



SECOND INCREMENTAL CAPACITY PROCESS REPORT

2019 – 2021

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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.



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 was initiated in April 2017 and ended in July 2019 following the process 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 the 2017–2019 cycle, was published by the European Network of Transmission System Operators for Gas (ENTSOG) in January 2020.²

Chapter 2 of this report describes the network code requirements for the incremental capacity process. Chapter 3 contains the results and analysis of the 2019–2021 incremental 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 first incremental cycle (2017–2019) with the results of the second incremental cycle (2019–2021). In Chapter 5 the conclusions are presented and a few suggestions on improvements to the incremental process are given.

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](#)

2 DESCRIPTION OF THE INCREMENTAL CAPACITY PROCESS

The provisions on incremental capacity specify how and when the European Union (EU) Transmission System Operators (TSOs) 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 MS, 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 2 phases: a non-binding phase and a 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;
- 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 3 subsequent years, because all the capacity has been contracted; and
- 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.

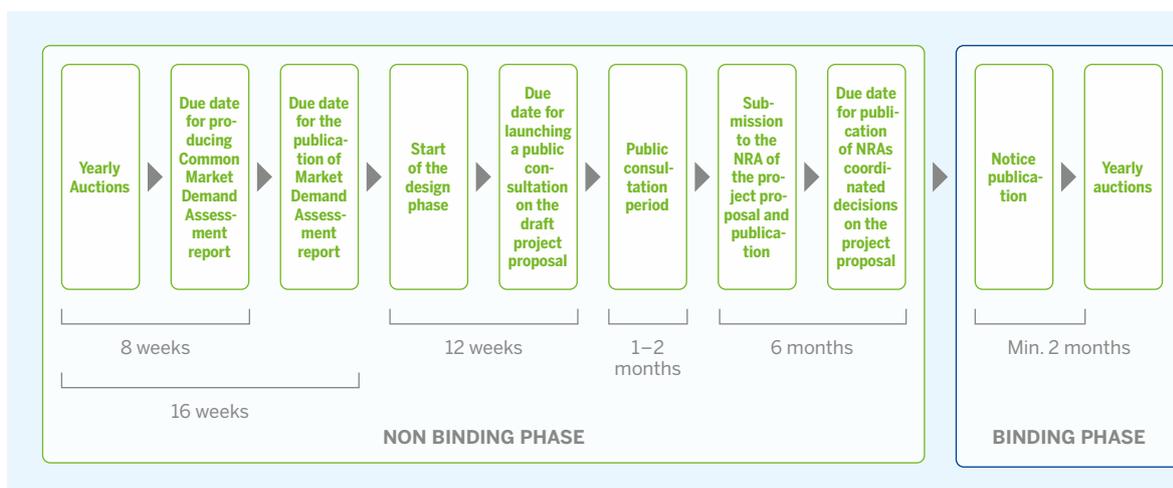


Figure 1: Overview of the incremental capacity process steps

Within 16 weeks after the annual yearly auction, the DARs must be published. 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.

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

- ▲ conduct technical studies for incremental capacity³
- ▲ design coordinated offer levels for bundled capacity products at the IP⁴,
- ▲ design the incremental capacity project
- ▲ 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.

The binding phase starts after the NRAs' decisions, and binding commitments for incremental capacity will be collected from network users during the annual yearly auction. As a default, 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)



Picture courtesy of Enagàs

or NRA (depending on the NRAs' decision) shall consider the present value of the received 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.⁵

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 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.

3 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.

4 '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).

5 TSOs with an ad-hoc regulatory framework may implement an economic test which is based on their specific regulatory and tariff framework. For example, please see the case of TAP and further details in Annex I of the [Project Proposal of TAP, SRG and DESFA](#) approved by the NRAs for the 2019–2021 Incremental Capacity cycle.

3 ANALYSIS OF THE 2019 – 2021 INCREMENTAL CAPACITY CYCLE

The aim of this report is to provide an overview of the results of the second incremental capacity process which was initiated in July 2019.

In order to perform the following analysis, data provided by 38 out of 45 ENTSOG members⁶, 2 Associated Partners, and 3 Non-ENTSOG Member TSOs⁷ was used (see Annex 1). The information provided by these 43 TSOs was crucial for analysing the market demand and the TSOs' responses to these needs along the incremental capacity process. The questionnaire and the data used for the following 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 2019–2021 incremental cycle.

In the 2017–2019 incremental capacity monitoring report, the data was presented in terms of (1) number of TSOs that performed the different steps of the incremental process and (2) for how many entry-exit borders. In this year's report, the methodology has slightly changed, and 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.

The methodology has changed from entry-exit borders to projects for the following reasons. Typically, there will be one incremental project per entry-exit border with two TSOs involved in the project. However, there are cases where one entry-exit border has multiple projects (for example AT–DE or IE–UK), where one project contains more than one entry-exit border (for example IT–AL–GR) or where more than two TSOs are involved in a project (for example THE–TTF on the DE–NL border where a total of 7 TSOs are involved in one single project). The methodology has changed to better illustrate these cases.⁸ By showing the statistics for both these two parameters we hope to deliver an overview of the 2019–2021 incremental capacity cycle. We recommend reading the report together with Annex 3.1, which includes all the detailed information about each incremental project, for a fully comprehensive view of each step of the incremental capacity cycle.

This report also 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.

6 The remaining 7 TSOs (Creos Luxembourg S.A., Nowega GmbH, Gasgrid Finland Oy, Infrastrutture Trasporto Gas SpA, Società Gasdotti Italia S.p.A., Regasificadora del Noroeste S.A. and Swedegas AB) 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.

At the time of reference for this report the United Kingdom was still part of the European Union and has therefore been included in the report, National Grid, GNI(UK) and Premier Transmission Ltd. are therefore counted as ENTSOG Members for the purposes of this report.

7 Lubmin-Brandov Gastransport GmbH, OPAL Gastransport GmbH and Fluxys Deutschland GmbH are not ENTSOG Members but have been included in the report because they are involved in projects concerning the (German) THE market area.

8 To be able to compare the two incremental cycles, the statistics for the 2017–2019 incremental capacity cycle reported in Chapter 4 have been updated to reflect the new methodology. The statistics for the 2017–2019 incremental capacity cycle reported in Chapter 4 might therefore vary compared to the statistics reported in the 2017 report itself.

3.1 MARKET DEMAND ASSESSMENT

As required by Art. 26 of the CAM NC, immediately after the start of the annual yearly auction in 2019, 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 2019. In the [summary of DARs](#), also published by ENTSOG in 2019, it can be observed for which entry-exit borders non-binding commitments were received and which TSOs continued with the incremental process following the steps of the CAM NC.

According to the information received through the questionnaire, 42 TSOs have performed demand assessments at 37 entry-exit borders and published the corresponding DARs for 46 potential incremental capacity projects. One TSO, Elering, has not performed any demand assessments for the entry-exit borders EE-FI and EE-LV. On the EE-FI border, capacity just entered the market with the commissioning of the Balticconnector in 2020. Market demand assessments are expected to be performed 2 years after commissioning. For the EE-LV border, this border is no longer an entry-exit border due to the Estonia-Latvia common balancing zone merger and thus no market demand assessments were performed.

3.2 DESIGN PHASE

Following the publication of DARs, the TSOs which identified a demand for incremental capacity entered into the design phase. According to the information received, technical studies were performed by 24 TSOs for a total of 16 projects, resulting in 19 TSOs conducting joint public consultations for 12 project proposals.

▲ Three projects (Russian Federation–THE, Russian Federation–THE [Greifswald], Russian Federation–THE [Lubmin II]) were not jointly consulted since they refer to projects at entry points from, or exit points to, third countries. Only the German TSOs consulted on these projects which were later also submitted to the relevant NRA. Participation of a third country TSO is not required, but possible. The THE–Swiss project also refers to an entry point from, or exit point to, a third country. However, for this project, the third country TSO did participate in the consultation process.⁹

▲ For the project on the DE–DK border, technical studies were only performed on the German side, as sufficient capacity was already available on the Danish side of the IP Ellund. For the same reason, the Danish TSO Energinet was also not part of the consultation. However, Energinet was part of the final joint project proposal.

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.

⁹ The TSO, Erdgas Ostschweiz AG, has however not been counted as a participating TSO in this monitoring report.



Picture courtesy of Gasgrid Finland

3.3 APPROVAL AND PUBLICATION OF THE INCREMENTAL CAPACITY PROJECT PROPOSALS

23 TSOs have reported that the project proposals for 12 incremental capacity projects were submitted to the relevant NRAs and published.

2 TSOs did not proceed further with the incremental capacity process for one project after the joint consultation of their draft project proposal.

- ▲ FGSZ Ltd (FGSZ) and Gas Connect Austria GmbH (GCA) decided that a re-evaluation of certain technical and commercial parameters of the draft project proposal became necessary. As a consequence, in July 2021 FGSZ and GCA did not hold binding incremental capacity auctions for the IP between AT–HU.

3 TSOs are still in the process of submitting 3 project proposals to the relevant NRAs.

- ▲ For the project between HU-SI, no joint project proposal was submitted to the NRAs due to disagreements between FGSZ and Plinovodi as well as the concerned NRAs, with respect to (1) certain technical parameters of the future HU–SI IP as well as (2) the allocation of the respective CAPEX/OPEX. Accordingly, the joint project proposal has not been finalised yet.

- ▲ The delay of the HU-SI project has also affected the project between IT-SI, where it has not been possible to submit a joint project proposal, since the incremental capacity to be realised at IT-SI border has to be considered also in the light of the other incremental capacity processes currently ongoing on the route HU – SI – IT. Considering the offer levels under study for this project, the capacity already existing at the Italian side of the IP was sufficient to meet the demand requests, such capacity has been offered by Snam Rete Gas S.p.A. (SRG) as unbundled capacity in the annual yearly auctions 2021.

- ▲ For the project between IT–MT the project was consulted upon between January and March 2020¹⁰. After the consultation, the concerned TSOs received a request to postpone the binding phase of the incremental capacity process from the network user who expressed an interest during the non-binding phase. The incremental capacity process has been suspended and the auction procedure foreseen for July 2021 is expected to be run at a later stage. The relevant NRAs have been informed.

¹⁰ The project proposal was consulted by SRG together with Melita TransGas Company Ltd. The Maltese TSO has however not been counted as a participating TSO in this monitoring report.

For 6 incremental capacity projects, one of the relevant NRAs objected to parts of the project proposal.

- ▲ For the project THE–Switzerland the objection referred to the termination right in the standard terms and conditions (STC).
- ▲ For the DE–DK project, the objections referred to the termination right in STC and the cost allocation of fuel-gas for compressor stations.
- ▲ For the projects DE–PL (Mallnow), Russian Federation–THE, Russian Federation–THE (Greifswald) and Russian Federation–THE (Lubmin II), the objections referred to:
 - 1) termination right in STC;
 - 2) cost allocation of fuel-gas for compressor stations; and
 - 3) the extent to which the demand for the capacity established in the incremental capacity project can be expected to continue after the end of the time horizon used in the economic test.

However, after these parameters were changed or renegotiated, all these project proposals were accepted by the relevant NRAs and the incremental capacity related to these projects could be auctioned following the process set out in Art. 29 of the CAM NC.

NRAs published coordinated decisions for 10 incremental capacity projects where 19 TSOs were involved.

- ▲ For one project, between AT–CZ, no coordinated decisions were published by the NRAs in time of the annual yearly auction in July 2021. The EU Agency for the Cooperation of Energy Regulators (ACER) has accepted a request for an extension, allowing the concerned NRAs to reach an agreement on the project proposal by 5 November 2021. As a result, the earliest date for this project to be offered is in the annual yearly auctions 4 July 2022.
- ▲ One project, DE–NL (THE–TTF), was withdrawn by the involved TSOs before coordinated decisions could be issued by both relevant NRAs. The proposed capacity measures were included in the German network development plan, meaning that an auction of incremental capacity was no longer necessary.

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, 2 TSOs offered incremental capacity already during the annual yearly auction 2020, while 14 TSOs offered incremental capacity in the annual yearly auction 2021.

Incremental capacity was offered for 15 years per offer level for the following 9 incremental capacity projects:

- ▲ CZ–PL
- ▲ DE–DK (Denmark – THE)
- ▲ DE–PL (E-Gas Transmission System – THE)
- ▲ DE–PL (Mallnow)
- ▲ HU–SK (Balassagyarmat)
- ▲ Russian Federation – THE
- ▲ Russian Federation – THE (Greifswald)
- ▲ Russian Federation – THE (Lubmin II)
- ▲ THE – Switzerland

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 IT – AL – GR.¹¹

11 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.

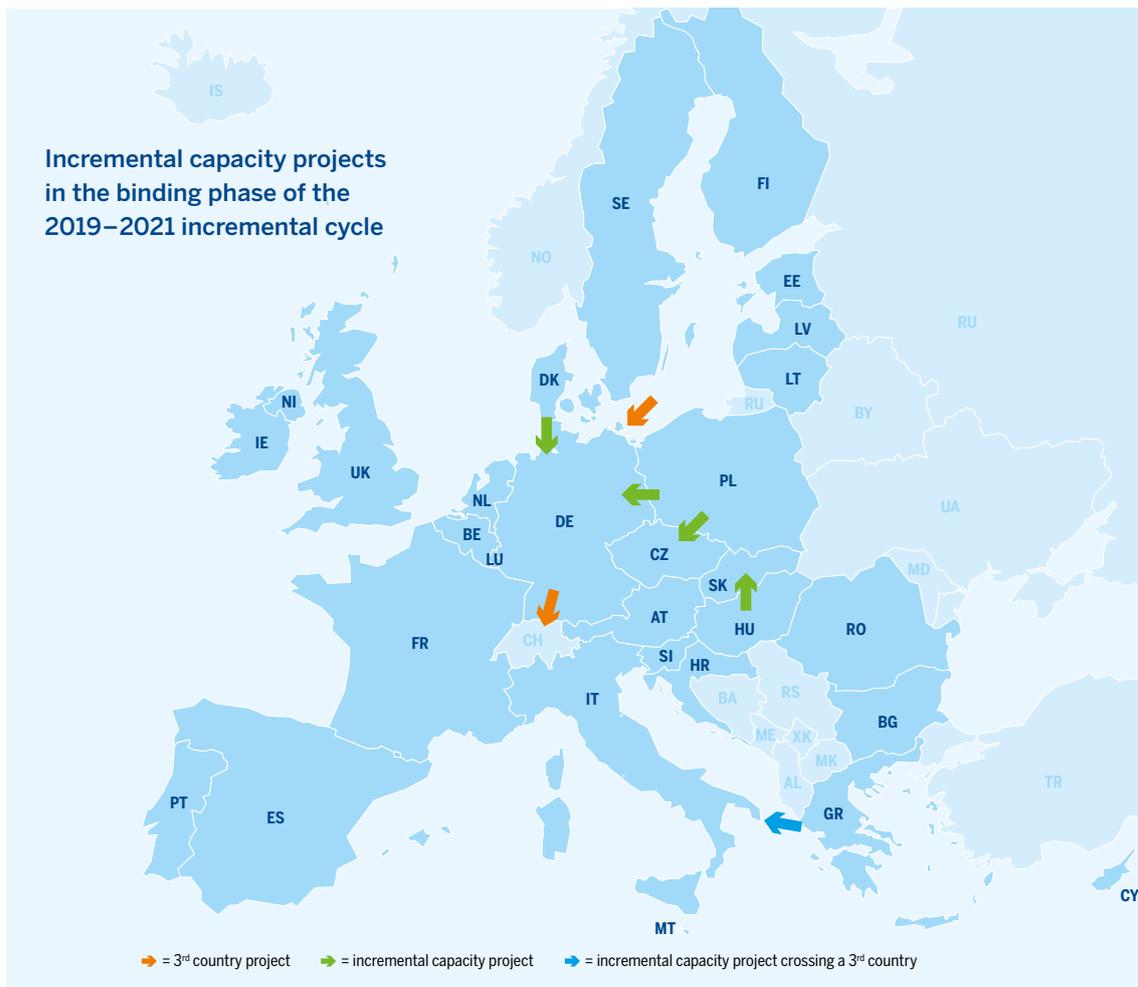


Figure 2: Map indicating the E/E borders and directions of the incremental capacity projects that were either offered at the annual yearly auction or through alternative allocation mechanism¹²

3.5 ECONOMIC TEST

According to the data obtained, none of the TSOs received binding commitments from network users. Consequently, none of the TSOs carried out a single economic test and thus no TSOs have reported a positive outcome of the economic test.

If the involved TSOs had received binding commitments from network users for contracting capacity, they would have had 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) 2017/460¹³ (TAR NC).

For the calculation of the economic test, reference prices shall be derived by including into the reference price methodology (RPM) the relevant assumptions related to the offer of incremental capacity. 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 2019–2021 incremental capacity cycle can be found in Annex 3.3 of this report.

¹² Please observe that there are 2 projects on the DE-PL border and 3 projects between Russia and Germany.

¹³ 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.

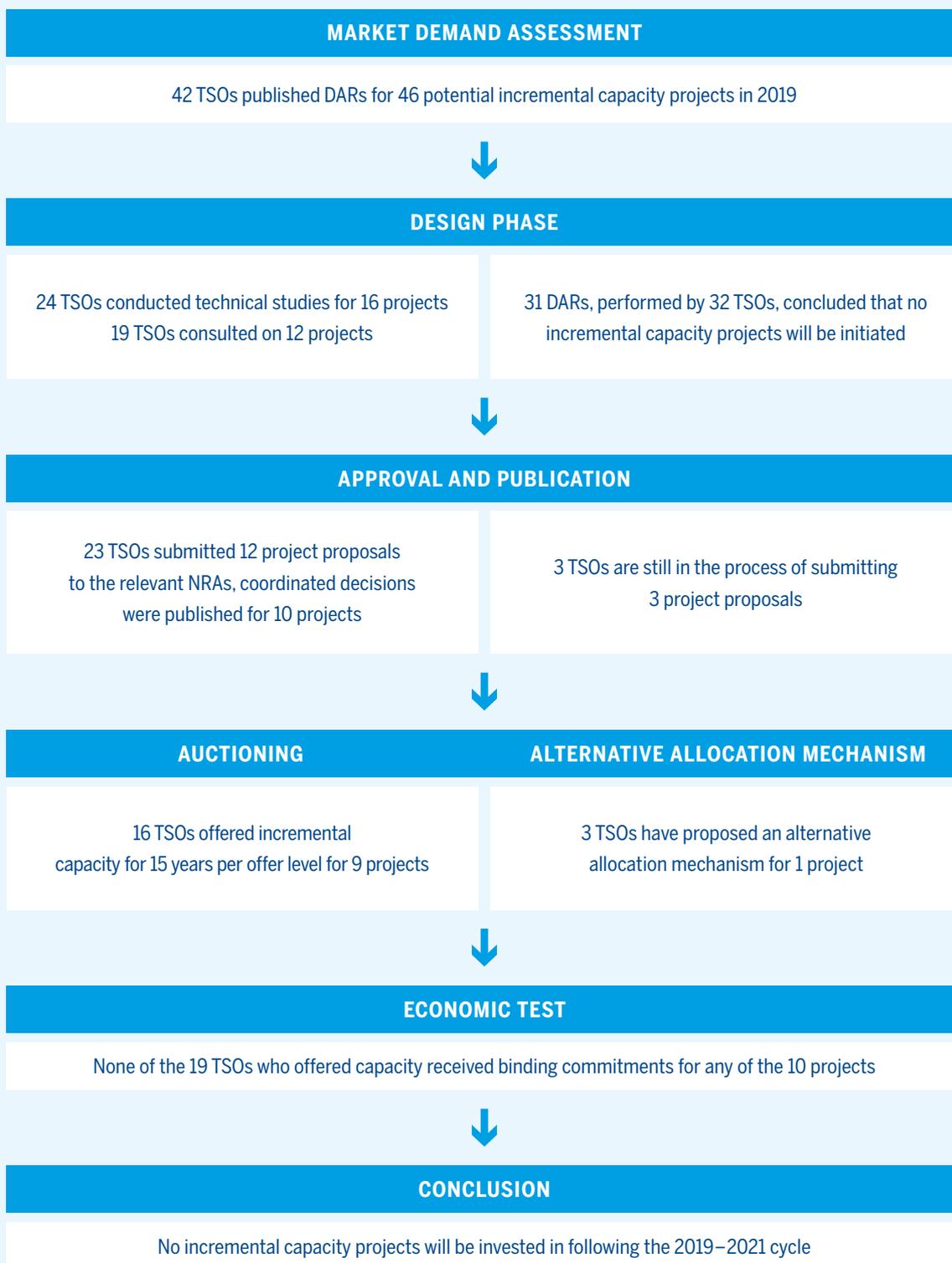


Figure 3: Summary of the different steps of the incremental capacity process

4 COMPARISON WITH THE FIRST INCREMENTAL CAPACITY CYCLE



When the results of the second incremental capacity cycle are compared to the results of the first incremental capacity cycle, the following conclusions can be drawn.

Market demand assessments

- ▲ The number of DARs has decreased slightly, from 49 in the 2017–2019 cycle to 46 in the 2019–2021 cycle. One reason for this decrease is the merger of German gas market areas GASPOOL and NCG into one single area THE. In the 2017–2019 cycle, demand assessments were also made at two entry points from or exit points to third countries, Hungary-Serbia and Hungary-Ukraine, which were not included in the 2019–2021 cycle.

Design phase

- ▲ Even though more demand assessments were made in the 2017–2019 cycle, only 9 incremental capacity projects were taken to the design phase and later jointly consulted, compared to 16¹⁴ projects in the 2019–2021 cycle. From the EU wide perspective, this can be seen as an increase of non-binding demand for incremental capacity.

Submission to the NRA

- ▲ In the 2017–2019 cycle, 7 project proposals were submitted to the relevant NRAs in due time, compared to 12 project proposals in 2019–2021.¹⁵

NRA coordinated decisions

- ▲ In the 2017–2019 cycle, NRAs issued positive decisions for 3 incremental capacity projects. The project proposal for the GASPOOL–Russian Federation project was rejected by the German NRA. For 2 projects the NRAs could not agree on coordinated decisions, for which ACER became the competent authority to decide. One project, AT-SI, was only carried forward on one side, the Austrian TSO submitted the project proposal to the Austrian NRA, but the Slovenian TSO did not submit it to their NRA. Thus, the authority proceedings for the approval of the project proposal could not be opened and no coordinated decisions were reached

¹⁴ Please observe that only 12 project proposals were jointly consulted during the 2019–2021 cycle.

¹⁵ In the 2017–2019 cycle 1 project was listed as 'in progress' for the submission to the relevant NRAs. This project was later included also in the 2019–2021 cycle. In addition to the 12 project proposals in the 2019–2021 cycle, 3 projects were listed as being 'in progress' for the submission to the relevant NRAs.

within the period stipulated by the CAM NC. In the 2019–2021 cycle, NRAs published coordinated decisions for 10 incremental capacity projects. Only one project is still awaiting NRA decisions, for which ACER has granted the relevant NRAs an extension until 5 November 2021.

Auctioning of incremental capacity

- ▲ Only 2 incremental capacity projects¹⁶ were auctioned during the 2017–2019 cycle, compared to 9 projects during the 2019–2021 cycle.

Alternative allocation mechanisms

- ▲ Alternative allocation mechanisms were proposed in both cycles. In the 2017–2019 cycle an alternative allocation mechanism was executed for the HU–SK–AT project, and during the 2019–2021 cycle an alternative allocation mechanism was proposed for the project between SRG, DESFA and TAP.

Economic tests

- ▲ No binding commitments for incremental capacity were obtained in the 2017–2019 cycle, nor in the 2019–2021 cycle. Consequently, no economic tests could be performed in either cycle.

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/offered through alternative allocation, it can be observed that only 40 % of the projects made it from the non-binding phase to the binding phase in the 2017–2019 cycle, compared to 67 % of the projects in the 2019–2021 cycle.

16 AT-DE (NCG – Austria Market Area East) and DE-NL (GASPOOL – TTF)



Picture courtesy of bayernets

5 CONCLUSIONS

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

For the moment, it can be concluded that Chapter V of the CAM NC requires an effective cooperation between TSOs and NRAs across the entry-exit borders. All relevant TSOs have acted in accordance with the required process steps of the CAM NC. Despite having unsuccessful results of all incremental projects, the effective cooperation and coordination of TSOs throughout the process can be considered as a positive outcome of the process.

When assessing the results of the two incremental cycles, 2017–2019 and 2019–2021, it becomes evident that there is a substantial amount of non-binding demand for incremental capacity, which has even increased between the two cycles. It should however be acknowledged that this demand is not EU wide, discrepancies between countries can be observed, and some TSOs have not received any demand for incremental capacity, neither in the first cycle nor in the second one. However, the expressed demand never translated into binding commitments for incremental capacity in any of the two cycles.

ENTSOG believes that there are multiple reasons for why two consecutive incremental cycles resulted in no successful allocation of incremental capacity, for example:

- ▲ The European gas network is already well interconnected at most of the borders between EU member states or at borders with 3rd countries.
- ▲ New cross border infrastructure in the EU has been and is still being developed also via non-market driven processes (e.g. TEN-E regulation), i. e. processes where no long-term bookings by network users are needed or via market driven processes, where long-term commitments are guaranteed (e.g. exemptions).
- ▲ 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).
- ▲ Booking behaviour of majority network users has moved from long-term bookings to short term bookings especially after the liberalisation of market rules stemming from the 3rd energy package. There is very limited willingness of network users to book long term capacity above 5 or 10 years (except of a low number of gas producers).
- ▲ In most cases (as can be seen in the Annex 3.3) the f-factor equals 1 or close to 1, which means these projects would have been financed almost exclusively by the shippers submitting binding commitment. The high f-factor often results in high minimum auction premiums which also could have made the projects less attractive for the shippers.

Regardless of the reasons behind, the lack of binding commitments is unsatisfactory for the involved TSOs due to the considerable efforts caused by the multistage process and the related costs for the approval of project proposals by the NRAs. Although the results are showing that also for the second incremental capacity cycle there are no binding

commitments for incremental capacity, and the existing available capacity is therefore presumed adequate to cover current and future demands, it is still beneficial to keep analysing the market situation and prepare for future demand assessments. ENTSOG would however like to suggest some improvements to the process.



Picture courtesy of Thyssengas

SUGGESTED IMPROVEMENTS

ENTSOG have identified a few key areas where improvements to the process could be made within the current legislative framework.

- ▲ At the moment, TSOs can exercise 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 fees could improve the incremental process. An alignment on how fees are charged could also be beneficial.
- ▲ ENTSOG would also like to urge network users to participate in the incremental capacity process more actively. E.g. a more active participation in the consultation process for the incremental capacity project and provide written feedback to the TSOs on the development of the project. TSOs would like to highlight that the incremental process is dependent on a good cooperation between TSOs, network users and NRAs.

ENTSOG have 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.
- ▲ It should be considered to review Chapter V of the CAM NC in order to improve the incremental process, taking into account the changed market conditions and policy developments in year 2021 compared to years 2013/2014 when key elements and principles of the incremental process were first introduced. ENTSOG would also like to stress that, when reviewing possible amendments of the gas market rules, to enable the development of the hydrogen market, the European Commission should also reassess the incremental capacity process in this context.

ANNEXES

SURVEY PARTICIPANTS

The following European TSOs participated in the survey:

Country	ENTSO Member	Country	ENTSO Member
Austria	Gas Connect Austria GmbH	Italy	Snam Rete Gas S.p.A.
	Trans Austria Gasleitung GmbH	Latvia	Conexus Baltic Grid
Belgium	Interconnector Limited	Lithuania	AB Amber Grid
	Fluxys Belgium S.A.	Netherlands	Gasunie Transport Services B.V.
Bulgaria	Bulgartransgaz EAD		BBL Company V.O.F.
Croatia	Plinacro	Poland	GAZ-SYSTEM S.A.
Czech Republic	NET4GAS, s.r.o.	Portugal	REN – Gasodutos, S.A.
Denmark	Energinet	Romania	Transgaz S.A.
France	GRTgaz	Slovakia	eustream, a.s.
	TERÉGA	Slovenia	PLINOVODI d.o.o.
Germany	bayernets GmbH	Spain	ENAGAS TRANSPORTE S.A.U
	Fluxys TENP GmbH	United Kingdom	GNI (UK)
	GASCADE Gastransport GmbH		National Grid
	Gastransport Nord GmbH		Premier Transmission Limited
	Gasunie Deutschland Transport Services GmbH		
	GRTgaz Deutschland GmbH		
	terranelts GmbH		
	Thyssengas GmbH		
	NEL Gastransport GmbH		
	ONTRAS Gastransport GmbH		
Open Grid Europe GmbH			
Greece	DESFA S.A.		
Hungary	FGSZ Natural Gas Transmission		
Ireland	Gas Networks Ireland		

Country	Associated Partners
Estonia	Elering AS
Greece	Trans Adriatic Pipeline AG

Country	Non-members
Germany	Lubmin–Brandov Gastransport GmbH
	OPAL
	Fluxys Deutschland GmbH

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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