

Incremental capacity

GASTRANS d.o.o. Novi Sad

Draft project proposal

IP Kireevo/Zaychar

Novi Sad, January 2026

Contents

| | | |
|------|--|----|
| 1. | Introduction | 4 |
| 2. | Description of the Incremental Capacity Project and cost estimates..... | 5 |
| 2.1. | Market demand for Incremental Capacity..... | 5 |
| 2.2. | Description of the Incremental Capacity Project | 6 |
| 3. | The Offer Levels for Bundled Capacity Products at the IPs | 6 |
| 4. | Proposed alternative allocation mechanism including its justification | 7 |
| 5. | Provisional Timeline of the Incremental Capacity Project..... | 7 |
| 6. | General rules and conditions for the Binding Phase..... | 7 |
| 6.1. | Participation criteria and Registration..... | 8 |
| 6.2. | Bid content and Bid evaluation..... | 9 |
| 6.3. | Gas Transportation Agreement (“GTA”) | 10 |
| 6.4. | Progress of the project, lack of permits, delays in making available transportation capacity . | 10 |
| 6.5. | Force Majeure | 10 |
| 7. | Element IND and RP for fixed price approach | 10 |
| 8. | Additional demand Indication | 10 |
| 9. | Decrease in the utilization of other non- depreciated gas infrastructure | 11 |
| 10. | Contact information..... | 11 |

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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 EU 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 Article 9 of the NC, GASTRANS launched the Incremental Capacity Process on the 7th of July 2025 (<https://gastrans.rs/market-test-2025/>).

GASTRANS informed adjacent Transmission System Operator (TSO) for IP Kireevo/Zaychar - Bulgartransgaz EAD about the launching Incremental Capacity Process.

GASTRANS has received non-binding demand indications and procured a joint Demand Assessment Report (DAR) with Bulgartransgaz EAD, which was published on the 28th of October 2025 with the conclusion that there was sufficient indicative demand to initiate an incremental Capacity Project for the IP Kireevo/Zaychar.

This document has been prepared by GASTRANS in accordance with the provisions set out in article 26 of the Decree on NC and point 9.3.3. of NC.

This Incremental Capacity Project is driven by potential increase of the technical capacity at IP Kireevo/Zaychar. If infrastructure upgrades and the Incremental Capacity Project is realized, as described in this document, then additional natural gas flows from Bulgaria to Republic of Serbia will contribute to meeting the increasing demand of the Serbian gas market and increase security of supply.

2. Description of the Incremental Capacity Project and cost estimates

2.1. Market demand for Incremental Capacity

The non-binding demand indications for firm long-term capacity have been received for IP Kireevo/Zaychar 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, which is equal to the difference between current technical capacity at IP Kireevo/Zaychar at the exit from Bulgartransgaz and the current technical capacity at the entry to Gastrans system.

IP Kireevo/Zaychar

Table 1

| GASTRANS demand assessment for incremental capacity | |
|---|---|
| Interconnection Point | Kireevo/Zaychar |
| EIC Code | 58Z-000000007-KZ |
| Flow Direction | Bulgartransgaz → Gastrans |
| Is the request submitted to other TSOs? [yes, TSO name] or [no] | Yes, one of the non-binding demand indications has been submitted to Bulgartransgaz |
| Current technical capacity, Entry to Gastrans kWh/d | 366.731.712 |
| Assessment of demand for incremental capacity [(kWh/d)/y] | |
| 2026/2027 | 40.704.288 |
| 2027/2028 | 40.704.288 |
| 2028/2029 | 40.704.288 |
| 2029/2030 | 40.704.288 |
| 2030/2031 | 40.704.288 |
| 2031/2032 | 40.704.288 |
| 2032/2033 | 40.704.288 |
| 2033/2034 | 40.704.288 |
| 2034/2035 | 40.704.288 |
| 2035/2036 | 40.704.288 |
| 2036/2037 | 40.704.288 |
| 2037/2038 | 40.704.288 |
| 2038/2039 | 40.704.288 |
| 2039/2040 | 40.704.288 |
| 2040/2041 | 40.704.288 |

The conclusions of the joint DAR between GASTRANS and Bulgartransgaz EAD for IP Kireevo/Zaychar are the following:

- Gastrans will proceed to the next phase of the Incremental Capacity process and start the Design Phase, the day after the publication of this Demand Assessment Report, in order to offer incremental capacity products at IP Kireevo/Zaychar.
- The indicated demand for incremental capacity received by Bulgartransgaz is lower than the existing available firm technical capacity in the Bulgartransgaz → Gastrans direction on the Bulgarian side of the IP. Thus, it is sufficient to fully meet the expected demand level indicated by market participants to Bulgartransgaz for the entire period. Bulgartransgaz has decided not

to proceed to the next phase of the Incremental Capacity Process for IP Kireovo/Zaychar. As a result, no incremental capacity project will be initiated on the Bulgarian side of the IP and no technical studies will be conducted.

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 report as described in chapter 2.1. of this document. Technical studies cover necessary technical changes at the existing system and construction of new objects in order to fulfill the demand.

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

At the IP Kirevo/Zaychar, 14.857 GWh/year of new capacity were indicated.

The construction of the new metering line (including the flow regulator device) within existing gas metering station GMS 1 near city of Zajecar is necessary change to existing system. The 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 the existing metering station. These costs are estimated to be approximately EUR 2 million.

Additionally, a potential extra filtering unit may be required, as the incremental flow is approaching the upper limit of the existing filter's capacity. Further investigation with the filter equipment manufacturer is needed to assess the potential for fully utilizing the existing capacity. The final decision on the filtering capacity will be made during the Design phase. These costs are estimated to be approximately EUR 2 million.

The total estimated investments amount is approximately EUR 2 - 4 million. The annual OPEX is approximately EUR 0,1 million.

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

GASTRANS shall offer Incremental Capacity on a firm basis as bundled yearly products for period of 5 to 15 years for the IP to which this document refers. Only firm yearly capacity products in the expected direction of the physical flow will be offered at the Entry Point Kirevo/Zaychar. At the same time, GASTRANS plans to offer for contracting, on yearly basis, the capacity at the Exit Point IP Serbia. The offers will be possible to submit for booking capacity in respect of Entry Point Kirevo/Zaychar and Exit Point IP Serbia.

In line with the provisions of paragraph 13 Article 8 and paragraph 6 of article 29 of the 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 Decree on NC.

4. Proposed alternative allocation mechanism including its justification

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

GASTRANS will offer Incremental Capacity to which this document refers in the annual yearly capacity auction as standard bundled product in ascending clock auctions according to Article 17 of the Decree on NC 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 shall last until 21st of March 2026.

At the end of May 2026 GASTRANS shall 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. According to the envisaged activities and deadlines of national regulators, it is expected that the incremental capacity will be offered for auctioning in July 2027.

6. General rules and conditions for the Binding Phase

This chapter describes the general rules and conditions which GASTRANS intends 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 Article 3 of GASTRANS NC 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 and maximum duration of 15 gas years, with the earliest possible start date being the planned Expansion Commercial Operation Date (hereinafter E-COD).

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) and this document 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 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 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, ACRA, Expert RA, 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;

or

(iii) a blank, solo bill of exchange with a no-protest clause with a bill of exchange letter empowerment acceptable to the GASTRANS. In addition to the above, the applicant is obliged to submit the documents necessary for the GASTRANS to register the bill of exchange with a commercial bank in the Republic of Serbia along with the bill of exchange and the bill of exchange letter empowerment.

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

Applicant has no obligation to deliver security for seriousness of bid to the GASTRANS if it meets either of following criteria:

1. a credit rating of:
 - a. Standard & Poor's long-term rating of BBB- or better;
 - b. Fitch rating of BBB- or better;
 - c. Moody's long-term rating of Baa3 or better;
 - d. ACRA credit rating of BBB- or better;
 - e. 235 points or less according to Creditreform (credit index score 2.0)

or

- is 100% owned by a company which satisfies any of the above listed conditions.

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 or bill of exchange or 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 User) and provide GASTRANS with security for meeting of its pecuniary obligations from the GTA.
- If the Participant does not sign the GTA, 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

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

(a) The present value of binding commitments of network users for contracting capacity is estimated in the amount of **73,11 mln EUR**, which is calculated as the discounted sum of the following parameters:

- (i) the sum of the respective estimated reference prices and a potential auction premium and a potential mandatory minimum premium multiplied by the amount of contracted incremental capacity is estimated in the amount of **73,11 mln EUR**.
- (ii) the sum of a potential auction premium and a potential mandatory minimum premium multiplied by the amount of available capacity that was contracted in combination with the incremental capacity is estimated to **zero (no auction premiums were estimated)**.

(b) the present value of the estimated increase in the allowed or target revenue of the transmission system operator associated with the incremental capacity included in the respective offer level is estimated at the amount of **110,16 mln EUR**.

The calculation of the above mentioned parameters was done using the following assumptions:

1. Estimation of tariffs was calculated in accordance with the Tariff Methodology for the calculation of natural gas transmission service tariffs of GASTRANS d.o.o. Novi Sad No.05-37 dated 7.3.2019 as amended on 23.12.2020, 3.6.2021 and 12.08.2024 (hereinafter refer to as Tariff Methodology).
The estimated tariff for firm yearly capacity for entry point IP Kireevo/Zaychar is **5,40 EUR/kWh/h/a**.
2. Firm yearly capacity at entry point IP Kireevo/Zaychar is contracted on long term basis for 15 years (as it was expressed in DAR) in the amount of **1.526.411 kWh/h/a**.
3. Firm yearly capacity at entry point IP Kireevo/Zaychar is contracted until the end of the life span of the pipeline, i.e. until 2058.
4. It is assumed that the part of incremental capacity at entry point IP Kireevo/Zaychar, that was offered on the short term basis (169.601 kWh/h), was contracted in full in each gas year on firm quarterly basis for six months (october-march) during binding phase period (15 years) as well as afterwards (till the end of the life span of the pipeline).
5. Used discount rate is **7,09%** - the rate of return of own capital after taxation.

(c) GASTRANS has estimated the value of "**f**" **factor of 0,6637**. The estimation is done taking into account the parameters of points 1), 2) and 4) of the paragraph 1 of article 22 of the Decree on NC.

According to the paragraph 1 of article 22 of Decree on NC the final level of "**f**" factor for a given level of supply, which is used for the economic test, will be determined by the decision of AERS.

6.3. 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 entering into the relevant GTA(s), the form of which is an integral part of GASTRANS' Network Code and is available on GASTRANS' website, by all applicant(s) with successful capacity allocation from the results of the auctions.

6.4. 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.

6.5. 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. 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.

9. 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 further utilization of the Pipeline. This section is therefore not relevant to GASTRANS.

10. Contact information

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