

Project Proposal
of DESFA and BULGARTRANGAZ
for the Incremental Capacity Process 2023
for the Kulata/Sidirokastro IP

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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.

Introduction

Currently, the Hellenic Natural Gas Transmission System (NNGTS or DESFA System), operated by the Hellenic Gas Transmission System Operator S.A. (**DESFA**) and the Bulgarian gas Transmission System, operated by BULGARTRANGAZ EAD (**BULGARTRANGAZ**), are interconnected in the area of the Greek-Bulgarian border in the Interconnection Point “**Kulata/Sidirokastro**” (EIC Code: 21Z00000000020C) (**Kulata/Sidirokastro IP** or the **IP**).

Historically, the IP was mainly operating as an entry point to the NNGTS with a technical capacity, in flow direction from Bulgaria to Greece, of 120.363 MWh/d, equal at both sides of the IP. As a result of the signing of an Interconnection Agreement between BULGARTRANGAZ and DESFA, and the reverse connection of the modernized CS Petrich, reverse flow from Greece towards Bulgaria either as backhaul (version 1 of the IA signed in June 2016) or as physical flow in reverse direction (version 2 of the IA signed in June 2017) is also offered, giving the possibility for natural gas imports to Bulgaria. Currently, for a significant amount of the time, Kulata/Sidirokastro IP operates as an entry point to Bulgaria. The reverse flow capacity is equal to 66.576 MWh/d, equal at both sides of the IP. In addition, interruptible capacity is also available at both flow directions.

Commission Regulation (EU) 2017/459 of 16 March 2017 (**CAM NC**)¹ 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, where DESFA and BULGARTRANGAZ intend to offer bundled capacity, in the direction from DESFA System towards BULGARTRANGAZ System, as presented in the map below.

DESFA launched a Market Test process in March 2023², the Binding Phase of which is described in the Guidelines approved by RAEWW. The NRAs acknowledge that the Guidelines contain all necessary information about the Market Test, taking into account among others that, the Incremental Capacity Project may affect the amount of technical capacity at other interconnection points, entry or exit points of the DESFA System. The investment upgrades, the offer levels, the binding bid submission rules as well as the Economic Viability Test related to DESFA, are provided in said Guidelines and will be considered in the context of this Incremental Capacity Process. For this reason, DESFA’s binding phase of the Market Test will take place simultaneously with this process after the CAM Yearly Capacity Auctions, in line with the timeline of Section 4.2. For the avoidance of any doubt, the Guidelines, attached herein as Annex II, should be considered as an integral part of this Project Proposal.

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

² <https://www.desfa.gr/en/announcements/nngs-users-information/call-of-interest-for-the-allocation-of-future-firm-capacity-in-the-national-natural-gas-system>

For both TSOs the current Incremental Capacity Process refers to the procedure in accordance with Chapter V of CAM NC for the assessment of demand for incremental capacity.

The TSOs launched the non-binding phase of the Incremental Capacity Process on the 3rd of July 2023 in accordance with CAM NC. The TSOs received Non-binding demand indication(s) and produced a joint Demand Assessment Report, which was published on the 23rd of October 2023, to assess market demand for incremental capacity 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 phase, the TSOs have analyzed potential infrastructure developments in their respective Transmission Systems to fulfill interested parties' requests.



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

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 alternatives regarding capacity increases 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.

DESFA and BULGARTRANGAZ in accordance with the provisions of article 27 (3) of CAM NC, jointly launched a public consultation on the draft Project Proposal prepared with the purpose to meet the received indicative non-binding demand indications. The draft of the present Project Proposal was available for public consultation for the period from the 31st of January 2024 to the 29th of February 2024. BULGARTRANGAZ did not receive any comments during the public consultation. DESFA received comments from one participant during the public consultation which have been considered into the current Project Proposal. The text of the Project Proposal was subject to minor changes before submission to the NRAs for final approval.

The current Project Proposal has been jointly prepared by DESFA and BULGARTRANGAZ in accordance with the provisions of article 28 of CAM NC and constitutes a Project Proposal for the Incremental Capacity Project of the involved TSOs. In line with the provisions of article 28 of CAM NC this Project Proposal is submitted to the Greek and Bulgarian NRAs for their coordinated approval.

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

1.1 Market demand for incremental capacity

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

Non-Binding Incremental Capacity Demand Survey 2023, according to CAM NC	
Interconnection Point	Kulata/Sidirokastro
EIC Code	21Z000000000020C
Flow Direction	GR→BG
Request is submitted to other TSOs?	Yes
Additional Information (if any)	-
Conditions	*
Current technical capacity, kWh/d	66.576.000
Non-binding demand request [(kWh/d)/y]	

GY 2023-2024	5.000.000
GY 2024-2025	62.120.548
GY 2025-2026	73.120.548
GY 2026-2027	141.470.713
GY 2027-2028	141.470.713
GY 2028-2029	155.920.768
GY 2029-2030	113.320.768
GY 2030-2031	113.320.768
GY 2031-2032	122.770.823
GY 2032-2033	122.770.823
GY 2033-2034	122.770.823
GY 2034-2035	122.770.823
GY 2035-2036	122.770.823
GY 2036-2037	111.770.823
GY 2037-2038	111.770.823
GY 2038-2039	111.770.823
GY 2039-2040	111.770.823
GY 2040-2041	111.770.823
GY 2041-2042	14.520.548
GY 2042-2043	14.520.548

**The only conditionality applicable to some Non-binding demand indications received by DESFA, refers to linked commitments. BULGARTRANGAZ has not received any conditionality applicable to the non-binding indications for the IP.*

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

1.2 Description of the Incremental Capacity Project

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

As described below, DESFA is able to offer three different expansion projects of its system, leading to three levels of incremental capacity at Kulata/Sidirokastro IP, linked to the increase of capacity on other points of DESFA System in accordance with the Guidelines (Figure 1: Simplified scheme of the proposed Expansion Levels).

BULGARTRANGAZ is able to offer two expansion projects of its system leading to two levels of incremental capacity at Kulata/Sidirokastro IP (Figure 2: Simplified scheme of the proposed

Development Levels (BULGARTRANGAZ)). The implementation of DESFA's Limited Expansion Project will match the incremental capacity of BULGARTRANGAZ's Level 1 Project (Limited Development) and provide an incremental capacity of 35,4 GWh/d at Kulata/Sidirokastro IP.

The implementation of DESFA's projects for Partial and Full Expansion Projects will match the incremental capacity of BULGARTRANGAZ's Level 2 Project (Extended Development) and provide an incremental capacity of 104,4 GWh/d at Kulata/Sidirokastro IP.

1.2.1 DESFA

The levels of incremental capacity offered by DESFA in the framework of this incremental process, are calculated considering the existing technical capacities of DESFA System entry and exit points and the future investments of DESFA System which are already included in DESFA's TYNDP 2023-2032³.

DESFA has performed preliminary technical studies to identify the projects needed to make incremental capacity available at the IP in the direction from DESFA System towards BULGARTRANGAZ System. The technical studies take into consideration the request(s) submitted during the non-binding phase.

As mentioned above, in March 2023, DESFA launched the non-binding phase of a Market Test process. This wider process includes many entry/exit points of DESFA System, also including Kulata/Sidirokastro IP. DESFA assessed expansion projects that create incremental capacity at various points of DESFA's System at the same time. This evaluation is a broader assessment that aims to determine the projects which will more efficiently satisfy incremental capacity requests at every entry and exit point of the DESFA System for which the participants expressed their interest through the relevant process and is included in the Guidelines. So, regarding DESFA System expansion projects, three different levels have been assessed and are presented below. These expansion projects include duplication of the main branch of DESFA System with 30" pipeline, as well as Compression Stations' (CS) upgrades.

³ [Development Plan 2023-2032_6.2023.pdf \(desfa.gr\)](#)



Figure 1: Simplified scheme of the proposed expansion projects

The assessments described above collectively resulted to the projects presented next. Thus, the capacity created by the said projects includes the creation of incremental capacity at Kulata/Sidirokastro IP, along with other points of DESFA. It is noted that in the final assessment for the determination of the appropriate Expansion Project (if any) and the Economic Viability Test (EVT), Kulata/Sidirokastro IP will be assessed together with other points of the NNGTS which are part of DESFA's Market Test.

The Offer Level(s), as well as the respective investments described in this document may be subject to changes during the subsequent stages of the Design Phase and especially after the public consultation phase. The different Expansion Projects are described below.

Expansion Project	Duplicated section	Length (km)	Maximum upgrade of Nea Messimvria CS	Maximum upgrade of Ampelia CS
Full	Patima – Nea Messimvria	410	Considerable	Moderate/Considerable
Partial	Katerini - Livadia	250	Moderate	Small
Limited	Rapsani - Brallos	160	Small	None

The estimated cost of the above-mentioned duplication projects is given in the table below:

Expansion Project	Duplicated section	Length (km)	Cost Estimation (mill.€)
Full	Patima – Nea Messimvria	410	574
Partial	Katerini - Livadia	250	350
Limited	Rapsani - Brallos	160	224

The estimated cost of the above-mentioned CS upgrades is given in the table below:

Upgrade of Nea Messimvria CS	Cost Estimation (mill.€)	Upgrade of Ampelia CS	Cost Estimation (mill.€)
Considerable	67,5	Considerable	60
Moderate	45	Moderate	30
Small	22,5	None	-

In order to estimate the final cost of the expansion projects, the cost of the CSs upgrades must be added to the duplication cost per expansion project (Full, Partial or Limited). However, this cost can be correctly estimated only ex post (after the submission of the binding requests) since the upgrade of the CSs is strongly dependent on the actual capacity requested per entry/exit point. At this phase DESFA has estimated the maximum CS upgrade needed per expansion project (Full, Partial or Limited). These maximum CS upgrades correspond to respective maximum investment costs. After the submission of the binding requests, DESFA will evaluate the level of the CS upgrades and the relevant cost which will be at maximum the presented in the tables above.

It is clarified that DESFA will perform the EVT (in line with the timeline of Section 4.2) considering the estimated cost of the selected expansion project (including the CSs upgrades) based on the outcome of the Market Test process performed by DESFA according to the Guidelines.

1.2.2 BULGARTRANGAZ

The levels of incremental capacity offered by BULGARTRANGAZ in the framework of this incremental process, are calculated taking into account the existing technical capacities of BULGARTRANGAZ System entry and exit points.

BULGARTRANGAZ has conducted preliminary technical studies to identify and design the projects needed to make incremental capacity available at Kulata/Sidirokastro IP in the direction from DESFA System towards BULGARTRANGAZ System. The technical studies are based on technical feasibility and take into consideration the results from the joint Demand Assessment Report and the request(s) submitted during the non-binding phase of the incremental capacity process.

Two projects have been identified, resulting in two levels of incremental capacity for covering the non-binding incremental capacity demand for Kulata/Sidirokastro IP in Section 1.1.



Figure 2: Simplified scheme of the proposed Development Levels (BULGARTRANGAZ)

Level 1: Incremental capacity of 35,4 (GWh/d), (gas direction DESFA -> BULGARTRANGAZ)

The Level 1 project for achieving a total of 35,4 GWh/d incremental capacity on BULGARTRANGAZ's side of the Kulata/Sidirokastro IP in the direction from Greece to Bulgaria includes the construction of a 47 km looping DN700 (Kulata - Kresna) and a 50 km new gas pipeline DN500 (Piperevo - Pernik). The new infrastructure will provide incremental capacity from Greece to Bulgaria in the amount of 35,4 GWh/d.

Incremental Capacity of 35,4 GWh/d can be fulfilled with the option for Limited Expansion Project of DESFA and Level 1 of the Project (Limited Development) of BULGARTRANGAZ.

The estimated indicative total cost for the realization of the Level 1 project amounts to 122,5 mill. €.

The Level 1 project is envisaged to be completed by Q2 2026.

Level 2: Incremental capacity of 104,4 (GWh/d), (gas direction DESFA -> BULGARTRANGAZ)

The Level 2 project for achieving a total of 104,4 GWh/d incremental capacity on BULGARTRANGAZ's side of the Kulata/Sidirokastro IP in the direction from Greece to Bulgaria upgrades the Level 1 project. It includes the incremental capacity for Level 1 of 35,4 GWh/d. In addition to the construction of 47 km of looping DN700 (Kulata - Kresna) and 50 km of new gas pipeline DN500 (Piperevo - Pernik), the Level 2 project includes extension of the looping from Kresna to Piperevo with additional 82 km DN700, replacing a 50 km DN700 section Ihtiman-G. Bogrov, installing an additional 9 MW GTCU at CS Petrich and reconstruction and reverse pipings at CS Ihtiman.

The estimated indicative total cost for the realization of the Level 2 project amounts to 307,2 mill. (which includes the cost of 122,5 mill. € for Level 1 and the cost of 184,7 mill. € for the remaining activities described above).

Level 2 of the project is envisaged to be completed in Q3 2029.

Expansion	Infrastructure	Length (km)	CS (MW)	Incremental capacity (GWh/d)	Indicative total cost (mill. €.)
Level 1	Kulata – Kresna Piperevo - Pernik	47 50	N/A	35,4	122,5

Level 2	Kulata – Kresna Piperevo – Pernik Kresna - Piperevo Ihtiman-G. Bogrov	47 50 82 50	additional 9 MW GTCU at CS Petrich	104,4	307,2
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2. Offer Levels

According to the different project configurations described above, the Offer Levels can be developed through the DESFA System Expansion Projects described in Section 1.2.1, each of which has a different cost and completion date. **The final upgrade scenario for DESFA will be decided on the basis of the outcome of the Binding Phase of the Market Test.** Incremental capacity will be offered as bundled product to Participants with the earliest possible start date being the relevant planned COD. In line with the provisions of articles 8.8 and 30.5 of the CAM NC, DESFA and BULGARTRANGAZ will set aside an amount of minimum 10% of the capacity of the actually built incremental capacity to be offered as short-term capacity. The Offer Level(s) in the table below represent the long-term capacity that could be allocated in the Binding Bidding Phase of this Incremental Capacity Project.

	Offer Levels (GWh/d)			Entry / Exit TSO offering capacity
Expansion Project	Limited	Partial	Full	
Firm incremental capacity	35,4	104,4		Exit DESFA / Entry BULGARTRANGAZ
Offered incremental capacity	31,9	94		
Starting date	Q4 2028	Q3 2029	Q4 2029	

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

In case the planned project regarding the finalization of the infrastructure development of the BULGARTRANGAZ System or DESFA System is completed prior to the completion of the project on DESFA's side or BULGARTRANGAZ's side respectively, the concerned TSO reserves the right to offer the incremental capacity as firm unbundled capacity available as standard capacity products.

3. Alternative Allocation Mechanism (AAM)

In order to maximize the offer of bundled firm capacity at the IP, DESFA and BULGARTRANGAZ 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 NRAs.

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, DESFA System, IGB and BULGARTRANGAZ System.
- The Non-binding demand indications received were linked to more than one interconnection points.
- 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 at the IP linking commitments at other interconnection points.
- Requests, conditional on the allocation of a minimum amount of capacity.

Furthermore, DESFA intends to allow interested parties to submit Binding Bids at the IP linking commitments at other points of DESFA System according to the Guidelines.

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 and the Guidelines.

4. Provisional Timeline

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

4.1 Incremental Capacity Process Timeline

NRAs decision 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.

Proposed Timeline



Within the initial two-month information phase commencing upon the issue of the Binding Phase Notice (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, BULGARTRANGAZ and DESFA 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. TSOs shall offer the incremental capacity together with the respective available capacity, if any, in the same process. Only coordinated offer levels shall be offered.

Following the end of the abovementioned process, DESFA and BULGARTRANGAZ will proceed with the Economic Viability Test (EVT), as applicable for each TSO. In case of a positive EVT, Participants to whom capacity has been allocated shall sign a Gas Transportation Agreement (GTA)/Capacity Booking Agreement (CBA) with each TSO in respect to their Capacity Allocation.

The Binding Phase ends either in case the EVT is finally confirmed as negative by the TSOs or in the cases foreseen in Section 5.7.

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

	Milestones	Dates
	DESFA and BULGARTRANGAZ make available a list of documentation to be submitted to each TSO	2 May 2024
	Registration Period	2 May - 24 June 2024
	DESFA and BULGARTRANGAZ evaluate the Applicants' eligibility	25 June – 01 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
	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 NRAs about the result of the EVT 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 DESFA

For DESFA, as mentioned above, the investment upgrades related to DESFA are linked to the Market Test and subject to positive EVT in accordance with the Guidelines. Regarding Full Expansion Project, DESFA estimates that the duration of the activities from the design until the commissioning of the projects needed will be approximately 60 months after the date of “Execution of GTAs” of Section 4.2.

Regarding Partial Expansion Project, DESFA estimates that the duration of the activities from the design until the commissioning of the projects needed will be approximately 55 months after the date of “Execution of GTAs” of Section 4.2.

Regarding Limited Expansion Project, DESFA estimates that the duration of the activities from the design until the commissioning of the projects needed will be approximately 50 months after the date of “Execution of GTAs” of Section 4.2.

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, which will start after the positive outcome of the procedure.

4.3.2 BULGARTRANGAZ

The selection of the incremental capacity project will depend on the outcomes of the Binding Phase. The implementation timelines for the two projects differ. The Level 1 incremental capacity project for 35,4 GWh/d is expected to be commissioned by the end of Q2 2026, while the Level 2 project for 104,4 GWh/d is expected to be commissioned by the end of Q3 2029.

However, the timeframe is provisional and may undergo potential adjustments in the future, depending on the positive outcome of the economic test on the Bulgarian side, the conclusion of the Incremental Capacity Procedure with approval by the respective NRAs, the conclusion of the CBA/GTA with the respective TSOs, delays resulting from holding public procurement procedures, securing financing and completion of construction works.

5. General rules and conditions for the Binding Phase

This Section 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 or the Market Test. 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 Binding Bidding Phase and the respective deadline for submission of such documentation.

Incremental capacity will be offered as bundled products to the Participants.

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 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 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 the TSOs Concerned, in accordance with the Project Proposal and the Guidelines;
- in case of a negative outcome of the EVT carried out prior to Capacity Allocation, the TSOs Concerned shall, if applicable, return any Bank Guarantees submitted as part of the registration or with the Binding Bid and no transmission capacity will be contractually or otherwise 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, present to the TSOs the respective Bank Guarantees as described below in Section 5.7;
- in case a Participant is not allocated incremental capacity after a positive EVT, the Bank 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 DESFA

Applicants will be required to state the possession of or submit to DESFA relevant requirements defined in the NNGS Network Code, Annex I of the NNGS Standard Transmission Agreement and the relevant Application. Only Transmission Users, as defined in the NNGS Network Code, can submit binding bids for capacity in DESFA System, in the Binding Bidding Phase. The specific requirements that must be fulfilled by the interested parties will be defined in detail in the Binding

Phase Notice. DESFA 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, including via the relevant functionality of DESFA's website, 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 any breaches/errors or omissions.

Participants shall be required to provide to DESFA within the required deadlines a Bank Guarantee (Binding Bid Guarantee), cashable at first request of DESFA, issued by any Greek financial institute supervised by the ECB (systemic Banks, namely any of Alpha Bank, Eurobank, National Bank of Greece and Piraeus Bank) including their subsidiaries or any Greek branch of an internationally reputable 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 internationally reputable bank with a minimum investment grade credit rating (as described above), or any subsidiary of an internationally reputable bank with a minimum investment grade credit rating (as described above), or any subsidiary of an internationally reputable bank without a minimum investment grade credit rating (or without any rating at all), provided that the Bank Guarantee is counter-guaranteed by any internationally reputable bank with a minimum investment grade credit rating (as described above); which has been approved in advance by DESFA, at its sole discretion, equal in value to 20% of the maximum annual capacity charge (based on the reference price made available by DESFA, including any premium) of the incremental capacity they intend to request, valid until two (2) months from the execution of the GTAs according to Section 4.2). For the calculation of the Binding Bid Guarantee the sum of the Reference Price and the respective Mandatory Minimum Premium per Offer Level, according to Section 6.2.1 and 6.2.2, shall be calculated and the maximum of the three sums shall be used, i.e. 5,9688396 €/ (kWh/h)/y.

The reference price and any premium applicable, according to the provisions of the relevant tariff regulation, as approved by RAEWW, will be published on DESFA's website during the Information Phase.

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

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

- DESFA confirms that the Participant will not be allocated incremental capacity.

- DESFA's EVT is finally determined to be negative (in accordance with the provisions of Section 5.6), or
- If the Participant is allocated incremental capacity, upon the presentation to DESFA of the GTA Bank 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 are required to submit to BULGARTRANGAZ a **bank guarantee** (a binding bid guarantee) within the published deadlines.

Participants shall be required to provide to BULGARTRANGAZ within the required deadlines a Bank Guarantee, 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, with minimum value of 2% of the total cost of the incremental capacity they intend to request (based on the indicative reference price made available by BULGARTRANGAZ, (including any premium), valid until two (2) months from the execution of the GTAs/CBAs according to Section 4.2). For the calculation of the Binding Bid Guarantee the sum of the Reference Price and the respective Mandatory Minimum Premium for Offer Level 2, shall be used.

The bank guarantee shall be issued in Euro, calculated at the Bulgarian National Bank fixed exchange rate Euro/BGN.

Binding Bids by Participants will be accepted only within the limits of the guarantees 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 positive 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 is finally determined to be negative at any side of the IP (in accordance with the provisions of Section 5.6), or
- If the Participant is allocated incremental capacity, upon the provision to BULGARTRANGAZ of the GTA Bank Guarantee described in Section 5.7.

c. BULGARTRANGAZ will publish on its own website the estimated value of the indicative/reference price and any premium applicable in accordance with the provisions of the relevant tariff regulation, as approved by EWRC during the Information Phase.

d. Binding bids from participants will be accepted only within the limits of the guarantees that will be presented to Bulgartransgaz in accordance with the provisions above.

e. By submitting a binding bid to BULGARTRANGAZ, the participant assumes that it will constitute an irrevocable commitment to conclude a CBA (Capacity Booking Agreement) with BULGARTRANGAZ, according to the successful outcome of the procedure.

5.2 Binding Bid Process

During the Binding Bidding Phase, Participants will have to submit their Binding Bids for incremental capacity products at the IP to both TSOs. These Binding Bids 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-of' rule for every year of mismatch.

Participants shall specify in each Binding Bid:

- If a Binding Bid is a **Linked Bid*** as per the indications from the Binding Bid Form.
- **The capacity requested (in kWh/day).** Capacity requested cannot exceed the maximum incremental capacity on offer at the IP, as defined in Section 2.
- **The requested start date of the bid.**
- **The requested end date of the bid.**
- **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 which amount) in the event of congestion and their bid happens to be marginal. For Linked Bids, any reduction in capacity at the IP where the Linked Bid is assessed as being marginal will result in an equal reduction in incremental capacity at the linked IP/entry/exit point (it should be noted that bundled capacity is reduced by the same amount at both sides of the IP).

***Linked bid is only applicable for DESFA.** Linked bids are considered as linked on DESFA's side of the IP, while on BULGARTRANGAZ's side, such bids will be considered as Binding Bids for capacity allocation at Kulata/Sidirokastro IP only.

Thus, lesser rule shall be applied during alignment of preliminary capacity allocation.

The information provided to DESFA and BULGARTRANGAZ must be identical, and the submitted Binding Bids for Kulata/Sidirokastro IP should match, otherwise risking to be curtailed when applying lesser rule during preliminary capacity allocation.

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 Levels provided (*Section 2*) and the latest possible Gas Year for capacity being Gas Year 2048/49.

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 and/or a ramp-down over the last two years of the period to which the Binding Bid relates, with a minimum value for the second last year of 70% of capacity and 40% for the last 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, as well as with the Guidelines, 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 Binding Bid content and their applicable regulatory framework, in each case.

With regard to the Kulata/Sidirokastro IP, registration documentation and Binding Bids for incremental capacity products submitted to DESFA during the Binding Bidding Phase, shall be considered as if they were also submitted to DESFA within the context of DESFA's Market Test for the expansion of DESFA System. Registration documentation and Binding Bids submitted to DESFA within the context of the Market Test concerning the Kulata/Sidirokastro IP shall be considered as if they were also submitted to DESFA within the context of this Project Proposal. No other Binding Bid shall be required to be submitted by the Participants to DESFA and, if submitted, shall be rejected.

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

In a Linked Bid the capacity requested at a DESFA entry point must equal the exit capacity requested at the IP. For DESFA System, Linked Bids are considered as bids for firm entry and firm exit capacity. DESFA shall have the right to convert a Linked Bid to a Coupled Capacity product in case this turns a negative EVT to positive, unless the Participant has explicitly declared, in its Binding Bid, its non-acceptance for such conversion.

In relation to the allocation of bundled capacity, in the event of a delay or misalignment in the COD for an adjacent TSO, DESFA and BULGARTRANGAZ 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 DESFA and BULGARTRANGAZ.

The respective annual capacity charge by DESFA and BULGARTRANGAZ, according to the provisions of the relevant tariff regulation, as approved by RAEWW and EWRC (to be used as estimated reference price for the duration of the initial incremental capacity requests), will be published on both TSOs' websites during the Information Phase. If required, the TSOs may specify a premium charged on top of the Reference Price in accordance with article 33 of Commission

Regulation (EU) 2017/460, subject to the approval of the corresponding NRA. There will be no other additional auction premia charged. 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.

5.3 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, 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) and the Guidelines. 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 submitted to the other TSO Concerned will also be curtailed or rejected to the same extent.

The IP shall be considered congested either:

- i. when the sum of the requested capacity at the IP exceeds the maximum offered capacity according to Section 2 or
- ii. when the sum of the requested capacity at a cluster of points that a) includes the IP or b) includes other points of DESFA System linked with the IP through Linked Bids, exceeds the maximum offered capacity at that cluster (either a) or b)), according to the Guidelines.

The TSOs will undertake the actions listed below:

- For each year, the sum of Binding Bid capacity requests is calculated at the IP and at any interconnection point and any entry point where incremental capacity is offered.
- If there is no congestion at the IP, the TSOs Concerned shall undertake a preliminary capacity allocation, under which capacity allocated to each Participant is equal to the capacity requested by such Participant, and proceed with the EVT process set out in Section 5.6.
- If there is congestion at the IP, Participants are ranked according to the NPV of their

Binding Bids and, subsequently, their Binding Bids are also ranked according to their NPV. The NPV used for the ranking takes into account the Binding Bids at the IP and the bids at any other point of DESFA System where incremental capacity is offered according to the Guidelines.

- In case of Linked Bids, the NPV includes revenues in DESFA System from the linked DESFA entry point and the IP.
- A Marginal Bid is being allocated the remaining incremental capacity unless the Participant has explicitly declared, in its Binding Bid, non-acceptance of such a 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.
- Curtailment of Marginal Bids shall be conducted according to the provisions of the Guidelines.
- In the case of two or more Equal Marginal Bids, Section 5.5 shall apply.
- If a Linked Bid happens to be a Marginal Bid or one of Equal Marginal Bids, an equal capacity reduction shall be made by the TSOs Concerned, where applicable, at the linked interconnection/entry/exit points.
- The outcome of the preliminary allocation process shall include the successful Offer Level, the Binding Bids received and the preliminary capacity allocated per Participant.

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

5.5 Allocation of Equal Marginal Bids (EMB)

In case two or more Marginal Bids have the same ranking according to Section 5.4 (Equal Marginal Bids), the Equal Marginal Bids shall be curtailed on a pro-rata basis so that there is no Marginal Bid remaining.

5.6 Economic Viability Test

The Economic Viability Test (EVT) is carried out separately by each TSO at their side of the relevant IP.

For both DESFA and BULGARTRANGAZ, the EVT takes into account the present value of the estimated increase in its allowed revenue multiplied by the f-factor (see Section 5.11) as approved by the relevant NRA and the present value of binding commitments of Participants for incremental capacity, which is calculated as the discounted sum of the respective Reference Prices

(and any potential premium) multiplied by the amount of contracted incremental capacity according to article 22 of CAM NC, following any potential bid ranking, if needed.

The outcome of each EVT will be either positive or negative according to the provisions of article 22.2 of CAM NC and taking into account that:

- For DESFA the EVT shall concern the DESFA side of the IP, and shall include the DESFA side of any interconnection point and any entry point where incremental capacity is offered according to the Guidelines. Costs concern all costs associated with the expansion of DESFA System to meet each Offer Level, according to Section 1.2.1.
- For BULGARTRANGAZ, the EVT shall concern the BULGARTRANGAZ side of the IP.

The following results are anticipated following each TSO carrying out their EVT:

- Each TSO will verify their EVT. If positive for both TSOs Concerned, capacity is allocated according to the bid ranking.
- If the EVT is negative for DESFA, DESFA 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:
 - Convert Linked Bids to Coupled Capacity products, unless the Participant has explicitly declared, in its Binding Bid, non-acceptance of conversion.
 - Adjust the f-factor upon approval by RAEWW.
 - 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 RAEWW. Curtailment may impact the Offer Level to be tested at the IP. If DESFA curtails or rejects any Binding Bid at the 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.
- If the EVT is negative for BULGARTRANGAZ, BULGARTRANGAZ 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 EWRC.
 - 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 EWRC. Curtailment may impact the Offer Level to be tested at the IP. If BULGARTRANGAZ curtails or rejects any Binding Bid at the 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.

- 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.
- If after the above actions, where possible, the EVT for DESFA is positive but the bids at the IP still lead to a negative EVT for BULGARTRANGAZ, no capacity allocation will take place at the IP. DESFA shall have the right to conduct an EVT excluding the IP for the rest of the interconnection points and entry points where incremental capacity is offered in the Market Test according to the Guidelines.

In case at the time of the Binding Bidding Phase there is capacity already available at the IP, the TSOs will first allocate to the Participants the already available capacity and, subsequently, any incremental capacity. If, according to the aforementioned procedure, no incremental capacity is allocated at the IP and no incremental capacity is allocated at other points of the DESFA System that are linked to the IP by at least one Linked Bid:

- a) The available capacity at the IP shall not be allocated to the Participants, and
- b) DESFA shall exclude from the EVT calculations the revenues from the Binding Bids at the IP.

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 milestones 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 DESFA

In case of a positive EVT, each Participant is bound to the commitments arising from the successful outcome of the procedure.

DESFA will send to the Participant(s) that have been allocated capacity the GTA, which must be returned to DESFA, 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. DESFA 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 RAEWW.

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

- DESFA’s relevant part of the Incremental Capacity Project, as described in Section 1.2.1, has been unconditionally included in DESFA’s latest approved TYNDP and DESFA has proceeded with an FID by the Long Stop Date.
- The relevant GTAs between the Participant 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 their specific Conditions Precedent, as described in the Project Proposal have been met or waived and has notified DESFA by the Long Stop Date.
- DESFA’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.

If the Conditions Precedent are not met or waived by DESFA by the Long Stop Date, DESFA may close the Incremental Capacity Project. In such case, the GTAs shall be terminated ipso jure and the GTA Bank Guarantee returned to the Participant.

The Participants shall have a step-out option according to which they will be able to withdraw from the GTA without any liability, with the exception of the actual costs incurred by DESFA up to that point allocated as foreseen below. In order to exercise the step-out option, Participants shall duly notify DESFA in this regard no later than three (3) months before the Long Stop Date.

The Participant shall present to DESFA five (5) Business Days before GTA execution the required Bank Guarantee (GTA Bank Guarantee), cashable at first request, issued by any Greek financial institute supervised by the ECB (systemic Banks, namely any of Alpha Bank, Eurobank, National Bank of Greece and Piraeus Bank) including their subsidiaries or any Greek branch of an internationally reputable 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 internationally reputable bank with a minimum investment grade credit rating (as described above), or any subsidiary of an internationally reputable bank with a minimum investment grade credit rating (as described above), or any subsidiary of an internationally reputable bank without a minimum investment grade credit rating (or without any rating at all), provided that the Bank Guarantee is counter-guaranteed by any internationally reputable bank with a minimum investment grade credit rating (as described above); which has been approved in advance by DESFA, at its sole discretion. The GTA Bank Guarantee shall be equal to the maximum annual capacity charge for the capacity allocated to that Participant. Once the GTA Bank Guarantee described here above is presented to DESFA, the Bank Guarantee indicated in Sections 5.1, will be returned.

The GTA Bank Guarantee shall have a duration and shall remain valid until the end of the sixth month succeeding the end of the first year of the transportation services provided to that Participant in relation to the capacity allocated to the said Participant within the framework of the incremental capacity process. One (1) month before the COD for DESFA, the Participant shall present to DESFA the guarantee required according to the relevant provisions of the NNGS Standard Transmission Agreement and chapter 3A of the NNGS 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 guarantee under the NNGS Transmission Agreement is calculated as per article 21H of the NNGS Network Code. For the avoidance of any doubt, all other Participant's obligations should be fulfilled pursuant to the relevant provisions of the NNGS Network Code and the NNGS Standard Transmission Agreement, as applicable from time to time.

The Participant has the right to request the reduction of its GTA Bank Guarantee up to the amount corresponding to the part of the guarantee provided for the capacity booked under the NNGS Standard Transmission Agreement. No later than six (6) months after the end of the first year of the transportation services provided to that Participant, and only if said Participant has duly and timely paid the charges invoiced by DESFA for that year, the GTA Bank Guarantee shall be returned to the Participant.

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 DESFA equal to the value of the Binding Bid Bank Guarantee described in Sections 5.1.

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

Once the GTA becomes fully effective, the Participant shall be required to pay to DESFA 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.

5.7.2 BULGARTRANGAZ

In case of a positive EVT, each Participant is bound to the commitments arising from the successful outcome of the procedure.

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

- BULGARTRANGAZ relevant part of the Incremental Capacity Project, as described in Section 1.2.2, has been unconditionally included in BULGARTRANGAZ latest approved TYNDP and BULGARTRANGAZ has proceeded with an FID by the Long Stop Date.
- The relevant GTAs between the Participant and TSOs Concerned have become fully effective by the Long Stop Date.
- Other TSOs Concerned have decided to proceed with the Incremental Capacity Project, due to the fact that their specific Conditions Precedent, as described in the Project Proposal have been met or waived and have notified BULGARTRANGAZ by the Long Stop Date.
- BULGARTRANGAZ'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.

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 Bank Guarantee to the Participant.

The Participants shall have a step-out option according to which they will be able to withdraw from the CBA without any liability, with the exception of the actual costs incurred by BULGARTRANGAZ up to that point allocated as foreseen below. In order to exercise the step-out option, Participants shall duly notify BULGARTRANGAZ in this regard no later than three (3) months before the Long Stop Date.

The Participant shall present to BULGARTRANGAZ no later than 5 (five) Business Days before GTA execution the required Bank Guarantee (GTA Bank Guarantee), 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 GTA Bank Guarantee shall be with minimum value of 10% of the value of the incremental capacity allocated to that Participant (based on the indicative reference price made available by BULGARTRANGAZ, (including any premium). Once the GTA Bank Guarantee described here above is presented to BULGARTRANGAZ, the Bank Guarantee indicated in Sections 5.1, will be returned.

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

The bank guarantee shall be issued in Euro, calculated at the Bulgarian National Bank fixed exchange rate Euro/BGN.

The GTA Bank 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 Bank Guarantee corresponding to the reserved capacity in this year can be released after participant request if the participant haven't 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 Bank Guarantee described in Sections 5.1.

If the GTAs do not become effective, as provided for in this Section, BULGARTRANGAZ will allocate the actual costs incurred by BULGARTRANGAZ for the Incremental Capacity Process up to that point to each Participant with a GTA, pro rata to the amount of their GTA Bank Guarantees. The GTA Bank 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 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/CBA, the Participant shall be deemed to have accepted that, if the authorizations, permissions, easements, 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 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/CBA.

5.9 Force Majeure

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

5.9.1 DESFA

For DESFA, "Force Majeure" for the Binding Bidding Phase is defined in the NNGS Network Code and for the implementation of the GTA in its relevant terms.

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 DESFA

To be consistent with the tariff regulatory framework in place, DESFA will apply floating applicable payable price derived from its reference price methodology also to incremental capacity. DESFA 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.

5.10.2 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)

5.11.1 DESFA

The level of user commitments (f-factor) for the individual EVT on the Greek side of the IP Kulata/Sidirokastro for Offer Level 1 in the direction from DESFA towards BULGARTRANGAZ System is equal to 0.7.

The level of user commitments (f-factor) for the individual EVT on the Greek side of the IP Kulata/Sidirokastro for Offer Level 2 in the direction from DESFA towards BULGARTRANGAZ System is equal to 0.7.

The level of user commitments (f-factor) for the individual EVT on the Greek side of the IP Kulata/Sidirokastro for Offer Level 3 in the direction from DESFA towards BULGARTRANGAZ System is equal to 0.7.

5.11.2 BULGARTRANGAZ

The level of user commitments (f-factor) for the individual EVT on the Bulgarian side of the IP Kulata/Sidirokastro for Offer Level 1 is equal to 0.5.

The level of user commitments (f-factor) for the individual EVT on the Bulgarian side of the IP Kulata/Sidirokastro for Offer Level 2 is equal to 0.7.

6. Economic Viability Test Parameters

6.1 BULGARTRANGAZ

6.1.1 Reference price

The economic test will be carried out by BULGARTRANGAZ after binding commitments of network users for contracting capacity have been obtained and shall consist of the following parameters:

BULGARTRANGAZ will use the tariff for the gas year 1 October 2024 - 30 September 2025 that will be published and valid for the same gas year, as estimated reference price for the Economic Test.

For indicative purposes, the tariff for the current price period (1 October 2023 - 30 September 2024) for long term bookings at IP Kulata/Sidirokastro, in the direction from DESFA System towards BULGARTRANGAZ, according to the applicable tariff regulation, is equal to 267,0619 BGN/MWh/d/y without VAT included (approx. 136.5465 EUR/MWh/d/y without VAT included as per the current fixed exchange rate of 1.95583 BGN/EUR).

6.1.2 Mandatory minimum premium

For Offer Level 1, BULGARTRANGAZ will not apply a mandatory minimum premium for the purpose of the Economic Test.

For Offer Level 2, BULGARTRANGAZ envisages a mandatory minimum premium equal to 94,13 BGN/MWh/d/y, equal to 48,13 EUR/MWh/d/y (as per the current fixed exchange rate of 1.95583 BGN/EUR).

6.1.3 Present value of estimated increase in allowed revenue

For Offer Level 1, the present value of estimated increase in allowed revenue for BULGARTRANGAZ is equal to 207 725 thousand BGN without VAT (106 208 thousand EUR without VAT, as per the current fixed exchange rate of 1.95583 BGN/EUR).

For Offer Level 2, the present value of estimated increase in allowed revenue for BULGARTRANGAZ is equal to 526 599 thousand BGN without VAT (269 245,8 thousand EUR without VAT, as per the current fixed exchange rate of 1.95583 BGN/EUR).

6.2 DESFA

6.2.1 Reference price

The tariffs for the allocated capacity shall be governed by the principles and methodology detailed in the Tariff Regulation as in force at any given time. Consistently with the current tariff regulatory framework, DESFA considers applying a floating reference price.

For indicative purposes, the tariff for the current regulatory period for long term bookings at Kulata/Sidirokastro, in the direction from DESFA System towards BULGARTRANGAZ, according to the Tariff Regulation, as in force at the time of publication of this Project Proposal is equal to 4,3000262 €/kWh/h/y without taking into account any regulatory adjustment provisioned in the applicable Tariff Regulation.

The inclusion of the Project of the Offer Level 1 in DESFA's Regulated Asset Base (RAB) will lead to an estimated tariff equal to 5,1409195 €/kWh/h/y being the Reference Price for DESFA's calculations for the EVT. The inclusion of the Project of the Offer Level 2 in DESFA's RAB will lead to an estimated tariff equal to 5,6808396 €/kWh/h/y being the Reference Price for DESFA's calculations for the EVT. The inclusion of the Project of the Offer Level 3 in DESFA's RAB will lead to an estimated tariff equal to 5,7074633 €/kWh/h/y being the Reference Price for DESFA's calculations for the EVT.

For the avoidance of doubts, in all cases, the reference price effectively applied will be finally determined according to the provisions of the regulatory framework in place at the time of the transmission service and considering the actual costs incurred by the TSO.

6.2.2 Mandatory minimum premium

For Offer Level 1 in the direction from DESFA System towards BULGARTRANGAZ the mandatory minimum premium is equal to 0,4080 €/kWh/h/year.

For Offer Level 2 in the direction from DESFA System towards BULGARTRANGAZ the mandatory minimum premium is equal to 0,2880 €/kWh/h/year.

For Offer Level 3 in the direction from DESFA System towards BULGARTRANGAZ the mandatory minimum premium is equal to 0 €/kWh/h/year.

6.2.3 Present value of estimated increase in allowed revenue

The present value of the estimated increase of the allowed revenues associated to the investments for Offer level 1 in the direction from DESFA System towards BULGARTRANGAZ is estimated to approximately 152,293,723 €.

The present value of the estimated increase of the allowed revenues associated to the investments for Offer level 2 in the direction from DESFA System towards BULGARTRANGAZ is estimated to approximately 255,434,644 €.

The present value of the estimated increase of the allowed revenues associated to the investments for Offer level 3 in the direction from DESFA System towards BULGARTRANGAZ is estimated to approximately 403,293,027 €.

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

The realization of the projects for incremental capacity on the Bulgarian and Greek sides of Kulata/Sidirokastro IP 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

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9. Annex I – Definitions

This Annex contains definitions and abbreviations used in this document.

1. **Alternative Allocation Mechanism** or **AAM** as defined in art 30 CAM NC.
2. **Applicant** means the interested party that registers during the Binding Phase according to Section 5.1.
3. **Bank Guarantee** means the on-demand bank guarantees, in a form acceptable to each TSO which are required to be submitted to each TSO in order to participate in the Binding Phase 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 bid submitted by a Participant during the Binding Phase.
6. **Binding Bidding Phase** means the final 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.
7. **Binding Phase** means the general phase of the Incremental Capacity Process which is composed of the Information Phase and the Binding Bidding Phase.
8. **Binding Phase Registration Form** means the forms attached to Binding Phase Notice of each TSO, to be used by Applicants for their registration to the Binding Phase by which Participants will declare acceptance of the conditions set by TSOs.
9. **BULGARTRANGAZ System** means the Bulgarian Gas Transmission System, operated by BULGARTRANGAZ EAD.
10. **Business Day(s)** shall mean any calendar day, but not a Saturday, Sunday, or a public holiday either in Greece or Bulgaria as applicable.
11. **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.
12. **Capacity Allocation** means allocated capacity to the successful Participants after the positive outcome of a Binding Bidding Phase and EVT.
13. **Commercial Operation Date (COD)** means the commercial operation date of the incremental capacity realized following a positive EVT.

14. **Condition(s) Precedent** means the events or actions that must be completed (or otherwise waived) before the GTA(s) become effective, as required by each TSO in their respective sub-Section of Section 5.7.
15. **Coupled Capacity** refers to the provision of natural gas transmission services in coupled points according to the provisions of chapter 2D of NNGS Network Code as in force from time to time.
16. **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.
17. **Design Phase** means the design phase of the incremental capacity process as defined in article 27 of CAM NC.
18. **DESFA System (or NNGTS)** means the National Natural Gas Transmission System, operated by DESFA.
19. **Economic Viability Test (or EVT)** means a test applied to assess the economic viability of the Incremental Capacity Project according to Section 5.6.
20. **EWRC** means Energy and Water Regulatory Commission of Bulgaria, the National Energy Regulatory Authority of Bulgaria.
21. **Expansion Project** means a project to expand DESFA's capacity in DESFA's existing entry and/or exit points or to establish new entry and/or exit points on DESFA System, and includes a Limited Expansion Project, Partial Expansion Project and/or Full Expansion Project in accordance with Section 1.2.1.
22. **F-factor** as defined in art 3 (24) CAM NC.
23. **GTA** means the gas transportation agreement signed by DESFA (Gas Transportation Agreement in the case of DESFA) and BULGARTRANGAZ (Capacity Booking Agreement or CBA in the case of BULGARTRANGAZ) 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.
24. **GTA Bank Guarantee** has the meaning given to it in Section 5.7.1.
25. **Guidelines** means the incremental capacity project proposal set in public consultation and approved by RAEWW by its Decision no [], which describes the technical project and the process that will be followed in order for DESFA to offer incremental capacity in the Market Test for the expansion of DESFA System.
26. **ICGB System or IGB** means the Interconnector Greece-Bulgaria operated by ICGB AD.
27. **Incremental Capacity Process** means the current process to assess market demand for incremental, firm bundled, capacity at the IP.

- 28. **Incremental Capacity Project** means the project described in this document aiming to increase the amount of technical capacity at the IP *[defined in art 3 (11) CAM NC]*. For DESFA, the Incremental Capacity Project may increase the amount of technical capacity at other entry or exit points at DESFA System, as described in the Guidelines.
- 29. **Information Phase** has the meaning given to it in Section 4.
- 30. **Interconnection Point (IP or Kulata/Sidirokastro IP)** means the interconnection point at Kulata/Sidirokastro between DESFA and BULGARTRANGAZ.
- 31. **Joint Notice** means the notice jointly published by the TSOs Concerned according to Art. 28.3 CAM NC at the start of the Information Phase.
- 32. **Linked Bid** means a bid where the Participant has indicated that its binding request at a DESFA's entry point is subject to allocation of an equal amount of capacity and duration at the IP.
- 33. **Long Stop Date** is the 31st of May 2025.
- 34. **Market Test** means the market test process for the expansion of DESFA System, launched by DESFA in March, the binding phase of which is described in the Guidelines.
- 35. **Mandatory Minimum Premium** means an additional amount added on the Reference Price of each TSO, where applicable according to Section 6, to ensure a positive EVT [according to article 33 of Commission Regulation (EU) 2017/460 (TAR NC)].
- 36. **Marginal Bid** means a bid where capacity cannot be met by TSOs Concerned at one Offer Level.
- 37. **Member State** means a member state of the European Union.
- 38. **NNGS Standard Transmission Agreement (or Framework Transmission Agreement)** the standard framework agreement between DESFA and a Transmission User (Government Gazette B 4802/30.10.2020) according to Art. 6A of NNGS Network Code as in force from time to time.
- 39. **NNGS Network Code** shall mean the Network Code of the Greek National Natural Gas System (Government Gazette B 5773/04.10.2023) as in force from time to time.
- 40. **National Regulatory Authorities (or NRAs)** means the National Energy Regulatory Authority of Greece (RAEWW) and of Bulgaria (EWRC).
- 41. **Non-binding demand indications** the non-binding demand indication(s) for incremental capacity at the IP, received by the TSO(s).
- 42. **Notice (or Binding Phase Notice)** means the notice published by each TSO according to Art. 28.3 CAM NC at the start of the Information Phase.
- 43. **NPV** means the net present value.

- 44. **Offer Level** means the respective level of capacity offered for each of the yearly standard capacity products at the Kulata/Sidirokastro IP.
- 45. **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.
- 46. **Project Proposal** means the incremental capacity project proposal set in public consultation (draft Project Proposal) or sent to the NRAs for approval (final Project Proposal or Project Proposal), which describes the technical project and the process that will be followed in order for the TSOs Concerned to offer firm incremental capacity at an IP.
- 47. **RAEWW** means the Regulatory Authority for Energy, Water and Waste, the National Energy Regulatory Authority of Greece.
- 48. **Reference Price** means the price for a capacity product for firm capacity of duration of one year at the IP according to Section 6.
- 49. **Tariff Regulation** means the Tariff Regulation for the Basic Activities of the National Natural Gas System as defined in article 88 of Law 4001/2011 and in force from time to time.
- 50. **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.
- 51. **TSO** means Transmission System operator, being BULGARTRANGAZ and DESFA (as relevant).
- 52. **TSOs Concerned** means DESFA and BULGARTRANGAZ.
- 53. **TYNDP** a TSO's Ten Year Network Development Plan.
- 54. **Transmission User(s)** an entity that has entered into an NNGS Standard Transmission Agreement.

10. Annex II – Guidelines