

**Public Consultation
of the draft Project Proposal
for the Incremental Capacity Process 2023
for the IP STARA ZAGORA
between ICGB and BULGARTRANGAZ**

February 2024

This document is jointly elaborated and published by:

ICGB AD

BULGARTRANGAZ EAD



23 George Washington Street
Sofia 1000
Bulgaria

Blvd. Pancho Vladigerov 66 Lyulin 2, CP 3
Sofia 1000
Bulgaria

Mobile: +359 (2) 4513 545

+ 359 (2) 9396 300

incremental.capacity@icgb.eu

info@bulgartransgaz.bg

www.icgb.eu

www.bulgartransgaz.bg

Table of Contents

Introduction.....	6
1. Description of the Incremental Capacity Project and relative cost estimate	8
1.1 Market demand for incremental capacity on ICGB side.....	8
1.2 Market demand for incremental capacity on BULGARTRANGAZ side.....	9
1.3 Description of the Incremental Capacity Project.....	10
1.3.1 ICGB	10
1.3.2 BULGARTRANGAZ	11
2. Offer Levels	11
3. Alternative allocation mechanism (AAM).....	12
4. Provisional timeline	13
4.2 Milestone Timeline	14
4.3 Duration of project realization	15
4.3.1 ICGB	15
4.3.2 BULGARTRANGAZ	15
5. General rules and conditions for the Binding Phase	15
5.1 Participation criteria and registration.....	16
5.1.1 ICGB	16
5.1.2 BULGARTRANGAZ	18
5.2 Binding Bid Process.....	20
5.2.1 ICGB	21
5.2.2 BULGARTRANGAZ	22
5.3 Bid evaluation	22
5.4 Preliminary Capacity Allocation Procedure (Bid Ranking).....	22
5.5 Allocation of Equal Marginal Bids (EMB).....	23
5.6 Economic Viability Test	23
5.7 Gas Transportation Agreement	24
5.7.1 ICGB	24
5.7.2 BULGARTRANGAZ	26
5.8 Progress of the project, lack of permits, delays in making available the capacity	28
5.9 Force Majeure	28

5.9.1 ICGB	28
5.9.2 BULGARTRANGAZ	30
5.10 Element IND and RP for fixed price approach	31
5.10.1 ICGB	31
5.10.2 BULGARTRANGAZ	31
5.11 Level of user commitments (f-factor)	31
5.11.1 ICGB	31
5.11.2 BULGARTRANGAZ	31
6. Additional demand indications.....	32
7. Decrease in the utilization of other non-depreciated gas infrastructure.....	32
8. Contact information	33
9. Annex I - Definitions	34

Disclaimer

Each TSO has acted in good faith to ensure that the information in this Project Proposal is correct as of the date of publication of this Project Proposal, however no representation or warranty is made by any TSO as to the accuracy or completeness of such information and the TSOs will not accept any liability, of any kind, for any inaccuracies or incompleteness in such information. Furthermore, the TSOs shall have no obligation to update the Project Proposal for any changes arising after the date of issue of the Project Proposal. Nonetheless, if new or revised information is provided in the Project Proposal, the TSOs shall have no liability to any third party. TSOs will have no liability to any third party for any acts, omissions, breaches, or decisions of the other TSOs or any other third party.

This draft Project Proposal will be available for public consultation for a period of at least 1 month of its publication. The draft Project Proposal, along with any Annexes and other supplementary documents presented, may be subject to change and will be submitted to the NRAs for final approval.

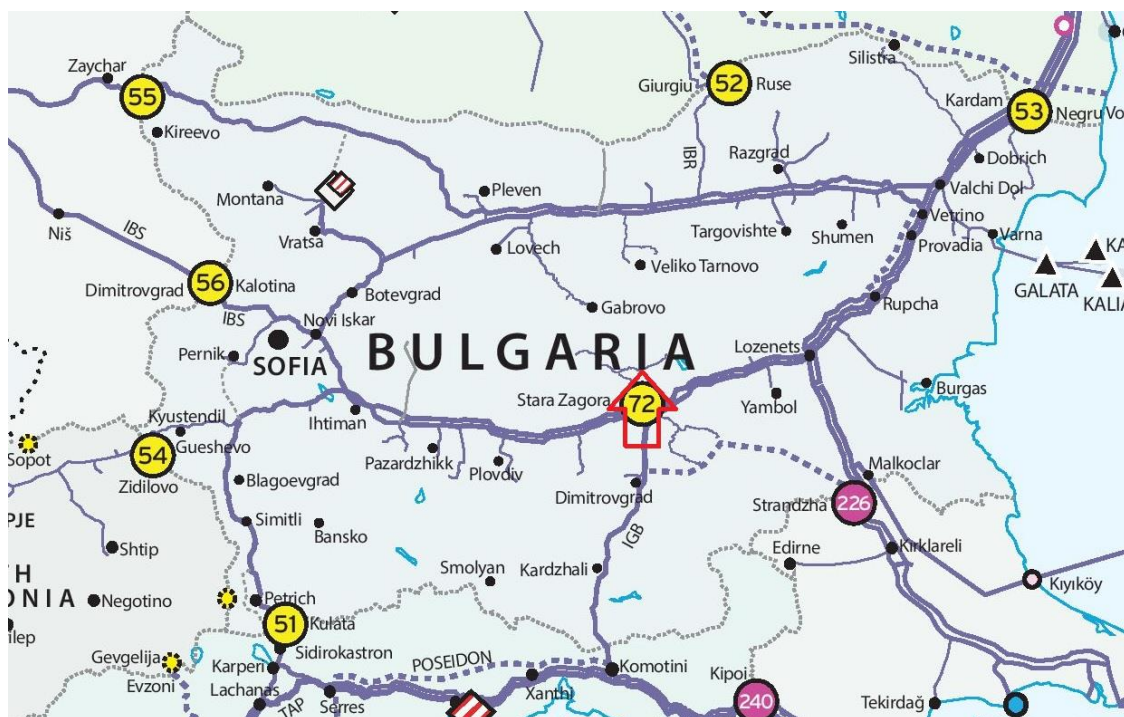
Introduction

Currently, the Interconnector Greece-Bulgaria (“**IGB pipeline**” or “**IGB**”), operated by ICGB AD (“**ICGB**”) is interconnected with the Bulgarian Gas Transmission System (“**BULGARTRANGAZ System**”), operated by Bulgartransgaz EAD (“**BULGARTRANGAZ**”) in the area of Stara Zagora on the territory of Bulgaria (“**BG**”), namely “**IP STARA ZAGORA**” or “**the IP**” with EIC code: 58Z-IP-00034-STZ.

IGB pipeline became operational in October 2022, enabling additional gas flows from the Greek territory to be transmitted to Bulgaria. ICGB operates under a specific regulatory regime pursuant to the *Final Joint Decision of the Energy Regulators on the Exemption Application of ICGB AD dated August 2018* (and the amendments to it)¹, establishing the possibility for upgrading the IGB capacity to approximately 5 bcm/y. This Project Proposal does not address capacity expansion beyond approximately 5 bcm/y.

Commission Regulation (EU) 2017/459 of 16 March 2017 (“**CAM NC**”)² establishes a harmonized European Union wide process for the offer of incremental capacity between Member States.

The Incremental Capacity Project described herein aims to increase the technical capacity at the IP STARA ZAGORA, where BULGARTRANGAZ and ICGB intend to offer bundled capacity, in the direction from IGB towards BULGARTRANGAZ, as presented in the map below.



¹ Accepted by Decisions of RAEWW of Greece n. 768/2018 and EWRC of Bulgaria n. P-BO-2 on 08.08.2018.//

<https://www.dker.bg/bg/resheniya/resheniya-za-2018-god.html>

² 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 /

<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32017R0459>

ICGB launched the Incremental Capacity Process – 2023 on the 3rd of July 2023, with the launch of its Non-binding phase according to Chapter V 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 investment upgrades, the offer levels, the binding bid submission rules, the Economic Viability Test, etc. related to ICGB, are provided in the present Project Proposal, which is one of documents governing the Incremental Capacity Process-2023 for ICGB.

BULGARTRANGAZ and ICGB (“**The TSOs**”) launched the first phase of the Incremental Capacity Process on the 3rd of July 2023 to assess market demand for incremental capacity according to CAM NC. The TSOs received non-binding demand indication(s) and produced a joint Demand Assessment Report (“**DAR**”), which was published on the 23rd of October 2023 on the corresponding websites with the conclusion that there was sufficient indicative demand to initiate technical studies for a potential incremental capacity project.

Based on the capacity request(s) received in the Non-binding demand indication phase, the TSOs have analyzed potential infrastructure developments in their respective Transmission Systems to fulfill interested parties’ requests.

This Incremental Capacity Project is driven by potential increases of the technical capacity at the IP. Hence, this Incremental Capacity Project is conducted in close coordination between the TSOs, to enable the offering of bundled capacity at the IP.

The next paragraphs provide further information on the capacity increase and associated costs for each of the TSOs. We note that the investment costs provided in the descriptions below are established in line with established regulatory practices, as individually applicable to each TSO.

All interested parties are invited to participate in the public consultation by sending their comments and proposals to this document, in writing, to the list of contacts on the last page, by 4th March 2024.

Following the end of the public consultation and further refinements on the draft Project Proposal, the TSOs will submit the final Project Proposal to the NRAs for their coordinated approval. In case of a positive decision of the NRAs, the Binding Phase will be launched, and a Notice will be published on the TSOs’ websites at least 2 months before the Binding Bidding Phase.

1. Description of the Incremental Capacity Project and relative cost estimate

1.1 Market demand for incremental capacity on ICGB side

The following Non-binding demand indications for firm long-term capacity have been received at the IP on ICGB side, and consequently considered in the Design Phase of the Incremental Capacity Project. The demand indications are shown below as aggregated values.

Non-binding demand indications as per Incremental Capacity Process - 2023, according to NC CAM	
Interconnection Point	STARA ZAGORA
EIC Code	58Z-IP-00034-STZ
Flow direction	ICGB -> BULGARTRANGAZ
Current technical capacity (kWh/d)	106 483 877
Request submitted to both TSOs	Yes, partially
Conditions	*
Gas year	Amount in kwh/d/y
2024/2025	141 241 096
2025/2026	135 841 096
2026/2027	153 541 096
2027/2028	153 541 096
2028/2029	153 541 096
2029/2030	95 191 096
2030/2031	95 191 096
2031/2032	90 191 096
2032/2033	90 191 096
2033/2034	67 491 096
2034/2035	67 491 096
2035/2036	67 491 096
2036/2037	58 491 096
2037/2038	58 491 096
2038/2039	58 491 096
2039/2040	58 491 096
2040/2041	43 491 096
2041/2042	43 491 096
2042/2043	43 491 096
2043/2044	14 450 000
2044/2045	14 450 000
2045/2046	14 450 000

* None of the interested parties specified conditionalities applicable to their non-binding capacity requests to ICGB for the IP STARA ZAGORA.

1.2 Market demand for incremental capacity on BULGARTRANGAZ side

The following non-binding demand indications for firm long-term capacity have been received at the IP on BULGARTRANGAZ side, and consequently considered in the DARs and Design Phase of the Incremental Capacity Project. The demand indications are shown below as aggregated values.

Non-binding demand indications as per Incremental Capacity Process - 2023, according to NC CAM	
Interconnection Point	STARA ZAGORA
EIC Code	58Z-IP-00034-STZ
Flow direction	ICGB -> BULGARTRANGAZ
Current technical capacity (kWh/d)	122 313 400
Request submitted to both TSOs	Yes, partially
Conditions	*
Gas year	Amount in kwh/d/y
2024/2025	109 591 096
2025/2026	121 391 096
2026/2027	167 991 206
2027/2028	167 991 206
2028/2029	182 441 261
2029/2030	124 091 261
2030/2031	124 091 261
2031/2032	153 771 393
2032/2033	153 771 393
2033/2034	131 071 393
2034/2035	131 071 393
2035/2036	131 071 393
2036/2037	122 071 393
2037/2038	122 071 393
2038/2039	122 071 393
2039/2040	122 071 393
2040/2041	122 071 393
2041/2042	29 041 096
2042/2043	29 041 096

** None of the interested parties specified conditionalities applicable to their non-binding capacity requests to BULGARTRANGAZ for the IP STARA ZAGORA.*

Based on the above results, the DAR concluded that the Non-binding demand indications received were sufficient to initiate the Coordinated Design Phase of an Incremental Capacity Project in accordance with Article 26.2 of CAM NC.

1.3 Description of the Incremental Capacity Project

On the basis of the capacity requests received in the Non-binding demand indication phase, ICGB and BULGARTRANGAZ have started analyzing potential infrastructure developments in their respective Transmission Systems to fulfil interested parties' requests.

Currently the technical firm capacity on the BULGARTRANGAZ side of IP STARA ZAGORA in the direction from ICGB system to BULGARTRANGAZ system is 122.313.400 kWh/d, while on the ICGB side the technical firm capacity in the same direction is 106.483.877 kWh/d.

Based on the conclusions of the DARs given the demand indications received within the non-binding phase of the Incremental Capacity Process, it was concluded that the level of incremental capacity that will be provided by ICGB in direction IGB → BULGARTRANGAZ is equal to 53,2 GWh/d.

Based on the figures above, in order to reach an equal amount of total firm technical capacity of 159,7 GWh/d on both sides of IP STARA ZAGORA, the level of incremental capacity needed on BULGARTRANGAZ's side of the IP is only 37,4 GWh/d.

1.3.1 ICGB

ICGB has performed preliminary technical studies to identify the steps and investments needed to make incremental capacity available at the IP in the direction from IGB towards BULGARTRANGAZ. The presented assumptions have a preliminary character and are subject to change in the following stages of the Design Phase and based on the feedback received during the current public consultation. ICGB will finalize the project proposal before the deadline for the submission to the NRA(s).

The expansion on ICGB side involves the incorporation of several key components.

Process Equipment:

- New filtering section: to ensure the efficient and safe passage of natural gas.
- New regulating line: to control and manage gas flow effectively.
- New metering line: for accurate measurement of gas volumes.
- New Gas pre-heater with associated bypass.

Utilities:

- Integration with Existing Utilities: Seamless connection of existing utilities (i.e. hot water system) with the new infrastructure.
- Automation and Control Systems: Expansion and upgrade of SCADA systems for enhanced monitoring and control.

Cost Estimate:

The estimated cost for the current expansion project is in the range of 3.5 - 4.0 million euros. This includes all aspects of infrastructure enhancement and system upgrades. The cost breakdown includes labour, material & equipment, technology & ICS, permitting & regulatory, travel & accommodation, contingency, and overhead. Each cost component is strategically allocated to ensure optimal resource utilization and budgetary control throughout the project lifecycle.

It is noted that when performing the Economic Viability Test (EVT), ICGB might assess IP STARA ZAGORA together with another point of IGB pipeline.

1.3.2 BULGARTRANGAZ

BULGARTRANGAZ has performed preliminary technical studies to identify the steps and investments needed to make incremental capacity available at the IP in the direction from IGB towards BULGARTRANGAZ.

BULGARTRANGAZ has identified that only a limited investment is needed on its system to provide 37,4 GWh/d of incremental capacity in order to match the total of 159,7 GWh/d technical firm capacity on IGB side of IP STARA ZAGORA.

With regard to the above, BULGARTRANGAZ intends to implement the investment without an Economic Viability Test. In case ICGB will proceed with the implementation of the respective Incremental Capacity Project on its side of the IP, BULGARTRANGAZ will implement this investment within the same timeline. Thus, the total technical firm capacity of the IP will be equal at both sides and only firm bundled capacity will be offered and allocated to successful participants.

2. Offer Levels

Incremental capacity will be offered as bundled product to Participants with the earliest possible starting date being the relevant planned COD. In line with the provisions of Articles 8.8 and 30.5 of the CAM NC, BULGARTRANGAZ and ICGB will set aside an amount of 10% of the capacity of the incremental capacity to be offered as short-term capacity*.

The Offer Level(s) in the table below represent the long-term incremental capacity that could be allocated in the Binding Bidding Phase of this Incremental Capacity Project.

Expansion Project	Offer Level (Gwh/d/y)	Entry / Exit TSO offering capacity
Firm incremental capacity	53.2	Exit ICGB / Entry BULGARTRANGAZ
Offered Firm incremental Capacity*	47.9	
Starting date	Q4 2025	

2.1. ICGB

The implementation of this Incremental Capacity Project will lead to firm incremental capacity of 53,2 GWh/d on the IGB side of IP STARA ZAGORA.

2.2. BULGARTRANGAZ

Since the existing technical firm capacity offered by BULGARTRANGAZ is currently 15,8 GWh/d higher than the one offered by ICGB, the incremental capacity needed on BULGARTRANGAZ's side of the IP is lower. BULGARTRANGAZ has identified that only a limited investment is needed on its system in order to provide 37,4 (GWh/d) of incremental capacity on BULGARTRANGAZ's side of the IP.

After the project's realization, the total firm technical capacity on both sides of IP Stara Zagora will be equal to 159,7 GWh/d.

For the avoidance of doubt, to match the Offer Level of ICGB, BULGARTRANGAZ will combine the incremental capacity of 37,4 GWh/d with the difference of 15,8 GWh/d existing firm technical capacity that are currently offered by BULGARTRANGAZ as unbundled product, to be offered as bundled products during the Binding Bidding Phase. This will ensure that only coordinated offer levels will be offered (as stipulated in Section 4).

For the avoidance of doubt, BULGARTRANGAZ and ICGB clarify to the interested parties that with this Incremental Capacity Process, only firm bundled capacity at both sides of the IP will be offered.

3. Alternative allocation mechanism (AAM)

In order to maximize the offer of bundled firm capacity at the IP STARA ZAGORA, BULGARTRANGAZ and ICGB intend to apply an Alternative Allocation Mechanism (AAM) with an extended capacity booking horizon of 20 years after the start of the operational use, subject to the approval of the NRA(s).

The criteria envisaged under Article 30.2 of CAM NC for the potential application of an AAM are fulfilled, since:

- The Incremental Capacity Project involves at least three entry-exit systems, indicatively, ICGB system, BULGARTRANGAZ system and DESFA system.
- The Non-binding demand indications concern capacity reservations of more than one (1) year.

In accordance with the provision of Article 30.3 of the CAM NC, the TSOs intend to allow interested parties to submit Binding Bids on the following basis:

- Requests, conditional on the allocation of a minimum amount of capacity.

Binding Bids will be processed subject to the Participants meeting the requirements set out in Section 5.1. In the event of congestion, in order to ensure coherent allocation results for the TSOs, a ranking will be performed according to Section 5.4.

4. Provisional timeline

This chapter describes the proposed timeline for the conclusion of the Incremental Capacity Project (Section 4.1) and provides estimates of the possible time needed for the realization of the new incremental capacity (Section 4.2).

4.1 Incremental capacity cycle timeline

The public consultation on the draft Project Proposal concerning the Incremental Capacity Project will be open until the 4th of March 2024. BULGARTRANGAZ and ICGB intend to finalize and submit the final Project Proposal to the NRA(s) by the end of March 2024. NRA(s) feedback on the Project Proposal is awaited at the end of April 2024, on the condition of NRAs decision. The Binding Phase will commence with the publication of the Binding Phase Notice. The Binding Phase Notice is expected to be published at the latest at the beginning of May 2024.



Within the two-month information phase commencing upon the issue of the Binding Phase Notice (the “Information Phase”), the parties interested in participating in the Binding Bidding Phase should complete their registration with the concerned TSOs (as applicable per TSO) in order to participate in the Binding Bidding Phase.

At the beginning of the Information Phase, together with the Binding Phase Notice, ICGB and BULGARTRANGAZ will make available a list of the relevant documentation that needs to be submitted by the Participants for their registration and the respective deadline for submission of such documentation.

Incremental capacity will be offered after the annual yearly capacity auctions in July 2024. Only coordinated offer levels shall be offered.

Following the end of the abovementioned process, an Economic Viability Test (EVT) for ICGB’s investment will be carried out.

Given that the investment on BULGARTRANGAZ’s side is very limited, the company intends to implement it without an Economic Viability Test. In case ICGB will proceed with the implementation of the respective Incremental Capacity Project on its side of the IP, BULGARTRANGAZ will implement this investment within the same timeline. Thus, the total technical firm capacity of the IP will be equal at both sides and only firm bundled capacity will be offered and allocated to successful participants.

In case of a positive EVT for ICGB Participants to whom capacity has been allocated (successful Participants) at both sides of the IP shall sign a Gas Transportation Agreement (GTA)/Capacity Booking Agreement (CBA) with the TSOs in respect to each Capacity Allocation.

The Binding Phase ends either in case the EVT on ICGB side is finally confirmed as negative or with GTAs, as applicable for each TSO, becoming effective (see Section 5.7 on Conditions Precedent to the GTAs).

4.2 Milestone Timeline

	Milestones	Dates
	Launch of Binding Phase / Publication of the Joint Notice	2 May 2024
1	Information Phase	2 May 2024 - 1 July 2024
	BULGARTRANGAZ and ICGB make available a list of documentation to be submitted to each TSO	2 May 2024
	Registration Period	2 May - 24 June 2024
	BULGARTRANGAZ and ICGB evaluate the applicants’ eligibility	25 June – 1 July 2024
2	Binding Bidding Phase	2 July – 30 September 2024
	Bid Submission Window	2 July - 12 July 2024
	Bid Evaluation Period	12 July – 31 July 2024
	Preliminary Capacity Allocation	1 August - 30 August 2024
	ICGB Economic Viability Test Results published	31 August 2024
3	Capacity Allocation	31 August 2024
4	Execution of GTAs	30 September 2024

After the finalization of the above-mentioned steps, the TSOs will inform the NRA(s) about the result of the EVT and allocated capacities on both sides of the IP.

In any case, the TSOs may postpone, extend, or alter the above timeline if needed.

4.3 Duration of project realization

4.3.1 ICGB

ICGB estimates that the expected preliminary commissioning of the Incremental Capacity Project is Q4 of 2025. Considering the specific topology of IGB as an Interconnector having two Entry points (Komotini/DESFA and Komotini/TAP) and one Exit point (IP STARA ZAGORA), the commissioning of the expansion of IP STARA ZAGORA (EIC code: 58Z-IP-00034-STZ) is a prerequisite for the commissioning of the project at IP Komotini – DESFA / IGB (EIC Code: 21Z0000000005398).

All works must adhere to a rigorous public procurement process, potentially causing delays but ensuring transparency and compliance. The expansion takes place within a live plant environment, posing challenges in terms of safety, operational continuity, and construction logistics. The new infrastructure needs to seamlessly integrate with the already existing facilities, requiring meticulous planning and execution. Overcoming design limitations and space constraints presents an additional challenge that may impact the project timeline.

In any case, it must be noted that the above-mentioned timeframes, which include major investments, are indicative and will be clarified during the technical studies phase. In any case COD will be notified to the parties at least one month in advance.

4.3.2 BULGARTRANGAZ

The necessary limited investment by BULGARTRANGAZ will be implemented in line with the timeline of the Incremental Capacity Project by ICGB.

5. General rules and conditions for the Binding Phase

This chapter describes the general rules and conditions which the involved TSOs will apply for the participation of interested parties in the Binding Phase.

The Binding Phase will be open to all interested parties, including those that have not submitted a non-binding demand indication during the Non-binding phase of the Incremental Capacity Process. Access to the transportation service on the respective TSOs systems is permitted impartially and on an equal basis to all interested parties that possess the specific requirements as presented below in this document.

Together with the Binding Phase Notice, the TSOs Concerned will make available a list of the relevant documentation that needs to be submitted by the Participants for their eligibility to participate in the auctioning process and the respective deadline for submission of such documentation.

5.1 Participation criteria and registration

The requirements referred to in this Section will apply to this Binding Phase carried out by the TSOs.

Applicants will have to submit filled-in Binding Phase Registration Forms to the TSOs, which will be provided together with the Joint Notice and each TSO's own Binding Phase Notice. The information to be submitted by Applicants shall include (but not be limited to) the following information:

- Company Name and Address.
- Name and contact details of Company Representative.

The above registration requirements apply in addition and are subject to each TSO's further requirements in relation to registration and their applicable regulatory framework, in each case.

Applicants must submit (within the required deadlines) all the documents needed, as described in this Section, each TSO's own Binding Phase Notice and the Joint Notice.

At the end of the Registration Period, the TSOs will communicate to the Applicants their eligibility to participate in the Binding Bidding Phase.

By participating in a Binding Bidding Phase, each Participant will be required to accept that:

- the Capacity Allocation referred to in the Incremental Capacity Process is subject to the positive outcome of the EVT of ICGB;
- the Participant is required to provide the TSOs the relevant and respective Guarantees;
- in case of a negative outcome of the EVT carried out prior to Capacity Allocation, the TSOs Concerned shall, if applicable, return any Binding Bid Guarantees and no transmission capacity will be contractually allocated;
- in case of a positive outcome of the EVT carried out prior to Capacity Allocation, the successful Participant shall enter into a GTA and, if applicable, transmit to the TSOs respective GTA Guarantees as described below in Section 5.7;
- in case a Participant is not allocated incremental capacity after a positive EVT, the Binding Bid Guarantees shall be returned; and
- if the Participant is allocated capacity but the GTA between the TSO and the Participant is not executed between the relevant parties or does not, for any reason, become fully effective, the Participant will be subject to TSO-specific rules as set out below.

5.1.1 ICGB

Applicants will be required to fulfill the relevant requirements defined in IGB NETWORK CODE, the Project Proposal, the Binding Phase Notice and the GTA (in respect to the incremental capacity that has been allocated according to the present process) and the relevant application. Only Network Users, as defined in the IGB NETWORK CODE, can submit binding bids for capacity in ICGB gas system, in the

Binding Bidding Phase. ICGB shall not allow any interested party to submit Binding Bids if these requirements are not met and even if submitted shall be rejected for this reason.

Any statement of possession of requirements (requests, commitments, declarations, or acceptances), as well as any request/communication or expression of will, made by the Applicant, constitutes a formal obligation and commitment on the part of the Participant, which accepts – even in respect of third parties – any and all liability arising from or related with the correctness of the said statements, including but not limited to errors or omissions contained thereto.

Participants shall be required to provide ICGB within the required deadlines a Binding Bid Guarantee in the form of a bid bank guarantee, bid parent company guarantee or bid cash deposit.

The bid bank guarantee or the bid parent company guarantee shall be on demand and to include irrevocable and unconditional undertake that, forthwith upon ICGB giving written notice to the guarantor stating in its sole and absolute judgement that the Participant has failed to observe or perform any of the terms, conditions or provisions of the Binding Bidding Phase on its part to be observed or performed, the guarantor will, on one or more occasions and notwithstanding any objection which may be made by the Participant, promptly pay to ICGB the amount of the Binding Bid Guarantee.

The bid bank guarantee shall be issued in EUR by a bank having a registered main office in the European Union that has the credit rating as specified in Minimum Credit Rating at the IGB NETWORK CODE in the forms to be provided with the Binding Phase Notice.

The bid parent company guarantee shall be issued in EUR and shall be on demand parent company guarantee to be provided (i) by a parent or affiliate of the Participant with a rating for its long-term unsecured and non-credit-enhanced debt obligations as specified in Minimum Credit Rating at the IGB NETWORK COD ; and (ii) on behalf of the Participant to ICGB to secure the obligations of the Participant related to the Binding Bid. If the long-term issuer credit rating for any guarantor under any bid parent company guarantee falls below the specified in the Minimum Credit Rating at the IGB NETWORK COD, then within 10 days of such event, the relevant Participant shall procure replacement of Binding Bid Guarantee.

The bid cash deposit shall represent a sum of money in EUR paid into a bank account of the ICGB set out in the Binding Phase Notice. By making such payment, the Participant shall transfer to the ICGB, and the ICGB shall acquire the full title over the cash deposit (and any of its parts), free of any encumbrances held by either the Participant or any third party. No interest or any other amount shall be payable by the ICGB to the Network User in connection with the bid cash deposit. ICGB shall have the right to utilize the cash deposit only for the purpose of ensuring that the Participant meets its Binding Bidding Phase requirements.

In case of the full or partial enforcement of the Binding Bid Guarantee, the Participant shall ensure that the Binding Bid Guarantee is either renewed or replenished or the cash amount corresponding to the amount drawn under the Binding Bid Guarantee is promptly paid to the ICGB, all in order the Participant continuously to meet the relevant amount of the Binding Bid Guarantee. Any cost incurred by the ICGB as

a result of enforcing, adjusting and/or renewing or maintaining the Binding Bid Guarantee shall be charged to the Participant.

The Participant shall ensure that the Binding Bid Guarantee shall remain in full force and effect until two (2) months from the actual date of the execution of the GTA or from the date for execution of the GTAs according to Section 4.2, whichever is the latest.

The amount of the Binding Bid Guarantee shall equal 15% the transmission tariff per yearly firm product made available by ICGB, including any premium, multiplied by the amount of incremental capacity the Participant intends to request. For any booking spanning multiple years, the Binding Bid Guarantee must be 15% of the transmission tariff per yearly firm product for each year within the requested period multiplied by the amount of incremental capacity the Participant intends to request for the relevant year. The respective transmission tariff, according to the provisions of IGB TRANSMISSION TARIFF CODE annex A to the IGB NETWORK CODE as approved by the NRAs or other relevant tariff documentation/regulation, approved by NRAs (to be used as estimated reference price for the duration of the initial incremental capacity requests) and any premium applicable, will be published on TSOs' websites during the Information Phase, to the extent applicable.

In case an amendment is made to the amount of the incremental capacity the Participants intend to request, the Binding Bid Guarantee shall be modified accordingly upon request by ICGB to the relevant Participant and the relevant Participant shall procure that such amendments are made within ten [10] Days.

Binding Bids by Participants will be accepted only within the limits of the Binding Bid Guarantees which will have been presented to ICGB. By submitting a binding request to ICGB, the Participant accepts that said request will constitute an irrevocable commitment to enter a GTA with ICGB, subject to the positive EVT.

The Binding Bid Guarantee provided to ICGB by each Participant will be returned to such Participant once:

- ICGB confirms that the Participant will not be allocated incremental capacity.
- the EVT is finally determined to be negative at any side of the IP (in accordance with the provisions of Section 5.6).
- if the Participant is allocated incremental capacity, upon the provision to ICGB of the GTA Guarantee described in Section 5.7.

5.1.2 BULGARTRANGAZ

a. Applicants who wish to participate in the Binding Phase shall register by taking into account the published deadlines.

Applicants should fill out a registration form, duly signed by a person/persons authorized to sign legally binding documents for the company and submit it to BULGARTRANGAZ.

Along with the registration form, the following documents are to be submitted:

- **a document attesting the current legal status of the Applicant** - an extract from the commercial register. The document shall be issued no earlier than one month prior to the date of registration form submission, and it should make clear the persons authorized to sign legally binding documents on behalf of the Applicant;
- **original documents certifying that the Applicant is not in bankruptcy, liquidation proceedings and has not been declared bankrupt.**
In the event that the national legislation of the country in which the Applicant is established does not provide for issuance of such documents by state authorities, the Applicant shall submit a written declaration, signed by a duly authorized person, confirming that such a document cannot be issued under the relevant national legislation and that the Applicant is not in bankruptcy, liquidation proceedings and has not been declared bankrupt;
- **an explicit notarised power of attorney** if the registration form shall be signed by a person not entered in the Commercial Register as having the right to represent the company and to sign legally binding documents on behalf of the company;

All above-mentioned documents shall be submitted in original in the language in which they were issued and, if necessary, accompanied by a translation in Bulgarian or English. The documents shall be certified by an apostille in accordance with the 1961 Hague Convention and the translation must be notarised (made by a sworn translator).

BULGARTRANGAZ must confirm the successful registration.

b. Participants shall be required to provide to BULGARTRANGAZ within the required deadlines a Binding Bid Guarantee in the form of a bank guarantee or bid cash deposit.

The bid cash deposit shall represent a sum of money in EUR calculated at the Bulgarian National Bank fixed exchange rate Euro/BGN, paid into a bank account of the BULGARTRANGAZ set out in the Binding Phase Notice. By making such payment, the Participant shall transfer to the BULGARTRANGAZ, and the BULGARTRANGAZ shall acquire the full title over the cash deposit (and any of its parts), free of any encumbrances held by either the Participant or any third party. No interest or any other amount shall be payable by the BULGARTRANGAZ to the Participants in connection with the bid cash deposit. BULGARTRANGAZ shall have the right to utilize the cash deposit only for the purpose of ensuring that the Participant meets its Binding Bidding Phase requirements.

The bank guarantee need to be unconditional, irrevocable, cashable at first request of BULGARTRANGAZ, issued by any EU bank with a minimum investment grade credit rating from the following Agencies: BBB at Standard and Poor's, BBB at Fitch or Baa3 at Moody's, or any subsidiary of an EU bank with a minimum investment grade credit rating (as described above); which has been approved in advance by BULGARTRANGAZ, at its sole discretion.

The bank guarantee shall be issued in Euro, calculated at the Bulgarian National Bank fixed exchange rate Euro/BGN, valid until two (2) months from the execution of the GTAs according to Section 4.2).

The amount of the Binding Bid Guarantee shall be equal in value to minimum 2% of the value of the incremental capacity the participants intend to request (based on the reference price made available by BULGARTRANGAZ).

BULGARTRANGAZ will publish on its own website the estimated value of the annual capacity charge referred to the Incremental Capacity Project.

Binding Bids by Participants will be accepted only within the limits of the Binding Bid Guarantee which will have been presented to BULGARTRANGAZ according to the provisions above.

By submitting a binding request to BULGARTRANGAZ, the Participant accepts that said request will constitute an irrevocable commitment to enter a GTA with BULGARTRANGAZ, subject to the successful outcome of the EVT.

The Binding Bid Guarantee provided to BULGARTRANGAZ by each Participant will be returned to such Participant once:

- BULGARTRANGAZ confirms that the Participant will not be allocated incremental capacity.
- The EVT of the side of ICGB is finally determined to be negative (in accordance with the provisions of Section 5.1), or
- If the Participant is allocated incremental capacity, upon the provision to BULGARTRANGAZ of the GTA Guarantee described in Section 5.7

5.2 Binding Bid Process

During the Binding Bidding Phase, Participants will have to submit their Binding Bids for incremental capacity products to both TSOs. Binding Bids at both TSOs for the IP should match, having identical start and end dates, and identical capacity requested per gas year. For Binding Bids that do not meet these requirements the TSOs shall apply the lesser rule.

Participants shall specify in each Binding Bid:

- **The capacity requested (in kWh/day).** Capacity requested cannot exceed the maximum incremental capacity on offer at the IP, as defined in Section 3;
- **The requested start date of the bid** (gas year);
- **The requested end date of the bid** (gas year);
- **Indication whether capacity reduction is acceptable or not.** Participants must also indicate whether they will accept a reduction in their Capacity Allocation (and up to what amount) in the event of congestion and their bid happens to be marginal.

Incremental capacity will be offered as bundled products to Participants for a minimum duration of 3 (three) consecutive years, with the earliest possible Gas year being the Gas Year that includes the earliest COD of the Offer Level provided (Section 2) and the latest possible Gas Year for capacity being Gas Year 2044/45.

Participants may submit only one Binding Bid for the IP. As a basic rule, in a single Binding Bid, Participants may specify only one value of incremental capacity for all gas years requested. A Binding Bid may however indicate a ramp-up over the first two years of the period to which the Binding Bid relates, with a minimum value for the first year of 40% of capacity and 70% for the second year.

A Binding Bid does not have to specify a bid price, as the price applicable to the incremental capacity for the purposes of the evaluation process shall be equal to the Reference Price plus any premium where applicable.

By submitting a Binding Bid Form, a Participant will be deemed to have agreed to the terms and process set out in this Project Proposal and the Joint Notice published by the TSOs Concerned, the Binding Phase Notice of each TSO, including the process regarding the overall Project Proposal and the potential liability of the Participant in connection with a GTA not being executed between the relevant parties or not becoming fully effective in accordance with its terms and/or the termination or modification of the Incremental Capacity Process (see further detail in Section 5.1 and 5.7).

The above requirements apply in addition and are subject to each TSO's further requirements in relation to the Binding Bid Process and their applicable regulatory framework, in each case.

During the Binding Bidding Phase, Participants will have to submit the same Binding Bids for incremental capacity products at IP STARA ZAGORA to BULGARTRANGAZ and to ICGB in accordance with the rules set out in this document (including all annexes where applicable information is provided) and the information provided during the Information Phase.

In relation to the allocation of bundled capacity, in the event of a delay or misalignment in the COD for an adjacent TSO, BULGARTRANGAZ and ICGB have the right (but not obligation) to agree and implement ways of mitigating the consequences of such delay or misalignment, including by making adjustments to any bundled Capacity Allocation as may be agreed with the relevant Participant. Any such mitigation is expected to be finally neutral to BULGARTRANGAZ and ICGB.

Bids will have to be submitted inside the Bid Submission Window in accordance with the instructions that will be provided in the Joint Notice published by the TSOs, as well as with the Binding Phase Notice of each TSO.

5.2.1 ICGB

During the Binding Bidding Phase, Participants will have to submit their Binding Bids for incremental capacity products to ICGB.

Exempted Network Users under the IGB NETWORK CODE shall observe capacity caps for dominant players under the *Final Joint Decision of the Energy Regulators on the Exemption Application of ICGB AD dated August 2018 (and the amendments to it)*³, when providing their Binding Bids.

The respective transmission tariff per yearly firm product for ICGB, according to the provisions of the IGB TRANSMISSION TARIFF CODE annex A to the IGB NETWORK CODE as approved by the NRAs (to be used as

³ Accepted by Decisions of RAEWW of Greece n. 768/2018 and EWRC of Bulgaria n. P-BO-2 on 08.08.2018.// <https://www.dker.bg/bg/resheniya/resheniya-za-2018-qod.html>

estimated Reference Price for the duration of the initial incremental capacity requests), will be published on ICGB's website during the Information Phase. ICGB may specify a premium charged on top of the Reference Price. If any premium is applicable, it will be outlined in the Joint Notice published by the TSOs and in the Binding Phase Notice of ICGB.

5.2.2 BULGARTRANGAZ

BULGARTRANGAZ will publish on its own website the estimated value of the indicative Reference Price in accordance with the provisions of the relevant tariff regulation, as approved by EWRC, during the Information Phase. There will be no other additional auction premium charged.

5.3 Bid evaluation

At the end of the Bid Submission Window, each TSO will assess the respective received Binding Bids for completeness and compliance with the relevant requirements set out under this Project Proposal, the Joint Notice and the Binding Phase Notice issued by each TSO (including, where capacity is being made available as bundled capacity, that equal Binding Bids have been made to each of the TSOs Concerned). Those Binding Bids that are accepted at this stage will be considered as part of the preliminary Capacity Allocation procedure of Section 5.4. In case of rejection of a Binding Bid, the relevant TSO shall (without prejudice to the procedure applicable to Equal Marginal Bids) notify the relevant Participant of such rejection and the other TSOs Concerned within 5 Business Days from the end of the Bid Submission Window. For the avoidance of doubt, the rejecting TSO shall have no liability whatsoever to the other TSOs Concerned, the relevant Participant or any other party in connection with such rejection.

5.4 Preliminary Capacity Allocation Procedure (Bid Ranking)

The rules for preliminary Capacity Allocation of incremental capacity at the IP are described below. If a TSO curtails or rejects any Binding Bid at an IP where capacity is made available as bundled capacity, the bundled Binding Bid made with the other TSO Concerned will also be curtailed or rejected to the same extent.

The TSOs will undertake the actions listed below:

- For each year, the sum of Binding Bid capacity requests is computed at the IP.
- If there is no congestion at the IP, the TSOs Concerned shall undertake a preliminary Capacity Allocation and proceed with the EVT process set out in Section 5.6, if applicable.
- If there is congestion at the IP, Participants are ranked according to the NPV of their binding commitments for incremental capacity and their Binding Bids are ranked according to their NPV.
 - A Marginal Bid at a congested interconnection point is allocated the remaining incremental capacity unless the Participant has explicitly declared, in its Binding Bid, non-acceptance of a relevant capacity reduction. If the Participant of such Marginal Bid

has declared non-acceptance of capacity reduction, the remaining capacity is allocated to the next Participant with a lower NPV ranking. If there is no other Participant with a lower NPV ranking, only the allocated capacity (without such Participant) will be considered in the EVT.

- In the case of two or more Equal Marginal Bids, a process may be initiated according to Section 5.5;
- The outcome of the preliminary allocation process shall comprise of a table showing each Offer Level and IP showing all Binding Bids and Capacity Allocation.

The timescales and the procedural details related to the bid submission process will be specified in the Joint Notice published by the TSOs.

5.5 Allocation of Equal Marginal Bids (EMB)

In the case of two or more Equal Marginal Bids, capacity will be allocated on a pro rata basis.

5.6 Economic Viability Test

The Economic Viability Test (EVT) is carried out by ICGB at its side of the IP. The outcome of the EVT will be either positive or negative according to the provisions of Article 22.2 of CAM NC.

BULGARTRANGAZ intends to implement the investment without an Economic Viability Test in case ICGB will proceed with the implementation of the respective incremental capacity project on its side of the IP.

For ICGB, the EVT will take into account the Present Value of the estimated revenue increase (the respective updated tariff will be generated as per the Exemption decision and IGB TRANSMISSION TARIFF CODE) multiplied by the f-factor (see Section 5.11) as approved by NRAs and the Present Value of binding commitments of Participants for contracting capacity, using a discount rate to meet the targeted IRR as per the IGB TRANSMISSION TARIFF CODE.

For the avoidance of doubt, ICGB's EVT concerns the ICGB side of the IP. Costs concern all costs borne by ICGB for the expansion of the ICGB System to meet each Offer Level. It is noted that when performing the Economic Viability Test (EVT), ICGB might assess Komotini IP together with another point of IGB pipeline.

The following results are anticipated following the EVT:

- If the EVT is positive for ICGB, capacity is allocated according to the bid ranking.
- If the EVT is negative for ICGB, ICGB reserves the right to examine the possibility to implement any, or a combination of any, of the following so that the EVT turns to positive:
 - Adjust the f-factor upon approval by the NRAs.
 - Discuss, on a reasonable effort basis, with the Participants from the Binding Phase any potential future changes to their respective bookings.
 - Investigate whether a lower Offer Level or a customized technical solution meeting all or part of the demand, potentially curtailing Binding Bids according to Section 5.4, upon approval by the NRAs. Curtailment may impact the Offer Level to be tested at the IP. If ICGB curtails or rejects any Binding Bid at the IP where capacity is made available as

bundled capacity, the bundled Binding Bid made with BULGARTRANGAZ will also be curtailed or rejected to the same extent.

- The process under Section 5.5 may need to be run prior to finalization of Capacity Allocation.
- According to Article 24.4 of CAM NC if a redistribution of revenues could potentially lead to a decrease in the level of binding commitments for contracting capacity required for a positive single economic test outcome, TSOs may submit to the NRA(s) for coordinated approvals the mechanisms for a redistribution of revenues from incremental capacity.

The TSOs shall jointly communicate the EVT results of the Binding Bidding Phase to respective Participants no later than the date set for milestone “3. Capacity Allocation” as per Section 4.2, subject to the present Section in case of a negative EVT.

5.7 Gas Transportation Agreement

Each successful Participant shall enter a GTA with the TSO Concerned according to the respective applicable regulatory framework in relation to the allocated capacity.

In addition to the TSO-specific requirements, TSOs have aligned a number of key timings and principles in the GTA process – these concern:

- Countersignature or signature of the relevant GTAs by the date set for milestone “4. Execution of GTAs” as per Section 4.2;
- The GTA(s) becoming fully effective upon a set of specific Conditions Precedent being met to the satisfaction of each TSO by the Long Stop Date;
- Closing of the Incremental Capacity Project and declaring the GTAs void if the Conditions Precedent are not met or waived by respective TSOs by the Long Stop Date.

Further details, reflecting applicable law and commercial specifics are provided, in relation to each TSO below.

5.7.1 ICGB

In case of a positive EVT, each Participant is bound to the commitments expressed in relation to the successful outcome of the procedure.

ICGB will send to the Participant(s) that have been allocated capacity the GTA, which must be returned to ICGB, signed by the Participant no later than the date set for milestone “4. Execution of GTAs” as per Section 4.2.

It is intended that the final positive outcome of the EVT leading to the realization of the Incremental Capacity Project is subject to the execution of the GTA(s) by all the Participants(s) with successful binding commitments. ICGB may waive said requirement for execution of the GTA(s) by all the Participants(s)

with successful binding commitments, in case the non-execution of one or more of the GTAs does not alter the result of the EVT to negative and upon consultation with NRAs.

The signed by both parties (ICGB and the Participant) GTA will become fully effective upon a set of Conditions Precedent being met to the satisfaction of ICGB, including:

- ICGB has proceeded with a FID by the Long Stop Date.
- The relevant GTAs between the Participants and TSOs Concerned have become fully effective by the Long Stop Date.
- BULGARTRANGAZ has decided to proceed with the Incremental Capacity Project, due to the fact that its specific Conditions Precedent, as described in the Project Proposal, have been met or waived and has notified ICGB by the Long Stop Date.
- ICGB's updated estimations for the cost of the Project, which will be based on the detailed design that will follow the Capacity Allocation, will not alter the result of a positive EVT.
- The allocated Participant has provided the necessary credit support under the GTA.

If the Conditions Precedent are not met or waived by ICGB by the Long Stop Date, ICGB may close the Incremental Capacity Project, void the GTAs and return the GTA Guarantee to the Participant.

The Participant shall present to ICGB five (5) Business Days before GTA execution the required GTA Guarantee in the form of a GTA bank guarantee, GTA parent company guarantee or cash deposit.

The GTA bank guarantee and GTA parent company guarantee shall be on demand and to include irrevocable and unconditional undertake that, forthwith upon ICGB giving written notice to the guarantor stating in its sole and absolute judgement that the Participant has failed to observe or perform any of the terms, conditions or provisions of the GTA on its part to be observed or performed, the guarantor will, on one or more occasions and notwithstanding any objection which may be made by the allocated Participant, promptly pay to ICGB the amount of the GTA Guarantee.

The GTA bank guarantee shall be issued in EUR by a bank having a registered main office in the European Union that has the credit rating of at least B as per Standard & Poor's Corporation rating rank or equivalent according to the classification of other internationally credit rating agencies and in the forms to be provided with the Binding Phase Notice.

The GTA parent company guarantee shall be issued in EUR and shall be on demand parent company guarantee to be provided (i) by a parent or affiliate of the Participant with a rating for its long-term unsecured and non-credit-enhanced debt obligations of [BB+] or higher by Standard & Poor's Rating Services or equivalent according to the classification of other internationally credit rating agencies; and (ii) on behalf of the allocated Participant to ICGB to secure the obligations of the allocated Participant related to the GTA. If the long-term issuer credit rating for any guarantor under any bid parent company guarantee falls below BB+ by Standard & Poor's Rating Services or equivalent according to the classification of other internationally credit rating, then within 10 Days of such event, the relevant Participant shall procure replacement of GTA Guarantee.

The GTA cash deposit shall represent a sum of money in EUR paid into a bank account of the ICGB set out in the Binding Phase Notice. By making such payment, the allocated Participant shall transfer to the ICGB, and the ICGB shall acquire the full title over the GTA cash deposit (and any of its parts), free of any encumbrances held by either the Participant or any third party. No interest or any other amount shall be payable by the ICGB to the allocated Participant in connection with the GTA cash deposit. ICGB shall have the right to utilize the GTA cash deposit only for the purpose of ensuring that the Participant meets its GTA requirements.

The allocated Participant shall ensure that the GTA Guarantee shall remain in full force until the date on which the allocated Participant presents to ICGB the network user credit support as per the *existing non-exempted gas transportation agreement between the Network User (the allocated Participant) and ICGB*. One (1) month before the COD, the allocated Participant shall present to ICGB the network user credit support required according to the relevant provisions of the *existing non-exempted gas transportation agreement between the Network User (the allocated Participant) and ICGB* pursuant to Article 9 of IGB NETWORK CODE, for the capacity allocated to that Participant in the context of the Incremental Capacity Process. For the capacity allocated to that Participant in the context of the Incremental Capacity Process the network user credit support is governed by Articles 29.3.1 to 29.3.5 (incl.) and 29.3.7 of the IGB NETWORK CODE. For the avoidance of any doubt, all other Participant's obligations should be fulfilled pursuant to the relevant provisions of the *existing non-exempted gas transportation agreement between the Network User (the allocated Participant) and ICGB* and the IGB NETWORK CODE.

The GTA Guarantee provided to ICGB by each Participant will be released to such Participant once the Participant provides the network user credit support under the *existing non-exempted gas transportation agreement between the Network User (the allocated Participant) and ICGB* and the IGB NETWORK CODE. In the event of a positive EVT, if the successful Participant does not issue the GTA Guarantee or does not execute the GTA it shall pay a penalty to ICGB equal to the value of the Binding Bid Guarantee described in Section 5.1.

If the GTAs do not become effective, as provided for in this Section, ICGB will allocate the actual costs incurred by ICGB for the Incremental Capacity Process up to that point to each Participant with a GTA, pro rata to the amount of their GTA Guarantees. The GTA Guarantee will be returned after such actual costs have been settled.

Following the execution of the GTA, the Participant shall be required to pay to ICGB all the applicable (transmission) charges and fees with start date from the date the capacity is made available and for full duration for which capacity has been allocated to that Participant, in accordance with the terms of the GTA and IGB NETWORK CODE.

5.7.2 BULGARTRANGAZ

In case of a positive EVT made by ICGB, each Participant is bound to the commitments expressed in relation to the successful outcome of the procedure.

BULGARTRANGAZ will send to the Participant(s) that have been allocated capacity the GTA, which must be returned to BULGARTRANGAZ, signed by the Participant no later than the date set for milestone “4. Execution of GTAs” as per Section 4.2.

The signed by both parties (BULGARTRANGAZ and the Participant) GTA(s) will each become fully effective upon a set of Conditions Precedent being met to the satisfaction of BULGARTRANGAZ, including:

- BULGARTRANGAZ has proceeded with a FID by the Long Stop Date.
- The relevant GTAs between the Participant and TSOs Concerned have become fully effective by the Long Stop Date.
- ICGB decided to proceed with the Incremental Capacity Project, due to the fact that its specific Conditions Precedent, as described in the Project Proposal have been met or waived and have notified BULGARTRANGAZ by the Long Stop Date.

If the Conditions Precedent are not met or waived by BULGARTRANGAZ by the Long Stop Date, BULGARTRANGAZ may close the Incremental Capacity Project and void the GTAs and return the GTA Guarantee to the Participant.

The Participant shall present to BULGARTRANGAZ no later than 5 (five) Business Days before GTA execution the required GTA Guarantee in the form of a bank Guarantee or cash deposit.

The cash deposit shall represent a sum of money in EUR calculated at the Bulgarian National Bank fixed exchange rate Euro/BGN, paid into a bank account of the BULGARTRANGAZ set out in the Binding Phase Notice. By making such payment, the Participant shall transfer to the BULGARTRANGAZ, and the BULGARTRANGAZ shall acquire the full title over the cash deposit (and any of its parts), free of any encumbrances held by either the Participant or any third party. No interest or any other amount shall be payable by the BULGARTRANGAZ to the Participants in connection with the cash deposit.

The required bank Guarantee needs to be, unconditional, irrevocable, cashable at first request of BULGARTRANGAZ, with a possibility to be fully or partially used, issued by any EU bank with a minimum investment grade credit rating from the following Agencies: BBB at Standard and Poor’s, BBB at Fitch or Baa3 at Moody’s, or any subsidiary of an EU bank with a minimum investment grade credit rating (as described above) which has been approved in advance by BULGARTRANGAZ, at its sole discretion.

The bank guarantee shall be issued in Euro, calculated at the Bulgarian National Bank fixed exchange rate Euro/BGN, valid until two (2) months after the end of duration of last in time allocated capacity.

The bank guarantee must contain an obligation of the guarantor-bank to make an unconditional payment at Bulgartransgaz EAD first written demand in case the User had failed to perform its obligation to pay the due amounts under a signed GTA.

The amount of the GTA Guarantee shall be with minimum value of 6% of the value of the incremental capacity allocated to that Participant (based on the reference price made available by BULGARTRANGAZ).

Once the GTA Guarantee described above is presented to BULGARTRANGAZ, the Guarantee indicated in Sections 5.1 and 5.5, will be returned.

The GTA Guarantee shall have a duration and shall remain valid until two (2) months after the end of duration of last in time allocated capacity.

After finishing every gas year of service provided part of the GTA Guarantee corresponding to the reserved capacity in this year can be released after participant request if the participant doesn't have due payments to BULGARTRANGAZ.

In the event of a positive EVT, if the successful Participant does not issue the GTA bank Guarantee or does not execute the GTA it shall pay a penalty to BULGARTRANGAZ equal to the value of the Binding Bid Guarantee described in Sections 5.1 and 5.5.

Following the execution of the GTA, the Participant shall be required to pay to BULGARTRANGAZ all the applicable transmission charges with start date from the date the capacity is made available and for full duration for which capacity has been allocated to that Participant, in accordance with the terms of the GTA.

5.8 Progress of the project, lack of permits, delays in making available the capacity

The TSOs Concerned will share with the relevant Participants the progress of the Incremental Capacity Project. By signing the GTA, the Participant shall be deemed to have accepted that, if the authorizations, permissions, approvals, easements, public procurement contracts and any other relevant land rights necessary for the construction phase of the project are not obtained/signed or delayed, then the execution times for the implementation of the Incremental Capacity Project including the expected date of commissioning of the IP will be considered correspondingly extended, and TSOs shall have no liability to any Participant in connection with such delays, other than what may be set out in the relevant GTA.

Each TSO shall apply appropriate mechanism to notify duly about occurrence of events of the above nature that may affect the ability to complete the timeline for the implementation of the Incremental Capacity Project.

5.9 Force Majeure

Force Majeure conditions of the different TSOs are defined in their respective contractual terms as indicated below.

5.9.1 ICGB

In addition to the reasons defined above in item 5.8. which may objectively affect the ability of the TSO to meet the expected timeline for finalization of the Incremental Capacity Process, including the expected date of commissioning of the capacity of the IP, ICGB and the allocated Participant may refer to the Force Majeure Event.

Force Majeure Event definition

For ICGB “Force Majeure Event” shall mean an event or circumstance (or a combination of events and/or circumstances) beyond the reasonable control of a Party, acting and having acted as a Reasonable and Prudent Party, which results in such Party being unable to perform one or more of its obligations (either wholly or partly) under the provisions governing the Incremental Capacity Process – 2023 (incl. but not limited to the Project Proposal, the Binding Phase Notice, IGB NETWORK CODE, GTAs, etc.), which inability could not have been foreseen, prevented or overcome by such Party acting as a Reasonable and Prudent Party and incurring reasonable expenses.

Subject to fulfilment of the requirements set out in the preceding paragraph, Force Majeure Event shall include, without limitation: strikes; lockouts; labour and other industrial disturbances (including sabotages); acts of God; unavoidable accidents; new Applicable Law, order, rule, regulation, act or restraint of any governmental body or authority (municipal, national, supranational, including European Union, or other) or a court; acts of war or conditions arising out of or attributable to war (declared or undeclared); shortage of materials, or limitations upon the use thereof; collapse of structures; and failure or breakdown of plant or machinery and pipes.

Limitation of Force Majeure Event

Notwithstanding the provisions of Force Majeure Event definition above, any or all of the following events and circumstances shall not constitute a Force Majeure Event:

- 1) changes in market conditions, including changes that directly or indirectly affect the demand for or price of Gas or any commodity produced from or with Gas, such as loss of customers or loss of market share;
- 2) financial hardship of a Party or the inability of a Party to make a profit or receive a satisfactory rate of return from its operations;
- 3) any event or circumstance whatsoever affecting infrastructure and/or facilities (directly or indirectly) used for the transport in systems (other than the IGB Pipeline;
- 4) the imposition of Sanctions by any Governmental Authority due solely to the failure of the ICGB to comply with any Applicable Laws; or
- 5) the breakdown or failure of machinery caused by normal wear and tear that should have been avoided by a Reasonable and Prudent Party, the failure to comply with the manufacturer's recommended maintenance and operating procedures, or the unavailability at appropriate locations of standby equipment or spare parts in circumstances where a Reasonable and Prudent Party would have had the equipment or spare parts available.

Limitation on obligation relief

Where a Party is affected by a Force Majeure Event, that Party shall (subject to the provisions of Limitation of Force Majeure Event above) be relieved from its affected obligations only and its unaffected obligations shall continue to apply.

Any failure to timely pay amounts which are owed under the Incremental Capacity Process – 2023 (incl. but not limited to the Project Proposal, the Binding Phase Notice, IGB NETWORK CODE, GTAs, etc.) shall not be excused by a Force Majeure Event, unless the payment procedure itself is affected by a Force Majeure Event.

Notification and Force Majeure Event estimation

The Party affected by a Force Majeure Event shall, as soon as practicable after learning of the Force Majeure Event, notify the other Party of the occurrence of the Force Majeure Event and, to the extent then available, provide to it a *bona fide* non-binding estimate of the extent and duration of its inability to perform.

The Party affected by the Force Majeure Event shall use commercially reasonable endeavours to mitigate and overcome the effects of the Force Majeure Event and shall, during the continuation of the Force Majeure Event, provide the other Party with reasonable *bona fide* updates, when and if available, of the extent and expected duration of its inability to perform under the Incremental Capacity Process – 2023 (incl. but not limited to the Project Proposal, the Binding Phase Notice, IGB NETWORK CODE, GTAs, etc.)

There shall be no obligation of the Party affected by a Force Majeure Event to:

- 1) settle any labour dispute (except in such a manner as it shall deem fit, in its own judgment); and
- 2) negotiate, arrange, or agree alternative transportation for Gas.

5.9.2 BULGARTRANGAZ

For BULGARTRANGAZ the term "Force Majeure" means circumstances not reasonably foreseen by, unable to be avoided by and beyond the control of the Party, including but not limited to the following:

- (a) extraordinary forces of nature: floods, earthquakes, landslides, fires, explosions and other unavoidable accidents;
- (b) strikes, boycotts, lockouts, sabotage, military actions and wars.

For avoidance of doubt the lack of funds cannot be considered as Force Majeure.

A Force Majeure event does not include any act of public authorities of the country where the Party is incorporated or the country where the Party has its registered seat, or lack thereof.

Following the occurrence of any circumstances of Force Majeure, the affected Party shall notify the other Party of the occurrence and the expected extent and duration of such circumstances and take all economically reasonable measures, which may be useful to ensure the resumption of the normal performance of the Contract within the shortest possible time.

The termination of the Contract due to Force Majeure circumstances shall take place only by mutual consent of the Parties.

5.10 Element IND and RP for fixed price approach

5.10.1 ICGB

ICGB shall apply to the incremental capacity the already approved by RAEWW and EWRC Transmission Tariff Code based on the Exemption from the provisions of Articles 41.6, 41.8, 41.10 of the Gas Directive 2009/73/EC that has been granted to ICGB for a period of twenty-five (25) Years from the Commercial Operation Date pursuant to the *Final Joint Decision of the Energy Regulators on the Exemption Application of ICGB AD dated August 2018* (and the amendments to it)⁴.

Therefore, ICGB is not considering the adoption of a fixed price approach and consequently elements IND and RP foreseen by Commission Regulation (EU) 2017/460 are not relevant.

5.10.2 BULGARTRANGAZ

With regard to incremental capacity, BULGARTRANGAZ will apply floating applicable payable price derived from the Methodology determining prices for access and transmission of natural gas through the gas transmission networks owned by BULGARTRANGAZ (Issued by the State Energy and Water Regulatory Commission, promulgated State Gazette No. 72 of 29.08.2014 in force as of 1.10.2014).

BULGARTRANGAZ is therefore not considering the adoption of a fixed price approach and consequently elements IND and RP foreseen by Commission Regulation (EU) 2017/460 are not relevant.

5.11 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 EVT envisaged in Articles 22 and 24 of CAM NC.

5.11.1 ICGB

The preliminary level of user commitments, expressed as an estimate of the f-factor, proposed for the individual EVT on ICGB side is 1. A final proposal for the f-factor by ICGB will be submitted to RAEWW and EWRC at the end of the Design Phase in accordance with the provisions of article 28.1 of CAM NC. The f-factor(s) used to perform the economic test will be finally set by RAEWW and EWRC according to Article 28 of CAM NC.

5.11.2 BULGARTRANGAZ

BULGARTRANGAZ will not conduct the EVT and consequently the f-factor is not relevant on BULGARTRANGAZ's side.

⁴ Accepted by Decisions of RAEWW of Greece n. 768/2018 and EWRC of Bulgaria n. P-BO-2 on 08.08.2018.// <https://www.dker.bg/bg/resheniya/resheniya-za-2018-god.html>

6. Additional demand indications

According to the provisions of CAM NC, on July 3rd, 2023, the TSOs invited all interested parties to submit non-binding indications for incremental capacity at existing or new Interconnection Points. In accordance with Regulation EC 459/2017, the following periods have been included in this analysis:

a) non-binding demand indications received within 8 weeks after the start of the annual yearly capacity auction on 3 July 2023.

b) non-binding demand indications received later than 8 weeks after the start of the annual yearly capacity auction on 3 July 2023, which have been considered in the current incremental capacity cycle.

The involved TSOs, BULGARTRANGAZ and ICGB, both have received relevant non-binding demand indications from interested parties within the time windows a) and b) described above. The aggregated non-binding demand indications (for a) and b) above) received by each TSO are described in Section 1.1 and Section 1.2.

No additional demand indications for IP STARA ZAGORA were received after the publication of the DAR.

7. Decrease in the utilization of other non-depreciated gas infrastructure

The realization of the projects for incremental capacity at IP STARA ZAGORA is not expected to lead to a sustained, significant decrease in the utilization of other existing gas infrastructures in the two adjacent entry-exit systems.

8. Contact information

ICGB AD

Bulgartransgaz EAD



23 George Washington Street
Sofia 1000
Bulgaria

Blvd. Pancho Vladigerov 66 Lyulin 2, CP 3
Sofia 1000
Bulgaria

Karina Racheva

Nikola Delev

Business Development

Acting Director “Strategic Planning & Development”

karina.racheva@icgb.eu
incremental.capacity@icgb.eu

nikola.delev@bulgartransgaz.bg
info@bulgartransgaz.bg

Mobile: +359 (0) 883 266 356

Mobile: +359 (0) 886 036 436

www.icgb.eu

www.bulgartransgaz.bg

9. Annex I - Definitions

1. **Alternative Allocation Mechanism** or **AAM** as defined in article 30 CAM NC.
2. **Applicant** means the interested party that registers during the Binding Phase.
3. **Guarantee** means the on-demand bank guarantees or alternative form of credit support, in a form acceptable to each TSO which are required to be submitted to each TSO in order to participate in the Binding Phase (including to participate in the Equal Marginal Bids process in accordance with Section 5.5, if required) and to enter into a GTA, which meet the requirements set out under Sections 5.1 and/or 5.7
4. **Bid Submission Window** means the period during which Participants may submit a Binding Bid.
5. **Binding Bid** means a binding transmission capacity request submitted by a Participant during the Binding Phase using the Binding Bid Form.
6. **Binding Bid Form** means a form attached to Binding Phase Notice of each TSO, to be used by Applicants for the submission of their Binding Bids by which Participants express their irrevocable commitment to enter a GTA with the TSO, subject to positive EVT.
7. **Binding Bid Guarantee** means a Guarantee in the form as defined by each TSO submitted by a Participant and specifically related to the Binding Bid and aiming to secure participation in the Binding Phase and execution of GTA.
8. **Binding Phase Notice** means the document under Article 28.3 of NC CAM, published at the start of the Information Phase, specifying the requirements, instructions and documents related to the Binding Phase participation and development.
9. **Binding Bidding Phase** means a phase of the Incremental Capacity Process whereby interested parties can submit Binding Bids to the TSOs through a binding process in accordance with Section 5 and during which the TSOs will perform the Economic Viability Test and will proceed to Capacity Allocation.
10. **Binding Phase** means the general phase of the Incremental Capacity Process which is composed of the Information Phase and the Binding Bidding Phase.
11. **Binding Phase Registration Form** means the forms attached to Binding Phase Notice of each TSO, to be used by Applicants for their registration to each Binding Phase by which Participants will declare acceptance of the conditions set by TSOs.
12. **BULGARTRANGAZ System** means the Bulgarian Gas Transmission System, operated by Bulgartransgaz EAD.
13. **Business Day(s)** shall mean any calendar day, but not a Saturday, Sunday, or a public holiday in Bulgaria.
14. **CAM NC** means the Commission Regulation (EU) 2017/459 of 16 March 2017 establishing a network code on Capacity Allocation mechanisms in gas transmission systems.
15. **Capacity Allocation** means allocated capacity to each of the successful Participants after the positive outcome of a Binding Bidding Phase and EVT.

16. **Commercial Operation Date (COD)** means a date for commercial operation following successful commissioning of the incremental capacity at the IP, realized following a positive EVT.
17. **Condition(s) Precedent** means the events or actions that must be completed (or otherwise waived) before or as part of the GTA(s) in order the latter to become effective pursuant to the terms of the relevant GTA(s), as required by each TSO in their respective sub-section of Section 5.7.
18. **Demand Assessment Report or DAR** means the report published jointly by the TSOs on 23 October 2023 [defined in article 26 of CAM NC]. The DAR summarizes the results of the Non-binding demand indications received by the TSOs.
19. **DESFA System** means the National Natural Gas Transmission System of Greece, operated by DESFA.
20. **Design Phase** means the design phase of the incremental capacity process as defined in Article 27 of CAM NC.
21. **Economic Viability Test (or EVT)** means a test applied to assess the economic viability of the Incremental Capacity Project according to Article 22 of CAM NC.
22. **EWRC** means Energy and Water Regulatory Commission of Bulgaria, the National Energy Regulatory Authority of Bulgaria.
23. **F-factor** as defined in Article 3.24 CAM NC.
24. **GTA** (Gas Transportation Agreement in the case of ICGB) or **CBA** (Capacity Booking Agreement in the case of BULGARTRANGAZ) means the gas transportation agreement signed by the TSO and a Participant to whom incremental capacity has been allocated pursuant to the Incremental Capacity Process, as specified in each TSO's specific requirements in Section 5.7. GTA or CBA is specific to each TSO and could be drafted and titled differently.
25. **GTA Guarantee** has the meaning given to it in Sections 5.7.1 and 5.7.2 respectively.
26. **ICGB System or IGB** means the Interconnector Greece-Bulgaria operated by ICGB AD.
27. **IGB NETWORK CODE** shall mean the Network Code of ICGB AD as in force and amended from time to time and published here – <https://www.icgb.eu/media/akuj30ph/igb-network-code.pdf>
28. **Incremental Capacity Process** means the current process to assess market demand for incremental, firm bundled, capacity at the IP.
29. **Incremental Capacity Project** means the project described in this document aiming to increase the amount of technical capacity at the IP [defined in Article 3.11 CAM NC].
30. **Information Phase** has the meaning given to it in Section 4.
31. **Interconnection Point (the IP or IP STARA ZAGORA)** means the interconnection point at Stara Zagora (Bulgaria) between BULGARTRANGAZ and ICGB.
32. **Joint Notice** means the notice jointly published by the TSOs Concerned according to Article 28.3 CAM NC at the start of the Information Phase.
33. **Long Stop Date** has the meaning given in item 5.7 and being the date of 31st of January 2025.
34. **Member State** means a member state of the European Union.

35. **Marginal Bid** means a bid where capacity cannot be met by TSOs Concerned at one Offer Level.
36. **Network User** means an entity that has entered into a Gas Transportation Agreement according to IGB NETWORK CODE.
37. **NRA(s) or National Regulatory Authority(ies)** means the National Energy Regulatory Authority of Greece (RAEWW) and of Bulgaria (EWRC) as applicable.
38. **Non-binding demand indications** the non-binding demand indication(s) for incremental capacity at the IP, received by the TSO(s).
39. **Notice (or Binding Phase Notice)** means the notice published by each TSO according to Article 28.3 CAM NC at the start of the Information Phase.
40. **Offer Level** means the respective level of capacity offered for each of the yearly standard capacity products at the IP STARA ZAGORA.
41. **Participant(s)** means an Applicant that is considered compliant by TSOs (in accordance with Section 5.1) with the requirements for registration process and can further participate in the Binding Bidding Phase.
42. **Project Proposal** means the incremental capacity project proposal set in public consultation (draft Project Proposal) or sent to the NRA(s) for approval (final Project Proposal or Project Proposal), which describes the technical project and the process that will be followed in order the TSO(s) to offer firm incremental capacity at the IP STARA ZAGORA.
43. **RAEWW** means Regulatory Authority for Waste, Energy and Water, the National Energy Regulatory Authority of Greece.
44. **Reference Price** means the price for a capacity product for firm capacity of duration of one year at the IP.
45. **Transmission System** means any natural gas pipeline system, including pipes above and below ground and all other related equipment owned, or used and operated, by a TSO in order to provide natural gas transportation services.
46. **TSO** means Transmission System operator, being ICGB and BULGARTRANGAZ (as relevant).
47. **TSOs Concerned** means BULGARTRANGAZ and ICGB.