

Joint Decision of the Energy Regulators regarding
the capacity auctions, held by ICGB AD, in
accordance with the auction calendar published by
ENTSOG in 2024

I. Taking into consideration:

- 1.** The Interconnector Greece-Bulgaria (IGB pipeline) is located on the territory of more than one member state of the European Union, namely: the Republic of Bulgaria and the Hellenic Republic.
- 2.** On July 17th 2017, ICGB AD submitted to the Energy and Water Regulatory Commission of Bulgaria (EWRC) and to the Regulatory Authority for Energy of the Hellenic Republic (RAE) (as of April 2023 with a new name, Regulatory Authority for Energy, Waste and Water, referred to also as RAAEY) an "Application in accordance with Art. 36 of the Directive 2009/73/EC for the Interconnector Greece-Bulgaria". The application contains a request for exemption of the Interconnector Greece-Bulgaria (IGB pipeline) from the requirements regarding third party access, regulated prices and ownership unbundling.
- 3.** EWRC and RAE by Decision № P-BO-1 of 29 May 2018, respectively Decision № 483 of 29 May 2018, have adopted "Joint opinion of the national regulatory authorities regarding the application for the exemption of the Greece-Bulgaria Interconnection (IGB) - Water Regulatory Commission of Bulgaria (EWRC) and to the Regulatory Authority for Energy of the Hellenic Republic (RAE)", from requirements regarding third party access, regulated prices and ownership unbundling for a period of 25 years starting from the Commercial Operation Date (COD) of the IGB gas pipeline. Both decisions were notified to the European Commission.
- 4.** On July 25, 2018 The European Commission has adopted Decision C (2018) 5058 final on the exemption of the Greece-Bulgaria interconnection from requirements regarding third party access, regulated prices and ownership unbundling.
- 5.** EWRC by Decision № P-BO-2 of 8.08.2018 and RAE by Decision № 768 of 08.08.2018, adopted "A final joint decision of the National Regulatory Authorities on an application for exemption sent by ICGB AD" (hereinafter referred to as the "Final Joint Decision") in accordance to the European Commission Decision.
- 6.** The Final Joint Decision has been amended as follows:
 - 6.1.** By Decision № P-BO-1 of 20.03.2020 and Decision № 568 of 12.03.2020 EWRC and RAE amended the "Final Joint Decision" regarding the commercial operation date (COD) and decided that the IGB pipeline shall be in commercial operation no later than 31 December 2020 (target COD) and no later than 1 July 2021.
 - 6.2.** By Decision № P-BO-1 of 20.05.2021 and Decision № 424 of 13.05.2021 EWRC and RAE amended the "Final Joint Decision" regarding COD and decided that the IGB pipeline shall be in commercial operation no later than 1 July 2022.
 - 6.3.** By Decision № P-BO-3 of 30.09.2022 and Decision № 742 of 29.09.2022 EWRC and RAE amended the "Final Joint Decision" regarding COD and decided that the IGB pipeline shall be in commercial operation no later than 1 October 2022.
 - 6.4.** By Decision № P-BO-4 of 21.03.2024 and Decision № E-66 of 21.03.2024 EWRC and RAAEY amended the "Final Joint Decision" regarding the application of multipliers in the calculation of the tariff for short-term capacity products and conducting a market test to study the market interest about increasing the IGB gas pipeline capacity.

7. According to the Final Joint Decision, ICGB AD was granted an exemption for a period of 25 years, as from the COD and at the terms and conditions set out in Section 4 of the Final Joint Decision from the provisions of: (i) Article 9 (ownership unbundling); (ii) Article 32 (third party access) for the part of the capacity reserved through the Market Test and stated in the signed Advanced Reservation of Capacity Agreements; and (iii) Articles 41.6, 41.8, 41.10 (regulated tariff) of Directive 2009/73/EC.

8. By Decision № CH-1 of 1.07.2022 and Decision № 593 of 30.06.2022, EWRC and RAE certified ICGB AD as an independent transmission operator.

9. By Decision № TK-1 of 19 June 2023 and Decision № E-36 of 1 June EWRC and approved ICGB AD proposal regarding the offering of the non-exempted transmission capacity at the interconnection points of the IGB gas pipeline with the National System Gas Transmission Operator of the Republic of Greece (DESFA) and the Trans-Adriatic Gas Pipeline (TAP) at the yearly auctions according to the auction calendar, published by the European Network of Transmission System Operators for Gas (ENTSOG), including the percentage allocation of capacity to technical capacity pursuant to Commission Regulation (EU) 2017/459 of 16 March 2017 establishing a network code on capacity allocation mechanisms in gas transmission systems and repealing Regulation (EU) No 984/2013 (Regulation (EU) 2017/459) and have adopted a Joint Decision of the Regulatory Authorities on yearly capacity auctions, which will be conducted by ICGB AD in accordance with the auction calendar of ENTSOG of July 2023, hereinafter referred as "Joint Decision on the 2023 Annual Auctions".

10. By Decision № TK-2 of 24 August 2023 and Decision № E-127 of 3 August 2023, EWRC and RAAEY approved ICGB AD proposal regarding the offering of short-term capacity products at the interconnection points of the IGB gas pipeline with DESFA and TAP at the auctions according to the auction calendar published by ENTSOG, in accordance with Regulation (EU) 2017/459.

11. By letter reg. № V-10 of 28.05.2024 (EWRC reg. № E-15-59-14 of 28.05.2024 and RAAEY reg. № I-374423 of 29.05.2024), ICGB AD has submitted for approval to the two NRAs the "Approach for participation in the yearly capacity auctions according to the auction calendar published by the ENTSOG" (the Approach), as follows:

a) ICGB AD to offer the non-exempted capacity as "competing capacities" among the IP with the TAP (21Z0000000000472E Komotini KOMOTINI-TAP-IGB) and the IP with DESFA (21Z00000000005398 KOMOTINI-DESFA/IGB) at all long-term and short-term future capacity auctions.

ICGB AD points out that it has entered into an agreement with TAP and DESFA under Art. 8, para. 2, clause 3 of Regulation (EU) 2017/459 on the supply of capacity as "competing capacities" between the above-mentioned interconnection points, since the capacity of one of these points cannot be allocated without an automatic reduction (in whole or in part) of the capacity of the other point. Also, the company points out that in order to secure the transmission services, ICGB AD must reduce the offered capacity in both IPs in Greece up to the total technical capacity at IP Stara Zagora. Therefore, the available capacity must be offered as "competing capacities".

b) ICGB AD to offer during the annual auctions in July 2024 annual interruptible reverse capacity at the IP with Bulgartransgaz EAD (58Z-IP-00034-STZ-Bulgartransgaz EAD) and the IP with TAP (21Z0000000000472E Komotini KOMOTINI-TAP-IGB) for 1 gas year.

ICGB AD points out that due to technical constraints DESFA does not currently offer entry capacity, but only exit capacity to IGB gas pipeline associated with supplies from FSRU-Alexandroupolis. IGB gas pipeline interruptible reverse flow is a "virtual flow" therefore the

company considers that the dynamic situation on the natural gas market requires the assessment of the gas market and potential flows from North to South to be carried out on a yearly basis.

c) ICGB AD to offer the non-exempted firm forward capacity at IP with TAP as unbundled at the yearly auctions in July 2024. In addition, the company shall continue offering unbundled capacity in all short-term capacity auctions (quarterly, monthly, daily) at the IP with TAP, unless the NRAs decide otherwise or circumstances change prompting a re-evaluation.

ICGB AD has indicated that after the start of the commercial operation of the IP with DESFA, it will only be accessible to FSRU-Alexandroupolis users. In this regard, the only possibility to transport natural gas from DESFA's gas transmission system to the ICGB AD system will continue through the IP with TAP and the capacity product "Route 3".

d) For each year of the next 5 gas years, 10% of the existing technical capacity should be set aside at each interconnection point as capacity for short-term products, to be allocated from the unreleased capacity of the IGB gas pipeline according to the Final Joint Decision.

12. By letter reg. № VIII-12 of 14.08.2024 (EWRC reg. № E-15-59-14 of 15.08.2024 and RAAEY reg. № I-379119 of 16.08.2024), ICGB AD has submitted clarifications and amendments to some of the proposals in the Approach for participation in yearly capacity auctions in 2024 as per the auction calendar published by ENTSG, as follows:

a) ICGB AD has indicated that proposal 1 of the Approach (presented under item 11, letter "a" above) refers to the auctions for the gas year 2024/2025 and all future long-term (yearly) and short-term (quarterly, monthly, daily and within-day) auctions. The company states that, as currently the interconnection point KOMOTINI (DESFA/IGB) is not in commercial operation, this will be valid only to the extent ICGB AD decides to offer capacity at the said point. Separately, the company specifies that at the end of June 2024 it received information that FSRU Alexandroupolis will not start operating on 01.07.2024. In this regard, ICGB AD has notified the market that the commercial operation is postponed in view of the indications of a serious technical problem without a clear timetable for its resolution.

Regarding the above, ICGB AD **proposes to amend this proposal** as follows:

ICGB AD to offer non-exempted capacity as "competing capacities" among the IP TAP/IGB (21Z0000000000472E Komotini KOMOTINI-TAP-IGB) and IP DESFA/IGB (21Z00000000005398 KOMOTINI-DESFA/IGB) in all auctions for yearly standard capacity products and all auctions for quarterly, monthly, daily and within-day standard capacity products. ICGB AD will only offer capacity as "competing capacities" at IP DESFA/IGB in case IP DESFA/IGB is in commercial operation or after the commercial operation date is officially confirmed.

b) According to ICGB AD, proposal 2 of the Approach (presented under item 11, letter "b" above) applies only to the yearly auctions for gas year 2024/2025. In this regard, the company **proposes to amend this proposal** as follows:

ICGB AD to offer during the annual auctions in July 2024 annual interruptible reverse capacity only at the IP with Bulgartransgaz EAD (58Z-IP-00034-STZ-Bulgartransgaz EAD) and the IP with TAP (21Z0000000000472E Komotini KOMOTINI-TAP-IGB) and only for gas year 2024/2025.

c) ICGB AD has reiterated that proposal 3 of the Approach (presented under item 11, letter "c" above) applies to all future long-term (yearly) and short-term (quarterly, monthly, daily and within-day) auctions, unless the NRAs decide otherwise, or the circumstances outlined in the proposal change. The company points out that since the two NRAs approved ICGB AD proposal to offer non-exempted capacity at the IP with TAP as an unbundled product at least for 5 years, the last of the said five years already falls sixth after the NRAs' decision. In this view, the company

considers that the capacity products that were in July Annual Auctions 2024 fall outside the scope of the NRAs' decision. In this regard, ICGB AD seeks the approval of the NRAs to continue to apply this approach until further notice, with a view to maintain a clear regulatory framework, avoiding ambiguity and potential regulatory confusion.

d) ICGB AD has indicated that proposal 4 of the Approach (presented under item 11, letter "d" above) applies only to 2024 yearly auctions for the next 5 gas years.

ICGB AD affirms that this proposal is in line with the approach approved by the two NRAs by a Joint Decision on the annual auctions in 2023 regarding the annual auctions in July 2023, namely to set aside 10% for the first five years and 20% for subsequent periods from the sixth year onwards, in accordance with the provisions of Regulation (EU) 2017/459. In this regard, the company states that it has already consulted the interested parties (adjacent transmission system operators Bulgartransgaz EAD, TAP and DESFA) on the proportion of the capacity allocation and has synchronised its approach with them in order to maintain market efficiency and consistency at all interconnection points. ICGB AD points out that since the annual auctions in 2024, coordinated with adjacent transmission system operators, offer annual capacity products for a period of five years, the company seeks official consent for this duration, in principle identical to the approach already approved.

II. EWRC and RAAEY assessed the ICGB AD proposals regarding the yearly capacity auctions and have concluded that:

1. On the basis of Art. 8, par. 2, clause third of Regulation (EU) 2017/459, each auction process, relating to a single standard capacity product, shall allocate capacity independently of every other auction process except where incremental capacity is offered or where, subject to the agreement of the directly involved transmission system operators and the approval of relevant national regulatory authorities, competing capacity is allocated.

IGB gas pipeline interconnection points with TAP and DESFA will be treated equally as competing capacities will be offered between them. Due to the technical capabilities of the IGB gas pipeline and the presence of two entry points of interconnection with DESFA and TAP on the territory of the Republic of Greece, it should be noted that only one of them is able to provide the entire technical capacity of the IGB gas pipeline. Reserving capacity at one of these points affects capacity at the other point.

In view of the above, the NRAs accept that the proposal of ICGB AD, presented in a letter reg. № VIII-12 of 14.08.2024, as supplemented in the letter reg. № VIII-12 of 14.08.2024, is justified and the same should be approved.

2. IGB gas pipeline IP with DESFA in the north-south direction connects the IGB gas pipeline only to the FSRU Alexandroupolis regasification terminal, which is the entry point of the Greek gas transmission system, therefore, if an annual interruptible reverse flow is proposed at that IP, it can not be realised. In order to respond to the dynamics of the gas market and the potential flows from north to south on an annual basis, it is justified for ICGB AD to offer an annual interruptible reverse capacity for 1 gas year, only at the IP with Bulgartransgaz EAD and the IP with TAP, and a reassessment will be carried out on an annual basis.

This approach is in line with the approach taken by NRAs with regard to the annual auctions in 2023. It should be noted that its implementation by the transmission system operator does not require an explicit decision by the NRAs, insofar as it is in accordance with the regulatory framework approved by the NRAs, under which ICGB AD operates.

In view of the above, the NRAs do not object to the proposal presented in a letter reg. № VIII-12 of 14.08.2024, as supplemented in the letter reg. № VIII-12 of 14.08.2024, ICGB AD to offer at the annual auctions in July 2024 annual interruptible capacity in the opposite direction of IP with

Bulgartransgaz EAD (58Z-IP-00034-STZ-Bulgartransgaz EAD) and IP with TAP (21Z0000000000472E Komotini KOMOTINI-TAP-IGB), only for gas year 2024/2025.

3. The proposal of ICGB AD to offer the non-exempted firm forward capacity at the IP with TAP as an unbundled product at the annual yearly auctions in July 2024, as well as to continue to offer unbundled capacity at all short-term capacity auctions (quarterly, monthly, daily) at the same IP, unless EWRC and the RAEWW decide otherwise or circumstances change, prompting a re-evaluation, is justified.

Currently, users wishing to transport natural gas through TAP from west to east (reverse flow), according to the TAP Network Code, must reserve capacity products on the route (Nea Messimvria – Komotini exit – "route 3" capacity product). A network user who has booked a 'route 3' product in TAP cannot book bundled exit capacity at TAP and entry capacity at IGB. This makes it impossible to transfer gas from DESFA to ICGB AD via TAP, except for exempted IGB users who have already reserved long-term entry capacity and can use it in combination with "route 3" in TAP. This would give advantage to the exempted network users of ICGB over the non-exempted users. In order to use IGB system, network users who have booked a "route 3" capacity product in TAP must book capacity only at the IGB gas pipeline entry point.

According to Art. 8, par. 4 of Regulation (EU) 2017/459, 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. It should be noted that the application of these provisions by the transmission system operator does not require an explicit decision by the NRAs, insofar as it is in accordance with the regulatory framework approved by the NRAs, under which ICGB AD operates.

In view of the above, **the NRAs do not object to the proposal presented in a letter reg. № V-10 of 28.05.2024, as supplemented in the letter reg. № VIII-12 of 14.08.2024**, ICGB AD to offer the non-exempted firm forward capacity at IP with TAP as unbundled at the annual yearly auctions in July 2024. In addition, the company shall continue to offer unbundled capacity at all short-term (quarterly, monthly, daily) auctions, unless the NRAs decide otherwise or the circumstances outlined in the proposal change, prompting a re-assessment.

4. By a Joint Decision on the annual auctions in 2023, the two NRAs have approved the proposal of ICGB AD to set aside 10% of the existing technical capacity at each IP for the first five years, as well as 20% of the existing technical capacity at each IP from the sixth to the tenth gas year (inclusive) in the case the company decided to offer capacity for more than 5 gas years. The NRAs have accepted that this proposal complies with Art. 8, paragraph 7 and paragraph 9 of Regulation (EU) 2017/459.

There is no data that at the annual auctions in 2023 the company offered capacity for more than 5 years. In this sense, the ICGB AD proposal, presented in a letter ref. № V-10 of 28.05.2024 falls within and is in accordance with the first part of the proposal approved by the Joint Decision on the annual auctions in 2023 of the two NRAs and does not require its amendment. Insofar as there is no amendment of the proposed conditions for allocation of technical capacity under Art. 8, paragraphs 6 and 7 of Regulation (EU) 2017/459, the NRAs consider that the Joint Decision of June 19, 2023 of the two NRAs should continue to apply, as there is no need to conduct a new procedure for discussion and coordination, respectively a new ruling by the NRAs under Art. 8, paragraph 9 of Regulation (EU) 2017/459.

In view with the above, **the NRAs do not object to the proposal of ICGB AD presented in a letter reg. № V-10 of 28.05.2024, as supplemented in the letter reg. № VIII-12 of 14.08.2024**, for the allocation of 10% of the existing technical capacity for short-term products at each IP for each year of the next 5 gas years, which is in accordance with Regulation (EU) 2017/459 provisions.

III. Based on the afore-mentioned arguments, the regulatory authorities of the Republic of Bulgaria and the Hellenic Republic jointly decided:

Approve, within their powers, ICGB AD proposal presented in a letter reg. № V-10 of 28.05.2024, as supplemented in the letter reg. № VIII-12 of 14.08.2024, ICGB AD to offer non-exempted capacity as "competing capacities" among the IP TAP/IGB (21Z00000000000472E Komotini KOMOTINI-TAP-IGB) and IP DESFA/IGB (21Z000000000005398 KOMOTINI-DESFA/IGB) in all auctions for yearly standard capacity products and all auctions for quarterly, monthly, daily and within-day standard capacity products. ICGB AD will only offer capacity as "competing capacities" at IP DESFA/IGB only in case IP DESFA/IGB is in commercial operation or after the commercial operation date is officially confirmed.