



Draft project proposal for the incremental capacity project on the border between Poland and the Czech Republic

2020-01-13



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:



GAZ-SYSTEM S.A.

NET4GAS, s.r.o.

Mszczonowska 4 St.

Na Hřebenech II 1718/8

02-337 Warsaw

140 21 Prague 4 - Nusle

Poland

Czech Republic



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 in the demand assessment phase from 1 July 2019 until 26 August 2019. Based on the outcome of the MDAR for the incremental capacity process starting in 2019 between the Polish gas transmission system and the Czech gas transmission system and published on both TSOs websites on 21 October 2019, 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 and GAZ-SYSTEM.

The assumptions presented in the following document are subject to change, e.g. based on feedback received via this market consultation. The public consultation shall last one month starting on 13 January 2020 and ending on 13 February 2020.

The following abbreviations are used in this document: NC CAM = Commission Regulation (EU) 2017/459; NC TAR = Commission Regulation (EU) 2017/460.



Table of contents

1.	Description of the incremental capacity project	5
1.1.	Description of the project on the Czech side (NET4GAS).....	5
1.2.	Description of the project on the Polish side (GAZ-SYSTEM).....	6
1.3.	Cost estimation on the Czech side (N4G).....	7
1.4.	Cost estimation on the Polish side (GAZ-SYSTEM).....	7
2.	Offer level for bundled capacity products.....	7
3.	Alternative allocation mechanism for incremental capacity.....	8
4.	Provisional timeline	8
5.	General rules and conditions for participating in the capacity auctions.....	9
6.	Information on the fixed price approach for the allocation of incremental capacity.....	9
7.	Estimation of the f-factor	9
8.	Information on additional demand indications.....	10
9.	Information on a possible impact on other non-depreciated gas infrastructure in the same and adjacent entry-exit systems.....	10
10.	Contact information	11



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.**

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=60 km)
- A new compressor station (two units + back-up) connected to the new and existing DN500 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.

Expected start of operation: 4Q/2027



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)
- A separate single unit at the Kędzierzyn compressor station

In addition, on the Polish side finalisation of the North-South Gas Corridor to Sławków and Oświęcim – Tworzeń (Sławków) pipeline are indispensable investments to provide the reverse flow at Cieszyn IP, which however will not be a part of the concerned incremental project and shall not affect the below provided provisional timeline of the incremental capacity project.

Schedule

Estimated time of investment – 60 months.

Summary of project proposal technical parameters:

	CZ¹	PL
DN	500	500
PN (CZ) / MOP (PL); bar	63.0	84.0
Border point	<i>Český Těšín / Cieszyn</i>	
Pipeline length	60 km	53 km
Border transfer station	-	Current BTS is already bidirectional and is expected to also be used for this project
Compressor station (MW)	2 x 3.5 MW + 1 x 3.5 MW back up	1 x 8 MW
Border delivery pressure		
Direction PL → CZ	46.0 barg	

¹ Alternative technical solutions may exist subject to commercial arrangements with other infrastructure operators. Feasibility of such solutions / arrangements is to be further verified.



Maximum daily capacity to CZ		
mcm/d @0°C	2.73	2.73
GWh/d	30.48	30.48
Max. hourly capacity to CZ		
mcm/h @0°C	0.11	0.11
GWh/h	1.27	1.27
CAPEX (mEUR)	135.9	75.0
CAPEX accuracy (± %)	25% buffer already included in estimate quoted above	25% buffer already included in estimate quoted above
Cleanability	Bidirectional	
Start of commercial operation	4Q 2027	3Q 2026

1.3. Cost estimation on the Czech side (N4G)

Approximately EUR 93.1 million for the pipeline section + EUR 42.8 million for the compressor station.

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

Approximately EUR 62.5 million for the pipeline section + EUR 12.5 million for the additional unit on the Kędzierzyn compressor station.

2. Offer level for bundled capacity products

The table below shows the common offer-level for bundled capacity products to be marketed in the yearly capacity auction in 2021 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.

Year	From 2027/2028 To 2042/2043
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.

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 2021 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
13.01.2020	13.02.2020	Public consultation of the incremental project
14.02.2020	30.10.2020	Evaluation of consultation findings by the TSOs and further development of the project in close cooperation with the NRAs
01.11.2020	30.04.2021	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
05.05.2021		Publication of the approved parameters and of a template of the contract(s) related to the capacity to be offered for the incremental project
05.07.2021		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 the participation in the capacity auctions for incremental capacity in 2021. 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 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



GAZ-SYSTEM S.A.

NET4GAS, s.r.o.

Marta Zapart-Choma

Václav Štindl
Michal Mareš

Gas Market Development Division

Commercial Management

Telephone:

Telephone:

+48 22 220 18 47

+420 220 224 584

Fax:

+420 220 225 498

Email:

marta.zapart@gaz-system.pl

Email:

vaclav.stindl@net4gas.cz

michal.mares@net4gas.cz

Mszczonowska 4 St.

Na Hřebenech II 1718/8

02-337 Warsaw

140 21 Prague 4 – Nusle

Poland

Czech Republic

Telephone:

Telephone:

+48 22 220 18 00

+420 220 221 111

Fax:

+420 220 225 498

Email:

incremental@gaz-system.pl

Email:

capacitybooking@net4gas.cz