

Demand assessment report for incremental capacity between ITALY and MALTA

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ENTSOG coordinate and assist the incremental capacity process.

The subject which fills in the non-binding incremental transmission capacity request is the Ministry for Energy and Water Management that declares to be active in the definition of the TSO and shipper for the future Maltese gas market.

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

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A. Non-binding Demand indications

The following **non-binding demand indications*** for firm capacity have been used as a basis for this demand assessment:

FROM		TO		THERMAL YEAR	CAPACITY	REQUEST SUBMITTED TO OTHER TSOs	Period when Demand Indication was received (**)	CONDITIONS [Ref. Art. 26 Par.9 of Regulations]
EXIT CAPACITY		ENTRY CAPACITY						
ENTRY-EXIT SYSTEM	EXIT POINT NAME	ENTRY-EXIT SYSTEM	ENTRY POINT NAME	[YYYY/YYYY+1]	[kWh/day]	[If positive answer, please indicate the TSOs' name]		
PSV	Gela (Malta - Italy Inter-connection)	MT	Delimara	2025/2026	56,000,000	N.A. (*)	1	<p>The project is currently in basic design stage. Capacity is based on result of Feasibility study and Cost Benefit analysis conducted in 2015 and confirmed through hydraulic analysis as part of the basic design studies conducted in 2017.</p> <p>Capacity will be confirmed following the detailed design stage (FEED) to be conducted in 2019.</p>

* The subject which fills in the non-binding incremental transmission capacity request is the Ministry for Energy and Water Management that declares to be active in the definition of the TSO and shipper for the future Maltese gas market.

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

- 1) within eight weeks after the start of Incremental Capacity procedure;
- 2) later than the start of Incremental Capacity procedure, but that will be considered in this incremental capacity cycle (9 – 16 weeks after the start of Incremental Capacity procedure).

B. Demand assessment

Malta is currently completely disconnected from Europe mainland and gas network, as a consequence there is no existing entry-exit capacity system in the Island. In line with:

- the conclusions of the European Council of the 4 February 2011, where the Council noted that *“No EU Member State should remain isolated from the European gas and electricity networks after 2015 or see its energy security jeopardized by lack of the appropriate connections”*;
- the October 2014 European Council Conclusions where Malta is specifically mentioned as requiring special attention in the context of PCI implementation;
- the March 2015 European Council conclusions where the Council called for the acceleration of infrastructure projects, ‘including interconnections in particular to peripheral regions’;
- the Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Policy’ which calls for the end of energy islands from the main electricity and gas networks,

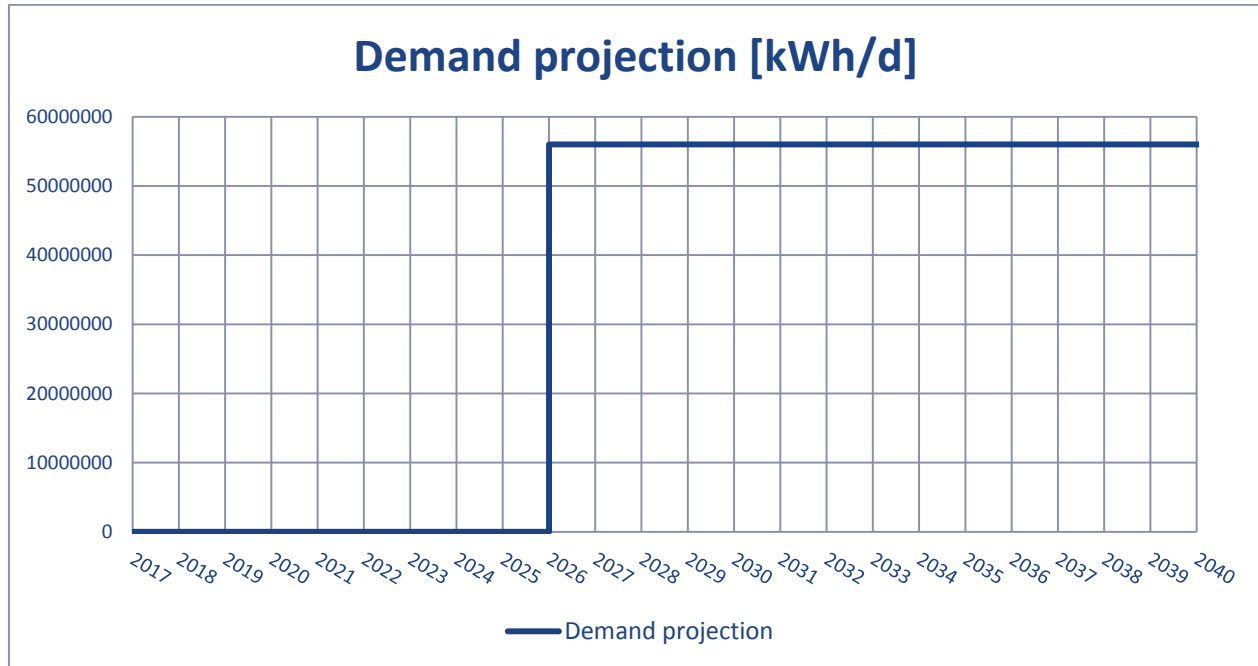
the Government of Malta is working to implement a connection to the trans-European Natural Gas Network to end Malta’s isolation. The latter will be achieved by connecting Malta via a pipeline from Delimara (Malta) to Gela (Sicily- Italy), intended for the importation of gas from the Italian gas network to meet Malta’s future gas demand initially for power generation.

The Interconnection Point between Maltese and Italian network has been preliminary set in Gela following a pre-feasibility study conducted by Snam Rete Gas (SRG) and the Maltese Ministry for Energy and Water Management (MEW).

The Italian network constitutes one of the more diversified entry-exit system in Europe and can guarantee to Malta the access to a plurality of source of supply. The underlying benefit of the project is to eliminate Malta’s gas isolation and thus contribute to market integration and solidarity as it will allow the Maltese consumer to access the natural gas market at a lower cost thereby improving competitiveness; security of supply as it provides a more reliable and energy efficient form of fuel transport; and sustainability as it contributes to the reduction of GHG emissions from more polluting fuels. The project fully addresses the need identified under the market integration criterion for the 3rd PCI list selection process for NSI WEST corridor for a connection between Malta and the European gas market. The Malta gasification need was also suggested in the assessment conducted by ENTSO-G in the Ten-Year Network Development Plan 2017 (TYNDP).

i. Historical usage pattern

As there is no interconnection point currently existing, the expressed demand indications as presented in chapter A, served as basis for modelling the following future demand projection.



ii. Results of current annual yearly auction

Not applicable

iii. Relations to TYNDP, GRIP and NDP

The TYNDP 2017 developed by ENTSOG identify Malta as one of the specific areas of Europe that would require further gas infrastructure to join the internal energy market. TYNDP takes into account that the access to different supply sources is a prerequisite for competition. The possibility to attract different supplies, as well as the volumes of these supplies is a prerequisite for diversification. The realization of an interconnection with Italy makes accessible to Malta the sources of Italian market that is one of the more diversified of the continent. At this regard the project of connection of Malta to European Gas network by a pipeline interconnection with Italy at Gela has been selected as Project of Common Interest (PCI) and has been inserted in the 2nd union list of PCI.

The ten-year development plan 2016-2025 of Snam Rete Gas S.p.A. takes into account the project and declare that *“Snam Rete Gas is ready to implement the measures necessary to facilitate the connection to the national network, when the progress of the project will prefigure an effective commitment to its realization”*.

Even though there is currently no specific Maltese NDP for gas, the project has been included in the “Malta National Reform Programme” of 2015 and the “National Energy Policy for the Maltese Islands” of 2012.

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

The amount and direction of the demand for incremental capacity considered during the pre-sent procedure is the ones represented at paragraph (i).

This demand level shall serve as input for the technical studies that will result in the offer level.

The capacity will be offered for the maximum period defined by the Regulation.

c. Conclusion for the initiation of an incremental capacity project/process

Based on the evaluation of the received non-binding demand indications as presented in chapter B, taking into account that Malta and Italy are not interconnected at the moment and so there is no existing technical capacity for the same period at the interconnection point required by Demand Indication phase; lastly, considering that the ministry declares itself to be actively involved in identifying TSO and a shipper for the future Maltese market, **an incremental capacity project will be initiated.**

Therefore, in the upcoming Design phase the affected TSOs will conduct technical studies with the aim to create offer level in order to meet the expected demand for incremental capacity.

These technical studies will be based on the considerations made in paragraph B.iv.

D. Provisional timeline

The following indicative timeline provides an overview about the planning for the technical studies and consultation on the draft project proposal to be developed and conducted in the up-coming Design phase according to Article 27 of REGULATION (EU) 2017/459.

Activity		Expected start*	Expected end*	Expected duration
Incremental Capacity Process				
Design phase				
	Technical studies for incremental capacity projects	28/07/2017	20/10/2017	12 weeks
	Public Consultation on draft project proposal	21/10/2017	20/12/2017	2 months

** The deadlines are indicative and in line with the provisions of the Regulations; TSOs, in coordination with their NRAs, will make their best efforts to reduce the time of the process.*

After the end of design phase the proposal for the incremental capacity project will be submitted to the relevant national regulatory authorities (NRA) for coordinated approvals. In case of positive decision of NRAs binding phase start and an allocation notice will be published on TSOs website at least 2 months before the start of incremental capacity auction.

If the economic test for at least one offer level will be positive, the realization of the incremental capacity project will be initiated.

The TSOs confirm that the requested capacity will be available from 1st October 2025, provided that any delays in obtaining the authorization for construction may occur, the timing may therefore differ from what is stated here, without any consequence for the TSOs.

TSOs will provide more details during the next steps of the process.

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

The level of incremental capacity will be offered in the annual yearly capacity auction at the end of the process, taking into consideration the provisions for offering capacity according to Article 8.6, Article 8.8 and Article 9 of REGULATION (EU) 2017/459.

The respective offer levels will be developed in the Design phase and will be based on the assumptions presented in chapter C.

F. Fees

Both involved TSOs do not currently charge fees foreseen by Article 26.11 of REGULATION EU 2017/459. This is without prejudice to the possibility of introducing fees in the subsequent process phases should they be required for activities resulting from the submission of non-binding demand indications. Such fees will be reimbursed if the economic test is positive for at least one offer level that includes incremental capacity.

G. Contact information

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