

Guidelines for the 2021 Market Test of Trans Adriatic Pipeline

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1. Introduction

The purpose of these Guidelines for the 2021 Market Test of Trans Adriatic Pipeline (“the Guidelines”) is to define the rules and procedures to be followed in the Market Test process to be conducted by TAP starting in July 2021, as well as to inform all Interested Parties, and any other stakeholders thereof. During TAP’s Market Test, all Interested Parties can request incremental capacity at existing entry and/or exit points along TAP’s transportation system (“Capacity Requests”), as well request the construction of new entry and/or exit points (“Connection Requests”).

These Guidelines reflect TAP’s specific regulatory regime for the performance of its Market Tests. They seek to align the provisions of the *Final Joint Opinion of the Energy Regulators on TAP AG’s Exemption Application, dated 6 June 2013, granted by the Authorities pursuant to Directive 2009/73/EC* (“FJO”) and of TAP’s Tariff Code¹ with Commission Regulation (EU) 2017/459 establishing a network code on Capacity Allocation Mechanisms in gas transmission systems (“CAM NC”).

In compliance with Section 4.1.7 FJO, these Guidelines have been approved by the competent National Regulatory Authorities of Italy, Greece and Albania (“Authorities”), namely ARERA, RAE and ERE.

1.1 The requirement to expand capacity

For its Initial Capacity, TAP is exempted from provisions on third party access, regulated tariffs and ownership unbundling subject to the terms of the FJO. The exemption from regulated tariffs and ownership unbundling also applies to TAP’s actually built Expansion Capacity.

According to the FJO, TAP must perform a Market Test at least every two years, starting no later than its Commercial Operation Date (“COD”), for the allocation of capacity additional to the Initial Capacity and to any part of the Expansion Capacity allocated as a result of the binding phase(s) of the previous Market Tests.

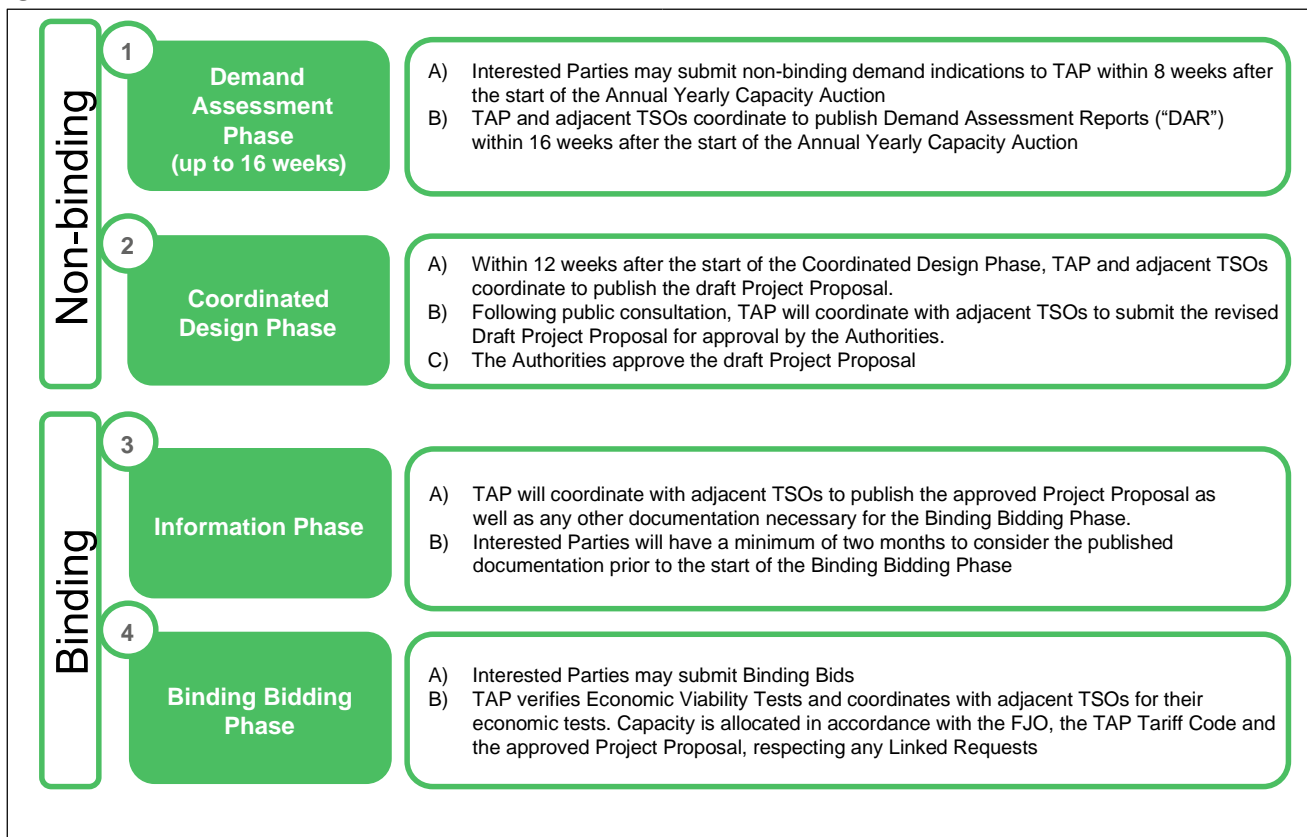
Article 26 CAM NC requires TSOs to launch a coordinated and market-based procedure to assess the need for incremental capacity.

1.2 The Market Test

The Market Test is an open, transparent and non-discriminatory procedure. The process reflects TAP’s unique and specific regulatory context and incorporates guidance on how TAP will participate in the wider incremental capacity process set out in Chapter V of CAM NC. An overview of its phases is set out in Figure 1 below.

¹ Approved in November 2013 by the Italian, Greek and Albanian National Regulatory Authorities. A subsequent amendment was approved in July 2018.

Figure 1: Overview of the Market Test



The main deadlines applicable to the Non-Binding Phase of TAP's 2021 Market Test² are the following:

TAP launches the Non-Binding Phase	5 - 12 July 2021
Interested Parties submit the Registration and Non-Binding Demand Indication Form	6 September 2021
TAP and Adjacent TSOs publish Demand Assessment Report(s)	25 October 2021
TAP and Adjacent TSOs publish draft Project Proposal for public consultation	18 January 2022

As an outcome of the Market Test, binding requests for Forward Firm Long-Term capacity may, subject to the conditions under the FJO, the TAP Tariff Code and relevant law applicable to TAP, lead to an investment obligation for TAP up to the Total Capacity of the pipeline in line with Section 4.1.8 FJO.

These Guidelines do not address expansion beyond Total Capacity as mentioned by Section 4.1.9 of the FJO. If the situation arises, TAP will enter into separate discussions with the Authorities on the economic and technical feasibility of such future expansion possibilities beyond the Total Capacity and on the related processes and procedures for implementation.

In addition to accommodating incremental capacity at TAP's existing points as in CAM NC, the Guidelines accommodate requests for building additional entry and/or exit points in Greece, in accordance with Section 4.7.5 FJO, and requests for increasing the technical capacity of existing and/or building additional entry and/or exit points in Albania, in accordance with Section 4.7.8 FJO. For such Connection Requests to be considered, all costs need to be borne by the party having made the request, according to Sections 4.7.5 and 4.7.8 FJO.

² The process related to the 2021 Market Test, specified by these Guidelines, is distinct from the binding phase of the almost concurrently running 2019 Market Test.

2. Definitions

This chapter contains the definitions and terminology used in these Guidelines. Any capitalised terms used but not defined herein will have the meanings given to them in the Final Joint Opinion or in the TAP Tariff Code.

Adjacent TSO means a TSO that shares an interconnection point with TAP and implements the EU energy legislation, including DESFA, ICGB, Albgaz and Snam Rete Gas.

Authorities means the National Energy Regulatory Authorities of Italy ('ARERA'), Greece ('RAE') and Albania ('ERE').

Binding Bid means a bid submitted by an Interested Party during the Binding Bidding Phase.

Binding Phase means the general phase of the Market Test which is composed of the Information and Binding Bidding Phases.

Binding Bidding Phase means the final phase of the Market Test whereby Interested Parties can submit Binding Bids to TAP and during which TAP will perform the Economic Viability Test and will proceed to capacity allocation.

Capacity Caps means the pro-competitive measures for the Italian, Greek and Albanian market as set out in points 3, 6 and 9 of section 4.7 of the FJO.

Capacity Request means a binding and/or non-binding request to TAP from an Interested Party to acquire firm long-term capacity at TAP's entry and/or exit points.

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 and 4.7.8 FJO.

Coordinated Design Phase means the second phase of this Market Test.

Demand Assessment Phase means the first phase of this Market Test.

Demand Assessment Report (DAR) means the document prepared by TAP and Adjacent TSOs according to Article 26 of CAM NC.

Expansion Capacity means capacity in the TAP transportation system made available in addition to Initial Capacity, up to 10 bcm/y, as referenced in the FJO.

Forward Firm Long-Term capacity means Capacity Products for transportation capacity in the TAP transportation system booked by reference to a separate Entry Point and Exit Point for the forward transportation of natural gas that is made available to Shippers for a period of more than one year and which TAP is not permitted to interrupt except for planned maintenance, capacity restrictions or a force majeure.

Guidelines means this document, approved by the Authorities, that sets out how TAP will perform the Market Test launched in 2021, with a view to offer all Interested Parties Expansion Capacity up to the Total Capacity of the pipeline as per section 4.1.7 of the FJO and to accommodate Connection Requests.

Incremental Capacity 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 TAP transportation system, in accordance with the FJO, the CAM NC and TAP's Tariff Code.

Initial Capacity means the capacity of 10 bcm/y constructed and made available in the first phase of the TAP transportation system, as referenced in the FJO.

Interested Party means any legal person who is interested in participating in TAP's Market Test.

Linked Request means a request where an Interested Party has indicated that its non-binding request at a TAP Entry Point is contingent on allocation of an equal amount of capacity and duration at a second IP (Exit Point).

Market Test means the process through which TAP assesses market demand for Expansion Capacity and Connection Requests, that includes a Non-Binding Phase, in which Interested Parties express and quantify their requests and a Binding Phase in which binding commitments may be entered.

Non-Binding Demand Indication means the Capacity Request and/or Connection Request indicated by the Interested Party through the filling out of the “Registration and Non-Binding Demand Indication Form”.

Non-Binding Phase means the general phase of the Market Test which is composed of the Demand Assessment and Coordinated Design Phases.

Participation Fee means the amount to be paid by the Interested Parties for participating in TAP’s Market Test (for avoidance of doubt, adjacent TSO will not be charged, if and when they submit a Connection Request to develop local gas market given their specific role in such a market).

Project Proposal means the document prepared by TAP and Adjacent TSOs according to Article 27 of CAM NC case if the demand assessment report identifies demand for incremental capacity projects.

Total Capacity means the sum of the Initial Capacity and Expansion Capacity, up to a total of 20 bcm/y, as referenced in the FJO.

3. Demand Assessment Phase

TAP invites all Interested Parties to participate in a Market Test. TAP will treat all Interested Parties in a transparent and non-discriminatory manner.

To participate in the Demand Assessment Phase, any Interested Party must comply with the provisions of these Guidelines and successfully submit the Registration and Non-Binding Demand Indication Form, as published on TAP’s website and related documentation. The list of documentation required shall be published on TAP’s website together with an announcement (Non-Binding Phase Notice) informing Interested Parties on the opening of the Market Test through initiation of the Demand Assessment Phase. The submission by an Interested Party of the Registration and Non-Binding Demand Indication Form and related documentation does not give rise to any obligation on an Interested Party to submit a binding offer, nor shall it bind TAP to invest and realise the Incremental Capacity Project.

A fee of 10,000 EUR is payable by each Interested Party wishing to participate in the Market Test. The Participation Fee is set out by TAP in accordance with Article 26(11) CAM NC.

The Participation Fee is intended to cover the administrative costs for TAP of performing the Demand Assessment Phase of the Market Test and must be paid together with the submission of the Registration and Non-Binding Demand Indication Form.

The Participation Fee shall be reimbursed to each Interested Party if the Market Test results in the installation of at least one additional compressor unit in TAP, following a successful Economic Viability Test and execution of at least one Gas Transportation Agreement (GTA) for Forward Firm Long-Term capacity with any user, even in the case that the user concluding the GTA is different from the Interested Party who made the request. TAP’s incurred administrative costs for the Market Test may then be taken into account for the recalculation of TAP’s tariffs in accordance with Clause 3.3.3 (d) of the TAP Tariff Code. Failure to pay the Participation Fee by the Interested Party may result in TAP disregarding any non-binding Capacity Requests or non-binding Connection Requests made by that Interested Party. (For the avoidance of doubt, Adjacent TSOs may submit a Connection Request without payment of the Participation Fee, given their specific role in developing the local gas markets.)

Market Test documentation which is deemed non-confidential by TAP will be published on TAP’s website and made available to the public. In case confidential documentation is required to be made available to Interested Parties, access conditions for a data room may be described in the draft Project Proposal published after the Coordinated Design Phase.

In the Demand Assessment Phase, Interested Parties can submit non-binding Capacity Requests for Firm Long-Term Capacity and/or non-binding Connection Requests.

The Demand Assessment Phase commences at least in every odd year after the start of the Annual Yearly Capacity Auction, as specified in Article 11(4) of NC CAM, and closes maximum 16 weeks after the Annual Yearly Capacity Auction in accordance with Article 26 of NC CAM.

To make a submission, an Interested Party must complete the Registration and Non-Binding Demand Indication Form (as published on TAP's website) that must contain at a minimum the following information (conforming to Articles 26(8)-(9) of CAM NC):

- i. the type of request(s):
 - a. non-binding Capacity Request(s) at TAP's already defined entry and/or exit points.
 - b. non-binding Connection Request for building an additional entry and/or exit point in Greece.
 - c. non-binding Connection Request for increasing the technical capacity of an existing and/or building an additional entry and exit point in Albania.³

Please note that only Capacity Requests for Forward Firm Long-Term capacity shall be considered in the design of the Incremental Capacity Project of TAP. According to TAP's regulatory framework, Commercial Reverse Capacity cannot lead to any investment underpinning the realization of incremental capacity. (TAP offers Commercial Reverse Capacity according to the TAP Network Code on the PRISMA capacity booking platform.)
- ii. the start and end dates for which a demand for incremental capacity is expressed.
- iii. the amount of capacity requested.
- iv. information on non-binding demand indications which were or will be submitted to other TSOs, in case such indications are linked to each other.
- v. indication whether the Non-Binding Demand Indication is subject to any condition in relation to points i-iv above including being a Linked Request.

Interested Parties must normally submit Non-Binding Demand Indications no later than 8 weeks after the Annual Yearly Capacity Auction in accordance with Article 26 of CAM NC. To avoid interference with the Binding Bidding Phase of the 2019 Market Test, the deadline for submission of Registration and Non-Binding Demand Indication Forms under this 2021 Market Test is set to 6 September 2021. It is the responsibility of the Interested Parties to ensure that their non-binding Capacity Requests comply with any applicable Capacity Cap.

For the Authorities to be able to evaluate the compliance of the non-binding Capacity Requests with the Capacity Caps, Interested Parties shall provide to the Authorities the information in the Capacity Cap Forms (as published on TAP's website), as well as any other information that the Authorities may request. It is the responsibility of the Interested Party to obtain a non-objection from the Authorities in respect to their compliance with the Capacity Caps set out in Sections 4.7.3, 4.7.6 and 4.7.9 FJO or as otherwise decided by the Authorities. The Interested Party shall confirm to TAP that it has submitted the information in the Capacity Cap Form to the relevant Authority by the deadline for submitting the Registration and Non-Binding Demand Indication Form. In addition, the Interested Parties shall confirm to TAP at the latest 2 (two) weeks prior to the end of the Demand Assessment Phase, that the relevant Authorities have deemed them compliant with the Capacity Caps.

Considering that TAP is being extraneous to the Capacity Cap review process conducted by the relevant Authorities and relies on the confirmation received from the Interested Parties, TAP is bound to carry out the Market Test procedure within a certain timing, irrespective of any procedures potentially ongoing regarding the potential objection by the Authorities.

³ An overview of the location of TAP's block valve stations, entry and/or exit points as well as current and planned compressor stations, is provided in the supporting document 'TAP Overall Map for the 2021 Market Test'.

It is the responsibility of the Interested Party who submits the Non-Binding Demand Indications to TAP to submit any corresponding non-binding demand indications to relevant Adjacent TSOs. In case of TAP's entry point at Kipoi, it is the responsibility of the Interested Party to initiate any procedures that may be necessary for capacity to be made available at the non-EU side of the interconnection point.

If an Interested Party submits a Registration and Non-Binding Demand Indication Form (as published on TAP's website), TAP will respond in writing to that Interested Party in accordance with Article 26(10) of CAM NC. When applicable and on a case-by-case basis, each written response may be based on TAP's coordination with the Adjacent TSO who operates the corresponding entry-exit system border to the TAP transportation system. In case of Connection Requests, the response will include a requirement for commitments from the Interested Party to cover the costs incurred by TAP in investigating such points.⁴ Such commitments would need to be formalised between the Interested Party and TAP before TAP commences any work related to the Connection Requests.

At the end of the Demand Assessment Phase, TAP, in association with Adjacent TSOs, will publish a joint demand assessment report ("DAR"). The DAR will evaluate the prospective demand for expansion of the TAP pipeline and the prospective demand for expansion at its interconnection points with the transmission systems of Adjacent TSOs. The report will build on the template developed by ENTSOG and will reflect Articles 26(12) and 26(13) of the CAM NC. In addition, the report will also include requests for new or expanded entry and/or exit points.

No later than 16 weeks after the start of the Annual Yearly Capacity Auction in accordance with Article 26(10) of CAM NC, TAP, in collaboration with Adjacent TSOs, will publish the DAR in English on its website.

If the DAR identifies demand for incremental capacity projects the Market Test proceeds to the Coordinated Design Phase in accordance with Article 27(2) of the CAM NC.

If the DAR does not identify demand for incremental capacity projects, the Market Test ends, without prejudice to the prerogatives the Authorities may have to challenge this conclusion.

4. Coordinated Design Phase

In the Coordinated Design Phase, TAP will work in association with Adjacent TSOs at the respective interconnection points to design the Incremental Capacity Project, to the extent that cooperation does not conflict with the FJO, the TAP Tariff Code, the TAP Network Code and any other regulatory instrument that implements the FJO. In all circumstances, TAP retains the options and discretion afforded in the FJO.

The Coordinated Design Phase commences the day after the publication of a DAR that concludes to initiate an Incremental Capacity Project.

TAP and the Adjacent TSOs will conduct technical studies to design the Incremental Capacity Project and comprise the result in a Project Proposal. TAP foresees expansion up to the Total Capacity as set out in the supporting document 'Technical Description of the TAP Transportation System', available on TAP website.

TAP retains its right to request fees for the performance of technical studies necessitated by the non-binding Capacity Requests. Such fees may be comprised in the Project Proposal and would be reimbursed under the same conditions as the Participation Fee.

No later than 12 weeks after the beginning of the Coordinated Design Phase, TAP will, in coordination with Adjacent TSOs, publish and publicly consult on the design of the proposed Incremental Capacity Project comprised in the draft Project Proposal. The public consultation will last for a minimum of one month and no longer than two months.

⁴ Note that the FJO only obliges TAP to facilitate entry and/or exit points and not any other downstream infrastructure or spur lines, etc.

The unique regulatory context of TAP necessitates that any Project Proposal must contain certain provisions to be consistent with the FJO. The public consultation will cover information in accordance with Article 27(3) of CAM NC. This will include the rules that will govern the Binding Phase, including any alternative allocation mechanism in the sense of Article 30 of CAM NC. Such alternative allocation mechanism can be foreseen to be necessary in order to allow compliance with the rules laid down in Clause 3 of the TAP Tariff Code. It will also include an auction mechanism as mentioned by Clause 3.3.1 (e) of the TAP Tariff Code.

Following the consultation, TAP and the Adjacent TSOs will finalise the design of the proposed Incremental Capacity Project and submit the Project Proposal for the approval of the relevant Authorities. According to Article 28(2) CAM NC, within 6 months of the receipt of the complete Project Proposal by the last of the relevant Authorities, they should publish coordinated decisions on the Project Proposal. Connection Requests may be treated individually according to a separate timeline, as such requests are not subject to an economic test, but only to a technical feasibility test. According to Sections 4.7.5 and 4.7.8 FJO, costs for such Connection Requests will be borne by the requesting third party, according to the national legislation in place at the time of the request.

If the Authorities approve the Project Proposal, the Market Test will proceed to the Binding Phase⁵. If the Authorities do not approve the Project Proposal, the Market Test ends.

5. Binding Phase

Overall, the Binding Phase provides Interested Parties with the opportunity to make binding Capacity Requests at TAP's entry and/or exit points and also to make binding commitments for Connection Requests.

The Binding Phase consists of the Information Phase and the Binding Bidding Phase.

The Information Phase starts according to the timeline included in the Project Proposal approved by the Authorities. The Information Phase starts at least 2 (two) months ahead of the opening of the Binding Bidding Phase.

In the Binding Bidding Phase, Interested Parties may submit binding Capacity Requests and/or binding commitments for Connection Requests.

In the case of binding Capacity Requests, TAP and Adjacent TSOs would conduct relevant Economic Viability Tests (EVT). The 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 for more details, as published on TAP's website). 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 (including relevant costs incurred by TAP in a previous unsuccessful Market Test and not otherwise recovered). 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.

In the case of a positive EVT, after taking into account any admissible conditionality that may have been stated in binding bids, TAP may allocate capacity to successful bidders and proceed to initiate required works to make the requested capacity available.

In the case of non-binding Connection Requests, TAP will have assessed the viability of the request from a technical perspective before the start of the Binding Phase. The Binding Phase represents the opportunity (if not done earlier already) for the Interested Party having made the Connection Request in the Non-Binding Phase to enter into satisfactory binding commitments to cover TAP's costs for realizing the connection within the framework of this Market Test, in accordance with Articles 4.7.5 and 4.7.8 of the FJO. Otherwise, on

⁵ This approval step is without prejudice to the options and discretion afforded to TAP by the FJO, the TAP Tariff Code the TAP Network Code and any other regulatory instrument that implements the FJO.

request of the Interested Party, the Connection Request may be carried over into the Non-Binding Phase of the next Market Test.

6. Disclaimer

No rights, other than those explicitly stated, may be derived from the contents of these Guidelines, or the supporting documentation.

TAP has taken all reasonable endeavours to ensure that the information in these Guidelines, and supporting documentation is correct at the time of publication. TAP assumes no liability in contract or in tort or breach of statutory duty or otherwise for or in respect of any loss or damage howsoever arising in respect of or in connection with the contents of this publication, its appendices and supporting documentation.

7. Supporting documentation

At the opening of the Non-Binding Phase, TAP website will include all relevant information and documentation for participating in the Market Test, including but not limited to the following:

- Non-Binding Phase Notice, Registration and Non-Binding Demand Indication form, Capacity Caps Form, Declaration of No-Objection by the Authorities, Data Protection Information.
- Technical Description of the TAP Transportation System for the 2021 Market Test.
- TAP Overall Map for the 2021 Market Test.
- TAP Capacity Overview for the 2021 Market Test.
- Gas Transportation Agreement⁶, consisting of:
 - o Transportation Confirmation.
 - o General Terms and Conditions.
 - o TAP Network Code.
- TAP Tariff Code.
- Final Joint Opinion.
- Regulatory Compliance Programme.

All documents available on TAP's website will be in English.

TAP reserves the right to update the supporting documents above at all times.

⁶ The documents constituting the Gas Transportation Agreement are made available for convenience and information only and may be different by the time of the Binding Phase of the 2021 Market Test.

