

Draft project proposal for incremental capacity between the entry-exit systems of Hungary (‘HU’) and the Austrian Market Area East (‘AT’)

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This draft project proposal is a joint public consultation document pursuant to Article 27(3) of 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 (‘the NC CAM’) prepared by FGSZ Ltd. (‘FGSZ’) and Gas Connect Austria GmbH (‘GCA’).

The public consultation on this present draft project proposal runs from 14 January 2020 until 14 February 2020. Please provide your responses by 14 February 2020 via email to businessdevelopment@fgsz.hu and sales@gasconnect.at. Please note, that your responses will be published on the internet pages of FGSZ and GCA.

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A. Description of the incremental capacity project, including a cost estimate

The demand assessment report for incremental capacity between HU and AT, dated 21 October 2019, concludes that FGSZ and GCA conduct technical design studies for an incremental capacity project. The incremental capacity project aims at establishing a physical reverse flow from HU to AT.

i. Parameters and components of a technical design of 100,000 Sm³/h (15°C)

| Parameter | HU section | AT section |
|-------------------------------|---|--|
| Technical capacity | 100,000 Sm ³ /h (15°C) | 120,424 Sm ³ /h (15°C) ¹ |
| Capacity quality | Firm | Firm, freely allocable ('FZK') |
| Interconnection point | Exit Mosonmagyaróvár | Entry Mosonmagyaróvár |
| Flow direction | HU -> AT | HU ->A T |
| Border delivery pressure | 55 barg (minimum) | n/a |
| Length of pipeline | 16.2 km (existing infrastructure), 80 km new pipeline between Kozármisleny and Kaposvár | 45.7 km (existing infrastructure) |
| Above ground installations | Upgrade of Compressor station ('CS') at Mosonmagyaróvár (2x2 MW), CS at Dorog (3x5.7 MW), compressor unit at Városföld (1x5.7 MW) | Modification of the existing HAG metering station in Baumgarten for reverse flow operation |
| | Node modification at Mosonmagyaróvár to ensure an automatic change of flow direction | Filter separators on the suction side of WAG compressors in Baumgarten |
| | Modification of central odorisation system in Western Hungary | |
| Cost estimate | EUR 194.11 mn (2020 value) | EUR 3.30 mn (2017 value) |
| Cost estimation related HU>AT | EUR 194.11 mn (2020 value) | EUR 3.30 mn (2017 value) |
| Cost estimate accuracy | +/- 10% | +/- 25% |

¹ The Austrian national network development plan contains a technical design study for the incremental capacity project 'GCA 2015/04 Entry Mosonmagyaróvár Minimum' foreseeing the creation of 114,115 Nm³/h (0°C) of freely allocable capacity at the entry point Mosonmagyaróvár. Therefore, GCA will adhere to this technical capacity also in this present draft project proposal. The technical capacity of the Austrian section of the existing HAG-pipeline-system in the flow direction from AT to HU is 570,000 Nm³/h (0°C).

ii. Parameters and components of a technical design of 120,000 Sm³/h (15°C)

| Parameter | HU section | AT section |
|-------------------------------|---|--|
| Technical capacity | 120,000 Sm ³ /h (15°C) | 120,424 Sm ³ /h (15°C) ² |
| Capacity quality | Firm | Firm, freely allocable ('FZK') |
| Interconnection point | Exit Mosonmagyaróvár | Entry Mosonmagyaróvár |
| Flow direction | HU -> AT | HU -> AT |
| Border delivery pressure | 55 barg (minimum) | n/a |
| Length of pipeline | 16.2 km (existing infrastructure), 80 km new pipeline between Kozármisleny and Kaposvár | 45.7 km (existing infrastructure) |
| Above ground installations | Upgrade of CS Mosonmagyaróvár (2x2 MW), CS Dorog (3x5.7 MW), CS Adony (2x5.4 MW), compressor unit at Városföld (1x5.7 MW) | Modification of the existing HAG metering station in Baumgarten for reverse flow operation |
| | Node modification at Mosonmagyaróvár to ensure the automatic change of flow direction | Filter separators on the suction side of WAG compressors in Baumgarten |
| | Modification of central odorisation in Western Hungary | |
| Cost estimate | EUR 233.60 mn (2020 value) | EUR 3.30 mn (2017 value) |
| Cost estimation related HU>AT | EUR 233.60 mn (2020 value) | EUR 3.30 mn (2017 value) |
| Cost estimate accuracy | +/- 10% | +/- 25% |

B. Offer levels for bundled capacity products at the interconnection point

Based on the above description of the incremental capacity project, and setting aside an amount of 10% of the incremental technical capacity pursuant to Article 6(8) of the NC CAM, and applying a gross calorific value of 11.19 kWh/Nm³ (0 °C) the offer levels for bundled capacity products at the interconnection point are as follows:

² Cf. footnote 1

i. Offer level 1

| Gas year | Offer level in the direction from HU to AT for the technical design of 100,000 Sm ³ /h (15°C) (kWh/h rounded to integers) | Offer level in the direction from HU to AT for the technical design of 120,000 Sm ³ /h (15°C) (kWh/h rounded to integers) | Resulting joint offer level in the direction from HU to AT (kWh/h rounded to integers) |
|----------|--|--|--|
| 2023/24 | 954,674 | 1,145,609 | 954,674 |
| 2024/25 | 954,674 | 1,145,609 | 954,674 |
| 2025/26 | 954,674 | 1,145,609 | 954,674 |
| 2026/27 | 954,674 | 1,145,609 | 954,674 |
| 2027/28 | 954,674 | 1,145,609 | 954,674 |
| 2028/29 | 954,674 | 1,145,609 | 954,674 |
| 2029/30 | 954,674 | 1,145,609 | 954,674 |
| 2030/31 | 954,674 | 1,145,609 | 954,674 |
| 2031/32 | 954,674 | 1,145,609 | 954,674 |
| 2032/33 | 954,674 | 1,145,609 | 954,674 |
| 2033/34 | 954,674 | 1,145,609 | 954,674 |
| 2034/35 | 954,674 | 1,145,609 | 954,674 |
| 2035/36 | 954,674 | 1,145,609 | 954,674 |
| 2036/37 | 954,674 | 1,145,609 | 954,674 |
| 2037/38 | 954,674 | 1,145,609 | 954,674 |

ii. Offer level 2

| Gas year | Offer level in the direction from HU to AT for the technical design of 120,000 Sm ³ /h (15°C) (kWh/h rounded to integers) | Offer level in the direction from HU to AT for the technical design of 120,000 Sm ³ /h (15°C) (kWh/h rounded to integers) | Resulting joint offer level in the direction from HU to AT (kWh/h rounded to integers) |
|----------|--|--|--|
| 2023/24 | 1,145,609 | 1,145,609 | 1,145,609 |
| 2024/25 | 1,145,609 | 1,145,609 | 1,145,609 |
| 2025/26 | 1,145,609 | 1,145,609 | 1,145,609 |
| 2026/27 | 1,145,609 | 1,145,609 | 1,145,609 |
| 2027/28 | 1,145,609 | 1,145,609 | 1,145,609 |
| 2028/29 | 1,145,609 | 1,145,609 | 1,145,609 |
| 2029/30 | 1,145,609 | 1,145,609 | 1,145,609 |
| 2030/31 | 1,145,609 | 1,145,609 | 1,145,609 |
| 2031/32 | 1,145,609 | 1,145,609 | 1,145,609 |
| 2032/33 | 1,145,609 | 1,145,609 | 1,145,609 |
| 2033/34 | 1,145,609 | 1,145,609 | 1,145,609 |
| 2034/35 | 1,145,609 | 1,145,609 | 1,145,609 |
| 2035/36 | 1,145,609 | 1,145,609 | 1,145,609 |
| 2036/37 | 1,145,609 | 1,145,609 | 1,145,609 |
| 2037/38 | 1,145,609 | 1,145,609 | 1,145,609 |

C. Proposed alternative allocation mechanism

FGSZ and GCA did not receive conditional demand indications. Therefore, they do not propose an alternative allocation mechanism.

D. Provisional timelines of the incremental capacity project

| Milestone | Plan date FGSZ | Plan date GCA |
|------------------------------------|------------------------------|------------------------------|
| Auctions & economic tests | July 2020 | July 2020 |
| Final investment decision | 3 rd Quarter 2020 | 1 st Quarter 2023 |
| Engineering & permitting completed | 3 rd Quarter 2021 | 2 nd Quarter 2023 |
| Construction start | 3 rd Quarter 2021 | 3 rd Quarter 2023 |
| Construction end | 4 th Quarter 2023 | 4 th Quarter 2023 |
| Commercial start-up | 4 th Quarter 2023 | 4 th Quarter 2023 |

E. General rules and conditions for the binding capacity allocation phase

GCA's general rules and conditions that a network user must accept to participate and access capacity in the binding capacity allocation phase of the incremental capacity process are set out in GCA's [Frame Capacity Contract](#) and its [annexes. Annex 1](#) to the Frame Capacity Contract regulates collaterals to be provided by network users. Article 3.2 of the Frame Capacity Contract regulates how possible delays in the provision of capacity are dealt with contractually.

FGSZ' general rules and conditions that a network user must accept to participate and access capacity in the binding capacity allocation phase of the incremental capacity process are set out in the Business Code of FGSZ and are accessible [here](#).

F. Elements IND and RP described in Article 24(b) of Regulation (EU) 2017/460

GCA and FGSZ do not follow a fixed price approach. Therefore, the elements IND and RP described in Article 24(b) of Regulation (EU) 2017/460 are not applicable.

G. Level of user commitments as an estimate of the f-factor

The level of user commitments, expressed as GCA's estimate of the f-factor is 1.

The level of user commitments, expressed as FGSZ' estimate of the f-factor is 1 in case of capacity level 100,000 Sm³/h (15°C) and 1 in case of capacity level 120,000 Sm³/h (15°C).

H. Additional demand indications

FGSZ did not receive any additional demand indications in accordance with Article 26(7) of the NC CAM.

GCA received additional demand indications in AT -> HU direction in accordance with Article 26(7) of the NC CAM. Reference is made to the demand assessment report for incremental capacity between HU and AT, dated 21 October 2019.

I. Utilisation of other non-depreciated gas infrastructure

Market participants are invited to argue whether the incremental capacity is likely to result in a sustained, significant decrease in the utilisation of other non-depreciated gas infrastructure in the same and adjacent entry-exit systems or along the same gas transport route.