lines and is operated remotely. The active part of the DÜG will be integrated in two places parallel to the existing FGL 218.01 by means of T-piece DN 500 / DN 400.

The passive part of the DÜG underfloor will be installed in the existing gas pipeline. This consists of shut-off valves, start-up fittings, measuring points and expansion lines. Thus, the main line in case of need is further piggable.

With the installation of the pressure step transition, the pressure protection for the FGL 218.01 with MOP 55 bar will be carried out on the DÜG Zodel in the future with a gas flow from Poland (Lasów) towards GASPOOL. The gas flow from GASPOOL to Poland can continue unhindered even with the installation of the DÜG Zodel.

Depiction of the installation:



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

According to Article 28 (1) lit. d) NC CAM, GAZ-SYSTEM and ONTRAS request to approve the parameters of the economic test.

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

a) The present value of binding commitments of 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

Reference price for determining the present value of the binding commitments of network users – GAZ-SYSTEM

According to art. 22 (1) lit. a) in conjunction from art. 25 (1) lit. a) of the CAM Network Code, the President of the Energy Regulatory Office approves reference prices estimated for the time horizon of the incremental capacity offered by GAZ-SYSTEM S.A. as part of the project for the market border of Poland (E-Gas Transmission System) and GASPOOL. The reference prices amounting to € 0,44/(MWh/h)/h will be used in the economic test carried out by GAZ-SYSTEM S.A. to calculate the current value of liabilities of network users in the scope of contracting incremental capacity made available under offers placed in the auction procedure at the interconnection point GCP GAZ-SYSTEM/ONTRAS.

The reference prices should be set for the time horizon of the incremental capacity offered under project for the market border of Poland (E-Gas Transmission System) and GASPOOL, i.e. for the time horizon of 15 gas years, i.e. from 1 October 2022 until 1 October 2037.

It should be emphasized that GAZ-SYSTEM S.A. is currently commencing the implementation of capital-intensive investment projects aimed at ensuring the diversification of gas supplies to Poland. The dynamics of the implementation of these projects is difficult to predict due to the fact that the projects implemented with the cooperation of other European operators and their implementation is only partly dependent on the schedule of operation undertaken by GAZ-SYSTEM S.A.

Reference rates estimation for a 15-year time horizon, with such a high dynamic implementation of strategic investment projects may bring unrealistic and unreliable results in the form of an increase in transmission charges, which will reduce the level of power required to achieve a positive result of the economic test.

Given above arguments, GAZ-SYSTEM S.A. proposes to adopt, for the purposes of the economic test for all years covered by the analysis, a reference price at the level of the fixed fee for the provision of gas transmission services in the exit point binding from January 1, 2019 to December 31, 2019, approved by the decision of the President of ERO DRG.DRG-2.4212.19.2018JDo on June 1, 2018.

Present value of the estimated increase in the allowed revenues due to capacity increase – GAZ-SYSTEM

The target value of the estimated increase in allowed revenues corresponds to the value of the investment funds cost concerning the project implemented by the transmission system operator, settled in the period covering the contracted incremental capacity made available as part of offers submitted in the auction procedure for the GCP interconnection point GAZ-SYSTEM/ONTRAS.

GAZ-SYSTEM adopted a discount rate of 6.25% for the calculation of the discounted value of the allowed revenue related to the realization of the project for the market border of Poland (E- Gas Transmission system) and GASPOOL in 2022-2037.

This value is equal to the risk-free rate adopted for the purposes of calculation of the reference rates binding in 2019 and approved by the President of URE.

This value was determined using the calculation tool provided by GAZ-SYSTEM. The calculation tool reflects the current practice, including the calculation parameters for determining the allowed revenues approved by Polish Energy Regulatory Office for the tariff for 2019.

f-factor for GAZ-SYSTEM

The f-factor must take the following into account:

a) the amount of technical capacity set aside according to Article 8 (8) and (9) NC CAM;

b) positive externalities of the incremental capacity project on the market or the transmission network, or both;

c) the duration of binding commitments of network users for contracting capacity compared to the economic life of the asset;

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.

On GAZ-SYSTEM side, there are no conditions allowing GAZ-SYSTEM to request an approval of f-factor lower that 1. **Therefore, GAZ-SYSTEM requests approval of f-factor of 1 for the application of the economic test.**

Reference price for determining the present value of the binding commitments of network users - ONTRAS

In order to determine the present value of the binding commitments made by network users, ONTRAS proposes to use the reference price of the merged German entry-exit system in 2022 published in the draft BNetzA-decision REGENT[1], amounting to € 3.97/(kWh/h)/year[2].

According to Article 33 (1) NC TAR, the reference price shall be derived by including into the reference price methodology the relevant assumptions related to the offer of incremental capacity according to the valid reference price method. According to the current draft BNetzA-decision, from 2020 on, the uniform entry-exit system-wide reference price will be applied. In addition, according to § 21 (1) GasNZV, the currently existing two German entry-exit systems have been merged by 1 April 2022 at the latest. As the capacity will be available from 1 October 2022 on, the reference price for the new capacity to be offered will be the German postage stamp. Since ONTRAS cannot perform its own calculations due to lack of data, the BNetzA calculation as presented in draft decision REGENT is used.

The binding commitments of network users required to calculate the present value will result from the annual auction in 2019. Therefore, ONTRAS cannot make any further comments at this point.

Present value of the estimated increase in the allowed revenues due to capacity increase – ONTRAS

[1] See https://www.bundesnetzagentur.de/DE/Service-Funktionen/Beschlusskammern/1BK-Geschaeftszeichen-Datenbank/BK9-GZ/2018/2018_00001bis0999/2018_0600bis0699/BK9-18-611/BK9-18-0611-GP_Festlegungsentwurf.html?nn=364474.

[2] Considering 8,760 hours per year this figure equates around 0.45 €/(MWh/h)/h

ONTRAS proposes to set the present value of the estimated increase in the allowed revenues on the side of entry-exit system GASPOOL due to capacity increase of Offer-level 1 to € 2,831,010.58.

This value was determined using the calculation tool provided by the BNetzA. The calculation tool reflects the current approval practice, including the calculation parameters of the BNetzA for determining the allowed revenues.

f-factor for ONTRAS

The f-factor must take the following into account:

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

ONTRAS requests to approve an f-factor of 0.78 for the application of the economic test.

To lit. a):

By letter dated 31 May 2017, the shipper requested a capacity of 2,025,676 (kWh/h)/y until GY 2034/35 with its submission of the incremental demand indication. ONTRAS expects that the shipper still demand that capacity on this level during the requested time period and bid for that in the capacity auction. At the same time, according to Article 8 (8) NC CAM in conjunction with the BNetzA-decision BK7-15-001 (KARLA 1.1), capacity shall be set aside at the following levels:

- 10% of the technical capacity in the GY 2022/23 and 2023/24, as well as
- 20% of the technical capacity from GY 2024/25.

Thus, it is not possible to acquire the all non-binding requested capacity in the 2019 annual capacity auction, which is the basis of the economic test. ONTRAS expects that all capacity which is offered in the 2019 annual auction will be booked.

Because the capacity demand of the shipper cannot be fulfilled fully, ONTRAS expects that the capacity set aside will be booked in subsequent auctions. Therefore, the f-factor must be reduced accordingly in order to provide the investment burden to later beneficiaries of the incremental capacity.

To lit. b):

The security of supply of Germany is already on a high level due to the existing entry capacity and cannot be increased by the incremental capacity at the entry point GCP GAZ-SYSTEM/ONTRAS.

Likewise, it is not expected that any additional flows at the entry point GCP GAZ-SYSTEM/ONTRAS will affect the market price of neither the GASPOOL entry-exit zone nor the later German-wide entry-exit zone. The volumes traded are many times higher than the possible additional quantities that could flow over this interconnection point. In summary, ONTRAS sees no positive external effects of the project, neither in Poland nor in Germany.

To lit. c) and d):

The DÜG Zodel has an economic lifetime of 55 years and can therefore be used much longer than the time horizon for contracting capacity in the annual auction 2019. ONTRAS expects that the entry point will continue to be demanded even after requested time period respectively after the offered 15 years after the start of the operational use, albeit to a great extent lower level. In particular, the entry capacity could be used to offset the possible price differences in the adjacent market areas on short-term basis. It would also be possible for traders to transport quantities over the entry point from the Polish to the German entry-exit zone on long-term basis. However, previous experience also shows that no major transit volumes are to be expected at this point. All in all, future bookings are therefore carefully estimated at an average of 100,000 (kWh/h)/y.

Based on the above considerations, the calculation tool provided by BNetzA (as "Calculationtool_ Economic_Test_Inc_Cap_BNetzA" attachment of this application) has been filled accordingly. The calculation tool already takes into account many of the aforementioned considerations such as capacity set aside and bookings in later years.

Since ONTRAS does not see any positive external effects from the project, ONTRAS accepts the pre-calculated f-factor within the calculation tool and requests to approve it.

It should be noted that the payable floating price under Article 24 (a) NC TAR for the contracts concluded in the 2019 annual auction is calculated on the basis of the reference price applicable at the time of the use of capacity and can differ from the reference price that was used to calculate the f-factor.

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

Based on a common decision GAZ-SYSTEM and ONTRAS agree, that for this incremental capacity project no extended time horizon for contracting incremental capacity is needed.

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

GAZ-SYSTEM and ONTRAS abstain from an application of an alternative allocation mechanism for the acquisition of incremental capacity according to Article 28 (1) lit. f) NC CAM. Based on a common decision, both network operators will apply the standard auction procedure for the acquisition of incremental capacity in 2019.

8. Application of a fixed price approach (Art. 28 (1) lit. g) NC CAM)

GAZ-SYSTEM and ONTRAS abstain from the application of a fixed price approach for the acquisition of incremental capacity in 2019 according to Article 28 (1) lit. g) NC CAM.

9. Contact information

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