

**Project Proposal  
of  
TAP, SRG and DESFA  
for the  
2019 Incremental Capacity Process  
March 2021**

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**Disclaimer**

Each TSO has acted in good faith to ensure that the information in this Project Proposal is correct as at the date of this Project Proposal, however no representation or warranty is made by any TSO as to the accuracy or completeness of such information and the TSOs will not accept any liability, of any kind, for any inaccuracies or incompleteness in such information. Furthermore, the TSOs shall have no obligation to update the Project Proposal for any changes arising after the date of issue of the Project Proposal. Nonetheless, if new or revised information is provided in the Project Proposal, the TSOs shall have no liability to any third party.

## Introduction

Commission Regulation (EU) 2017/459 of 16 March 2017 establishing a network code on Capacity Allocation mechanisms in gas transmission systems (**Regulation**, also referred to as **CAM NC** and **NC CAM**) establishes a harmonised European Union wide process for the offer of incremental capacity between Member States. NC CAM became applicable in Albania as a contracting party to the Energy Community Treaty from 28 February 2020.

The rules for the allocation of capacity for this Incremental Capacity Project as set out in this document consider the specific regulatory framework of TAP according to the Final Joint Opinion issued by the National Regulatory Authorities of Italy (ARERA), Greece (RAE) and Albania (ERE), collectively referred to here as the Authorities dated 6 June 2013 (**FJO**).

TAP is exempted from certain provisions on third party access, regulated tariffs and ownership unbundling of Directive 2009/73/EC, subject to terms and conditions set by the FJO.

The exemption from regulated tariffs and ownership unbundling also applies to TAP's Expansion Capacity (being capacity made available in the TAP Transportation System in addition to the Initial Capacity, up to 10 BCMA). Expansion Capacity is offered in compliance with the third-party access principles of Regulation (EU) 715/2009. Thus, the Expansion Capacity of TAP will be offered following the Capacity Allocation rules as set by the CAM NC to the extent they do not conflict with the FJO (as per paragraph 4.6 of the FJO) and consequent tailor-made regulatory framework as summarised in Annex I of this Project Proposal.

Following the launch of the Incremental Capacity Process on the 1<sup>st</sup> of July 2019, Trans Adriatic Pipeline (**TAP**), Snam Rete Gas (**SRG**) and DESFA have received non-binding demand indications and produced a joint Demand Assessment Report (**DAR**), which was published on the 21<sup>st</sup> of October 2019 with the conclusion that there was sufficient indicative demand to initiate an Incremental Capacity Project.

In January 2020, SRG, DESFA and TAP in accordance with the provisions set out in article 27 (3) of CAM NC, jointly launched a public consultation on the draft Project Proposal written with the purpose to meet the received indicative non-binding demand requests. The TSOs have received comments during the public consultation from 3 (three) respondents. These comments have been considered to the extent possible in the subsequent design phase of the Incremental Capacity Project.

This document has been jointly prepared by SRG, TAP and DESFA in accordance with the provisions set out in article 28 of the CAM NC and constitutes a Project Proposal for the Incremental Capacity Project of the involved TSOs. In line with the provisions of Article 28 CAM NC this Project Proposal is submitted to the Italian, Greek and Albanian NRAs for their evaluations.

The Incremental Capacity Project described herein concerns 5 (five) Interconnection Points (IPs) along the route of the Trans Adriatic Pipeline (TAP), being: Kipoi (TR-GR), Nea Mesimvria (GR), Korca (AL), Fier (AL), and Melendugno (IT).<sup>1</sup>

In particular, the Incremental Capacity Project comprises the following:

- Incremental capacity offered jointly by TAP and SRG at the IP of Melendugno as a bundled capacity product.

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<sup>1</sup> Albgaz is not formally part of the process. We further note that IP of Komotini is not considered in this document, as only non-binding requests for CRF were received for that IP (see pages 9 and 10 Demand Assessment Report).

- Incremental capacity offered jointly by TAP and DESFA at the IP of Nea Mesimvria as a bundled capacity product.
- Incremental capacity offered by TAP at the IPs of Kipoi, Korca, Fier as unbundled capacity products on the TAP side of the IP.<sup>2</sup>



This Incremental Capacity Project is primarily driven by potential increases of the technical capacity at IPs along the TAP pipeline route. If infrastructure upgrades necessary for the Incremental Capacity Project are realised by the interconnected TSOs, then additional natural gas flows from the Greek-Turkish border will potentially reach the markets of Greece, Albania and Italy. Hence, this Incremental Capacity Project is conducted in close coordination by TAP, SRG and DESFA, to enable the offering of capacities at the IPs shared by the TSOs Concerned.

Note that volumetric capacity of technical solutions will be quoted in  $\text{Sm}^3$  or  $\text{Nm}^3$ , while incremental capacity to be offered for booking in the Binding Phase will be quoted in  $\text{kWh/day}$ . Indicatively, a convention of a minimum Gross Calorific Value (“GCV”) of  $9.71^3 \text{ kWh/Sm}^3$  ( $10.23 \text{ kWh/Nm}^3$ ) can be applied for conversion between capacity in volume and in energy.

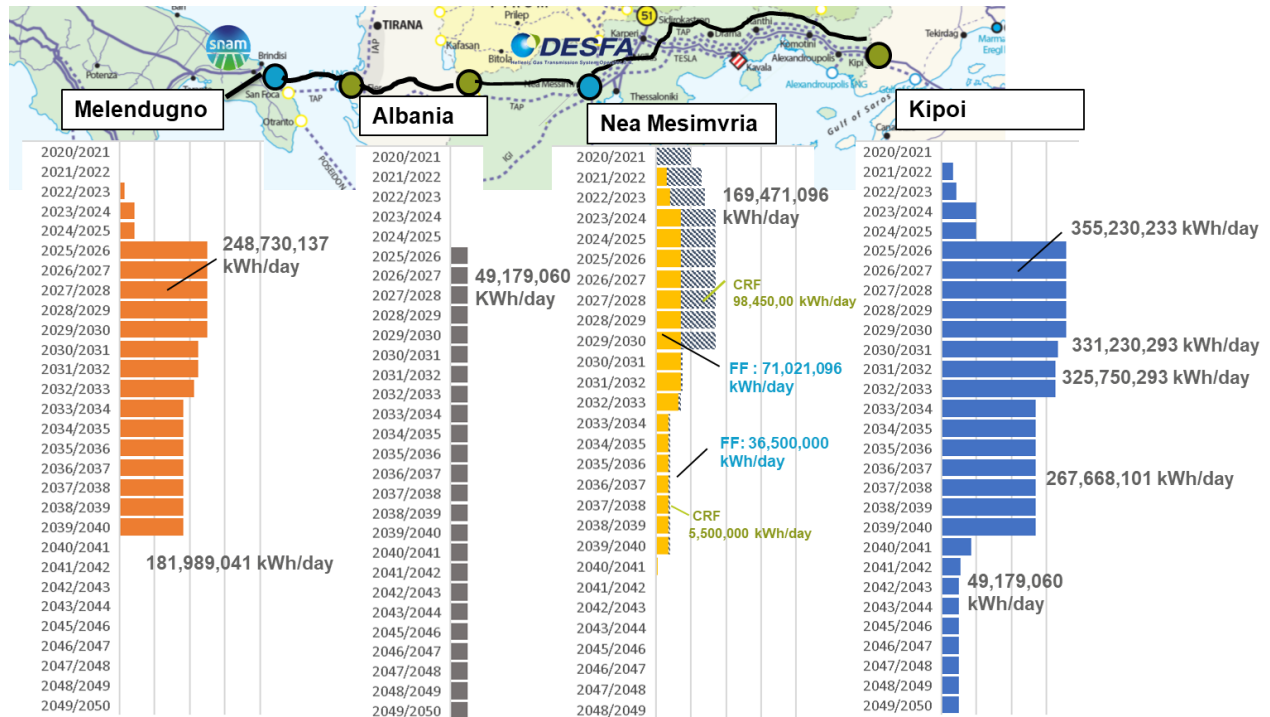
<sup>2</sup> It is the responsibility of the Participant to initiate any procedures that may be necessary for capacity to be made available upstream and downstream of TAP.

<sup>3</sup> For Melendugno IP the offer levels were calculated considering the existing contracted capacity converted with a GCV equal to  $11.07 \text{ kWh/Sm}^3$  and the expansion capacity converted with a GCV equal to  $9,71 \text{ kWh/Sm}^3$ .

## Description of the incremental capacity project and cost estimates

### A.1 Market demand for incremental capacity

Non-binding demand indications by IP are described in detail in the DAR published by TAP, SRG and DESFA on 21 October 2019.<sup>4</sup> The figure below provides a visual summary of the requests at each IP. For Albania, the total aggregated non-binding demand indications received by TAP for both TAP IP Fier and IP Korca are shown. For Korca, a connection request was also received in addition to the non-binding capacity requests. This request is subject to discussions with the requesting party, and the offering of Forward Firm Long Term Capacity at Korca will depend on the progress of the request.



The following high-level conclusions stem from the DAR, presented in order of materiality in the figure above:

- Forward Firm (**FF**) non-binding capacity requests at Kipoi IP peak at 355,230,233 kWh/day in the period 2025-2030 and gradually reduce to a level of 267,668,101 kWh/day in the period 2033-2040. Capacity requests at Kipoi are linked to requests mainly at Melendugno and to a lesser extent to requests at Nea Mesimvria. Post 2040, capacity requests at Kipoi reflect solely the respective requests at the Albanian IPs. As shown in the figure above, a 25-year request of 49,179,060 kWh/day was received for the Albanian exit points for the period 2025-2050.
- At Melendugno IP, FF non-binding requests are equal to 248,730,137 kWh/day in the period 2025-2033. Then they gradually reduce to 181,989,041 kWh/day in the period 2033-2040. No requests were received post 2040.
- At Nea Mesimvria IP, non-binding requests linked to **FF** capacity from Kipoi are equal to 71,021,096 kWh/day in the period 2023-2033, reduced to 36,500,000 kWh/day in the

<sup>4</sup> [https://www.tap-ag.com/shippers/market-tests/\\$14391/\\$14394/\\$14402](https://www.tap-ag.com/shippers/market-tests/$14391/$14394/$14402)



period 2033-2040. Additional requests were received in the non-binding phase referring to TAP's Commercial Reverse Flow (**CRF**) capacity product. CRF requests amounted to 98,450,000 kWh/day in the period 2023-2033, reduced to 5,500,000 kWh/day from 2034 to 2040. CRF requests at the exit of Nea Mesimvria were matched by an equivalent amount of entry capacity in Melendugno.

- For DESFA, capacity requests at Nea Mesimvria linked to the CRF capacity product of TAP correspond to actual physical flow into the DESFA system. For DESFA, the maximum incremental capacity requested by the interested parties is equal to 169,471,096 kWh/day for the period 2023-2030. Thus, for DESFA to meet the request of additional capacity of 98,450,000 kWh/day in the period 2023-2033 as a result of TAP CRF, implies additional investments to accommodate interruptible flows from TAP.

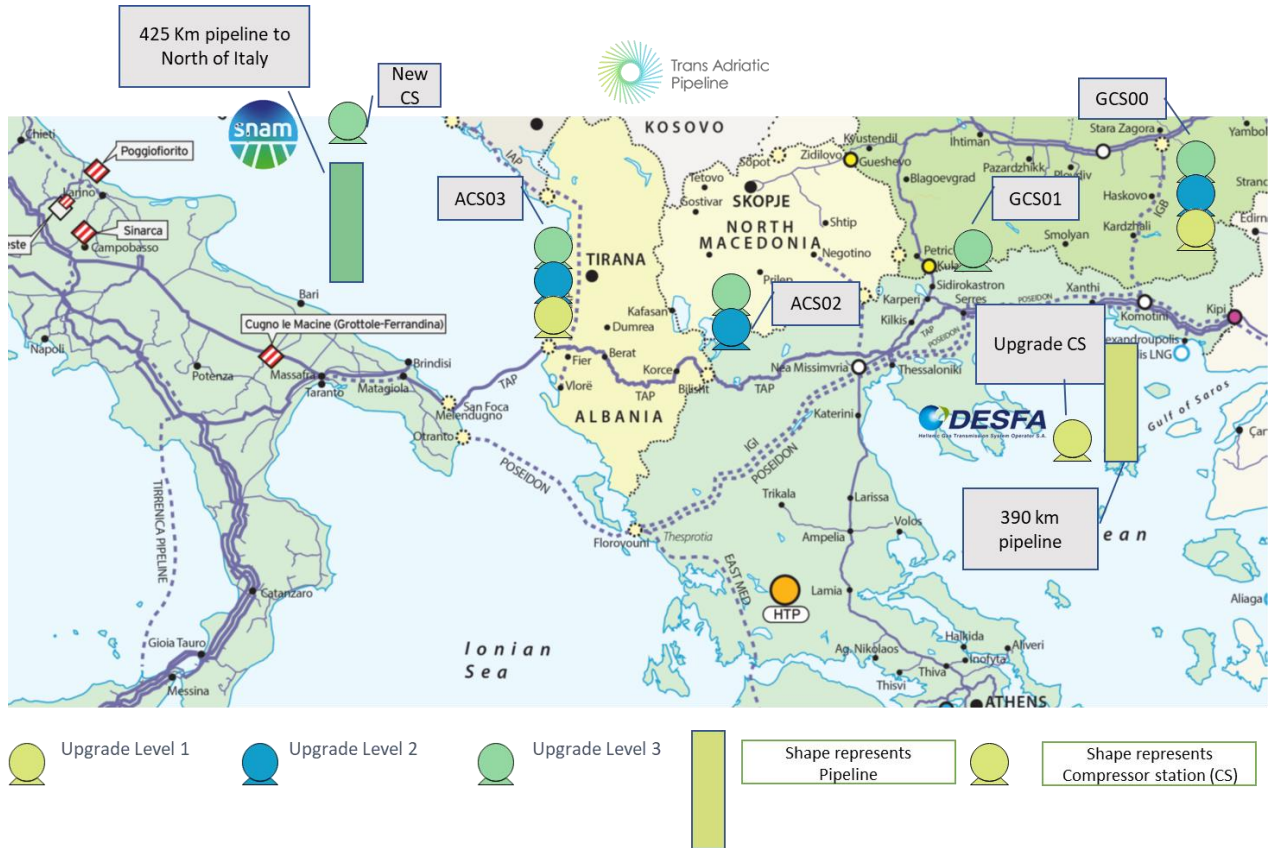
The DAR concluded that the demand indications received by TAP, SRG and DESFA were enough to initiate the design phase of an Incremental Capacity Project in accordance with paragraph 2 of Article 26 of NC CAM.

Although non-binding requests for CRF were received as described above, TAP will not offer CRF capacity products in the Binding Phase. For TAP, CRF requests correspond to virtual interruptible flow and are not linked to investments as is the case with forward flow. According to the TAP Tariff Code only Forward Firm Long-Term capacity products may underpin an expansion investment. Further, the TAP Network Code foresees that the CRF capacity product will be revised following an expansion investment decision. Post-expansion terms and conditions for CRF will thus not be available for the Binding Phase.

## A.2 Description of the Incremental Capacity Project

Based on the capacity requests received in the non-binding demand indication phase, TAP SRG and DESFA have started analysing potential infrastructure developments in their respective transmission systems to fulfil interested parties' requests.

The figure below provides a high-level visual summary on the upgrades referred in this Project Proposal. The figure reports on upgrades at compressor stations along TAP for different upgrade levels and further upgrades in SRG and DESFA systems. Pictured shapes, in respective colours, correspond to upgrades in infrastructure in order to support commitments to Level 1, or Level 2 or Level 3 as shown in the figure below, and further detailed in this section for each TSO.



The next paragraphs provide further information on the alternatives and associated costs for each of the TSOs. We note that investment costs provided in the descriptions below are established in line with established regulatory practices, as individually applicable to each TSO.

### A.2.1 TAP

Following a review of the non-binding demand indications and the terms of the DAR, TAP identified the following alternative expansion projects:

- Level 1: TAP limited expansion – to a total technical capacity of 41.2 MSm<sup>3</sup> per day at Entry Kipoi (400 GWh/day)
- Level 2: TAP partial expansion – to a total technical capacity of 48.8 MSm<sup>3</sup> per day at Entry Kipoi (473 GWh/day)

- Level 3: TAP full expansion – to a total technical capacity of 59.5 MSm<sup>3</sup> per day at Entry Kipoi (578 GWh/day)

The TAP pipeline expansion can be achieved by installing additional compressor units at the compressor stations GCS00 (Kipoi) and ACS03 (Fier), by the construction of the additional compressor stations GCS01 (Serres) and ACS02 (Bilisht) and by potential restaging of the existing compressor units in one or both of the existing compressor stations GCS00 (Kipoi) and ACS03 (Fier). No modifications are required to pipeline sections between compressor stations.

The extent of the expansion depends on the firm demand for the Expansion Capacity.

The expansion projects described in this document (including the estimated technical capacities) may be subject to adjustment during their development, including optimisation based on the Binding Bids.

The three different indicative infrastructural development configurations, with preliminary cost estimates according to cost risk analysis based on the pre-FEED study, are described in the following paragraphs:

### **Level 1: TAP limited expansion**

The required works for expansion to allow transportation of 41.2 MSm<sup>3</sup>/day (400 GWh/day) are:

- GCS00: Upgrade of the existing compressor station with the addition of 2 compressor units (approx. 15 MW each), including relevant facilities, process and utility upgrade;
- ACS02: no infrastructure upgrade required;
- ACS03: Upgrade of the existing compressor station with the modification of the internals of existing compressors and the addition of 2 compressor units (approx. 15 MW each), including relevant facilities, process and utility upgrade;
- IPR01: no infrastructure upgrade required.

The cost of this project is estimated to be 519 M€<sup>5</sup>. The cost estimate may be reduced through the publication of the Joint Notice (TAP Section), depending on the availability of further technical definition at such time.

### **Level 2: TAP partial expansion**

The required works for expansion to allow transportation of 48.8 MSm<sup>3</sup>/day (473 GWh/day) are:

- GCS00: Upgrade of the existing compressor station with the addition of 2 compressor units (approx. 15 MW each), including relevant facilities, process and utility upgrade;
- ACS02: Upgrade of the existing metering facility into a compressor station with the addition of 3+1 compressor units (approx. 25 MW each), including relevant facilities, process and utility upgrade;
- ACS03: Upgrade of the existing compressor station with the addition of 2 compressor units (approx. 15 MW each), including relevant facilities, process and utility upgrade;

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<sup>5</sup> Class 4 estimate, in accordance with AACE® International Recommended Practice Cost Estimate Classification System-as applied in Engineering Procurement and Construction for the Process Industries No. 18R-97. The cost estimate includes a contingency that reflects the class 4 accuracy of the estimate and any applicable allowance.

- IPR01: Upgrade of the metering and pressure reduction station;

The cost for this project is estimated to be 965 M€<sup>6</sup> based on the outcome of the pre-FEED study. The cost estimate may be reduced through the publication of the Joint Notice (TAP Section), depending on the availability of further technical definition at such time.

### **Level 3: TAP full expansion**

The required works for expansion to allow transportation of 59.5 MSm<sup>3</sup>/day (578 GWh/day) are:

- GCS00: Upgrade of the existing compressor station with the addition of 3 compressor units (approx. 15 MW each), including relevant facilities, process and utility upgrade;
- GCS01: Upgrade of the existing scraper facility into a compressor station with the addition of 2+1 compressor units (approx. 25 MW each), including relevant facilities, process and utility upgrade;
- ACS02: Upgrade of the existing metering facility into a compressor station with the addition of 3+1 compressor units (approx. 25 MW each), including relevant facilities, process and utility upgrade;
- ACS03: Upgrade of the existing compressor station with the addition of 2 compressor units (approx. 15 MW each), including relevant facilities, process and utility upgrade;
- IPR01: Upgrade of the metering and pressure reduction station;

The cost for this project is estimated to be 1382 M€<sup>7</sup> based on the outcome of the pre-FEED study. The cost estimate may be reduced through the publication of the Joint Notice (TAP Section), depending on the availability of further technical definition at such time.

### **TAP Korca Connection Request**

Regarding the Connection Request at Korca, Albania, received during the non-binding phase, this may be realised through a new IP in the area of Korca through the addition of an offtake in the existing block valve station ABV25. Subject to requisite arrangements with the requesting party and finalisation of design development, this offtake will be installed inside the ABV25, on the 16" bypass of the main line valve, as already installed in other TAP block valve stations.

#### A.2.2 SRG

Based on the non-binding demand indications, four levels of incremental capacity at Melendugno IP were considered during the DAR.

Parties were asked to provide guarantees for SRG to proceed with specific studies for expansions to 59,3 MSm<sup>3</sup>/day and 67 MSm<sup>3</sup>/day for Melendugno original levels 3 and 4 respectively. Considering that no guarantees were received within the deadline set in the DAR, SRG has developed preliminary technical studies for expansions to total capacity of 46 MSm<sup>3</sup>/day and 56 MSm<sup>3</sup>/day for Melendugno original levels 1 and 2 respectively.

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<sup>6</sup> See footnote above.

<sup>7</sup> See footnote above.

In order to provide more flexibility to the users and in the light of the Offer Levels provided by the other promoters, SRG has introduced an additional Offer Level at Melendugno IP in addition to those originally proposed.

The different infrastructural development configurations are therefore described in the following paragraphs for the new Offer Levels:

**Level 1: 30.8 MSm<sup>3</sup>/day<sup>8</sup> (341 GWh/day<sup>9</sup>) Entry Melendugno**

The existing infrastructure would be enough to deliver this Offer Level, and so no additional investments are needed on SRG's side of the IP.

**Level 2: 42.7 MSm<sup>3</sup>/day<sup>8</sup> (473 GWh/day<sup>9</sup>) Entry Melendugno**

The existing infrastructure would be sufficient to deliver this Offer Level, and so no additional investments are needed on SRG's side of the IP.

**Level 3: 52.1 MSm<sup>3</sup>/day<sup>8</sup> (577 GWh/day<sup>9</sup>) Entry Melendugno**

The infrastructures needed to guarantee this Offer Level are:

- the realization of a new compressor station in Sulmona of 33 MW.
- the upgrade of the regulation and measurement plant in Melendugno.
- the upgrade of the Italian national network along the south-north backbone with the realization of a new pipeline of 425 km (DN1200) from Sulmona to Minerbio.

An estimate of the total costs to deliver this Offer Level could amount up to 1.6 B€. Costs have been estimated according to industry best practices and specific regulatory provisions (e.g. cost estimate methodology for CBA), and are in line with the ones published in the 10-year Network Development Plan (*TYNDP*).

A.2.3 DESFA

The level of incremental capacity offered by DESFA in the framework of this incremental process, is calculated considering the existing technical capacities of DESFA's Gas System entry points. Any other process for increasing the capacity offered at the Nea Mesimvria entry point, is not part of this incremental capacity process and may change the technical capacity of Nea Mesimvria entry point.

DESFA has executed preliminary technical studies in order to identify the investments needed to make incremental capacity available at the IP Nea Mesimvria. These technical studies consider the total requests submitted to DESFA by interested parties, during the non-binding phase. These requests sum to a maximum of 169,471,096 kWh/d as presented in the relevant table in section A.1 and refer to flows from TAP towards DESFA's gas System in the IP Nea Mesimvria. Regarding the reverse flow from DESFA System towards TAP a new booster compressor is already included

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<sup>8</sup> Converted with a GCV equal to 11.07 kWh/Sm<sup>3</sup>.

<sup>9</sup> For Melendugno IP, the offer levels were calculated considering the existing contracted capacity converted with a GCV equal to 11.07 kWh/Sm<sup>3</sup> and the expansion capacity converted with a GCV equal to 9,71 kWh/Sm<sup>3</sup>.

in DESFA's TYNDP 2020-2029 with estimated completion before the end of 2023. The level of the reverse flow (from DESFA to TAP) requests submitted during the non-binding phase can be covered without any new investments after the completion of the above-mentioned booster CS.

Nea Mesimvria connects the Greek System with TAP pipeline. One compression station (**CS**) is operating at Nea Mesimvria. A new CS is also planned at Ampelia area as well as the upgrade of the existing CS at Nea Mesimvria. Also, according to DESFA's TYNDP 2020-2029, a new CS (booster) is planned at Nea Mesimvria in order to enable reversal of flow in TAP.

The impact of the incremental incoming flows through Nea Mesimvria entry point was examined performing hydraulic simulations of the transmission system in a highly loading hydraulic case. Incremental flows are considered on top of the flows that correspond to the technical capacity of Nea Mesimvria IP. The upgrades of the transmission system included in DESFA's TYNDP 2020-2029 were considered as a prerequisite.

In order to satisfy the incremental capacity requested in Nea Mesimvria entry point the upgrade of the Greek gas system according DESFA's TYNDP (upgrade of the existing CS in Nea Mesimvria, a new CS in Ampelia and a booster compressor towards TAP in Nea Mesimvria) is a prerequisite. Further development of the system, as presented below, is also necessary.

The investment level is the following:

### **Level 1: incremental capacity of 16.5 MNm<sup>3</sup>/day (169 GWh/day) Entry Nea Mesimvria**

For Offer Level 1, a new pipeline of 30" diameter from Nea Mesimvria to Patima node (390 km) is needed. This new pipeline will be placed in parallel with the existing one, where possible, in order to minimize the cost of the project, the environmental effect and the requested time for the construction of the project. A new metering station shall be installed in Nea Mesimvria entry point in order to handle the increased flow. A new compression unit must be installed at Ampelia CS. The cost of the relevant project, including the metering station and the upgrade of Ampelia CS is estimated at €394 million.

The above-mentioned Offer Level has as a prerequisite the completion of the planned Ampelia CS and the upgrade of the existing Nea Mesimvria CS already included in DESFA's 10-year Network Development Plan 2020-2029.

Until the completion of the CSs mentioned above (estimated to be completed by the end of 2023), the technical capacity at Nea Mesimvria Interconnection Point (**IP**) is offered in competition with the capacity of IP Kipoi. The total amount of the capacity offered in Nea Mesimvria is equal to 4.8 MNm<sup>3</sup>/d, out of which 4.3 MNm<sup>3</sup>/d is offered in competition with the capacity of the IP Kipoi.

After the completion of the above-mentioned CSs and the debottlenecking of the Greek gas system (estimated by the end of 2023), the technical capacity at Nea Mesimvria Interconnection Point will not be offered through competing auctions.

### **B. Offer Levels (Art. 28 (1) lit. a NC CAM)**

According to the different project configurations described above it will be possible to propose distinct Offer Levels per IP. The Offer Level may be combined in different ways, depending on the overall set of Binding Bids received (e.g. an Offer Level 2 at Kipoi may be combined with an Offer

Level 1 at Nea Mesimvria and with Offer Level 1 at Melendugno, or only with Offer Level 2 at Melendugno).

Readers should also note the terms of Section E.6 in connection with Annual Requests made in respect of TAP.

The Offer Levels in the table below – providing an overview of offered capacities at all IPs jointly by all TSOs - represent the capacity that could be allocated in the Binding Bidding Phase of this Incremental Capacity Project as long term capacity (considering any available capacity net of the already booked capacity and the capacity to be reserved for short term bookings). In order to guarantee firm transportation service, the levels are also calculated based on all gas to be transported through the TAP pipeline having a minimum GCV of 9.71 kWh/Sm<sup>3</sup> (36.84 MJ/Nm<sup>3</sup> or 10.23kWh/Nm<sup>3</sup>).<sup>10</sup>

IP	Level 1		Level 2		Level 3		TSO offering capacity	
	Starting Date	Capacity [kWh/day]	Starting Date	Capacity [kWh/day]	Starting Date	Capacity [kWh/day]	TSO at Exit	TSO at Entry
Kipoi	Q4-2026	44,842,864	Q1-2027	110,909,704	Q1-2027	204,679,174	n.a.	TAP
Nea Mesimvria	Q4-2027	169,471,096	n.a.				TAP	DESFA
Korca	Q4-2025	16,841,920	n.a.	n.a.	n.a.	n.a.	TAP	n.a.
Fier	Q4-2025	32,337,140	n.a.	n.a.	n.a.	n.a.	TAP	n.a.
Melendugno <sup>11</sup>	Q4-2026	48,528,963	Q1-2027	167,714,450	Q3-2027	261,078,908	TAP	SRG

<sup>10</sup> Reference conditions for normal cubic meters are 25°C for combustion and 0°C for volume at atmospheric pressure. For Melendugno IP, the offer levels were calculated considering the contracted capacity converted with a GCV equal to 11.07 kWh/Sm<sup>3</sup> and the expansion capacity converted with a GCV equal to 9,71 kWh/Sm<sup>3</sup>.

<sup>11</sup> Capacity offered at Melendugno IP for Offer Level 1 and 2 will be in competition on the SRG side with Mazara and Gela IPs, so capacity allocation will be subject to the total capacity constraint (technical constraint equal to 123.400.000 Smc/d). A specific operating procedure will be published by the TSO during the Information Phase in order to explain the mechanism to outbid for the abovementioned IPs, in the case capacity requests exceed the technical constraint. The infrastructural development for Offer Level 3 will allow capacity to be offered without competition.

## Kipoi<sup>12</sup>

	Offered Capacity (kWh/d)			Entry / Exit and TSO offering capacity
	Level 1	Level 2	Level 3	
Starting date	Q4-2026	Q1-2027	Q1-2027	Entry TAP
Capacity	44,842,864	110,909,704	204,679,174	

## Nea Mesimvria

	Offered Capacity (kWh/d) Level 1	Entry / Exit and TSO offering capacity
Starting date	Q4-2027	Exit TAP and Entry DESFA
Capacity	169,471,096	

## Korca

	Offered Capacity (kWh/d) Level 1	Entry / Exit and TSO offering capacity
Starting date	Q4 2025	Exit TAP
Capacity	16,841,920	

## Fier

	Offered Capacity (kWh/d) Level 1	Entry / Exit and TSO offering capacity
Starting date	Q4 2025	Exit TAP
Capacity	32,337,140	

## Melendugno

	Offered Capacity (kWh/d)			Entry / Exit and TSO offering capacity
	Level 1	Level 2	Level 3	
Starting date	Q4-2026 <sup>13</sup>	Q1-2027	Q3-2027 <sup>14</sup>	Exit TAP and Entry SRG
Capacity	48,528,963	167,714,450	261,078,908	

In line with the provisions of the FJO, an amount of 10% of the expansion capacity will be set aside to be offered as short-term capacity, as applicable for each TSO and in addition to the

<sup>12</sup> Note that even though the offered incremental capacity at entry Kipoi is lower than at exit Melendugno, the additional capacity at Melendugno may theoretically still be used, as shipper may choose not to nominate under their existing bookings in TAP for the IPs Nea Mesimvria and Komotini, thereby allowing a higher flow to Melendugno.

<sup>13</sup> Please note that the starting dates inserted refer to TAP availability as no works are required on SRG side for Level 1 and Level 2 of incremental capacity.

<sup>14</sup> A first step equal to 51 MSm<sup>3</sup>/d will be available starting from 2025.



numbers included in the table above. In regards of TAP's initial project, according to Section 4.1.10 of the FJO, TAP has an obligation to set aside 5% of the Initial Capacity for short-term auctions.

### C. Alternative allocation mechanism (Art.28(1) lit. e, f NC CAM)

To increase the possibility that the economics for the Incremental Capacity Project are passed in accordance with the provisions of art. 30 (1) of CAM NC and considering TAP's specific regulatory framework as well as the findings of the non-binding demand indications, SRG, TAP and DESFA intend to apply an Alternative Allocation Mechanism (**AAM**) with an extended capacity booking horizon of 20 years after the start of the operational use, subject to the approval of the concerned Authorities.

The criteria envisaged under Article 30 (2) of CAM NC for the potential application of an AAM are achieved by this Incremental Capacity Project, on the following basis<sup>15</sup>:

- The Incremental Capacity Project involves at least three entry-exit systems in the EU (TAP, SRG, DESFA), Albania and potentially other entry-exit systems in the future.
- Non-binding requests for FFLT Capacity were received for 5 IPs included in the table in Section B.
- Interest concerns capacity reservations of more than 1 year, with most requests for durations of 10 to 20 years.
- Participants have indicated interest for commitments linking more than one IP.

In accordance to the provision of article 30 (3) of the CAM NC, TAP, DESFA and SRG intend to allow interested parties to submit Binding Bids on the following basis:

- Commitment at one IP linking commitments at other IP(s);
- Commitments across several different standard yearly capacity products;
- Commitments conditional on the allocation of a minimum amount of capacity.

In the light of the characteristics of the Incremental Capacity Project, the proposed AAM prioritizes bids depending on their booking durations, in accordance with article 30(4) of the CAM NC. In particular, TAP, SRG and DESFA give priority to commitments for durations of at least 5 consecutive standard yearly products starting from the E-COD and linking more than one IP along the gas route as further specified in the following parts of this document.

Binding Bids will be processed subject to the Participants meeting the requirements set out in section E.1. In the event of congestion, in order to be consistent with TAP specific regulatory framework (i.e. the TAP Tariff Code) and to ensure coherent allocation results for interconnected TSOs, a ranking will be performed on the basis of the net present value (**NPV**) of incremental revenues from each Binding Bid per unit of annual capacity requested as further specified in Section E.<sup>16</sup>

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<sup>15</sup> Please also refer to the evidence provided in the DAR.

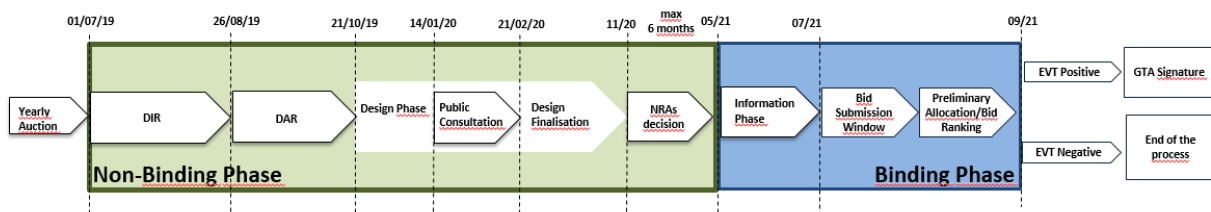
<sup>16</sup> The TAP Tariff Code does not foresee an auction except for the exceptional situation of equal marginal bids.

## D. Provisional Timeline of the incremental capacity project (Art. 28 (1) lit.c CAM NC)

This chapter describes the timeline for the conclusion of the Incremental Capacity Project (section D.1) and provides estimates of the possible time needed for the realization of the new incremental capacity (section D.2). The timeline assumes that this Project Proposal has received regulatory approval by April 2021.<sup>17</sup>

### D.1 Incremental capacity cycle timeline

SRG, TAP and DESFA plan to proceed with the publication of the Joint Notice, in May 2021, following the submission of the Project Proposal to the Italian, Albanian and Greek Authorities for their coordinated approvals. TAP, SRG and DESFA will offer the incremental capacity to the Participants in July 2021.<sup>18</sup>



#### D.1.1 Timeline of the Information Phase and the Binding Phase

The Binding Phase will commence with the publication of the Joint Notice on the websites of TAP, SRG and DESFA, currently set to take place within 17 May 2021.

Towards the end of an initial two-month information phase commencing upon the issue of the Joint Notice (the **Information Phase**), the parties interested in participating in the Binding Bidding Phase will be requested to register with the TSOs Concerned as an Applicant in order to participate in the Binding Bidding Phase.

At the beginning of the Information Phase, together with the Joint Notice, on their websites, TAP, SRG and DESFA will make available a list of the relevant documentation that needs to be submitted by the Applicants for their registration and the respective deadline for submission of such documentation.

In a Bid Submission Window in July 2021, the parties interested in participating in the Binding Bidding Phase will be required to submit Binding Bids. Please see Section E.2 on the content of the Binding Bids.

Following the end of the Bid Submission Window, TAP, SRG and DESFA will proceed with bid evaluation, Preliminary Capacity Allocation and the Economic Viability Test (**EVT**), entering into Gas Transportation Agreements (**GTAs**) with the successful Participants. The Binding Phase ends

<sup>17</sup> In case of a significant deviation from this assumption, the timeline may be adjusted accordingly.

<sup>18</sup> Please note that the Authorities have a period of maximum 6 months to approve the Project Proposal according to Article 28 CAM NC.

either in case no Offer Level passes the EVT or with GTAs, as applicable for each TSO, becoming effective (see Section E.7 on Conditions Precedent to the GTAs).

### Milestone Timeline

Milestones	Dates
Launch of Binding Phase/Publication of the Joint Notice	17 May 2021
<b>1. Information Phase</b>	<b>17 May 2021 - 17 July 2021</b>
TAP/SRG/DESFA make available a list of documentation to be submitted to each TSO	17 May 2021
Registration Period	17 May - 23 June 2021
TAP/SRG/DESFA evaluate the applicants' eligibility	24 June – 17 July
<b>2. Binding Bidding Phase</b>	<b>17 July – 30 September 2021</b>
Bid Submission Window	17 July - 20 July 2021
Bid Evaluation Period <sup>19</sup>	21 July – 31 July 2021
Preliminary Capacity Allocation <sup>20</sup>	01 August - 30 August 2021
Economic Viability Test Results published	31 August 2021
<b>3. Capacity Allocation</b>	<b>31 August 2021</b>
<b>4. Execution of GTAs</b>	<b>30 September 2021</b>

### D.2 Duration of project realization

In the table below we present a preliminary overview of the timing expected by the TSOs Concerned for the realization of the respective projects.

TSO	Level 1	Level 2	Level 3
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<sup>20</sup> If during the Preliminary Capacity Allocation TAP reaches a preliminary conclusion of a negative EVT result, TAP may enter into discussions with Participants for a revision of their Binding Bids, with the purpose of yielding a positive EVT, in accordance with Section 3.3.1(d) TAP Tariff Code. TAP will also proceed to inform the Authorities of the negative EVT result. Depending on decisions of the Authorities, the preliminary capacity allocation period may (as an indicative, non-binding estimate) be extended by up to 4 months, as follows: according to Section 4.1.8 of the FJO, in case the EVT is negative, TAP is obliged to demonstrate this situation to the Authorities within one month following the closing date of the market test. If so requested by the Authorities, TAP will provide an opinion by an independent third party. In case such an opinion is requested, the one-month timeline is extended by two months. The Authorities will then decide on the economic viability of the expansion within one month following receipt of TAP's argumentation / from the receipt of the independent opinion.

<b>TAP</b>	60 months from FEED award	65 months from FEED award	65 months from FEED award
<b>SRG</b>	Incremental capacity will be made available at no additional effort due to pre-investment – statement of timing alignment to TAP	Incremental capacity will be made available at no additional effort due to pre-investment – statement of timing alignment to TAP	Implied range of approx. 48 to 70 months. Two step approach with a first step of 51 MScm <sup>3</sup> /day available in 2025, followed by second step to 56 MScm <sup>3</sup> /day in 2027 (further description 2025/2027 in the section on SRG below)
<b>DESFA</b>	6 years (72 months)	n.a.	

### TAP

Following receipt of Binding Bids and a positive EVT for one of the three Offer Levels for entry Kipoi, TAP intends to award a contract for the development of the Front-End Engineering and Design (**FEED**) which will develop and further specify the technical elements, schedule and costs of the Expansion Project corresponding to the selected Offer Level. In parallel to the development of the FEED, TAP will seek relevant key permits and third-party financing.

It is currently assumed that the FEED for the limited, partial, and full expansion will be completed within 15 months of FEED award (i.e. by December 2022, if awarded in October 2021). The design, approval, procurement, construction, and commissioning for:

- both the partial and the full Expansion Project is estimated to require approximately 65 months from award of the contract for the FEED, according to preliminary schedule risk analysis based on the pre-FEED study.
- the limited expansion of TAP is estimated to require approximately 60 months from the award of the contract for the FEED.

### SRG

The capacity for Offer Level 1 and 2 is already available.

The incremental capacity for Offer Level 3 will be achieved in two steps.

This first step will allow to offer a maximum entry capacity of 51 MSm<sup>3</sup>/d starting from 2025.

The transportation of 51 MSmc/d will be achieved with the installation of the compressor station in Sulmona and the upgrade of the metering station of Melendugno, taking approximately 4 years: 1 year for obtaining permits, and 3 years for the procurement, the construction and the commissioning phase.

The second step will allow to offer a maximum entry capacity of 56 MSm<sup>3</sup>/d (Offer Level 3) starting from 2027.

The transportation of 56 MSm<sup>3</sup>/d will be achieved with the realization of the 425 km pipeline that

runs from Sulmona to Minerbio, taking approximately 6 years: 3 years for the engineering phase and the obtaining of permits and 3 years for the procurement, the construction and the commissioning phase.

The activities will start after the positive outcome of the EVT, the conclusion of the incremental capacity procedure and the execution of the GTAs with the respective TSOs.

The timeline has been determined based on FEED studies. SRG may waive Condition(s) Precedent under GTAs and proceed with project implementation (see Section E.7).

## **DESFA**

Regarding Offer Level 1, and based on the preliminary technical studies DESFA estimates that the duration of the activities from the design, until the commissioning of the projects needed will be approximately 6 years after the positive outcome of the EVT, the conclusion of the Incremental Capacity Process and the GTAs with the respective TSOs. In any case, it must be noted that the above-mentioned timeframes, for the DESFA Offer Level which includes major investments, will be further clarified during the technical studies phase.

### **E. General rules and conditions for the Binding Phase (Art. 28 (1) lit. b NC CAM)**

This chapter describes the general rules and conditions which the involved TSOs will apply for the participation of interested parties in the Binding Phase.

The Binding Phase will be open to all interested parties, including those that have not submitted a non-binding demand indication during the non-binding phase.

Access to the transportation service on the respective TSOs systems is permitted impartially and on an equal basis to all interested parties that possess the specific requirements as shown below in this document.

Incremental capacity will be offered as bundled products to Participants for a minimum duration of 5 consecutive gas years, with the earliest possible start date being the planned E-COD and the latest possible end date being the earliest to occur of (i) the end of the 20<sup>th</sup> gas year after the planned E-COD and (ii) the expiry of TAP's exemption (14 November 2045). Demand requests of shorter duration will also be evaluated in the allocation process, subject to the restrictions described below.<sup>21</sup>

#### **E.1 Participation criteria and Registration**

Applicants will have to submit filled-in Registration Forms to TAP, SRG and DESFA, which will be provided with the Joint Notice and the information to be submitted by Applicants shall include (but not be limited to) the following information:

- Company Name and Address.

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<sup>21</sup> The five-year minimum duration for bids contributing to determine the extent of an expansion is set to avoid a short peak in demand leading to suboptimal investment requirements and value chain economics.

- Name and contact details of Company Representative.
- A list of the IPs where the Applicant intends to submit a binding commitment.
- Bank Guarantees as described for each TSO in this paragraph.

Further requirements are envisaged by individual TSOs in relation to their applicable regulatory framework as indicated below:

Applicants must submit within the required deadlines all the documents needed, as described below, and potentially be enabled to operate on a jointly identified capacity platform if so decided by the TSOs Concerned, as indicated in the Joint Notice.

At the end of the Information Phase TAP, SRG and DESFA will communicate to Applicants their eligibility to participate in the Binding Bidding Phase.

By participating in the Binding Bidding Phase, each Participant will be required to accept that:

- the Capacity Allocation referred to in the Incremental Capacity Process is subject to the positive outcome of the EVT of the TSOs Concerned;
- in case of a negative outcome of an EVT, the concerned TSOs shall return any Bank Guarantees submitted as part of the registration or with the bid and no transport capacity will be contractually allocated;
- in case of a positive outcome of the economic test the successful Participant shall enter into a GTA and transmit to the TSOs respective Bank Guarantees as described below in Section E.7;
- in case a Participant is not allocated incremental capacity after a positive EVT, the Bank Guarantee shall be returned; and
- if the Participant is allocated capacity but the GTA between the TSO and the Participant does not, for any reason, become fully effective, that TSO will allocate the actual costs it incurred for the Incremental Capacity Process up to that point to each Participant to which capacity has been allocated, on a pro rata basis calculated on the basis of the amount of their Bank Guarantee as a proportion of the aggregate value of Bank Guarantees received by the TSO. Such pro rata costs will be payable by the Participant and, if not paid, may be recovered by the TSO under the relevant Bank Guarantee(s).

In addition, **specifically for TAP**, the Bank Guarantee is otherwise returned once:

- The EVT is finally determined to be negative following the provisions of E6 of this document; or
- If the Participant is allocated incremental capacity, then upon the GTA between TAP and the Participant becoming fully effective.

## **TAP**

Applicants will be required to submit several supporting documents as part of its Registration Form – these will be listed in the Joint Notice (TAP Section) but are currently expected to contain inter alia:

- A statement that no sanctioned gas will be transported through the TAP pipeline.
- A statement confirming that the Applicants acknowledge their obligation to engage in the

Capacity Caps assessment with the Authorities and provide necessary proof of compliance with the Capacity Caps by the date of GTA signature by TAP. The Applicants must have been deemed, or confirmed to be, compliant with the Capacity Caps regime or as otherwise decided by the Authorities before the signature of the GTA(s) by TAP.

At the time of a Participant submitting a Binding Bid Form to TAP, the Participant will be required to deliver to TAP a Bank Guarantee from an internationally reputable bank or insurance company with a minimum credit rating of A- at Standard and Poor's or A3 at Moody's, which has been approved in advance by TAP in its absolute discretion, cashable at first request of TAP and equal in value to the lower of:

- 20% of the maximum annual capacity requested by the Participant at each IP multiplied by the TAP tariff for Forward Firm Long Term Capacity published for calendar year 2021; and
- 45 MEUR.

By submitting a Binding Bid Form to TAP, the Participant accepts that:

- Submission of a Binding Bid will constitute an irrevocable commitment to enter in a GTA with TAP, subject only to the successful outcome of the EVT.

## **SRG**

Applicants will be required to state the possession of relevant requirements defined in paragraph 1.1 – Chapter 5 of Snam Rete Gas Network Code.

Any statement of possession of requirements (requests, commitments, declarations or acceptances), as well as any request/communication or expression of will, made by the Applicant, including via the relevant functionality of SRG's website or a potentially jointly identified capacity booking platform, constitutes a formal obligation and commitment on the part of the Participant, which accepts – even in respect of third parties – any and all liability arising from any breaches/errors or omissions.

Participants shall be required to present to SRG within the required deadlines:

- The GTA signed by a person in possession of power of attorney.
- a Bank Guarantee, cashable at first request, issued by an Italian financial institute or Italian branch of a foreign bank, equal in value to 20% of the maximum annual capacity charge (based on the indicative tariff made available by SRG) of the incremental capacity they intend to request.

SRG will publish on its own web site the estimated value of the annual capacity charge referred to in the Incremental Capacity Project.

Binding Bids by Participants will be accepted only within the limits of the Bank Guarantees which will have been presented to SRG according to the provisions above.

## **DESFA**

Applicants will be required to state the possession of relevant requirements defined in DESFA Network Code, Annex I of the NNGS Standard Transmission Agreement and the relevant Application. Only Transmission Users, as defined in DESFA's Network Code, can submit binding bids

for entry capacity to the DESFA system, in the Binding bidding phase. The specific requirements that must be fulfilled by the interested parties will be defined in detail in the Joint Notice (DESFA Section).

Any statement of possession of requirements (requests, commitments, declarations or acceptances), as well as any request/communication or expression of will, made by the Applicant, including via the relevant functionality of DESFA's website or a potentially jointly identified capacity booking platform, constitutes a formal obligation and commitment on the part of the Participant, which accepts – even in respect of third parties – any and all liability arising from any breaches/errors or omissions.

Participants shall be required to provide to DESFA within the required deadlines a Bank Guarantee (Binding Bid Bank Guarantee), cashable at first request of DESFA, issued by a Greek financial institute or Greek branch of a foreign bank, equal in value to 20% of the maximum annual capacity charge (based on the indicative tariff made available by DESFA) of the incremental capacity they intend to request, valid until two (2) months from the execution of the GTAs according to D.1.1.

DESFA will publish on its own website the estimated value of the annual capacity charge referred to the Incremental Capacity Project.

Binding Bids by Participants will be accepted only within the limits of the guarantees which will have been presented to DESFA according to the provisions above. By submitting a binding request to DESFA, the Participant accepts that said request will constitute an irrevocable commitment to enter a GTA with DESFA, subject to the successful outcome of the EVT.

## E.2 Binding Bid content

During the Binding Bidding Phase, Participants will have to submit their Binding Bids for incremental capacity products to each TSO.

Participants shall specify in each Binding Bid:

- If a Binding Bid is a Linked Bid as per the indications from the Binding Bid Form. In a Linked Bid the capacity requested at the TAP entry point of Kipoi must equal the capacity requested at one other IP.
- **The capacity requested (in kWh/day) per entry and exit point.** Capacity requested cannot exceed the maximum incremental capacity on offer at a particular IP, as defined in the relevant table of Section B.
- **The requested start date.**
- **End date of the bid.** Except for Annual Requests (with restrictions as noted below, and described in Section E.6), the duration cannot be less than 5 consecutive gas years, with the latest possible end date being the earliest to occur of the end of the 20th gas year after the planned E-COD and the expiry of TAP's exemption. For the avoidance of doubt, each Binding Bid must relate to consecutive years.
- **Indication whether capacity reduction is acceptable or not.** Participant must also indicate whether they will accept a reduction in their Capacity Allocation (and up to which amount) in the event of congestion and their bid happens to be marginal. For Linked Bids,



any reduction in capacity at the IP where the Linked Bid is assessed as being marginal will result in an equal reduction in incremental capacity at the linked IP (it should be noted that bundled capacity is reduced by the same amount at both sides of the IP).

Participants may submit more than one Binding Bid. Binding Bids submitted by the same Participant may vary by IP, duration of capacity requested and capacity amount. As a basic rule, in a single Binding Bid, Participants may specify only one value of incremental capacity for all gas years requested. A Binding Bid may however indicate a ramp-up over the first two years of the period to which the Binding Bid relates, with a minimum value for the first gas year of 40% of capacity and 70% for the second gas year. Should Participants wish to profile their capacity request further, then they should submit separate Binding Bids.

A Binding Bid does not have to specify a bid price, as the price applicable to the incremental capacity for the purposes of the evaluation process shall be equal to the Reserve Price plus any mandatory minimum premium(s) where applicable. The TAP Tariff is specified according to TAP Tariff Code. The respective annual capacity charge by SRG and DESFA, according to the provisions of the relevant tariff regulations, as approved by the respective Authorities (to be used as estimated reference price for the duration of the initial incremental capacity requests), will be published on their own websites during the Information Phase. There will be no additional auction premia charged on top of the Reference Prices (other than in relation to the Equal Marginal Bid process set out under Section E.5 below).

Bids will have to be submitted inside the Bid Submission Window in accordance with the instructions that will be provided in the Joint Notice published by the TSOs.

By submitting a Binding Bid Form, a Participant will be required to agree to the process outlined in the Joint Notice published by the TSOs, including the process regarding the overall Project Proposal and the potential liability of the Participant for a pro rata share of the costs incurred by the respective TSOs for the Incremental Capacity Process up to that point.

### E.3 Bid Evaluation

At the end of the Bid Submission Window, each TSO will assess the respective received Binding Bids for completeness and compliance with respective requirements. Those Binding Bids that are accepted at this stage will be considered as part of the preliminary Capacity Allocation procedure of Section E.4 below. In case of rejection of a Binding Bid, the relevant TSO shall notify and justify to the relevant Participant and the other TSOs Concerned within 5 business days from the end of the Bid Submission Window.

### E.4 Preliminary Capacity Allocation Procedure (Bid Ranking)

The rules for preliminary Capacity Allocation of incremental capacity at all five IPs are described below.

The TSOs will undertake the actions listed below.

- For each year, the sum of Binding Bid capacity requests is computed at each IP.
- If there is no congestion at any IP, the TSOs Concerned shall undertake a preliminary Capacity Allocation and proceed with the EVT process set out in Section E.6.
- If, there is congestion at an IP and in consideration of the specific regulatory framework

defined for TAP by the Authorities, Binding Bids received in relation to that IP are ranked according to the ratio of the NPV of the hypothetical revenues on the TAP system from the bid divided by the maximum annual capacity of the bid. In case of Linked Bids, the hypothetical revenues include revenues from both the TAP entry point in Kipoi and the other TAP exit Point component of the bid. A Marginal Bid at a congested IP is allocated the remaining incremental capacity unless the Participant has explicitly declared, in its Binding Bid, non-acceptance of a capacity reduction. If the Participant of such Marginal Bid has declared non-acceptance of capacity reduction, the remaining capacity is allocated to the next Participant with a lower NPV/capacity ratio. If there is no other Participant with a lower NPV/capacity ratio, only the allocated capacity (without such Participant) will be considered in the EVT.

- In the case of two or more Equal Marginal Bids, an auction may be initiated according to Section E.5.
- If a Linked Bid happens to be a Marginal Bid or one of Equal Marginal Bids, an equal capacity reduction shall be made by the TSOs Concerned at the linked IPs.
- The outcome of the preliminary allocation process shall comprise of a table showing each Offer Level and IP showing all Binding Bids.

The timescales and the administrative details related to the bid submission process will be specified in the Joint Notice published by the TSOs.

#### E.5 Allocation of Equal Marginal Bids (EMB)

Auctions will take place only at the IP(s) where there are Equal Marginal Bids.

Only Participants with Equal Marginal Bids will be involved in the auction.

The Participants with the Equal Marginal Bids shall be invited to submit up to 3 bids for the applicable marginal capacity. Each such bid shall include a capacity amount (up to a maximum of the capacity available in the auction and not lower than the capacity requested in the original bid or the available capacity), a revised end date of the bid (if later than the original bid) and an auction premium to be considered above the Reserve Price, which serves as a floor price in this auction.

The involved TSOs will invite Participants with equal marginal bids (**EMB Bidders**) to submit new Bids within 5 business days from the end of the Bid Submission Window. The EMB Binding Bid Form shall be submitted by such Participants within 5 business days following the invitation. The TSOs shall define the precise EMB bid submission deadline (time, date) in its invitation sent to the EMB Bidders (the **EMB Bid Submission Deadline**).

For SRG, the EMB Bids shall be accompanied by an amendment to the Bank Guarantee described in Section E.1 equal to the 20% of the capacity requested multiplied by SRG new applied tariff (Reserve Price indicated in Section G.1.1 + possible premium)

For DESFA, the Bank Guarantees described in Section E.1, must be amended accordingly and become equal to the 20% of the maximum annual capacity charge (based on the indicative tariff made available by DESFA + possible premium) of the incremental capacity that the Participants intend to request.

If EMB Bidders happen to request additional capacity (up to the maximum level of applicable marginal capacity) to that requested in their original bid then EMB Bids shall be accompanied by a Bank Guarantee from an internationally reputable bank or insurance company approved by TAP in its absolute discretion, which meets the same criteria as set out in Section E.1, in an amount equal to 20% of the difference between maximum annual capacity requested by the Participant per IP in this EMB process minus the original capacity request and multiplied by the TAP tariff for Forward Firm Long Term Capacity published for year 2021.

EMB Bids are evaluated by the involved TSOs within 5 business days from the EMB Bid Submission Deadline. In case of rejection of an EMB Binding Bid Form, the TSOs shall notify the relevant Participant within 5 business days from the end of the EMB Bid Submission Deadline. Accepted bids are considered in the preliminary Capacity Allocation procedure performed in line with Section E.4 of the Project Proposal.

Following this step, the involved TSOs shall calculate the NPV value of all submitted bids (for this purpose, considering the auction premium) and rank all bids according to the NPV/capacity ratio as above. If oversell of capacity reoccurs, capacity is allocated to the Participant(s) with the highest NPV/capacity ratio. The Participant(s) who submitted the Marginal Bids are allocated any remaining capacity, provided that any Participant who receives capacity less than it requested can withdraw, if their original Binding Bid specified that curtailment would not be accepted.

#### E.6 Economic Viability Test

The Economic Viability Test (**EVT**) is carried out separately by each TSO at their side of the relevant IP.

For TAP, the EVT considers the net present value of the cost estimates and hypothetical incremental revenues, applying TAP target IRR as the discount factor (see TAP Tariff Code / Annex I of this Project Proposal for more details). For the avoidance of doubt, the EVT concerns the TAP sides of all IPs where incremental capacity is offered. Costs concern all costs borne by TAP for the expansion of the pipeline to meet each Offer Level. Thus, revenues for the calculation of the NPV relate to incremental revenues to be collected by TAP from the application of the TAP Tariff to all incremental capacity allocated at TAP's side of all IPs.

TAP will accept bids for capacity for individual years, also for a period lower than 5 consecutive years, (**Annual Requests**). However, any Annual Requests will not, in accordance with TAP's Tariff Code, be treated as Expansion Capacity Bookings and will not be considered in the EVT to be performed in accordance with this Section E.6. Annual Requests will be allocated capacity only following conclusion of the EVT and the entry into GTAs with successful Participants for the Expansion Capacity. Annual Requests will be allocated capacity to the extent that there is remaining capacity available in the relevant year up to the Offer Level implemented as part of the Incremental Capacity Project. If TAP is not able to allocate capacity to all Annual Requests in a particular year, it will allocate capacity according to a similar prioritisation procedure as described in Section E.5.

For SRG, the EVT takes into account the present value of the estimated increase in its allowed revenue multiplied by the f-factor (see Section G.1) as approved by the Italian NRA ARERA and the present value of binding commitments of Participants for contracting capacity, which is calculated as the discounted sum of the respective Reference Prices and a potential Mandatory

Minimum Premium multiplied by the amount of contracted incremental capacity according to Article 22 of EU NC CAM.

For DESFA, the EVT takes into account the present value of the estimated increase in its allowed revenue multiplied by the f-factor (see Section G.2) as approved by the Greek NRA RAE and the present value of binding commitments of Participants for contracting capacity, which is calculated as the discounted sum of the respective Reference Prices and a potential Mandatory Minimum Premium multiplied by the amount of contracted incremental capacity according to Article 22 of EU NC CAM.

The following results are anticipated following each TSO carrying out their EVT:

- A. TAP, SRG and DESFA will each verify the EVT with the lowest Offer Level meeting the maximum amount of Binding Bids at each IP. If positive for all TSOs Concerned, capacity is allocated according to the bid ranking.
- B. If the EVT is negative for one of the concerned TSOs, Binding Bids are curtailed and the lower Offer Level at the concerned IP is tested. Curtailment of Linked Bids may impact the Offer Level to be tested at another IP.
- C. The process continues until a combination of Offer Levels yielding a positive EVT for the TSOs Concerned is found. The auction process under Section E.5 may need to be run prior to finalisation of incremental Capacity Allocation at a given Offer Level. If after any curtailment under point B, the bids at an IP still lead to a negative EVT for one TSO, then the process continues without those bids and the EVT for that TSO is considered as negative. In that case no capacity allocation will take place at that IP.
- D. If the EVT yields a negative result at all Offer Levels:
  - o According to Section 3.3.1(d) of TAP's Tariff Code (already approved by the Authorities) in case of a negative EVT, TAP reserves its right to further investigate whether a technical solution meeting only part of the demand could result in a positive NPV and also on a reasonable efforts basis discuss with the participants from the Binding Phase any potential future changes to their respective bookings or other commercial solutions that would enable a positive NPV.
  - o According to art. 24.4 of CAM NC TSOs, in case a redistribution of revenues could potentially lead to a decrease in the level of binding commitments of network users for contracting capacity required for a positive single economic test outcome, may submit to the relevant national regulatory authorities for coordinated approvals the mechanisms for a redistribution of revenues from incremental capacity
  - o Only when after having revisited the expansion threshold and the bids, the EVT is still negative, the TSOs Concerned will promptly inform the relevant Authorities of this result. The Binding Bids received from Participants shall remain valid until the Authorities have concluded or waived the third-party verification described in Article 4.1.8 of the FJO. TAP, SRG and DESFA will inform Participants of the end of the Incremental Capacity Project.

TAP, SNAM and DESFA shall jointly communicate the EVT results to respective Participants no later than August 31<sup>st</sup>, subject to – in case of TAP - the provisions of Section 3.3.1(d) of TAP's Tariff Code (already approved by the Authorities) in case of a negative EVT.

## E.7 Gas Transportation Agreement (“GTA”)

Each successful Participant will be required to enter a GTA with the concerned TSO according to the respective applicable regulatory framework in relation to the allocated capacity, as further detailed below.

TSOs have aligned a number of key timings and principles in the GTA process – these concern:

- Countersignature or signature of the relevant GTAs within 30 days from Capacity Allocation;
- The GTA(s) becoming effective upon a set of specific Conditions Precedent being met to the satisfaction of each TSO;
- Closing of the Incremental Capacity Project and declaring the GTAs void, if the Conditions Precedent are not met or waived by respective TSOs by a longstop date falling 15 months after entry into of the GTA.

Further details, reflecting applicable law and commercial specifics are provided, in relation to each TSO further below.

## TAP

Following a positive EVT result and the ensuing allocation of capacity, TAP will:

- I. Award a FEED study of the technical solution providing the capacity of the selected Offer Level. The FEED will allow TAP to estimate the schedule and costs for the specific expansion solution with a higher degree of accuracy.
- II. Seek key permits required for the expansion works in the relevant host countries.
- III. Seek third party financing for the expansion works.
- IV. Countersign the GTA within 30 days from Capacity Allocation. The GTA(s) will each become effective upon a set of Conditions Precedent being met to the satisfaction of TAP or otherwise waived by TAP, including:
  - a. FEED cost and schedule estimates have been obtained, supported by required key permits; and
  - b. The relevant Participants have presented acceptable credit support as required by the GTA, still comply with the requirements set out in Section E.1 (e.g. no sanctioned gas and not exceeding any capacity caps for dominant players in a target market) and have not exercised the step-out right described below; and
  - c. The information from (a) and (b) above (i.e. cost, schedule and capacity bookings) still provide for an economically viable expansion. (If the revised information would have led to a negative outcome had it been available at the time of the EVT, TAP will discuss with Participants the option to extend the duration of the bookings under their bid(s) until a later date up to the earliest to occur of either (i) the end of TAP's exemption and (ii) 20 years after E-COD).

If the Conditions Precedent are not met or waived by a longstop date falling 15 months after the entry into of the GTA, TAP will close the Incremental Capacity Project and void the GTAs.

Separately, Participants will be given the option to step-out from the GTA if the FEED schedule provided by TAP indicates the E-COD taking place more than 12 months later than the E-COD estimated at the start of the Binding Phase.<sup>22</sup>

If the GTAs do not become effective, as provided in Section E.1, TAP will allocate the actual costs incurred by TAP for the Incremental Capacity Process up to that point to each Participant with a GTA, pro rata to the amount of their Bank Guarantee as further described in Section E.1. The Bank Guarantee will be returned after such actual costs have been settled.

## **SRG**

In the event of a positive EVT, the Participant is bound to the commitments expressed in relation to the successful Offer Level. SRG will countersign the GTA within 30 days from Capacity Allocation.

It is intended that the final positive outcome of the EVT leading to the realization of the Incremental Capacity Project is subject to the subscription to the relevant GTA(s) by all Participant(s) with successful binding commitments.

The GTA(s) will each become effective upon a set of Conditions Precedent being met to the satisfaction of SRG, including:

- a. key permits have been obtained; and
- b. the relevant GTAs between the Participant and all TSOs Concerned have become effective.

If the Conditions Precedent are not met or waived by SRG by a longstop date falling 15 months after entry into of the GTA, SRG will close the Incremental Capacity Project and void the GTAs.

It is understood that in the case of any potential prolongation of the commitment under the GTA to a maximum of 20 years, if required as described above in paragraph E.7 IV c), the GTA between the successful Participant and SRG will be amended accordingly.

As a requirement under the relevant GTA, the Participant shall present to SRG, by the above deadline for the signing of the GTA, two Bank Guarantees, cashable at first request, issued by an Italian financial institute or Italian branch of a foreign bank, equal in value to the amount required in SRG Network Code (Chapter 5 Paragraph 1.3.4 and 1.3.5). It is understood that in case of any amendment of the GTA according to the conditions described above, the Bank Guarantees will have to be amended accordingly.

The Bank Guarantees shall remain valid for the entire duration of the relevant GTA, with an expiry date at the end of the sixth month following the end of the relevant GTA.

Once the Bank Guarantees described here above will be presented to SRG, the Bank Guarantee equal to 20% of the maximum annual capacity charge, indicated in Section E.1, will be returned.

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<sup>22</sup> It is understood that the Participants will be allowed a minimum period to exercise their option to withdraw should it be applicable.

In the event of a positive EVT, if the Participant does not issue the Bank Guarantees above described in this Section (SRG Network Code Chapter 5 Paragraph 1.3.4 and 1.3.5), it shall pay a penalty to SRG equal to the value of the Bank Guarantee described in Section E.1.SRG.

If the GTAs do not become effective, as provided in Section E.1, SRG will allocate the actual costs incurred by SRG for the Incremental Capacity Process up to that point to each Participant with a GTA, pro rata to the amount of their Bank Guarantee as further described in Section E.1. The Bank Guarantee will be returned after such actual costs have been settled.

If the GTA will not become effective for the reasons stated in this paragraph, the consequences described in Section E.1 above shall apply to the relevant Participants.

Following the execution of the GTA, the Participant shall be required to pay to SRG all the applicable transmission charges with start date from the date the capacity is made available and for full duration of the GTA.

## **DESFA**

In case of a positive EVT, each Participant is bound to the commitments expressed in relation to the successful Offer Level.

DESFA will send to the Participant(s) that have been allocated capacity the GTA, which must be returned to DESFA, signed by the Participant within 30 days from Capacity Allocation.

It is intended that the final positive outcome of the EVT leading to the realization of the Incremental Capacity Project is subject to the execution of the GTA(s) by all the Participants(s) with successful binding commitments.

The signed by both parties (DESFA and the Participant) GTA(s) will each become effective upon a set of Conditions Precedent being met to the satisfaction of DESFA, including:

- a. the project, as described in A.2.3, has been unconditionally included in DESFA's approved Ten Year Network Development Plan and the Final Investment Decision has been taken and
- b. the relevant GTAs between the Participant and all concerned TSOs (TAP and DESFA, in case of Nea Messimvria IP) have become effective.

If the Conditions Precedent are not met or waived by DESFA by a longstop date falling 15 months after entry into of the GTA, DESFA may close the Incremental Capacity Project and void the GTAs. It is understood that in case of any potential prolongation of the commitment to a maximum of 20 years, if so, required as described above in paragraph E.7 IV c), and only in case of an initial positive EVT for DESFA, the GTA between the Participant and DESFA will be amended accordingly.

The Participant shall present to DESFA 5 days before GTA execution the required Bank Guarantee (GTA Bank Guarantee), cashable at first request, issued by a Greek financial institute or Greek branch of a foreign bank. The Bank Guarantee shall be equal to the maximum annual capacity charge for the capacity allocated to that Participant. Once the Bank Guarantee described here above is presented to DESFA, the Bank Guarantee indicated in Section E.1, will be returned. It is understood that in case of any prolongation of the GTA according to the conditions described above due to paragraph E.7 IV, the Bank Guarantees will be required to be amended accordingly by the relevant Participants.

The GTA Bank Guarantee shall have a duration and shall remain valid until the end of the sixth month succeeding the end of the first year of the transportation services provided to that Participant in relation to the capacity allocated to the said Participant within the framework of the incremental capacity process. One (1) month before the E-COD for DESFA at Nea Mesimvria, the Participant shall present to DESFA the guarantee required according to the relevant provisions of the NNGS Standard Transmission Agreement (Government Gazette B 4802/30.10.2020) and Chapter 3A of the Greek NNGS Network Code (Government Gazette B 4799/30.10.2020) for the capacity allocated to that Participant within the framework of the Incremental Capacity Process. For the capacity allocated to that Participant within the framework of the Incremental Capacity Process the guarantee under the NNGS Transmission Agreement is calculated as per article 21H of the Greek NNGS Network Code. For the avoidance of any doubt, all other Participant's obligations should be fulfilled pursuant to the relevant provisions of the aforementioned NNGS Network Code and the NNGS Transmission Agreement.

The Participant has the right to request the reduction of its GTA Bank Guarantee up to the amount corresponding to the part of the guarantee provided for the capacity booked under the NNGS Transmission Agreement. No later than six (6) months after the end of the first year of the transportation services provided to that Participant, and only if said Participant has duly and timely paid the charges invoiced by DESFA for that year, the GTA Bank Guarantee shall be returned to the Participant.

In the event of a positive EVT, if the successful Participant does not issue the GTA Bank Guarantee or does not execute the GTA it shall pay a penalty to DESFA equal to the value of the Binding Bid Bank Guarantee described in Section E.1.DESFA.

If the GTAs do not become effective, as provided for in this Section, DESFA will allocate the actual costs incurred by DESFA for the Incremental Capacity Process up to that point to each Participant with a GTA, pro rata to the amount of their GTA Bank Guarantees described in Section E.1. The GTA Bank Guarantee will be returned after such actual costs have been settled.

Following the execution of the GTA, the Participant shall be required to pay to DESFA all the applicable transmission charges with start date from the date the capacity is made available and for full duration for which capacity has been allocated to that Participant.

#### E.8 Project progress, lack of permits, delays in making available transportation capacity

SRG, TAP and DESFA will share with the relevant Participants the progress of the Incremental Capacity Project.

By signing the GTA, the Participant shall be deemed to have accepted that, if the authorizations, permissions, easements and any other relevant land rights necessary for the construction phase of the project are not obtained or delayed, then the execution times for the implementation of the Incremental Capacity Project will be considered correspondingly extended, and TSOs shall have no liability to any Participant in connection with such delays.



## E.9 Force Majeure

Force Majeure conditions of the different TSOs are defined in their respective contractual provisions as indicated below.

### **TAP**

Force Majeure provisions will be set out in the TAP GTA.

### **SRG**

With reference to “Force Majeure”, the conditions defined in SRG Network Code chapter 19.4 apply.

### **DESFA**

“Force Majeure” for the DESFA part of the project is defined in art. 104 of the Greek Network Code (Government Gazette B 4799/30.10.2020).

## E.10 Element IND and RP for fixed price approach (Art. 28 (1) lit. g NC CAM)

### **TAP**

Based on the specific TAP regulatory framework, this section is not applicable to TAP.

### **SRG**

To be consistent with the tariff regulatory framework in place, SRG proposes to apply floating applicable prices derived from its reference price methodology also to the incremental capacity. SRG is therefore not considering the adoption of a fixed price approach and consequently elements IND and RP foreseen by Regulation 2017/460 are not relevant.

### **DESFA**

To be consistent with the tariff regulatory framework in place, DESFA proposes to apply floating applicable payable price derived from its reference price methodology also to incremental capacity. DESFA is therefore not considering the adoption of a fixed price approach and consequently elements IND and RP foreseen by Regulation 2017/460 are not relevant.

## G. Economic Test Parameters (Art. 28 (1) lit.d CAM NC)

This chapter describes the TSOs proposal for the level of the user commitments (f-factor) to be considered in the execution of the EVT envisaged in articles 22 and 24 of the Regulation 2017/459 (NC CAM).

### **TAP**

Based on the specific TAP regulatory framework, this section is not applicable to TAP. A short description of TAP’s tariff methodology as well as the tariffs that will apply to TAP’s Economic Viability Test can be found in Annex I.

## SRG and DESFA

The final proposal by the TSOs on the level of f-factor(s) is comprised within this Project Proposal. The f-factors used to perform the economic test will be finally approved by the Italian and Greek Authorities according to article 28 NC CAM.

### G.1 Economic test parameter for SRG

#### i. G.1.1 Reference Price (Art. 22(1) lit. a (i) NC CAM))

Consistently with the current tariff regulatory framework, SRG considers applying a floating reference price. For the purpose of the economic test this has been estimated equal to:

- 2,15 €/year/Smc/day equivalent to 0,1942 €/year/kWh/day for Offer level 1 in the first year of expected operation;
- 2,06 €/year/Smc/day equivalent to 0,1861 €/year/kWh/day for Offer level 2 in the first year of expected operation;
- 2,12 €/year/Smc/day equivalent to 0,1915 €/year/kWh/day for Offer level 3 in the first year of expected operation.

For the sole economic test purposes, the above reference prices for each Offer level are assumed to be yearly updated in the years of the period to which the capacity booking requests of this incremental capacity allocation process are concerned according to the inflation index considered in the WACC currently applied to SRG<sup>23</sup>.

For the avoidance of doubt, the reference price to be effectively applied will be finally determined according to the provisions of the regulatory framework in place at the time the transmission service will be provided and considering the actual costs incurred by the TSO.

#### ii. G.1.2 Mandatory minimum premium (Art. 22 (1) lit. a(ii) NC CAM)

- **Offer level 1 and Offer level 2**

No mandatory premium is envisaged.

- **Offer level 3**

In the light of the specificities of the incremental capacity project and in order to allow the full recovery of the respective investment costs a mandatory minimum premium equal to 3,8 €/year/Sm<sup>3</sup>/day equivalent to 0,3432 €/year/kWh/day will be applied.

The above mandatory minimum premium is assumed constant in all the years of the period to which the capacity booking requests of this incremental capacity allocation process is concerned

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<sup>23</sup> Equal to 1,7% (reference to Resolution n. 639/2018/R/Com, as eventually updated by the Regulator).

and will have then to be paid by the successful Participants<sup>24</sup> in case of positive economic test.

### G.1.3 Present value of estimated increase in allowed revenue (Art. 22 (1) lit. b NC CAM)

Based on the regulatory framework currently in place, the present value of the estimated increase of the allowed revenues associated to the investments for Offer level 3 is estimated to approximately 1,53 bn €<sup>25</sup>.

#### iii. G.1.4 F-factor (Art. 22 (1) lit.c NC CAM)

- **Offer level 1 and Offer level 2**

The levels of user commitments (f-factor) for the individual EVT on the Italian side are not relevant both for Offer Level 1 and for Offer Level 2.

- **Offer level 3**

The levels of user commitments (f-factor) for the individual EVT on the Italian side for Offer level 3 is 1.

### G.2 Economic test parameter for DESFA

#### G.2.1 Reference Price (Art. 22(1) lit. a No. i NC CAM)

The tariff for the allocated capacity shall be governed by the principles and methodology detailed in the Greek Tariff Regulation as in force at any given time. Consistently with the current tariff regulatory framework, DESFA considers applying a floating reference price.

For indicative purposes, the tariff for the current regulatory period for for long term bookings at Nea Mesimvria, according to the applicable tariff regulation, as in force at the time of publication of these guidelines is equal to 5.0971411 €/(kWh/h)/y without taking into account any regulatory adjustment provisioned in the applicable Tariff Regulation. The inclusion of the Project in DESFA's RAB will lead to an estimated tariff equal to 5.6272677 €/(kWh/h)/y being the Reference Price for DESFA's calculations for the EVT, but also used in the calculation of guarantees required by DESFA. For the avoidance of doubts, the reference price effectively applied will be finally determined according to the provisions of the regulatory framework in place at the time of the transmission service and considering the actual costs incurred by the TSO.

#### G.2.2 Mandatory minimum premium (Art. 22 (1) lit. a. No. ii NC CAM)

No mandatory premium is envisaged.

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<sup>24</sup> For the avoidance of any doubt the mandatory minimum premium will apply to the successful Participants to which the capacity will be allocated in this specific incremental capacity procedure according to the process as specified in section D.

<sup>25</sup> This value is referred to the actualization of the cash flows related to the incremental capacity project in the first year of expected operation, assuming a discount rate equal to the regulatory WACC currently in place, expressed in nominal terms pre-tax.

G.2.3 Present value of estimated increase in allowed revenue (Art. 22 (1) lit. b NC CAM)  
The present value of the estimated increase in DESFA's allowed revenue is 325,281,535€.

G.2.4 F-factor (Art. 22 (1) lit.c NC CAM)

The preliminary level of user commitments (f-factor) proposed for the individual EVT on DESFA side is 0.8

H. Additional demand Indication

By the publication date of this document no further demand indications have been received after the deadline of the non-binding phase for incremental transmission capacity.

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## Annex I - TAP Specific Provisions

This Annex is for information purposes only. It provides readers with a further insight on the specific regulatory framework of TAP. For more information, readers are referred to the FJO<sup>26</sup> and the TAP Tariff Code<sup>27</sup>.

### **TAP Regulatory Framework**

The exemption from regulated tariffs and ownership unbundling, granted to TAP by the Authorities applies to TAP's Expansion Capacity offered in by this document. Incremental capacity in TAP is open to third party access (i.e. the rules as set by the EU NC CAM) to the extent they do not conflict with the FJO (as per Paragraph 4.6 of the FJO) and consequent tailor-made regulatory framework.

An amount of 10% of the actually built Expansion Capacity is set aside and offered as Forward Firm Short-Term Capacity according to Paragraph 4.1.10 of the FJO.

### **Key concepts of TAP Tariff code**

Clause 3.3.1 of the TAP Tariff Code specifies the EVT that TAP will conduct to decide on incremental capacity. The methodology for the EVT is as follows:

- a) Cost estimates<sup>28</sup> are evaluated for each Offer Level in the Incremental Capacity Project by taking into account capital, operational expenditures and working capital.
- b) The incremental revenue is calculated as the sum of the product of the currently applicable TAP Tariff (prior to the expansion) and the capacity requests submitted in the Binding Phase, for all years during which capacity products are offered.<sup>29</sup>
- c) The net present value ("NPV") of cost estimates and incremental revenues (items (a) and (b) above) is evaluated by applying the TAP target IRR as the discount factor.

After passing the EVT, the recalculation of the TAP Target Revenue and the TAP Tariff to be applied from the beginning of the Expansion Recovery Period is done by applying as a boundary condition that TAP Tariffs do not increase from their pre-expansion levels<sup>30</sup>. Thus, an EVT with a zero NPV implies that unit tariffs do not change compared to the situation prior to the Incremental Capacity Process. An EVT with a positive NPV leads to a reduction in TAP Tariffs<sup>31</sup>. In the case of a negative NPV, the TAP Tariff Code calls for TAP to investigate alternative (technical) solution(s) meeting only part of the demand. This requirement of the TAP Tariff Code has been implemented in Section E.6 where TSOs consider a lower Offer Level in case of a negative EVT.

If negative NPV values are still calculated, even in cases of alternative solutions as above, then the EVT is considered as failed<sup>32</sup>. This requirement is also implemented in Section E.6.

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<sup>26</sup> [https://www.tap-ag.com/shippers/market-tests/\\$14391/\\$14394/\\$14408](https://www.tap-ag.com/shippers/market-tests/$14391/$14394/$14408)

<sup>27</sup> [https://www.tap-ag.com/shippers/market-tests/\\$14391/\\$14394/\\$14407](https://www.tap-ag.com/shippers/market-tests/$14391/$14394/$14407), approved in November 2013 by the Italian, Greek and Albanian National Regulatory Authorities. A subsequent amendment was approved in July 2018

<sup>28</sup> Clause 3.3.1(c) of the TAP Tariff Code

<sup>29</sup> Clause 3.3.1(b) of the TAP Tariff Code

<sup>30</sup> Clause 3.3.3(b) of the TAP Tariff Code

<sup>31</sup> Reduction refers to current tariff levels without considering the TAP Target Revenue escalation due to inflation as per Clause 2.1 of the TAP Tariff Code.

<sup>32</sup> Clause 3.3.1(d) of the TAP Tariff Code

There are two main differences between the EVT of TAP and the EVT of Article 22 of EU NC CAM.

- In EU NC CAM incremental revenues are calculated by taking into account a potential auction premium and a potential Mandatory Minimum Premium. Binding commitments typically include an inherent willingness of interested parties to pay (“WTP”) for the capacity increase. WTP is expressed through incremental capacity auctions (including the standard ascending clock auctions of Article 17). This is not the case with TAP. In the incremental process of TAP, Participants submit binding commitments that express a willingness to reserve a certain amount of capacity over a certain period of time. The resulting unit tariffs will be the same for all allocated Participants (and also TAP’s current Shippers). Allocation in case of congestion takes place through ranking of bids by the ratio of the NPV of the capacity request over the annual capacity requested.<sup>33</sup> This is core to the TAP business model. An auction for TAP is only foreseen for a very specific case of congestion (Allocation of Equal Marginal Bids, Section E.5).
- EU NC CAM allows for the socialisation of part of the cost of the expansion to the remaining users of a transmission system (this is through the f-factor of Article 22 of EU NC CAM). For TAP the risk of expansion is borne solely by TAP.

### **TAP Tariff Methodology**

This Section highlights only the main elements of tariff regulation. Readers are referred to the TAP Tariff Code for a full description.

The TAP tariff is an amount in EUR/kWh/Gas Day/Gas Year. The breakdown between the Target Revenue allocated to the entry point of Kipoi and the TAP Target Revenue allocated to all exit points is 50/50. The level of the exit tariff depends on the distance of each IP from TAP’s entry point at Kipoi.

The TAP Target Revenue has been updated annually from 2016, according to the formula in Clause 2.1 of the TAP Tariff Code, to ensure an escalation of tariffs at the start of each calendar year. The escalation is a function of the Euro area HICP<sup>34</sup> and of the respective inflation indices of Greece, Italy and Albania. Tariffs for incremental capacity are determined in accordance to a model (the “Tariff Calculation Model”) developed by TAP, which is based on a discounted cash flow methodology that calculates the TAP Target Revenue. The methodology for recalculating Target Revenue and tariffs upon expansion is specified in Clause 3.3.3 of the TAP Tariff Code.

As a short summary, a key provision is that unit tariffs will never increase as a consequence of an expansion. In case of bookings underpinning an expansion having an end date prior to the expiry of the TAP’s exemption, this means that TAP Target Revenue will be reprofiled to ensure that unit tariffs do not increase when FFLT capacity bookings tail off. Further, this means that TAP carries the risk of actual costs increasing beyond what would have given a positive EVT, as such cost increases cannot be reflected in the tariff.

### **Tariffs applicable for the Economic Viability Test of TAP**

The tariffs that will be used for the purposes of the Economic Viability Test are the tariffs as published on TAP’s website for calendar year 2021 and reproduced in the table below, including

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<sup>33</sup> Clause 3.3.1(c) and (e) of the TAP Tariff Code.

<sup>34</sup> “Harmonised Indices of Consumer Prices” as defined in the Regulation (EU) 2016/792 of the European Parliament and of the Council of 11 May 2016

also the exit points of Korca and Fier. The tariffs will be escalated in accordance with TAP's tariff methodology as described above, assuming projected inflation of 2% per annum for future periods applying both to costs and as input to the tariff escalation formula, as indicated in Clause 2.1 of the TAP Tariff Code.

IP	TAP Tariff for Forward Firm Long Term and Annual Products
	EURO / KWh / Day / Year
Entry Kipoi	1.059073
Exit Nea Mesimvria	0.506371
Exit Korca	0.772274
Exit Fier	1.053051
Exit Melendugno	1.219432

## Annex II – Definitions and Abbreviations

This Annex contains definitions and abbreviations used in this document

This section lists key definitions used in this document.

### I.1 List of key definitions used in this document

1. **Alternative Allocation Mechanism** or **AAM** as *[defined in art 30 EU NC CAM]*.
2. **Annual Requests** means the bids for capacity for individual years, also for a period lower than 5 consecutive years.
3. **Authorities, National Regulatory Authorities or NRAs** means the National Energy Regulatory Authorities of Italy ('ARERA'), Greece ('RAE') and Albania ('ERE').
4. **Bank Guarantee** means the on-demand bank guarantees in a form acceptable to each TSO which are required to be submitted to each TSO in order to participate in the Binding Phase (including to participate in the Equal Marginal Bids process in accordance with Section E.5) and to enter into a GTA, which:
  - in respect of a bank guarantee to be submitted to TAP, meet the requirements set out under par. E.1(TAP); and
  - in respect of a bank guarantee to be submitted to SRG, meet the requirements set out under par. E.1(SRG) and in par. E.7.(SRG).
  - in respect of a bank guarantee to be submitted to DESFA, meet the requirements set out under par.E.1 (DESFA) and in par E.7.(DESFA).
5. **Binding Bid** means a bid submitted by a Participant during the Binding Phase.



6. **Binding Bid Form** – the form to be filled out by the Participant in order to participate in the Binding Bid Phase of the 2019 Market Test.
7. **Binding Bidding Phase** means the final phase of the Incremental Capacity Process whereby interested parties can submit Binding Bids to TAP, SRG and DESFA in accordance with Section E and during which TAP, SRG and DESFA will perform the Economic Viability Test and will proceed to Capacity Allocation.
8. **Binding Phase** means the general phase of the Incremental Capacity Process which is composed of the Information Phase and the Binding Bidding Phase.
9. **Applicant** means the interested party that registers to the Binding Phase according to Section E.1.
10. **Binding Phase Registration Form (Registration Form)** means the forms attached to the Joint Notice, in each TSO's section, to be used by Applicants for their registration to the Binding Phase by which Participants will declare acceptance of the conditions set by TSOs.
11. **Participant** means an Applicant that is considered compliant by TSOs Concerned (in accordance with Section E.1) with the requirements for registration process and to further participate in the next phases of the Binding Phase (Bid Submission Window, Capacity Allocation, signature of GTAs )
12. **Bid Submission Window** means the period during which Participants may submit a Binding Bid.
13. **Business Days** shall mean any calendar day, but not a Saturday, Sunday or a public holiday either in Italy or Switzerland.
14. **Capacity Allocation** means allocated capacity to the successful Participants after the positive outcome of the Binding Bidding Phase and EVT.
15. **Capacity Caps** means the pro-competitive measures for the Italian, Greek and Albanian market as set out in as imposed by Sections 4.7.3, 4.7.6 and 4.7.9 of the FJO.
16. **Condition(s) Precedent** means the events or actions that must be completed (or otherwise waived) before the GTA(s) become effective pursuant to the terms of the relevant GTA(s), as required by each TSO in their respective sub-section of Section E.7.
17. **Connection Request** means a binding and/or non-binding request to TAP from an interested party to build a new entry and/or exit point in Albania or Greece and/or to increase the technical capacity of an already existing entry and/or exit point in Albania, in accordance with Sections 4.7.5, 4.7.7 and 4.7.8 FJO.
18. **Coordinated Design Phase** means the design phase *[defined in Article 27 of EU NC CAM]*.
19. **CRF means** commercial reverse flow.
20. **CS** has the meaning given to it in Section A.2.3.
21. **Demand Assessment Report or DAR** means the report published jointly by TAP, SRG and DESFA on 21 October 2019 *[defined in Article 26 of EU NC CAM]*. The DAR summarises the results of the non-binding demand indications received in the 8-week period from 1 July 2019.
22. **Economic Viability Test or EVT** means a test applied to assess the economic viability of the Incremental Capacity Project.

- 23. Energy Community Treaty** means the treaty establishing the Energy Community signed in October 2005.
- 24. Expansion Capacity** means capacity in the TAP Transportation System made available in addition to Initial Capacity, up to 10 BCMA.
- 25. Expansion Project** means a project to expand TAP's capacity in TAP's existing entry and/or exit points or to establish new entry and/or exit points on the TAP transportation system, in accordance with the FJO, the CAM NC and TAP's Tariff Code.
- 26. Expansion Recovery Period** means, in respect of any Expansion, the period starting on the day on which the relevant Expansion first becomes commercially operational and ending on the earlier of (a) the day on which the gas transportation agreements regarding the relevant Expansion Capacity expire, and, if such gas transportation agreements expire on different days, on the day of expiry which falls last in time and (b) the day falling 25 years after the first day of such period [*defined in the TAP Tariff Code*].
- 27. Equal Marginal Bids** means the bids that have the same ratio of NPV of incremental revenues from each binding request per unit of annual capacity requested and the available capacity at the Offer Level is not enough to meet capacity requested.
- 28. Equal Marginal Bids process** – process for the allocation of marginal capacity as described at Section E.5 of the Project Proposal.
- 29. Equal Marginal Bids Binding Bid Form or EMB Binding Bid Form** means the form which is required to be submitted in accordance with Section E.5 of the Project Proposal.
- 30. Expansion Commercial Operation Date (E-COD)** means the commercial operation date of the incremental capacity realised following a positive EVT.
- 31. Final Joint Opinion or FJO** means the Final Joint Opinion of the Italian, Albanian and Greek energy regulators on TAP AG's Exemption Application, issued on June 6, 2013.
- 32. Forward Firm Long-Term Capacity, FF, Forward Firm, or FFLT Capacity** means Capacity Products for transportation capacity booked by reference to one or more Interconnection Points for the forward transportation of natural gas, and which the Transporter is not permitted to interrupt except for planned maintenance, capacity restrictions or a force majeure.
- 33. FEED** means front end engineering and design.
- 34. GTA or Gas Transportation Agreement** shall have the meaning given to it in the Transportation Confirmation.
- 35. Guidelines** means the Guidelines for the 2019 Market Test of Trans Adriatic Pipeline, approved by the Authorities in 2019. The Guidelines set out how TAP will perform the Market Test launched in 2019, with a view to offer all interested parties Expansion Capacity up to the Total Capacity of the pipeline as per Paragraph 4.1.7 of the FJO and to accommodate Connection Requests.<sup>35</sup>
- 36. Incremental Capacity Process** means the current process to assess market demand for incremental capacity along TAP route, including the interconnection points of Nea Mesimvria

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<sup>35</sup> For avoidance of doubt, these Guidelines for the 2019 Market Test of Trans Adriatic Pipeline are distinct from the guidelines for TAP's first market test, jointly approved by the Authorities in April 2012, as referenced in the FJO.

and Melendugno with DESFA and SRG [*established according to EU NC CAM*].

37. **Incremental Capacity Project** means the project described in this document aiming to increase the amount of technical capacity at 5 interconnection points along TAP route [*defined in art 3 (11) EU NC CAM*]. This concerns the project to increase the amount of technical capacity at the five IPs of Kipoi, Nea Mesimvria, Korca, Fier and Melendugno following the 2019 demand assessments of TAP, SRG and DESFA.
38. **Information Phase** means the first part of the Binding Phase.
39. **Initial Capacity** means the 10 bcm/year of initial capacity in the TAP pipeline.
40. **Interconnection Points (IPs)** means the 5 interconnection points along TAP route [*referred in art 2 EU NC CAM*].
41. **Joint Notice** means the notice jointly published by the TSOs Concerned according to Art. 28.3 CAM NC at the start of the Information Phase.
42. **Linked Bid** means a bid where the participant has indicated that its binding request at the TAP entry point of Kipoi is subject to allocation of an equal amount of capacity and duration at a second IP (exit point) [*referred in art 30 (3a) EU NC CAM*].
43. **Marginal Bid** means a bid where capacity cannot be met by TSOs Concerned at one Offer Level. This bid is the immediate lowest NPV/capacity ratio bid following all other bids where requested capacity has been allocated in full.
44. **Member State** means a member state of the European Union.
45. **Mandatory Minimum Premium** means an additional amount added on the Reference Price applicable to SRG and DESFA to ensure a positive EVT [*according to Article 33 of EU NC TAR*].
46. **Offer Level** means the respective level of incremental capacity offered for each of the yearly standard capacity products at an interconnection point for each incremental technical solution.
47. **Reserve Price** shall equal the sum of the Reference Prices set by TAP (TAP Tariff), SRG and DESFA [*referred in EU NC TAR*].
48. **Reference Price** means the price for a capacity product for firm capacity of duration of one year at one IP.
49. **TAP Credit Support Criteria** means the requirements set by TAP as defined in the GTA made available with the Joint Notice (TAP Section).
50. **TAP Target Revenue** means the annual revenue stream, required to achieve the TAP target IRR by the end of the Recovery Period, as may be recalculated upon an Expansion pursuant to Clause 3.3.3 of the TAP Tariff Code and as further defined in the TAP Tariff Code.
51. **TAP Tariff** has the meaning given to it in the TAP Tariff Code.
52. **TAP Tariff Code** or **Tariff Code** means the tariff code available at <https://www.tap-ag.com/shippers/tariff-information>
53. **Transportation System** means any natural gas pipeline system, including pipes above and below ground and all other related equipment owned, or used and operated, by a TSO in order to provide natural gas transportation services.

**54. Transportation Confirmation** shall mean a transportation confirmation in the form provided with the Joint Notice issued by each TSO.

**55. TSOs Concerned** means TAP and SRG for the IPs of Melendugno, TAP and DESFA for the IP of Nea Mesimvria, and TAP only for the IPs of Kipoi, Korca and Fier.

**56. TSO** means transmission system operator, being TAP, SRG and DESFA (as relevant).