



Incremental capacity between SLOVENIA and ITALY

Public consultation documentation

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Introduction

Commission Regulation (EU) 2017/459 of 16 March 2017 (hereinafter referred as the “Regulation”) establishes a harmonised Union-wide process for the offer of incremental capacity across Union borders.

The Italian gas transmission system operator Snam Rete Gas S.p.a. (hereinafter referred as “SRG”) and the Slovenian gas transmission operator Plinovodi d.o.o. (hereinafter referred as “PLINOVODI”) has received on 26 August 2019 non-binding demand indications for the realisation of incremental capacity from Slovenia to Italy as described in the following chapter A.

On 21 October 2019, according to the process set in article 26 of the Regulation, SRG and PLINOVODI have jointly published the Demand Assessment Report (“DAR”) of the received request with the conclusion to initiate an incremental capacity project for the potential upgrade of the interconnection between Slovenia and Italy.

This document has been jointly prepared by SRG and PLINOVODI in accordance to the provisions set in article 27 comma 3 of the Regulation to conduct a consultation on the identified draft project proposals to fulfil the received requests.

All interested subjects are invited to send their comments and proposals to this document in written form to the list of contacts provided on the last page of this document by 13th March 2020.



A. Description of the incremental capacity project and relative cost estimate

A.1. Market demand for incremental capacity

The following non-binding demand indications have been received by SRG and PLINOVODI in the eight weeks following the launch of the incremental capacity process and consequently considered in the design phase of the incremental capacity project. No further requests have been received until this Consultation Document publication date.

From [entry-exit system name] "EXIT CAPACITY"	To [entry-exit system name] "ENTRY CAPACITY"	Gas year [yyyy/yy]	Amount [Please indicate unit: (kWh/y) or (kWh/d)]	Request is submitted to both TSOs [yes] or [no] (detailed information shall be provided below)	Additional Information
<i>Plinovodi d.o.o.</i>	<i>Snam Rete Gas</i>	<i>2019/20 – 2028/29</i>	<i>58,575,336 kWh/d*</i>	<i>Yes</i>	

* Capacity based on a GCV of a 38.4 MJ/Sm³ for a flow of 228.810 Sm³/h

A.2. Description of the Incremental Capacity Project

On the basis of the capacity requests received in the non-binding demand indication phase and on the basis of the existing infrastructures, during the DAR three levels of incremental capacity at Gorizia IP were considered. In particular guarantees were asked to interested parties to proceed with the studies for level three. As no guarantees were received within the deadline set in the DAR, only level 1 and 2 were considered in this phase.

Considering that offer level one and two, indicated in the DAR, required the same type of investment on both sides of the IP, according to the project configuration described here below, SRG and PLINOVODI decided to offer only one offer level corresponding to the highest one (level 2).

SRG and Plinovodi have developed in coordination a preliminary technical study identifying the project proposal.

The incremental capacity to be realized at the IP has to be considered also in the light of the other incremental capacity processes currently ongoing on the route Hungary - Slovenia – Italy.



A.2.1 Project and cost

On the SRG system, the existing infrastructures are already consistent with the offer level 1 and so no additional costs are needed.

On the Plinovodi system the existing infrastructure is not consistent with offer level 1, therefore additional investments to secure sufficient capacities for offer level 1 are needed in the amount of 20.2 MEUR.

B. Offer Level

According to the project configuration described above, SRG and PLINOVODI will offer one offer level as bundled firm capacity at the interconnection point between Italy and Slovenia.

SRG and PLINOVODI propose to set aside 10% of the firm capacity as per article 8.8 of the Regulation.

B.1 Offer level

The realization of the infrastructure as described in paragraph A.2. will enable the creation of a firm transmission capacity at the interconnection points as indicated in the table below, considering a 10% of firm capacity to be set aside as per Art. 8.8 of the Regulation.

	GWh/d	M Sm^3 /d	MNm 3 /d
Firm Capacity	48,9	4,6	4,3
Offered Capacity	44,0	4,1	3,9

* Capacity based on a GCV of a 38.4 MJ/Sm 3 for a total IP technical capacity of 191.000 Sm 3 /h

C. Alternative allocation mechanism

According to the received demand indications and the assessment performed by SRG and PLINOVODI, incremental capacities will be offered in regular yearly capacity auction procedure for consecutive 15 years as of commissioning. An alternative allocation mechanism as defined in article 30 of Regulation is not foreseen.

D. Provisional Timeline of the incremental capacity project

This chapter describes the proposed timeline for the conclusion of the incremental capacity project and an estimate of the possible duration of realization of the new incremental capacity.



D.1. Incremental capacity cycle timeline

The public consultation on the incremental capacity project will be open until the 13th March 2020.

The Design phase will be finalized in November 2020 at the latest and it will be concluded with the submission of all the relevant documentation to the Italian and Slovenian NRAs for their evaluations and approval. In case of coordinated approvals of the proposed project by the NRAs, an allocation notice is expected to be published in May 2021 and the incremental capacity to be offered in the July 2021 annual yearly auctions.

D.2. Duration of project realization

Below it is provided a preliminary overview of the timing expected by the concerned TSOs for the realization of the respective projects

SRG

No activities to build the new capacity are needed to accommodate the offered levels, so the capacity will be already available as soon as the investments on the other side of the IP will become operational.

PLINOVODI

It is planned that the project will be commissioned for gas year 2025/26.

E. General rules and condition for binding phase

This paragraph describes the general rules and conditions which the involved TSOs intend to apply to participate and access capacity in the binding capacity allocation phase. The rules and conditions are described below separately for SRG and PLINOVODI and have been coordinated to extent possible, also taking into account their respective regulatory frameworks.

Access to the transportation service on the respective TSOs systems is permitted impartially and on equal conditions to all parties that possess specific requirements as shown below, be they physical or legal entities.

Where not differently expressed, for the purpose of the present document, the definitions of the Network Code or General Terms and Conditions of the respective TSOs shall apply.

Transportation capacity will have to be booked on a common capacity platform, according to Regulation 2017/459 (Art. 37), jointly identified by the concerned TSOs.

E.1. Yearly Auction Participation



The rules for yearly auction participation concerning SRG and PLINOVODI are described in brief below.

SRG

The procedure which will be used by SRG to auction the incremental capacity is described in paragraph 2 of the Attachment 5/U of the SRG Network Code.

Any statement of possession of requirements (requests, commitments, declarations or acceptances), as well as any request/communication or expression of will, made by the Shipper, including via the relevant functionality of the Transporter's website or the jointly identified capacity platform, constitutes a formal obligation and commitment on the part of the Shipper, which accepts – even in respect of third parties – any and all liability arising from any breaches/errors or omissions.

Parties intending to participate in the transportation capacity booking process must:

- a) be enabled to operate on the jointly identified capacity Platform;
- b) transmit a bank guarantee, such described below.

The shipper must present to SRG a bank guarantee before the yearly auction starting date process, cashable at first request, equal in value to 20% of the maximum annual capacity charge and issued by an Italian financial institute or Italian branch of a foreign bank

SRG will publish on their own website the value of the capacity charge referred to the incremental capacity project (in case of a new interconnection the value will be an estimation).

Shipper will have to accept that:

- booking capacity referred to incremental capacity process is subject to the economic test(s) described into Chapter 5 of the Regulation (UE) 2017/459;
- in case of a negative outcome of the economic test(s), SRG will give back the bank guarantees referred to point b) and no transport capacity will be contractually defined;
- shipper is committed to the contracted incremental capacity and is not allowed to cancel the contracted incremental capacity at any time;
- in case the outcomes of the economic tests on both sides of the relevant interconnection point are negative according to the requirements set by Commission Regulation (EU) 2017/459 at all offer levels, the incremental capacity process shall be terminated;
- all contracted incremental capacity that, as a result of the economic tests, will not be part of an incremental capacity project shall automatically be terminated, without the obligation for SRG to pay any damages or costs to shipper;
- in case of a positive outcome of the economic test(s) the Shipper shall subscribe in a Transportation Contract and transmit to SRG a bank guarantee as described below. If the Shipper does not sign the Transportation Contract, it shall pay a penalty to SRG equal to the value of the bank guarantees referred to point b);



- Bids by the Shipper will be accepted only within the limits of the guarantees which have been presented by the TSOs according to point b). The positive outcome of the auction will be subject to the fulfilment of the required contractual obligations of both TSOs involved in the incremental capacity project.

The binding commitments of network users for contracting capacity, including whether the conditions for a repeated auction pursuant to Article 29(3) of the Regulation are met, will be made available no later than the next business day after the closing of the bidding round to all Shippers participating in the respective auction. The results of the economic test(s) will be made available no later than 2 business days after the closing of the bidding round to all Shippers participating in the respective auction.

In case no Offer Level results in a positive outcome, the incremental capacity process is terminated.

PLINOVODI

PLINOVODI will use the procedure, that will be detailed in the Rules on Terms and Conditions for capacity allocation mechanisms at interconnection points of the transmission system that will need to be approved by NRAs according to Regulation 2017/459 (Art. 28). The allocation mechanism will follow the rules described in Article 17 of the Regulation 2017/459.

Any statement of possession of requirements (requests, commitments, declarations or acceptances), as well as any request/communication or expression of will, made by the Shipper, including via the relevant functionality of the Transporter's website or the jointly identified capacity platform, constitutes a formal obligation and commitment on the part of the Shipper, which accepts – even in respect of third parties – any and all liability arising from any breaches/errors or omissions.

Parties intending to participate in the transportation capacity booking process must:

- c) be enabled to operate on the jointly identified capacity Platform;
- d) transmit a bank guarantee, such described below.

The shipper must present to PLINOVODI a bank guarantee before the yearly auction starting date process, cashable at first request, equal in value to 100% of the maximum annual capacity charge and issued by first class bank.

PLINOVODI will publish on their own website the value of the capacity charge referred to the incremental capacity project (in case of a new interconnection the value will be an estimation).

Shipper will have to accept that:

- booking capacity referred to incremental capacity process is subject to the economic test(s) described into Chapter 5 of the Regulation (UE) 2017/459;
- in case of a negative outcome of the economic test(s), PLINOVODI will give back the bank guarantees referred to point d) and no transport capacity will be contractually valid;
- Shipper is committed to the contracted incremental capacity and is not allowed to cancel the contracted incremental capacity at any time;



- In case the outcomes of the economic tests on both sides of the relevant interconnection point are negative according to the requirements set by Commission Regulation (EU) 2017/459 at all offer levels, the incremental capacity process shall be terminated;
- All contracted incremental capacity that, as a result of the economic tests, will not be part of an incremental capacity project shall automatically be terminated, without the obligation for PLINOVODI to pay any damages or costs to shipper;
- If PLINOVODI is unable to make the contracted incremental capacity available on its side in time, as a sole remedy the performance of shipper's corresponding obligations on both sides of the border shall be delayed accordingly. Neither party shall have any further claims or remedies against the other party
- Bids by the Shipper will be accepted only within the limits of the guarantees which have been presented by the TSOs according to point d). The positive outcome of the auction will be subject to the fulfilment of the required contractual obligations of both TSOs involved in the incremental capacity project.

The binding commitments of network users for contracting capacity, including whether the conditions for a repeated auction pursuant to Article 29(3) of the Regulation are met, will be made available no later than the next business day after the closing of the bidding round to all Shippers participating in the respective auction. The results of the economic test(s) will be made available no later than 2 business days after the closing of the bidding round to all Shippers participating in the respective auction.

In case no Offer Level results in a positive outcome, the incremental capacity process is terminated.

E.2. Transportation Contract

SRG

In case of a positive outcome of the economic test(s) described in Chapter V of the Regulation, the Shipper is bound to the commitments expressed in relation to the successful Offer Level and SRG will send to the Shipper the respective Transportation Contract to be subscribed within 30 days.

It is intended that the final positive outcome of the economic test(s) leading to the realization of the incremental capacity project is subject to the subscription of the Transportation Contract(s) by all the Shipper(s) with successful binding commitments.

Shipper shall present to SRG by the above deadline bank guarantees, cashable at first request, equal in value to the amount required in SRG Network Code (Chapter 5 Paragraph 1.3.4 and 1.3.5) and issued by an Italian financial institute or Italian branch of a foreign bank. The guarantees shall remain valid for the entire duration of the Transportation Contract, with an expiry date at the end of the sixth month following the end of the transportation contract.



If Shipper doesn't subscribe the Transportation Contract it shall incur the penalty described in paragraph E.1.

With the Transportation Contracts Shipper is required to pay to SRG all the applicable transmission charges with start date from the date the capacity is made available and for full duration of the Transportation Contract.

PLINOVODI

In case of a positive outcome of the economic test(s) described in Chapter V of the Regulation, transportation contract between PLINOVODI and Shipper is concluded upon the publication of the final auction results on the capacity Platform.

It is intended that the final positive outcome of the economic test(s) leading to the realization of the incremental capacity project is subject to the subscription of the Transportation Contract(s) by all the Shipper(s) with successful binding commitments.

With the Transportation Contracts Shipper is required to pay to PLINOVODI all the applicable transmission charges with start date from the date the capacity is made available and for full duration of the Transportation Contract. The guarantee requested by PLINOVODI as described in paragraph E.1 PLINOVODI d) shall remain valid for the entire duration of the Transportation Contract, with an expiry date at the end of the three months following the end of the transportation contract.

E.3. Progress of the project, lack of permits, delays in making available transportation capacity

SRG in coordination with PLINOVODI, will share with the relevant Shippers the progress of the incremental capacity project.

By signing the Transportation Contract, the Shipper agrees that, if the authorizations, permissions and servitudes necessary for the construction phase of the project are not obtained or are delayed, the execution times will be considered correspondingly protracted, without any liability to the TSOs.

It is stated, as an example and not exhaustive and therefore non-binding for SRG and PLINOVODI, that for permits are intended all the authorizations, the servitudes and the legal obligations necessary for the construction phase.

E.4. Force Majeure

SRG

With reference to "Force Majeure", particularly concerning the treatment of possible delays in the provision of capacity or the event of a disruption of the project, the conditions defined in SRG Network Code chapter 19.4 apply.

PLINOVODI



For PLINOVODI, “Force Majeure” will be defined in the PLINOVODI Rules on Terms and Conditions for capacity allocation mechanisms at interconnection points of the transmission system through auctions..

F. Element IND and RP for fixed price approach

As foreseen by the Regulation (EU) 2017/460, for the incremental capacity offered in the auction a fixed payable price approach may be offered where a project is included in the Union list of projects of common interest as set out in Article 3 of Regulation (EU) No 347/2013 of the European Parliament and of the Council.

F.1. Floating price approach for Italian Project

Consistently with the respective tariff regulatory frameworks in place, SRG proposes to apply the respective floating applicable payable price derived from its respective reference price methodology also to the incremental capacity. SRG is therefore not considering the adoption of a fixed price approach and consequently elements IND and RP foreseen by Regulation 2017/460 are not relevant.

F.2. Floating price approach for Slovenian Project

Consistently with the respective tariff regulatory frameworks in place, PLINOVODI proposes to apply the respective floating applicable payable price derived from its respective reference price methodology also to the incremental capacity. PLINOVODI is therefore not considering the adoption of a fixed price approach and consequently elements IND and RP foreseen by Regulation 2017/460 are not relevant.

G. Level of user commitments (F factor)

This chapter describes the preliminary TSOs proposal for the level of the user commitments (f-factor) to be considered in the execution of the economic test(s) envisaged in articles 22 and 24 of the Regulation.

A final proposal by the TSOs on the level of f-factor(s) will be submitted to the Italian and Slovenian NRAs at the end of the design phase in accordance with the provisions of article 28.1 of the Regulation.

The f-factors used to perform the economic test(s) will be finally set by the Italian and Slovenian NRAs according to article 28 of the Regulation.

G.1. Economic test parameter for the Italian Project



According to the specific project configuration (no investments required) this section is not applicable.

G.2. Economic test parameter for the Slovenian Project

The preliminary levels of user commitments (f-factor) proposed for the individual economic test on the Slovenian side is 1.

G.3. Economic tests

Subject to approval of the Italian and Slovenian NRAs, in order to facilitate the offer of bundled capacity products, SRG and PLINOVODI will implement the f-factor parameters in two separate economic tests in the following stages of the incremental capacity process according to provisions of article 24 of the Regulation.

In order to proceed with the subscription and realisation of the Transportation Contract(s) by all the Shipper(s) with successful binding commitments by SRG and the realisation of the via auctions concluded Transportation Contract(s) by all the Shipper(s) with successful binding commitments by PLINOVODI, the outcome of both economic tests has to be positive.

H. Additional demand Indication

By the publication date of this consultation document, no further demand indications have been received after the deadline of the non-binding phase for incremental transmission capacity between Slovenia and Italy.

I. Decrease in the utilisation of other non- depreciated gas infrastructure

I.1. Implication for the Italian system

The incremental capacity commissioning is not expected to determine a decrease in the utilisation of other gas infrastructure in the Italian or in adjacent entry-exit systems

I.2. Implication for the Slovenian system

The incremental capacity commissioning will not determine a decrease in the utilisation of other gas infrastructure in the Slovenian or in adjacent entry-exit systems



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