Final Incremental Proposal

An ENTSOG Amendment Proposal for an existing Regulation

and a chapter of a Network Code

This document constitutes the Final Incremental Proposal as developed by ENTSOG.

The Final Incremental Proposal was developed by ENTSOG following the invitation of the European Commission of 19 December 2013 to draft an amendment on incremental and new capacity to the Network Code on Capacity Allocation Mechanisms. It compiles two legal documents, being (1) an amendment proposal to Commission Regulation (EU) No 984/2013 (Network Code on Capacity Allocation Mechanisms) to include the offer of incremental capacity and (2) a chapter of the Draft Network Code on Harmonised Transmission Tariff Structures on tariff-related issues to incremental capacity.

Throughout the drafting process of the Incremental Proposal, ENTSOG ensured full stakeholder involvement in the decision making process. Stakeholders were invited to respond to a public consultation of an initial draft version of the Incremental Proposal, which was published by ENTSOG on 28 May 2014 on the ENTSOG website here. In the refinement process of the initial Draft Incremental Proposal, ENTSOG analysied the feedback of stakeholders to the processes and requirements initially proposed by ENTSOG and made amendments and/or changes where regarded necessary or beneficial. The responses of stakeholders to the public consultation of the initial Draft Incremental Proposal are published here. The report analysing the responses of stakeholders is published here.

In addition to the public consultation of the initial Draft Incremental Proposal, ENTSOG invited stakeholders to express their level of support for the refined Draft Incremental Proposal, which was published by ENTSOG on 7 November 2014 on the ENTSOG website here. The responses to this Stakeholder Support Process (SSP) can be found here. The feedback provided by

stakeholders in the SSP were used by ENTSOG to again refine the Incremental Proposal, finally leading to the Final Incremental Proposal to be submitted to ACER.

The Final Incremental Proposal is accompanied by an 'Accompanying Document' which aims at giving further explanation to the policy decisions taken throughout the drafting process and summarising the feedback provided by stakeholders in the SSP. For the avoidance of doubt, the Accompanying Document shall not be construed as part of the Incremental Proposal and is publicly disclosed to the market for the before-mentioned purpose only and without any commitment whatsoever from ENTSOG as to the content of the Final Incremental Proposal.

I. Amendment Proposal to Commission Regulation (EU) No 984/2013:

The Amendment Proposal to Commission Regulation (EU) No 984/2013 is structured in the form of a table contrasting on the one side the legal text of Commission Regulation (EU) No 984/2013 and on the other side the proposed changes to the existing text of Commission Regulation (EU) No 984/2013 and additional Articles as a part of the Incremental Proposal. In this way, it is more convenient for stakeholders to understand where changes to Commission Regulation (EU) No 984/2013 are proposed.

Articles and paragraphs of Commission Regulation (EU) No 984/2013 for which no change in wording is suggested by ENTSOG are marked as "*-unchanged-*" in the corresponding field of the amendment proposal.

Due to the nature of the Incremental Proposal, many interactions between the amendment of Commission Regulation (EU) No 984/2013 and the Network Code on Harmonised Transmission Tariff Structures exist. As the Network Code on Harmonised Transmission Tariff Structures will also undergo Comitoligy procedure until final publication, references to this Network Code in the amendment of Commission Regulation (EU) No 984/2013 are identified as Regulation (EU) No XXX/201X (TAR NC).

As defined in the formal amendment proposal to Commission Regulation (EU) No 984/2013, the provisions of the Incremental Proposal (including the amendments to articles in this Regulation) shall be applicable at the same point in time, at which the Network Code on Harmonised Transmission Tariff Structures will be applicable.

WORDING BY COMMisSION REGULATION (EU) No 984/2013 as of 14 October 2013	Proposed amendment as part of the Incremental Proposal
CHAPTER I GENERAL PROVISIONS	CHAPTER I GENERAL PROVISIONS
Article 1 Subject matter This Regulation establishes a Network Code setting up standardised capacity allocation mechanisms in gas transmission systems. The standardised capacity allocation mechanism shall include an auction procedure for relevant interconnection points within the Union and the standard cross-border capacity products to be offered and allocated. This Regulation shall set out how adjacent transmission system operators cooperate in order to facilitate capacity sales, having regard to general commercial as well as technical rules related to capacity allocation mechanisms.	Article 1 Subject matter *-unchanged-*
Article 2 Scope 1. This Regulation shall apply to interconnection points. It may also apply to entry points from and exit points to third countries, subject to the decision of the relevant national regulatory authority. This Regulation shall not apply to exit points to end consumers and distribution networks, entry points from "liquefied natural gas" (LNG) terminals and production facilities, and entry-exit points to or from storage facilities.	Article 2 Scope *-unchanged-*

2. This Regulation shall apply to all technical and interruptible capacity at interconnection points as well as to additional capacity in the meaning of point 2.2.1 of Annex I of Regulation (EC) No 715/2009. This Regulation shall not apply to interconnection points between Member States where one of these Member States holds a derogation on the basis of Article 49 of Directive 2009/73/EC.	2. This Regulation shall apply to all technical and interruptible capacity at interconnection points as well as to additional capacity in the meaning of point 2.2.1 of Annex I of Regulation (EC) No 715/2009 and to incremental capacity. This Regulation shall not apply to interconnection points between Member States where one of these Member States holds a derogation on the basis of Article 49 of Directive 2009/73/EC.
3. Articles 8(1) to (7), Articles 11 to 18, 19(2) and 21 to 27 shall not apply to new technical capacity to be allocated by means of open allocation procedures for new technical capacity, such as open season procedures, apart from capacity which remains unsold after it has been initially offered by means of such procedures.	3. In case an alternative allocation rule in open season procedures according to Articles 20f(2) to (4) is applied, Articles 19(2) and 27 shall not be applicable to the offer levels, unless decided otherwise by the relevant national regulatory authorities.
4. Where implicit allocation methods are applied, national regulatory authorities may decide not to apply Articles 8 to 27.	*-unchanged-*
5. In order to prevent foreclosure of downstream supply markets, competent national authorities may, after consulting network users, decide to take proportionate measures to limit up-front bidding for capacity by any single network user at interconnection points within a Member State.	*-unchanged-*
Article 3 Definitions For the purposes of this Regulation, the definitions in Article 2 of Regulation (EC) No 715/2009 and Article 2 Directive 2009/73/EC shall apply. In addition, the	Article 3 Definitions For the purposes of this Regulation, the definitions in Article 2 of Regulation (EC) No 715/2009, Article 3 of Regulation (EU) No XXX/201X (TAR NC) and Article 2 Directive

following definitions shall apply:	2009/73/EC shall apply. In addition, the following definitions shall apply:
(1) "ascending clock auction" means an auction in which a network user places requested quantities against defined price steps, which are announced sequentially;	*-unchanged-*
(2) "auction calendar" means a table displaying information relating to specific auctions which is published by ENTSOG by January of every calendar year for auctions taking place during the period of March until February of the following calendar year and consisting of all relevant timings for auctions, including starting dates and standard capacity products to which they apply;	*-unchanged-*
(3) "bidding round" means the period of time during which network users can submit, amend and withdraw bids;	*-unchanged-*
(4) "bundled capacity" means a standard capacity product offered on a firm basis which consists of corresponding entry and exit capacity at both sides of every interconnection point;	*-unchanged-*
(5) "competing capacities" means capacities for which the available capacity in one of the concerned auctions cannot be allocated without fully or partly reducing the available capacity in the other concerned auction;	*-unchanged-*
(6) "first time undersell" means an occurrence where the aggregate demand across all network users is less than the capacity offered at the end of the second bidding round or a subsequent bidding	*-unchanged-*

round;	
(7) "gas day" means the period from 5:00 to 5:00 UTC the following day for winter time and from 4:00 to 4:00 UTC the following day when daylight saving is applied;	*-unchanged-*
(8) "implicit allocation method" means an allocation method where, possibly by means of an auction, both transmission capacity and a corresponding quantity of gas are allocated at the same time;	*-unchanged-*
(9) "interconnection agreement" means an agreement entered into by adjacent transmission system operators, whose systems are connected at a particular interconnection point, which specifies terms and conditions, operating procedures and provisions, in respect of delivery and/or withdrawal of gas at the interconnection point with the purpose of facilitating efficient interoperability of the interconnected transmission networks;	*-unchanged-*
(10) "interconnection point" means a physical or virtual point connecting adjacent entry-exit systems or connecting an entry-exit system with an interconnector, in so far as these points are subject to booking procedures by network users;	*-unchanged-*
(11) "large price step" means a fixed or variable amount that is defined per interconnection point and standard capacity product;	*-unchanged-*
(12) "over-nomination" means the entitlement of network users who fulfil	*-unchanged-*

minimum requirements for submitting nominations to request interruptible capacity at any time within day by submitting a nomination which increases the total of their nominations to a level higher than their contracted capacity;	
(13) "reserve price" means the eligible floor price in the auction;	*-unchanged-*
(14) "small price step" means a fixed or variable amount that is defined per interconnection point and standard capacity product which is smaller than the large price step;	*-unchanged-*
(15) "standard capacity product" means a certain amount of transport capacity over a given period of time, at a specified interconnection point;	*-unchanged-*
(16) "uniform-price auction" means an auction in which the network user in a single bidding round bids price as well as quantity and all network users, who are successful in gaining capacity, pay the price of the lowest successful bid;	*-unchanged-*
(17) "virtual interconnection point" means two or more interconnection points which connect the same two adjacent entry-exit systems, integrated together for the purposes of providing a single capacity service;	*-unchanged-*
(18) "within-day capacity" means capacity offered and allocated after the closure of the day-ahead capacity auctions with respect to that day.	*-unchanged-*
	(19) “economic test” means a test applied to assess the economic viability of incremental

	capacity projects;
	(20) “incremental capacity” means a possible future increase in technical capacity that may be offered based on investment or long-term capacity optimisation and subsequently allocated subject to the positive outcome of an economic test, in the following cases: (a) at existing interconnection points, (b) by establishing a new interconnection point, (c) as physical reverse flow capacity at an interconnection point, which has not been offered before;
	(21) “offer level” means, where yearly standard capacity products for incremental capacity are offered at an interconnection point, the sum of available capacity and the respective level of incremental capacity offered for each of the yearly standard capacity products at the interconnection point;
	(22) “open season procedure” means a process to assess the market demand for incremental capacity that includes a non-binding phase in which network users express and quantify their demand for incremental capacity and a binding market test phase in which binding commitments for contracting capacity are requested from network users by one or more transmission system operators.
CHAPTER II PRINCIPLES OF COOPERATION	CHAPTER II PRINCIPLES OF COOPERATION
Article 4 Coordination of maintenance	Article 4 Coordination of maintenance

Where maintenance of a pipeline or part of a transmission network has an impact on the amount of transmission capacity which can be offered at interconnection points, the transmission system operator(s) shall fully cooperate with their adjacent transmission system operator(s) regarding their respective maintenance plans in order to minimise the impact on potential gas flows and capacity at an interconnection point.	*-unchanged-*
Article 5 Standardisation of communication 1. Transmission system operators shall coordinate the implementation of standard communication procedures, coordinated information systems and compatible electronic on-line communications such as shared data exchange formats and protocols, as well as agree principles as to how this data is treated.	Article 5 Standardisation of communication *-unchanged-*
2. Standard communication procedures shall include, in particular, those relating to network users' access to the transmission system operators' auction system or a relevant booking platform and the review of auction information provided. The timing and content of the data to be exchanged shall be compliant with the provisions set out in Chapter III.	*-unchanged-*
3. The standard communication procedures adopted by transmission systems operators shall include an implementation plan and duration of applicability, which shall be in line with the development of booking platform(s) as set out in Article 27. Transmission systems operators shall	*-unchanged-*

ensure confidentiality of commercially sensitive information.	
Article 6 Capacity calculation and maximisation 1. The maximum technical capacity shall be made available to network users, taking into account system integrity, safety and efficient network operation.	Article 6 Capacity calculation and maximisation *-unchanged-*
(a) In order to maximise the offer of bundled capacity through the optimization of the technical capacity transmission system operators shall take the following measures at interconnection points, giving priority to those interconnection points where there is contractual congestion pursuant to point 2.2.3(1) of Annex I to Regulation (EC) No 715/2009: 4 February 2015, the transmission system operators shall establish and apply a joint method, setting out the specific steps to be taken by the respective transmission system operators to achieve the required optimization: (1) the joint method shall include an in-depth analysis of the technical capacities, including any discrepancies therein on both sides of an interconnection point, as well as the specific actions and detailed timetable – including possible implications and containing the regulatory approvals required to recover costs and adjust the regulatory regime – necessary to maximize the offer of bundled capacity. Such specific actions shall not be detrimental to the offer of capacity at other relevant points of the concerned systems and points to distribution networks relevant for security	*-unchanged-*

of supply to final customers, such as those to storages, LNG terminals and protected customers as defined in Regulation (EU) No 994/2010 of the European Parliament and of the Council. This in-depth analysis should take into account assumptions made in the Union-wide ten-year network development plan pursuant to Article 8 of Regulation (EC) No 715/2009, national investment plans, relevant obligations under the applicable national laws and any relevant contractual obligations; (2) the relevant transmission system operators shall apply a dynamic approach to re-calculating technical capacity, where appropriate in conjunction with the dynamic calculation applied for additional capacity on the basis of point 2.2.2(2) of Annex I to Regulation (EC) No 715/2009, jointly identifying the appropriate frequency for re-calculation per interconnection point and having regard to the particular specificities thereof; (3) adjacent transmission system operators shall include other transmission system operators specifically affected by the interconnection point in the joint method; (4) transmission system operators shall have regard to information that network users may provide with regard to expected future flows when re-calculating the technical capacity.	
(b) the transmission system operators shall jointly assess at least the following parameters and where appropriate adjust them: (1) pressure commitments;	*-unchanged-*

(2) all relevant demand and supply scenarios, including details on reference climatic conditions and network configurations associated with extreme scenarios; (3) calorific value.	
2. Where the optimisation of technical capacity causes costs to the transmission system operators, particularly costs that unevenly impact transmission system operators on either side of an interconnection point, transmission system operators shall be allowed to recover such efficiently incurred costs via the regulatory framework established by the relevant regulatory authorities in accordance with Article 13 of Regulation (EC) No 715/2009 or Article 42 of Directive 2009/73/EC. Article 8(1) of the Regulation (EC) No 713/2009 shall apply.	*-unchanged-*
3. Where appropriate, national regulatory authorities shall consult network users on the applied calculation method and joint approach.	*-unchanged-*
4. Changes in the amount of bundled capacity offered at interconnection points as a result of the process pursuant to paragraph 1 shall be included in the report of the Agency published pursuant to point 2.2.1(2) of Annex I to Regulation (EC) No 715/2009.	*-unchanged-*
Article 7 Exchange of information between adjacent transmission system operators 1. Adjacent transmission system operators shall exchange nomination, re-nomination,	Article 7 Exchange of information between adjacent transmission system operators *-unchanged-*

matching and confirmation information at relevant interconnection points on a regular basis.	
2. Adjacent transmission system operators shall exchange information about the maintenance of their individual transmission network in order to contribute to the decision making process with regard to the technical use of interconnection points. The procedures to exchange data between transmission system operators shall be integrated in their respective interconnection agreement.	*-unchanged-*
CHAPTER III ALLOCATION OF FIRM CAPACITY	CHAPTER III ALLOCATION OF FIRM CAPACITY
Article 8 Allocation methodology 1. Auctions shall be used for the allocation of capacity at interconnection points.	Article 8 Allocation methodology 1. Auctions shall be used for the allocation of capacity at interconnection points, unless provided otherwise in this Regulation.
2. At all interconnection points the same auction design shall apply. The relevant auction processes shall start simultaneously for all concerned interconnection points. Each auction process, relating to a single standard capacity product, shall allocate capacity independently of every other auction process except where, subject to the agreement of the directly involved transmission system operators and the approval of relevant national regulatory authorities, competing capacity is allocated.	2. At all interconnection points the same auction design shall apply. The relevant auction processes shall start simultaneously for all concerned interconnection points. Each auction process, relating to a single standard capacity product, shall allocate capacity independently of every other auction process except where: (a) subject to the agreement of the directly involved transmission system operators and the co-ordinated approvals of relevant national regulatory authorities, competing capacity is allocated; or (b) incremental capacity is allocated in the

	annual yearly capacity auction;
3. The standard capacity products shall follow a logical order by which products covering yearly capacity shall be offered first, followed by the product with the next shortest capacity duration for use during the same period. The timing of the auctions provided for in Articles 11 to 15 shall be consistent with this principle.	*-unchanged-*
4. The rules on standard capacity products as set out in Article 9 and auctions as set out in Articles 11 to 15 shall apply to bundled capacity and unbundled capacity at an interconnection point.	*-unchanged-*
5. For a given auction, the availability of the relevant standard capacity products shall be communicated in accordance with Articles 11 to 15 and according to the auction calendar.	*-unchanged-*
6. An amount at least equal to 20 % of the technical capacity at each interconnection point shall be set aside and offered in accordance with paragraph 7, provided that the available capacity, at the time this Regulation enters into force, is equal to or greater than the proportion of technical capacity to be set aside. If the available capacity, at the time this Regulation enters into force, is less than the proportion of technical capacity to be set aside, the whole of any available capacity shall be set aside. This capacity shall be offered in accordance with paragraph 7(b), while any remaining capacity set aside shall be offered in accordance with paragraph 7(a).	*-unchanged-*
7. Any capacity set aside pursuant to	*-unchanged-*

paragraph 6 shall be offered, subject to the following provisions: (a) an amount at least equal to 10 % of the technical capacity at each interconnection point shall be offered no earlier than in the annual yearly capacity auction as provided for in Article 11 held in accordance with the auction calendar during the fifth gas year preceding the start of the relevant gas year; and (b) a further amount at least equal to 10 % of the technical capacity at each interconnection point shall first be offered no earlier than the annual quarterly capacity auction as provided for in Article 12, held in accordance with the auction calendar during the gas year preceding the start of the relevant gas year.	
8. In the case of new capacity, an amount at least equal to 10 % of the technical capacity at each interconnection point shall be set aside and offered no earlier than the annual quarterly capacity auction as provided for in Article 12, held in accordance with the auction calendar during the gas year preceding the start of the relevant gas year.	8. In the case of incremental capacity, an amount at least equal to 10 % of the incremental capacity at each interconnection point shall be set aside and offered no earlier than the annual quarterly capacity auction as provided for in Article 12, held in accordance with the auction calendar during the gas year preceding the start of the relevant gas year.
9. The exact proportion of capacity to be set aside in relation to paragraphs 6 and 8 shall be subject to a stakeholder consultation, alignment between transmission system operators and approval by national regulatory authorities at each interconnection point. National regulatory authorities shall in particular consider setting aside higher shares of capacity with a shorter duration to avoid	*-unchanged-*

foreclosure of downstream supply markets.	
Article 9 Standard capacity products 1. Transmission system operators shall offer yearly, quarterly, monthly, daily and within-day standard capacity products.	Article 9 Standard capacity products *-unchanged-*
2. Yearly standard capacity products shall be the capacity, which may be applied for, in a given amount, by a network user for all gas days in a particular gas year (starting on the 1st of October).	*-unchanged-*
3. Quarterly standard capacity products shall be the capacity, which may be applied for, in a given amount, by a network user for all gas days in a particular quarter (starting on the 1st of October, 1st of January, 1st of April or the 1st of July respectively).	*-unchanged-*
4. Monthly standard capacity products shall be the capacity, which may be applied for, in a given amount, by a network user for all gas days in a particular calendar month (starting on the 1st day of each month).	*-unchanged-*
5. Daily standard capacity products shall be the capacity, which may be applied for, in a given amount, by a network user for a single gas day.	*-unchanged-*
6. Within-day standard capacity products shall be the capacity, which may be applied for, in a given amount, by a network user from a start time within a particular gas day until the end of the same gas day.	*-unchanged-*
Article 10	Article 10

Applied capacity unit The capacity offered shall be expressed in energy units per unit of time. The following units shall be used: kWh/h or kWh/d. In case of kWh/d a flat flow rate over the gas day is assumed.	Applied capacity unit *-unchanged-*
<u>Article 11</u> Annual yearly capacity auctions 1. The yearly capacity auctions shall be held once a year.	<u>Article 11</u> Annual yearly capacity auctions *-unchanged-*
2. Capacity for each yearly standard capacity product shall be auctioned through the annual yearly capacity auction using an ascending-clock auction algorithm in accordance with Article 17.	*-unchanged-*
3. The auction process shall offer capacity for no longer than the upcoming 15 years.	3. The auction process shall offer capacity for no longer than the upcoming 15 years, unless provided otherwise in this Regulation.
4. Annual yearly capacity auctions shall start on the first Monday of March each year unless otherwise specified in the auction calendar.	*-unchanged-*
5. During the annual yearly capacity auction network users shall be able to participate in one or several concurrent auctions in relation to each interconnection point in order to apply for standard capacity products.	*-unchanged-*
6. The capacity to be offered during the annual yearly capacity auction shall be equal to: A – B – C + D	6. The capacity to be offered during the annual yearly capacity auction shall be equal to: A – B – C + D + E - F
Where:	Where:

A is the transmission system operator's technical capacity for each of the standard capacity products; B for annual yearly auctions offering capacity for the next five years, is the amount of technical capacity (A) set aside in accordance with Article 8(7)(b); for annual yearly auctions for capacity beyond the first five years, is the amount of technical capacity (A) set aside in accordance with Article 8(7); C is the previously sold technical capacity, adjusted by the capacity which is re-offered in accordance with applicable congestion management procedures; D is additional capacity, for such year, if any.	A is the transmission system operator's technical capacity for each of the standard capacity products; B for annual yearly auctions offering capacity for the next five years, is the amount of technical capacity (A) set aside in accordance with Article 8(7)(b); for annual yearly auctions for capacity beyond the first five years, is the amount of technical capacity (A) set aside in accordance with Article 8(7); C is the previously sold technical capacity, adjusted by the capacity which is re-offered in accordance with applicable congestion management procedures; D is additional capacity, for such year, if any; E is the incremental capacity for such year included in a respective offer level, if any; F is the amount of incremental capacity (E), if any, set aside in accordance with Article 8(8) and 8(9).
7. The capacity to be offered may be either bundled capacity or unbundled capacity in accordance with Article 19. This also applies to all other auctions as set out in Articles 12 to 15.	*-unchanged-*
8. One month before the auction starts, transmission system operators shall notify network users about the amount of technical capacity to be offered for each year for the upcoming annual yearly capacity auction. In addition the transmission system operators shall notify network users whether any additional capacity may be made available.	8. One month before the auction starts, transmission system operators shall notify network users about the amounts of capacity to be offered for each year for the upcoming annual yearly capacity auction.
9. The bidding rounds of each auction shall take place between 08:00 UTC to 17:00	*-unchanged-*

UTC (winter time) or 07:00 UTC to 16:00 UTC (daylight saving) on all relevant gas days. Bidding rounds shall be opened and closed within each gas day, as specified in Article 17(2)	
10. The allocation results of the auction shall be published, as soon as reasonably possible, and no later than the next business day after the closing of the bidding round, simultaneously to individual network users participating in the respective auction.	10. The allocation results of the auction shall be made available, as soon as reasonably possible, and no later than the next business day after the closing of the bidding round, simultaneously to individual network users participating in the respective auction. In case of incremental capacity, the binding commitments of network users for contracting capacity and the results of the economic test including whether the conditions for a repeated auction according to Article 20d(3) are met shall be made available no later than the next business day after the closing of the bidding round, simultaneously to individual network users participating in the respective auction.
11. Aggregated information on auction results shall be published to the market.	*-unchanged-*
Article 12 Annual quarterly capacity auctions 1. The annual quarterly capacity auction shall be held once a year.	Article 12 Annual quarterly capacity auctions *-unchanged-*
2. Capacity for each quarterly standard capacity product shall be auctioned through the annual quarterly capacity auction using an ascending-clock auction algorithm in accordance with Article 17.	*-unchanged-*
3. Each gas year, capacity for each quarter from the first quarter (October-December) of the upcoming gas year to the last	*-unchanged-*

quarter (July-September) of the upcoming gas year (inclusive) shall be auctioned through the annual quarterly capacity auction.	
4. During the annual quarterly capacity auction network users shall be able to participate in one to four concurrent auctions in relation to each interconnection point in order to apply for quarterly standard capacity products.	*-unchanged-*
5. Annual quarterly capacity auctions shall start on the first Monday of June each year unless otherwise specified in the auction calendar.	*-unchanged-*
6. The capacity to be offered in the annual quarterly capacity auction shall be equal to: A – C + D Where: A is the transmission system operator's technical capacity for each of the standard capacity products; C is the previously sold technical capacity, adjusted by the capacity which is re-offered in accordance with applicable congestion management procedures; D is additional capacity, for such quarter, if any.	*-unchanged-*
7. Two weeks before the auction starts, transmission system operators shall notify network users about the amount of capacity to be offered for each quarter for the upcoming annual quarterly capacity auction. In addition the transmission system operators shall notify network users whether any additional capacity may	*-unchanged-*

be made available.	
8. The bidding rounds of each auction, shall take place between 08:00 UTC to 17:00 UTC (winter time) or 07:00 UTC to 16:00 UTC (daylight saving) on all relevant Gas Days. Bidding rounds shall be opened and closed within each gas day, as specified in Article 17(2).	*-unchanged-*
9. The allocation results of the auction shall be published, as soon as reasonably possible, and no later than the next business day after the closing of the bidding round, simultaneously to individual network users participating in the respective auction.	*-unchanged-*
10. Aggregated information on the auction results shall be published to the market.	*-unchanged-*
Article 13 Rolling monthly capacity auctions 1. The rolling monthly capacity auction shall be held once a month.	Article 13 Rolling monthly capacity auctions *-unchanged-*
2. Capacity for each monthly standard capacity product shall be auctioned through the rolling monthly capacity auction using an ascending-clock auction algorithm according to Article 17. Each month, the monthly standard capacity product for the following calendar month shall be auctioned.	*-unchanged-*
3. During the rolling monthly capacity auction network users shall be able to apply for one monthly standard capacity product.	*-unchanged-*
4. Rolling monthly capacity auctions shall	*-unchanged-*

start on the third Monday of each month for the following monthly standard capacity product unless otherwise specified in the auction calendar.	
5. The capacity to be offered in the rolling monthly capacity auction shall be, each month, equal to: A – C + D Where: A is the transmission system operator's technical capacity for each of the standard capacity products; C is the previously sold technical capacity, adjusted by the capacity which is re-offered in accordance with applicable congestion management procedures; D is additional capacity, for such month, if any.	*-unchanged-*
6. One week before the auction starts, transmission system operators shall notify network users about the amount of capacity to be offered for the upcoming rolling monthly capacity auction. In addition the transmission system operators shall notify network users whether any additional capacity may be made available.	*-unchanged-*
7. The bidding rounds of each auction shall take place between 08:00 UTC to 17:00 UTC (winter time) or 07:00 UTC to 16:00 UTC (daylight saving) on all relevant gas days. Bidding rounds shall be opened and closed within each gas day, as specified in Article 17(2).	*-unchanged-*
8. The allocation results of the auction shall be published, as soon as reasonably	*-unchanged-*

possible, and no later than the next business day after the closing of the bidding round, simultaneously to individual network users participating in the respective auction.	
9. Aggregated information on the auction results shall be published to the market.	*-unchanged-*
Article 14 Rolling day ahead capacity auctions 1. The rolling day ahead capacity auction shall be held once a day.	Article 14 Rolling day ahead capacity auctions *-unchanged-*
2. Every day, a standard capacity product for the following gas day shall be auctioned through the rolling day ahead capacity auction.	*-unchanged-*
3. Capacity for each daily standard capacity product shall be auctioned through the rolling day-ahead capacity auction using a uniform price auction algorithm according to Article 18. Each day, the daily standard capacity product for the following gas day shall be auctioned.	*-unchanged-*
4. During the rolling day-ahead capacity auction network users shall be able to apply for capacity for one daily standard capacity product.	*-unchanged-*
5. The bidding round shall open every day at 15:30 UTC (winter time) or 14:30 UTC (daylight saving).	*-unchanged-*
6. A capacity bid for the daily standard capacity product for the rolling day ahead capacity auction shall be handled as follows: submission, withdrawal or amendment from 15:30 UTC to 16:00 UTC	*-unchanged-*

(winter time) or 14:30 UTC to 15:00 UTC (daylight saving).	
7. The capacity to be offered in the rolling day ahead capacity auction shall be, each day, equal to: A – C + D Where: A is the transmission system operator's technical capacity for each of the standard capacity products; C is the previously sold technical capacity, adjusted by the capacity which is re-offered in accordance with applicable congestion management procedures; D is additional capacity, for such day, if any.	*-unchanged-*
8. At the time the bidding round opens, transmission system operators shall notify network users about the amount of capacity to be offered for the upcoming rolling day-ahead capacity auction. In addition the transmission system operators shall notify network users whether any additional capacity may be made available.	*-unchanged-*
9. The allocation results of the auction shall be published, no later than 30 minutes after the closing of the bidding round, simultaneously to individual network users participating in the respective auction.	*-unchanged-*
10. Aggregated information on the auction results shall be published to the market.	*-unchanged-*
<u>Article 15</u> Within-day capacity auctions 1. Subject to capacity being made available, a within-day capacity auction shall be held	<u>Article 15</u> Within-day capacity auctions *-unchanged-*

every hour during gas day using a uniform price auction algorithm in accordance with Article 18.	
2. The first bidding round shall open directly on the next hour bar following the publication of results of the last day-ahead auction (including interruptible if offered) in accordance with Article 14. The first bidding round closes at 01:30 UTC (winter time) or 00:30 UTC (daylight saving) before the gas day. The allocation of successful bids shall be effective from 05:00 UTC (winter time) or 04:00 UTC (daylight saving) on the relevant gas day.	*-unchanged-*
3. The last bidding round shall close at 00:30 UTC (winter time) or 23:30 UTC (daylight saving) on the relevant gas day.	*-unchanged-*
4. Network users shall be entitled to place, withdraw or amend bids from the opening of each bidding round until closure of that bidding round.	*-unchanged-*
5. Each hour on the relevant gas day, capacity effective from the hour + 4 shall be auctioned as within-day capacity.	*-unchanged-*
6. Each bidding round shall open at the start of every hour on the relevant gas day.	*-unchanged-*
7. The duration of each bidding round shall be 30 minutes as of the opening of the bidding round.	*-unchanged-*
8. The capacity to be offered in the within-day capacity auction shall be, each hour, equal to: A – C + D Where:	*-unchanged-*

A is the transmission system operator's technical capacity for each of the standard capacity products; C is the previously sold technical capacity, adjusted by the capacity which is re-offered in accordance with applicable congestion management procedures; D is additional capacity, if any.	
9. Transmission system operators shall publish the available amount of within-day firm capacity on offer, after closure of the last day-ahead auction and in accordance with Article 21(9).	*-unchanged-*
10. Transmission system operators shall provide network users who bid in the day-ahead auctions with the option to have valid unsuccessful bids automatically entered into the subsequent within-day auction.	*-unchanged-*
11. The capacity shall be allocated within 30 minutes of the closure of the bidding round provided that the bids are accepted and the transmission system operator runs the allocation process.	*-unchanged-*
12. The results of the auction shall be made available simultaneously to individual network users.	*-unchanged-*
13. Aggregated information on the auction results shall be published at least at the end of each day.	*-unchanged-*
Article 16 Auction algorithms 1. If several standard capacity products are offered during an auction, the respective	Article 16 Auction algorithms *-unchanged-*

allocation algorithm shall be applied separately for each standard capacity product when it is being allocated. Bids for the different standard capacity products shall be considered independently from each other in the application of the auction algorithm.	
2. For annual yearly, annual quarterly and rolling monthly capacity auctions, an ascending clock auction algorithm, with multiple bidding rounds, as provided for in Article 17, shall be applied.	*-unchanged-*
3. For rolling day-ahead capacity auctions and within-day capacity auctions, a uniform-price auction algorithm, with a single bidding round, shall be applied in accordance with Article 18.	*-unchanged-*
Article 17 Ascending Clock auction algorithm 1. Ascending Clock auctions shall enable network users to place volume bids against escalating prices announced in consecutive bidding rounds, starting at the Reserve Price P0.	Article 17 Ascending Clock auction algorithm *-unchanged-*
2. The first bidding round, with an associated price equal to the Reserve Price P0, shall have a duration of 3 hours. Subsequent Bidding Rounds shall have a duration of 1 hour. There shall be a period of 1 hour between Bidding Rounds.	*-unchanged-*
3. A bid shall specify: (a) the identity of the network user applying; (b) the concerned interconnection point	3. A bid shall specify at least: (a) the identity of the network user applying; (b) the concerned interconnection point and direction of the flow;

and direction of the flow; (c) the standard capacity product for which the capacity is applied for; (d) per price-step, the amount of capacity for the respective standard capacity; (e) product applied for.	(c) the standard capacity product for which the capacity is applied for; (d) per price-step, the amount of capacity for the respective standard capacity; (e) product applied for; (f) in case incremental capacity is offered, the concerned offer level.
4. A bid shall be considered valid if it is submitted by a network user and complies with all provisions of this Article.	*-unchanged-*
5. In order for network users to participate in an auction, it shall be mandatory to place a volume bid in the first bidding round.	*-unchanged-*
6. Transmission system operators shall provide network users with the option to enter bids automatically against any price step.	*-unchanged-*
7. Once the relevant bidding round closes, no modification, withdrawal or variation to valid bids shall be accepted. All valid bids shall become binding commitments of a network user to book capacity to the amount requested per announced price, provided the clearing price of the auction is that announced in the relevant bidding round.	*-unchanged-*
8. The volume bid in any bidding round per network user shall be equal or smaller to the capacity offered in a specific auction. The volume bid per network user at a specific price shall be equal to or less than the volume bid placed by this network user in the previous round, except where paragraph 16 applies.	*-unchanged-*

9. Bids may be freely entered, modified and withdrawn during a Bidding Round, providing all bids comply with paragraph 8. Valid bids shall remain valid until modified or withdrawn.	*-unchanged-*
10. A large price step and a small price step shall be defined per interconnection point and per standard capacity product and published in advance of the relevant auction. The small price step shall be set such that an increase by an integer number of small price steps is equal to an increase by a large price step.	*-unchanged-*
11. The determination of the large price step shall seek to minimise, as far as reasonably possible, the length of the auction process. The determination of the small price step shall seek to minimise, as far as reasonably possible, the level of unsold capacity where the auction closes at a price higher than the reserve price.	*-unchanged-*
12. If the aggregate demand across all network users is less than or equal to the capacity offered at the end of the first bidding round, the auction shall close.	*-unchanged-*
13. If the aggregate demand across all network users is greater than the capacity offered at the end of the first bidding round or a subsequent bidding round, a further bidding round shall be opened with a price equal to the price in the previous bidding round, plus the large price step.	*-unchanged-*
14. If the aggregate demand across all network users is equal to the capacity offered at the end of the second bidding round or a subsequent bidding round, the	*-unchanged-*

auction shall close.	
15. If a first time undersell occurs, a price reduction shall take place and a further bidding round shall be opened. The further bidding round will have a price equal to the price applicable in the bidding round preceding the first time undersell, plus the small price step. Further bidding rounds with increments of the small price step shall then be opened until the aggregate demand across all network users is less than or equal to the capacity offered, at which point the auction shall close.	*-unchanged-*
16. The volume bid per network user in the first bidding round where small price steps are applied shall be equal to or less than the volume bid placed by this network user in the bidding round which preceded the first-time undersell. The volume bid per network user in all bidding rounds where small price steps are applied shall be equal to or greater than the volume bid placed by this network user during the bidding round in which the first-time undersell occurred.	*-unchanged-*
17. If the aggregate demand across all network users is greater than the capacity offered in the bidding round with a price equal to that which led to the first time undersell, minus one small price step, the auction shall close. The clearing price shall be the price that led to the first time undersell and the successful bids shall be those submitted during the original bidding round in which the first time undersell occurred.	*-unchanged-*
18. After each bidding round, the demand of all network users in a specific auction	*-unchanged-*

shall be published as soon as reasonably possible in an aggregated form.	
19. The price announced for the last bidding round in which the auction closes shall be considered as the clearing price of the specific auction, except cases where paragraph 17 applies.	*-unchanged-*
20. All network users who have placed valid volume bids at the clearing price are allocated the capacity according to their volume bids at the clearing price. Successful network users shall pay the clearing price of the specific auction, which may be a fixed or a variable price as set out in Article 26(2), and any other possible charges applicable at the time when the capacity allocated to them can be used.	20. All network users who have placed valid volume bids at the clearing price are allocated the capacity according to their volume bids at the clearing price. Where incremental capacity is allocated, the allocation of incremental capacity shall be subject to the outcome of the economic test according to Article 43(2) and Article 43(3) of Regulation (EU) No XXX/201X (TAR NC) and any necessary subsequent approval processes. Successful network users shall pay the clearing price of the specific auction, which may be a fixed or a variable price as set out in Article 26(2), and any other possible charges applicable at the time when the capacity allocated to them can be used.
21. Following every closed auction, the final auction result including the aggregation of allocated capacities and the clearing price shall be published. Successful network users shall be informed about the amount of capacities they are allocated, individual information shall be communicated only to concerned parties.	21. Following every closed auction, the final auction result including the aggregation of allocated capacities and the clearing price shall be published. Successful network users shall be informed about the amount of capacities they are allocated, individual information shall be communicated only to concerned parties. In case incremental capacity is allocated, this shall only apply to the auction results of the offer level offering the largest amount of capacity that resulted in a positive economic test according to Article 43(3) of Regulation

	(EU) No XXX/201X (TAR NC).
22. If an ascending clock auction has not ended by the scheduled starting point (according to the auction calendar) of the next auction for capacity covering the same period, the first auction shall close and no capacity shall be allocated. The capacity shall be offered in the next relevant auction.	*-unchanged-*
Article 18 Uniform-Price auction algorithm 1. In a uniform price auction, there is a single bidding round in which the network user bids price as well as quantity.	Article 18 Uniform-Price auction algorithm *-unchanged-*
2. During the bidding round of a given auction, network users may submit up to 10 bids. Each bid shall be treated independently from other bids. After the closure of the bidding round, remaining bids may not be amended or withdrawn.	*-unchanged-*
3. A bid shall specify: (a) the identity of the network user applying; (b) the concerned interconnection point and direction of the flow; (c) the standard capacity product for which the capacity is applied for; (d) the amount of capacity for the respective standard capacity product applied for; (e) the minimum amount of capacity for the respective standard capacity product which the network user is willing to be allocated according to the relevant	*-unchanged-*

algorithm in case the network user is not allocated the amount requested in accordance with point (d); (f) the bid prices, which shall not be less than the reserve price applicable for the relevant standard capacity product, which the network user is willing to pay in respect of the capacity applied for. Bids with a bid price below the reserve price shall not be accepted.	
4. The transmission system operator shall rank all bids relating to a given standard capacity product according to their bid price, the highest price ranking first.	*-unchanged-*
5. All remaining bids at bidding round closing time shall be considered as binding on those network users that are allocated at least the minimum amount of capacity requested in accordance with point (e) of paragraph 3.	*-unchanged-*
6. Following the ranking of the bids in accordance with paragraph 4, and subject to paragraphs 7 to 10, capacity shall be allocated to the bids in function of their price ranking. All bids for which capacity is allocated shall be considered as successful. After the allocation of capacity, the remaining unallocated capacity shall be reduced by such quantity.	*-unchanged-*
7. Following the application of paragraph 6 and subject to paragraph 9, where the amount of capacity bid for by a network user exceeds the remaining unallocated capacity (after capacity has been allocated to network users placing higher bids), this network user shall be allocated capacity equal to the remaining unallocated	*-unchanged-*

capacity.	
8. Following the application of paragraph 7 and subject to paragraph 9, where each of two or more bids specifies the same bid price, and the amount of relevant capacity remaining applied for in aggregate under such bids exceeds the remaining unallocated amount, the remaining unallocated amount shall be allocated pro rata to the amounts applied for in each such bid.	*-unchanged-*
9. Where the amount to be allocated in respect of a bid pursuant to paragraph 6, 7 or 8 is less than the minimum amount of capacity according to paragraph 3(e), the bid shall be disregarded and become null and void, and a revised allocation shall be made between remaining equal price bid(s) under paragraph 8, or (as the case may be) an allocation shall made in respect of the next priced bid, pursuant to paragraph 6.	*-unchanged-*
10. Where the remaining amount to be allocated in respect of any bid pursuant to paragraphs 6, 7, 8 or 9 is equal to zero no further capacity shall be allocated to the remaining bids. Those bids shall be considered unsuccessful.	*-unchanged-*
11. The clearing price shall be defined as the price of the lowest successful bid, if the demand exceeds the offer at the reserve price. In all other cases, the clearing price shall be equal to the reserve price. Successful network users shall pay the clearing price of the specific auction, which may be a fixed or a variable price as set out in Article 26(2) and any other possible charges applicable at the time when the	*-unchanged-*

capacity allocated to them can be used.	
CHAPTER IV BUNDLING OF CROSS-BORDER CAPACITY	CHAPTER IV BUNDLING OF CROSS-BORDER CAPACITY
Article 19 Bundled Capacity products Adjacent transmission system operators shall jointly offer bundled capacity products, according to the following principles:	Article 19 Bundled Capacity products *-unchanged-*
(1) on both sides of an interconnection point all firm capacity shall be offered as bundled capacity, in so far as there is available firm capacity on both sides of the interconnection point:	*-unchanged-*
(2) transmission system operators shall offer capacity for the relevant standard capacity product on a booking platform, in accordance with Article 27 and in accordance with the applicable allocation procedure, as set out in Chapter III;	*-unchanged-*
(3) the bundled capacity to be offered by the transmission system operators concerned at an interconnection point shall be contracted through a single allocation procedure;	*-unchanged-*
(4) network users shall comply with applicable terms and conditions of the transport contract(s) of the transmission system operators concerned as from the time the transport capacity is contracted;	*-unchanged-*
(5) where there is more available firm capacity on one side of an interconnection point than on the other side for any period considered, the transmission system	*-unchanged-*

operator with the most available firm capacity may offer such extra capacity to the network users as an unbundled product in accordance with the auction calendar and the following rules: (a) where there is an existing unbundled transport contract at the other side of the interconnection point, capacity may be offered on an unbundled basis not exceeding the amount and duration of the existing transport contract at the other side; (b) where such extra capacity would not fall under paragraph 5 (a), it may be offered for a maximum period of one year;	
(6) any unbundled capacity allocated in accordance with paragraph 5 may be used and nominated as such. It may also be traded on the secondary market;	*-unchanged-*
(7) adjacent transmission system operators shall establish a joint nomination procedure for bundled capacity, providing network users with the means to nominate the flows of their bundled capacity via a single nomination;	*-unchanged-*
(8) the obligations to offer bundled capacity also apply, to the extent that they are relevant, to secondary capacity markets. Without prejudice to paragraph 1, capacity originally allocated as bundled capacity can only be resold as bundled capacity on the secondary market;	*-unchanged-*
(9) where two or more interconnection points connect the same two adjacent entry-exit systems, the adjacent transmission system operators concerned	*-unchanged-*

shall offer the available capacities at the interconnection points at one virtual interconnection point. In case more than two transmission system operators are involved because capacity in one or both entry-exit systems is marketed by more than one transmission system operator, the virtual interconnection point shall include all of these transmission system operators, to the extent possible. In all cases a virtual interconnection point shall be established only if the following conditions are met: (a) the total technical capacity at the virtual interconnection points shall be equal to or higher than the sum of the technical capacities at each of the interconnection points contributing to the virtual interconnection points; (b) they facilitate the economic and efficient use of the system including but not limited to rules set out in Article 16 of Regulation (EC) No 715/2009. Adjacent transmission system operators shall start the necessary analysis and, shall establish functional virtual interconnection points no later than 5 years after the entering into force of this Regulation.	
Article 20 Bundling in case of existing transport contracts 1. The network users who are parties to existing transport contracts at the time of the entry into force of this Regulation at respective interconnection points, should aim to reach an agreement on the bundling of the capacity via contractual	Article 20 Bundling in case of existing transport contracts *-unchanged-*

arrangements ("bundling arrangement"), in compliance with the provisions set out in Article 19 of this Regulation. These network users and transmission system operators shall report to the relevant national regulatory authorities of all bundling arrangements reached by all parties to existing transport contracts. On that basis the national regulatory authority shall send a report to the Agency regarding the yearly progress on bundling capacity in the concerned Member State. The Agency shall, two years from the entry into force of this Regulation, publish a report on the progress made on bundling capacity.	
2. The transmission system operators who are parties to the existing transport contracts may participate in the discussions regarding the bundling arrangement at any time, upon invitation of the network users who are parties to the existing transport contracts.	*-unchanged-*
3. Where a bundling arrangement is agreed upon between respective network users, the transmission system operators involved at the interconnection point shall be informed by the parties of such intended bundling arrangement without undue delay and the transfer of the concerned capacity shall be implemented. In any case, the bundling arrangement shall be implemented subject to the applicable terms and conditions of existing related transport contracts. Once the bundling arrangement is implemented, the relevant capacity shall be treated as bundled capacity.	*-unchanged-*

4. In any case, the duration of the bundling arrangements regarding the capacity bundled under the amendment of the existing contracts shall not exceed the duration of the original transport contracts.	*-unchanged-*
5. All capacity shall be bundled at the earliest opportunity. Existing transport contracts for unbundled capacity cannot be renewed, prolonged or rolled over after their expiration date. Such capacity shall become available capacity as of the expiration date of the transport contracts.	*-unchanged-*
	CHAPTER Iva OFFER OF INCREMENTAL CAPACITY
	Article 20a General provisions 1. Transmission system operators shall co-operate in the processes of assessing market demand for incremental capacity and of conducting technical studies for incremental capacity projects for their joint interconnection points.
	2. Incremental capacity shall be offered as standard yearly capacity products in the annual yearly capacity auction, unless otherwise provided in this Regulation and, if any, in combination with available capacity for the respective standard capacity products.
	3. Open season procedures shall be conducted for incremental capacity if at least one of the following conditions is met for at least one of the involved transmission system operators: (a) when the incremental capacity project

	involves more than two entry-exit systems or is connected to or impacted by exempted infrastructure according to Article 36 of Directive 2009/73/EC or Article 22 of Directive 2003/55/EC; (b) when conditional binding commitments of network users for contracting capacity according to Article 20e(2) are envisaged; (c) when the required offer levels cannot be efficiently derived from the demand assessment report according to Articles 20b(5) to (8); (d) when the time horizon of 15 years for binding commitments of network users for contracting capacity provided in the auction procedures as set out in Article 11 is assumed not to be sufficient for a positive economic test at the reserve price.
	4. Based on the information submitted by the transmission system operators involved in an incremental capacity project, the relevant national regulatory authorities shall issue co-ordinated decisions on the parameters of a single economic test to assess the economic viability of the incremental capacity project, according to Article 45 of Regulation (EU) No XXX/201X (TAR NC).
	5. Transmission system operators and national regulatory authorities shall publish respective points of contact for incremental capacity projects.
	6. The national regulatory authorities involved in an incremental capacity project shall co-ordinate their decision-making throughout the process to ensure consistent approaches for all transmission system operators involved in an incremental capacity

	project. Where national regulatory authorities cannot find agreement on the joint capacity allocation procedure and/or on the required parameters for an incremental capacity project in the agreed timeframes, they shall submit a request to the Agency for decision as set out in Article 8(1)(b) of Regulation (EC) 713/2009.
	Article 20b Process of demand assessment for incremental capacity 1. Transmission system operators shall enable network users to indicate their demand for incremental capacity by submitting non-binding demand indications for incremental capacity.
	2. Non-binding demand indications shall contain at least the following information: (a) the two or more adjacent entry-exit systems between which demand for incremental capacity is expressed and the requested direction; (b) the gas year(s) for which a demand for incremental capacity is expressed; (c) the amount of capacity demanded between the respective entry-exit systems; (d) information on non-binding demand indications which were or will be submitted to any other transmission system operator, in case such indications are linked to each other, such as demand for capacities forming a transport route, or are at least partially mutually exclusive.
	3. Transmission system operators shall

	respond to received non-binding demand indications within 8 weeks after their receipt. The response shall provide at least the following: (a) whether the demand indicated can be considered by the transmission system operator in the context of an incremental capacity project that has already been initiated; or (b) whether the demand indicated is sufficient to consider the initiation of an incremental capacity project to cover this demand; or (c) in which demand assessment report according to paragraph 5 the indicated demand will be taken into account, provided that the demand indicated cannot be considered under (a) or (b).
	4. In case of a situation described in paragraph 3(b), a transmission system operator may charge fees for activities resulting out of the submission of non-binding demand indications. If a fee is applied, it shall be approved by the relevant national regulatory authority. Such fees shall be reimbursed to the respective network user if the economic test for at least one offer level that includes incremental capacity at the respective interconnection point is positive.
	5. Transmission system operators shall publish a demand assessment report at least in English within 16 weeks after the start of the annual yearly capacity auction in all even-numbered years, in which the prospective demand for incremental capacity of all network users is evaluated.

	6. The demand assessment report shall take into account the following criteria: (a) whether the Community-wide Ten Year Network Development Plan identifies a physical capacity gap in the sense that a specific region is undersupplied in a reasonable peak scenario and offering incremental capacity at the interconnection point in question could close the gap; or a national network development plan identifies a concrete and sustained physical transport requirement; (b) whether no yearly standard capacity product linking two adjacent entry-exit systems is available in the annual yearly capacity auction for the year in which incremental capacity could be offered for the first time and in the three subsequent years, because all the capacity has been contracted; (c) whether network users submitted non-binding demand indications no later than 8 weeks after the start of the annual yearly capacity auction in the year of the publication of the respective demand assessment report requesting incremental capacity for a sustained number of years and all other economically efficient means for increasing the availability of capacity between the two respective entry-exit systems or along the relevant transport route are exhausted.
	7. The demand assessment report shall include at least the following: (a) the non-binding demand indications received until no later than 8 weeks after the start of the annual yearly capacity auction in the year of the publication of the respective demand assessment report;

	(b) for the common interconnection points with each adjacent entry-exit system, an assessment of the expected amount and duration of demand for incremental capacity; (c) a conclusion on whether, for which interconnection points and for which expected demand level technical studies for incremental capacity projects will be conducted; (d) a conclusion on whether the conditions as set out in Article 20a(3) are met and an open season procedure should be initiated.
	8. In entry-exit systems with more than one transmission system operator, the demand assessment report shall be developed jointly for capacity demand to and from the same adjacent entry-exit system and published jointly by the involved transmission system operators that are active at least at one interconnection point.
	9. No later than 12 weeks after the publication of the demand assessment report, the relevant transmission system operators or the relevant national regulatory authorities, as applicable, shall organise a joint consultation to ensure the appropriate degree of cross-border co-ordination on the outcome of demand assessment reports referring to a specific potential incremental capacity project. The consultation shall cover at least the following elements: (a) the conclusions taken in the respective demand assessment reports according to paragraph 7(c) leading to offer levels for bundled capacity products at an interconnection point;

	(b) the conclusion on whether an open season procedure shall be applied for the potential incremental capacity project according to paragraph 7(d); (c) prospective timelines of the potential incremental capacity project; (d) general rules and conditions for network users to participate in the potential incremental capacity project; (e) in case a fixed price approach is followed for the incremental capacity project, the elements IND and RP described in Article 42(1)(b) of Regulation (EU) No XXX/201X (TAR NC).
	Article 20c Design phase for incremental capacity 1. Transmission system operators active at the respective interconnection point shall conduct technical studies for incremental capacity projects in order to design co-ordinated offer levels for incremental capacity (design phase) based on the demand assessment reports according to Articles 20b(5) to (8) or based on non-binding demand indications, if the demand indicated is sufficient to allow the initiation of an incremental capacity project according to Article 20b(3)(b). In the process of designing co-ordinated offer levels, the transmission system operators shall take into account the results of the consultation foreseen by Article 20b(9).
	2. Transmission system operators involved in an incremental capacity project shall publish a design phase notice at least in English taking into account the responses to the

	consultation according to Article 20b(9) covering at least the elements set out in Articles 20b(9)(a) to (d).
	3. Following the finalisation of technical studies for an incremental capacity project, the involved transmission system operators shall submit the following as a proposal for co-ordinated approvals to the relevant national regulatory authorities: (a) all offer levels, reflecting the range of expected demand for incremental capacity at the relevant interconnection points as identified in the demand assessment reports according to Article 20b(5) and as result of the consultation held according to Article 20b(9) or indicated via non-binding demand indications. (b) prospective timelines of the incremental capacity project according to the results of the consultation held according to Article 20b(9), including possible changes thereto, and consistent policies to mitigate effects of delays; (c) the parameters defined in Article 46(1) of Regulation (EU) No XXX/201X (TAR NC); (d) in case of open season procedures, whether an extended time horizon for incremental capacity offer of up to 20 years is applied for the incremental capacity according to Article 20e(1); (e) in case of open season procedures, whether and which conditions between binding commitments of network users for contracting capacity are allowed according to Article 20e(2); (f) in case of open season procedures, which alternative allocation rule shall be allowed for

	the allocation of the incremental capacity according to Articles 20f(2) to (4); (g) in case a fixed price approach is followed for the incremental capacity project, the elements described in Article 42(1)(b) of Regulation (EU) No XXX/201X (TAR NC).
	4. The relevant national regulatory authorities shall publish co-ordinated decisions on the parameters defined in paragraph 3, including justifications for the decision, at least in English.
	5. Upon the publication of the decisions of the relevant national regulatory authorities according to paragraph 4 and no later than two month before the offer of incremental capacity in the annual yearly capacity auction, the transmission system operators shall publish jointly an allocation notice at least in English including the following minimum information: (a) the parameters defined in paragraph 3 as approved by the national regulatory authorities; (b) drafts of the legally binding agreements related to the capacity offered.
	Article 20d Auctioning of incremental capacity 1. In case of the allocation of incremental capacity, the involved transmission system operators shall offer the incremental capacity together with the respective available capacity in the annual yearly capacity auction as bundled products to the extent possible in accordance with Article 19 and subject to the short-term reservation in accordance with Article 8(8) and 8(9).

	2. The offer of yearly standard capacity products for the respective offer levels shall be conducted in parallel and independently to each other in accordance with Article 17.
	3. In case the auction for the offer level representing the highest level of incremental capacity resulting in a positive economic test outcome closes with an auction premium for at least one yearly standard capacity product for which incremental capacity is on offer, a new auction shall start offering all yearly standard capacity products for at least the next higher offer level, if any, in order to give network users the possibility to obtain capacity at a higher offer level.
	4. If the new auction according to paragraph 3 does not result in a positive economic test outcome, the allocation results of the preceding auction representing the highest level of incremental capacity resulting in a positive economic test outcome will prevail according to Articles 17(20) and 17(21).
	Article 20e Principles of open season procedures 1. In case open season procedures are applied, binding commitments of network users for contracting capacity can be obtained for 15 years after the commissioning of the incremental capacity. Subject to co-ordinated approvals of the relevant national regulatory authorities, binding commitments of network users for contracting capacity for an additional period of up to 5 years may be obtained. Where open season procedures are selected as a result of Article 20a(3)(a), the national regulatory authorities shall align the length of the additional period for which

	binding commitments can be obtained, with the period for which the exemption applies.
	2. Binding conditional commitments for contracting capacity, meaning that the allocation of a given yearly standard capacity product is subject to the fulfilment of a specified condition, may be submitted by network users in open season procedures. Whether and which conditions between binding commitments of network users for contracting capacity are allowed in an open season procedure is subject to co-ordinated decisions of the relevant national regulatory authorities. The conditions between binding commitments of network users for contracting capacity may include commitments across a number of different yearly standard capacity products at an interconnection point, commitments linking or excluding commitments at other interconnection points or commitments conditional to the allocation of a specific or minimum amount of capacity.
	3. The national regulatory authorities involved in the open season procedure shall co-operate to ensure that the open season procedure is transparent and non-discriminatory.
	4. Open season procedures shall aim at satisfying all expressed capacity demand provided that the economic test outcome is positive at this offer level, taking also into consideration capacity amounts set aside for short-term reservation in accordance with Article 8(8) and 8(9).

	Article 20f Allocation of incremental capacity in open season procedures 1. In the binding phase of the open season procedure, network users express their demand for incremental capacity by submitting binding commitments for contracting capacity in the annual yearly capacity auction according to Article 20d. Network users may submit conditions between binding commitments for contracting capacity in accordance with Article 20e(2).
	2. In cases where the offer of incremental capacity in an open season procedure leads to a negative economic test outcome while not all capacity demand expressed by network users according to paragraph 1 is met, an alternative allocation rule to the one used in the auction procedure for yearly capacity products may be used.
	3. The principles of the alternative allocation rule according to paragraph 2 shall be submitted by the involved transmission system operators to the relevant national regulatory authorities for co-ordinated approvals before the offer of incremental capacity, in accordance with Articles 20c(3)(f) and 20c(4). The principles of the alternative allocation mechanism shall furthermore be published according to Article 20c(5).
	4. The alternative allocation mechanism according to paragraph 2 shall consider the higher contribution of long term capacity binding commitments for the economic viability of the incremental capacity project.

CHAPTER V INTERRUPTIBLE CAPACITY	CHAPTER V INTERRUPTIBLE CAPACITY
Article 21 Allocation of interruptible services 1. Transmission system operators shall offer a daily capacity product for interruptible capacity in both directions at interconnection points where firm capacity has been offered but was sold out day-ahead. At unidirectional interconnection points where technical capacity is offered only in one direction, transmission system operators shall offer a daily product for interruptible capacity in the other direction. Transmission system operators may offer interruptible capacity products of longer duration as well.	Article 21 Allocation of interruptible services *-unchanged-*
2. If interruptible capacity is offered, this shall not be detrimental to the amount of firm capacity on offer. Transmission system operators shall not set aside capacity that can be offered as firm capacity in order to offer it as interruptible capacity.	*-unchanged-*
3. To the extent interruptible capacity products other than daily products are offered, the same standard capacity products for firm capacity shall also apply for interruptible capacity, in terms of duration of the products.	*-unchanged-*
4. To the extent interruptible capacity is offered, it shall be allocated via an auction process with the exception of within-day interruptible capacity.	*-unchanged-*
5. Within-day interruptible capacity shall be allocated by means of an over-	*-unchanged-*

nomination procedure.	
6. Within-day interruptible capacity shall only be allocated when firm capacity, whether technical capacity or additional capacity, is sold out.	*-unchanged-*
7. Where auctions are held for any interruptible products longer than within-day transmission system operators shall, if known, publish the amounts of interruptible capacity on offer before the start of the auction process.	*-unchanged-*
8. If offered, interruptible capacity shall be allocated by means of a separate auction after firm capacity of equal duration has been allocated, but before the auction of firm capacity with a shorter duration starts, with the exception of within-day interruptible capacity.	*-unchanged-*
9. If offered, interruptible capacity auctions shall be conducted in accordance with the same design principles and timescales as applied for firm capacity. The exact timescales applied for the interruptible capacity auctions shall be detailed within the auction calendar with the exception of within-day interruptible capacity.	*-unchanged-*
Article 22 Minimum interruption lead times 1. Interruptible capacities shall have minimum interruption lead times, which shall be decided jointly by adjacent transmission system operators.	Article 22 Minimum interruption lead times *-unchanged-*
2. The default minimum interruption lead time for a given gas hour shall be forty five minutes after the start of the re-	*-unchanged-*

nomination cycle for that gas hour. Where two transmission system operators wish to shorten the lead time for interruptions, any related agreement entered into between the transmission system operators shall be subject to competent national regulatory authority approval.	
Article 23 Coordination of interruption process The transmission system operator that initiates the interruption shall notify the relevant adjacent transmission system operator. Adjacent transmission system operators shall notify their respective affected network users as soon as possible, but with due regard to the reliability of the information.	Article 23 Coordination of interruption process *-unchanged-*
Article 24 Defined sequence of interruptions 1. The order in which interruptions shall be performed, if the total of nominations exceeds the quantity of gas that can flow at a certain interconnection point, shall be determined based on the contractual timestamp of the respective transport contracts on an interruptible basis. In case of an interruption, transport contract coming into force earlier shall prevail over transport contract coming into force later.	Article 24 Defined sequence of interruptions *-unchanged-*
2. If, after applying the procedure described in paragraph 1, two or more nominations are ranked at the same position within the interruption order and the transmission system operator does not interrupt all of them, a pro rata reduction of these specific nominations shall apply.	*-unchanged-*

3. To accommodate the differences between the various interruptible capacity services within the Union, the adjacent transmission system operators shall implement and coordinate the joint procedures provided for in this Article on an interconnection point by interconnection point basis.	*-unchanged-*
Article 25 Reasons for interruptions Transmission system operators shall include reasons for interruptions either directly in their interruptible transport contracts or in the general terms and conditions that govern these contracts. Reasons for interruptions can include but are not limited to gas quality, pressure, temperature, flow patterns, use of firm contracts, maintenance, up- or downstream constraints, public service obligations and capacity management deriving from congestion management procedures.	Article 25 Reasons for interruptions *-unchanged-*
CHAPTER VI TARIFFS AND CAPACITY BOOKING PLATFORMS	CHAPTER VI TARIFFS AND CAPACITY BOOKING PLATFORMS
Article 26 Tariffs 1. The tariff as calculated using the methodology set and/or approved by the national regulatory authority, or the tariff set and/or approved by the national regulatory authority, shall be used as the reserve price in all auctions for all standard capacity products for firm and interruptible	Article 26 Tariffs *-unchanged-*

capacity.	
2. The payable price determined in a capacity auction can be either a fixed price or a variable price or be subject to other arrangements provided for in the applicable regulatory regime. The fixed price shall consist of the applicable tariff at the time of the auction plus the auction premium. The variable price shall consist of the applicable tariff at the time when the capacity can be used plus the auction premium. The arrangements can be different for the capacities in a bundled product on either side of an interconnection point.	*-unchanged-*
3. The appropriate tariff arrangements for the implementation of this Regulation shall be set out on a Union and/or national level in due time. These arrangements shall enable the due implementation of the capacity allocation mechanisms established by this Regulation, without incurring detrimental effects on the revenue and cash flow positions of transmission system operators, due to the implementation of this Regulation, in particular the provisions regarding the setting aside of a proportion of capacity, including new capacity, in accordance with Articles 2(3), 8(7), and 8(8) and Article 19(5)(b).	*-unchanged-*
4. Auction revenues from bundled capacity need to be split between the transmission system operators placing capacities in bundled capacity. The reserve price of the bundled capacity shall be the sum of reserve prices of the capacities in the bundled capacity. All revenues from sales of bundled capacity shall be attributed to	*-unchanged-*

the contributing transmission system operators after each capacity transaction.	
5. The revenues from the reserve price of bundled capacity shall be attributed to the transmission system operators in proportion to the reserve prices of their capacities in the bundled capacity. The revenues from the auction premium from bundled capacity above the reserve price shall be split according to agreement between the transmission system operators, approved by the relevant national regulatory authority, where appropriate, in advance of the auctions. Where no agreement is concluded before the auction, the revenues from the auction premium from bundled capacity shall be attributed to the transmission system operators in equal proportions.	*-unchanged-*
6. National regulatory authorities shall approve over and under recovery mechanisms. Where a price cap regime is applied, the national regulatory authority shall approve the usage of revenues from capacity prices exceeding the respective tariff.	*-unchanged-*
Article 27 Capacity booking platforms 1. Transmission system operators shall apply this Regulation by offering capacity by means of one or a limited number of joint web-based booking platforms. Transmission system operators can operate such platforms themselves or via an agreed party that, where necessary, acts on behalf of them towards the network users.	Article 27 Capacity booking platforms *-unchanged-*

2. Joint booking platforms shall apply the following rules: (a) the rules and procedures for the offer and allocation of all capacity in accordance with Chapter III shall apply; (b) the establishment of a process to offer firm bundled capacity in accordance with Chapter IV shall have priority; (c) functionalities for network users to offer and obtain secondary capacity shall be provided; (d) in order to use the services of the booking platforms network users shall accede to and be compliant with all applicable legal and contractual requirements that enable them to book and use capacity on the relevant transmission system operators' network under a transport contract; (e) capacity at any single interconnection point or virtual interconnection point shall be offered at not more than one booking platform.	*-unchanged-*
3. The establishment of one or a limited number of joint booking platforms shall facilitate and simplify capacity booking at interconnection points across the Union for the benefit of network users. To that end, ENTSOG shall, within six months after the entry into force of this Regulation, carry out a public consultation to identify the market needs. The consultation process shall last no more than six months, including the publication by ENTSOG of a report with the results of the consultation. The report shall identify options to implement the indicated market needs,	*-unchanged-*

having regard to costs and time, with a view to implement the most appropriate option, by transmission system operators or third parties on behalf of them. Where appropriate, ENTSOG and the Agency shall facilitate this process.	
CHAPTER VII FINAL PROVISIONS	CHAPTER VII FINAL PROVISIONS
<u>Article 28</u> Entry into force This Regulation shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union. Without prejudice to Article 6(1)a, this Regulation shall apply from 1 November 2015. This Regulation shall be binding in its entirety and directly applicable in all Member States. Done at Brussels, 14 October 2013.	<u>Article 28</u> Entry into force *-unchanged-*
For the Commission The President José Manuel Barroso	*-unchanged-*

II. Chapter VIII and definitions of the Network Code on Harmonised Transmission Tariff Structures for Gas

Chapter VIII of the Network Code on Harmonised Transmission Tariff Structures for Gas is a part of the Incremental Proposal and covers the tariff-related issues of incremental capacity.

In addition, some definitions in Article 3 of the Draft Network Code on Harmonised Transmission Tariff Structures for Gas are relevant for the Incremental Proposal.

CHAPTER I
General Provisions

Article 3
Definitions

'allowed revenue' means the total revenue which a transmission system operator is entitled to obtain for the provision of transmission services and dedicated services within a given time period under a non-price cap regime and which is set or approved by the national regulatory authority;

'reference price' means the price which is derived in accordance with the cost allocation methodology for capacity product for firm capacity with a duration of one year and which is applicable at different entry and exit points;

'target revenue' means the sum of expected transmission services revenue calculated in accordance with the principles set out in Article 13(1) of Regulation (EC) No 715/2009 and expected dedicated services revenue for services that a transmission system operator provides within a given time period under a price cap regime;

CHAPTER IX
Incremental capacity

Article 43
Economic test

1. The economic test shall be applied for each offer level of an incremental capacity project after binding commitments of network users for contracting capacity have

been obtained by the respective transmission system operators and shall consist of the following parameters:

(a) the present value of binding commitments of network users for contracting capacity, which is calculated as the discounted sum of the following parameters:

(i) the sum of the respective estimated reference price and a potential auction premium and a potential mandatory minimum premium multiplied with the amount of contracted incremental capacity;

(ii) the sum of a potential auction premium and a potential mandatory minimum premium multiplied with the amount of available capacity that was contracted in combination with the incremental capacity;

(b) the present value of the estimated increase in the allowed revenue or target revenue of the transmission system operator that is attributable to the incremental capacity included in the respective offer level;

(c) the f-factor that defines the minimum share of the parameter set out in point (b) that needs to be covered by the parameter set out in point (a).

2. The outcome of the economic test application shall be:

(a) positive, where the value of the parameter set out in paragraph 1(a) is at least equal to the share of the parameter set out in paragraph 1(b) as defined by the f-factor;

(b) negative, where the value of the parameter set out in paragraph 1(a) is lower than the share of the parameter set out in paragraph 1(b) as defined by the f-factor.

3. An incremental capacity project shall proceed if the economic test has a positive outcome for at least one offer level that is including incremental capacity. In case more than one offer level results in a positive outcome of the economic test, the offer level with the largest amount of capacity that resulted in a positive outcome shall be used for proceeding with the next phases of the incremental capacity project towards commissioning.

Article 44

The f-factor

1. When approving the level of f-factor for a given offer level, the relevant national regulatory authority or relevant Member State shall take into account the following:

   (a) the amount of technical capacity set aside in accordance with Article 8(8) and 8(9) of Commission Regulation (EU) No 984/2013;

   (b) positive externalities of the incremental capacity project on the market and/or the transmission network;

   (c) the duration of binding commitments of network users for contracting capacity compared to the economic life of the asset;

   (d) the extent to which the demand for the capacity established in the incremental capacity project can be expected to continue after the end of the time horizon used in the economic test.

2. The part of the allowed revenue or target revenue associated with the incremental capacity project which is not covered by binding commitments of network users for contracting capacity shall be covered by the future contracting of the incremental capacity and to the extent future contracting of the incremental capacity does not occur, be guaranteed through transmission tariffs paid by network users also at other points of the system or through another appropriate payment mechanism established by the relevant national regulatory authorities or the relevant Member States.

3. The mechanisms described in paragraph 2 shall also apply for the share of the present value of the increase in allowed revenue or target revenue defined by the f-factor if all or part of binding commitments of network users for contracting capacity is for any reason cancelled.

Article 45

Combination into single economic test

1. In order to facilitate the offer of bundled capacity products, individual economic test parameters of the involved transmission system operators for a given offer level shall be combined into a single economic test.

2. The single economic test shall consist of the following parameters:

(a) the present value of binding commitments of network users for contracting bundled capacity, which is the sum of the values according to Article 43(1)(a) of the involved transmission system operators;

(b) the sum of the individual present values of the estimated increase in the allowed revenue or target revenue of the involved transmission system operators that is attributable to the incremental capacity of a respective offer level;

(c) the f-factor that defines the share of the parameter set out in point (b) that needs to be covered by the parameter set out in point (a) and allows all the involved transmission system operators individually to cover their individual upfront defined respective shares.

3. The outcome of the single economic test application shall be positive where all underlying economic tests result in positive outcomes as set out in Article 43(2)(a) taking into account a possible redistribution of revenues according to paragraphs 4 and 5. Otherwise, the outcome of the single economic test application shall be negative.

4. In case a redistribution of revenues could potentially lead to a decrease in the level of binding commitments of network users for contracting capacity required for a positive single economic test outcome, transmission system operators may submit to the relevant national regulatory authorities for co-ordinated approvals the mechanisms for a redistribution of revenues from incremental capacity.

5. A redistribution of revenues may be carried out as follows:

(a) during the process of integrating the individual economic test parameters into a single economic test;

(b) in case the single economic test has a negative outcome while at the same time the level of binding commitment of network users for contracting capacity exceeds the minimum required to cover the individual present value of the increase in the allowed revenue or target revenue for at least one of the involved transmission system operators.

Article 46

Publication requirements relating to the economic test

1. For a given incremental capacity project, the transmission system operator(s) shall submit to the relevant national regulatory authority(-ies) for approval the following information for each offer level:

   (a) the reference prices estimated for the time horizon of the initial offer of incremental capacity that are used for the calculation of the parameter set out in Article 43(1)(a) and 45(2)(a), as relevant;

   (b) the parameters set out in Article 43(1)(b) to (c) and 45(2)(b) to (c), as relevant;

   (c) if applicable, the mandatory minimum premium for each offer level and interconnection point applied in the first auction and possibly in subsequent auctions in which the incremental capacity is offered as defined in Article 47(2).

2. Following the approval of the relevant national regulatory authority(-ies), the information set out in paragraph 1 shall be published by the involved transmission system operator(s) as set out in Article 20c(5) of Commission Regulation (EU) No 984/2013.

Article 47

Tariff principles for incremental capacity

1. The minimum price at which network users can request incremental capacity is the reference price resulting from the cost allocation methodology. For the calculation of the economic test, reference prices shall be estimated by making the relevant assumptions taking into account the incremental capacity to be provided.

2. In case the allocation of all incremental capacity at the reference price would not generate sufficient revenues for a positive economic test outcome, a mandatory minimum premium may be applied in the first auction in which the incremental capacity is offered. The mandatory minimum premium may also be applied in subsequent auctions when the capacity is offered that initially remained unsold or when capacity is offered that was initially set aside according to Article 8(8) and 8(9) of Commission Regulation No (EU) 984/2013. The decision on whether and in which

auctions to apply a mandatory minimum premium is subject to the approval of the relevant national regulatory authority.

3. The level of the mandatory minimum premium shall enable a positive economic test outcome with the revenues generated by the allocation of all offered capacity in the first auction in which the incremental capacity is on offer.

4. A mandatory minimum premium approved by the national regulatory authority shall be added to the reference price for the bundled capacity products at the respective interconnection point and shall exclusively be attributed to the transmission system operators, for which the mandatory minimum premium was approved by the respective national regulatory authority. This default principle for the attribution of a mandatory minimum premium is without prejudice to the provisions on the split of a possible additional auction premium according to Article 39(3) or an alternative agreement between the involved national regulatory authorities.

5. In case initial commitments for contracting of incremental capacity by network users are for any reasons cancelled, the transmission system operator may charge the outstanding amounts resulting from a mandatory minimum premium for the initial contract duration to the respective network users.

6. Where a mandatory minimum premium is applied and the relevant national regulatory authorities conclude that based on the relevant assumptions described in paragraph 1 there are doubts whether future capacity bookings will generate sufficient revenues to cover the allowed revenues or target revenues associated with the incremental capacity beyond the initial time horizon for booking capacity, the part of the revenues following from the mandatory minimum premium shall be used for measures to mitigate possible future under-recovery with regard to the incremental capacity. The extent of the occurrence of such under-recovery shall be monitored by the transmission system operators. This shall be achieved by either of the following:

   (a) including the associated revenues into the revenue recovery mechanism as set out in Chapter VI;

   (b) a specific account separate from the regulatory account;

   (c) an adjustment of the yearly rate of depreciation for the incremental capacity in accordance with the outlook on the level of contracting of the incremental capacity

in order to increase the alignment between the duration of binding commitments of network users for contracting capacity and the economic life of the asset;

(d) any other measure agreed between the respective transmission system operator and national regulatory authority.

7. When, in the future, under-recovery associated with the incremental capacity as described in paragraph 6 does not occur, over-recovery at that time shall be prevented by using the accumulated revenues from the mandatory minimum premium in accordance with the applied cost allocation methodology.