



# **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 3 July 2023 to 28 August 2023. Based on the outcome of the MDAR for the incremental capacity process starting in 2023 between the Polish gas transmission system and the Ukrainian gas transmission system, published on both TSOs' websites on 23 October 2023, 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 30 November 2023.

The following abbreviations are used in this document:

NC CAM = Commission Regulation (EU) 2017/459 of 16 March 2017 establishing a network code on capacity allocation mechanisms in gas transmission systems and repealing Regulation (EU) No 984/2013;

NC TAR = Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas.

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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.**

**Taking into account that under the incremental capacity process 2021-2023:**

- 1. on 3 July 2023, GAZ-SYSTEM and LLC “Gas Transmission System Operator of Ukraine” proposed the common offer level of incremental capacity (i.e. 3 869 863 kWh/h<sup>1</sup>) for bundled capacity at IP GCP GAZ-SYSTEM/UA TSO,**
- 2. no amount of abovementioned incremental capacity was booked by any market participant,**
- 3. the outcome of the economic test was negative on both sides of the interconnection point at Polish-Ukrainian border,**
- 4. no offer level resulted in a positive outcome of the economic test, the incremental capacity process 2021-2023 was terminated,**

and based on the demand indication received in the demand assessment phase under the incremental capacity process 2023-2025 GAZ-SYSTEM and LLC “Gas Transmission System Operator of Ukraine” propose to maintain the same offer level as in the previous incremental capacity process 2021-2023, i.e. 3 869 863 kWh/h.

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<sup>1</sup> Assumed gross calorific value 11,15 kWh/m<sup>3</sup> (0/25)

### 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:

In order to ensure the possibility of gas transmission in the direction from Poland to Ukraine with a maximum capacity of 3 869 863 kWh/h 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: 1Q/2030

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

Expansion required within the LLC “Gas Transmission System Operator of Ukraine” grid:

In order to ensure the security of natural gas supply and the diversification of sources and routes of natural gas transmission (in particular, LNG) to Ukraine, GTSOU is implementing several capital-intensive projects. The reconstruction of the compressor station "Komarno" in the Lviv region is necessary to ensure constant availability and additional flexibility of transporting natural gas from Poland to Ukraine with a maximum capacity of 3 869 863 kWh/h.

Expected commissioning: 4Q/2028

### 1.3. Cost estimation on the Polish side (Operator Gazociągów Przesyłowych GAZ-SYSTEM S.A.)<sup>2</sup>

With a maximum capacity of 3 869 863 kWh/h approximately EUR 376 million for the pipeline section + EUR 8 million for the metering station.

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<sup>2</sup> Average monthly exchange rate of Narodowy Bank Polski for 25<sup>th</sup> October 2023 (1EUR= 4,47PLN) was used for calculation of the costs in EUR

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

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 cost will be covered by the LLC “Gas Transmission System Operator of Ukraine” itself based on its investment program.

## 2. Offer level for harmonized capacity products

The table below shows the common Offer Level for the capacity marketing in the yearly capacity auction 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 Offer Level takes into account the obligations to set aside capacity based on the calculation methodology described in Article 11(6) of NC CAM.

Year	From 2030/2031 To 2044/2045
<b>Offer Level</b>	<b>3 095 890 kWh/h</b>
Incremental capacity – to be offered	3 095 890 kWh/h
Incremental capacity – total	3 869 863 kWh/h
Existing Capacity	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 NC CAM have not been met.

## 4. Provisional timeline

The intention of Operator Gazociągów Przesyłowych GAZ-SYSTEM S.A. and LLC “Gas Transmission System Operator of Ukraine” is to shorten the incremental process to 1 (one) year and to offer the incremental capacities in an annual yearly auction in July 2024, only if such approach will be agreed and approved by respective National Regulatory Authorities in Poland and Ukraine.

The dates shown below are subject to change.

Start Date	End Date	Description
30.10.2023	30.11.2023	One month public consultation of the incremental project
01.12.2023	29.04.2024	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 TSOs
30.04.2024		Publication of the approved parameters and of a template of the contract(s) related to the capacity to be offered for the incremental project
01.07.2024		Yearly capacity auction

The implementation phase will only start if there is a commitment by the market to acquire the respective incremental capacities in the yearly auction and if successfully passes the economic test for each of the TSOs concerned.

## 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. 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, in the [Network Code](#) and in the [Gas Transportation Agreement](#) 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 (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.

LLC “Gas Transmission System Operator of Ukraine” proposes that the level of the f-factor shall be 0. The f-factor was determined taking into account the fact that the reconstruction of compressor station “Komarno” is carried out by LLC “Gas Transmission System Operator of Ukraine” at the expense of depreciation costs provided for in the relevant tariff of the gas transmission system operator. In addition, the project of incremental capacity creates conditions for diversification of sources and routes of natural gas transmission to Ukraine, including storage in UGS facilities, as well as transit of natural gas through the territory of Ukraine.

## 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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