



Draft Project Proposal for the Incremental Capacity Project on the Border between Poland and Ukraine

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This document is a joint draft project proposal for the incremental capacity project on the border between Poland and Ukraine jointly conducted by:



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This document concerns the draft project proposal for the incremental capacity project between the entry-exit systems of Poland and Ukraine.

The Market Demand Assessment Report (MDAR) assessed the non-binding demand indication received from 5 July 2021 to 30 August 2021. Based on the outcome of the MDAR for the incremental capacity process starting in 2021 between the Polish gas transmission system and the Ukrainian gas transmission system, published on both TSOs' websites on 25 October 2021, the TSOs concerned have begun the design phase based on Article 27 of NC CAM. This document is the result of the technical studies and calculations conducted by LLC "Gas Transmission System Operator of Ukraine" and Operator Gazociągów Przesyłowych GAZ-SYSTEM S.A.

The document presented may be subject to change, based on feedback received via this market consultation. The public consultation will end on 17 March 2022.

The following abbreviations are used in this document:

NC CAM = Commission Regulation (EU) 2017/459;

NC TAR = Commission Regulation (EU) 2017/460.

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1. Description of the incremental capacity project

This section describes the common draft project proposal for incremental capacity on the border between Poland and Ukraine based on the relevant technical studies conducted by Operator Gazociągów Przesyłowych GAZ-SYSTEM S.A. and LLC “Gas Transmission System Operator of Ukraine”. The description also includes a cost estimation.

The demand for incremental capacity has been indicated in the direction from Poland to Ukraine. Currently, there is no existing firm capacity between the entry-exit system of Poland and Ukraine in the requested direction.

Based on MDAR conclusions, Operator Gazociągów Przesyłowych GAZ-SYSTEM S.A. and LLC “Gas Transmission System Operator of Ukraine” have conducted studies to prepare a project for incremental capacity on the Polish-Ukrainian border.

Consequently, as a result of the technical studies, Operator Gazociągów Przesyłowych GAZ-SYSTEM S.A. and LLC “Gas Transmission System Operator of Ukraine” suggest implementing an **incremental capacity project at the current interconnection point GCP GAZ-SYSTEM/UA TSO (towards UA) between Poland and Ukraine.**

Based on the demand indication received in the demand assessment phase GAZ-SYSTEM and LLC “Gas Transmission System Operator of Ukraine” propose two offer levels: 3 869 863 kWh/h and 5 775 696 kWh/h.¹

Apart from the project for incremental capacity at interconnection point GCP GAZ-SYSTEM/UA TSO LLC “Gas Transmission System Operator of Ukraine” informs that in order to ensure the possibility of gas transmission in both directions of flow reconstruction of a compressor station in Komarno is required. The commissioning of reconstructed CS Komarno is scheduled on 4Q/2024. The cost will be covered by the LLC “Gas Transmission System Operator of Ukraine” itself based on its investment program.

1.1. Description of the project on the Polish side (Operator Gazociągów Przesyłowych GAZ-SYSTEM S.A.)

New infrastructure required to be implemented on the Operator Gazociągów Przesyłowych GAZ-SYSTEM S.A. side:

¹ Assumed gross calorific value 11,15 kWh/m³ (0/25)

In order to ensure the possibility of gas transmission in the direction from Poland to Ukraine with a maximum capacity of:

1. 3 869 863 kWh/h (offer level I), the following investments are required on the Polish side:
 - Construction of a new DN 1000 gas pipeline Wronów – Rozwadów (L=107 km)
 - Construction of a new DN 1000 gas pipeline Rozwadów – Starchocina (L=140 km)
 - Construction of metering station in Hermanowice

Expected commissioning: 2Q/2030

Or

2. 5 775 696 kWh/h (offer level II), the following investments are required on the Polish side:
 - Construction of a new DN 1000 gas pipeline Wronów – Rozwadów (L=107 km)
 - Construction of a new DN 1000 gas pipeline Rozwadów – Starchocina (L=140 km)
 - Construction of a new DN 1000 gas pipeline Hołowczyce – Wronów (L=120 km)
 - Construction of metering station in Hermanowice

Expected commissioning: 2Q/2030

1.2. Description of the project on the Ukrainian side (LLC “Gas Transmission System Operator of Ukraine”)

No additional infrastructure will be required apart from the one mentioned in p. 1 (prescribed in the investment program of LLC Gas Transmission System Operator of Ukraine) and being essential for the project.

1.3. Cost estimation on the Polish side (Operator Gazociągów Przesyłowych GAZ-SYSTEM S.A.)²

- With a maximum capacity of 3 869 863 kWh/h approximately EUR 365 million for the pipeline section + EUR 7 million for the metering station.

² Average monthly exchange rate of Narodowy Bank Polski for 31st December 2021 (1EUR= 4,60PLN) was used for calculation of the costs in EUR

- With a maximum capacity of 5 775 696 kWh/h approximately EUR 681 million for the pipeline section + EUR 8 million for the metering station.

1.4. Cost estimation on the Ukrainian side (LLC “Gas Transmission System Operator of Ukraine”)

No additional investments are required under the incremental capacity procedure.

2. Offer level for harmonized capacity products

The tables below show the common offer-level for the capacity marketing in the yearly capacity auction in 2023 for Operator Gazociągów Przesyłowych GAZ-SYSTEM S.A. and LLC “Gas Transmission System Operator of Ukraine” taking into account the obligations of the set aside capacity of NC CAM.

The amount to be offered will be calculated based on the calculation methodology described in Article 11(6) of NC CAM.

Offer level I

Year	From 2030/2031 To 2044/2045
Offered capacity [kWh/h]	3 095 890 kWh/h
Incremental Capacity [kWh/h]	3 095 890 kWh/h
Existing Capacity [kWh/h]	0

Offer level II

Year	From 2030/2031 To 2044/2045
Offered capacity [kWh/h]	4 620 556 kWh/h
Incremental Capacity [kWh/h]	4 620 556 kWh/h
Existing Capacity [kWh/h]	0

3. Alternative allocation mechanism for incremental capacity

Both TSOs have agreed to use the standard auction allocation process for the allocation of the incremental capacity, since the conditions in Article 30(2) of CAM NC have not been met.

4. Provisional timeline

The incremental capacity project will generally follow this timeline. However, the implementation phase will only start if there is a commitment by the market to acquire the respective incremental capacities in the 2023 yearly auction and if successfully passes the economic test for each of the TSOs concerned. The dates shown below are subject to change.

Start Date	End Date	Description
17.01.2022	17.03.2022	Public consultation of the incremental project
18.03.2022	26.10.2022	Evaluation of consultation findings by the TSOs and further development of the project in close cooperation with the NRAs
27.10.2022	27.04.2023	Submission of the project proposal to the relevant NRAs and subsequent approval of the project proposal and publication of the necessary parameters acc. to Art. 28(1) of NC CAM by the NRAs
28.04.2023		Publication of the approved parameters and of a template of the contract(s) related to the capacity to be offered for the incremental project
03.07.2023		Yearly capacity auction

5. General rules and conditions for participating in the capacity auctions

During the binding capacity allocation phase, Operator Gazociągów Przesyłowych GAZ-SYSTEM S.A. and LLC “Gas Transmission System Operator of Ukraine” will offer the incremental capacities in an annual yearly auction on the GSA Platform.

For each TSO, general rules and conditions have been developed for the participation in the capacity auctions for incremental capacity in 2023. These are attached to this consultation document.

Operator Gazociągów Przesyłowych GAZ-SYSTEM S.A.

The general rules and conditions that a network user shall accept to participate and access capacity in the binding capacity allocation phase of the incremental capacity process are set out in Annex 1 of this consultation document and in the [Network Code](#) of Operator Gazociągów Przesyłowych GAZ-SYSTEM S.A.

LLC “Gas Transmission System Operator of Ukraine”

The general rules and conditions that a network user shall accept to participate and access capacity in the binding capacity allocation phase of the incremental capacity process are set out in Annex 2 of this consultation document and in the [Network Code](#) of LLC “Gas Transmission System Operator of Ukraine”.

6. Information on the fixed price approach for the allocation of incremental capacity

Operator Gazociągów Przesyłowych GAZ-SYSTEM S.A. and LLC “Gas Transmission System Operator of Ukraine” abstain from the application of a fixed price approach for the acquisition of incremental capacity in 2023 (Article 28 (1) lit. g) NC CAM).

7. Estimation of the f-factor

Operator Gazociągów Przesyłowych GAZ-SYSTEM S.A. proposes that the level of the f-factor shall be 1. The project assumptions are based on the non-binding demand indication received in the demand assessment phase. This f-factor was estimated based on the assumption that the given incremental capacity project is purely a market driven project and that the full cost of the project shall be covered by the capacity bookings in the relevant binding capacity auction.

8. Information on additional demand indications

Neither Operator Gazociągów Przesyłowych GAZ-SYSTEM S.A. nor LLC “Gas Transmission System Operator of Ukraine” has received any additional demand indications in accordance with Article 26(7) of NC CAM.

9. Information on a possible impact on other non-depreciated gas infrastructure in the same and adjacent entry-exit systems

The realization of this incremental capacity project will not lead to a sustained and significant decrease in the utilization of other existing gas infrastructures in the two and adjacent entry-exit systems.



10. Contact information



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