



Limited Liability Company  
«Gazprom export»  
(Gazprom export LLC)

**DEPUTY  
DIRECTOR GENERAL**

**Vereinigung der  
Fernleitungsnetzbetreiber Gas e. V.**

**Georgenstr. 23  
10117 Berlin  
Germany**

2a, Ostrovskogo Sq., Litera A, Saint Petersburg, Russia, 191023  
phone: +7 (812) 646-14-14, fax: +7 (812) 646-14-15  
e-mail: info@gazpromexport.com, www.gazpromexport.com

*October 13<sup>th</sup>, 2020* № *GE/02-5757*

on № -

From \_\_\_\_\_

*Consultations on draft projects for  
new transmission capacities within  
2019-2021 incremental capacity cycle  
in accordance with the NC CAM*

**Dear Sir or Madam,**

We hereby follow the opportunity to express our view on draft projects for new transmission capacities at German borders with Russia and the Netherlands (Project Proposals Russian Federation – THE, TTF – THE), as well as at the border between Germany and Poland, and for capacity upgrades at the border between Germany and Russia (Project Proposals Russian Federation – THE (Lubmin II), Russian Federation – THE (Greifswald)) as proposed by involved TSOs.

At first, we note that in the consultation documents it is stated that the identified measures are interdependent and it is not possible to consider individual indications with directly attributable measures, and that a joint realization of the expansion measures is expedient. In this regard, it is hard to identify which measures exactly are to be implemented in order to meet our non-binding demand indications submitted in August 2019 within Incremental Capacity Cycle 2019-2021. This is required in order to make in-house analysis of feasibility, appropriateness, cost efficiency and general objective reasonableness of proposed measures. Investigation of possible synergies indeed is very important for projects of such scale, but only after individual projects have been designed and have proved themselves as being efficient.

The technical studies of the present cycle for incremental capacity considered in total more than 60 scenarios, each based on a different combination of projects considering non-binding demand indications, which makes it almost impossible to evaluate if these scenarios are suitable to meet the demand expressed in non-binding indications. In our view, levels of mandatory minimum premium to pass the economic

test for projects in certain scenarios, which in some cases are times higher than the currently applicable regulatory tariff, in combination with other projects that require no mandatory premium at all raise concerns regarding cross-subsidization of one project against another. In this regard, we would like to get familiar with more detailed explanation of individual measures proposed, as well as of potential costs estimations behind them.

We also did expect at least several offer levels for each project proposed, but only one offer level was indicated per project instead, so it is not foreseen to meet the actual demand if it changes during the course of the incremental capacity cycle. Such a change might be considerable due to COVID pandemic and general economic downturn that made strategic decision-making process even harder than it was, so it would have been useful to suggest several offer levels allowing to pass the economic tests for each project.

We continue supporting upgrade of capacities from DZK into FZK quality in order to facilitate access to the German joint market area Trading Hub Europe, as well as creation of new transmission capacities in direction to the West due to expected considerable demand for natural gas there, which is driven to a certain extent by the shrinkage of domestic production. As one of the biggest gas suppliers in the market we intend to meet this demand. However at the current stage this is our non-binding position and the final decision on the measures proposed will be taken closer to the capacity auction in 2021, taking into account all factors, including but not limited to the recent regulatory developments in the gas transmission market in Germany (within EU NC TAR implementation and others) and the abovementioned facts regarding current incremental capacities cycle projects proposed.

Until recently German regulatory system in the gas transmission market has been predictable and reliable enough to finance large scale infrastructure projects by way of making advance long-term bookings of gas transmission capacities, but has lost credits and disappointed many market participants with its so called “uniform postage stamp” reference price methodology for transmission tariffs setting. In this respect, we look forward to potential fine-tuning of the tariff methodology by respective authorities in order for it to be truly cost-reflective. Until then it is probably not to be expected that German gas transmission network users’ cautious behavior will change.

**Deputy Director General  
for Gas Export**



**Dmitry Averkin**