

**Publication acc. to Art. 25 para 2, Art. 28 para 3 REGULATION (EU) 2017/459 (NC CAM) regarding the procedure initiated in 2019, for incremental capacity at the interconnection point Mallnow between Poland TGPS and the market area Trading Hub Europe (THE)**

**5 May 2021**

**I. Introduction**

Following the conclusion of phase 1 of the procedure initiated in 2019 in accordance with 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 “NC CAM”) for incremental capacity at the market area border between Polish part of Yamal Transit Gas Pipeline System (hereinafter referred to as “TGPS”) and the market area THE, the design phase for the technical projects (phase 2) was executed and conclusions were consulted in autumn 2020. The Technical Study described how the transmission system can be expanded efficiently in consideration of the transmission system topology and economic aspects. The project application, submitted to the German regulatory authority - Bundesnetzagentur (hereinafter referred to as “BNetzA”) 27 October 2020 and subsequently submitted, was a document prepared by the German transmission system operator GASCADE Gastransport GmbH, (hereinafter referred to as “GASCADE”). On 30 October 2020, Operator Gazociągów Przesyłowych GAZ-SYSTEM S.A. (hereinafter referred to as “GAZ-SYSTEM”) submitted the project application to the Polish Energy Regulatory Office – (hereinafter referred to as “URE”) and then published it.

The German project proposal was approved by the decision **BK9-20/005**<sup>1</sup> issued on 26.04.2021

The Polish project application was approved by the decision no. **DRR.WRG.748.8.2020.ABu1**<sup>2</sup> issued on the 29.04.2021.

**Publication acc. to. Art. 28 para. 3 NC CAM**

**II. Approval contents according to Art. 25 para. 1 NC CAM**

**a. Offer level acc. to Art. 28 para. 1 lit. a NC CAM**

The offer level will be marketed as bundled freely allocable capacity (FZK) at the interconnection point Mallnow in the annual auction for yearly capacity products. The auction

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<sup>1</sup> [Bundesnetzagentur - Incremental Capacity \(NC CAM\) - Beschlusskammer 9](#)

<sup>2</sup> URE decision: [https://www.ure.gov.pl/pl/paliwa-gazowe/europejski-rynek-gazu-1/decyzje/9429\\_Decyzja-Prezesa-Urzedu-Regulacji-Energetyki-z-dnia-29-kwietnia-2021-r.html](https://www.ure.gov.pl/pl/paliwa-gazowe/europejski-rynek-gazu-1/decyzje/9429_Decyzja-Prezesa-Urzedu-Regulacji-Energetyki-z-dnia-29-kwietnia-2021-r.html)



will take place on the **Regional Booking Platform (RBP)**. Registration is required to participate in the auction.

The mandatory reservation of 20% for incremental capacities pursuant to Art. 8 para. NC CAM and the ruling of BNetzA (BK7-15-001 - KARLA Gas) will be taken into account. The offer level will be offered from GY 2027/2028 until GY 2041/2042. The offer level including the capacity products is shown in Annex 3.

### Scenarios

Since several projects for incremental capacity are considered in the incremental capacity cycle initiated in 2019, there are significant overlaps of the measures necessary to offer the incremental capacity at the different market area borders.

Therefore, an individual examination of the requests for incremental capacity including the individual necessary measures is not expedient. The necessary measures in particular depend on which requested market area border the economic test for incremental capacity is successful. That is why different scenarios are considered. Each scenario is based on a single market area border, as well as a combination of non-binding requested capacity at the other market area borders. In total there are 31 different possible combinations, which are shown in the following scenario matrix:

Scenario Matrix					
Scenario	Denmark	Russia	Greifswald Upgrade	Lubmin II Upgrade	Poland Mallnow
1	1				
2		1			
3			1		
4				1	
5					1
6	1	1			
7	1		1		
8	1			1	
9	1				1
10		1	1		
11		1		1	
12		1			1
13			1	1	
14			1		1
15				1	1
16	1	1	1		
17	1		1	1	
18	1			1	1
19	1	1		1	
20	1	1			1
21	1		1		1
22		1	1	1	
23		1		1	1
24		1	1		1
25			1	1	1
26	1	1	1	1	
27	1		1	1	1
28	1	1		1	1
29	1	1	1		1
30		1	1	1	1
31	1	1	1	1	1
	1: Wirtschaftlichkeitstest wurde bestanden leere Zelle: Wirtschaftlichkeitstest wurde nicht bestanden				

There are 16 possible scenarios for this project. Each of these scenarios has specific parameters, which can be found below.

Relevant scenarios for incremental capacity in Mallnow					
Scenario	Denmark	Russia	Greifswald Upgrade	Lubmin II Upgrade	Poland Mallnow
5					1
9	1				1
12		1			1
14			1		1
15				1	1
18	1			1	1
20	1	1			1
21	1		1		1
23		1		1	1
24		1	1		1
25			1	1	1
27	1		1	1	1
28	1	1		1	1
29	1	1	1		1
30		1	1	1	1
31	1	1	1	1	1

**b. Supplementary Terms and Conditions for the auction for incremental capacity acc. to Art. 28 para. 1 let. b NC CAM**

**For GASCADE**

The document Supplementary Terms and Conditions of GASCADE for the auction for incremental capacity is attached to this publication<sup>3</sup>.

**For GAZ-SYSTEM**

GAZ-SYSTEM within the scope of the said incremental capacity project, in the binding phase of allocation, will not offer any incremental capacity. However, due to the fact that the offer level includes incremental capacity, which will be created on the German side and offered as a bundled capacity, GAZ-SYSTEM has prepared the “General terms and conditions of participation and access to capacity in the binding phase of capacity allocation corresponding to incremental capacity on the German side of the border between Poland TGPS (Transit Gas Pipeline System) and Germany (Trading Hub Europe)”The document is attached to this publication. .It should be noted that

<sup>3</sup> In the course of participation in the annual auction on 5 July 2021, the general terms and conditions of GASCADE must also be accepted. You can find them here: [https://www.gascade.de/fileadmin/downloads/netzzugang/2021/GASCADE\\_GTC\\_April\\_2021\\_210118.pdf](https://www.gascade.de/fileadmin/downloads/netzzugang/2021/GASCADE_GTC_April_2021_210118.pdf)

as the demand for incremental capacity was submitted only on the German side, and the capacity is already sufficiently available on the Polish side and hence GAZ-SYSTEM has not initiated the incremental capacity project, the above document largely refers to the General Terms and Conditions of GAZ-SYSTEM for the Polish section of the Yamal Transit Gas Pipeline System.

**c. Timeline for the incremental capacity project and measures to prevent delays and to minimise the impact of delays acc. to Art. 28 para. 1 lit. c NC CAM**

**For GASCADE**

The following table shows the further steps for the project for incremental capacity and also outlines a rough timeline for the technical project. This timeline already includes time buffers for the avoidance of delays in provision of the capacities.

<b>Milestones</b>	<b>Years of completion of project phases of the measures</b>
Project concept	2021
Basic evaluation/feasibility review	2021-2022
Design planning	2022-2023
Preparation of general planning procedure	2022
Implementation of general planning procedure	2023-2024
Preparation of Federal Emission Control Act (BImSchG)	2023
Property acquisition	2025
Preparation of plan approval procedure	2023
Implementation of plan approval procedure	2024-2025
Acquisition of right of way	2025-2026
Implementation of Federal Emission Control Act (BImSchG)	2024-2025
Construction approval process	2025
Material and service procurement	2023-2026
Preparation and start of construction	2025-2026
Assembly/construction	2025-2027
Commissioning	2027
Project conclusion/completion	2028

The aforementioned dates are provisional and subject to change.

**For GAZ-SYSTEM**

Since the upgrade from DZK to FZK was requested only on German side of the entry-exit system and the existing capacity on the Polish side is already sufficient and will remain the same, there are no investment measures to be taken on Polish side of the entry-exit system and thus GAZ-SYSTEM did not submit any timeline of the incremental project.

**d. Parameters defined in Art. 22 para. 1 lit. d NC CAM**

**For GASCADE**

**i. Parameter defined in Art. 22 para. 1 lit. a NC CAM**

Estimated Reference price

The estimated reference price for incremental capacity as of GY 2027/2028 is 3.73 €/kWh/h/a.

Auction premium:

The algorithm for ascending clock auctions pursuant to Art. 17 NC CAM applies to the auction of the incremental capacities pursuant to Art. 29 (1) NC CAM. This may result in an auction premium which will only be determined at the end of the 2021 annual auction. For this reason, it was not taken into account in the calculation of the f-factor, but it must be included in the economic test.

Mandatory minimum premium:

Acc. to decision BK9-20/005 and with the help of the BNetzA Tool<sup>4</sup> the following range of the mandatory minimum premium was approved and comes into effect:

booking scenario (positive economic test)	Mandatory minimum premium
5	6,10 €/kWh/h/a
9	4,93 €/kWh/h/a
12	5,67 €/kWh/h/a
14	2,99 €/kWh/h/a
15	3,87 €/kWh/h/a
18	3,22 €/kWh/h/a
20	5,14 €/kWh/h/a
21	2,65 €/kWh/h/a
23	4,64 €/kWh/h/a
24	4,34 €/kWh/h/a
25	2,07 €/kWh/h/a
27	1,95 €/kWh/h/a
28	4,44 €/kWh/h/a
29	4,27 €/kWh/h/a
30	4,22 €/kWh/h/a
31	4,06 €/kWh/h/a

Present value of binding commitments of network users:

<sup>4</sup> For the sake of transparency and for the purposes of economic test according to Article 22 NC CAM, the BNetzA created and published a calculation tool, hereinafter „BNetzA-Tool“. The BNetzA tool can be found at the following website:

[https://www.bundesnetzagentur.de/EN/Areas/Energy/Companies/GridDevelopment/Gas/IncrementalCapacities/IncrementalCap\\_node.html](https://www.bundesnetzagentur.de/EN/Areas/Energy/Companies/GridDevelopment/Gas/IncrementalCapacities/IncrementalCap_node.html)

Acc. to decision BK9-20/005 and with the help of the BNetzA Tool the following present value of binding commitments of network users were calculated and approved:

<b>booking scenario (positive economic test)</b>	<b>present value of binding commitments of network users</b>
5	1.583.526.518 €
9	1.361.473.135 €
12	1.501.343.985 €
14	993.521.186 €
15	1.160.336.717 €
18	1.037.864.330 €
20	1.400.241.561 €
21	929.397.694 €
23	1.306.605.246 €
24	1.249.082.286 €
25	820.192.964 €
27	797.371.150 €
28	1.269.335.330 €
29	1.235.831.252 €
30	1.227.251.139 €
31	1.197.380.500 €



**ii. Parameter defined in Art. 22 para. 1 lit b NC CAM**

Acc. to decision BK9-20/005 and with the help of the BNetzA Tool the following estimated allowed revenue increases were calculated and approved:

booking scenario (positive economic test)	present value of estimated allowed revenue increases
5	1.779.243.278 €
9	1.547.128.562 €
12	1.686.903.353 €
14	1.182.763.316 €
15	1.349.228.740 €
18	1.221.016.858 €
20	1.591.183.592 €
21	1.119.756.257 €
23	1.501.845.110 €
24	1.435.726.765 €
25	1.012.583.906 €
27	984.408.827 €
28	1.459.006.126 €
29	1.420.495.691 €
30	1.410.633.492 €
31	1.392.302.906 €

**iii. f-Faktor acc. Art. 22 Abs. para. 1 lit. c NC CAM**

Acc. to decision BK9-20/005 and with the help of the BNetzA Tool the following f-factors were calculated and approved:

<b>booking scenario (positive economic test)</b>	<b>f-factor</b>
5	0,89
9	0,88
12	0,89
14	0,84
15	0,86
18	0,85
20	0,88
21	0,83
23	0,87
24	0,87
25	0,81
27	0,81
28	0,87
29	0,87
30	0,87
31	0,86

iv. Overview of all parameters

overview of all parameters per scenario in Mallnow								
Szenario	Denmark	Russia	Greifswald Upgrade	Lubmin II Upgrade	present value of estimated allowed revenue increases	present value of binding commitments of network users	Mandatory minimum premium	f-factor
5					1.779.243.278 €	1.583.526.518 €	6,10 €/(kWh/h)/a	0,89
9	1				1.547.128.562 €	1.361.473.135 €	4,93 €/(kWh/h)/a	0,88
12		1			1.686.903.353 €	1.501.343.985 €	5,67 €/(kWh/h)/a	0,89
14			1		1.182.763.316 €	993.521.186 €	2,99 €/(kWh/h)/a	0,84
15				1	1.349.228.740 €	1.160.336.717 €	3,87 €/(kWh/h)/a	0,86
18	1			1	1.221.016.858 €	1.037.864.330 €	3,22 €/(kWh/h)/a	0,85
20	1	1			1.591.183.592 €	1.400.241.561 €	5,14 €/(kWh/h)/a	0,88
21	1		1		1.119.756.257 €	929.397.694 €	2,65 €/(kWh/h)/a	0,83
23		1		1	1.501.845.110 €	1.306.605.246 €	4,64 €/(kWh/h)/a	0,87
24		1	1		1.435.726.765 €	1.249.082.286 €	4,34 €/(kWh/h)/a	0,87
25			1	1	1.012.583.906 €	820.192.964 €	2,07 €/(kWh/h)/a	0,81
27	1		1	1	984.408.827 €	797.371.150 €	1,95 €/(kWh/h)/a	0,81
28	1	1		1	1.459.006.126 €	1.269.335.330 €	4,44 €/(kWh/h)/a	0,87
29	1	1	1		1.420.495.691 €	1.235.831.252 €	4,27 €/(kWh/h)/a	0,87
30		1	1	1	1.410.633.492 €	1.227.251.139 €	4,22 €/(kWh/h)/a	0,87
31	1	1	1	1	1.392.302.906 €	1.197.380.500 €	4,06 €/(kWh/h)/a	0,86
	1: economic test passed empty cell: economic test failed							

**For GAZ-SYSTEM:**

GAZ-SYSTEM does not bear any investment costs due to the fact that enough existing capacity is available on the Polish side of the border, and thus there was no need to set the f-factor and conduct the economic test. For this reason, the results of the economic test on the German side will be binding for the project on both sides of the border.

**e. Exceptionally extended marketing horizon acc. to Art. 28 para. 1 lit. e NC CAM**

An extended marketing horizon is not used by both operators.

**f. Alternative allocation mechanism acc. to Art. 28 para. 1 lit. f NC CAM**

An alternative allocation mechanism is not used by both operators.

**g. Fixed price approach acc. to Art. 28 para. 1 lit. g NC CAM**

A fixed price approach is not used by both operators.

**III. Contact Data**

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**IV. Annex**

1. Supplementary Terms and Conditions of GASCADE Gastransport GmbH
2. "General terms and conditions of participation and access to capacity in the binding phase of capacity allocation corresponding to incremental capacity on the German side of the border between Poland TGPS (Transit Gas Pipeline System) and Germany (Trading Hub Europe)" (GAZ-SYSTEM)
3. Offer Level Mallnow