

**Incremental capacity**  
**GASTRANS d.o.o. Novi Sad**

**Public consultation of the draft project proposal**

**Novi Sad, December 2022**

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## 1. Introduction

Commission Regulation (EU) 2017/459 of 16 March 2017 establishing a network code on capacity allocation mechanisms in gas transmission systems ("Regulation", also referred to as "CAM NC" and "NC CAM") establishes a harmonized European Union wide process for the offer of incremental capacity between EUR Member States. EU NC CAM is transposed in legal system of Republic of Serbia as of 20<sup>th</sup> October 2022 when the "Decree on network codes which refer to the calculation and allocation of capacities for natural gas transmission"- hereinafter Decree on NC (Serbian: "Uredba o mrežnim pravilima koja se odnose na proračun i raspodelu kapaciteta za transport prirodnog gasa") was adopted by the Government of Republic of Serbia (Official Gazette of Republic of Serbia No. 112/2022).

The rules for the allocation of capacity for this Incremental Capacity Project, as set out in this document, also consider the specific regulatory framework of Gastrans d.o.o. Novi Sad (hereinafter Gastrans) according to the Final Exemption Act (hereinafter FEA). Namely, Gastrans is exempted from "third-party access" for 90% of its capacities, which are contracted on a long-term basis (Exemption Act No. 40/2018-0-03/62a, Energy Agency of the Republic of Serbia).

In accordance with Item 14 Paragraph 2 of the FEA and the Point 9.1.1. of the Gastrans Natural Gas Transmission System Network Code (hereinafter NC) Gastrans is obliged to conduct Market Test at least every two (2) years as of commercial operation date of the Pipeline in order to assess the interest of the natural gas market for expansion of capacities on Entry Point and all Exit Points in the Pipeline.

In accordance with Article 26 of NC CAM, and Article 9 of the Natural Gas Transmission System Network Code, Gastrans launched the Incremental Capacity Process on the 4<sup>th</sup> June 2022.

Adjacent Transmission System Operators (TSOs) - Bulgartransgaz EAD, FGSZ Zrt. and Transportgas Srbija d.o.o. Novi Sad were informed about the launching Incremental Capacity Process. The adjacent TSOs did not conduct market test procedure from their sides.

Gastrans has received non-binding demand indications and procured a Demand Assessment Reports (DARs), which were published on the 26<sup>th</sup> of September 2022 with the conclusion that there was sufficient indicative demand to initiate an incremental Capacity Project for the following interconnection points (hereinafter IP):

**Table 1**

Interconnection point	Demand Assessment Reports kWh/day/year	Conclusion of DAR
Kireevo/Zaychar 58Z-000000007-KZ	28.498.192	<a href="#">sufficient indicative demand</a>
IP Serbia 67Z-RS-VP-GST-1N	16.865.747	<a href="#">sufficient indicative demand</a>
Horgos/Kiskundorozsma 2 21X-HU-A-A0A0A-8	36.784.992	<a href="#">insufficient indicative demand</a>
Non-existing IP at border Republic of Serbia-Bosnia and Hercegovina Republic of Srpska	42.000.000	<a href="#">sufficient indicative demand</a>

This document has been prepared by Gastrans d.o.o. Novi Sad in accordance with the provisions set in article 27 (3) of the NC CAM and point 9.3.3. of NC to conduct a public consultation on the identified draft of incremental capacities project. Public consultation shall

commence on the date of publishing this document on the Gastrans website and shall end on 17<sup>th</sup> February 2023.

The Incremental Capacity Project described herein concerns three (3) IPs:

1. Kireevo/Zaychar 58Z-000000007-KZ
2. IP Serbia 67Z-RS-VP-GST-1N
3. Non-existing IP at border Republic of Serbia-Bosnia and Hercegovina Republic of Srpska

This Incremental Capacity Project is primarily driven by potential increases of the technical capacity at IPs along the Gastrans pipeline route as well as the extension of the pipeline route to the border Republic of Serbia – Bosnia and Hercegovina Republic of Srpska. If infrastructure upgrades or the Incremental Capacity Project are realized, as described in this document, then additional natural gas flows from Bulgarian-Serbian border will potentially impact development of new gas market in Bosnia and Hercegovina Republic of Srpska and increase gas supply in Republic of Serbia.

**All interested parties are invited to send their comments and proposals to this document, in writing, to the list of contacts on the last page, by the 17<sup>th</sup> February 2023.**

## 2. Description of the Incremental Capacity Project and cost estimates

### 2.1. Market demand for Incremental Capacity

The following non-binding demand indications for Firm Long Term Capacity have been received at the IPs Kireevo/Zaychar, IP Serbia and Non-existing IP at border Republic of Serbia-Bosnia and Hercegovina Republic of Srpska, and consequently considered in the design phase of the Incremental Capacity Project.

The DAR concluded that the demand indications received were sufficient to initiate the design phase of an Incremental Capacity Project in accordance with paragraph 2 of Article 26 of NC CAM.

Note that the demand indications are shown below as aggregated values at each IP.

#### IP Kireevo/Zajecar

**Table 2**

<b>Non-Binding Incremental Capacity Demand Assessment</b>	
Interconnection Point	Kirevo/Zajecar
EIC Code	58Z-000000007-KZ
Flow Direction	Bulgartransgaz EAD Republic of Bulgaria → Gastrans d.o.o. Novi Sad Republic of Serbia
Request is submitted to other TSOs? [yes, TSO name] or [no]	No.
Additional Information (if any)	Incremental capacity is needed to meet additional natural gas demand in Republic of Serbia and Bosnia and Hercegovina Republic of Srpska.
Conditions	-
Current technical capacity, kWh/d	366.731.712 kWh/d/y
<b>Non-binding demand request [(kWh/d)/y]</b>	
2023/2024	28.498.192
2024/2025	28.498.192
2025/2026	28.498.192
2026/2027	28.498.192
2027/2028	28.498.192
2028/2029	28.498.192
2029/2030	28.498.192
2030/2031	28.498.192
2031/2032	28.498.192
2032/2033	28.498.192
2033/2034	28.498.192
2034/2035	28.498.192
2035/2036	28.498.192
2036/2037	28.498.192
2037/2038	28.498.192
2038/2039	28.498.192

## IP Serbia

**Table 3**

<b>Non-Binding Incremental Capacity Demand Survey 2022</b>	
Interconnection Point	IP Serbia
EIC Code	67Z-RS-VP-GST-1N
Flow Direction	GASTRANS d.o.o. Novi Sad → Transportgas Srbija d.o.o. Novi Sad
Request is submitted to other TSOs? [yes, TSO name] or [no]	Yes. Transportgas Srbija d.o.o. Novi Sad
Additional Information (if any)	Incremental capacity is needed to meet additional natural gas demand in city of Prahovo at Eastern Serbia
Conditions	-
Current technical capacity, kWh/d	120.966.144
<b>Non-binding demand request [(kWh/d)/y]</b>	
2023/2024	16.865.747
2024/2025	16.865.747
2025/2026	16.865.747
2026/2027	16.865.747
2027/2028	16.865.747
2028/2029	16.865.747
2029/2030	16.865.747
2030/2031	16.865.747
2031/2032	16.865.747
2032/2033	16.865.747

## Non-existing IP at border Republic of Serbia-Bosnia and Hercegovina Republic of Srpska

**Table 4**

<b>Non-Binding Incremental Capacity Demand Assessment</b>	
Interconnection Point	Non-existing IP at border Republic of Serbia-Bosnia and Hercegovina Republic of Srpska It is expected that the new IP will be located at the Novo Selo/Ljeskovac
EIC Code	N/A
Flow Direction	GASTRANS d.o.o. Novi Sad Republic of Serbia → Bosnia and Hercegovina Republic of Srpska
Request is submitted to other TSOs? [yes, TSO name] or [no]	No.
Additional Information (if any)	Incremental capacity is needed to meet additional natural gas demand in Bosnia and Hercegovina Republic of Srpska due to the planned construction of several CCGT power plants,

	increase in household consumption and further development of industry.
Conditions	-
Current technical capacity, kWh/d	N/A
<b>Non-binding demand request [(kWh/d)/y]</b>	
2026/2027	42.000.000
2027/2028	42.000.000
2028/2029	42.000.000
2029/2030	42.000.000
2030/2031	42.000.000
2031/2032	42.000.000
2032/2033	42.000.000
2033/2034	42.000.000
2034/2035	42.000.000
2035/2036	42.000.000
2036/2037	42.000.000
2037/2038	42.000.000
2038/2039	42.000.000

Currently there is no transmission system operator (TSO) from the side of Bosnia and Hercegovina Republic of Srpska with whom Gastrans d.o.o. Novi Sad would coordinate the work on development of the Project Proposal. Gastrans d.o.o. Novi Sad officially addressed this issue to the regulatory authority of Bosnia and Hercegovina Republic of Srpska – Regulatory Commission for Energy of Republic of Srpska (hereinafter RERS). In its response RERS pointed out that the company GAS-RES d.o.o. Banja Luka is appointed responsible by the Government of Republic of Srpska for realization of the “Project of Construction of High Pressure Gas Pipeline on the Route: Border of Republic of Serbia via Bijeljina-Banja Luka-Prijedor-Novı Grad” (Official Gazette of Republic of Srpska No 46/2019).

## 2.2. Description of the Incremental Capacity Project

Technical studies were carried out on the basis of the non-binding demand indication described in the market demand assessment report as described in chapter 2.1. of this document. Technical studies cover necessary technical changes on existing system and construction of new object in order to fulfill the demand.

The investment costs are initial estimates. In addition to the investment costs, there will also be operating costs. The annual costs are given below. These costs include the price of all costs needed for safely operation of pipeline.

**At the IP Kirevo/Zajecar**, 10.402 GWh/year of new capacity were indicated.

The construction of new metering line within existing GMS 1 near city of Zajecar is only necessary change to existing system. New metering line should be the same as existing ones, with nominal diameter DN450, two metering devices (“pay” and “check”), flow computers, etc. All other equipment can be used from existing metering station.

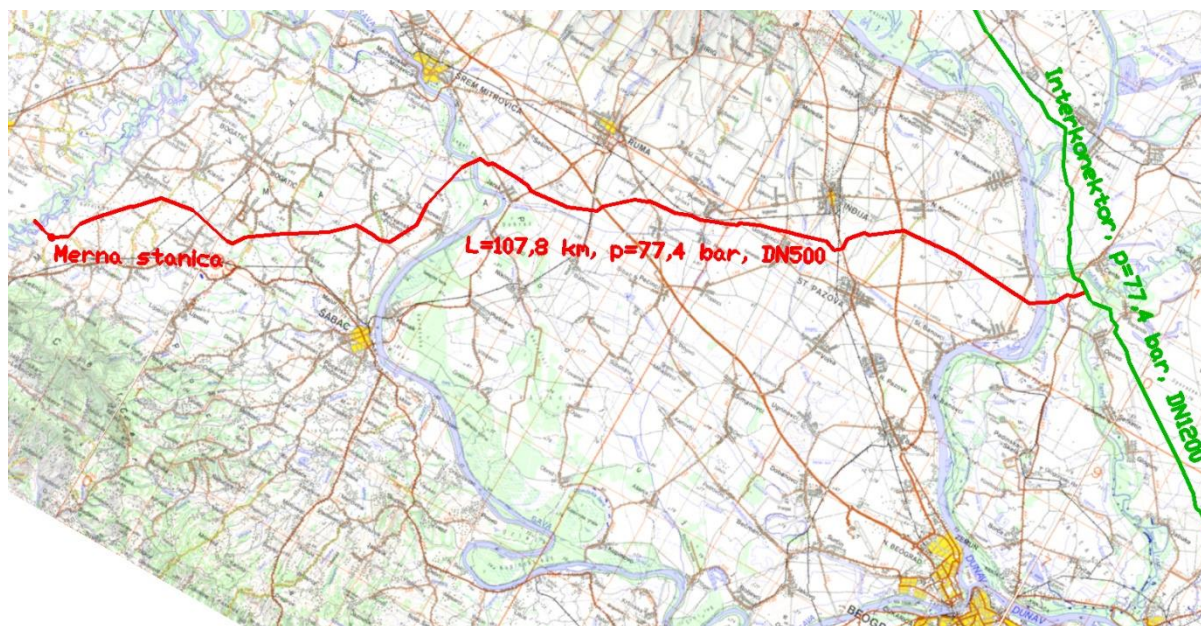


Estimated investments amount is approximately EUR 1 million. The annual OPEX is approximately EUR 0,1 million.

**At the Non-existing IP at border Republic of Serbia-Bosnia and Hercegovina Republic of Srpska** 15.330 GWh/year of new capacity were indicated.

The construction of new pipeline was developed under the premise that all indicated capacities would be booked and that all economic tests would be positive. New route is shown in Figure 1.

**Figure 1**



The new route of gas pipeline toward Bosnia and Hercegovina Republic of Srpska should be connected to the existing Gastrans pipeline at its 261st km and pass border between Republic of Serbia-Bosnia and Hercegovina Republic of Srpska north of town of Loznica. The new gas pipeline includes all necessary facilities (pipeline, gas metering station (GMS), block valve stations, pig launching and receiving stations, cable communication lines, auxiliary facilities, etc.). Gas metering station to be envisaged on the territory of Serbia near the border with Republic of Bosnia and Herzegovina Republic of Srpska. Key technical parameters of the new gas pipeline are:

Pipeline Diameter	DN500
Designed Pressure (DP)	77,4 bar
Pipeline Length	109 km
Number of block valve stations	3
Number of GMS	1

All facilities including pipeline, BVS, GMS and others shall consider bidirectional flow.

Estimated investments amount is approximately EUR 134 million. The annual OPEX is approximately EUR 1,5 million.

**At the exit point IP Serbia, 6.156 GWh/year of new capacity were indicated.**

The construction of new GMS within fence of existing GMS 1 near city of Zajecar was developed under the premise that all indicated capacities would be booked and that all economic tests would be positive.

The new GMS includes all necessary facilities (pressure and flow regulators, heaters, boiler room, ESDV etc.).

Estimated investments amount is approximately EUR 10 million. The annual OPEX is approximately EUR 0,5 million.

### 3. The Offer Levels for Bundled Capacity Products at the IPs

Gastrans shall offer Incremental Capacity on Firm Long Term basis as unbundled products for the IPs to which this document refers. Only Firm Long Term Capacity in the expected direction of the physical flow will be offered at the Entry Point Kirevo/Zaječar and Exit Points (IP Serbia and Non-existing IP at border Republic of Serbia – Bosnia and Hercegovina Republic of Srpska). The Offers can be submitted for booking capacity in respect of Entry Point Kirevo/Zajecar, Exit Point IP Serbia and Non-existing IP at border Republic of Serbia – Bosnia and Hercegovina Republic of Srpska.

In line with the provisions of Articles 8(8) and 30(5) of the NC CAM, as well as in accordance with Item 14 Paragraph 2 of FEA and article 8 paragraph 12 of Decree on NC, Gastrans proposes to set aside an amount of 10% of the capacity of the actually built incremental capacity to be offered as short-term capacity in line with capacity allocation mechanism prescribed in the Item 12 paragraph 3 of FEA.

### 4. Proposed alternative allocation mechanism including its justification

Gastrans doesn't intend to apply an Alternative Allocation Mechanism (hereinafter AAM) for Incremental Capacity Project.

Gastrans will offer Incremental Capacity in the annual yearly capacity auction as standard unbundled products in ascending clock auctions according to Article 17 of the Decree on NC as a default and in accordance with Article 8 paragraphs 13 to14.

### 5. Provisional Timeline of the Incremental Capacity Project

This chapter describes the proposed timeline for the conclusion of the Incremental Capacity Project and provides estimates of the possible time needed for the realization of the new incremental capacity.

The public consultation on the Incremental Capacity Project will be open until the 17<sup>th</sup> February 2023. In the beginning of March 2023 Gastrans intend to finalize and submit the Project Proposal, to the Energy Agency of the Republic of Serbia

If the justification for the realization of incremental capacities is determined, Gastrans shall publish on its website incremental capacities project as well as the model of the agreement on access to the system and transportation of natural gas for incremental capacities approved by Energy Agency of the Republic of Serbia, no later than two (2) months before the publication of auction for yearly Capacity Product on which the incremental capacities shall be offered for contracting.

## 6. General rules and conditions for the Binding Phase

This chapter describes the general rules and conditions which Gastrans intend to apply for the participation of interested parties in the Binding Phase.

The Binding Phase will be open to all interested parties, including those that have not submitted a non-binding demand indication.

Access to the transportation service of Gastrans transmission system is permitted impartially and on an equal basis to all interested parties that fulfill requirements prescribed in Gastrans NC Article 3 and meet the specific requirements as shown below in this document.

Incremental capacity will be offered to Participants for a minimum duration of 5 consecutive gas years, with the earliest possible start date being the planned Expansion Commercial Operation Date (hereinafter E-COD) and the latest possible end date being the earliest to occur of (i) the end of the 15<sup>th</sup> gas year after the planned E-COD and (ii) the expiry of Gastrans exemption.

### 6.1. Participation criteria and Registration

Applicants will have to meet requirements prescribed in Article 3 of Gastrans NC (ACCESS TO THE SYSTEM) in order to be provided access to the system. The applicants that are already registered will not need to conduct procedure of registration.

Further requirements can be envisaged by the Binding Phase documents.

All applicants will be required to deliver to Gastrans security for seriousness of bid (in Serbian *garancija za ozbiljnost ponude*) no later than three (3) business days before the date of the auction at which the incremental capacity will be offered, in the form of:

(i) an irrevocable, unconditional, payable on first demand and without protest bank guarantee issued in accordance with the Uniform Rules for Demand Guarantees URDG 758 by a bank or financial institution that is licensed by the National Bank of Serbia and acceptable to Gastrans or foreign bank or international financial institution which has the rating as of minimum „BBB-“ issued by Fitch or Standard & Poor’s, i.e. „Baa3“ issued by Moody’s;

or

(ii) funds in EUR or Serbian Dinar equivalent (according to the National Bank of Serbia middle exchange rate on the date the funds are deposited), free and clear of any bank charges and similar deductions, deposited into a separate escrow account with an escrow agent, being a bank which is an acceptable

to Gastrans, together with orders that such escrow funds are to be released by the escrow agent only upon written confirmation of Gastrans.

The amount of the security for seriousness of bid should be minimum 100.000,00 EUR.

For the avoidance of any doubt, the applicants which satisfy Rating Exemption Criteria prescribed in Gastrans NC are not required to provide security for seriousness of bid.

By submitting a bid at the auction, the applicant accepts that:

- Submission of a bid at the auction will constitute an irrevocable commitment to enter into a Gas Transportation Agreement (hereinafter GTA) with Gastrans, subject only to the successful outcome of the Economic Test – ET;
- in case of a negative outcome of the ET, Gastrans will give back the security for seriousness of bid (bank guarantee/release deposited amount from the escrow account) and no transport capacity will be contractually allocated;
- in case of a zero or positive outcome of the ET the applicant to which capacity is successfully allocated based on the results of the auction shall enter into a GTA (thus becoming a Shipper) and provide Gastrans with security for meeting of its pecuniary obligations from the GTA.
- If the Participant does not sign the GTA, the Gastrans will request the forfeiture of the security for seriousness of bid, without any obligation to determine or justify the reasons of such request.

## 6.2. Bid content and Bid evaluation

The auctions for incremental capacity, bid submission, bid evaluation and capacity allocation will be conducted in accordance with Article 28 of Decree on NC.

## 6.3. Economic Test

The Economic Test(s) will be performed in accordance with the Article 21 of the Decree on NC.

## 6.4. Gas Transportation Agreement (“GTA”)

It is intended that the final positive outcome of the ET leading to the realization of the Incremental Capacity Project is subject to the subscription to the relevant GTA(s) by all applicant(s) with successful capacity allocation from the results of the auctions.

## 6.5. Progress of the project, lack of permits, delays in making available transportation capacity

Gastrans will share with the relevant applicants the progress of the Incremental Capacity Project.

By signing the GTA, the applicant shall be deemed to have accepted that, if the authorizations, permissions, easements and any other relevant land rights necessary for the construction phase of the project are not obtained or delayed, then the execution times for the implementation of the Incremental Capacity Project will be considered correspondingly extended, and Gastrans shall have no liability to any Participant in connection with such delays.

## 6.6. Force Majeure

Force Majeure provisions will be set out in the GTA.

## 7. Element IND and RP for fixed price approach

This section is not applicable to subject Incremental Capacity project.

## 8. Level of user commitments (F factor)

The level of f-factor shall be set by the Energy Agency of the Republic of Serbia in accordance with the provisions of Article 22 of Decree on NC.

## 9. Additional demand Indication

By the publication date of this document no further demand indications have been received after the deadline of the non-binding phase for incremental capacity.

## 10. Decrease in the utilization of other non- depreciated gas infrastructure

If the Incremental Capacity Project is realized, the technical capacity of Gastrans will be increased, resulting in a further utilization of the pipeline. This section is therefore not relevant to Gastrans.

## 11. Contact information

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