

**Demand assessment report
for the incremental capacity process starting
2019
between *Poland TGPS and
the Trading Hub Europe***

2019-10-21

This report is a joint assessment of the potential for incremental capacity projects conducted by



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This analysis concerns the market demand assessment report for incremental capacity at the inter-connection point (IP) Mallnow, which connects the entry-exit-system of Poland TGPS (Transit Gas Pipeline System – Polish section of the Yamal-Europe pipeline) and the entry-exit-system of the Trading Hub Europe. Currently, on the German side of the market border the market area of GASPOOL is still in place and active. However, as of 1 October 2021 this market area will be merged with the market area of Net-Connect-Germany to the common German market area named Trading Hub Europe. As this market demand assessment report assesses the future capacity situation this report refers in the following always to the aforementioned new German market area.

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A. Non-binding Demand indications

All inquiries received in the course of the demand period comply with the terms and conditions of participation and can be taken into account in the subsequent analysis.

The following table shows the **non-binding demand indications received by GASCADE**, where a **condition** was attached by the network users:

From “EXIT CAPACITY”	To “ENTRY CAPACITY”	Gas years	Amount (kWh/h)/ y	Request is submitted to other TSOs	Conditions**	Period when De- mand Indi- cation was received*	Additional Information
Poland TGPS	Trading Hub Europe	2022/2023 - 2036/2037	9.629.000	No	d)	2)	<i>Freely allocable firm capacity; Capacity re- quest is in addi- tion to the exist- ing bookable freely allocable firm capacities.</i>

GAZ-SYSTEM has received no demand indication for the relevant entry-exit system.

* The following standardised period shall be used for indicating the receiving date of the demand indication:

- 1) later than eight weeks after the annual yearly capacity auction in the previous incremental capacity cycle, that have not been considered previously;
- 2) within eight weeks after this year’s yearly capacity auction (0 – 8 weeks after yearly auction in year);
- 3) later than eight weeks after this year’s yearly capacity auction, but that will be considered in this incremental capacity cycle (9 – 16 weeks after yearly auction in year).

** The following standardised terminology shall be used for describing the conditions:

- a) commitments linking or excluding commitments at other interconnection points;
- b) commitments across a number of different yearly standard capacity products at an interconnection point;
- c) commitments conditional on the allocation of a specific or minimum amount of capacity;
- d) other.

B. Demand assessment

Future merger of the German entry-exit-systems

On 7 July 2017, the German Bundesrat (Federal Council) approved the revision of the German Grid Ordinance (GasNZV) which in §21 p. 1 s. 2 obliges TSOs to merge the currently existing two entry-exit-systems within Germany until 1 April 2022. Since such a merger implies that interconnection points between the entry-exit-systems will be transformed to inter-TSO exchange points and due to the fact that capacities eventually will not be bookable for transports, TSOs will stop marketing the respective capacities as of the date of the entry-into-force of the revised GasNZV for transports taking place after the merger.

In the course of the merging project of the two German market areas ("marco") the German TSOs announced that they are planning to merge the two German market areas as of 1 October 2021.

Since the ongoing incremental capacity process will end with the auctioning of yearly capacity products for capacity starting on 1 October 2021 in July 2021 there is no possibility to consider any requests concerning the borders of the market areas NetConnect Germany or GASPOOL.

Therefore, only demand indication for the borders of the merged German market area (Trading Hub Europe) can be stated in the incremental cycle 2019 – 2021 (and following) and only those will be evaluated.

Specifics of the assessed demand indication

The following description was attached to the demand for incremental capacity at the border between Poland TGPS and the Trading Hub Europe received by GASCADE:

"Please note that the aim of this request is that starting from 01 Oct 2022 the requested IC shall be offered as FZK instead of DZK (DZK is currently 20.613 GWh/h in NEP 2020 Databank for years 2023+) to the extent that the total technical entry capacity of 38.812 GWh/h in Mallnow shall comprise of FZK in amount of 27.828 GWh/h and DZK in amount of 10.985 GWh/h). This request is not submitted as capacity upgrade, because the respective DZK is not booked. For avoidance of doubts, the requested IC shall be added to the technical capacity FZK of 18.199 GWh/h as published in NEP 2020 Databank for years 2023+."

In the following analysis this request was considered. Therefore, the overall technical capacity amount is available at the border between Poland TGPS and the Trading Hub Europe. The request states that a transition of capacity products from restrictedly allocable capacity (DZK) to freely allocable capacity (FZK) on the German side of the border is in the interest of the shipper. Thus, the analysis of the demand will be focusing on the German side of the border.

i. Historical usage pattern at interconnection point between Poland TGPS and Trading Hub Europe

For the incremental capacity cycle addressed by this report, non-binding market demand indications were received on German side of the entry-exit system. Therefore, an analysis of the historical capacity utilization between the aforementioned entry-exit-systems is given to support the assessment of a future demand for incremental capacity.

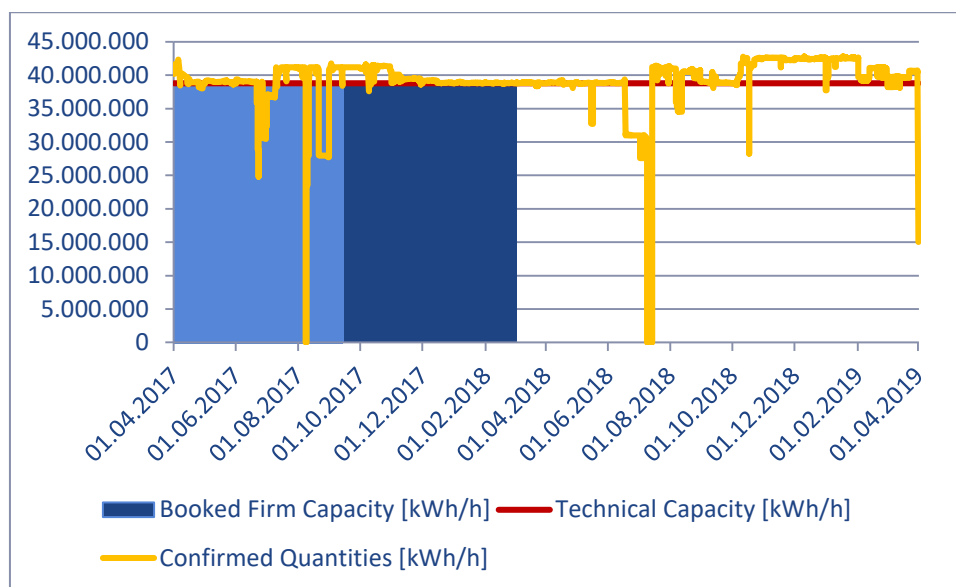
This analysis is performed for the following interconnection point which connects the aforementioned entry-exits systems, for which non-binding demand indications were received, in the current report the direction from Poland TGPS (Transit Gas Pipeline System – Polish section of the Yamal-Europe pipeline) to the Trading Hub Europe. Due to the fact, that FZK entry is requested in the Trading Hub Europe instead of DZK entry the following analysis will focus on this request.

Interconnection Point:	Mallnow		
Energy Identification Code:	21Z000000000056S		
Entry-exit-system:	Poland TGPS	Entry-exit-system	Trading Hub Europe
Transmission System Operator:	IP name:	Transmission System Operator:	IP name:
GAZ-SYSTEM ISO	SGT (Mallnow) exit	GASCADE	Mallnow

For the analysis the technical capacity, the booked firm capacity and the final confirmed quantities according to Article 3 (8) of Regulation (EU) Nr. 312/2014 are presented on an hourly scale. For the confirmed quantities no distinction between transports in firm or interruptible capacities is performed. Only firm FZK, load-dependent firm freely allocable capacity and firm DZK which complies with the stated demand-indication is included in the analysis to provide fitting reference for the assessment of the demand for incremental capacity. The analysis is performed for the time frame 01.04.2017 06:00 hrs. – 01.04.2019 06:00 hrs.

In addition, depending on the outcome of the analysis of the historical usage patterns an analysis of both the implementation and application of Congestion Management Procedures required by the CMP Guidelines and the possibility for and the actual use of capacity trading on the secondary market is performed. But as this analysis should not be an end in itself it is only performed if any sustained contractual congestion at the respective border is visible in the historic usage pattern.

a. Entry Trading Hub Europe – TSO GASCADE



Although the confirmed quantities exceeded the technical capacity for a number of times sufficient firm capacity is available in the future to meet all existing demand. For these reasons, no further analysis of congestion management procedures and secondary marketing is performed.

Since only FZK into the Trading Hub Europe was demanded, which will substitute existing DZK, and the amount of technical available capacity will stay the same, the analysis was conducted only for the German side of the entry-exit system. The existing capacity on the Polish side is already sufficient as it has been enabling the current capacity amount on the German side of the border and thus does not require analysis.

ii. Relations to GRIPS, TYNDP, NDPs

The NEP Gas 2018-2028 is the latest German national development plan that was approved by the German regulator Bundesnetzagentur (BNetzA). The projects that were identified and confirmed in the NEP Gas 2018–2028 ensure that the capacity situation that is shown in the scenario framework for the NEP Gas 2020-2030 provides capacity to which the requested demand refers to. Compared to the scenario framework for the NEP Gas 2018-2028, the firm entry capacity is not reduced in the current scenario framework from NEP Gas 2020-2030. However, the amount of FZK entry capacity could not be increased in the scenario framework for the NEP Gas 2020-2030. The same request for incremental FZK that shall reduce the offered DZK in the corresponding height could have also been expressed in relation to the NEP Gas 2018-2028, since the total demand for specific capacity products was expressed and the total affected capacity is smaller than the technical entry

capacity in both cases. The content of the request is therefore valid in the context of the NEP Gas 2018-2028 as well as the context of the NEP Gas 2020-2030.

The TYNDP is a non-binding document. The latest version is the TYNDP 2017. The final version of TYNDP 2018 will presumably be published in November 2019. Its draft was published in 2018. Concerning the entry capacity from Poland to Germany at IP Mallnow, no amendments were made compared to earlier TYNDPs. The value is identical with the total entry capacity that is currently valid and the total value requested by the shipper.

iii. Expected amount, direction and duration of demand for incremental capacity

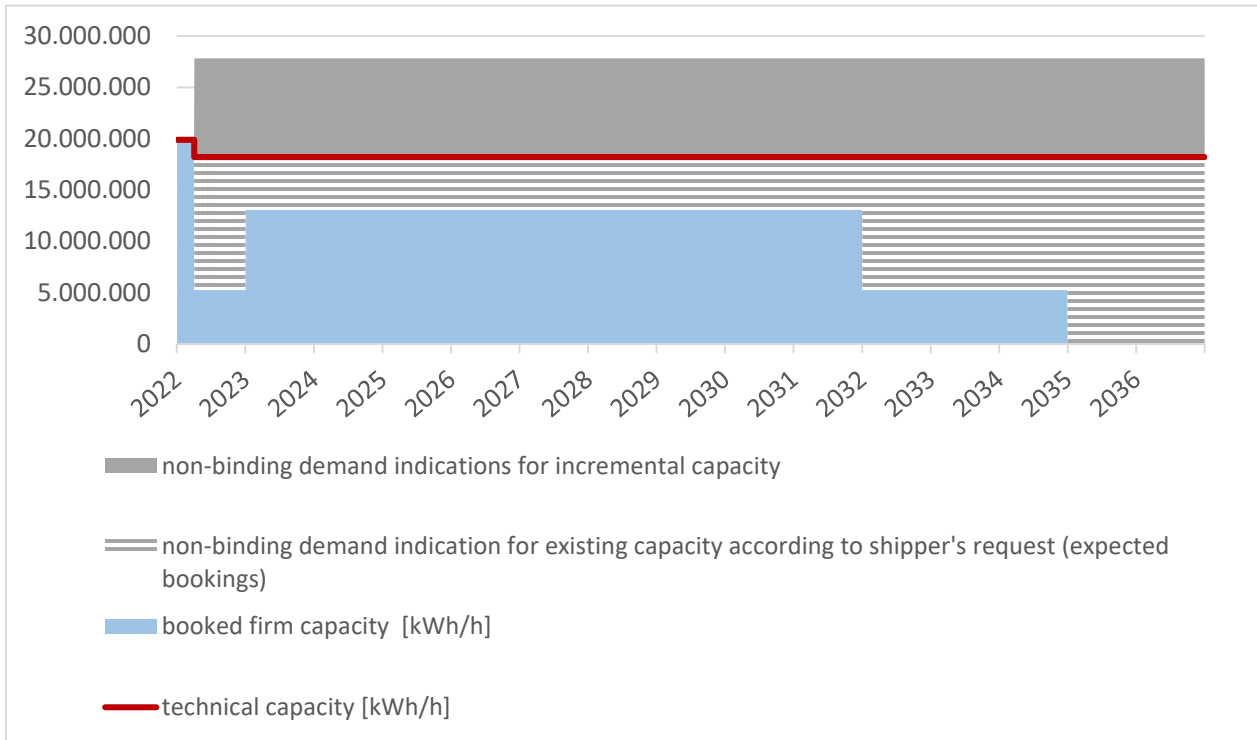
The assessment of the demand for incremental capacity will be conducted by analyzing the technical capacity, the booked firm capacity and the non-binding demand indications received for the interconnection point of the relevant entry-exit system border. The technical capacity concerning the IP Mallnow of the Trading Hub Europe is based on the last consulted scenario framework for the NEP Gas 2020-2030 according to the demand indication stated in the form for incremental capacity. Furthermore, only FZK is considered in this analysis since the demand is only for FZK and cannot be fulfilled by any different capacity products such as DZK. Projects currently under construction and planned projects are also taken into account according to point ii. The booked firm capacity used for this analysis is based on the published data of the concerned transmission system operators (TSOs) available at:

GSA Platform (Exit Mallnow): www.gsaplatform.eu

PRISMA platform (Entry Mallnow): www.platform.prisma-capacity.eu

a. Entry Trading Hub Europe – TSO GASCADE

Entry Trading Hub Europe – aggregated



In order to determine whether a technical study is necessary, the criteria defined under Point C are checked. This check is carried out for each relevant entry-exit-system. In conclusion, a statement is made as to whether an incremental capacity project is initiated and whether technical studies need to be produced.

C. Conclusion for the (non)-initiation of an incremental capacity project/process

If a sustained expected demand for incremental capacity is identified on one side of the entry-exit-system border the involved TSOs deem it necessary to conduct technical studies. Depending on whether a demand for incremental capacity is identified on one or both sides of the border of the entry-exit system an incremental capacity project will be started on one or both sides of the specific entry-exit system.

Deviations can occur only if there are justified individual instances.

If an incremental capacity project is initiated, then technical studies will be conducted for potentially all IPs of the respective entry-exits system border for which the project was initiated. The

specific IPs and TSOs for which technical studies will be conducted will be determined in the Design phase according to Art. 27 of NC CAM. Thereby economical aspects and aspects of grid topology will be taken into account.

For the entry-exit-systems addressed by this report the following conclusion for the (non)-initiation of an incremental capacity project/process is drawn:

a. Exit Poland TGPS – TSO GAZ-SYSTEM

Since the stated demand for incremental capacity refers to a transition from DZK to FZK on the German side of the border while the overall amount of technical capacity does not change, **there is no need for a technical study on the Polish side of the border.**

b. Entry Trading Hub Europe – TSO GASCADE

The above shown chart clearly indicates that the sum of both booked capacity, expected bookings and demanded incremental capacity are higher than the technical capacity of FZK at the German side of the border. **Therefore, GASCADE deems it necessary to conduct a technical study for the concerned IP.**

D. Provisional timeline

GASCADE has planned to conduct the technical study and the consultation of the draft project proposal according to the following provisional timeline:

Start Date	End Date	Description
21.10.2019		Start of design phase
21.10.2019		Technical studies by TSOs
2020		Publication of consultation documents
2020		Public consultation
2020		Planning of offer levels by TSOs in close cooperation with NRAs
Q3/Q4 2020	Q1/Q2 2021	Approval and publication of the necessary parameters acc. to Art. 28 Para 1 NC CAM by NRAs
Q1/Q2 2021	5.5.2021	Adjustment of the offer levels according to NRA decision by the TSOs
5.5.2021	5.5.2021	Publication of the approved parameters and of a template of the contract(s) related to the capacity to be offered for the incremental project
5.7.2021		Yearly auction/economic test

The stated dates have provisional character and are therefore subject to change.

If the economic test was positive, the project will feed into the national development process on the German side.

E. Interim arrangements for the auction of existing capacity on the concerned IP(s)

According to Art. 26 Para 13 j) of NC CAM, the involved TSO will offer capacities in compliance with Art. 11 Para 3 of NC CAM. The total duration of the non-binding demand indications with relevance for this demand assessment report spans from gas year 2022/23 to gas year 2036/37, thus matching the threshold value stipulated in abovementioned articles. Therefore, no legal obstacles to offering all potential incremental capacities resulting from discussed non-binding demand indications in the yearly auction of 2021 were identified.

F. Fees

According to Art. 26 (11) of Regulation (EU) 2017/459 transmission system operators may charge fees for activities which result from the transmission of non-binding demand indications. Whether to demand fees or not will be evaluated by the transmission system operators for every single incremental capacity cycle. The decision on this matter for one specific incremental capacity cycle has no significance on any following cycles.

For the incremental capacity cycle addressed by this report, the following regulations in respect to fees apply: No fees have been charged by the involved TSOs for this cycle of incremental capacity.

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