

Incremental capacity
GASTRANS d.o.o. Novi Sad
and
ГАС-РЕС д.о.о. Бања Лука
Public consultation of the draft project proposal
Interconnection point border at border
Republic of Serbia-Bosnia and Hercegovina Republic of Srpska

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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 20th October 2022 when the "Decree on network codes which refer to the calculation and allocation of capacities for natural gas transmission"- hereinafter referred to as 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 referred to as GASTRANS) according to the Final Exemption Act (hereinafter referred to as 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 point 9.2.4. of GASTRANS Natural Gas Transmission System Network Code (hereinafter referred to as NC) and paragraph 1 article 25 of the Decree on NC GASTRANS is obliged to conduct Market Test at least every odd year in order to assess the interest of the natural gas market for expansion of capacities on Entry Point and Exit Points of the Pipeline.

In accordance with Article 26 of Decree on NC and, and Article 9 of the NC, GASTRANS launched the Incremental Capacity Process on the 3rd of July 2023 (<https://gastrans.rs/market-test-2023/>).

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 (hereinafter referred to as GAS-RES) 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-Novigrad" (Official Gazette of Republic of Srpska No 46/2019). GASTRANS and GAS-RES d.o.o. Banja Luka mutually agreed DAR which was published on GASTRANS website.

GASTRANS and GAS RES have received non-binding demand indications and procured a joint Demand Assessment Report (DAR), which was published on the 23rd of October 2023 with the conclusion that there was sufficient indicative demand to initiate an incremental Capacity Project for the new interconnection point at border Republic of Serbia – Bosnia and Hercegovina Republic of Srpska (hereinafter referred to as IP Serbia-BiH).

This document has been prepared by GASTRANS and GAS-RES.

When preparing this document GASTRANS respected the provisions set out in article 26 of the Decree on NC 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 16th March 2024.

This Incremental Capacity Project from the Serbian side 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 and the Incremental Capacity Project is realized, as described in this document, then additional natural gas flows from Bulgarian-Serbian border will impact development of new gas market in Bosnia and Hercegovina Republic of Srpska.

Current gas consumption in the Bosnia and Hercegovina Republic of Srpska, up to the construction of the new gas pipeline, is cca 50-60 mcm³/y (15°C, 1,01325 bar).

Planned gas consumption increase in the Bosnia and Hercegovina Republic of Srpska is 1,7 bcm³/y due to the increased demand for natural gas caused by the construction of several combined-cycle power plants, increased consumption in households and further industrial development, which is additionally confirmed by GAS-RES market projections.

In order to meet the planned demand, increase the construction of new gas pipeline facility is need. If this project of is realized it would provide gas supply from the direction of Republic of Bulgaria through Republic of Serbia via GASTRANS pipeline system. Supply contracts are still not signed, but the negotiations with the suppliers will soon commence.

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 16th of March 2024.

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 IP Serbia-BiH 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 25 of Decree on NC.

In the following table is presented demand assessment for incremental capacity from GASTRANS side.

IP Serbia-BiH

Table 1

Joint (GASTRANS and GAS-RES) demand assessment for incremental capacity	
Interconnection Point	Novo Selo/Ljeskovac
EIC Code	N/A
Flow Direction	GASTRANS, Republic of Serbia → Bosnia and Hercegovina Republic of Srpska
Request is submitted to other TSOs? [yes, TSO name] or [no]	It was submitted to GASTRANS and GAS-RES
Current technical capacity, Entry to GASTRANS kWh/d	N/A
Assessment of demand for incremental capacity [(kWh/d)/y]	
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

The conclusions of the joint DAR between GASTRANS and GAS-RES for IP Serbia-BiH is that GASTRANS and GAS-RES will proceed to the next phase of the Incremental Capacity process and start the Design Phase in order to offer incremental capacity products at IP Novo Selo/Ljeskovac.

2.2. Description of the Incremental Capacity Project

Technical studies were carried out on the basis of the non-binding demand indications described in the market demand assessment reports as described in chapter 2.1. of this document. Technical

studies cover necessary technical changes on existing system and construction of new objects from the both sides of the border in order to fulfill the demand.

The investment costs are initial and rough estimates. In addition to the investment costs, there will be also operating costs which are rough estimates as well. These operating costs include the price of all costs needed for safely operation of pipeline.

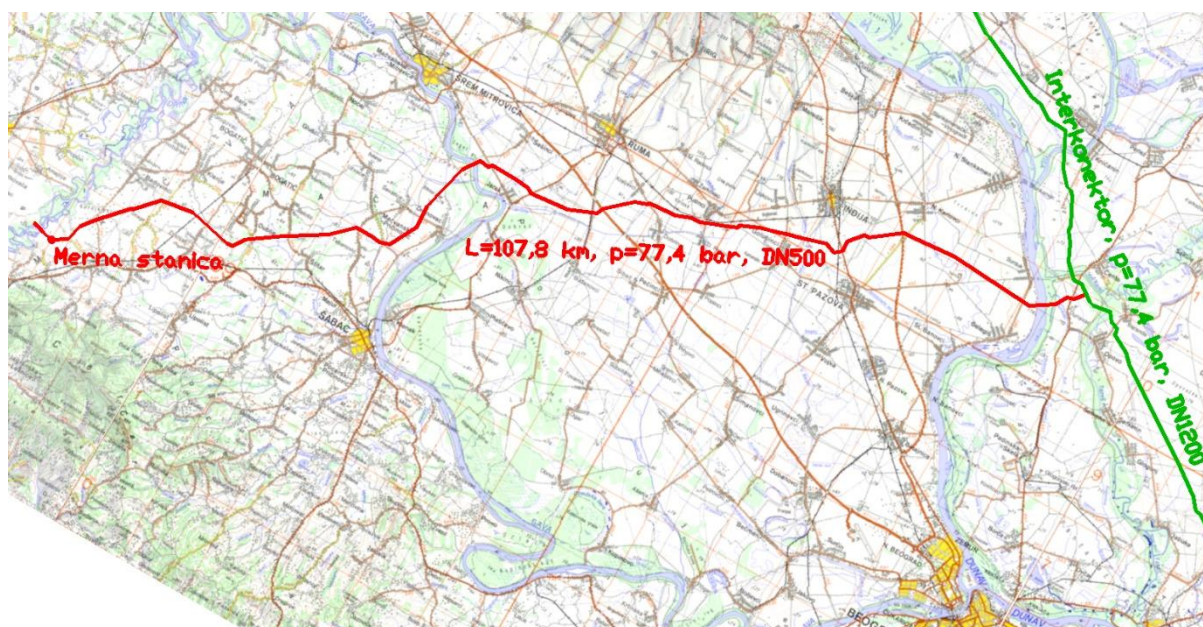
The construction of new pipeline was developed under the premises that all indicated capacities (from DAR) would be booked and that all economic tests would be positive.

2.2.1. Description of the Incremental Capacity Project - GASTRANS

At the IP Serbia-BiH 15.330 GWh/year of new capacity was indicated.

The new route which is extension of the existing GASTRANS pipeline 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 Republic of Serbia near the border with Republic of Bosnia and Hercegovina Republic of Srpska. Key technical parameters of the new gas pipeline are:

Pipeline Diameter	DN500
Designed Pressure (DP)	77,4 bar
Pipeline Length	108 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.

2.2.2. Description of the Incremental Capacity Project – GAS RES

In line with the spatial document approved in the Gas Pipeline Development Spatial Plan on the route Bijeljina – Brcko – Vukosavlje, adopted by the National Assembly of the Republic of Srpska, border crossing point coordinates should be X 4952388.97; Y 7366117.11. Minimum pressure at the border required to ensure the operation of future industrial facilities in the Republic of Srpska is 5,9 MPa.

The planned diameter of the gas pipeline is 500 mm, with a planned designed working pressure of 75 bar.

GAS RES estimates that the construction of a high-pressure gas pipeline on the route from the border with the Republic of Serbia via Bijeljina, Brcko to Banja Luka will cost around 250 million EUR. GAS RES is currently unable to estimate the amount of annual operating costs.

3. The Offer Levels for Capacity Products at the IP

GASTRANS and GAS RES shall offer Incremental Capacity on firm basis as unbundled yearly products for period of 5 to 15 years. Considering the fact that from side of Bosnia and Hercegovina Republic of Srpska there is no TSO with whom the bundle of capacities would be done the incremental capacities will be offered as unbundled. Only firm yearly capacity in the expected direction of the physical flow will be offered at the Entry Point Kirevo/Zaječar and exit point IP Serbia-BiH. The offers can be submitted for booking capacity in respect of Entry Point Kirevo/Zajecar and Exit point IP Serbia-BiH.

In line with the provisions of paragraph 13 Article 8 and paragraph of article 29 of the Decree on NC, as well as in accordance with Item 14 Paragraph 2 of FEA 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.

The conditions and method of capacity allocation at the entrance to the GAS-RES system will be defined subsequently during the binding phase.

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 16th March 2024. In the middle of May 2024 GASTRANS intends 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.

GAS RES will, to the extend possible, communicate with the RERS the further steps and carry out necessary activities regarding the incremental capacity project in order to make available the model of the agreement on access to the system and transportation of natural gas in the same time as GASTRANS.

6. General Rules and Conditions for the Binding Phase

This chapter describes the general rules and conditions which GASTRANS and GAS RES 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 and GAS RES transmission systems shall be permitted impartially and on an equal basis to all interested parties.

GASTRANS will demand that all interested parties 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 15th gas year after the planned E-COD and (ii) the expiry of GASTRANS exemption (1.1.2041).

The particular details of terms and conditions as well as the periods (minimum and maximum) for which capacity of the GAS-RES transmission system would be offered will be defined later on, during the binding phase, trying to align those terms and conditions to the greatest extent possible with the terms and conditions determined by GASTRANS.

6.1. Participation Criteria and Registration

In order to access the transmission system of GASTRANS 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 the procedure of registration.

Further requirements can be envisaged by the Binding Phase documents.

All applicants will be required to deliver to GASTRANS and GAS RES securities 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 and in the case of GAS RES within the deadline for submitting binding bid 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 and GAS-RES 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 and in the case of GAS RES according to the official exchange rate of KM applicable on the date when 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 acceptable to GASTRANS and GAS RES, together with orders that such escrow funds are to be released by the escrow agent only upon written confirmation of GASTRANS and GAS RES.

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

For the avoidance of any doubt, in the case of GASTRANS the applicants are not required to provide security for seriousness of bid if:

- they satisfy Rating Exemption Criteria prescribed in GASTRANS NC or
- at the moment of submitting the bids they have effective long-term Gas Transportation Agreement with GASTRANS.

By submitting a bid at the auction in the case of GASTRANS or binding bid in the case of GAS RES the applicant accepts that:

- Submission of a bid at the auction and binding bid in the case of GAS RES will constitute an irrevocable commitment to enter into a Gas Transportation Agreement (hereinafter GTA) with GASTRANS and/or GAS RES, which in case of GASTRANS is 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.

GAS RES reserves its right to further elaborate particular terms and conditions for registration and participation of interested parties in the binding phase, taking into account prevailing regulations and legal frame for territory of Republic of Srpska (Bosnia and Hercegovina) for area of natural gas transmission and operations, at the time when the binding phase conditions will be defined.

6.2. Bid content and Bid evaluation

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

GAS RES will conduct binding bid submission, bid evaluation and capacity allocation in accordance with the conditions prescribed in the rulebook on binding phase.

6.3. Economic Test

GASTRANS will run the Economic Test(s) 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 and GAS-RES 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 and GAS RES 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.

Considering the fact that in Bosnia and Hercegovina Republic of Srpska a new pipeline will be constructed this section is not relevant for GAS RES.

11. Contact information

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