



THIRD INCREMENTAL CAPACITY PROCESS REPORT

2021–2023

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1 INTRODUCTION

The incremental capacity process has been introduced by Commission Regulation (EU) 2017/459¹ as a streamlined and harmonised Union-wide process that via market-based procedures can lead to a possible future increase in existing technical capacity or possible new capacity.



Picture courtesy of GAZ-SYSTEM

The aim of the incremental capacity process is to identify the need for additional capacity and to allocate both existing and incremental capacity in an integrated way. Incremental capacity may be offered based on investment in physical infrastructure or long-term capacity optimisation, and is subsequently allocated subject to the positive outcome of an economic test, in the following cases:

- a) At existing interconnection points (IPs);**
- b) by establishing a new IP;**
- c) with physical reverse flow capacity at an IP, which has not been offered before.**

The incremental process is not foreseen for, and is separate from, other projects or processes for which users' commitments cannot be gathered ex-ante via a market assessment (e.g., Projects of Common Interest concerning security of supply, market integration, flexibility needs or projects related to hydrogen infrastructure development).

The first incremental capacity process cycle was initiated in April 2017 and ended in July 2019 following the steps outlined in Chapter 5 (Articles 22 to 31) of the Capacity Allocation Mechanisms Network Code (CAM NC). The first Incremental Capacity Process Report, covering this process cycle, was published by the European Network of Transmission System Operators for Gas (ENTSOG) in January 2020.

The second incremental capacity process cycle started in July 2019 and ended in July 2021. The course and the outcome of this process was reflected in the second Incremental Capacity Process Report, which was published by ENTSOG in December 2021.

1 COMMISSION REGULATION (EU) 2017/459 of 16 March 2017 establishing a network code on capacity allocation mechanisms in gas transmission systems and repealing Regulation (EU) No 984/2013

2 [First Incremental Capacity Process Report](#)

3 [Second Incremental Capacity Process Report](#)

1.1 EVENTS THAT OCCURRED DURING THE INCREMENTAL CYCLE THAT COULD POTENTIALLY AFFECT IT

a) War in Ukraine and change of flow patterns

The war in Ukraine resulted in serious threats to the security of gas supply, and triggered actions that resulted in the subsequent change in flow patterns across Europe as well as investments strengthening the EU market resilience. To compensate for the (largely) reduced gas supply from the Russian Federation, TSOs and NRAs have made joint efforts to coordinate actions in the process of maximising the availability and the optimisation of the existing capacities to adapt their networks to respond to this situation. The most visible consequences of this are that gas flows, which normally ran from east to west, have almost completely reversed, with the halt of supply from the Russian Federation now largely offset by LNG supplies at Western European, as well as Baltic locations. In addition, new routes and sources of supply from the Norwegian continental shelf to central and eastern Europe and from the Caspian region to south-eastern Europe have been commissioned.

b) The General Court of the European Union ruling on the incremental capacity process

On 16 March 2022, the General Court of the European Union ('the Court') issued a ruling⁴ involving FGSZ, MEKH, E-Control, ACER and the EC. In its ruling, the Court declares Chapter V of Regulation 2017/459 (CAM NC) inapplicable under Article 277 TFEU, as the EC was not legally entitled to adopt rules on incremental capacity.

According to the Court, the Gas Regulation did not empower the Commission to adopt the provisions governing the incremental capacity process of Chapter V of the CAM NC. The Court further reasoned that ACER had used the delegated act to impose an investment obligation on the national regulators, which the Court held to be an essential element requiring the exercise of a political choice by EU co-legislators, rather than a decision that could be made by way of a delegated act.

The findings of the Court regarding the applicability of Chapter V of the CAM Network Code on the project on the Hungarian – Austrian border does not have erga omnes effect⁵. However, the ruling casted doubts towards some of the projects under the 2021–2023 incremental capacity cycle and it could pose possible uncertainty about future incremental projects.

c) Overview of topics covered in the next chapters

Chapter 2 of this report describes the network code requirements for the incremental capacity process.

Chapter 3 contains the results and analysis of the 2021–2023 incremental process cycle. Each step of the incremental cycle has its own subchapter, in which the results are presented. Only the projects that require some additional information to understand how the project made it from one step to the other in the process are listed in the chapters, all projects included in each step can be found in Annex 3.1.

Chapter 4 offers a comparison of the results of the conducted incremental cycles to date.

Chapter 5 reflects the conclusions and a few suggestions on improvements to the incremental process are given.

4 <https://curia.europa.eu/juris/document/document.jsf?docid=256001&mode=lst&pageIndex=1&dir=&occ=first&part=1&text=&doclang=EN&cid=7186955>

5 Latin: 'towards all' or 'towards everyone'. In legal terminology, erga omnes rights or obligations are owed toward all.

2 DESCRIPTION OF THE INCREMENTAL CAPACITY PROCESS

The provisions on incremental capacity specify how and when the European Union (EU) Transmission System Operators (TSOs)⁶ should initiate an incremental capacity project. The incremental capacity process is harmonised on a European-wide level with defined steps for market participants, the involved TSOs and National Regulatory Authorities (NRAs) to be followed when going through the incremental capacity process.

This includes the assessment of market demand, developing an offer level of new market-based capacity or increasing the existing technical capacity, offering and allocation of this capacity, as well as determining the economic and regulatory conditions justifying the feasibility of such a capacity project. The incremental capacity process is limited

to entry-exit system borders between MSs, it may however also be applied to entry points from and exit points to third countries, subject to the decision of the relevant NRA.

The incremental process consists of two phases: a non-binding phase and a binding phase.

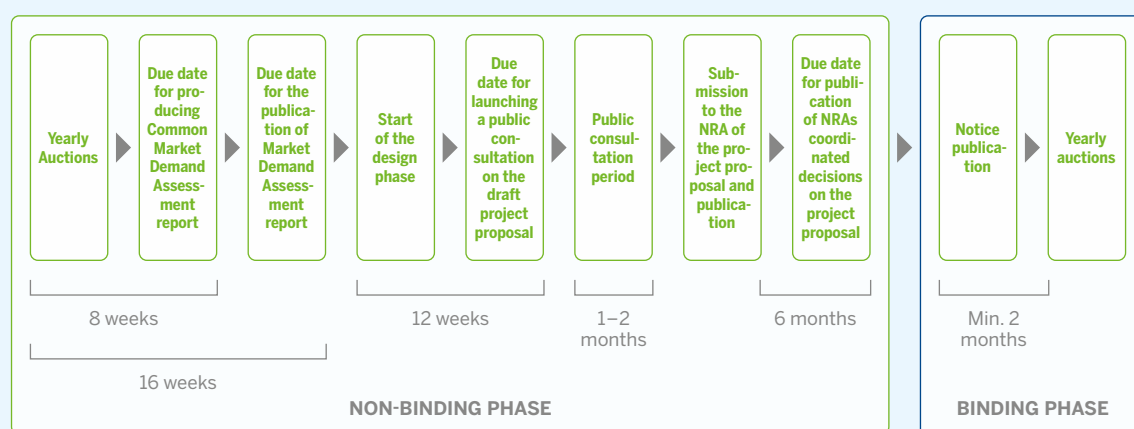


Figure 1: Overview of the incremental capacity process steps

THE NON-BINDING PHASE

The **non-binding phase** starts with a **market demand assessment** immediately after the annual yearly capacity auction, at least in each odd-numbered year. The network users provide TSOs with their non-binding capacity demand indications (with regards to volume, direction, duration, location of their interest), including possible conditionality and other relevant documentation. No later than 8 weeks after the annual yearly auction, TSOs

shall produce market demand assessment reports (DARs) with a conclusion whether an incremental capacity project shall be initiated.

According to Art. 26(12) of the CAM NC, the DAR shall take into account the following issues:

- whether the TYNDP identifies a physical capacity gap, or a national network development plan identifies a concrete and sustained physical transport requirement;

⁶ CAM NC only applies to TSOs for (natural) gas.

b) whether no yearly standard capacity product linking two adjacent entry-exit systems is available in the annual yearly capacity auction for the year in which incremental capacity could be offered for the first time, and in the three subsequent years, because all the capacity has been contracted; and c) whether network users submitted non-binding demand indications requesting incremental capacity for a sustained number of years and all other economically efficient means for maximising the availability of existing capacity are exhausted.

Within 16 weeks of the annual auction, DARs must be published towards the market by both TSOs and ENTSOG. If the DAR identifies a demand for incremental capacity, the concerned TSOs will continue with the next step of the incremental capacity process, namely the design phase.

THE BINDING PHASE

The **binding phase** starts after the decisions taken by the NRAs, and binding commitments for incremental capacity will be collected from network users during the annual yearly auction. As a default, the auctions are used. However, an alternative capacity allocation mechanism can be implemented, subject to NRA's approval, if the market demand assessment showed that the ascending clock auction is not suitable and if the incremental capacity project fulfils both of the following conditions:

- a) the incremental project involves more than two entry-exit systems and bids are requested along several interconnection points during the allocation procedure; and
- b) bids with a duration of more than 1 year are requested.

After receiving binding commitments for the incremental capacity offered in the annual yearly auction, the economic viability of the incremental capacity project will be assessed through the economic test. When performing the economic test, the TSO(s) or NRA (depending on the NRAs' decision) shall consider the present value of the received

In **the design phase**, Art. 27 of the CAM NC requires TSOs to:

- ▲ conduct technical studies for incremental capacity⁷
- ▲ design coordinated offer levels for bundled capacity products at the IP⁸,
- ▲ design the incremental capacity project and
- ▲ conduct a joint public consultation on the draft project proposal.

No later than 12 weeks after the start of the design phase, the TSOs involved have to launch a **public consultation** on the key parts of the project proposal where stakeholders have the opportunity to provide feedback on the TSOs' proposed parameters of the incremental project. A key milestone after the design phase and public consultation is to submit a comprehensive project proposal to the relevant NRAs. After the **submission to the NRAs**, the NRAs will have up to 6 months to issue coordinated decisions on the project proposal.

binding commitments, the present value of the estimated increase in the TSOs' allowed or target revenue associated with the incremental capacity, and the f-factor.⁹

The outcome of the economic test will be considered positive if the present value of binding commitments is at least equal to the present value of the estimated increase in the allowed or target revenue of the TSO as defined by the f-factor. Conversely, if the value of binding commitments is lower, then the outcome will be negative.

If the outcome of the economic test is positive, an incremental capacity project will be initiated. The economic test ensures that the network users demanding capacity assume the corresponding risks associated with their demand and protects other network users from being exposed to the risk of such investments.

Because of the timescales envisioned for the steps in the non-binding phase, each incremental cycle usually spans a period of two years, from the annual yearly auction year YX until the annual yearly auction in year YX+2, but it is not excluded that the process may require different timescales.

⁷ The technical studies should be based on the technical feasibility of the project and the market demand assessment reports, in order to design the incremental capacity project and coordinated offer levels.

⁸ 'Offer level' means the sum of the available capacity and the respective level of incremental capacity offered for each of the yearly standard capacity products at an interconnection point (Art. 2(5) CAM NC).

⁹ TSOs with an ad-hoc regulatory framework may implement an economic test which is based on their specific regulatory and tariff framework.

3 ANALYSIS OF THE 2021–2023 INCREMENTAL CAPACITY CYCLE

The aim of this report is to provide an overview of the results of the third incremental capacity process which was initiated in July 2021.

In order to perform the following analysis, data provided by 37¹⁰ out of 44 ENTSOG members and one associated partner¹¹ was used. The information provided by these TSOs was crucial for analysing the market demand and the TSOs' responses to these needs along the incremental capacity process. The answers to the questionnaires, which are the data used for the analysis, can be found in Annex 3.1. Furthermore, Annex 3.2 provides an overview of what the project proposal consultations the TSOs carried out had to cover. The information received was used to analyse the different steps of the incremental process and whether any incremental capacity projects will be invested in following the 2021–2023 incremental cycle.

As in the previous incremental capacity monitoring report, the data is presented (1) by the number of TSOs that performed the different steps of the incremental process, and (2) how many individual projects have been included in this incremental capacity cycle. By showing the statistics for both these two parameters ENTSOG hopes to deliver an appropriate overview of the 2021–2023 incremental capacity cycle. For a complete overview of each step of the incremental capacity cycle, we recommend reading the report together with Annex 3.1, which contains all the detailed information about each incremental project.

This report also briefly includes information about projects at entry points from, or exit points to, third countries, if there has been a decision by the relevant NRA to apply the incremental capacity rules at the EU side of such points.

3.1 MARKET DEMAND ASSESSMENT

As required by Art. 26 of the CAM NC, immediately after the start of the annual yearly auction in 2021, TSOs initiated the demand assessment phase. Consequently, common DARs have been performed by the concerned TSOs at the relevant entry-exit borders in order to identify whether an incremental capacity project should be initiated or not.

These reports were published on the websites of the corresponding TSOs and on [ENTSOG's webpage](#) in October 2021. The [summary of DARs](#), also published by ENTSOG in 2021, shows for which entry-exit borders non-binding demand indications were received and which TSOs continued with the incremental process following the steps of the CAM NC.

According to the information received, 35 TSOs¹² have performed demand assessments at 45 entry-exit borders, and published the corresponding DARs for potential incremental capacity projects.

For the Balticconnector, no market demand assessment was conducted. This is in line with Art. 2(5) of CAM NC, which states that 'where implicit capacity allocation methods are applied, national regulatory authorities may decide not to apply Articles 8 to 37'. In the case of the Balticconnector, capacity is allocated only in the day-ahead and within-day timeframe, using an implicit allocation procedure approved by Estonian and Finnish NRAs. This means that no yearly capacity auctions are held.¹³

¹⁰ See Annex 1 for the full list of TSOs.

¹¹ The remaining TSOs were not considered throughout the report because they either do not have an IP in accordance with the CAM NC or because they held derogations under Art. 49 of the Gas Directive at some point during the reference period of this report.

¹² GTSOU (Ukraine) is not included, however they conducted market demand assessments on the PL–UA and RO–UA borders

¹³ It is worth noting that based on 2022 and 2023 data, congestion on the Balticconnector is low. Additionally, during spring 2023, TSOs conducted a market consultation on the Balticconnector capacity allocation method, during which none of the respondents recommended the use of capacity auctions.



Picture courtesy of Moldovatransgaz

3.2 DESIGN PHASE

Following the publication of DARs, the TSOs that identified a demand for incremental capacity entered the design phase. According to the information received, technical studies were performed by seven TSOs for a total of six projects, all of which made it through the joint public consultations.

With regard to the Belgian-German border, the market demand assessment showed that there was no need on the Belgian side to expand existing capacity. As a result, the continuation of this project focused exclusively on the German side of the border.

Regarding the Greece-Albanian-Italian borders, the project was carried out by Trans Adriatic Pipeline (TAP) in close cooperation with SNAM and DESFA, the Italian and Greek TSOs respectively. In this report, it is therefore considered as one project for incremental capacity.

Annex 3.2 provides an overview of the projects for which the DAR identified a demand for incremental capacity and where joint consultations took place. The information enclosed in the annex covers the provisions of Art. 27(3, a–c, e–i) of the CAM NC.

3.3 APPROVAL AND PUBLICATION OF THE INCREMENTAL CAPACITY PROJECT PROPOSALS

As reported by six TSOs, the project proposals for four incremental capacity projects were submitted to the relevant NRAs, and five TSOs published the project proposal for a total of three projects. For two incremental capacity projects, after the joint consultation of their draft project proposal, three TSOs reported not to proceed further.

For the project between CZ–PL: In the case of this project, which involves NET4GAS and GAZ-SYSTEM, the respective NRAs could not agree on how to apply Chapter V of the CAM NC following the Court ruling. The Czech NRA decided to follow the Czech legislation instead of CAM NC, while the Polish NRA considered Chapter V of CAM NC still applicable. This resulted in the NRAs having no ground to take coordinated decisions on the approval of the project proposal for the Poland-Czech border in accordance with Chapter V of the CAM NC. As a result, the 2021–2023 incremental capacity process for the Poland–Czech border was considered finished.

For the project between GR–ICGB: following the public consultation and before the deadline for submitting the project proposal to the NRAs, DESFA included a new relevant project in the draft national network development plan. That new project creates new firm capacity and eliminates the need to implement the investments as described in the project proposal.

NRAs published coordinated decisions for three incremental capacity projects where five TSOs were involved.

3.4 AUCTIONING OF INCREMENTAL CAPACITY

As specified in Art. 29–30 of the CAM NC, incremental capacity shall be offered together with the respective existing available capacity by the involved TSOs in the annual yearly capacity auction as standard bundled products and through an ascending clock auction algorithm, or through an alternative allocation mechanism approved by the involved NRAs.

According to the data obtained from the TSOs, two TSOs, OGE and GAZ-SYSTEM, offered incremental capacity in the annual yearly auction in 2023.

Incremental capacity was offered for 15 years per offer level for the following incremental capacity projects:

- ▲ BE towards DE
- ▲ PL towards UA

In addition, three TSOs (SRG, DESFA and TAP) have confirmed that an alternative allocation mechanism was approved by the Greek, Italian and Albanian NRAs for their incremental capacity project between GR–AL–IT.¹⁴ The alternative allocation mechanism consists of two binding phases, one of which has been successfully conducted at the time of writing this report, while the second binding phase is still ongoing

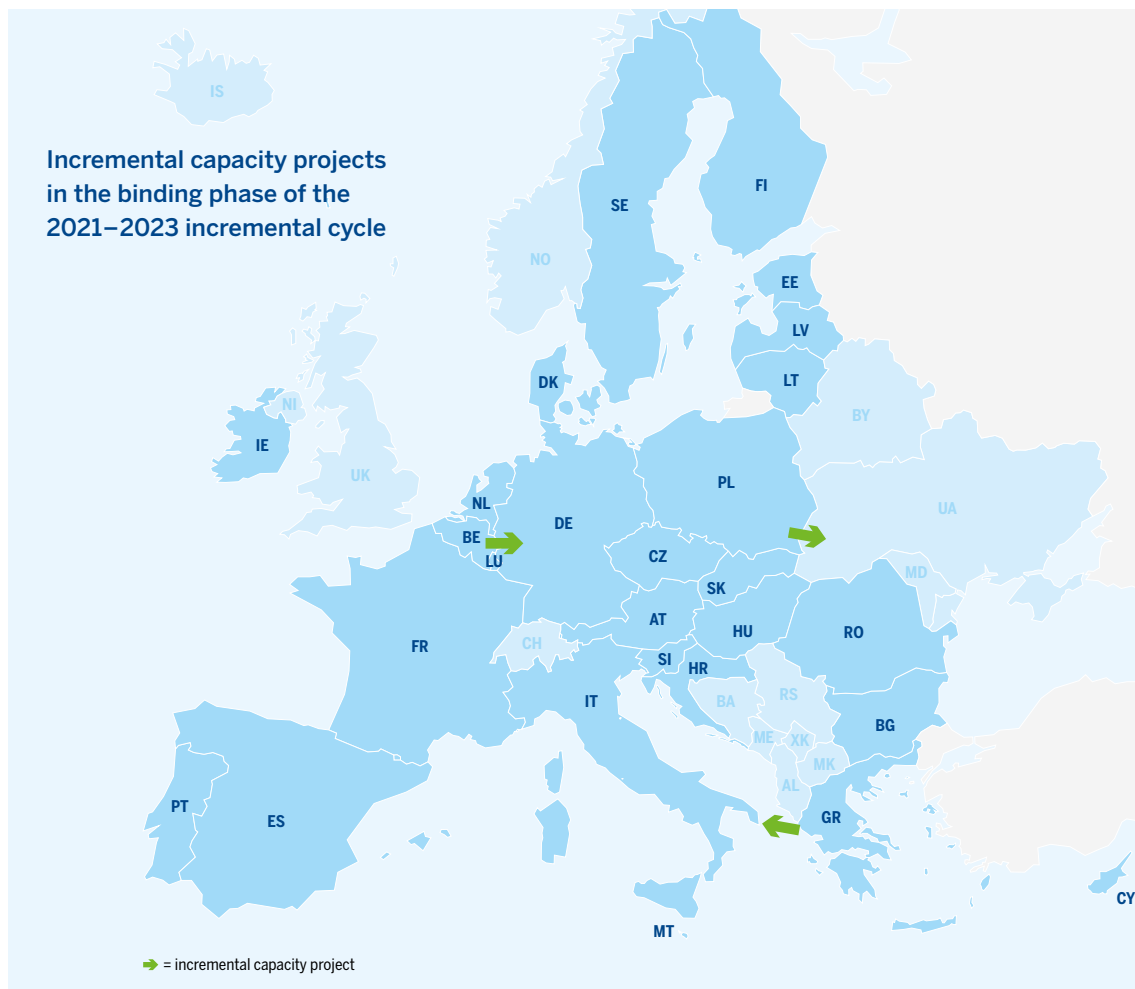


Figure 2: Map indicating the E/E borders and directions of the incremental capacity projects that were either offered at the annual yearly auction or through alternative allocation mechanism

¹⁴ As part of the incremental process, TAP also offered the possibility to book entry capacity at the IP Kipoi on the Turkish–Greek border. As this part of the project involves an associated member and the border with a 3rd country, ENTSOG has only included limited information on this part of the project in this report.



Picture courtesy of TAP

3.5 ECONOMIC TEST

According to the data obtained, none of the TSOs **that were involved in auctioning of incremental capacities** received binding commitments from network users. Consequently, based on Art. 22 of CAM NC, none of these TSOs or NRAs had to carry out a single economic test, but the German regulator did perform the test. In the end no positive outcomes of the economic tests were reported.

However, the outcome of the first binding phase for the Greece–Albanian–Italian project that was offered through an alternative allocation mechanism (TAP) was positive, meaning that binding commitments were received from network users and the performed economic test was positive (for offer level 1).

The next part of the binding phase organised by the TSOs involved (SRG, DESFA and TAP) is still ongoing and it will be closed during the first quarter of 2024.

If TSOs receive binding commitments from network users for contracting capacity, they have to carry out the economic test in accordance with Art. 22 of the CAM NC. In addition, TSOs need to consider the tariff principles for incremental capacity as required by Art. 33 of Commission Regulation (EU) 2017/460¹⁵ (TAR NC). For the calculation of the economic test, reference prices shall be derived by including the relevant assumptions related to the offer of incremental capacity into the reference price methodology (RPM). All the concerned TSOs have confirmed that the reference price included in their project proposals has been derived from the RPM using the relevant assumptions related to the offer of incremental capacity.

The parameters for each offer level of the economic tests, approved by the relevant NRAs, for the incremental capacity projects that were offered in the binding-phase of the 2021–2023 incremental capacity cycle can be found in Annex 3.3 of this report.

¹⁵ COMMISSION REGULATION (EU) 2017/460 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas

3.6 SUMMARY OF THE RESULTS

The following table shows a summary of the information provided in section 3, the different steps of the incremental capacity process and the outcome of each phase.

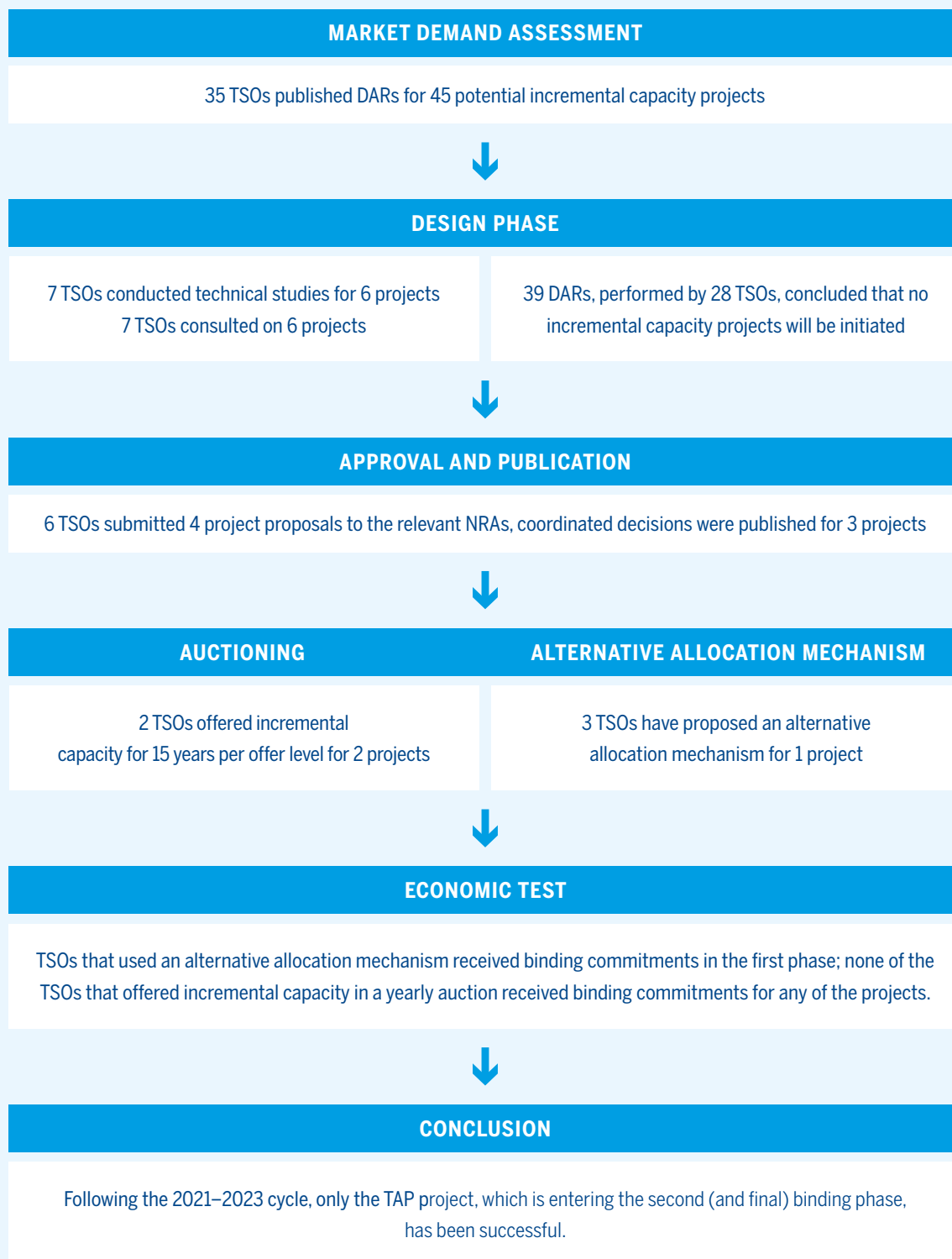


Figure 3: Summary of the different steps of the incremental capacity process

4 COMPARISON WITH PREVIOUS INCREMENTAL CAPACITY CYCLES

Picture courtesy of Eustream



When the results of the third incremental capacity cycle are compared to the results of the previous cycles, the following conclusions can be drawn. To aid the overview, the following table shows the various stages within the INC cycle with the corresponding number of projects.

Incremental process cycle			
Process phase	1 st (2017–19)	2 nd (2019–21)	3 rd (2021–23)
Demand assessment reports	49	46	45
Technical studies	9	16	6
Joint consultation	9	16	6
NRA submission	7	12	4
NRA decision	3	10	3
Auctioning	2	9	2
Alternative allocation	1	1	1
Economic test	0	0	1

Figure 4: Overview of comparison of the incremental capacity process cycles

Market demand assessments

The number of DARs remained more or less the same as in the previous cycle. The difference can be explained by the fact that no demand assessment was carried out in 2021 for the border between Italy and Malta. This is because Malta holds a derogation and the TSO InterConnect Malta's future network has not yet been commissioned.

Design phase

When compared to the previous cycle, the number of technical studies and subsequent joint consultations has decreased. Not only were fewer demand indications received from grid users (2019: 21, 2021: 12), relatively more demand indications were rejected after an initial analysis (2019: about 30%, 2021: 50%). Several factors may have caused this trend, including certainly the current climate of political and energy uncertainty and the already existing capacity levels.

▲ **Submission to the NRA**

The low number of submissions seems logical given the significantly lower number of joint consultations that were conducted. Two project proposals were not submitted to the respective NRAs. The reasons leading to these decisions are explained in paragraph 3.3.

▲ **NRA coordinated decisions**

Although the number is of course significantly lower, the fact that all of the project proposals submitted were approved of by the NRAs is a positive indicator of high quality preparation and communication between TSOs and NRAs. Taking into account the number of demand indications being lower than in previous cycles, this perhaps shows that TSOs and NRAs have become more mature in understanding the dynamics of a process for incremental capacity.

▲ **Auctioning of incremental capacity**

Only two incremental capacity projects were auctioned during the 2017–2019 cycle, compared to nine projects during the 2019–2021 cycle¹⁶. Two projects resulting from the incremental process cycle 2019–2021 were auctioned in July 2022. The number of auctioning is now back to where it started, namely two.

▲ **Alternative allocation mechanisms**

Alternative allocation mechanisms (AAM) were proposed in all incremental cycles to date regarding the following projects: in the 2017–2019 cycle, an AAM was implemented for the HU–SK–AT project, in the 2019–2021 cycle, an AAM was proposed for the project between SRG, DESFA and TAP, and the latter is also the case in the cycle being reported on now.

▲ **Economic tests**

Compared to the previous incremental processes, in this incremental cycle an economic test has been carried out as part of the incremental capacity process. This is because binding commitments have been received in the first phase of the GR–TAP–IT project. The economic test carried out had a positive outcome, allowing the second phase of the alternative allocation mechanism to be implemented in the fourth quarter of 2023.

When comparing the overall statistics between how many projects were taken forward after the initial demand assessments and how many projects were eventually offered at the annual yearly auctions or through AAM, it is observed that in the 2017–2019 cycle, only 40% of the projects made it from the non-binding phase to the binding phase, compared to 67% of the projects in the 2019–2021 cycle. In this third process cycle, this percentage dropped again, to 50%.



Picture courtesy of Plinacro

16 [Second Incremental Capacity Process Report](#)

5 CONCLUSIONS



The aim of this report is to monitor the third incremental capacity process, analyse its outcome and put it in context to the results of the previous incremental capacity processes.

It should be stressed that extraordinary events have occurred during this incremental cycle, among which the HU–AT court ruling and the impact of changes in gas flow patterns due to the war in Ukraine (since February 2022). However, unlike previous incremental cycles, this third cycle ended with the receipt of binding commitments for the TAP project, an ongoing project for which an alternative allocation mechanism was applied.

The previous report's conclusions on the need for effective cooperation between TSOs and NRAs across borders remain even more valid than ever. Despite having unsuccessful results of incremental projects, the effective cooperation and coordination of TSOs throughout the process can again be considered as a positive outcome of the process.

When assessing the results of the three incremental cycles (2017–2019, 2019–2021 and 2021–2023), it is evident that there has always been a relevant amount of non-binding demand for incremental capacity. It should be noted, however, that non-binding demand, which had actually increased between the previous cycles, has decreased significantly again in the current cycle. It also should be acknowledged that this demand is not EU wide, discrepancies between countries can be observed, and some TSOs have to date never received any demand for incremental capacity. For efficiency reasons, more TSOs and NRAs may consider introducing fees for submitting non-binding demand indications by network users.

As mentioned before, in this 2021–2023 incremental process binding commitments were received from network users for one of the projects conducted, and the subsequent economic test was positive. It should be observed that this is a project where an alternative allocation mechanism was applied.

ENTSOG believes that there are several reasons why the incremental process cycles have had (nearly) no allocation of incremental capacity, for example:

- ▲ The European gas network is already well inter-connected at most of the borders between EU member states. We see this confirmed, among other things, in the fact that in 50% of cases where demand indication was not followed by conducting a technical study. However, it remains necessary to monitor in the coming years whether the current network configuration is suitable and efficient to manage the change in flow patterns due to the war in Ukraine and the reduction in Russian supply.
- ▲ Although geopolitical events have caused significant congestion at many interconnection points in recent years, so far this has not led to an increase in demand for incremental capacity. Uncertainty about future development of flow patterns negatively affects shippers' willingness to commit capacity for longer periods of time.
- ▲ New cross-border infrastructure in the EU has also been developed through non-market-driven processes based on former TEN-E regulation. Examples of new transmission infrastructure commissioned in the past two years for Security-of-Supply reasons include the ICGB (Interconnector Greece–Bulgaria) and the Baltic pipe (Interconnector Poland–Denmark–Norway), Gas Interconnection Poland–Lithuania (GIPL) and Gas Interconnection Poland–Slovakia (PL–SK).
- ▲ The booking behaviour of the majority of network users continues to shift from long-term to short-term bookings, especially after the liberalisation of market rules as a result of the third energy package. Willingness of network users to book long-term capacity beyond five or ten years is very limited (except for a small number of gas producers). Given the current context of energy and political uncertainty, it is not obvious to assume that this trend will soon turn the other way.
- ▲ Expiration and limited renewal of long-term (legacy) capacity contracts releases capacity at existing IPs that may be booked by all network users (which limits the need for incremental capacity at existing IPs).
- ▲ In most cases (as shown in Annex 3.3) the f-factor is equal to 1 or close to 1, meaning that these projects should be funded almost exclusively by the shippers who have submitted a binding commitment. The high f-factor often results in high minimum auction premia which also could have made the projects less attractive for the shippers.

Regardless of the reasons behind, the fact that so few binding commitments arise as a result of the incremental projects remains unsatisfactory for the involved TSOs due to the considerable efforts caused by the multistage process and the related approval of project proposals by the NRAs. Although the current cycle has had a positive outcome in the case of one project, based on all three cycles

it can be concluded that the results show that the incremental capacity process does not structurally result in binding commitments for incremental capacity. Even though the existing available capacity is apparently considered sufficient to meet current and future demand, it is still beneficial to continue analysing the market situation and conduct future demand assessments



SUGGESTED IMPROVEMENTS

ENTSOG concludes, based on the present incremental cycle, that the proposed improvements from the previous report are still relevant. For the sake of clarity, these are listed again below:

- ▲ So far, few TSOs have exercised the possibility to charge fees for the submission of non-binding demands in accordance with Art. 26(11) CAM NC, which would be returned to the network user in case of a positive outcome of the incremental project. TSOs that are not already using such fees should assess, together with the NRA, if the charging of such a fee could improve the incremental process. An alignment on how fees are charged could also be beneficial.
- ▲ ENTSOG would also like to encourage network users to participate more actively in the incremental capacity process, for example by more actively participating in the consultation process for the incremental capacity project and by providing written feedback to the TSOs on the development of the project. TSOs would like to emphasize that the success of the incremental process depends on a good cooperation between TSOs, network users and NRAs.
- ▲ Careful consideration should be given when setting f-factor levels.

ENTSOG has also identified a few key areas where improvements to the process could be made by revising the legislative framework:

- ▲ The demand indications from the market can currently be submitted without any binding or further obligations on network users to participate in the process after their submission. As a result, the reliability of the non-binding demand requests can sometimes be questioned. Therefore, it should be considered to put certain requirements into place for the non-binding demand indications.
- ▲ Partly as a result of the Court's ruling regarding the applicability of the incremental capacity rules, consideration will have to be given to revising Chapter V of the CAM NC, naturally taking into account the changed market conditions and policy developments, but certainly also the experiences gained in the three past process cycles. ENTSOG would also like to stress that, when reviewing possible amendments of the gas market rules, the European Commission should also reassess the incremental capacity process in this context.
- ▲ Furthermore, ENTSOG will continue working closely with ACER, including in the CAM NC amendment process that ACER has announced for the fourth quarter of 2023.

ANNEXES

SURVEY PARTICIPANTS

The following European TSOs participated in the survey:

Country	ENTSOG Member
Austria	Gas Connect Austria GmbH
	Trans Austria Gasleitung GmbH
Belgium	Interconnector Limited
	Fluxys Belgium S.A.
Bulgaria	Bulgartransgaz EAD
	Gas Interconnector Greece-Bulgaria (ICGB)
Croatia	Plinacro
Czech Republic	NET4GAS, s.r.o.
Denmark	Energinet
France	GRTgaz
	TERÉGA
Germany	bayernets GmbH
	Nowega GmbH
	Fluxys TENP GmbH
	GASCADE Gastransport GmbH
	Gasunie Deutschland Transport Services GmbH
	GRTgaz Deutschland GmbH
	terraneis bw GmbH
	Thyssengas GmbH
	ONTRAS Gastransport GmbH
	Open Grid Europe GmbH

Country	ENTSOG Member
Greece	DESFA S.A.
Hungary	FGSZ Natural Gas Transmission
Ireland	Gas Networks Ireland
Italy	Snam Rete Gas S.p.A.
Latvia	Conexus Baltic Grid
Lithuania	AB Amber Grid
Netherlands	Gasunie Transport Services B.V.
	BBL Company V.O.F.
Poland	GAZ-SYSTEM S.A.
Portugal	REN – Gasodutos, S.A.
Romania	Transgaz S.A.
Slovakia	eustream, a.s.
Slovenia	PLINOVODI d.o.o.
Spain	ENAGAS TRANSPORTE S.A.U

Country	Associated Partners
Greece	Trans Adriatic Pipeline AG

ABBREVIATIONS

ACER	The EU Agency for the Cooperation of Energy Regulators
CAM	Capacity Allocation Mechanisms
DAR	Demand Assessment Report
EC	European Commission
ENTSOG	European Network of Transmission System Operators for Gas
EU	European Union
IP	Interconnection Point
NC	Network Code
NRA	National Regulatory Authority
STC	Standard Terms and Conditions
TSO	Transmission System Operator

TECHNICAL ANNEX

- ▲ Annex 3.1: Incremental monitoring responses from TSOs
- ▲ Annex 3.2: Design phase (consultation)
- ▲ Annex 3.3: Parameters of the economic tests

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