ACER
European Union Agency for the Cooperation of Energy Regulators

2nd Monitoring Update on Incremental Capacity Projects

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Contents

Executive summary

(1) In this Report, the European Union Agency for the Cooperation of Energy Regulators ("the Agency") summarises its findings about the second EU-wide incremental-capacity-process cycle that ran from July 2019 to July 2021.

(2) The incremental-capacity process, as laid out in the Network Code on Capacity Allocation Mechanisms[1] ("CAM NC"), is a market-based approach to the expansion of gas-transport capacity, allowing the users of the capacity to underpin the investment in projects that increase cross-border capacity. In the non-binding stage, Transmission System Operators (TSOs) assess the potential demand from network users. In the binding stage, the TSOs test the economic viability of the project - designed based on the assessed demand - by requesting binding capacity commitments for several years from network users through transparent and non-discriminatory auctions. The process thus contributes to an efficient, market-based development of the EU gas network.

(3) The 2019-2021 incremental process was the second iteration of the bi-annual process cycle and expectations were driven by three contextual elements. First, it took place after the first incremental cycle (from 2017 to 2019), which had not led to any capacity expansion as it turned out difficult for TSOs to convert ample non-binding interest in transmission capacity into sufficient binding commitments from network users. In addition, the second process took place during the worldwide COVID-19 crisis, which impacted economic activity during 2020 and 2021 and strongly affected gas markets. Finally, the EU policy context moved the focus from market integration to decarbonisation, tabling new policy topics like the ones on hydrogen, sector integration and methane emissions.

(4) The Agency finds that in the incremental-capacity cycle 2019-2021:

- Few of the 46 non-binding-demand assessments for interconnection capacity between market areas led to the initiation of new incremental-capacity projects;
- Out of the 15 borders with a positive demand indication in the non-binding demand-assessment reports (DARs), TSOs proceeded to submit project proposals at 10 borders for a total of 12 projects, with 3 projects being proposed at the border between Germany and the Russian Federation;
- 10 out of 12 incremental project proposals received coordinated NRA approval decisions. One project at the border between Trading Hub Europe[2] ("THE", Germany) and TTF (the Netherlands) market areas had been withdrawn by the TSOs before the NRAs decided. One project between Austrian and Czech market areas is still waiting for coordinated NRA decisions on the joint project proposal of the TSOs, as the NRAs requested an extension of the deadline which the Agency granted;
- All 10 incremental-capacity projects that proceeded to the binding stage failed the economic test, meaning the initial non-binding expressions of interest did not convert sufficiently into binding capacity contracts to underpin the investment, closing the respective incremental processes.

(5) Table 1 in Section 3 lists the incremental projects that requested regulatory approval, the regulatory decision to approve or reject the project proposal and the outcome of the economic test. Table 2, also in Section 3, gives an overview of the main economic parameters that regulators approved. A geographical depiction of the projects on a map of Europe and the web links to the respective NRA and ACER decisions can be found in Annexes I and II, respectively.

[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. OJ L 72, 17.3.2017, p. 1–28.

[2] Trading Hub Europe is the German market area after the merger of the Gaspool and Net Connect Germany market areas.

(6) The Agency concludes that:

- Both in the first and second iterations of the incremental-capacity process cycle, few projects completed some or all stages of the incremental process, indicating overall low market interest in new gas cross-border transmission capacity;

- Four years into the application of the incremental process to streamline market-based development of transmission capacity, there has been no conversion of sometimes significant non-binding demand indications into firm capacity commitments. Apparently, from the market perspective, existing capacity sufficiently addresses current and future needs. It may also be that network users find the economic conditions under which the capacity is auctioned do not meet their business needs. When setting the economic conditions, such as the f-factor and the mandatory minimum premium, TSOs and NRAs must strike a balance between protecting current gas network users against having to bear the risk of the incremental project, on the one hand, and making incremental capacity available to the market at fair terms and conditions, on the other hand. More protective and thus higher f-factors and higher premia make it more difficult for an incremental project to demonstrate economic viability. In any case, in the current gas market, and in view of the climate and energy policy objectives in the European Union, it is important to base incremental projects on robust demand indications to ensure the overall efficiency of the incremental process.

- The lack of any capacity expansion based on the incremental process does not mean the process to gauge market interest in transmission capacity has no value. It rather indicates that the EU gas market is saturated in terms of transmission capacity to support market-driven gas flows. The learnings from the gas sector may feed into the thinking on how to organise a market-based development of pipelines carrying hydrogen or other decarbonised gases. While these are currently in an infant stage, over time they may see growing demand for the commodity and for its transmission from centres of production to the consumption sites, as the market restructures.

- As far as the existing incremental process is concerned, the process is burdensome for TSOs and NRAs and, given the limited expectations on the future gas consumption, NRAs question whether the obligation to repeat the incremental-capacity cycle every 2 years for all gas interconnection points remains meaningful. Within the current rules, NRAs may, in line with Article 26(11) of the CAM NC, approve the charging of a fee to network users that wish to express non-binding interest. Such fee shall reflect the administrative costs of the process and could help to attract more robust expressions of non-binding interest that have a better chance of being converted into binding capacity bookings or lead to a closure of the incremental process in the earliest stage of the demand assessment.

1. Introduction

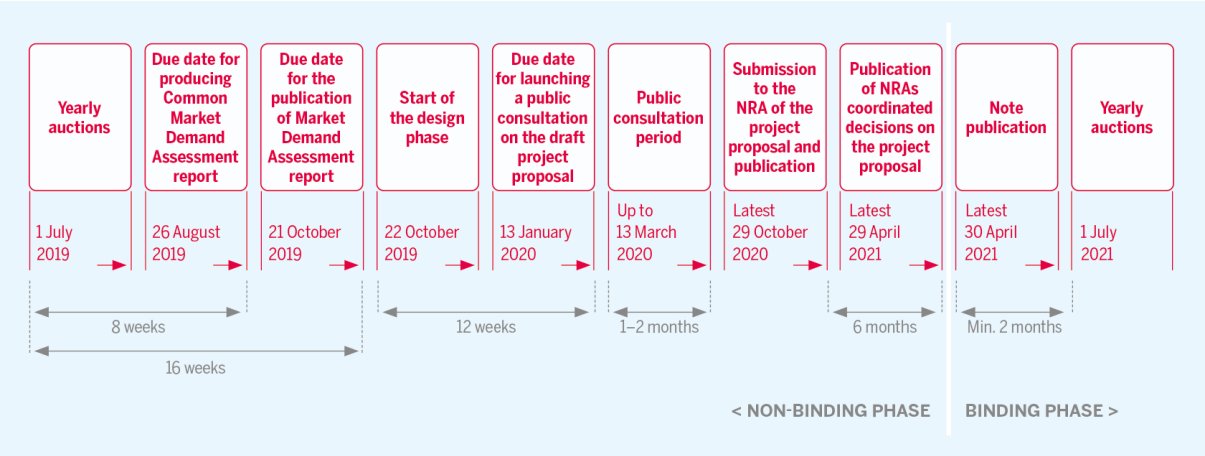
(8) In this Report, the Agency summarises its findings about the second application of the incremental-capacity process, which ran from July 2019 to July 2021.

(9) The incremental-capacity process is a market-based approach to the expansion of gas-transport capacity, allowing capacity users to underpin a pipeline investment. It has a non-binding stage, in which potential demand is assessed, and, after regulatory approval, a binding stage, in which the project promoters test the economic viability of the project by requesting binding commitments from potential users of the capacity in a CAM-auction. Only when the revenues from those commitments sufficiently cover the estimated costs, the economic test is passed and TSOs may proceed with the incremental investment.

(10) This approach stands apart from fully regulated[3] investment, in which the investment cost is recovered via tariffs from all network users, and from the rarely used exemption[4]-based investment, which allows to underpin the investment with long-term commitments from users of the concerned capacity fully or partially outside of the standard EU regulatory framework.

(11) TSOs drive the incremental process, as depicted in Figure 1, whereas NRAs have a formal decision-taking role right before the binding stage, when the capacity is offered to the market in the relevant capacity auction.

Figure 1. Incremental-capacity process in the view of TSOs, as depicted in ENTSOG's Ten-Year Network Development Plan 2020 Infrastructure Report.



2. Non-binding stage: demand assessment and TSO project design

(12) The non-binding stage of the incremental-capacity process kicks off every odd year with an assessment of demand indications after the annual auction of yearly capacity in July, as laid out in Article 26 of the CAM NC. Exceptionally, demand indications can also be collected in an even year as long as the full incremental process closes before the next odd-year cycle starts. When TSOs

[3] ACER monitors the implementation of the Ten-Year Network Development Plans (TYNDP) and the progress of Projects of Common Interest (PCIs).

[4] Article 36 of Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC. The overview of exemption decisions is available at https://ec.europa.eu/energy/topics/markets-and-consumers/wholesale-market/access-infrastructure-and-exemptions_en?redir=1.

conclude that demand indications are sufficiently exceeding available capacity, they may initiate technical studies and carry out a public consultation. This is done in line with Article 27 of the CAM NC in order to prepare a proposal with the parameters for carrying out the economic test, including the conditions under which TSOs would like to request binding capacity commitments in the annual incremental auction.

(13) In line with Article 26(4) of the CAM NC, ENTSOG publishes the demand assessment reports (DARs). For the 2019 demand assessments, ENTSOG published 107 DARs on its website (including native language versions), covering all interconnection points of at least one entry-exit system border. No demand assessment took place in 2020. TSOs systematically used the template made available by ENTSOG, which harmonises how TSOs report on the demand assessments, and provided English versions to ENTSOG in the all but one case.[5]

(14) The Agency finds ENTSOG's publication of the DARs meets the legal requirement of Article 26(2)-(4) of the CAM NC. Additionally, the Agency welcomes the improved quality of the ENTSOG summary list of incremental activities, which takes on board the recommendations formulated in ACER's first Monitoring Update Report of 2020 and now reports demand assessments per border. Additionally, ENTSOG publishes information on the status of the public consultations that TSOs carried out according to Article 27 of the CAM NC.

(15) The Agency reiterates its recommendation to ENTSOG to improve transparency by including a link to the relevant DARs directly in its summary list and to also publish information on which projects evolve to the stage of submitting project proposals for regulatory approval after completing the public consultation step.

(16) After analysing the ENTSOG summary list and the published DARs, and discarding duplications, the Agency distinguishes 46 DARs[6] covering 46 market-area borders. At 15 borders, the concerned TSOs concluded there were positive demand indications.

(17) Based on information received from NRAs, the Agency finds that for 10 of the 15 borders, the involved TSOs drafted and submitted a total of 12 joint project proposals for NRA approval to proceed to the binding stage of the incremental-capacity process in the annual incremental-capacity auction.[7] This means that at 5 borders eventually no incremental project was proposed for the binding stage.[8]

3. NRA approval to proceed to binding stage

(18) Before TSOs can request binding capacity commitments from network users, the concerned NRAs must approve, in coordinated and motivated decisions, the joint TSO proposal for the project.

[5] For the Hungarian DARs, only the Hungarian reports were available on the ENTSOG website.

[6] Listed here per country/market code: AT(Tirol)-DE, AT(Vorarlberg)-DE, AT-CZ, AT-DE, AT-HU, AT-IT, AT-SI, AT-SK, NL-UK, BE(L)-FR, BE(L)-NL, BE-DE, BE-FR, BE-IUK, BE-NL, BG-GR, BG-RO, CH-DE, CZ-DE, CZ-PL, CZ-SK, DE-DK, DE-FR, DE-NL, DE-NO, DE-PL, DE-PL(Yamal), DE-RU, DK-DK(new IP), ES-FR, ES-PT, GR-IT (TAP), HR-HU, HR-SI, HU-RO, HU-SI, HU-SK, IE-UK(NI), IE-UK, IT-MT, IT-SI, IUK-UK, LT-LV, LT-PL, PL-SK, UK-UK(PTL). Given that the transitional period following the Withdrawal Agreement of the UK from the EU applied till 31 December 2020, the Agency includes in its analysis the data for the UK interconnection point.

[7] On the DE-RU border, the concerned TSOs submitted 3 incremental projects' proposals to the German NRA.

[8] The 5 borders where the incremental process closed despite obtaining a positive conclusion about the demand indications are AT(Tirol)-DE (closed after technical studies showing the projected demand can be met without additional capacity), AT-HU (the incremental project based on the demand assessment of 2017 and approved by ACER Decision No 5/2019 was brought to a delayed auction in July 2020), HU-SI (the concerned TSOs did not define a joint project proposal), IT-MT (the concerned TSO and project promoter postponed defining a project proposal upon request of the shipper who sent an expression of interest during the non-binding phase) and IT-SI (the concerned TSOs postponed defining a joint project proposal to take into account the developments of other ongoing incremental capacity processes with other systems).

(19) The joint TSO proposal must include the elements laid out in Article 28(1) of the CAM NC, namely (a) the capacity levels offered, (b) the terms and conditions of participation in the auction and of the capacity contracts, (c) the timeline and risk analysis for project implementation, (d) the economic parameters of the economic test (and further requirements defined in Articles 22-25 of the CAM NC), (e) whether an extended timeline applies, (f) whether an alternative allocation mechanism ("AAM") in the sense of Article 30 of the CAM NC applies, and (g) whether a fixed payable price approach applies.

(20) Article 28(2) of the CAM NC requires NRAs to take coordinated decisions on the TSO proposal, taking into account detrimental effects on competition or the effective functioning of the internal gas market, within six months of receipt of the proposal.

(21) In the 2019-2021 cycle, NRAs decided on 10 of the 12 submitted project proposals. In one further instance, the NRAs could not reach coordinated decisions within six months and requested the Agency for an extension according to the third paragraph of Article 6(10) of the ACER Recast Regulation.[9] The Agency granted an extension for a maximum of six months and the NRAs must take their coordinated decisions by 5 November 2021.[10] Finally, one project proposal had been withdrawn by the TSOs before NRAs decided. The links to the national decisions, in which the full details can be found, are listed in Annex II.

(22) Table 1 gives an overview of the 12 projects, highlighting the market areas and the IP name (for existing IPs) and the coordinated decisions by the NRAs.

[9] Regulation (EU) 2019/942 of the European Parliament and of the Council of 5 June 2019 establishing a European Union Agency for the Cooperation of Energy Regulators. OJ L 158, 14.6.2019, p. 22–53.

[10] Decision No 09/2021 of the European Union Agency for the Cooperation of European Energy Regulators of 23 July 2021 on the request of the regulatory authorities of Austria and the Czech Republic to extend the period for reaching an agreement on the project proposal for incremental capacity between Austria and the Czech Republic.

Table 1: Overview of the incremental capacity projects that requested NRA approval

Incremental-capacity project From > To	NRA decisions (to proceed to binding stage)	Status of incremental process
Austria > Czech Republic (new IP Reintal)	AT-CZ: pending (before 5 November 2021) ACER: granted extension according to Article 6(10) third paragraph Regulation (EU) 2019/942	Open
Poland > Czech Republic (Cieszyn (PL) / Český Těšín (CZ))	CZ-PL: approval	Closed (negative economic test)
Germany > Switzerland (new IP)	DE: approval (exit to third country, entry not CAM relevant)	Closed (negative economic test)
Germany > Denmark (Ellund)	DE: approval (No investment needed in Denmark)	Closed (negative economic test)
Poland > Germany (GCP Gaz-System ONTRAS)	DE-PL: approval	Closed (negative economic test)
Poland (Transit Gas Pipeline System) > Germany (Mallnow)	DE-PL: approval (no investment needed in Poland)	Closed (negative economic test)
Russian Federation > Germany(GPL) (Lubmin II)	DE: approval (Entry from third country, exit side not CAM relevant)	Closed (negative economic test)
Russian Federation > Germany(GPL) (Greifswald)	DE: approval (Entry from third country, exit side not CAM relevant)	Closed (negative economic test)
Russian Federation > Germany(GPL) (Greifswald and Lubmin II)	DE: approval (Entry from third country, exit side not CAM relevant)	Closed (negative economic test)
TAP> Greece & TAP> Italy (TAP)	GR-IT: approval (AAM)	Closed (negative economic test)
Hungary > Slovakia (Balassagyarmat (HU) / Velké Zlievce (SK))	HU-SK: approval	Closed (negative economic test)
Germany > Netherlands (VIP TTF-THE)	Withdrawn by TSOs before NRA decisions	Closed (withdrawal of project proposal by TSOs)

(23) Based on information received from the concerned NRAs, the Agency notes that:

- The TSO proposals were deemed incomplete upon submission by at least one of the concerned NRAs in 9 out of 12 project proposals; in the 3 remaining cases, the initial submissions were deemed complete. Reasons for deeming a proposal incomplete varied from formalities, such as a missing signature, to the lack of supporting market information to enable the NRA to approve the economic parameters. One incomplete submission was subsequently withdrawn and thus not completed. In the other 8 cases, the proposals were completed to cover the Points (a) to (g) of Article 28(1) of the CAM NC;

- The proposal for incremental capacity at VIP TTF-THE between Germany and the Netherlands was withdrawn because of developments in the national process on the national network development plan. The NRAs and TSOs concluded that other measures already included in the national network development plan would be able to cover the identified demand interest and that those measures were justified in the specific case and thus there was no need for an incremental project;

- The proposal for incremental capacity at the new IP Reintal at the border of Austria and Czech Republic did not yet receive coordinated NRA decisions. Due to a problem of administrative nature, the Austrian NRA was not able to take a decision within the 6-month deadline foreseen in Article 28(2) of the CAM NC. The Austrian and Czech NRAs jointly requested an extension to reach coordinated decisions based on Article 6(10) of the ACER

Regulation. The Agency granted an extension of maximum 6 months, meaning the NRAs need to decide on the joint project proposal by 5 November 2021;

- Two projects were approved in coordinated decisions without modification on either side of the border (Poland > Czech Republic and Hungary > Slovakia).[11] In the case of the project between Hungary and Slovakia, modifications required by the NRAs were addressed before the formal submission of the proposal;

- 7 projects, all involving Germany, were approved in coordinated decisions with modification on at least one side of the border. The modifications were necessary because of the complexity of the projects which were all interlinked to some extent. The German NRA found that the interlinkages were not sufficiently accounted for in the initial submissions and performed its own calculations considering several potential booking scenarios and making amendments to the economic parameters such as the respective mandatory minimum premia and the respective f-factors to be used for testing the viability of the projects in the incremental auction.[12]

- The remaining project between Greece and Italy was approved with modifications (modifications on the Greek side only) for the application of the alternative allocation mechanism (AAM) as it met the conditions of Article 30 of the CAM NC.[13] This project concerns the incremental expansion of the TAP pipeline and involves the Nea Mesimvria (Greece/TAP) and Melendugno (Italy/TAP) interconnection points. The AAM proposal included an extended timeline of 20 years for offering capacity, the possibility to place bids linking interconnection points and a priority allocation for bids with longer booking durations.

- For the projects that received approval, the economic parameters driving the economic test of the project's viability are key in preserving the financial stability of the TSO, while preserving also the interest of the market to buy capacity at fair prices. In this respect, Table 2 reports the reference prices, mandatory minimum premia and f-factors.[14] Mandatory minimum premia can be as high as ten times the reference price which applies to all interconnection points in a particular entry/exit zone, making incremental capacity significantly more expensive than existing available interconnection capacity.[15] All reported f-factors are above 0.80 and often equal to 1, which means that incremental capacity bookings must substantially contribute to covering the estimated costs of the incremental project to make the project pass the economic test. High mandatory minimum premia and f-factors close to 1 may make incremental capacity less attractive for network users.

[11] In practice, TSOs and NRAs coordinated before the final submission so that any modifications are already internalised.

[12] F-factors were increased, requiring a higher coverage of the estimated costs by incremental capacity bookings; this amendment then also lead to higher mandatory minimum premia.

[13] The Greek NRA made modifications in terms of the offer level specification, clarifying the bank guarantees and reducing the f-factor.

[14] According to the TAR NC (Commission Regulation (EU) 2017/460) the level of the mandatory minimum premium shall enable a positive economic test outcome with the revenues generated by the offered capacity in the first auction or alternative allocation mechanism in which the incremental capacity is on offer.

The f-factor defines the share of the costs that need be recovered from incremental capacity bookings. With an f-factor equal to 1, incremental capacity bookings need to cover the full estimated costs to pass the economic test, whereas a lower f-factor implies some costs may be recovered from all network users via regular tariffs (and not just the users of the incremental capacity).

[15] Several factors affect the level of mandatory minimum premia: the estimated cost of the project, the applied f-factor and the level of bookings considered. For instance, in the German regulatory decisions on the incremental project proposals, a range of booking scenarios and respective matching premia were considered. Where anticipated booking levels are lower than the designed capacity, a higher mandatory minimum premium is required to pass the economic test. Multiple offer levels, reflecting different design sizes of the project, form an alternative to avoid a high premium for an oversized incremental project.

Table 2. Overview of main economic parameters that are to be used for the economic test

Incremental project	NRA	Reference price	Mandatory minimum premium	f-factor
Poland > Czech Republic	CZ	219.46 CZK/(MWh/d)/y	14303.81 CZK/(MWh/d)/y	1
	PL	1.854 PLN/(MWh/h)/h	1.337 PLN/(MWh/h)/h	1
Germany > Switzerland	DE	2.98 €/(kWh/h)/a	9.10 €/(kWh/h)/a	0.98
Germany > Denmark	DE	3.73 EUR/(kWh/h)/y	Depending on booking scenario, ranging from 37.22 EUR/(kWh/h)/y to 6.80 EUR/(kWh/h)/y	1
Poland > Germany	DE	3.73 €/(kWh/h)/y	No application was made for a mandatory minimum premium	0.88
	PL	1.854 PLN/(MWh/h)/h	No application was made for a mandatory minimum premium	1
Poland (Transit Gas Pipeline System) > Germany	DE	3.73 €/(kWh/h)/y	Depending on booking scenario, ranging from 6.10 EUR/(kWh/h)/y to 1.95 EUR/(kWh/h)/y	Depending on booking scenario, ranging from 0.81 to 0.89
	PL	No investment required on Polish side	No investment required on Polish side	No investment required on Polish side
Russian Federation > Germany (Lubmin II)	DE	3.73 €/(kWh/h)/y	Depending on booking scenario, ranging from 17.90 EUR/(kWh/h)/y to 6.65 EUR/(kWh/h)/y	Depending on booking scenario, ranging from 0.92 to 0.96
Russian Federation > Germany (Greifswald)	DE	3.73 €/(kWh/h)/y	Depending on booking scenario, ranging from 13.37 EUR/(kWh/h)/y to 6.48 EUR/(kWh/h)/y	Depending on booking scenario, ranging from 0.89 to 0.93
Russian Federation > Germany (Greifswald and Lubmin II)	DE	3.73 €/(kWh/h)/y	Depending on booking scenario, ranging from 10.79 EUR/(kWh/h)/y to 4.48 EUR/(kWh/h)/y	Depending on booking scenario, ranging from 0.94 to 0.97
TAP> Greece & TAP> Italy	GR	5.6272677 EUR/(kWh/h)/y	No application of a mandatory minimum premium	0.8
	IT	- 0.1942 EUR/(kWh/d)/y (Offer level 1); - 0.1861 EUR/(kWh/d)/y (Offer level 2); - 0.1915 EUR/(kWh/d)/y (Offer level 3)	0.3432 EUR/(kWh/d)/y (Offer level 3 only)	1
Hungary > Slovakia	HU	739.84 HUF/(kWh/h)/y	704.15 HUF/(kWh/h)/y	1
	SK	2. 8752 EUR/(kWh/h)/y	No application of a mandatory minimum premium	0.93

4. Binding stage: incremental auction and economic test

(24) All 10 projects that were approved to proceed to the binding stage did not receive sufficient commitments from users and the economic tests were not passed, effectively terminating these projects and closing the respective incremental processes. The collectively offered capacity in the

incremental auctions represented 40 to 60 GWh/h[16] of additional capacity, none of which will be developed based on the incremental process.

(25) Based on the publicly available information on the booking platform websites and information available to the NRAs, it appears that no bids were placed for any incremental capacity. In general, the transparency of the outcome of incremental auctions could be improved as the Agency was not able to trace all auctions on the booking platforms, could not link auctions to incremental projects in a unique way and had to rely on TSOs' public statements, for instance, in the case of the TAP project. Better information shall be provided to the public either by the TSOs or directly on the booking platforms in terms of offered capacity, aggregated bids and aggregated allocation of capacity per incremental project.

5. Concluding remarks

(26) The continued lack of sufficient conversion of non-binding demand expressions into actual capacity contracts offers an indication that no additional capacity is needed in a mature market and that network users in today's gas market may have insufficient interest to commit for new gas transmission capacity under the proposed conditions.

(27) In the current EU gas markets, contractual and physical congestion remain at low levels[17] and no persistent contractual congestion has been observed at the borders where incremental projects were proposed, meaning existing capacity is still available for booking. Network users are replacing expiring long-term contracts with shorter term ones.[18] It may be that network users do not anticipate problems with obtaining capacity in view of supply side changes or in view of the current and anticipated EU climate and energy policies.

(28) Network users may also find that the economic conditions[19] under which the capacity is offered in the incremental auction do not meet their business needs. These conditions are not known at the time non-binding interest expressions are collected, but network users can often comment on the draft conditions during the consultation phase before the joint proposal is submitted for coordinated NRA approvals. A high mandatory minimum premium makes the booking of incremental capacity much more expensive than booking existing capacity in the regular CAM auctions, which offer capacity up to 5 gas years ahead. Additionally, the application of f-factors close to or equal to 1, protects current network users against having to bear the risk of the incremental project. It also makes it hard to reach the economic viability based solely on incremental capacity bookings.

(29) While all or some of the above elements may play a role in capacity-commitment decisions, the presently available data is insufficient to analyse these hypotheses and draw firm conclusions.

(30) The lack of any capacity expansion based on the incremental process does not mean the process to gauge market interest in transmission capacity has no value. It rather indicates the EU gas market is saturated in terms of transmission capacity to support market-driven gas flows. The learnings from the gas sector may feed into the thinking on how to organise the market-based development of pipelines carrying hydrogen (or other decarbonised gases) which are currently in an infant stage

[16] Some projects proposed a smaller and a larger offer level; in such case, the largest offer level that passes the economic test shall be developed.

[17] 8th ACER Report on congestion in EU gas markets and how it is managed, https://documents.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/8th%20ACER%20Report%20on%20Congestion%20in%20the%20EU%20Gas%20Markets%20and%20How%20It%20Is%20Managed.pdf

[18] See section 5.1 of the Gas Wholesale Market Volume of ACER's Market Monitoring Report 2020. https://documents.acer.europa.eu//Official_documents/Acts_of_the_Agency/Publication/ACER%20Market%20Monitoring%20Report%202020%20-%20Gas%20Wholesale%20Markets%20Volume.pdf

[19] The f-factor which sets the share of the project cost to be covered directly from incremental bookings and the mandatory minimum premium may make the price of the capacity non-competitive to other options available to network users.

and may, over time, see growing demand for the commodity and for its transmission from centres of production to the consumption sites.

(31) As far as the existing incremental process is concerned, the process is burdensome for TSOs and NRAs and, given the expectations on the future of gas, NRAs question whether the obligation to repeat the incremental-capacity cycle every 2 years for all gas interconnection points remains meaningful. Within the current rules, NRAs may, in line with Article 26(11) of the CAM NC, approve the charging of a fee to network users that wish to express non-binding interest. Such fee shall reflect the administrative costs of the process and could help to attract more robust expressions of non-binding interest that have a better chance of being converted into binding capacity bookings or lead to a closure of the incremental process in the earliest stage of the demand assessment.

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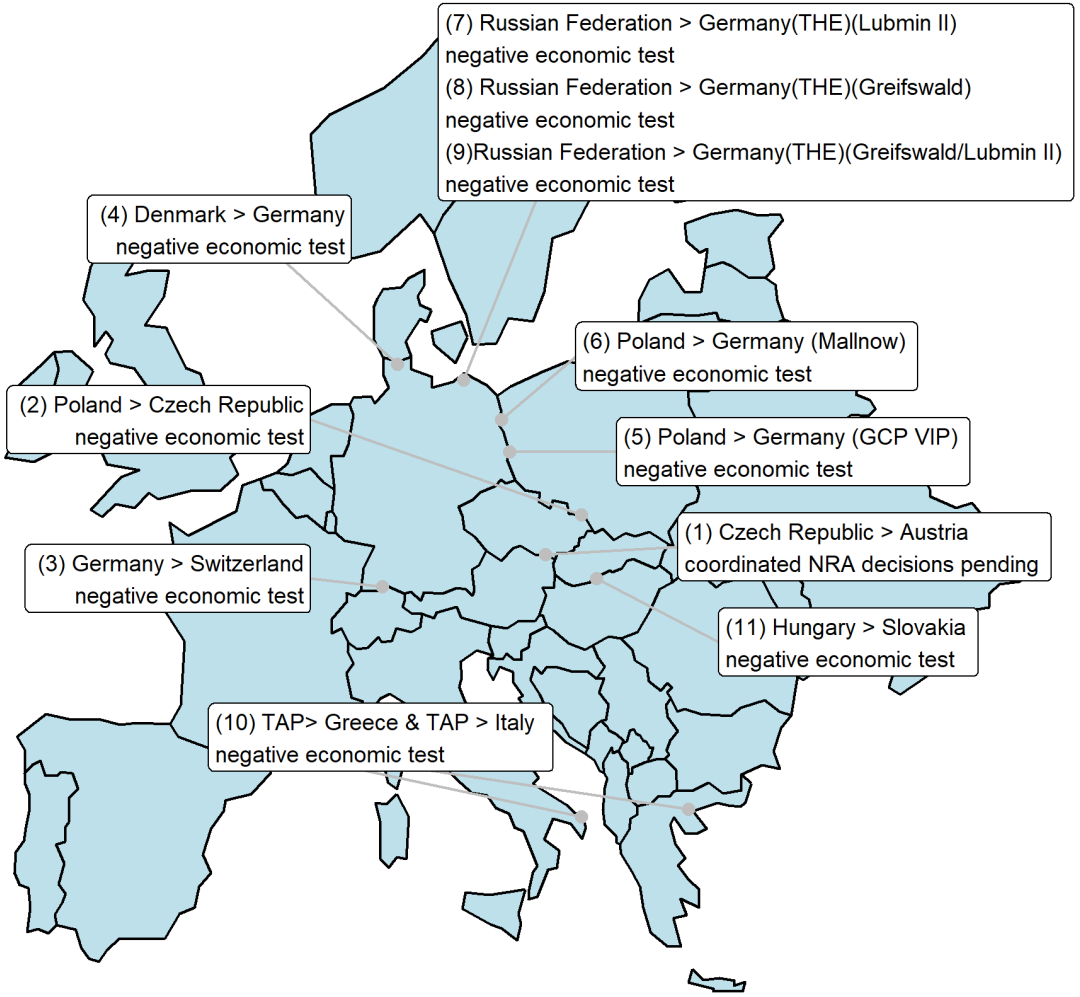
Annex I: Map depicting incremental-capacity projects that requested regulatory approval



Annex II: web links to the NRA decisions on incremental-capacity projects

Nr	Incremental-capacity project	Web link
1	Austria > Czech Republic (new IP Reintal)	ACER: https://extranet.acer.europa.eu/Official_documents/Acts_of_the_Agency/Individual%20decisions/ACER%20Decision%2009-2021%20on%20the%20Austrian%20and%20Czech%20request%20for%20extension%20on%20incremental%20capacity.pdf
2	Poland > Czech Republic (Cieszyn (PL) / Český Těšín (CZ))	PL: https://www.ure.gov.pl/pl/paliwa-gazowe/europejski-rynek-gazu-1/decyzje/9430,Decyzja-Prezesa-Urzedu-Regulacji-Energetyki-z-dnia-29-kwietnia-2021-r.html CZ: https://www.eru.cz/documents/10540/7577729/Decision+-+The+project+proposal+for+an+incremental+capacity+project+CZ-PL.pdf
3	Germany > Switzerland (new IP)	DE: https://www.bundesnetzagentur.de/DE/Beschlusskammern/1_GZ/BK9-GZ/2020/2020_bis0999/BK9-20-0001/BK9-20-0001_Beschluss.html?nn=864794
4	Germany > Denmark (Ellund)	DE: https://www.bundesnetzagentur.de/DE/Beschlusskammern/1_GZ/BK9-GZ/2020/2020_bis0999/BK9-20-0004/BK9-20-0004_Beschluss.html?nn=864794
5	Poland > Germany (GCP Gaz-System ONTRAS)	PL: https://www.ure.gov.pl/pl/paliwa-gazowe/europejski-rynek-gazu-1/decyzje/9431,Decyzja-Prezesa-Urzedu-Regulacji-Energetyki-z-dnia-29-kwietnia-2021-r.html DE: https://www.bundesnetzagentur.de/DE/Beschlusskammern/1_GZ/BK9-GZ/2020/2020_bis0999/BK9-20-0008/BK9-20-0008_Beschluss.html?nn=864794
6	Poland (Transit Gas Pipeline System) > Germany (Mallnow)	PL: https://www.ure.gov.pl/pl/paliwa-gazowe/europejski-rynek-gazu-1/decyzje/9429,Decyzja-Prezesa-Urzedu-Regulacji-Energetyki-z-dnia-29-kwietnia-2021-r.html DE: https://www.bundesnetzagentur.de/DE/Beschlusskammern/1_GZ/BK9-GZ/2020/2020_bis0999/BK9-20-0005/BK9-20-0005_Beschluss.html?nn=864794
7	Russian Federation > Germany(GPL) (Lubmin II)	DE: https://www.bundesnetzagentur.de/DE/Beschlusskammern/1_GZ/BK9-GZ/2020/2020_bis0999/BK9-20-0002/BK9-20-0002_Beschluss.html?nn=864794
8	Russian Federation > Germany(GPL) (Greifswald)	DE: https://www.bundesnetzagentur.de/DE/Beschlusskammern/1_GZ/BK9-GZ/2020/2020_bis0999/BK9-20-0003/BK9-20-0003_Beschluss.html?nn=864794
9	Russian Federation > Germany(GPL) (Greifswald and Lubmin II)	DE: https://www.bundesnetzagentur.de/DE/Beschlusskammern/1_GZ/BK9-GZ/2020/2020_bis0999/BK9-20-0007/BK9-20-0007_Beschluss_Internet.html?nn=864794
10	TAP > Greece & TAP > Italy (Nea Mesimvria (GR) and Melendugno (IT))	GR: https://www.desfa.gr/userfiles/5fd9503d-e7c5-4ed8-9993-a84700d05071/%CE%91%CE%A0%CE%9F%CE%A6%CE%91%CE%A3%CE%97%20426%20S%20%CE%88%CE%B3%CE%BA%CF%81%CE%B9%CF%83%CE%B7%20TSOs%20project%20proposal%20Incremental%20Capacity%20Process%20(1).pdf IT: https://www.arera.it/it/docs/21/189-21.htm
11	Hungary > Slovakia (Balassagyarmat (HU) / Velké Zlievce (SK))	HU: http://www.mekh.hu/download/6/2a/c0000/H1344.zip SK: https://www.eustream.sk/files/HUSKprojekt2020SK/0002_2020_PEU_ProjektHUSK.pdf