Key issues to be addressed by new draft Article 20(h) to ENTSOG CAM Incremental Amendment and their cross reference to specific paragraphs of this article

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<tr><th>Key issues to be addressed (proposed structure of new article to ENTSOG CAM Incremental Amendment)</th><th>Which paragraphs of the proposed new Art. 20(h) cover these issues</th><th>Proposed new Art. 20(h):
Additional Open Season Procedures for very large cross border projects</th></tr>
<tr><td>1. Conditions to implement provisions of this article instead of default procedure:</td><td>Art. 20 (h) 1</td><td rowspan="13">1. The requirements of this Article shall apply for new or incremental capacity where the following conditions are met :
a. The value of the investment is very large compared to the regulated value of the TSOs through whose territory the project passes.
b. The project connects at least three entry exit zones
2. Capacity will be allocated by open season procedures according to Article 20f and 20g except that capacity will be allocated according to the Net Present Value of the bids for capacity of network users. Capacity will be allocated to the network user whose bid has the highest Net Present Value until either all the capacity is allocated or until all network users bids are satisfied. Article 20g (3) will not apply.
3. Network users will be able to book capacity for a period sufficient for the project investment costs to be recovered. The investment costs will include a regulated return on the project. The maximum period for which network user can book capacity will be no more than 25 years.</td></tr>
<tr><td>a. Crossing of at least one area and at least two IPs (thus involvement of at least three areas)</td><td>Art. 20 (h) 1 (b)</td></tr>
<tr><td>b. Size of the project is comparatively big compared to the size of the area to be crossed</td><td>At. 20 (h) 1 (a)</td></tr>
<tr><td>c. Automatic implementation of the provisions of this article when its criteria are met</td><td>Art. 20 (h) 1</td></tr>
<tr><td>d. Correlation of Art.20(h) with other chapters of this Regulation (CAM Incremental Amendment) and with NC HTTS</td><td>Art.20(h) is drafted as integral part of ENTSOG proposed CAM Incremental Amendment</td></tr>
<tr><td>2. Project-based approach for duration of pay-back period of the project as a precondition for its financeability</td><td>Art. 20 (h) 3</td></tr>
<tr><td>a. Use of project financing principles as a precondition for using combined set of rules established by this Art.20(h)</td><td>Art. 20 (h) 6</td></tr>
<tr><td>b. Deviation from area-based approach (default procedure) and use of project-based approach for the duration of pay-back period for the project</td><td>Art. 20 (h) 4 & 5</td></tr>
<tr><td>c. Return to area-based approach for duration of the rest (post-pay-back-period) of the project life-cycle</td><td>Art. 20 (h) 8</td></tr>
<tr><td>3. Cross-border unitization (ring-fencing) through the whole transportation route</td><td>Art. 20 (h) 4, 5 & 6</td></tr>
<tr><td>4. ITSO for the new unitized (ring-fenced) project</td><td>Art. 20 (h) 4, 5 & 6</td></tr>
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<tr><td>a. Principles of organization of new ITSO by the TSOs of the areas where the new transportation route (project) is located</td><td>Art. 20 (h) 4</td><td rowspan="14">4. A new TSO will be established whose responsibilities will be to operate the new project in line with the requirements of EU Directive 2009/73 and Regulation 715/2009.

5. The new TSO will be regulated as a single TSO by the NRAs whose territory it crosses. The relevant NRAs will agree a single regulatory framework for the TSO e.g. a single price control, allowed revenue, regulated asset base etc.

6. The TSO and its regulatory framework will be treated as financially independent from other TSOs in the same entry exit zone. When setting the regulaotry framework for the TSO, NRAs will apply project financing principles.

7. Where the requirement of Article 8 (8) leads to the failure of the economic test or under-recovery of revenues by the TSO, the requirement of Article 8 (8) will be financially guaranteed by a third party to be determined by the NRA or Member State. For the avoidance of doubt the third party will not be the TSO or its shareholders or network users of the TSO.

8. Once the investment costs for the project have been recovered, the TSO for the project may be terminated, and the project assets assigned to the TSOs in the entry exit zones through which the project passes.</td></tr>
<tr><td>b. Area of responsibility of the new ITSO to cover only and exclusively new transportation route (project) till the end of its pay-back period</td><td>Art. 20 (h) 4 & 5</td></tr>
<tr><td>c. Liquidation of the ITSO after pay-back period of new capacity (new transportation route) is over</td><td>Art. 20 (h) 8</td></tr>
<tr><td>d. Transfer of rights and obligations of the liquidated ITSO to the TSOs of the corresponding market areas</td><td>Art. 20 (h) 8</td></tr>
<tr><td>5. Economic test:</td><td></td></tr>
<tr><td>a. Booking procedure for new capacity (to exclude contractual mismatch)</td><td>Covered by Art. 20 (g) as amended ay Art. 20 (h) 2</td></tr>
<tr><td>b. project tariff as a swing parameter to make economic test positive</td><td>Art. 20 (h) 3</td></tr>
<tr><td>c. fixed/indexed (predictable) tariff through the duration of pay-back period</td><td>Part of Tariff Network Code proposed by ENTSOG but note ACER opposition</td></tr>
<tr><td>d. NPV as criteria for economic test (willingness-to-pay to be measured by NPV for the purposes of the projects under this article)</td><td>Art. 20 (h) 2</td></tr>
<tr><td>6. No cost socialization</td><td>Art. 20 (h) 6</td></tr>
<tr><td>7. Short-term quota reservation to be guaranteed by the regulators and/or public authorities from public funds not from project funds/finance</td><td>Art. 20 (h) 7</td></tr>
<tr><td>8. Costs/revenue reallocation within the unitized (ring-fenced) project by ITSO</td><td>Art. 20 (h) 5</td></tr>
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A.Konoplyanik, A.Barnes, 22.09.2014, Brussels – Presentation at the 21st Round of informal RF/GG-EU Consultations/14th WS2 GAC meeting