



**Demand assessment report
for incremental capacity
between *Trans Adriatic Pipeline, Snam Rete
Gas and DESFA***

– External document for publication –

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This report is a joint assessment of the potential for incremental capacity projects conducted by

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A. NON-BINDING DEMAND INDICATIONS

Trans Adriatic Pipeline (**TAP**), Snam Rete Gas (**SRG**) and DESFA have launched the Demand Assessment phases of the Incremental Capacity process on 1 July 2019, in line with the provisions of article 26 of Commission Regulation (EU) 2017/459 establishing a network code on capacity allocation mechanisms in gas transmission systems (**CAM NC**).

- TAP

TAP conducts its Market Test process under the Guidelines for the 2019 Market Test of Trans Adriatic Pipeline (**the Guidelines**) which define the rules and procedures to be followed in the 2019 Market Test process. These Guidelines reflect TAP's specific regulatory regime for the performance of its Market Tests. They seek to align the provisions of the Final Joint Opinion of the Energy Regulators on TAP AG's Exemption Application, dated 6 June 2013, granted by the Authorities pursuant to Directive 2009/73/EC (**FJO**) and of TAP's Tariff Code with the CAM NC.

All non-binding demand indications were submitted by the interested parties to TAP in compliance with the 8 weeks deadline set out as per article 26(6) CAM NC.

The non-binding demand indications are listed in an aggregated manner per each of TAP's interconnection points with the adjacent Transmission System Operators (**TSOs**) who launched the Incremental Capacity processes as per the provisions of the CAM NC, namely SRG and DESFA. In addition, TAP publishes also the non-binding demand indications received for TAP's side of the interconnection point at Kipoi (with TANAP), of the interconnection points in Albania (with Albgaz) and at Komotini (with ICGB).¹

- SRG

SRG received most of the non-binding demand indications by the interested parties in compliance with the 8 weeks deadline set out as per article 26(6) CAM NC.

Nevertheless, SRG received some non-binding demand indications for incremental capacities after the deadline defined in article 26(6) CAM NC. The non-binding demand indications refer to incremental capacities at the interconnection point Melendugno Entry and Melendugno Exit and correspond to the received non-binding demand indications by the adjacent TSOs. The received non-binding demand shall be considered according to article 26(7) CAM NC for the current cycle of incremental capacity.

¹ TANAP is not covered by the incremental capacity process of the CAM NC. Albgaz is not formally part of the process since the deadline for the transposition of the EU CAM NC in the Energy Community Contracting Parties (including Albania) is 28 February 2020. In what concerns ICGB, given the European Commission Decision of 25 July 2018 on the exemption of the Interconnector Greece-Bulgaria (**IGB**) from the requirements regarding third party access, tariff regulation and ownership unbundling, ICGB shall conduct a market test no later than 3 years as of the commercial operations date in order to investigate the market interest in upgrading the IGB capacity.

These non-binding demand indications have been reported in the tables in this Demand Assessment Report as received by SRG.

- DESFA

DESFA also received most of the non-binding demand indications by the interested parties in compliance with the 8 weeks deadline set out as per article 26(6) CAM NC, regarding the incremental capacity of Nea Mesimvria Entry and Nea Mesimvria Exit.

However, one further indication was received after the 8 week deadline which had already been received by TAP before the deadline. Such indication shall be assessed in accordance with paragraph 7 of article 26 of CAM NC.

The non-binding demand indications have been reported in the tables in this Demand Assessment Report as received by DESFA.

The below tables show the aggregated non-binding demand indications per IP and a breakdown of the non-binding demand indications for Forward Firm capacity and for Commercial Reverse capacity per IP. The two types of capacity are shown in separate tables.

1. Non-Binding Demand Indications for Forward Firm Capacity

1.1 Aggregated demand at TAP Entry Kipoi

The aggregated non-binding demand indications received by TAP for the entry point of Kipoi are shown below:²

Entry CAPACITY	Gas year(s)	Amount kWh/d
TAP	2020/21	1,370,000
TAP	2021/22	32,370,000
TAP	2022/23	41,980,000
TAP	2023/24-2024/25	100,062,192
TAP	2025/26-2029/30	355,230,293
TAP	2030/31- 2031/32	331,230,293
TAP	2032/33	325,750,293
TAP	2033/34-2039/40	267,668,101
TAP	2040/41	85,679,060

² On 28 October 2019, the table in section 1.1 was corrected compared to the original Demand Assessment Report publication.

TAP	2041/42	54,679,060
TAP	2042/43-2049/50	49,179,060

1.2 Aggregated demand IP Melendugno TAP Exit, SRG Entry

The aggregated non-binding demand indications which were received by both TAP and SRG for IP Melendugno are shown below:

From Exit CAPACITY	To Entry CAPACITY	Gas year(s)	Amount kWh/d
TAP	SRG	2022/23	13,700,000
TAP	SRG	2023/24 – 2024/25	42,741,096
TAP	SRG	2025/26-2029/30	248,730,137
TAP	SRG	2030/31-2031/32	224,730,137
TAP	SRG	2032/33	211,030,137
TAP	SRG	2033/34-2039/40	181,989,041

1.3 Aggregated demand IP Nea Mesimvria TAP Exit, DESFA Entry – Forward Firm capacity

The aggregated non-binding demand indications referring to TAP's Forward Firm capacity received by both TAP and DESFA for IP Nea Mesimvria are shown below:

From Exit CAPACITY	To Entry CAPACITY	Gas year(s)	Amount kWh/d
TAP	DESFA	2020/21	1,370,000
TAP	DESFA	2021/22	32,370,000
TAP	DESFA	2022/23	41,980,000
TAP	DESFA	2023/24-2031/32	71,021,096
TAP	DESFA	2032/33	65,541,096
TAP	DESFA	2033/34-2040/41	36,500,000
TAP	DESFA	2041/42	5,500,000

1.3.1 Total aggregated demand IP Nea Mesimvria TAP Exit, DESFA Entry – Forward Firm and Commercial Reverse

Moreover, in terms of DESFA's entry-exit system, when considering interest for capacity at the IP Nea Mesimvria the requests for Commercial Reverse capacity for TAP (detailed in the next chapter) have to be added to the Forward Firm requests shown in the table above, both exiting at Nea Mesimvria.

The aggregated demand for Forward Firm and Commercial Reverse at exit TAP Nea Mesimvria is shown in the following table:

From Exit CAPACITY	To Entry CAPACITY	Gas year(s)	Amount kWh/d
TAP	DESFA	2020/21	88,840,000
TAP	DESFA	2021/22	119,840,000
TAP	DESFA	2022/23	140,430,000
TAP	DESFA	2023/24 - 2029/30	169,471,096
TAP	DESFA	2030/31 - 2031/32	83,371,096
TAP	DESFA	2032/33	71,041,096
TAP	DESFA	2033/34 - 2040/41	42,000,000
TAP	DESFA	2041/42	11,000,000

1.4 Aggregated demand IP Fier TAP Exit, Albgaz Entry

The aggregated non-binding demand indications received by TAP for TAP IP Fier are shown below:

From Exit CAPACITY	To Entry CAPACITY	Gas year(s)	Amount kWh/d
TAP	Albgaz	2025/26 – 2049/50	32,337,140

1.5 Aggregated demand potential IP Korca TAP Exit, Albgaz Entry

The aggregated non-binding demand indications received by TAP for an IP Korca are shown below:

From Exit CAPACITY	To Entry CAPACITY	Gas year(s)	Amount kWh/d
TAP	Albgaz	2025/26 - 2049/50	16,841,920

In addition to request for capacity at the IP Korca in Albania, TAP has also received a Connection Request³ for facilitating such an exit point at Korca, Albania.

2. Non-binding demand indications for Commercial Reverse capacity

During TAP's 2019 Market Test, Interested Parties have also submitted non-binding demand indications for Commercial Reverse capacity. In accordance with TAP's current draft Gas Transportation Agreement, the Commercial Reverse capacity product is defined as a route product.⁴

For Commercial Reverse capacity, TAP considers offering such capacity according to the current definition of the product (pre-defined route product) up until the expected start of operations for an expansion, anticipating a review of the terms governing such capacity in the meantime. Based on this, and based on the observation that the non-binding demand indications for reverse capacity do not create any investment signal for TAP, TAP is contemplating not offering Commercial Reverse products for the Binding Phase. These products will be offered by TAP at regular auctions.

2.1. Aggregated demand IP Nea Mesimvria TAP Exit, DESFA Entry

The aggregated demand that TAP and DESFA have received for a Commercial Reverse product involving physical exit TAP/physical entry DESFA (IP Nea Mesimvria) is shown below:

From Exit CAPACITY	To Entry CAPACITY	Gas year(s)	Amount kWh/d
TAP	DESFA	2020/21 - 2021/22	87,470,000
TAP	DESFA	2022/23-2029/30	98,450,000

³ As defined in TAP's Market Test Guidelines, a Connection Request means a binding and/or non-binding request to TAP from an Interested Party to build a new entry and/or exit point in Albania or Greece and/or to increase the technical capacity of an already existing entry and/or exit point in Albania, in accordance with Sections 4.7.5 and 4.7.8 FJO.

⁴ Please find the link to the draft Gas Transportation Agreement of TAP, as published on TAP's Market Test webpage [here](#)

TAP	DESFA	2030/31-2031/32	12,350,000
TAP	DESFA	2032/33-2041/42	5,500,000

2.2. Aggregated demand IP Komotini TAP Exit, ICGB Entry (TAP Physical Exit)

The aggregated demand that TAP has received for the physical Exit TAP/physical entry ICGB (IP Komotini) is shown below:

From Exit CAPACITY	To Entry CAPACITY	Gas year(s)	Amount kWh/d
TAP	ICGB	2020/21-2021/22	3,900,000
TAP	ICGB	2022/23	17,600,000
TAP	ICGB	2023/24-2029/30	17,890,411
TAP	ICGB	2030/31-2031/32	13,990,411
TAP	ICGB	2032/33	290,411

2.3. Aggregated demand IP Melendugno SRG Exit, TAP entry (TAP Commercial Reverse)

According to CAM NC, incremental capacity is defined as a project finalized to realize new technical capacity, therefore the aggregated data for Commercial Reverse capacity requests as reported here below won't be considered in the incremental capacity process.

The aggregated non-binding demand indications received by TAP and SRG at the IP Melendugno for Commercial Reverse flow are shown below:

From Exit CAPACITY	To Entry CAPACITY	Gas year(s)	Amount kWh/d
SNAM	TAP	2020/21-2021/22	91,370,000
SNAM	TAP	2022/23-2029/30	116,340,411
SNAM	TAP	2030/31-2031/32	26,340,411
SNAM	TAP	2032/33	5,790,411
SNAM	TAP	2033/34-2041/42	5,500,000

3. Other reverse non-binding requests

TAP, DESFA and SRG have also received non-binding demand indications for products which have not been currently foreseen by TAP's draft Gas Transportation Agreement.

The following tables show the aggregated demand received for entry capacity TAP at IP Nea Mesimvria and IP Komotini. TAP published the below only for information purposes.

Exit capacity DESFA/Entry capacity TAP (IP Nea Mesimvria)⁵

From Exit CAPACITY	To Entry CAPACITY	Gas year(s)	Amount kWh/d
DESFA	TAP	2022/23 – 2031/32	6,850,000

Virtual exit capacity ICGB/Virtual entry capacity TAP (IP Komotini)

From Virtual Exit CAPACITY	To Virtual Entry CAPACITY	Gas year(s)	Amount kWh/d
ICGB	TAP	2022/23 – 2031/32	6,850,000

4. Conditionalities

A number of interested parties specified conditionalities associated to their non-binding Capacity Requests.

The main conditionality refers to linking commitments at different interconnection points (*i.e.* interest in entry capacity to TAP conditional upon the same amount of capacity being allocated at the requested exit point of TAP as well as at the entry to the relevant adjacent TSO).

Other conditions mentioned include:

- Final terms and conditions offered by TAP (Tariff, GTA, Capacity Products offered)
- Implementation of a CCGT project.
- Likelihood of interruption for Commercial Reverse Capacity.

⁵ The indication received refers to “at least an interruptible product” that must be offered.

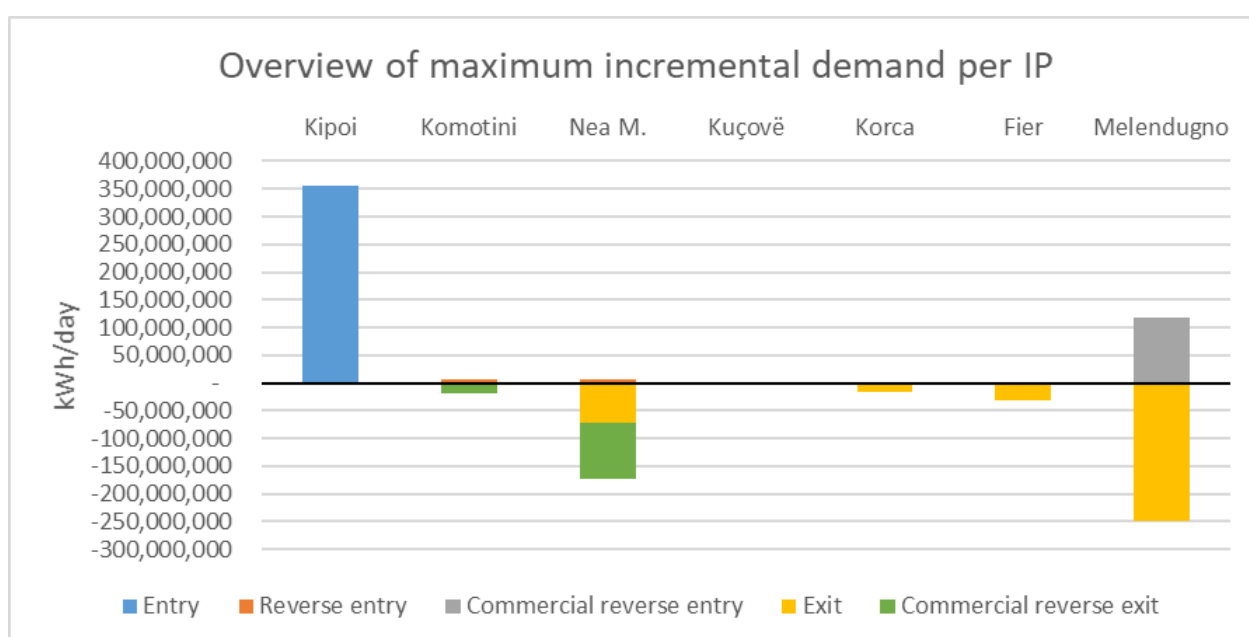
B. DEMAND ASSESSMENT

The Demand Assessment phase commenced immediately after the start of the Annual Yearly Capacity Auction, as specified in article 11(4) of CAM NC, and closes maximum 16 weeks after the Annual Yearly Capacity Auction in accordance with article 26 of NC CAM.

The TSOs conducting this market Demand Assessment Report gave network users the opportunity to submit non-binding demand indications to quantify potential demand for incremental capacity from 1 July up to 26 August 2019.

- TAP

In total, TAP has received the following maximum amounts expressed in kWh/d, as shown in the graph below:

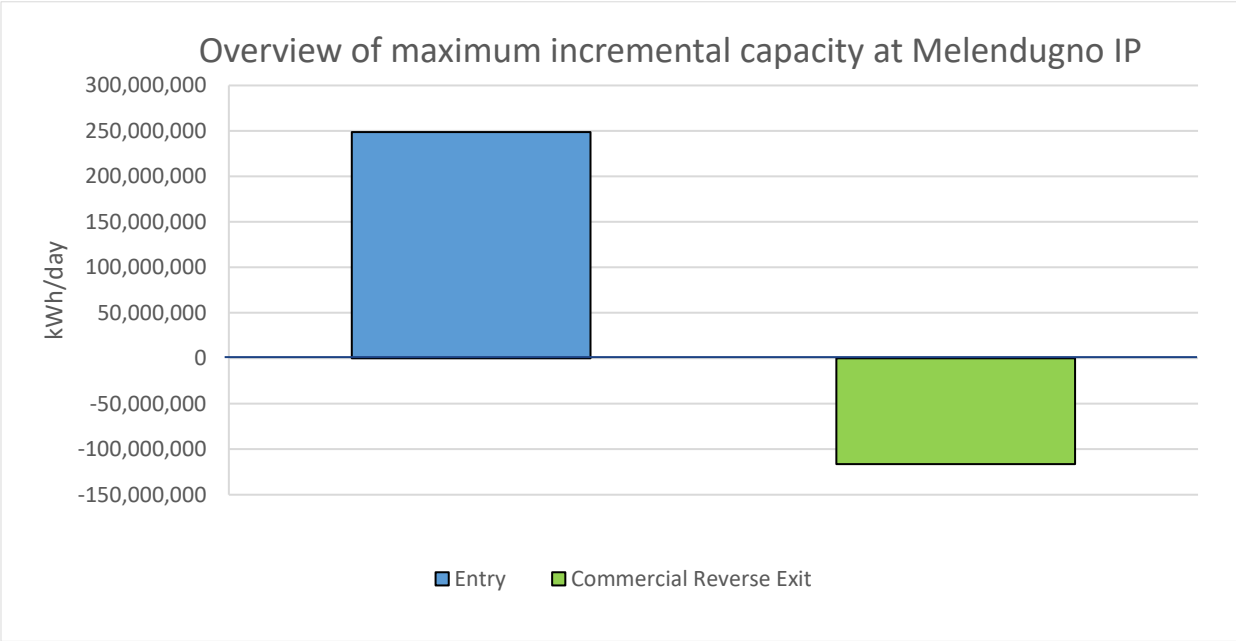


In accordance with Section 4.7.5 and 4.7.8 of the FJO and to the Guidelines for the 2019 Market Test of Trans Adriatic Pipeline, approved by the NRAs in June 2019, interested parties could also submit non-binding requests to build a new entry and/or exit point in Albania or Greece and/or to increase the technical capacity of an already existing entry and/or exit point in Albania.

The above-shown aggregated demand for expansion of the TAP pipeline includes an exit point at Korca, Albania, for which TAP received a non-binding Connection Request to build a new exit point.

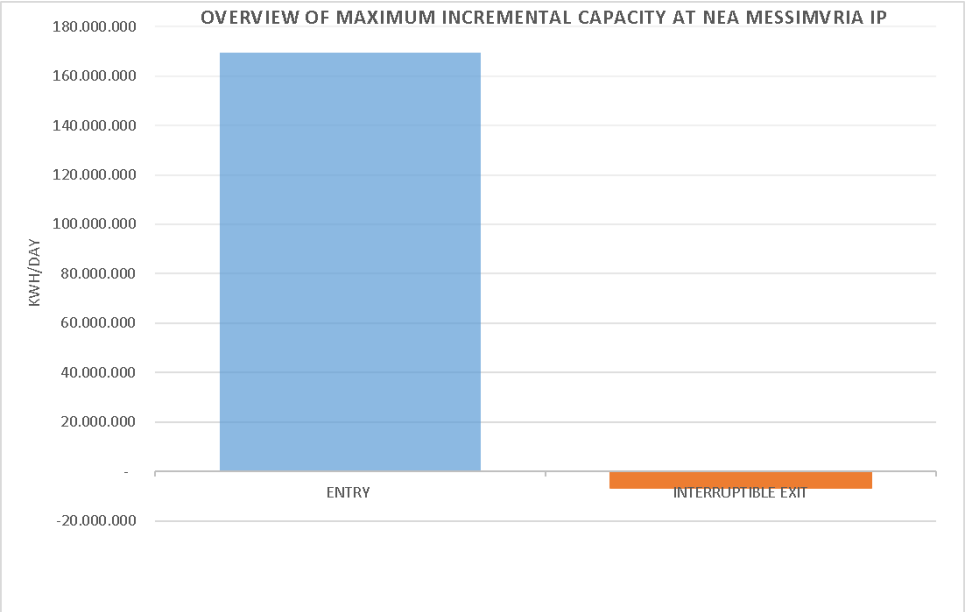
- SRG

In total, SRG has received the following maximum amounts expressed in kWh/d, as shown in the graph below:



- DESFA

In total, DESFA has received the following maximum amounts⁶ expressed in kWh/d, as shown in the graph below:



⁶ Aggregated amount of the requested entry capacity is depicted (Forward Firm capacity and Commercial Reverse for TAP)

1. Historical usage pattern

TAP has not entered into the commercial operations phase. Therefore, the historical usage pattern is not applicable at this moment in time for any of the IPs concerned by this Market Test.

2. Results of current annual yearly auction

As TAP is not operational, no annual yearly auction has taken place for any of the IPs concerned by this Market Test.

3. Relations to GRIPS, TYNDP, NDPs

- TAP

In line with TAP's exemption decision, TAP is exempted from network investment as provided under Article 22 of the Directive 2009/73/EC concerning common rules for the internal market in natural gas for a period of 25 years as of Commercial Operations Date. TAP has not been listed in any National Development Plans (**NDP**) (even for its initial capacity) as TAP is an interconnector and it does not have only a national character.

Data on non-binding demand indications received during the Demand Assessment phase has not been submitted to ENTSOG, for the Ten-Year Network Development Plan (**TYNDP**) 2020 and the current Southern Corridor Gas Regional Investment Plan (**GRIP**). It is more likely that this information will be reflected in TYNDP 2022 and the next GRIP.

In addition, the European Commission, Parliament and Council have given TAP Project of Common Interest (**PCI**) status in 2013, 2015 and 2017, for its role, amongst others, in opening up the Southern Gas Corridor, one of the energy corridors identified by the EU as priorities for the achievement of European energy policy objectives. TAP is currently in the on-going 4th PCI process.

- SRG

The projects included in the Snam Rete Gas NDP 2018-2027 that might be considered in the studies to satisfy the non-binding requests received in Melendugno are:

- TAP Interconnection, linking the TAP infrastructure to the existing network (included in ENTSOG TYNDP, TRA-F-1193).
- Adriatica line, strengthening the capacity of import from the South (included in ENTSOG TYNDP, TRA-N-007).
- Matagiola-Massafra pipeline, increasing the maximum capacity at the entry point in Puglia ((included in ENTSOG TYNDP, TRA-N-1195).

- DESFA

The projects included in the DESFA draft NDP 2020-2029 that are relevant to the non-binding demand indications received for the TAP / Nea Mesimvria IP are the following. These projects are also included in the TYNDP 2018, to be published in its final version and the corresponding Southern Corridor GRIP (under preparation).

- TRA-F-941 M/R Station Nea Mesimvria. This will be a bi-directional Station with a 11.45 GWh/day capacity enhancing the physical flow between TAP and the DESFA system.
- TRA-N-971 C/S Nea Mesimvria to TAP. This will be a booster that will enable the increase of the pressure from the level at the DESFA system to the level in TAP in order to allow the IP to be bi-directional.
- TRA-F- 1276 C/S Nea Mesimvria (3rd unit), and
- TRA-N-1278 C/S at Ambelia. These two compressor stations will increase the North to South capacity of the DESFA system thus enabling the delivery of the gas quantities from TAP to DESFA.

4. Expected amount, direction and duration of demand for incremental capacity

By the deadline of 26 August 2019 17:00 CET, set out in accordance with Article 26 CAM NC, the TSOs have received non-binding demand indications which merit investigating the case for the full expansion of the TAP project, from 10 BCMY (Initial Capacity) up to 20 BCMY (Total Capacity) in accordance with the FJO.

- TAP

The amount and direction of the demand for incremental capacity considered during the present procedure are the ones represented at paragraph A for Forward Firm capacity with the addition of TAP's short term obligations in accordance with the FJO, as well as existing long term bookings. No room is expected for further Forward Firm long-term bookings inside TAP's initial configuration. Any additional demand would thus need to be covered through the current Market Test process.

- DESFA

In the same regard, DESFA received Incremental Capacity Requests concerning the upcoming IP in Nea Mesimvria connecting DESFA's and TAP's pipeline entry-exit systems.

The requested capacities will be studied in regard with the offer levels that will be described in the Project Proposal issued for public consultation on 14 January 2020, after the performance of the respective technical studies.

It should be noted that all offer levels may be supplied through a competing procedure, in the case that no extra investments than those described in the draft Development Plan take place. The details will be defined in the Coordinated Design phase after the performance of the respective technical studies.

It should be noted that the amount requested for reverse flow in the IP Nea Mesimvria may be supplied by DESFA at least as an interruptible product, as requested, without any investment needed, further to the ones already planned. The details will be defined in the Coordinated Design phase after the performance of the respective technical studies.

- SRG

The amount and direction of the demand for incremental capacity considered during the present procedure are the ones represented above in paragraph A.

During the Incremental Capacity process launched in 2017⁷, SRG and DESFA have received a non-binding demand for the realisation of new technical capacity to interconnect Greece and Italy. Following interactions between SRG, DESFA and the competent NRA and feedback received from the latter both TSOs have considered to include this request in the current Incremental Capacity process, proposing hence an offer level to accommodate the capacity.

Therefore, SRG has identified four levels:

Level	kWh/d	MSm ³ /d	MNm ³ /d
1	446.568.000,00	46	44
2	543.648.000,00	56	53
3	575.684.400,00	59,3	56
4	650.436.000,00	67	64

SRG in the Coordinated Design phase will only analyse the level of capacity which is covered by the guarantees. The guarantees to be issued to SRG are defined in Section G below.

Notwithstanding the TSOs commitment to follow up on the requests sent by the potential shippers, the completion times of the incremental procedures and the realization time of the infrastructure are not compatible with the start of the operational use of the incremental infrastructure, as requested by some of the non-binding bids.

Nevertheless, the capacity requested during the Demand Assessment phase will be made available for binding bookings in the Binding phase.

More details on the timing of the Binding phase and on the operational availability of the incremental infrastructure will be comprised in the Project Proposal, to be published on 14 January 2020.

C. CONCLUSION FOR THE (NON)-INITIATION OF AN INCREMENTAL CAPACITY PROJECT/PROCESS

TAP, DESFA and SRG will proceed to the next phase of the Incremental Capacity process and open the Coordinated Design Phase on 22 October 2019, the day after the publication of this Demand Assessment Report.

⁷ More information [here](#)

During the Coordinated Design phase, the TSOs deem it necessary to conduct further technical studies to investigate, document and evaluate the preliminary technical solutions, costs and schedules for development options to meet a range of demand cases.

Given the amount of non-binding demand indicated above, TAP deems it necessary to conduct technical studies for the expansion of the pipeline from 10 BCMY up to 20 BCMY, the total capacity of the pipeline in accordance with the FJO.

TAP intends to investigate technical solutions with resulting cost and schedule assumptions yielding actually built total capacity of the following thresholds for flow between Kipoi and Melendugno, aligning with the first three thresholds identified by SRG above:

Level	kWh/d	MSm ³ /d	MNm ³ /d
1	446.568.000,00	46	44
2	543.648.000,00	56	53
3	575.684.400,00	59,3*	56

**Regarding the 59,3 MSm³/d TAP will proceed and perform technical studies for a total level of 60 MSm³/d given the expected maximum Total Capacity in accordance with the FJO.*

These technical solutions mainly involve additional compression as set out in the Technical Description of the TAP Transportation System for the 2019 Market Test.⁸ The corresponding capacity in energy terms that can be offered in the binding phase of this Market Test per IP will be validated in the Coordinated Design phase and set out in the Project Proposals. Such expansion would increase TAP's entry capacity at the IP with TANAP at Kipoi and exit capacity at TAP's exit points.

Studies will further be conducted for entry capacity to DESFA at Nea Mesimvria and for entry capacity to SRG at Melendugno.

Given the levels defined above, SRG will conduct the technical studies based on the guarantees received, considering that several projects that could accommodate the capacity requested are already included in the NDP. DESFA will perform hydraulic simulations in order to identify the offer levels and the respective costs related to each offer level. Other kind of technical or economical studies will also be performed by DESFA, if needed.

The output of the technical studies and of the coordinated actions taken by TAP, SRG and DESFA during the Coordinated Design phase, including specific expansion thresholds, provisional costs and timelines will feed into the Project Proposal, to be included in the consultation expected to be launched according to article 27 CAM NC.

In addition, TAP has entered intodiscussions with regards to the Connection Request for Korca in Albania and began liaising with Albgaz concerning needs for them to conduct studies for downstream infrastructure at the Albanian IPs, and to become integrated in the binding phase to enable bundled capacity to be offered for Albanian IPs.

⁸ Please see the document at TAP's Market Test [webpage](#).

D. PROVISIONAL TIMELINE

The involved TSOs have planned to conduct the technical studies and the consultation of the draft Project Proposal according to the following provisional timeline:

Activity	Expected start	Expected end	Expected duration
Technical studies for incremental capacity projects	21/10/2019	13/01/2020	12 weeks
Public Consultation on draft Project Proposal	14/01/2020	13/02/2020	1 month

The above stated timeline has a provisional character and is therefore subject to change.

Following the end of the public consultation and further refinements of the draft Project Proposals, the TSOs will submit these draft Project Proposals to the relevant NRAs for coordinated approvals. In case of positive decision of the NRAs, the Binding phase starts and a notice will be published on the TSOs' website at least 2 months before any binding auctions. The process for the Binding phase will be detailed in the draft Project Proposals, including indicative schedule information building on the studies from the Coordinated Design phase.

E. INTERIM ARRANGEMENTS FOR THE AUCTION OF EXISTING CAPACITY ON CONCERNED IP(S)

N/A

F. FEES

According to article 26(11) of CAM NC, transmission system operators may charge fees for activities which result from the submission of non-binding demand indications.

For the incremental capacity cycle addressed by this report, in compliance with CAM NC and the provisions of the Guidelines, TAP has requested fees for the evaluation and processing of the non-binding demand indications received in the value of 10,000 EUR/interested party.

SRG and DESFA do not currently charge fees as foreseen by Article 26.11 of CAM NC.

G. FURTHER COSTS

- SRG

In order to start the Coordinated Design Phase of the Incremental Capacity Procedure, according to Resolution no. 245/2019 of the Italian National Regulatory Authority - **ARERA**, Snam Rete Gas will charge costs for the technical studies as explained here below.

The interested parties have to cover the costs for the technical studies, issuing either a bank guarantee or cash deposit within 15 calendar days after the publication of this DAR.

The costs for the technical studies will be the following:

- a) Level 1 (446,568,000 kWh/d) –€ 0
- b) Level 2 (543,648,000 kWh/d) –€ 0
- c) Level 3 (575,684,400 kWh/d) –€ 140,000.
- d) Level 4 (650,463,000 kWh/d) –€ 200,000.

Each interested party will provide an amount equal to its willingness to proceed with the project. In any case, SRG proceeds with the Coordinated Design phase for the level for which the costs for the technical studies are covered. In case the amount exceeds a level without reaching the next one, SRG will return the exceeding amount proportionally to the guarantee issued.

Such fees will be reimbursed if the economic test is positive for at least one offer level that includes incremental capacity.

- TAP – costs for investigating requests for capacity beyond Total Capacity (equivalent to SRG Level 4)

As aggregate non-binding demand for capacity entry Kipoi is above Total Capacity, and to match the level 4 threshold proposed by SRG, in principle, TAP would be willing to investigate a flow scenario of 67 MSm³/day.

The technical solution for such a scenario is likely to involve looping of the TAP Pipeline system. The result of a technical study for such capacity is thus unlikely to be available in time for the publication of the draft Project Proposal(s) on 14 January 2020. Further, this request falls outside the scope of TAP's 2019 Market Test Guidelines, which only govern TAP's expansion up to Total Capacity of 20 BCMY. Therefore, based on uncertainty related to technical and regulatory aspects as well as the corporate governance of TAP AG, if such capacity above Total Capacity were to be offered by TAP, the timeline for offering and potentially providing such capacity may be delayed compared to other capacity offered under the 2019 Market Test.

For TAP to investigate the threshold corresponding to 67 MSm³/day, TAP will require a commitment from at least one Interested Party to indemnify TAP for all costs incurred by TAP arising out of or in connection with the commissioning and implementation of the required technical studies (**Indemnified Costs**).

At this stage, it is not possible to state with certainty the extent of the Indemnified Costs, for a number of reasons, including the requirement to develop corresponding technical scope and commercial proposal.

However, from preliminary enquiries initial costs may be in the region of 1,400,000 EUR (**Initial Costs**).

In order to support the preceding indemnity such Interested Party shall deliver to TAP:

- (i) an unconditional and irrevocable bank guarantee (the form of which shall require to be approved in advance by TAP) for the full amount of the Initial Costs, from an internationally reputable bank or insurance company, approved in advance by TAP, with a minimum credit rating of A- at Standard & Poor's or A3 at Moody's, or
- (ii) an equivalent sum in cash.

Such bank guarantee or equivalent sum in cash shall be required to be delivered within 15 calendar days after the date of publication of this DAR. These costs will only be reimbursed to the extent they can be included in a post-expansion tariff cost base, following a successful Economic Viability Test in TAP for the flow scenario of 67 MSm³/day and execution of at least one Gas Transportation Agreement for Forward Firm Long-Term capacity with any user for such capacity.

For the avoidance of doubt, to the extent that further liabilities, costs, expenses, damages and losses are incurred by TAP in relation to the technical studies over and above the Initial Costs, such further liabilities, costs, expenses, damages and losses shall be to the Interested Party's account and shall be deemed to form part of the preceding indemnity and to form part of the Indemnified Costs.

- TAP – other fees

Further, in accordance with TAP's Guidelines, TAP will assess further guarantees / fees to be introduced through the Project Proposal(s), to be published for Public Consultation on 14 January 2020.

- DESFA

DESFA reserves the right to request a fee from the entities, that submitted non-binding indications after the project finalization and before the submission of the Project Proposal to the NRA, subject to approval of the relevant NRA.

H. CONTACT INFORMATION

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