What next after cancellation of South Stream & decision on Turkish Stream. Gazprom's plans and possible EU reaction

Andrey A. Konoplyanik,
Co-Chair, Work Stream 2 "Internal Markets", Russia-EU Gas Advisory Council/Coordinator from Russian side, Russia-EU Informal Consultations on EU Regulatory issues

15th WS2 GAC meeting/22nd round of Informal Consultations, Vienna, E-Control, 11 May 2015

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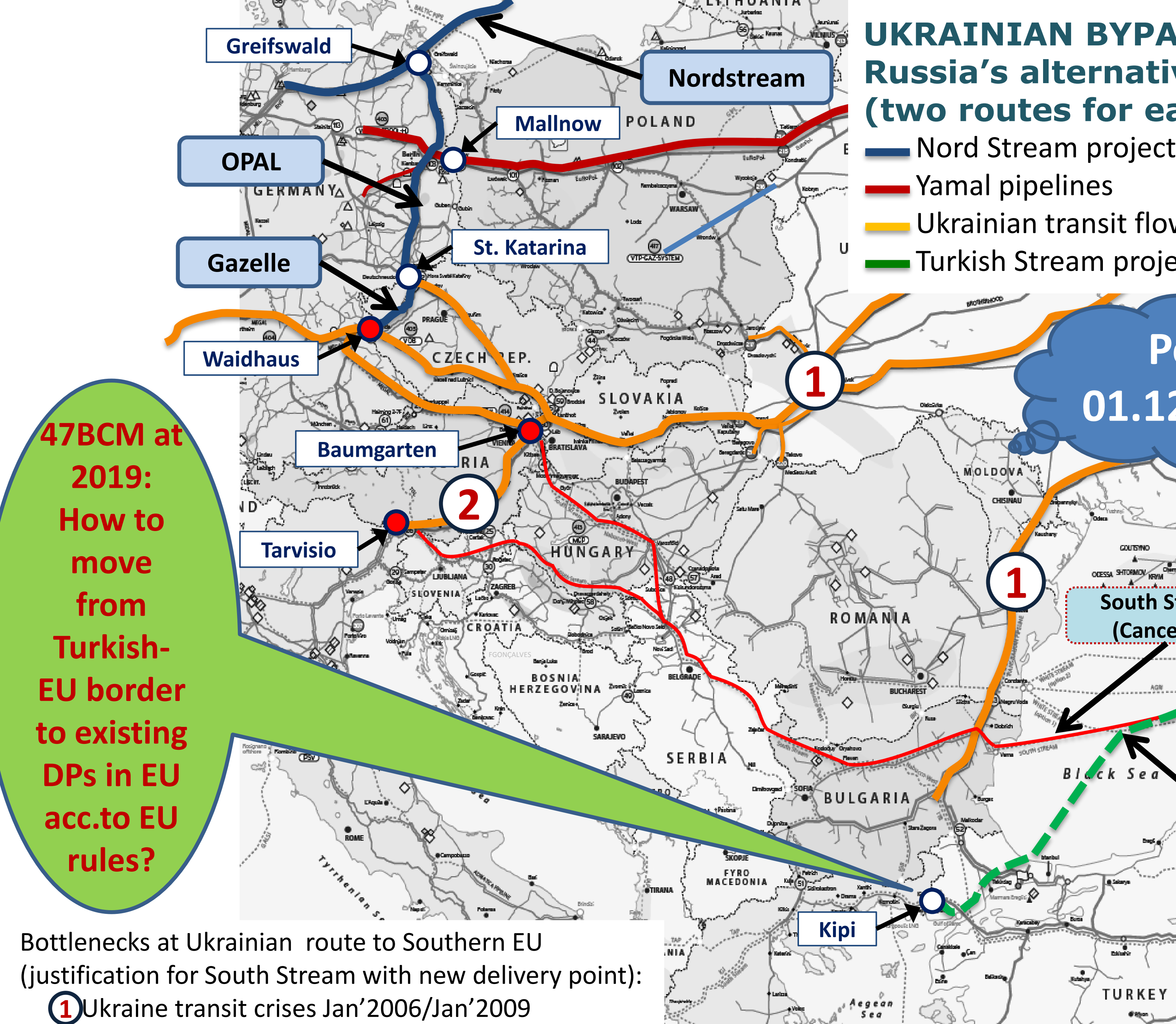
UKRAINIAN BYPASSES: Russia's alternative pipelines (two routes for each market)

- Nord Stream project pipelines
- Yamal pipelines
- Ukrainian transit flows
- Turkish Stream project pipelines



Bottlenecks at Ukrainian route to Southern EU (justification for South Stream with new delivery point):

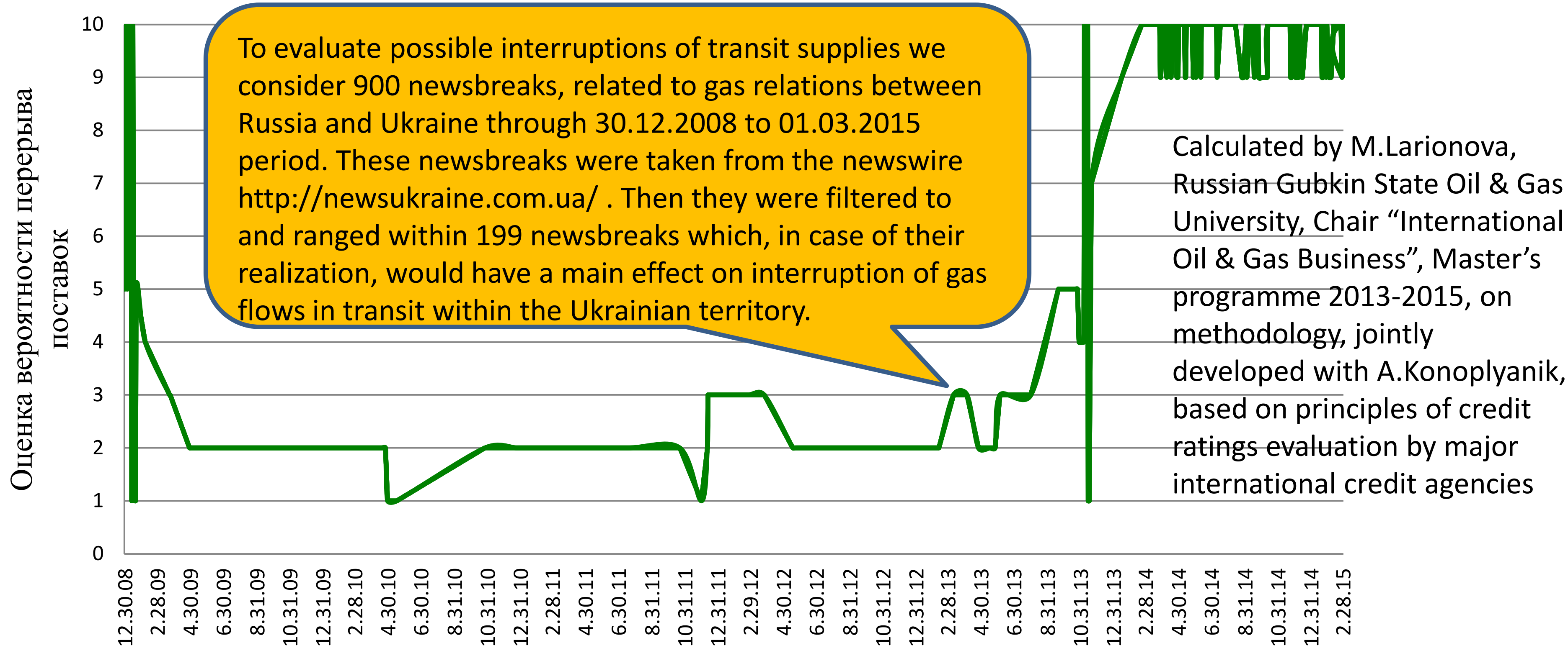
1. Ukraine transit crises Jan'2006/Jan'2009
2. TAG auctions Dec'2005/May'2008

A.Konoplyanik, 22Consultations-15WS2GAC, Vienna, 11.05.2015

Some myths & wrong perceptions about Turkish Stream concept

- *As if* new delivery point for Russian gas at Turkish-Greek border…, but
  - Rerouting of existing supply contracts to EU (some last till 2035)
  - Their delivery points stays deep inside EU (Baumgarten, etc.)
- *As if* liquid hub in Turkey at Turkish-Greek border…, but
  - What is “hub”? (see eg EIA terminology 1996)
  - No market, no diversified infrastructure, no UGS for liquid hub here yet…
- *As if* transit through Ukraine will stay post 2019…, but (+ slides 5-6)
  - Each sovereign state has its sovereign right:
    - Importing state (e.g. EU) has its sovereign right to define its targeted fuel mix, level of state support for alternative fuels (e.g. RES), architecture of its energy markets, etc. thus changing risks & uncertainties for other players within cross-border gas value chain,
    - Resource-owning state-energy exporter (e.g. Russia) has its sovereign right to define end-market-related (to EU) &/or transit-related (via Ukraine) risks & uncertainties (like e.g. non-delivery risk)
    - In unbundled gas world no obligation for exporter to stay with same transportation/transit route for given supply contract after expiration of its transportation/transit component
- *As if* Turkish Stream concept competes/conflicts with EU Southern Gas Corridor…, but (slide 7)

Ukraine: “transit interruption probability” index (2009–2015)



The very fact that two states (Russia & Ukraine) cannot solve issues between them bilaterally; at least one of them (Ukraine) need third party (EU as arbiter / mediator / conciliator) for searching temporary compromises & it also files a case against Russia in SCC, means its systematic mistrust to contractual partner => **permanent transit risk for supplier since it is his responsibility to provide timely delivery of contracted volumes to delivery points** deep inside the EU non-dependent issues with third parties => **sovereign right of resource owner (Russia) or its agent (Gazprom) to evaluate such risk** & undertake adequate measures for its mitigation (incl.by-passes)

Turkish Stream & UA transit: EU views

- **Preferred option for EU** is that **Russia/Gazprom continue gas transit via Ukraine post-2019** enabling:
  - continued financing of Ukraine by Russia by paying transit tariffs (despite continued transit risks in currently unfriendly to Russia political regime in Ukraine),
  - financing/guaranteeing pay-back of UA-EU-USA GTS consortium acc.to UA Law 4116a (RUS participation in consortium forbidden by UA law, but **transit of RUS gas** is the **ONLY** way to make consortium financeable)
- Three indirect ways for EU to implement this strategy:
  (1) To prevent Russia/Gazprom to shift transit from Ukraine to another route at 2019, after transit contract expire, by:
    i. slowing down/prolongation of Amended CAM NC (Am.Reg.984) implementation till post-2019, *plus*
    ii. "no go" with full utilization by Gazprom of OPAL capacity
  (2) continue with Amended CAM NC (Reg.984) in its version non-financeable for cross-border new capacity (like former South & current Turkish Stream) – i.e. without Art.20(h)
  (3) To push to Art.36 route (exemptions) which is a handy & lengthy management dependent on NRA preferences & preconditions

EU Southern Gas Corridor: two visions

Narrow vision

- **Source**: Azeri gas *[+ Turkmen + Iraqi ???]*
- **Infra**: TANAP + TAP
- **Rules**: Art.36 exemption *(offer of capacity)*

Broad vision

- **Source**: all available gas sources coming to EU via Turkey:
  - **Azeri** (new): yes, EU the only target market
  - **Turkmen** (new): no, target markets in Asia
  - **Iranian** (new): maybe, target markets can be both EU & Asia dependent on…but LNG as a target, not pipeline
  - **Iraqi** (new): yes, EU the only target market (but Kurdistan?)
  - **East Med** (new): yes, EU the only target market (if pipeline)
  - **Russian** (existing): maybe, but EU market is mature & stagnating with not-friendly rules for LT supplies which are obligatory for LT CAPEX into huge RUS reserves of conventional gas & its long-distant large-volumes transportation (economy of scale) to EU
- **Infra**: EU TSOs to decide on best effective composition of existing available & new capacity inside EU from EU-Turkish border *(demand for capacity)*
- **Rules**: for multiple sources, routes, suppliers rules shall be standard, multiplicity of exemptions is not commercially financeable (Amended draft Reg.984/2013)

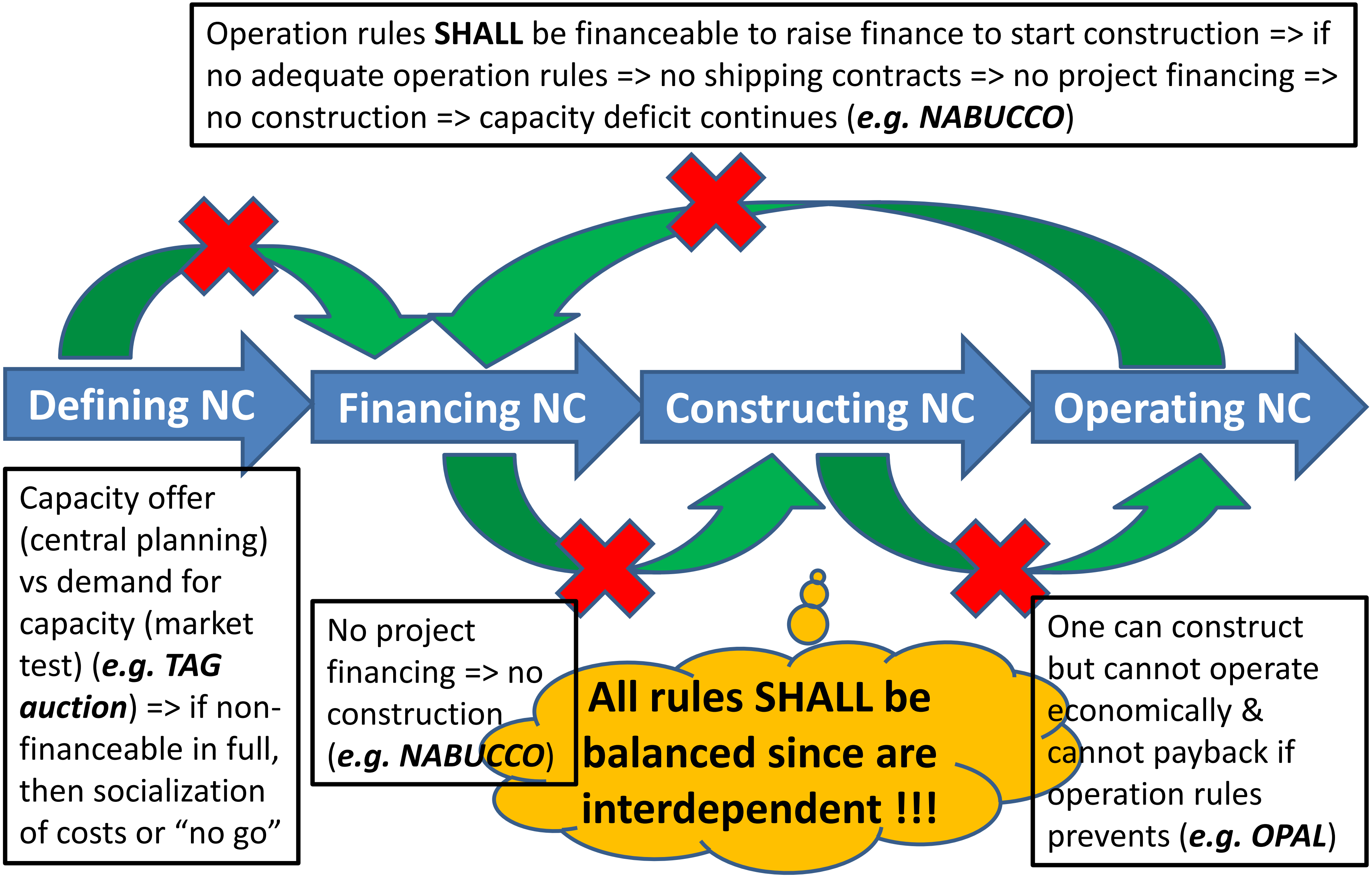
(i) EU consumers, (ii) non-EU gas producers aimed to EU & (iii) transit states (Turkey) have common interest: *that EU rules for new infra are financeable & manageable* => only then:

- non-EU producers (who have such choice) will prefer to aim their gas to EU, not elsewhere,
- Turkey – will receive its transit fees from supplies destined to EU,
- EU will receive its gas from diversified sources, routes & suppliers from non-EU

Some key EU wrong perceptions on new capacity

Wrong perception - as if…	Why it is wrong
No significant new capacity is needed in EU since average utilization rate of existing capacity in EU appr. 70%	(1) Infrastructure density in CEE much lower than in NEW: 40Y+ time-gap; (2) new entry points to EU in SEE require new transportation routes inside EU to major EU markets, due to (i) new transportation routes to EU from new suppliers in South-East (Azeri, etc.), & (ii) by-passes to diminish transit risk of external (Rus) supplies to EU
To deviate from Russian gas due to risk of unstable Russian gas supplies to EU via Ukraine since 2006/09	Key words for EU = "Russian gas' (its origin, though perceived risk), while major real risk for EU = "transit via Ukraine" in result of Russia-UA disputes on supply contract to UA => major EU attention to new sources, not to transportation risks
Auction as universal default procedure for capacity allocation - for creation of **new** (*not yet existing*) capacity the same as in CAM NC for **existing** capacity	In 2009 wrong decision was taken to split preparation of CAM NC first for existing then for new capacity instead of preparation of consolidated CAM for infrastructure development. CAM NC for existing capacity first - to save time & report quick results in TEP implementation. Auction works as MTPA for existing deficit capacity, but OSP is a CAPEX MTPA for non-existing new capacity
As if **OSP with auction** as default procedure **is financeable,** esp. for cross-border routes (2+ IPs)	Such OSP is non-financeable under project financing rules (segmented cross-border project, no single operator, floating tariffs, no booking guarantees, WTP as auction not NPV, cost socialization, etc.)

Defining, financing, constructing, operating NC: to exclude repetition of past negative experience within EU



Development of new capacity in the EU: project financing, draft Amended Reg.984 & Art.20(h)/COS

Guarantees to shipper for transportation of his contracted supply volumes (100% of booked capacity - volumes, duration, profile) at predictable tariffs => security for TSO to pay-back its project CAPEX ("project financing" + double guarantee by congestion management procedures: "ship &/or pay", UIOLI) => security for lenders (commercial financiers) to pay-back their "debt financing" to TSO => **draft Art.20(h) to Amended Reg.984 on effective "Coordinated Open Season" (COS) for cross-border new capacity**

Financing NC → **Constructing NC** → **Operating NC**

"TSO shall invest" (Third Gas Directive, Art.13.2) => only "project financing" as a financial & financeable tool to develop cross-border new capacity => commercial financial institutions (lenders) to define prospects & risks for pay-back of their debt financing => shipper's contracts give 100% security

Non-discriminatory open & competitive bidding leads to cost decrease

Effective rules of operating NC as precondition & guarantee for raising CAPEX & to pass "economic test" (project financeability)

To be financeable & effectively manageable, cross-border transportation route requires:

- ring-fencing (unitization),
- ITSO for unitized project,
- fixed/predictable tariffs (project-based, but not system/"market zone"-based),
- no cost socialization…

Turkish stream: given realities as a starting point (Gazprom plans - summary)

- Rerouted existing supply contracts from UA transit
- Demand for capacity at Turkish-EU border = (63 – 16) = 47 BCM at 2019
- Gazprom as a shipper after new entry point inside EU
- No intention from Gazprom to ask for Art.36 procedure (he is just a shipper)
- Third Energy Package standard rules on new infrastructure to act (they are being developed)
- EU to define standard procedure for development of new capacity (yet under approval/in the making) => it shall be financeable & manageable

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27.02.2015 DG ENERGY to ENTSOG : PCI route proposed for Turkish Stream extension inside the EU?

EUROPEAN COMMISSION
DIRECTORATE-GENERAL FOR ENERGY

Directorate B - Internal Energy Market
The Director

Brussels, 27 FEB. 2015
ENER B/KDB/MZ (2015) 975241

Mr. Stephan Kamphues
President
ENTSOG
Avenue de Cortenberg 100
BE - 1000 Brussels
stephan.kamphues@entsog.eu

Subject: SouthStream cancellation

Dear Mr Stephan Kamphues, *Lieber Stephan,*

The cancellation of the SouthStream project has triggered the rethinking of the gas market situation in many countries but especially in the Central and South-Eastern region of the EU. In particular it has a considerable impact on infrastructure development plans, some projects need to be adapted, some cancelled and new ones may need to be defined. You may have heard that an initiative to tackle these gas connectivity issues in South-East Europe has recently been launched by Vice-president Sefčovič and Commissioner Arias Cañete, so this topic is high on the political agenda.

With this in mind, I would like you to explore whether the TYNDP can be opened for a short period of time in order to allow some of these potential projects, if any, to be still included. We need to ensure that such an action is done in a transparent and non-discriminatory way.

I am aware that the preparation of the TYNDP has already suffered a delay of one month due to necessary adjustments also stemming from the cancellation of SouthStream and that the project-specific modelling of the candidate PCIs is already ongoing. For the same reason, I would enquire whether the potential inclusion of future projects can be done in a way that there are no further delays to the TYNDP, and consequently, to the PCI selection process.

Looking forward to your views on this

Yours sincerely,

Beste Grüße

Klaus-Dieter Borchardt

Commission européenne/Europese Commissie, 1049 Bruxelles/Brussel, BELGIQUE/BELGIË - Tel. +32 22991111

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Source: http://www.entsog.eu/public/uploads/files/publications/TYNDP/2015/COM_20150227_Ares975241SouthStream.pdf

PCI route?

entsog
european network of transmission system operators for gas

Press Release
PR0082-15
1 April 2015

Press Release

European Network of Transmission System Operators for Gas (ENTSOG) launches an exceptional call for information on infrastructure projects to be included in an addendum of TYNDP 2015. This call is a follow-up of the European Commission request to consider new projects in South-East Europe further mitigating the withdrawal of South Stream.

01.04.2015 ENTSOG call for projects to prolong Turkish Stream in SEE: how it corresponds with CAN NC INC (Amend.Reg.984/2013) draft procedure & whether it goes in a best effective way

(PR0082-15, Brussels, 1 April 2015) The European Network of Transmission System Operators for Gas was asked by the European Commission to re-open the TYNDP 2015 to new projects in South East Europe that would mitigate the withdrawal of South Stream. As a result ENTSOG launches today a public call for gas infrastructure projects to be included in an addendum of the TYNDP 2015 published on 16 March 2015. This addendum will constitute in an additional list of projects in the Annex A but without update of the main report and assessment.

This call is **strictly limited to projects in South-East Europe mitigating the withdrawal of South Stream**. Concerned submitted projects will fulfil the eligibility criteria of being part of TYNDP for the second selection of Projects of Common Interest.

PCI route, ***not*** CAM NC INC (Amend.Reg.984/2013) route

All promoters that considers their projects (new ones or updated version of existing ones) eligible for entry in this exceptional call should submit all mandatory information **by 22 April 2015.**

Results?

Source: http://www.entsog.eu/public/uploads/files/publications/Press%20Releases/2015/PR0082_150401_Press%20Release%20TYNDP_New_Call.pdf

The gap between practical line of action of SEE MS & line of action acc.to Amend.Reg.984/2013 seems to increase

- **What happened in practice (*Political* line of action?) :**
  - 09.02.2015, Sofia – Ministers of Energy SEE
  - 04.04.2015, Budapest – Foreign Ministers SEE
  - The Ministers seems trying to put together a puzzle of existing draft projects (interconnectors, etc.) competing with each other, their sponsors/promoters & mother states of SEE for preferred – Eastern/Western – route…
  - PCI route = "a long a winding road…"
- **What might be a more proper alternative *legal* line of action** acc.to 3rd Energy Package rules (CAM NC INC = Amended Reg.984/2013, with/without Art.20(h)):
  - TSOs to organise COSP => since more than 2 IP (Art.20.a3)
  - Based on market demand for capacity, TSOs to define best effective combination of existing available (not yet contracted) & new capacity for future periods:
    - If COSP in 2015: for the period next 20/25Y (till 2035/2040)
    - Demand for capacity, incl. Turkish Stream et al = 47BCM+(?)

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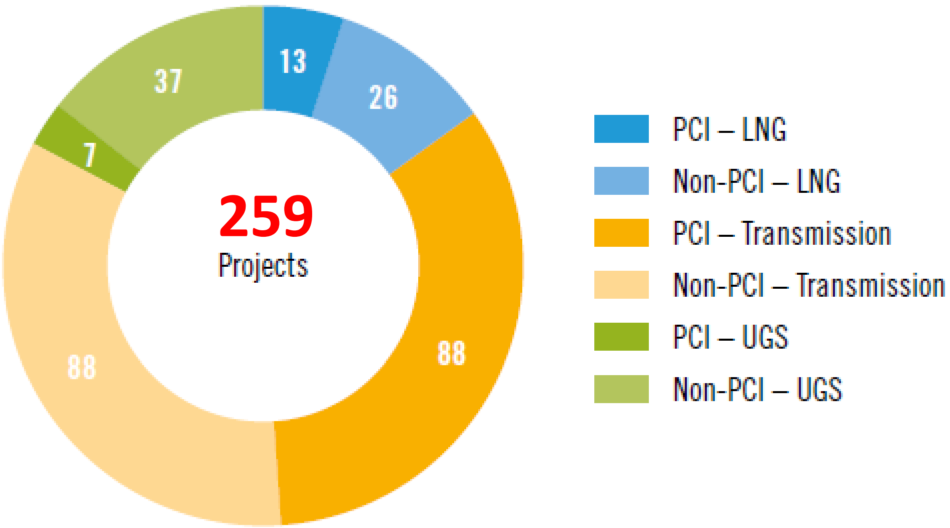
1) Some myths & realities on Turkish Stream & new EU infrastructure
2) DG ENERGY/ENTSOG/SEE post-South Stream action plan: clarity on “what to do”, Y-track on “how to do”
3) **ENTSOG 10YNDP-2015: major barriers for investment in new EU infrastructure development**
4) How to timely deliver adequate available infrastructure based on demand for capacity provided by Turkish Stream in 2019 & to overcome investment barriers
5) What & why pilot test for draft Amended Reg.984/2013 with new proposed chapter - for Turkish Stream extension within the EU?

ENTSOG 10YNDP-2015: 259 projects submitted by Sept'2014, FID for many projects postponed, ENTSOG asked promoters to identify major challenges...



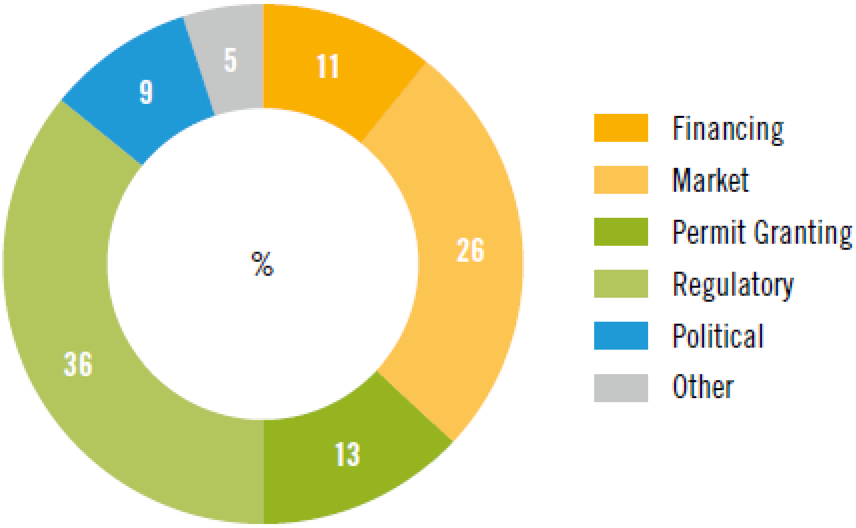


Figure 2: Investment barriers identified by promoters

Figure 1: Projects submitted to the TYNDP 2015 (PCI refers to the 2013 approved list)

ENTSOG 10YNDP-2015 on Investment barriers by project type & barrier category

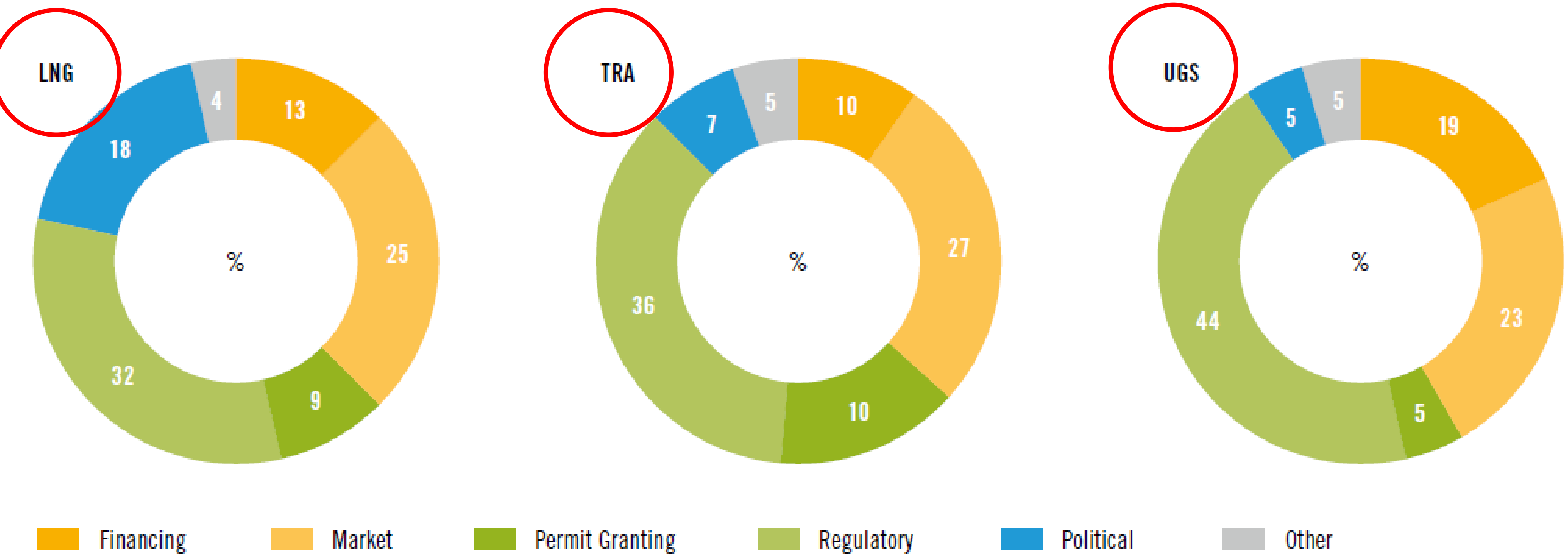


Figure 3.2: Overview of project barriers by project type, as submitted by the promoters (LNG – TRA – UGS)

Source: 10YNDP-2015, Main Report, p. 30

ENTSOG 10YNDP-2015 on categories of Investment barriers & regulatory-related ones

Source: 10YNDP-2015, Main Report, p. 30-31

REGULATORY 1	Rate of Return
	Low price of short term capacity
	Capacity quotas
	Lack of proper transposition of EU regulations
	Other
MARKET 2	Lack of market support
	Lack of market maturity
	Other
PERMIT GRANTING 3	
FINANCING 4	Availability of funds
	Amortization rates
	Other
POLITICAL	
OTHER	

Table 3.1: Categories of barriers to investment

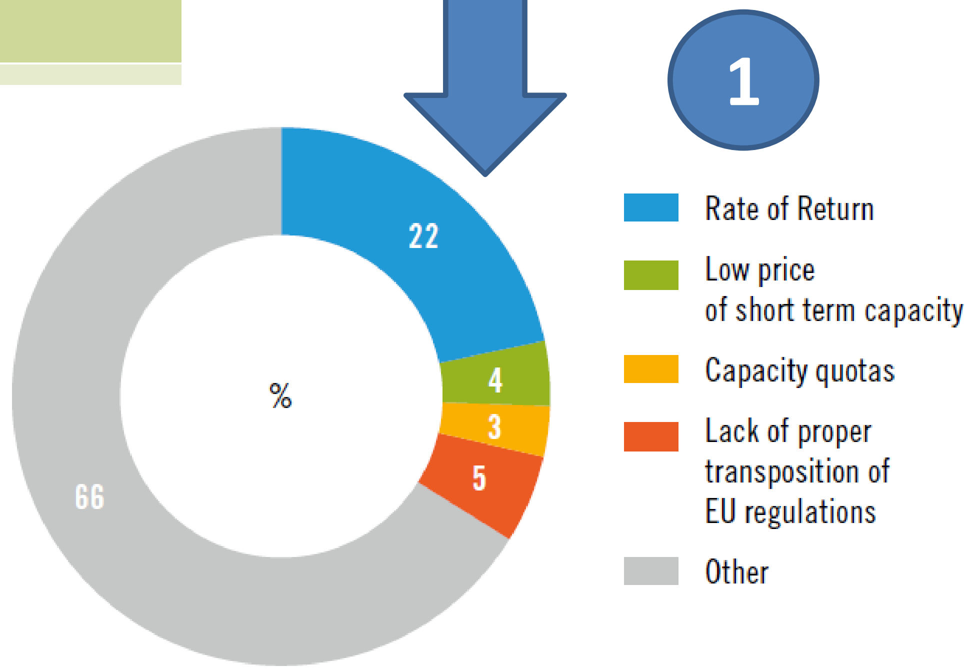
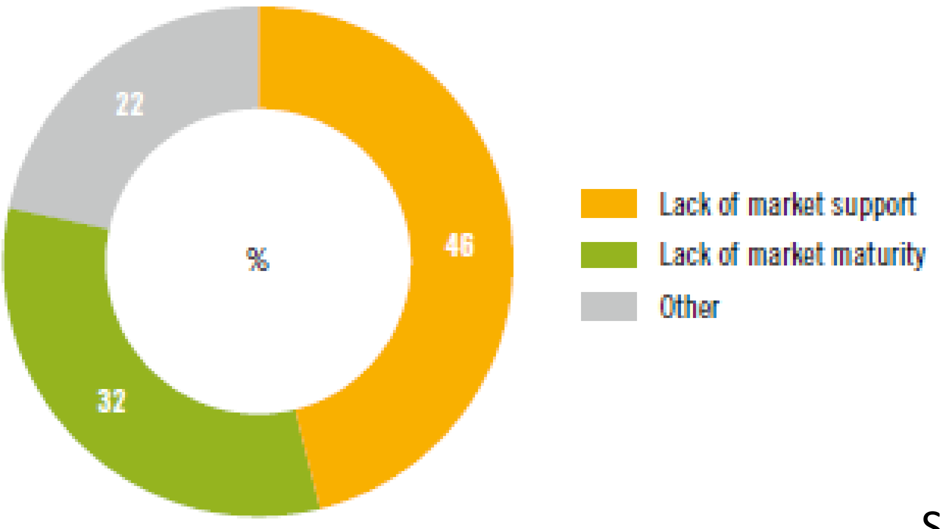


Figure 3.3: Overview of Regulatory related project barriers

ENTSOG 10YNDP-2015 on market-related Investment barriers - & SEE



Source: 10YNDP-2015, Main Report, p. 32

2

Figure 3.4: Overview of the Market related project barriers

The difficulty in receiving sufficient market commitment is one of the main barriers highlighted by promoters. The focus on short-term capacity products, as a result of the way European regulation has been implemented, the current economic situation and unclear signals from EU energy policy, do not deliver the necessary investment signals and long-term financial commitment to trigger new infrastructure projects. The lack of market maturity is also identified as a barrier with regard to the number of users and the development of the commercial arrangements.

In some regions, promoters are facing additional challenges as the gas market is not sufficiently mature to give the appropriate signals and provide sufficient financial commitment. These regions are often at the same time suffering from a lack of infra-structure integration compared to the rest of the European gas market.

SEE

ENTSOG 10YNDP-2015 on permitting-related investment barriers - & proposed draft solution

Nabucco: 28 months for permission granting (exemptions) – this exceeds FS/FID, permissions, financing, construction of Turkmen-Uzbek-Kazakh-China gas pipeline

3

Draft solution (Art.20(h)): ring-fencing of IPs within cross-border transportation route + unitization of TSOs within such route + creation of ITSO for such route

The streamlining of the permitting process (e.g. "one-stop-shop") is a long-awaited improvement by promoters. Nevertheless many Member States are late in establishing such arrangements.

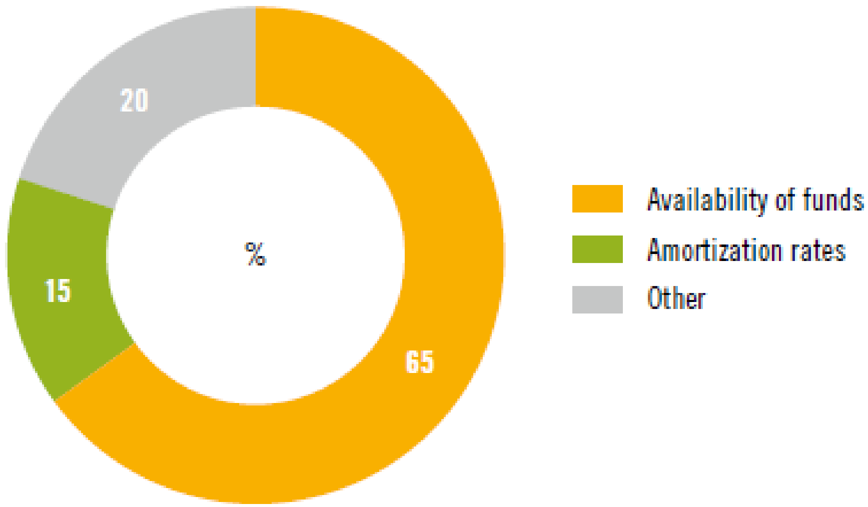
Such situation would be detrimental to the development of necessary infrastructures as streamlined permitting is especially important for cross-border projects where the phasing of stages in each country is a key factor in delivering the benefits of the projects.

These arrangements are intended to strike a balance between public consultation and certainty on the duration of the process. If these arrangements deliver expected benefits, they should be enlarged to Non-PCI projects as well.

Source: 10YNDP-2015, Main Report, p. 33

Gas infrastructure projects are capital intensive assets with a very long economic lifetime therefore project financing is a major part of the process of enabling the investment. Financial tools put in place to support new investments are not always attractive to investors.

ENTSOG 10YNDP-2015 on financing-related Investment barriers => key role of Project Financing



Source: 10YNDP-2015, Main Report, p. 32

Figure 3.5: Overview of the Financing related project barriers

4

The number of proposed projects submitted for TYNDP 2015 illustrates the willingness of promoters to invest in European gas infrastructures. There is sufficient capital in the financial market to fund a significant proportion of these projects, the challenge is to ensure that these projects access funding. The main prerequisite to unbridle this financial potential is a stable and attractive regulatory framework for investors; however, not all Member States offer a regulatory environment with conditions favouring investments.

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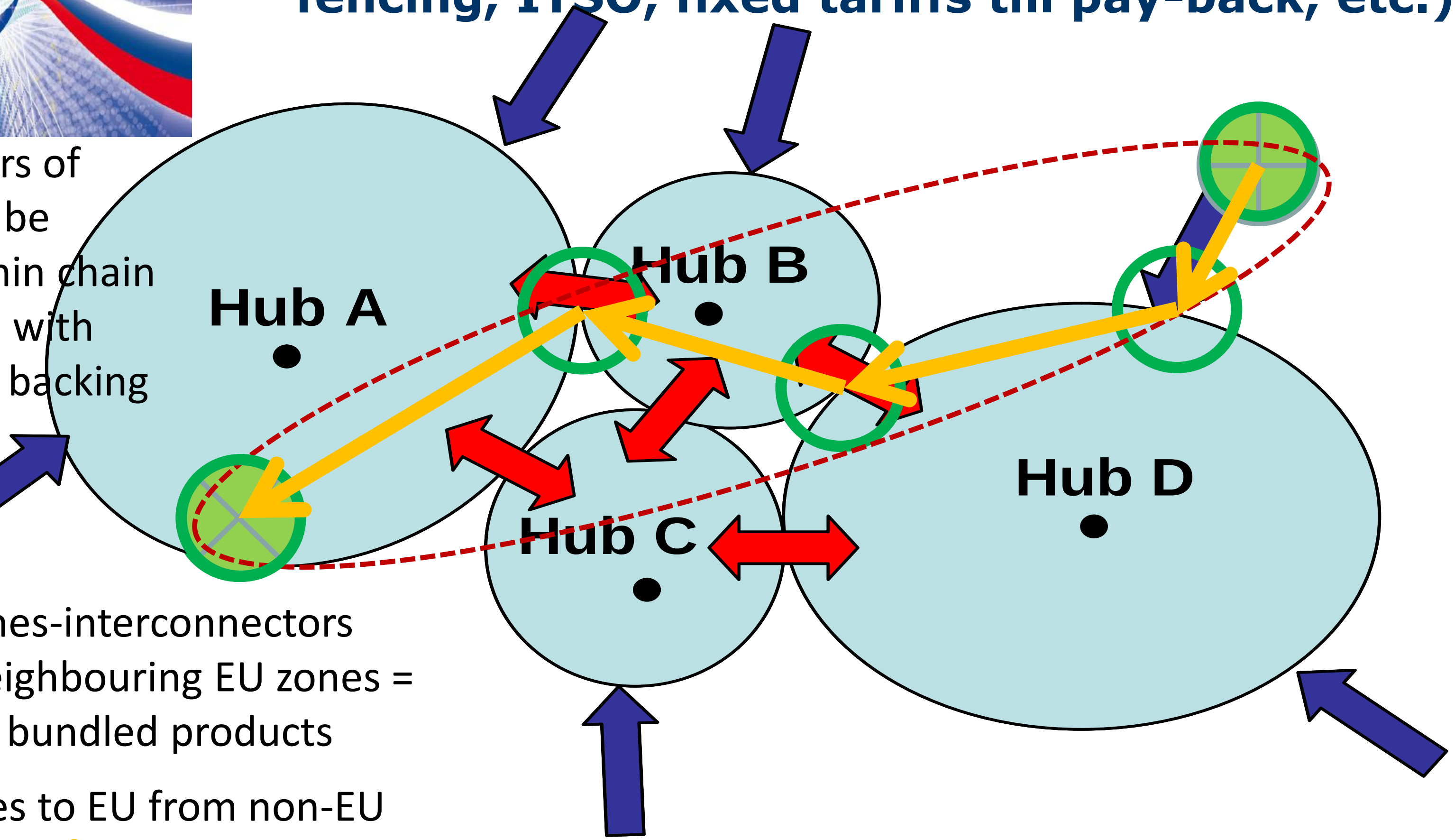
Solution for new cross-border capacity within EU E-E zones: project financing approach (COSP, ring-fencing, ITSO, fixed tariffs till pay-back, etc.)



Parameters of new IPs/CBPs to be coordinated within chain of the zones and with supply contracts backing demand for new capacity within each zone

Pipelines-interconnectors between two neighbouring EU zones = = single IPs with bundled products

Supplies to EU from non-EU

Non-EU producer

Its EU customer

ITSO

New Capacity = multiple IPs with bundled products to be balanced, cross-border coordination of TSOs to avoid two types of contractual mismatches:

(1) at each IP: between term supply & transportation contract, and

(2) at all IPs on the route from zone to zone: between bundled products at each IP

"Project-based" financeable & manageable proposal for COSP: draft Art.20(h) for draft Amended EU Reg.984/2013 (not included yet by ENTSOG/ACER)

New cross-border capacity project life-cycle

Investment + pay-back period | **Post-pay-back period**

Coordinated Open Season Procedure (COSP) = project-based proposal (Art.20(h))	**Amended EU Reg.984/2013 (CAM NC INC+ draft NC HTTS)**
1.Project-based approach through pay-back 2.Tariff as swing parameter in economic test 3.NPV as criteria for economic test 4.Fixed tariff through pay-back period 5.F-factor =100% (90% = shippers demand, 10% = NRA guarantees, securitized by EU Fin. Inst.) 6.No cost socialization 7.Cross-border unitization, ITSO for unitized project, TSOs coordination within single project 8.Costs/revenues reallocation within project 9.No contractual mismatch	1.System-based approach 2.Volume as swing parameter 3.WTP as criteria 4.Floating tariff 5.F-factor established by NRA, flexible, less 100% 6.Huge cost socialization (1-F) 7.Cross-border coordination for existing & not yet existing cap. 8.…between diff. market areas 9.Risk contractual mismatch high

Cross-border new capacity ("transportation route") principle: until capacity is built & paid-back – OSP procedure based on project-based (not system-based) approach

"Project-based" financeable & manageable proposal for COSP: draft Art.20(h) for draft Amended EU Reg.984/2013 (not included in it by ENTSOG/ACER)

New cross-border capacity project life-cycle

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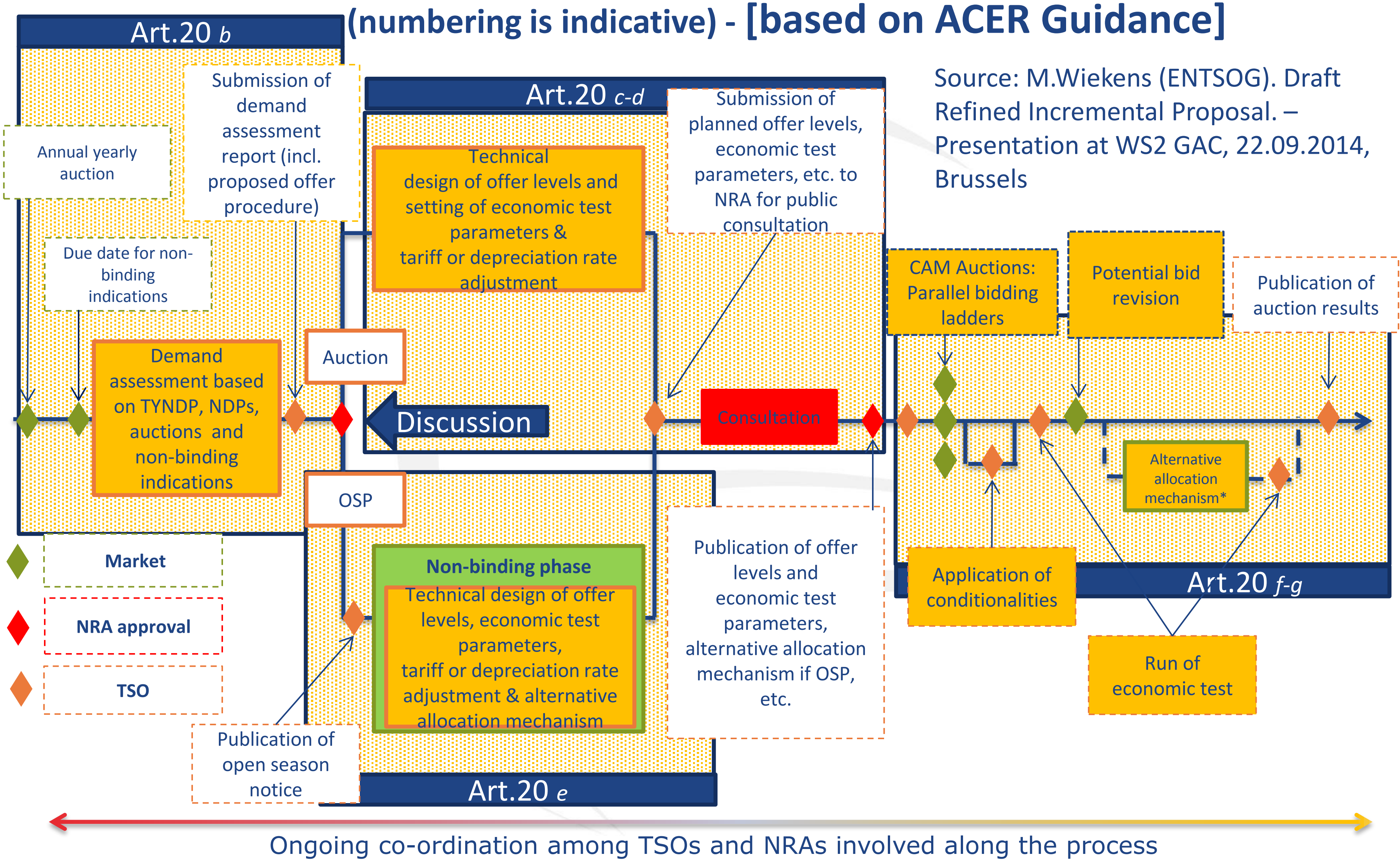
Cross-border new capacity ("transportation route") principle: until capacity is built & paid-back – OSP procedure based on project-based (not system-based) approach

ENTSOG: Refining the order of articles to reflect process (numbering is indicative) - [based on ACER Guidance]

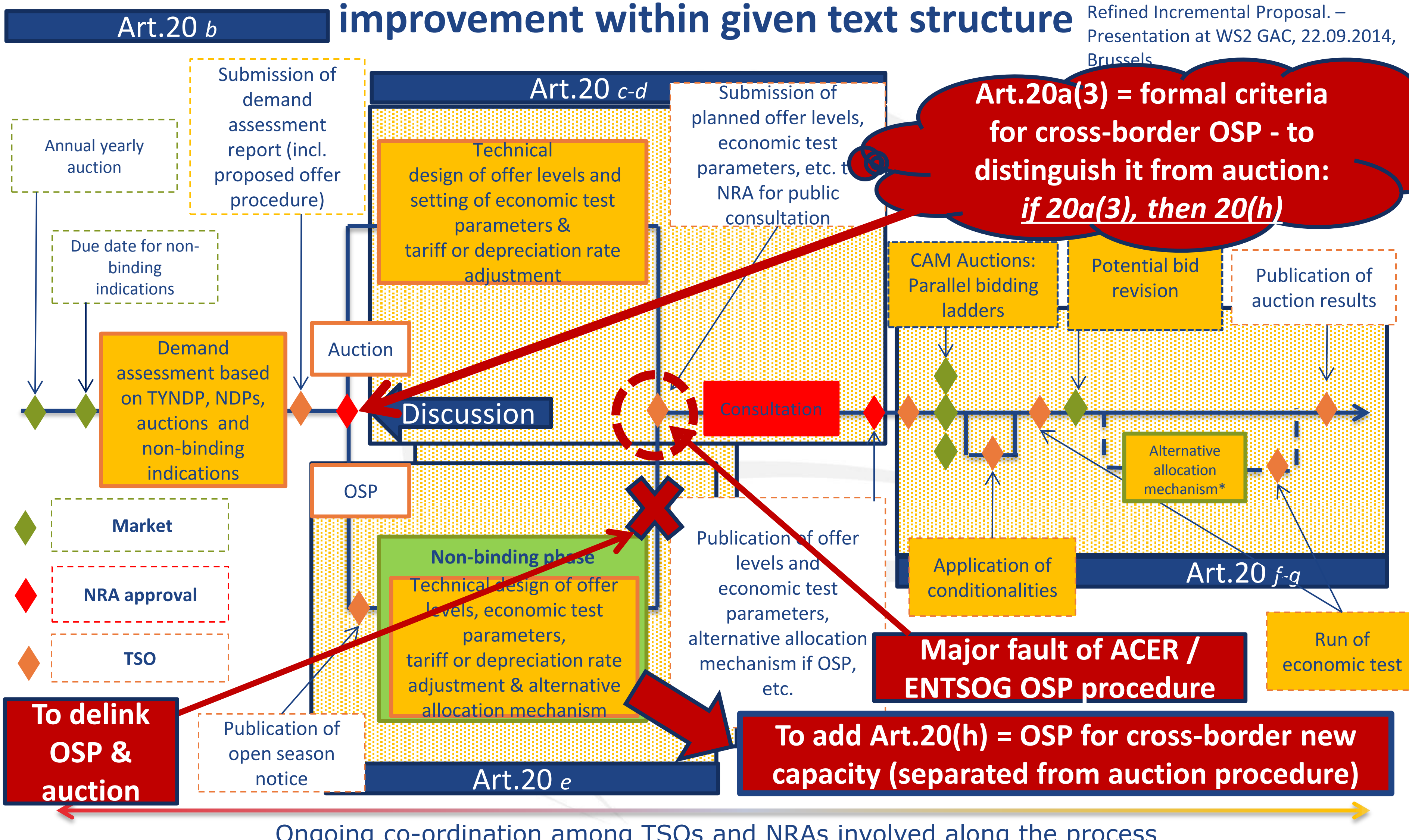
Source: M.Wiekens (ENTSOG). Draft Refined Incremental Proposal. – Presentation at WS2 GAC, 22.09.2014, Brussels



* An alternative allocation mechanism can only be applied in Open Season Procedures and if the default allocation mechanism prevents a positive economic test

ENTSOG: “Proposed streamlining of INC process” - & proposal for improvement within given text structure

Based on: M.Wiekens (ENTSOG). Draft Refined Incremental Proposal. – Presentation at WS2 GAC, 22.09.2014, Brussels



* An alternative allocation mechanism can only be applied in Open Season Procedures and **if the default allocation mechanism prevents a positive economic test**

Key ACER misconception for cross-border new capacity inserted in ACER Guidance for ENTSOG INC Proposal

entsog

Coordinated Open Season (COS) & its existing & proposed place in Amended CAM NC (Reg.984/2013)

Third EU Energy Package – CAM NC rules (Reg.984 + Amend-ments to Reg.984: existing (ENTSOG) & new (Art.20(h))

Open Season Procedure – two types of OSP:
(i) *area-based* – exists in current draft Amended Reg.984;
(ii) project-based, – proposed, Art.20(h))

Auction as default mechanism (existing draft, area/ system-based approach)

Existing capacity (*Reg.984/2013*)

Incremental capacity

(Current draft Amended Reg.984/2013)

New capacity – simple cases

Project-based COS as special procedure to be added to current draft Amend. Reg.984/2013

New capacity – extreme cases (cross-border [mega]-projects)

(Art.20(h) for current draft Amended Reg.984/2013)

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4) How to timely deliver adequate available infrastructure based on demand for capacity provided by Turkish Stream in 2019 & to overcome investment barriers
5) **What & why pilot test for draft Amended Reg.984/2013 with new proposed chapter - for Turkish Stream extension within the EU?**

Proposal: Pilot test for CAM NC INC (draft Amend. Reg.984/2013) for SEE "Vertical Gas Corridor"

- "Turkish Stream" shall be further extended within the EU towards Central Europe (hopefully before 2019):
  - non-dependent delivery points locations (existing vs new)
  - based on 3rd Energy Package rules (Art.13.2: "TSO shall invest")
  - TSOs to effectively combine existing & new capacity
  - (i) TYNDP/PCI *vs.* (ii) OSP for New Cap. acc.to Amend.Reg.984/2013
  - If (ii) – then COSP (more than 2 IPs for new capacity) => best Art.20(h)
- **Pilot test for financeability of EU investment rules**: first implementation of Amended Reg.984/2013 *(i)* without (existing draft) & *(ii)* with (our proposal) Art.20(h):
  - ACER "public consultations" ended 04.03.2015, no result yet? => CEC to decide? => time allows yet?… (window of opportunities to improve procedure to make it financeable & manageable for cross-border NC)
  - Based on pilot test results:
    - to start proper implementation of Turkish Stream extension within SEE
    - to adapt Amended Reg.984/2013 before its final approval by EU MSs
  - **=> EU (ACER/CEC/MSs, incl.SEE MSs) to decide…!!! BUT…**

Why Russia-EU cooperation needed within proposed "pilot test" - & GAC/Consult. role

- Structure of re-routed (from Ukrainian transit to Turkish Stream) supply contracts equal to 63-16=47BCM at Turkish border, can be provided only by Gazprom:
  - Durations, volumes, delivery points…
- Dependent on this combination, structure of demand for capacity at Open Season(s) will be defined:
  - Delivery points of re-routed supply contracts pre-determines transportation routes in SEE =>
    - combination of IPs => combination of TSOs to cooperate => ITSO for new capacity (its corporate structure as JV of correspond. SEE TSOs?)
  - Durations, volumes & destinations of re-routed supply contracts:
    - Combination of existing available and new capacity in SEE
    - NPV of new capacity to be booked/created
- **GAC/Informal Consultations the best effective place for initiating this cooperative line of action/pilot test - ???!**

Thank you for your attention!

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Reserve slides

What is fundamental fault of current “default mechanism” in ENTSOG draft of Amended Reg.984/2013

- “***Auctions are the default mechanism for the allocation of incremental/new capacity***” (ENTSOG Business Rules, art.III.1.5, based on ACER Guidance on Incremental & New Capacity), but:
  - Incremental/new capacity = yet *non-existing* capacity,
  - To allocate non-existing capacity one should first create it, but CAM NC deals with **existing** capacity only => direct application of CAM NC rules to new (**yet non-existing**) capacity is incorrect in principle => auction is **NOT** investment tool
  - To *allocate* (**trade** with) existing capacity and to *create* (**invest** in development of) not yet existing capacity is **NOT** the same => **trade** & **investment** are **NOT** synonyms, but *different types of economic activity* => their mixture seems to be a systemic long-term misconception in EU (energy) legislation (the justified reason for Art.21 in 2nd & Art.36 in 3rd EU Directives for new invest.projects)
  - ACER intention to put “investment” into Procrustean bed of “trade” is counterproductive since considers “investment” just as occasional (from time to time) deviation from “trade” => procedural faults in ACER Guidance reproduced in ENTSOG Business Rules, then in ENTSOG draft Amended Reg.984, at least for new capacity.

Incremental Proposal & New Capacity: proposed correlation between CAM NC & NC HTTS

	Existing Capacity	Increment. Capacity	New cross-border Capacity (proposed)
Capacity allocation mechanism *(CAM NC + amendment)*	Auction	Auction	Coordinated Open Season (+ cross-border project ring-fencing + new project-based ITSO)
Tariff methodology *(draft NC HTTS)*	System-based (floating)	System-based (floating)	Project-based (project ring-fencing through pay-back period) (not floating)

(*) CAM NC = Capacity Allocation Mechanism Network Code; NC HTTS = Draft Network Code on Harmonised Transmission Tariff Structures