



# **Draft Project Proposal for the Incremental Capacity Project on the Border between Poland and the Czech Republic**

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



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This document concerns the draft project proposal for the incremental capacity project between the entry-exit system of Poland and the Czech Republic.

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 Czech gas transmission system and 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 NET4GAS, s.r.o. (NET4GAS) and Operator Gazociągów Przesyłowych GAZ-SYSTEM. S.A (GAZ-SYSTEM).

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 the Czech Republic based on the relevant technical studies conducted by GAZ-SYSTEM and NET4GAS. The description also includes a cost estimate.

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

Based on MDAR conclusions, GAZ-SYSTEM and NET4GAS have conducted studies to prepare a project for incremental capacity on the Polish-Czech border.

Consequently, as a result of the technical studies, GAZ-SYSTEM and NET4GAS suggest implementing an **incremental capacity project at the current interconnection point between Poland and the Czech Republic at Český Těšín/Cieszyn.**

**The suggested incremental capacity project covers the demand indication received in the demand assessment phase. Moreover, the project, if implemented, would make the interconnection point Český Těšín/Cieszyn bidirectional in line with Article 5 of Regulation (EU) 2017/1938 of 25 October 2017 concerning measures to safeguard the security of gas supply.**

In the course of planning a new transmission network, a decision was taken that all planned gas pipelines shall be technically “future proof” and capable of transporting renewable and low-carbon gases covering, for example biomethane, syngas and a certain admixture of hydrogen. The incremental capacity project is assumed to be a hydrogen-ready one from the Czech side as well as from the Polish side.



## 1.1. Description of the project on the Czech side (NET4GAS)

### New infrastructure required to be implemented on the NET4GAS side:

In order to ensure the possibility of transporting gas in the direction from Poland to the Czech Republic with a maximum capacity of approx. 1,270,000 kWh/h, the following investments are required on the Czech side:

- Construction of a new DN 500 gas pipeline Libhošť - Třanovice (L=61 km)
- A new compressor station (two units + back-up) connected to the new and existing DN 500 Libhošť - Třanovice

Implementation of the abovementioned infrastructure components will enable NET4GAS to offer the incremental capacity demanded, assuming the delivery pressure on the border is at least 46 barg. This is the basic precondition for such a technical solution of the incremental capacity project between Poland and the Czech Republic.

The project is being developed as a hydrogen-ready one with 100% hydrogen readiness on the pipeline section and 10% hydrogen readiness assumed for the compressor station.

Expected start of commercial operation: 1 October 2030

## 1.2. Description of the project on the Polish side (GAZ-SYSTEM)

### Expansion required within the GAZ-SYSTEM grid

In order to ensure the possibility of transporting gas in the direction from Poland to the Czech Republic with a maximum capacity of 1,270,000 kWh/h, the following investments are required on the Polish side:

- Construction of a new DN 500 gas pipeline Skoczów-Komorowice-Oświęcim (L=53 km)
- Adaptation of metering station Cieszyn for hydrogen readiness

### Schedule

Expected start of commercial operation: 1 October 2030



**Summary of project proposal technical parameters:**

|                                      | <b>CZ</b>   | <b>PL</b>   |
|--------------------------------------|---|---|
| <b>DN</b>                            | 500   | 500   |
| <b>PN (CZ) / MOP (PL); bar</b>       | 63.0  | 84.0  |
| <b>Border point</b>                  | <i>Český Těšín / Cieszyn</i>                                  |   |
| <b>Pipeline length</b>               | 61 km   | 53 km   |
| <b>Border transfer station</b>       | -   | Current BTS is already bidirectional and is expected to also be used for this project |
| <b>Compressor station (MW)</b>       | 2 x 3.5 MW + 1 x 3.5 MW back up (or corresponding equivalent) |   |
| <b>Border delivery pressure</b>      |   |   |
| <b>Direction PL → CZ</b>             | 46.0 barg   |   |
| <b>Maximum daily capacity to CZ</b>  |   |   |
| <b>mcm/d @0°C</b>                    | 2.73  | 2.73  |
| <b>GWh/d</b>                         | 30.48   | 30.48   |
| <b>Max. hourly capacity to CZ</b>    |   |   |
| <b>mcm/h @0°C</b>                    | 0.11  | 0.11  |
| <b>GWh/h</b>                         | 1.27  | 1.27  |
| <b>CAPEX (mEUR)</b>                  | 154.96  | 78.90   |
| <b>CAPEX accuracy (± %)</b>          | 25% buffer already included in estimate quoted above          | 25% buffer already included in estimate quoted above                                  |
| <b>Cleanability</b>                  | Bidirectional   |   |
| <b>Start of commercial operation</b> | 1 October 2030  | 1 October 2030  |



### 1.3. Cost estimation on the Czech side (N4G)

Approximately EUR 154.96<sup>1</sup> million, including a 25% buffer.

### 1.4. Cost estimation on the Polish side (GAZ-SYSTEM)

Approximately EUR 78,90<sup>2</sup> million, including a 25% buffer.

## 2. Offer level for bundled capacity products

The table below shows the common offerlevel for bundled capacity products to be marketed in the yearly capacity auction in 2023 by GAZ-SYSTEM and NET4GAS. The offer-level takes into account the obligations of the set-aside capacity outlined in NC CAM.

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

| Gas Year                     | From 2030/2031<br>To 2044/2045 |
|------------------------------|--------------------------------|
| Offer Level [kWh/h]          | 1,143,000                      |
| Incremental Capacity [kWh/h] | 1,143,000                      |
| 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.

<sup>1</sup> An exchange rate of 26.00 CZK per 1 EUR was used for calculating the cost of the project in EUR. The final cost of the project could differ from the amount stated in this document, depending on exchange rate changes.

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





## 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 it 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, NET4GAS and GAZ-SYSTEM 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 their participation in the capacity auctions for incremental capacity in 2023. These are attached to this consultation document.

### NET4GAS

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 NET4GAS.

### GAZ-SYSTEM

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 GAZ-SYSTEM.



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

GAZ-SYSTEM does not follow a fixed price approach. Therefore, the elements IND and RP described in Article 24(b) of NC TAR are not applicable.

NET4GAS is considering sending a request to the Czech NRA for a fixed price approach, which will take into account the prevailing price cap regime applied to the cross-border transit system in the Czech Republic. The final approach shall be approved by the Czech NRA, and all elements shall be specified in a price decision or another binding manner pursuant to the applicable legislation and legally binding documents issued by the Czech NRA.

## 7. Estimation of the f-factor

GAZ-SYSTEM as well as NET4GAS propose that the level of the f-factor on both sides 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 GAZ-SYSTEM nor NET4GAS 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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