ΠΑΡΑΡΤΗΜΑ Β

Project Proposal
of
TAP, SRG and DESFA
for the
2021 Incremental Capacity Process
2nd Binding Phase

Submission to NRAs

September *2023*

This document is published at the websites of TAP, SRG and DESFA in accordance with Article 28 of Regulation (EU) No 2017/459 of 16 March 2017.

This document is jointly elaborated and published by:

Snam Rete Gas S.p.A.

Piazza Santa Barbara, 7
20097 San Donato Milanese
Italy
T: + +39.02. 370.38300 Key 8

E: ipa@snam.it
www.snam.it

Trans Adriatic Pipeline AG

Lindenstrasse 2
6340 Baar
Switzerland
T: +41 41 747 3400
F: +41 41 747 3401

E: market.test@tap-ag.com
www.tap-ag.com

DESFA SA

357-359 Messogion Ave.,
Athens, 15231
Greece
T: +302130884000
F: +302130884062

E: market-test@desfa.gr
www.desfa.gr

Table of Contents

Introduction 5

Description of the incremental capacity project and cost estimates 8

A.1 Market demand for incremental capacity 8

A.2 Description of the Incremental Capacity Project 9

B. Offer Levels (Art. 28 (1) lit. a NC CAM) 14

C. Alternative allocation mechanism (Art.27(3) lit. c, f NC CAM) 17

D. Provisional Timeline of the incremental capacity project (Art. 27 (3) lit.d CAM NC) 18

D.1 Incremental capacity cycle timeline 18

D.2 Duration of project realization 19

E. General rules and conditions for Binding Phase (Art. 27 (3) lit. e NC CAM) 21

E.1 Participation criteria and Registration 22

E.2 Binding Bid content 27

E.3 Bid Evaluation 28

E.4 Preliminary Capacity Allocation Procedure (Bid Ranking) 28

Competing Procedure in SRG's system 29

E.5 Allocation of Equal Marginal Bids (EMB) 32

E.6 Economic Viability Test 33

E.7 Gas Transportation Agreement ("GTA") 35

E.8 Project progress, lack of permits, delays in making available transportation capacity 47

E.9 Force Majeure 47

E.10 Element IND and RP for fixed price approach (Art. 28 (1) lit. g NC CAM) 48

G. Economic Test Parameters (Art. 28 (1) lit.d CAM NC) 49

G.1 Economic test parameter for SRG 49

G.1.4 F-factor (Art. 22 (1) lit.c NC CAM) 50

G.2 Economic test parameter for DESFA - G.2.1 Reference Price (Art. 22(1) lit. a No. i NC CAM) 50

H. Additional demand Indication 52

H.1 Contact information 52

Annex I - TAP Specific Provisions 53

Annex II – Definitions and Abbreviations 56

Disclaimer

Each TSO has acted in good faith to ensure that the information in this Project Proposal is correct as at the date of this Project Proposal, however no representation or warranty is made by any TSO as to the accuracy or completeness of such information and the TSOs will not accept any liability, of any kind, to each other or to any third party, for any inaccuracies or incompleteness in such information. Furthermore, the TSOs shall have no obligation to update the Project Proposal for any changes arising after the date of issue of the Project Proposal. Nonetheless, if new or revised information is provided in the Project Proposal, the TSOs shall have no liability to each other or to any third party.

Furthermore, whilst each of the TSOs will endeavour to co-ordinate the processes and steps anticipated under this Project Proposal, no TSO will have any liability to any third party for any acts, omissions, breaches or decisions of the other TSOs or any other third party.

Introduction

Commission Regulation (EU) 2017/459 of 16 March 2017 establishing a network code on Capacity Allocation mechanisms in gas transmission systems (***Regulation***, also referred to as ***CAM NC***) establishes a harmonised European Union wide process for the offer of incremental capacity between Member States. CAM NC became applicable in Albania as a contracting party to the Energy Community Treaty from 28 February 2020.

The rules for the allocation of capacity for this Incremental Capacity Project as set out in this document consider the specific regulatory framework of TAP according to the Final Joint Opinion issued by the National Regulatory Authorities of Italy (ARERA), Greece (RAE) and Albania (ERE), collectively referred to here as the ***Authorities*** dated 6 June 2013 (***FJO***).

TAP is exempted from certain provisions on third party access, regulated tariffs and ownership unbundling of Directive 2009/73/EC, subject to terms and conditions set by the FJO.

The exemption from regulated tariffs and ownership unbundling also applies to TAP's Expansion Capacity (being capacity made available in the TAP Transportation System in addition to the Initial Capacity, up to 10 BCMA). Expansion Capacity is offered in compliance with the third-party access principles. Thus, the Expansion Capacity of TAP will be offered following the Capacity Allocation rules as set by the CAM NC to the extent they do not conflict with the FJO (as per paragraph 4.6 of the FJO) and consequent tailor-made regulatory framework as summarised in Annex I of this Project Proposal.

Following the launch of the Incremental Capacity Process in July 2021, Trans Adriatic Pipeline ***(TAP***), Snam Rete Gas (***SRG***) and DESFA have received non-binding demand indications and produced a joint Demand Assessment Report (***DAR***), which was published on the 25th of October 2021 with the conclusion that there was sufficient indicative demand to initiate an Incremental Capacity Project.

In January 2022, SRG, DESFA and TAP in accordance with the provisions set out in article 27 (3) of CAM NC, jointly launched a public consultation on the draft Project Proposal elaborated in line with the indicative non-binding demand requests. The TSOs have received comments during the public consultation from 2 (two) stakeholders. These comments, as well as more general market environment considerations and stakeholder engagement processes,[1] have been considered to the extent possible in the subsequent design phase of the Incremental Capacity Project.

A first Binding Phase was initiated through the publication of a Project Proposal on 14 November 2022, resulting in the allocation of capacity as published on 31 January 2023. That Project Proposal also included provisions for a second Binding Phase, that could be launched later in 2023.

This updated Project Proposal governs such second Binding Phase and has been jointly prepared by SRG, TAP and DESFA in accordance with the provisions set out in article 28 of the CAM NC as Project Proposal for the Incremental Capacity Project of the involved TSOs. This updated Project Proposal is submitted to the Authorities for their evaluation and coordinated approvals.

In particular, the Incremental Capacity Project comprises the following:

- Incremental capacity offered jointly by TAP and SRG at the IP of Melendugno as a bundled capacity product exit TAP and entry SRG.
- Incremental capacity offered jointly by TAP and DESFA at the IP of Nea Mesimvria as a bundled capacity product exit DESFA and entry TAP.

[1] On 18 July 2022, the EU and Azerbaijan signed a Memorandum of Understanding on a Strategic Partnership in the Field of Energy. It includes a commitment to double the capacity of the Southern Gas Corridor to deliver at least 20 billion cubic metres to the EU annually by 2027.

- Incremental capacity offered by TAP at the IP Kipoi as unbundled entry capacity.
- Incremental capacity offered by TAP at the IP Komotini as unbundled exit capacity. The capacity offered reflects available TAP exit point capacity at IP Komotini without factoring in any expansion capacity in IGB. Accordingly, Participants will be solely responsible for ensuring that corresponding expansion capacity is available on the other side of the IP Komotini with IGB, and TAP offers no guarantee and has no liability to Participants in this regard. Participants should also note that IGB itself will not be participating as an adjacent TSO in the market test.
- Incremental capacity offers by TAP at prospective Kucove exit point as unbundled exit capacity.[2]
- Incremental capacity offer by TAP at prospective Fier exit point as unbundled exit capacity.[3]
- Incremental capacity offer by TAP at prospective Fier entry point as unbundled entry capacity.[4]
- Incremental capacity offered by TAP as unbundled exit capacity at the prospective Exit point of Roskovec.[5]

This Incremental Capacity Project is primarily driven by potential increases of the technical capacity at IPs along the TAP pipeline route. If infrastructure upgrades necessary for the Incremental Capacity Project are realised by the interconnected TSOs, then additional natural gas flows from the Greek-Turkish border, Greece or Albania will potentially reach downstream markets. Hence, this Incremental Capacity Project is conducted in close coordination by TAP, SRG and DESFA, to enable the offering of capacities at the IPs shared by the TSOs concerned. Notwithstanding such co-ordination, each TSO will be responsible for its own infrastructure upgrades and the other TSOs shall not have any liability to any party for the undertaking, or fail to undertake, such infrastructure upgrades.

Note that volumetric capacity of technical solutions will be quoted in Sm3 or Nm3, while incremental capacity to be offered for booking in each Binding Phase will be quoted in kWh/day.

[2] It is the responsibility of the Participant to initiate any procedures that may be necessary for capacity to be made available downstream of TAP. TAP makes no representation as to the availability of such capacity or to the existence of required facilities outside of TAP.
[3] It is the responsibility of the Participant to initiate any procedures that may be necessary for capacity to be made available downstream of TAP. TAP makes no representation as to the availability of such capacity or to the existence of required facilities outside of TAP.
[4] It is the responsibility of the Participant to initiate any procedures that may be necessary for capacity to be made available upstream of TAP. TAP makes no representation as to the availability of such capacity or to the existence of required facilities outside of TAP
TAP makes no representation as to the availability of capacity downstream of TAP or to the existence of required facilities outside of TAP.

Indicatively, a convention of a minimum Gross Calorific Value ("GCV") of 9.71[6] kWh/Sm3 (10.23 kWh/Nm3) can be applied for conversion between capacity in volume and in energy.

[6] For Melendugno IP the offer levels were calculated considering the existing contracted capacity converted with a GCV equal to 11.07 kWh/Sm3 and the expansion capacity converted with a GCV equal to 9,71 kWh/Sm3.

Description of the incremental capacity project and cost estimates

A.1 Market demand for incremental capacity

Non-binding demand indications by IP are described in detail in the DAR published by TAP, SRG and DESFA on 25 October 2021.[7]

The following summarises high-level conclusions from the DAR relating to the non-binding requests for Forward Firm capacity:

- At Kipoi IP the non-binding requests equal 5,500,000 kWh/day from 2024/25 until gas year 2030/31.
- At Melendugno IP, non-binding requests peak at 60.700.000 kWh/day in the period 2026-2032. They then gradually reduce to 26.500.000 kWh/day in the period 2032-2036. No requests were received for the period beyond 2040. Note that out of these numbers, only demand for 15,000,000 KWh/d was received by both TAP and SRG, for the period 2021/22 - 2030/31.
- At Nea Mesimvria IP, non-binding requests (for exit from the DESFA system and – entry into the TAP pipeline) are equal to 15,000,000 kWh/day for the period 2021/22-2022/23. After this period, the requested capacity is equal to 30,000,000 kWh/day until gas year 2030/31.
- At IP Kucove, TAP has received non-binding requests equal to 7,500,000 KWh/d from gas year 2023/24 until gas year 2030/31.
- At IP Fier, TAP has received non-binding requests equal to 7,500,000 KWh/d from gas year 2023/24 until gas year 2030/31.
- At Roskovec exit point, TAP has received non-binding requests equal to 5,500,000 KWh/d from gas year 2024/25 until gas year 2030/31.

Connection Requests received for TAP

a. In addition to non-binding capacity requests, TAP has received the following non-binding connection requests for:

    a) an exit point at Relievi Roskovec, Albania, with a technical capacity of 7,500,000 KWh/d.

    b) an exit point at Kucove, Albania, with a technical capacity of 7,500,000 KWh/d.

    c) 2 (two) non-binding connection requests concerning Fier (with technical capacity requested for an exit of 7,500,000 kWh/d and entry of 1.8 BCMA respectively), potentially making the interconnection point bidirectional.

The DAR concluded that the demand indications received by TAP, SRG and DESFA were enough to initiate the design phase of an Incremental Capacity Project in accordance with paragraph 2 of Article 26 of NC CAM.

Capacity Allocation under the first Binding Phase

The following aggregate capacity has been allocated as part of the first Binding Phase:

[7] This section refers to the non-binding phase of the 2021 market test. Non-binding demand indications received following the launch on 3 July 2023 of the non-binding phase of the 2023 market test will be addressed in the Demand Assessment Report of that market test.

- Entry capacity to TAP at Kipoi IP of 32,829,131 kWh/day from 1 January 2026 until 31 December 2028.
- Exit capacity from DESFA and Entry capacity to TAP at Nea Mesimvria IP of 5,000,000 kWh/day from 1 October 2026 until 30 September 2033
- Exit capacity from TAP at the exit point of Roskovec of 5,000,000 kWh/day from 1 October 2026 until 30 September 2033
- Exit capacity from TAP and entry capacity to SRG at Melendugno IP of 32,829,131 kWh/day from 1 January 2026 until 31 December 2028.

The holders of capacity in the TAP pipeline have an option to extend the duration of bookings until 14 November 2045, subject to conditions as set out in the Project Proposal published on 14 November 2022 governing the first Binding Phase[8].

The capacity allocated as part of such first Binding Phase (including capacity booked in the TAP pipeline in respect of which Participants may exercise the extension option described above) has been set aside and accounted for in order to calculate the Offer Levels for this second Binding Phase. As set out in Section E of the Project Proposal published on 14 November 2022 in respect of the first Binding Phase (and in Section E of this Project Proposal below), if TAP would be prevented from allocating capacity as a result of such option to extend, TAP may notify the relevant Participant that the latest end date for the extension is curtailed to an earlier date.

A.2 Description of the Incremental Capacity Project

Based on the capacity requests received in the non-binding demand indication phase (as well as the capacity allocated as part of the first Binding Phase), TAP, SRG and DESFA have started analysing potential infrastructure developments in their respective transmission systems to fulfil interested parties' requests.

The next paragraphs provide further information on the alternatives and associated costs for each of the TSOs. We note that investment costs provided in the descriptions below are established in line with established regulatory practices, as individually applicable to each TSO.

A.2.1 TAP

Following the capacity allocation under the first Binding Phase, TAP has identified the following remaining alternative Expansion Projects:[9]

a. Level 1: TAP limited expansion – to an actually built total capacity entry Kipoi ranging from 45 to 51 MSm^3 per day (437 – 495 GWh/day) (**Limited Expansion Project**)

b. Level 2: TAP partial expansion – to an actually built total capacity entry Kipoi of 52.7 MSm^3 per day (511 GWh/day) (**Partial Expansion Project**)

c. Level 3: TAP full expansion – to an actually built total capacity entry Kipoi of 63.2 MSm^3 per day (614 GWh/day) (**Full Expansion Project**)

[8] Please note that this provision included in the Project Proposal published on 14 November 2022 does not give Participants any priority right in purchasing the corresponding capacity on the adjacent TSO system.

[9] Volumetric capacities noted in this TAP section for entry Kipoi are the outcome of hydraulic simulations assuming gas with a minimum GCV in accordance with the TAP Network Code (9.71 kWh/Sm3), with the corresponding energy content shown in brackets.

The TAP pipeline expansion can be achieved by installing additional compressor units at the compressor stations GCS00 (Kipoi) and ACS03 (Fier) and/or by the construction of the additional compressor stations GCS01 (Serres) and ACS02 (Bilisht). No major modifications are expected to be required to pipeline sections between compressor stations.

The extent of the expansion depends on the firm demand for the Expansion Capacity.

The expansion projects described in this document (including the estimated technical capacities) may be subject, in TAP's sole discretion, to adjustment during their development, which may include optimisation based on the Binding Bids received by TAP.

The different indicative infrastructural development configurations, with preliminary cost estimates according to cost risk analysis based on pre-FEED studies, are described in the following paragraphs:

Level 1: TAP Limited Expansion Project

TAP has identified three alternative configurations for the Limited Expansion Project. The project to be selected will depend on the composition and timing of binding bookings. The three alternative configurations are as follows:

Level 1A: **TAP Limited Expansion Project (gas)**

The required works for expansion to allow transportation of up to 45 MSm^3/day (437 GWh/day) from Q4 2027 are:

- GCS00: Upgrade of the existing compressor station with the addition of 1 compressor unit (approx. 15 MW), including relevant facilities, process and utility upgrade;
- ACS02: no infrastructure upgrade required;
- ACS03: Upgrade of the existing compressor station with the modification of the internals of existing compressors and the addition of 2 compressor units (approx. 15 MW each), including relevant facilities, process and utility upgrade;
- IPR01: Upgrade of the metering and pressure reduction station.

The cost of this project is estimated to be approximately 457 M€[10]. The cost estimate may be amended and notified through the publication of the TAP section of the Joint Notice, depending on the availability of further technical information at such time.

Level 1B: **TAP Limited Expansion Project (electric - 35 MW)**

The required works for expansion to allow transportation of up to 46.8 MSm^3/day (455 GWh/day) from end 2028 are:

- GCS00: Upgrade of the existing compressor station with the addition of 1 electrical compressor unit (approx. 35 MW), including relevant facilities, process and utility upgrade as well as required electric infrastructure, such as grid connection and electric substation;
- ACS02: no infrastructure upgrade required;

[10] Class 4 estimate, in accordance with AACE® International Recommended Practice Cost Estimate Classification System-as applied in Engineering Procurement and Construction for the Process Industries No. 18R-97. The cost estimate includes a contingency that reflects the class 4 accuracy of the estimate and any applicable allowance.

- ACS03: Upgrade of the existing compressor station with the addition of 3 electrical compressor units (approx. 35 MW each), including relevant facilities, process and utility upgrade as well as required electric infrastructure, such as grid connection and electric substation;
- IPR01: Upgrade of the metering and pressure reduction station.

The cost of this project is estimated to be approximately 768 M€[11]. The cost estimate may be amended and notified through the publication of the TAP section of the Joint Notice, depending on the availability of further technical information at such time.

Level 1C: **TAP Limited Expansion Project (electric – Bilisht first)**

The required works for expansion to allow transportation of up to 51 MSm^3/day (495 GWh/day) from end 2028 are:

- GCS00: Upgrade of the existing compressor station with the addition of 2 electrical compressor units (approx. 30 – 35 MW each), including relevant facilities, process and utility upgrade as well as required electric infrastructure, such as grid connection and electric substation;
- ACS02: Upgrade of the existing metering station to become a compressor station with the addition of 3 electrical compressor units (approx. 30 - 35 MW each), including relevant facilities, process and utility upgrade as well as required electric infrastructure, such as grid connection and electric substation;
- ACS03: Main process piping tie-ins to avoid future pipeline capacity flow restrictions in case of any subsequent expansion steps;
- IPR01: Upgrade of the metering and pressure reduction station.

The cost of this project is estimated to be approximately 974 M€[12]. The cost estimate may be amended and notified through the publication of the TAP section of the Joint Notice, depending on the availability of further technical information at such time.

Please note that these three alternative configurations for the Limited Expansion are mutually exclusive. Also, only Level 1C is directly compatible with the Partial and Full Expansion steps as defined below. Level 1A is included as it allows capacity to be made available earlier, given that it relies on the same design as published for the first Binding Phase. Level 1B uses electric compressor units (of larger power), providing more capacity while not requiring the construction of a new compressor station. Level 1C uses electric compressor units, requires a new compressor station and is fully compatible with the revised design for TAP's Partial and Full Expansion as given below.

Level 2: TAP Partial Expansion Project

The required works for expansion to allow transportation of up to 52.7 MSm^3/day (511 GWh/day)

[11] Class 4 estimate, in accordance with AACE® International Recommended Practice Cost Estimate Classification System-as applied in Engineering Procurement and Construction for the Process Industries No. 18R-97. The cost estimate includes a contingency that reflects the class 4 accuracy of the estimate and any applicable allowance.

[12] Class 4 estimate, in accordance with AACE® International Recommended Practice Cost Estimate Classification System-as applied in Engineering Procurement and Construction for the Process Industries No. 18R-97. The cost estimate includes a contingency that reflects the class 4 accuracy of the estimate and any applicable allowance.

from end 2028 are:

- GCS00: Upgrade of the existing compressor station with the addition of 2 electrical compressor units (approx. 30 - 35 MW each), including relevant facilities, process and utility upgrade as well as required electric infrastructure, such as grid connection and electric substation;
- ACS02: Upgrade of the existing metering station to become a compressor station with the addition of 3 electrical compressor units (approx. 30 – 35 MW each), including relevant facilities, process and utility upgrade as well as required electric infrastructure, such as grid connection and electric substation;
- ACS03: Upgrade of the existing compressor station with the addition of 2 electrical compressor units (approx. 30 – 35 MW each), including relevant facilities, process and utility upgrade as well as required electric infrastructure, such as grid connection and electric substation;
- IPR01: Upgrade of the metering and pressure reduction station.

The cost for this project is estimated to be approximately 1349M€.[13] The cost estimate may be amended and notified through the publication of the TAP section of the Joint Notice, depending on the availability of further technical information at such time.

Level 3: TAP Full Expansion Project

The required works for expansion to allow transportation of up to 63.2 MSm^3/day (614 GWh/day) from end 2028 are:

- GCS00: Upgrade of the existing compressor station with the addition of 2 electrical compressor units (approx. 30 - 35 MW each), including relevant facilities, process and utility upgrade as well as required electric infrastructure, such as grid connection and electric substation;
- GCS01: Upgrade of the existing scraper facility to become a compressor station with the installation of 3 electrical compressor units (approx. 30 - 35 MW each), including relevant facilities, process and utility upgrade as well as required electric infrastructure, such as grid connection and electric substation;
- ACS02: Upgrade of the existing metering station to become a compressor station with the addition of 3 electrical compressor units (approx. 30 - 35 MW each), including relevant facilities, process and utility upgrade as well as required electric infrastructure, such as grid connection and electric substation;
- ACS03: Upgrade of the existing compressor station with the addition of 2 electrical compressor units (approx. 30 - 35 MW each), including relevant facilities, process and utility upgrade as well as required electric infrastructure, such as grid connection and electric substation;
- IPR01: Upgrade of the metering and pressure reduction station;

The cost for this project is estimated to be approximately 1814 M€.[14] The cost estimate may be amended and notified through the publication of the TAP section of the Joint Notice, depending on the availability of further technical information at such time.

[13] See footnote above.
[14] See footnote above.

A.2.2 SRG

Level 1A (35,3 MSm^3/day - 378 GWh/day[15]), Level 1B (37,1 MSm^3/day – 395,7 GWh/day[16]), Level 1C (41,2 MSm^3/day – 435,9 GWh/day[17]) and Level 2 (43 MSm^3/day – 452,4 GWh/day[18]) Entry Melendugno

The already existing infrastructures are already sized to deliver these Offer Levels, and so no additional investments are needed on SRG's side of the IP.

Level 3 (53,5 MSm3/day - 555 GWh/day[19])

The additional infrastructures needed to guarantee Offer Level 3, are:

- The upgrades of the regulation and measurement plant in Melendugno;
- Regulation plant in Moliterno (SRG NDP NR/15438);
- Matagiola-Massafra pipeline, increasing the maximum capacity at the entry point in Puglia.

An estimate of the overall total costs for all described interventions could amount up to around 270 M€. Costs have been estimated according to industry best practices and specific regulatory provisions (e.g., cost estimate methodology for CBA),
The already existing infrastructures, complemented by the above-mentioned additional infrastructures, are required to deliver Offer Level 3.

Capacity offered at Melendugno IP for all levels will be in competition on the SRG side with the other IPs of Mazara and Gela: the capacity allocation will be subject to a constraint reflecting the maximum simultaneous capacity transportable at these IPs as indicated in Paragraph E.4 SRG Section.

The specific and detailed operating competing procedure for the allocation of capacity at the above-mentioned IPs in the SRGs system, including a full description of participation requirements, the competing mechanism as well as the bid ranking functioning, is defined in Paragraph E.4 SRG Section of this document.

A.2.3 DESFA

The level of incremental capacity offered by DESFA in the framework of this incremental process, is calculated considering the existing technical capacities of DESFA's Gas System entry points, as well as the already approved projects in the frame of DESFA's TYNDP. Nea Mesimvria connects the Greek System with TAP pipeline. One compression station (**CS**) is operating at Nea Mesimvria. A new CS is also planned at Ampelia area as well as the upgrade of the existing CS at Nea Mesimvria. Also, a new CS (booster) is planned at Nea Mesimvria in order to enable reversal of flow towards TAP. The upgrades of the transmission system included in DESFA's

[15] For Melendugno IP, the offer levels were calculated considering the existing contracted capacity converted with a GCV equal to 11.07 kWh/Sm3 and the expansion capacity converted with a GCV equal to 9,71 kWh/Sm3.

[16] For Melendugno IP, the offer levels were calculated considering the existing contracted capacity converted with a GCV equal to 11.07 kWh/Sm3 and the expansion capacity converted with a GCV equal to 9,71 kWh/Sm3.

[17] For Melendugno IP, the offer levels were calculated considering the existing contracted capacity converted with a GCV equal to 11.07 kWh/Sm3 and the expansion capacity converted with a GCV equal to 9,71 kWh/Sm3.

[18] For Melendugno IP, the offer levels were calculated considering the existing contracted capacity converted with a GCV equal to 11.07 kWh/Sm3 and the expansion capacity converted with a GCV equal to 9,71 kWh/Sm3.

[19] For Melendugno IP, the offer levels were calculated considering the existing contracted capacity converted with a GCV equal to 11.07 kWh/Sm3 and the expansion capacity converted with a GCV equal to 9,71 kWh/Sm3.

TYNDP are considered as a prerequisite for the hydraulic simulation and the calculation of the Offer Level(s) by DESFA.

DESFA has executed preliminary technical studies in order to identify the investments needed to make incremental capacity available at the IP Nea Mesimvria. These technical studies refer to flows from DESFA's towards TAP's gas system in the IP Nea Mesimvria. DESFA has not received any non-binding requests for incremental capacity in the direction from TAP towards DESFA's gas System.

DESFA has included in the already approved by RAE TYNDP, a new booster compressor at Nea Mesimvria in order to facilitate flows from DESFA's gas System towards TAP. This booster Compressor will enable DESFA to offer firm capacity products at the exit point Nea Mesimvria. The compressor is expected to have been completed by the end of Q3 2024 and the commercial operation date is expected at Q4 2024. The impact of the incremental flows through Nea Mesimvria exit point was examined performing hydraulic simulations of the transmission system in a highly loading hydraulic case. The result is that the level of the flow can be covered without any new investments after the completion of the above-mentioned booster CS.

The investments levels are the following:

Exit capacity at Nea Mesimvria Level 1: incremental capacity of 25 GWh/day

The already projected infrastructure would be enough to deliver this Offer Level, and so no additional investments are needed on DESFA's side of the IP. The above-mentioned Offer Level has as a prerequisite the completion of the planned Ampelia CS and the booster Compressor Station at Nea Mesimvria, already included in DESFA's approved 10-year Network Development Plan.

B. Offer Levels (Art. 28 (1) lit. a NC CAM)

According to the different project configurations described above it will be possible to propose distinct Offer Levels for each IP. The Offer Levels may be combined in different ways, depending on the overall set of Binding Bids received. Please note that the capacities at the different TAP Entry and Exit Points are not cumulative. They may be in competition with each other. On the other hand, the capacities for the different technical solutions as set out in Section A.2.1 above, assume that all new bookings utilise the full pipeline length (i.e., the thresholds for TAP Entry Kipoi found below are based on hydraulic simulations assuming entry bookings are linked with the same amount of bookings for TAP Exit Melendugno).

Readers should also note the terms of Section E.6 in connection with Annual Requests made in respect of TAP.

The Offer Levels in the tables below – providing an overview of capacities jointly offered at all IPs - represent the capacity that could be allocated in this Binding Phase of this Incremental Capacity Project as long-term capacity (considering any available capacity net of the already booked capacity (and including extension options in respect of capacity booked in the TAP pipeline, as described at A.2 above) and the capacity to be reserved for short term bookings). In order to guarantee firm transportation service, the levels are also calculated based on all gas to be transported through the TAP pipeline having a minimum GCV of 9.71 kWh/Sm^3 (36.84 MJ/Nm^3 or

10.23kWh/Nm^3).[20]

Please note that the starting dates in the tables below assume that the capacity allocation process in this Binding Phase will take place in January 2024.[21] Please further note that the earliest starting date of offered capacity at any IP of TAP in this Binding Phase is around end 2028, unless capacity is allocated as part of Level 1A TAP Limited Expansion project (gas) , in which case the starting date of offered capacity may be during Q4 2027. Because the technical solution for Level 1A is not a building block of any of the technical solutions for the other TAP Offer Levels identified in this Project Proposal, offered capacity commencing in Q4 2027 is not compatible with offered capacity under a higher Offer Level which will have a starting date around end 2028 (i.e. a phased expansion cannot be assumed to be possible under this Binding Phase).[22]

Kipoi

	Offered Capacity (kWh/d)					Entry / Exit and TSO offering capacity
	Level 1A	Level 1B	Level 1C	Level 2	Level 3	
Starting date	Q4 2027	End 2028	End 2028	End 2028	End 2028	Entry TAP
Capacity	45,297,040	61,196,933	97,368,428	112,270,720	204,565,936	

Nea Mesimvria - Exit DESFA/Entry TAP

	Offered Capacity (kWh/d) Level 1	Entry / Exit and TSO offering capacity
Starting date	End 2028	Exit DESFA and Entry TAP
Capacity	25,000,000	

Komotini

	Offered Capacity (kWh/d)	Entry / Exit and TSO offering capacity
Starting date	End 2028	Exit TAP
Capacity	30,000,000	

Kucove[23]

	Offered Capacity (kWh/d) Level 1	Entry / Exit and TSO offering capacity
Starting date	End 2028	Exit TAP
Capacity	7,500,000	

[20] Reference conditions for normal cubic meters are 25°C for combustion and 0°C for volume at atmospheric pressure.
For Melendugno IP, the offer levels were calculated considering the contracted capacity converted with a GCV equal to 11.07 kWh/Sm3 and the expansion capacity converted with a GCV equal to 9,71 kWh/Sm3.

[21] Please see Section D for more details on the timing.

[22] Please note that the realisation of Level 1A would not stop a future project proposal from including a different technical solution for a full expansion of TAP.

[23] Please note that TAP makes no representation as to the existence of downstream facilities or availability of capacity at this point.

Roskovec[24]

	Offered Capacity (kWh/d) Level 1	Entry / Exit and TSO offering capacity
Starting date	End 2028	Exit TAP
Capacity	2,500,000	

Fier[25]

	Offered Capacity (kWh/d) Level 1	Entry / Exit and TSO offering capacity
Starting date	End 2028	Exit TAP
Capacity	7,500,000	

Fier[26]

	Offered Capacity (kWh/d)	Entry / Exit and TSO offering capacity
Starting date	End 2028	Entry TAP
Capacity	44,900,000	

Melendugno [27]

	Offered Capacity (kWh/d)					Entry / Exit and TSO offering capacity
	Level 1A	Level 1B	Level 1C	Level 2	Level 3	
Starting date[28]	Q4 2027	End 2028	End 2028	End 2028	End 2028	Exit TAP and Entry SRG
Capacity	45,297,040	61,196,933	97,368,428	112,270,720	204,565,936	

In line with the provisions of the FJO and CAM NC an amount equal to 10% of the expansion capacity will be set aside to be offered as short-term capacity, as applicable for each TSO and in addition to the numbers included in the table above. With regards to TAP's initial project, according to Section 4.1.10 of the FJO, TAP also has an obligation to set aside 5% of the Initial Capacity for short-term auctions.

[24] Please note that TAP makes no representation as to the existence of downstream facilities or availability of capacity at this point.
[25] Please note that TAP makes no representation as to the existence of downstream facilities or availability of capacity at this point.
[26] Please note that TAP makes no representation as to the existence of upstream facilities or availability of capacity at this point.
[27] Capacity offered at Melendugno IP will be in competition on the SRG side with other IPs of Mazara and Gela, so capacity allocation will be subject to the capacity constraints as published on SRG website. The specific operating procedure is available in the Paragraph E.4 SRG Section
[28] Please note that the starting dates inserted for Offer Levels 1A, 1B, 1C and 2 refer to TAP availability as no works are required on SRG side since the corresponding capacity is already available at Melendugno entry point.

C. Alternative allocation mechanism (Art.27(3) lit. c, f NC CAM)

To increase the possibility that the economics for the Incremental Capacity Project are passed in accordance with the provisions of art. 30 (1) of CAM NC and considering TAP's specific regulatory framework as well as the findings of the non-binding demand indications, SRG, TAP and DESFA intend to apply an Alternative Allocation Mechanism (***AAM***) with an extended capacity booking horizon of up to 20 years after the start of the operational use, subject to the approval of the concerned Authorities.

The criteria envisaged under Article 30 (2) of CAM NC for the potential application of an AAM are achieved by this Incremental Capacity Project, on the following basis[29]:

- The Incremental Capacity Project involves at least three entry-exit systems in the EU (TAP, SRG, DESFA), Albania and potentially other entry-exit systems in the future.
- Capacity is offered at a number of IPs, as set out in the tables in Section B.
- Interest concerns capacity reservations of more than 1 year.
- Participants have indicated interest for commitments linking more than one IP.

In accordance with the provision of article 30 (3) of the CAM NC, TAP, DESFA and SRG intend to allow interested parties to submit Binding Bids on the following basis:

- Commitment at one IP linking commitments at other IP(s);
- Commitments across several different standard yearly capacity products;
- Commitments conditional on the allocation of a minimum amount of capacity.

In the light of the characteristics of the Incremental Capacity Project, the proposed AAM prioritizes bids depending on their booking durations, in accordance with article 30(4) of the CAM NC. In particular, TAP, SRG and DESFA give priority to commitments for durations of at least 3 consecutive years starting from the relevant E-COD and linking more than one IP along the gas route as further specified in the following parts of this document. Binding Bids will be processed subject to the Participants meeting the requirements set out in Section E.1. In the event of congestion, in order to be consistent with TAP's specific regulatory framework (in particular the TAP Tariff Code) and to ensure coherent allocation results for interconnected TSOs, a ranking will be performed on the basis of the net present value (***NPV***) of incremental revenues from each Binding Bid per unit of annual capacity requested as further specified in Section E.[30]

[29] Please also refer to the evidence provided in the DAR.
[30] The TAP Tariff Code does not foresee an auction except for the exceptional situation of equal marginal bids.

D. Provisional Timeline of the incremental capacity project (Art. 27 (3) lit.d CAM NC)

This chapter describes the timeline for the conclusion of the Incremental Capacity Project (Section D.1) and provides estimates of the possible time needed for the realization of the new incremental capacity (Section D.2).

D.1 Incremental capacity cycle timeline

In accordance with the option set out in the Project Proposal published on 14 November 2022, the TSOs have elected to hold a second Binding Phase. This second Binding Phase will include the same phases (i.e., Information Phase and Binding Bidding Phase followed by capacity allocation, EVT and GTA entry) as under the first Binding Phase.

For the avoidance of doubt, and subject to satisfaction of the Conditions Precedent set by each TSO in part E.7 and under each TSO's GTA (as applicable), commitments undertaken during the first Binding Bidding Phase shall not be affected by this second Binding Phase.

D.1.1 Timeline of the Binding Phase (2023)

This second Binding Phase will commence with the publication of the Joint Notice on the websites of TAP, SRG and DESFA, envisaged to take place on 20th October 2023.[31] A Binding Phase is made up of an Information Phase and a Binding Bidding Phase.

During the Information Phase, the parties interested in participating in this Binding Bidding Phase will, subject and in accordance with TSO-specific requirements set out in Section E.1 below, be requested to register with the TSOs Concerned as an Applicant in order to participate in this Binding Bidding Phase.

At the beginning of such Information Phase, together with the Joint Notice, on their websites, TAP, SRG and DESFA will make available a Binding Phase Notice and a list of the relevant documentation that needs to be submitted by the Applicants for their registration and the respective deadline for submission of such documentation.

In a Bid Submission Window commencing in December 2023, the parties interested in participating in this Binding Bidding Phase will be required to submit Binding Bids by no later than the end of the Bid Submission Window. Please see Section E.2 which sets out the content of the Binding Bids.

Following the end of the Bid Submission Window, TAP, SRG and DESFA will proceed with bid evaluation, Preliminary Capacity Allocation and the Economic Viability Test (***EVT***), entering into Gas Transportation Agreements with the successful Participants. This Binding Phase will end either in case no Offer Level passes the EVT or with GTAs, as applicable for each TSO, becoming fully effective (see Section E.7 concerning Conditions Precedent to the GTAs).

Milestone Timeline (dates envisaged)

Milestones	Dates
A Information Phase	**20 October – 15 December 2023**
Joint Notice: TAP/SRG/DESFA make available a list of documentation to be submitted to each TSO	20 October 2023

[31] This timeline depends on the possibility that the Project Proposal is approved by the Italian, Greek and Albanian NRAs in line with the intended publication date.

Milestones	Dates
Registration Period	20 October –1 December 2023
TAP/SRG/DESFA evaluate the applicants' eligibility	2 December – 15 December 2023
B Binding Bidding Phase	**16 December 2023 – 31 January 2024**
Bid Submission Window	16 December – 22 December 2023
Bid Evaluation Period	23 December 2023 – 12 January 2024
Preliminary Capacity Allocation[32]	13 January – 17 January 2024
Economic Viability Test Results published	18 January 2024
C Capacity Allocation	**18 January 2024**
D Execution of GTAs	**31 January 2024**

D.2 Duration of project realization

The table below contains an indicative overview of the timing expected by the TSOs Concerned for the realization of the respective projects.

TSO	Level 1A	Level 1B, Level 1 C, Level 2 and Level 3
TAP	44 months from Capacity Allocation	59 months from Capacity Allocation
SRG[33]	OL1A, OL1B, OL1C, OL2: Incremental capacity will be made available at no additional effort due to pre-investment – timing dependent on TAP. OL3: starting from end 2028	
DESFA	In direction from DESFA to TAP: Incremental capacity can be available after the completion of the relevant projects, already approved in DESFA's TYNDP (estimated completion in Q4 2024)	

TAP

Following receipt of Binding Bids and a positive EVT for one of the Expansion Projects for entry capacity, TAP will continue to develop and further specify the technical elements, schedule, and

[32] If during the Preliminary Capacity Allocation TAP reaches a preliminary conclusion of a negative EVT result, TAP may enter into discussions with Participants for a revision of their Binding Bids, with the purpose of yielding a positive EVT, in accordance with Section 3.3.1(d) TAP Tariff Code. TAP will also proceed to inform the Authorities of the negative EVT result. Depending on decisions of the Authorities, the preliminary capacity allocation period may (as an indicative, non-binding estimate) be extended by up to 4 months, as follows: according to Section 4.1.8 of the FJO, in case the EVT is negative, TAP is obliged to demonstrate this situation to the Authorities within one month following the closing date of the market test. If so, requested by the Authorities, TAP will provide an opinion by an independent third party. In case such an opinion is requested, the one-month timeline is extended by two months. The Authorities will then decide on the economic viability of the expansion within one month following receipt of TAP's argumentation / from the receipt of the independent opinion.

[33] The allocation of this capacity levels is subject to the application of the procedure described in Paragraph E.4 SRG Section "Competing Procedure in SRG's system".

costs of the chosen Expansion Project.[34] In parallel to the development of the FEED, TAP will seek relevant key permits and third-party financing, if applicable.

TAP and the Participants shall cooperate with one another in relation to any schedule updates and use reasonable endeavours to keep the other updated about developments, changes or delays which are likely to impact the timeline according to which the Expansion Project can be implemented (including, in relation to TAP, anticipated delays to the Start Date (as defined in Schedule 2 of the Transportation Confirmation) and in relation to each Participant, matters relating to upstream operations and the anticipated availability of gas to transport as part of the Expansion Project).

SRG

The capacity for Offer Level 1A, 1B, 1C and 2 is already available.

The capacity for Offer Level 3 will be available starting from end 2028 with the realization of Matagiola-Massafra pipeline and the other related infrastructure, as described in the Chapter A.2 SRG section.

Capacity offered at Melendugno IP will be in competition on the SRG side with the other IPs of Mazara and Gela, so the capacity allocation will be subject to the capacity constraints, reflecting the maximum simultaneous capacity transportable at the IPs.
For a detailed description of the competing procedure applicable to Melendugno, Mazara and Gela IPs and maximum simultaneous capacities, please refer to the Paragraph E.4 SRG Section of this document (“Competing Procedure in the SRG’s system”).

SRG may waive Condition(s) Precedent under GTAs and proceed with project implementation (see Section E.7).

DESFA

Based on the preliminary technical studies, DESFA estimates that the necessary projects for the offer of the incremental capacity (the booster Compressor at Nea Mesimvria and the new CS at Ampelia) as described in part A.2.4 will be concluded by Q4 2024 so DESFA will be able to offer firm exit capacity at Nea Mesimvria exit point at Q4 2024. In any case, it must be noted that the above-mentioned timeframe, for the DESFA Offer Level will be further clarified during the technical studies phase.

[34] At TAP option, a FEED may also be commenced prior to the EVT.

E. General rules and conditions for Binding Phase (Art. 27 (3) lit. e NC CAM)

This chapter describes the general rules and conditions which the TSOs Concerned will apply in relation to the participation of interested parties in this Binding Phase.

This Binding Phase will be open to all interested parties, including those that have not submitted a non-binding demand indication during the non-binding phase of the 2021 Market Test.

Access to the transportation service provided by each TSO's systems is permitted impartially and on an equal basis, to all interested parties that meet the requirements set out in this document.

Incremental capacity will be offered as bundled products (where possible) to Participants for a minimum duration of 3 consecutive years, with the earliest possible start date being the planned E-COD and the latest possible end date for capacity in the TAP pipeline being the expiry of TAP's exemption (14 November 2045). Demand requests of shorter duration will also be evaluated in the allocation process, subject to the restrictions described below.[35]

TAP

Capacity booked in the TAP pipeline must have an initial end date that is the same as the end date of the corresponding booking in the relevant adjacent TSO's system, and such firm capacity booked in the TAP pipeline shall be bundled with capacity in the relevant adjacent TSO's system. However, please note in relation to capacity allocated in the TAP pipeline only that each Participant shall have the right, in accordance with the TAP GTA, to notify an extended end date for its capacity booking. This extended end date must be nominated by no later than one month before the latest of the finally determined Start Dates (as determined in accordance with the GTA) and initially allows an extension to a date up until 14 November 2045. If a Participant exercises such right in relation to capacity booked in the TAP Pipeline, it will be the responsibility of the Participant to purchase matching capacity in the adjacent TSO's system. For IPs where capacity is made available as bundled capacity, the Participant must confirm to TAP no later than one month after making any such nomination whether, and to what extent, it has purchased matching capacity in the adjacent TSO's system:[36]

- any such capacity in TAP up to the extended end date for which the Participant has purchased matching capacity with the adjacent TSO will be bundled with that capacity in the adjacent TSO; and
- any such capacity in TAP up to the extended end date for which the Participant has not purchased matching capacity within the one-month period specified above will not be retained by the Participant in order to avoid residual unbundled capacity bookings in TAP, as detailed further in the TAP GTA.

Notwithstanding the option to notify an extended end date for capacity booked in the TAP pipeline, TAP will use only firm and bundled capacity bookings for the purpose of calculating and passing the EVT for any applicable Expansion Project. However, there may be circumstances where this option to notify an extended end date of bookings in the TAP pipeline will prevent TAP from allocating capacity (either in this Expansion Project or in a future Binding Phase) that, if it was allocated, would result in a positive Economic Viability Test and trigger a further expansion. This may

[35] The three-year minimum duration for bids contributing to determine the extent of an expansion is set to avoid a short peak in demand leading to suboptimal investment requirements and value chain economics. Note that shorter requests may be included in an EVT if required for this to be passed (see E.6)

[36] Please note that this provision does not give Participants any priority right in purchasing the corresponding capacity on the adjacent TSO system.

occur if a participant requests capacity that is currently reserved under the extension option held by another Participant. If this happens, in order to prioritise further expansions, TAP can notify the relevant Participant that the latest end date for the extension is curtailed to an earlier date that allows TAP to allocate the requested capacity to the other participant.

Note also that in relation to the allocation of bundled capacity, in the event of a delay or misalignment in the start date of capacity for an adjacent TSO, TAP has the right (but not obligation) to agree and implement ways of mitigating the consequences of such delay or misalignment, including by making adjustments to any bundled capacity allocation or, in relation to Linked Bids, to capacity allocated at both exit and entry points as may be agreed with the relevant Participant. Any such mitigation is expected to be neutral to TAP.

SRG

For the avoidance of doubt, the abovementioned right granted by TAP to the Participants to notify an updated end date for its capacity booking in the TAP pipeline, does not provide any right in relation to the bid on the SRG side. In relation to the allocation of bundled capacity, in the event of a delay or misalignment in the start date of capacity for an adjacent TSO, SRG has the right (but not obligation) to agree and implement ways of mitigating the consequences of such delay or misalignment, including by making adjustments to any bundled capacity allocation as may be agreed with the relevant Participant. Any such mitigation is expected to be neutral to SRG.

DESFA

For the avoidance of doubt, the abovementioned right granted by TAP to the Participants to notify an updated end date for its capacity booking, does not provide any right in relation to the bid on the DESFA side.

In relation to the allocation of bundled capacity, in the event of a delay or misalignment in the start date of capacity for an adjacent TSO, DESFA has the right (but not obligation) to agree and implement ways of mitigating the consequences of such delay or misalignment, including by making adjustments to any bundled capacity allocation as may be agreed with the relevant Participant. Any such mitigation is expected to be finally neutral to DESFA.

E.1 Participation criteria and Registration

The requirements referred to in this Section E.1 will apply to this Binding Phase carried out by the TSOs.

Applicants will have to submit filled-in Binding Phase Registration Forms to TAP, SRG and DESFA, which will be provided together with the Joint Notice and each TSO's own Binding Phase Notice. The information to be submitted by Applicants shall include (but not be limited to) the following information:

A. Company Name and Address.

B. Name and contact details of Company Representative.

C. A list of the IPs/entry-exit point(s) where the Applicant intends to submit a binding commitment.

The above registration requirements apply in addition and subject to each TSO's further requirements in relation to registration and their applicable regulatory framework, in each case as

indicated below.

Applicants must submit (within the required deadlines) all the documents needed, as described in this Section E.1, each TSO's own Binding Phase Notice and the Joint Notice, and also potentially be enabled to operate on a jointly identified capacity platform if so decided by the TSOs Concerned, as indicated in the Joint Notice.

At the end of the Registration Period, TAP, SRG and DESFA will communicate to Applicants their eligibility to participate in the Binding Bidding Phase.

By participating in a Binding Bidding Phase, each Participant will be required to accept that:

- the Capacity Allocation referred to in the Incremental Capacity Process is subject to the positive outcome of the EVT of the TSOs Concerned;
- in case of a negative outcome of the initial EVT carried out prior to Capacity Allocation, the TSOs Concerned shall, if applicable, return any Bank Guarantees submitted as part of the registration or with the Binding Bid and no transport capacity will be contractually allocated;
- in case of a positive outcome of the initial EVT carried out prior to Capacity Allocation, the successful Participant shall enter into a GTA and, if applicable, transmit to the TSOs respective Bank Guarantees as described below in Section E.7;
- in case a Participant is not allocated incremental capacity after a positive EVT, the Bank Guarantees shall be returned; and
- if the Participant is allocated capacity but the GTA between the TSO and the Participant is not executed between the relevant Parties or does not, for any reason, become fully effective, the Participant will be subject to TSO-specific rules as set out below.

TAP

TAP accepts as Participants in the Binding Phase either (i) parties who are already registered with TAP under TAP's Network Code rules (**Registered Party/-ies**)[37], or (ii) parties that have duly commenced such registration process (by following the steps indicated on TAP's webpage "How to become a Registered Party" and having correctly completed and submitted an Initial Onboarding Form).[38] By the end of the Registration Period as indicated above at Section D:

- Applicants must have submitted a duly signed Binding Phase Registration Form for this second Binding Phase of the 2021 Market Test. Please note that along with the Binding Phase Registration Form all parties must submit a Confidentiality Agreement (as required under the Binding Phase Registration Form); and
- any Applicants who are not yet Registered Parties with TAP must also have commenced the process to become a Registered Party under TAP Network Code rules by having correctly completed and submitted the Initial Onboarding Form. For the sake of clarity, these Applicants are also required to submit a Binding Phase Registration Form and Confidentiality Agreement, as mentioned above.

In the Binding Phase Registration Form, amongst others matters, each Applicant must acknowledge:

[37] "Registered Party" means any Person that has satisfied the conditions to becoming a Registered Party specified in Section 3.1 of TAP Network Code and has received confirmation from the Transporter of its status as a Registered Party, in accordance with TAP Network Code.

[38] https://www.tap-ag.com/shippers/applying-to-become-a-registered-party

- that no sanctioned gas will be transported through the TAP pipeline.
- their obligation to engage in the Capacity Caps assessment with the Authorities and submit any information required to perform such an assessment to the relevant Authorities (ARERA in Italy, RAE in Greece and ERE in Albania). Once the assessment has been done, the Applicant is required to inform TAP of any capacity caps that may be imposed following the dominance assessment.

Upon confirmation by TAP that an Applicant is eligible to participate in the Binding Bidding Phase, such Applicant becomes a Participant. A Participant may submit a Binding Bid Form in accordance with the requirements of this Project Proposal, the Joint Notice, the Binding Phase Notice and the Binding Bid Form.

When a Participant submits a Binding Bid Form to TAP, the Participant will be required at the same time to deliver to TAP an on-demand Bank Guarantee (the **Bid Guarantee**) with an expiry date no earlier than 31 May 2024 from an internationally reputable bank with a minimum credit rating of BBB - at Standard and Poor's or Baa3 at Moody's, or alternatively issued by any Greek financial institute supervised by the ECB (systemic banks, namely any of Alpha Bank, Eurobank, National Bank of Greece and Piraeus Bank), which has been approved in advance by TAP in its absolute discretion, cashable at first request of TAP and equal in value to the lower of:

I. 15 % of the maximum annual capacity requested by the Participant at all IPs multiplied by the TAP tariff for Forward Firm Long-Term Capacity published for calendar year 2023; and

II. 15 MEUR.

The Bid Guarantee is provided as security in respect of the Participant's obligations and liabilities under and in connection with this Project Proposal. TAP shall be entitled to make a demand under the Bid Guarantee at any time up to the total aggregate amount available for demand under the Bid Guarantee if:

(i) at any time, the credit rating of the bank providing the Bid Guarantee no longer satisfies the requirements set out above (including in respect of minimum credit rating) or if the Bid Guarantee has an expiry date prior to 31 May 2024 and no renewed Bid Guarantee (substantially in the same form as the Bid Guarantee it is replacing and meeting the requirements set out above in relation to the provider) has been provided no less than fifteen (15) days prior to expiry of the original Bid Guarantee;

(ii) the Participant fails to satisfy its obligations and liabilities arising as a result of and in connection with a withdrawal of its Bid or termination of a TAP GTA (see Section E.7 below); or

(iii) the Participant does not provide the Post-Bid Guarantee in accordance with section E.7 below.

If the Bid Guarantee is called solely in connection with the circumstances set out in limbs (i) or (iii) above and if, in TAP's sole discretion, such circumstances have been adequately remedied by the issue of a renewed or new Bid Guarantee or provision of the Post-Bid Guarantee in accordance with Section E.7 (as applicable) or by the implementation of other arrangements satisfactory to TAP, TAP will repay to the Participant those amounts, if any, received by TAP on the calling of the Bid Guarantee on account of the circumstances set out in limbs (i) or (iii) to the extent such sums have not been utilised by TAP in accordance with this Project Proposal.

The Bid Guarantee provided to TAP by each Participant will be returned by TAP to such Participant once:

- TAP confirms that the Participant will not be allocated capacity in the Expansion

Project;

- The EVT is finally determined to be negative (in accordance with the provisions of Section E6 of this Project Proposal); or
- If the Participant is allocated incremental capacity as part of the Expansion Project, upon provision to TAP of a Post-Bid Guarantee in accordance with Section E.7 below.

By submitting a Binding Bid Form to TAP, the Participant accepts:

- that submission of a Binding Bid will constitute an irrevocable commitment to enter in a GTA with TAP, subject only to the successful outcome of the EVT; and
- the consequences of the TAP GTA being terminated, as set out in Section E.7 below.

Notwithstanding the above, TAP may at its sole discretion (and to the extent agreed in advance with TAP) accept an alternative form of credit support acceptable to it in place of a Bank Guarantee. If such alternative credit support is provided, it must be provided such that it can be called on by TAP in the circumstance in which TAP would be permitted to call on the Bank Guarantee. All of TAP's rights, remedies and entitlements in connection with the Bank Guarantees (as set out this Project Proposal) shall apply equally to such alternative form of credit support.

SRG

Applicants will be required to state the possession of relevant requirements defined in paragraph 1.1 – Chapter 5 and comply with the conditions referred to in paragraphs 1.4 and 9.1 of Chapter 5 of Snam Rete Gas Network Code.

Any statement of possession of requirements (requests, commitments, declarations or acceptances), as well as any request/communication or expression of will, made by the Applicant, including via the relevant functionality of SRG's website or a potentially jointly identified capacity booking platform, constitutes a formal obligation and commitment on the part of the Participant, which accepts – even in respect of third parties – any and all liability arising from any breaches/errors or omissions.

Participants shall be required to present to SRG within the end of the Information Phase:

- The Transportation Contract ("GTA") signed by a person in possession of power of attorney.
- The "First Guarantee" : a Bank Guarantee , cashable at first request, issued by an Italian financial institute or Italian insurance company or Italian branch of a foreign bank or foreign insurance company with a minimum credit rating of BBB- at Standard and Poor's or Fitch Ratings, Baa3 at Moody's or BBB low at DBRS or a non-interest-bearing security deposit, respectively equal in value to 20% of the maximum annual capacity charge (based on the indicative tariff made available by SRG) of the incremental capacity they intend to request and with an expiry date no earlier than 01/08/2024.

SRG will publish on its own web site the estimated value of the annual capacity charge referred to in the Incremental Capacity Project.

Binding Bids by Participants will be accepted only within the limits of the First Guarantees which will have been presented to SRG according to the provisions above.

The First Guarantee provided to SRG by each Participant will be returned by SRG to such Participant once:

- SRG confirms that the Participant will not be allocated capacity in the Expansion Project;
- The EVT is finally determined to be negative (in accordance with the provisions of section E6 of this Project Proposal); or
- If the Participant is allocated incremental capacity as part of the Expansion Project, upon provision to SRG of the Contracts Guarantees in accordance with section E.7 below.

By submitting a Binding Bid Form to SRG, the Participant accepts:

- that submission of a Binding Bid will constitute an irrevocable commitment to enter in a GTA with SRG, subject only to the successful outcome of the EVT; and

the consequences of the GTA being terminated, as set out in section E.7 below.

DESFA

Applicants will be required to state the possession of relevant requirements defined in DESFA Network Code, Annex I of the NNGS Standard Transmission Agreement and the relevant Application. Only Transmission Users, as defined in DESFA's Network Code, can submit binding bids for entry/exit capacity to/from the DESFA system, in the Binding bidding phase. The specific requirements that must be fulfilled by the interested parties will be defined in detail in DESFA's section of the Joint Notice (DESFA's Binding Phase Notice). DESFA shall not allow any interested party to submit Binding Bids if these requirements are not met and even if submitted shall be rejected for this reason.
Any statement of possession of requirements (requests, commitments, declarations or acceptances), as well as any request/communication or expression of will, made by the Applicant, including via the relevant functionality of DESFA's website or a potentially jointly identified capacity booking platform, constitutes a formal obligation and commitment on the part of the Participant, which accepts – even in respect of third parties – any and all liability arising from any breaches/errors or omissions.

Participants shall be required to provide to DESFA within the required deadlines a Bank Guarantee (Binding Bid Guarantee), cashable at first request of DESFA, issued by any Greek financial institute supervised by the ECB (systemic Banks, namely any of Alpha Bank, Eurobank, National Bank of Greece and Piraeus Bank) including their subsidiaries or any Greek branch of an internationally reputable bank with a minimum investment grade credit rating from the following Agencies: BBB at Standard and Poor's, BBB at Fitch or Baa3 at Moody's, or any internationally reputable bank with a minimum investment grade credit rating (as described above), or any subsidiary of an internationally reputable bank with a minimum investment grade credit rating (as described above), or any subsidiary of an internationally reputable bank without a minimum investment grade credit rating (or without any rating at all), provided that the Bank Guarantee is counter-guaranteed by any internationally reputable bank with a minimum investment grade credit rating (as described above); which has been approved in advance by DESFA, at its sole discretion, equal in value to 20% of the maximum annual capacity charge (based on the indicative tariff made available by DESFA, including any mandatory minimum premium) of the incremental capacity they intend to request, valid until two (2) months from the execution of the GTAs according to D.1.1.

DESFA will publish on its own website the estimated value of the annual capacity charge referred to the Incremental Capacity Project.

Binding Bids by Participants will be accepted only within the limits of the guarantees which will have been presented to DESFA according to the provisions above. By submitting a binding request to DESFA, the Participant accepts that said request will constitute an irrevocable commitment to enter a GTA with DESFA, subject to the successful outcome of the EVT.

The Binding Bid Guarantee provided to DESFA by each Participant will be returned to such Participant once:

- DESFA confirms that the Participant will not be allocated incremental capacity;
- The EVT is finally determined to be negative (in accordance with the provisions of section E6 of this Project Proposal); or
- If the Participant is allocated incremental capacity, upon the provision to DESFA of the GTA Bank Guarantee described in section E.7.

E.2 Binding Bid content

During the Binding Bidding Phase, Participants will have to submit their Binding Bids for incremental capacity products to each TSO.

Participants shall specify in each Binding Bid:

- If a Binding Bid is a **Linked Bid** as per the indications from the Binding Bid Form. In a Linked Bid the capacity requested at a TAP entry point must equal the exit capacity requested at one other IP/exit point. Legal entities belonging to the same group of companies and therefore being able to be considered as part of the same business undertaking for the purpose of the Project Proposal (as confirmed to TAP by those entities), may be considered as the same Participant for the purpose of submitting Linked Bids as provided in the Project Proposal, provided that both such entities indicate in their Binding Bid Forms that they wish their bids to be Linked Bids with the bid of the other entity.
- **The capacity requested (in kWh/day**) **per entry and exit point**. Capacity requested cannot exceed the maximum incremental capacity on offer at a particular IP, as defined in the relevant table of Section B.
- **The requested start date**.
- **End date of the bid**. Except for Annual Requests (with restrictions as noted below, and described in Section E.6), the duration cannot be less than 3 consecutive years, with the latest possible end date for capacity booking in the TAP pipeline being 14 November 2045. For the avoidance of doubt, each Binding Bid must relate to consecutive years.
- **Indication whether capacity reduction is acceptable or not.** Participant must also indicate whether they will accept a reduction in their Capacity Allocation (and up to which amount) in the event of congestion and their bid happens to be marginal. For Linked Bids, any reduction in capacity at the IP where the Linked Bid is assessed as being marginal will result in an equal reduction in incremental capacity at the linked IP/exit point (it should be noted that bundled capacity is reduced by the same amount at both sides of the IP).

Participants may submit more than one Binding Bid. Binding Bids submitted by the same Participant may vary by IP, duration of capacity requested and capacity amount. As a basic rule, in a single Binding Bid, Participants may specify only one value of incremental capacity for all gas years requested. A Binding Bid may however indicate a ramp-up over the first two years of the period to which the Binding Bid relates, with a minimum value for the first year of 40% of capacity

and 70% for the second year. Should Participants wish to profile their capacity request further, then they should submit separate Binding Bids.

A Binding Bid does not have to specify a bid price, as the price applicable to the incremental capacity for the purposes of the evaluation process shall be equal to the Reserve Price plus any mandatory minimum premium(s) where applicable. The TAP Tariff is specified according to the TAP Tariff Code. The respective annual capacity charge by SRG and DESFA, according to the provisions of the relevant tariff regulations, as approved by the respective Authorities (to be used as estimated reference price for the duration of the initial incremental capacity requests), will be published on their own websites during the Information Phase. There will be no additional auction premia charged on top of the Reference Prices (other than in relation to the Equal Marginal Bid process set out under Section E.5 below) except for Melendugno IP, where Participants, taking into account the competing constraint, will submit also an indication of the auction premia that are willing to pay and that will be considered for the ranking of their bids as described in the Paragraph E.4 SRG Section. Bids will have to be submitted inside the Bid Submission Window in accordance with the instructions that will be provided in the Joint Notice published by the TSOs.

By submitting a Binding Bid Form, a Participant will be deemed to have agreed to the terms and process set out in this Project Proposal and the Joint Notice published by the TSOs, as well as with the Binding Phase Notice of each relevant TSO, including the process regarding the overall Project Proposal and the potential liability of the Participant for Termination Costs in connection with a GTA not being executed between the relevant parties or not becoming fully effective in accordance with its terms and/or the termination or modification of the Incremental Capacity Process (see further detail in Sections E.1 and E.7).

E.3 Bid Evaluation

At the end of the Bid Submission Window, each TSO will assess the respective received Binding Bids for completeness and compliance with the relevant requirements set out under this Project Proposal, the Joint Notice and the Binding Phase Notice issued by each TSO (including, where capacity is being made available as bundled capacity, that equal Binding Bids have been made to each of the TSOs Concerned). Those Binding Bids that are accepted at this stage will be considered as part of the preliminary Capacity Allocation procedure of Section E.4 below. In case of rejection of a Binding Bid, the relevant TSO shall (without prejudice to the procedure applicable to Equal Marginal Bids) notify the relevant Participant of such rejection and the other TSOs Concerned within 5 business days from the end of the Bid Submission Window. For the avoidance of doubt, the rejecting TSO shall have no liability whatsoever to the other TSOs Concerned or any other party in connection with such rejection.

E.4 Preliminary Capacity Allocation Procedure (Bid Ranking)

The rules for preliminary Capacity Allocation of incremental capacity at all IPs are described below. If a TSO curtails or rejects any Binding Bid at an IP where capacity is made available as bundled capacity, the bundled Binding Bid made with the other TSO Concerned will also be curtailed or rejected to the same extent.

The TSOs will undertake the actions listed below.

- For each year, the sum of Binding Bid capacity requests is computed at each IP.
- If there is no congestion at any IP, the TSOs Concerned shall undertake a preliminary Capacity Allocation and proceed with the EVT process set out in Section E.6.
- If, there is congestion at an IP and in consideration of the specific regulatory framework defined for TAP by the Authorities, Binding Bids received in relation to that IP are ranked

according to the ratio of the NPV of the hypothetical revenues on the TAP system from the bid divided by the maximum annual capacity of the bid. In case of Linked Bids, the hypothetical revenues include revenues from both the TAP entry point and the other TAP exit point component of the bid. A Marginal Bid at a congested IP is allocated the remaining incremental capacity unless the Participant has explicitly declared, in its Binding Bid, non-acceptance of a capacity reduction. If the Participant of such Marginal Bid has declared non-acceptance of capacity reduction, the remaining capacity is allocated to the next Participant with a lower NPV/capacity ratio. If there is no other Participant with a lower NPV/capacity ratio, only the allocated capacity (without such Participant) will be considered in the EVT.

- In the case of two or more Equal Marginal Bids, an auction may be initiated according to Section E.5.
- If a Linked Bid happens to be a Marginal Bid or one of Equal Marginal Bids, an equal capacity reduction shall be made by the TSOs Concerned at the linked IPs/exit points.
- The outcome of the preliminary allocation process shall comprise of a table showing each Offer Level and IP showing all Binding Bids.

The timescales and the administrative details related to the bid submission process will be specified in the Joint Notice published by the TSOs.

Competing Procedure in SRG's system

The incremental Capacity process related to the TAP Expansion foresees the application of an alternative allocation mechanism in substitution of the regular auctions foreseen by CAM NC at art.29.
Considering that the Interconnection Point (IP) of Melendugno, subject to the expansion process, is in competition with the IPs of Mazara and Gela, it is necessary to manage the multi-yearly capacity bids starting from Q4 2027 for offer level 1a and end of 2028 for offer levels 1b, 1c, 2 and Offer level 3 outside the regular auction procedure foreseen in par. 3.2.3 of Chapter 5 of the SRG Network Code, as hereunder described.

Participation requirements – Melendugno IP

The Participants interested in buying multi-yearly capacity on Melendugno IP will need to satisfy the requirements indicated to the SRG section of the above paragraphs E.1 and E.7.

Participation requirements – Mazara and Gela IPs

The Participants interested in buying multi-yearly capacity on Gela and Mazara IPs will need to satisfy the following requirements:

- possess a signed Transportation Contract with SRG
- have submitted the appropriate "First Guarantee": a guarantee cashable at first request, issued by an Italian financial institute or Italian insurance company or Italian branch of a foreign bank or foreign insurance company with a minimum credit rating of BBB- at Standard and Poor's or Fitch Ratings, Baa3 at Moody's or BBB low at DBRS or a non-interest-bearing security deposit, respectively equal in value to 20% of the maximum annual capacity charge (including a potential auction premium as described below) of the capacity

they intend to request and with an expiry date no earlier than 01/08/2024 within the 15 th December 2023.
- possess the requirements referred to in ARERA Resolution no. 137/02 and its subsequent modifications as indicated in Chapter 5 of the SRG Network Code.
- comply with the conditions referred to in paragraphs 1.4 and 9.1 of Chapter 5 of the SRG Network Code.

In the event of successful allocation of capacity, as a requirement under the relevant GTA, the Participant shall present to SRG, by 31th January 2024, the "Contract Guarantees": two Bank Guarantees), cashable at first request, issued by an Italian financial institute or Italian insurance company or Italian branch of a foreign bank or foreign insurance company with a minimum credit rating of BBB- at Standard and Poor's or Fitch Ratings, Baa3 at Moody's or BBB low at DBRS or a non-interest-bearing security deposit, respectively equal in value to the amount required in SRG Network Code (Chapter 5 Paragraph 1.3.4 and 1.3.5). The Contract Guarantees shall remain valid for the entire duration of the relevant GTA, with an expiry date at the end of the sixth month following the end of the relevant GTA. Once the Contract Guarantees described here above will be presented to SRG, the First Guarantee will be returned.
If the Participant does not issue the Contract Guarantees above described (SRG Network Code Chapter 5 Paragraph 1.3.4 and 1.3.5) within the 31th January 2024, it shall pay a fee to SRG equal to the value of the First Guarantee and the contract will be void.

Competing mechanism

The bids need to be submitted during the bid submission window (16th December-22th December 2023) through the templates published on SRG website[39]. As a basic rule, in a single bid, Participants must specify the same value of capacity for all the gas years requested. A bid may however indicate a ramp-up over the first two years of the period to which the bid relates, with a minimum value of capacity of 40% for the first gas year and 70% for the second gas year. Should Participants wish to profile their capacity request further, then they should submit separate bids.

Consistently with the current tariff regulatory framework, SRG considers applying a floating reference price. For the purpose of the economic test and the presentation of the Bank Guarantees, this has been estimated equal to:

- Mazara 3.296498 €/year/Smc/day equivalent to 0.296106 €/year/kWh/day

- Gela 3.022228 €/year/Smc/day equivalent to 0.275448 €/year/kWh/day

- Melendugno
    - 2.123634 €/year/Smc/day equivalent to 0.191170 €/year/kWh/day for Offer level 1a in the first year of expected operation
    - 2.108589 €/year/Smc/day equivalent to 0.189816 €/year/kWh/day for Offer level 1b in the first year of expected operation
    - 2.075103 €/year/Smc/day equivalent to 0.186801 €/year/kWh/day for Offer level 1c in the first year of expected operation

[39] https://www.snam.it/en/our-businesses/transportation/online-services/sviluppo-della-rete-e-piano-decennale/2021-incremental-capacity-procedure.html

- 2.060736 €/year/Smc/day equivalent to 0.185508 €/year/kWh/day for Offer level 2 in the first year of expected operation
- 1.997375 €/year/Smc/day equivalent to 0.179804 €/year/kWh/day for Offer level 3 in the first year of expected operation

The reserve prices are intended to be equal to the regulated tariffs as approved by the Italian Regulatory Authority for Energy, Networks and Environment and updated on yearly bases. The Participants may also indicate an auction premium that they would like SRG to consider in addition to the reserve price to strengthen their Bid Ranking.

Bid Ranking

In case the overall capacity requests for the three involved IPs of Mazara, Gela and Melendugno are lower than the currently published constraint, reflecting the maximum simultaneous capacity transportable at the three IPs, the requested capacity will be totally allocated to the Participants.

In case the overall capacity requests for the three involved IPs of Mazara, Gela and Melendugno are higher than the currently published constraint, the auction premia indicated in the bids, as detailed below, will be used by SRG to rank the bids.

Specifically, the rank will be executed starting from the hypothetical revenues on the SRG system generated by the premium of each bid applied to the annual capacity of the bid for the years which the premium refers to[40]. Requests lower than 3 consecutive years will be allocated to the extent that there is remaining capacity available in the relevant year. In the event that two or more requests have the same rank, the successful bid shall be the one which is submitted first.
In case of partial allocation of the requested capacity, the Participants, selected according to the ranking of their respective bids, have the right to accept or refuse the capacity offered for partial allocation. On the basis of the indication received by the Participant in the request, SRG will proceed with partial allocation according to the Bid Ranking.

It is understood that the Participants are bound to pay a capacity fee equal to the regulated tariffs as approved by the Italian Regulatory Authority for Energy, Networks and Environment and updated on yearly bases. Only for the Thermal Years where the overall capacity requests for the three involved IPs of Mazara, Gela and Melendugno are lower than the currently published constraint, the shippers are not required to pay the premium. Therefore, the Participants are due to pay the premium in the Thermal Years where the overall capacity requests for the three involved IPs of Mazara, Gela and Melendugno are higher than the currently published constraint.

Starting from the capacity constraint currently published on the SRG website, the capacity allocation is subject to the evolution of the realization of the infrastructures included in the Project Proposal and other required infrastructures as described here below.

The quota of capacity allocated to the IPs of Mazara, Gela and Melendugno that exceeds the above-mentioned currently valid capacity constraint, has as a prerequisite the completion of the planned Adriatica line, already included in SRG's 10-year Network Development Plan 2022-2031 and in ENTSOG TYNDP 2022 (TRA-N-7), and for Level 3 also the Matagiola-Massafra pipeline

[40] Each bid of a same shipper will be evaluated separately.

and other related interventions (regulation and measurement plants in Melendugno and Moliterno).

In case of delay in the realization of the abovementioned Adriatica line and when the booked capacity, as a result of the Incremental Capacity procedure, is higher than the level simultaneously available at the three IPs, the allocations will be reduced pro-rata to each Participant in Mazara, Gela and Melendugno for the duration of the delay.
Instead, in case of delay in the realization of the abovementioned Matagiola-Massafra pipeline and when the booked capacity, as a result of the Incremental Capacity procedure, is higher than the level available at Melendugno IP, the allocations will be reduced pro-rata to each Participant in Melendugno for the duration of the delay.
SRG will promptly provide information to the Participants and the other Concerned TSOs in case of possible delays in the realization of the above-mentioned infrastructures that would make incremental capacity available at later dates compared to sections B and D.2 indications.

EVT on Melendugno

Following the application of the above-described mechanism, the successful bids on Melendugno IP will be shared with TAP in order to re-run the EVT. In case of a positive EVT, capacity will be allocated to the Participants whereas in case of a negative EVT, the requests will be curtailed to the lower Offer Level with a positive EVT. In this case, or where the EVT is negative for any Offer Level, if the overall assigned capacity following the curtailment on Melendugno IP, is lower than the capacity constraint, generating new available capacity on Mazara and Gela IPs, SRG will proceed with its allocation to fulfil the partial assignment, if any, according to the Bid Ranking.

E.5 Allocation of Equal Marginal Bids (EMB)

Auctions will take place only at the IP(s) where there are Equal Marginal Bids.

Only Participants with Equal Marginal Bids will be involved in the auction. In relation to IPs where capacity is made available as bundled capacity, a single auction will take place in relation to the Binding Bids on both sides of that IP.

The Participants with the Equal Marginal Bids shall be invited to submit up to 3 bids for the applicable marginal capacity. Each such bid shall include a capacity amount (up to a maximum of the capacity available in the auction), a revised end date of the bid (if later than the original bid) and an auction premium to be considered above the Reserve Price, which serves as a floor price in this auction.

The involved TSOs will invite Participants with equal marginal bids (***EMB Bidders***) to submit new Bids within 5 business days from the end of the Bid Submission Window. The EMB Binding Bid Form shall be submitted by such Participants within 5 business days following the invitation. The TSOs shall define the precise EMB bid submission deadline (time, date) and other requirements in its invitation sent to the EMB Bidders (the ***EMB Bid Submission Deadline***).

For SRG, the EMB Bids shall be accompanied by an amendment to the First Guarantee described in Section E.1 equal to the 20% of the capacity requested multiplied by SRG new applied tariff (Reserve Price indicated in Section G.1.1 + possible premium).

For DESFA, the Bank Guarantees described in Section E.1, must be amended accordingly, and become equal to the 20% of the maximum annual capacity charge (based on the indicative tariff

made available by DESFA, including any mandatory minimum premium + possible premium) of the incremental capacity that the Participants intend to request.

For TAP, if EMB Bidders happen to request additional capacity (up to the maximum level of applicable marginal capacity) to that requested in their original bid then EMB Bids shall be accompanied by a Bank Guarantee from an internationally reputable bank approved by TAP in its absolute discretion, which meets the same criteria as set out in Section E.1.

EMB Bids are evaluated by the involved TSOs within 5 business days from the EMB Bid Submission Deadline. In case of rejection of an EMB Binding Bid Form, the TSOs shall notify the relevant Participant within 5 business days from the end of the EMB Bid Submission Deadline. Accepted bids are considered in the preliminary Capacity Allocation procedure performed in line with Section E.4 of the Project Proposal.

Following this step, the involved TSOs shall calculate the NPV value of all submitted bids (for this purpose, considering the auction premium) and rank all bids according to the NPV/capacity ratio as above. If oversell of capacity reoccurs, capacity is allocated to the Participant(s) with the highest NPV/capacity ratio. The Participant(s) who submitted the Equal Marginal Bids are allocated any remaining capacity, provided that any Participant who receives capacity less than it requested can withdraw, if their original Binding Bid specified that curtailment would not be accepted.

E.6 Economic Viability Test

The Economic Viability Test (***EVT***) is carried out separately by each TSO at their side of the relevant IP.

For TAP, the EVT considers the net present value of the cost estimates and hypothetical incremental revenues, applying TAP target IRR as the discount factor (see TAP Tariff Code / Annex I of this Project Proposal for more details). For the avoidance of doubt, the EVT concerns the TAP sides of all IPs where incremental capacity is offered. Costs concern all costs borne by TAP for the expansion of the pipeline to meet each Offer Level. Thus, revenues for the calculation of the NPV relate to incremental revenues to be collected by TAP from the application of the TAP Tariff to all incremental capacity allocated at TAP's side of all IPs.

The capacity thresholds provided for the Kipoi entry point and Melendugno exit point have been calculated based on flow simulations, with the assumption that all short-term obligations and new long-term bookings can be met using the full length of the TAP pipeline. Given the large number of potential combinations of entry and exit points in TAP, hydraulic simulations may be needed to determine which expansion solution is required to accommodate a given set of bids. Further, note that the technical solution for TAP may be adjusted to be able accommodate such bid combinations.

TAP will accept bids for capacity for individual years, or for periods shorter than 3 consecutive years, (***Annual Requests***). However, any Annual Requests will not, in accordance with TAP's Tariff Code, be treated as Expansion Capacity bookings and will not be considered in the EVT to be performed in accordance with this Section E.6. However, if required to pass the EVT and at TAP's sole discretion, such bookings may be included in the EVT and further considered for the purposes of capacity allocation and TAP Tariff Code. In such a case, these bookings will no longer be considered as an Annual Request.

Annual Requests will be allocated capacity only following conclusion of the EVT and the entry into GTAs with successful Participants for the Expansion Capacity. Annual Requests will be allocated capacity to the extent that there is remaining capacity available in the relevant year up to the Offer

Level implemented as part of the Incremental Capacity Project. If TAP is not able to allocate capacity to all Annual Requests in a particular year, it will allocate capacity according to a similar prioritisation procedure as described in Section E.5.

For SRG, the EVT takes into account the present value of the estimated increase in its allowed revenue multiplied by the f-factor (see Section G.1) as approved by the Italian NRA ARERA and the present value of binding commitments of Participants for contracting capacity, which is calculated as the discounted sum of the respective Reference Prices and a potential Mandatory Minimum Premium multiplied by the amount of contracted incremental capacity according to Article 22 of EU NC CAM.

For DESFA, the EVT takes into account the present value of the estimated increase in its allowed revenue multiplied by the f-factor (see Section G.2) as approved by the Greek NRA RAE and the present value of binding commitments of Participants for contracting capacity, which is calculated as the discounted sum of the respective Reference Prices and a potential Mandatory Minimum Premium multiplied by the amount of contracted incremental capacity according to Article 22 of EU NC CAM.

The following results are anticipated following each TSO carrying out their EVT:

- TAP, SRG and DESFA will each verify the EVT with the lowest Offer Level meeting the maximum amount of Binding Bids at each IP. If positive for all TSOs Concerned, capacity is allocated according to the bid ranking.
- If the EVT is negative for one of the TSOs Concerned, Binding Bids are curtailed and the lower Offer Level at the concerned IP is tested. Curtailment of Linked Bids may impact the Offer Level to be tested at another IP. If a TSO curtails or rejects any Binding Bid at an IP where capacity is made available as bundled capacity, the bundled Binding Bid made with the other TSO Concerned will also be curtailed or rejected to the same extent.
- The process continues until a combination of Offer Levels yielding a positive EVT for the TSOs Concerned is found. The auction process under Section E.5 may need to be run prior to finalisation of incremental Capacity Allocation at a given Offer Level. If after any curtailment under the above bullet point, the bids at an IP still lead to a negative EVT for one TSO, then the process continues without those bids and the EVT for that TSO is considered as negative. In that case no capacity allocation will take place at that IP.
- If the EVT yields a negative result at all Offer Levels:
    a. According to Section 3.3.1(d) of TAP's Tariff Code (already approved by the Authorities) in case of a negative EVT, TAP reserves its right to further investigate whether a technical solution meeting only part of the demand could result in a positive EVT and also on a reasonable efforts basis discuss with the participants from each Binding Phase any potential future changes to their respective bookings or other commercial solutions that would enable a positive EVT.
    b. According to art. 24.4 of CAM NC if 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, TSOs may submit to the relevant national regulatory authorities for coordinated approvals the mechanisms for a redistribution of revenues from incremental capacity
    c. Only when after having revisited the expansion threshold and the bids, the EVT is still negative, the TSOs Concerned will promptly inform the relevant Authorities of this result. The Binding Bids received from Participants shall remain valid until the

Authorities have concluded or waived the third-party verification described in Article 4.1.8 of the FJO. TAP, SRG and DESFA will inform Participants of the end of the Incremental Capacity Project.

TAP, SRG and DESFA shall jointly communicate the EVT results of the Binding Bidding Phase to respective Participants no later than 18 January 2024 subject to – in case of TAP - the provisions of Section 3.3.1(d) of TAP's Tariff Code (already approved by the Authorities) in case of a negative EVT.

E.7 Gas Transportation Agreement ("GTA")

Each successful Participant will be required to enter a GTA with the TSO Concerned according to the respective applicable regulatory framework in relation to the allocated capacity, as further detailed below.

In addition to the TSO-specific requirements set out below, TSOs have aligned a number of key timings and principles in the GTA process – these concern:

- Countersignature or signature of the relevant GTAs by 31 January 2024
- The GTA(s) becoming fully effective upon a set of specific Conditions Precedent being met to the satisfaction of each TSO;
- Closing of the Incremental Capacity Project and declaring the GTAs void if the Conditions Precedent are not met or waived by respective TSOs by a longstop date of 31 December 2024.

Further details, reflecting applicable law and commercial specifics are provided, in relation to each TSO further below.

TAP

Following a positive EVT result and the ensuing allocation of capacity, **TAP will**:

a. Continue the design of the technical solution providing the capacity of the selected Offer Level that will allow TAP to estimate the schedule and costs for the specific expansion solution with a higher degree of accuracy.[41]

b. Seek key permits required for the expansion works in the relevant host countries.

c. Seek third party financing for the expansion works, if applicable.

d. Countersign the GTAs that contribute to such positive EVT no later than 31 January 2024. The GTA(s) will each become fully effective upon a set of Conditions Precedent (as set out in full under each GTA) being met to the satisfaction of TAP or otherwise waived by TAP. Such Conditions Precedent include:

   i. FEED cost and schedule estimates have been obtained, supported by required key permits;

   ii. TAP having been notified by the relevant Adjacent TSO that, in respect of any bundled capacity, the Participant's corresponding booking in the system of TAP's adjacent TSO is unconditional (other than in respect of any condition relating to the unconditionality of the TAP Gas Transportation

[41] Note that a FEED study may also have been initiated prior to the finalisation of the EVT, at TAP's sole discretion.

Agreement), and the relevant Participant having presented acceptable credit support as required by the GTA; and

iii. The most up-to-date detailed cost estimates generated by the FEED, the most recent Revised Estimated Operation Date (**REOD**) and the capacity that (from time to time) is allocated in the TAP pipeline still provide for a positive EVT. If the revised information would have led to a negative EVT, TAP will discuss with Participants the option to extend the duration of the bookings under their bid(s) until a later date up to the end of TAP's exemption.

e. On or before countersignature of the GTA by TAP, notify each Participant that has been allocated capacity in the Expansion Project of the value of the Post-Bid Guarantee (the **Notified Value**) that such Participant is required to provide, calculated in accordance with the provisions below (see section titled "Notified Value Calculation" below). In addition to the Notified Value, the following information will be provided to each Participant:

i. Capacity allocated to the Participant by TAP;

ii. Aggregate Capacity Allocated by TAP;

iii. whether the Capacity will be made available to the Participant as part of a a "Limited Expansion Level 1A/1B/1C", a "Partial Expansion" or a "Full Expansion".

By no later than 15th February 2024 the Participants shall each provide a bank guarantee in an amount equal to the Notified Value and with an expiry date of no earlier than 31 March 2025 (a **Post Bid Guarantee**) from an internationally reputable bank with a minimum credit rating of BBB- at Standard and Poor's or Baa3 at Moody's, or alternatively issued by any Greek financial institute supervised by the ECB (systemic banks, namely any of Alpha Bank, Eurobank, National Bank of Greece and Piraeus Bank), which has been approved in advance by TAP in its absolute discretion.

The Post-Bid Guarantee is provided as security in respect of the Participant's obligations under and in connection with this Project Proposal and the TAP GTA. TAP shall, subject to the Termination Cap set out below, be entitled to make a demand under the Post-Bid Guarantee at any time for any amount up to the total aggregate amount available for demand under the Post-Bid Guarantee if:

(i) at any time, the credit rating of the bank providing the Post-Bid Guarantee no longer satisfies the requirements set out above (including in respect of minimum credit rating) or if the Post-Bid Guarantee has an expiry date prior to 31 March 2025 and no renewed Post-Bid Guarantee (substantially in the same form as the Post-Bid Guarantee it is replacing and meeting the requirements set out above) has been provided no less than fifteen (15) days prior to expiry of the original Post-Bid Guarantee; or

(ii) the Participant does not make payment of its share of Termination Costs due in connection with the termination and/or non-effectiveness of its GTA (see further detail below).

If the Post-Bid Guarantee is called solely in connection with the circumstances set out in limb (i) above and if, in TAP's sole discretion, such circumstances have been adequately remedied by the issue of a renewed or new Post-Bid Guarantee or by the implementation of other arrangements satisfactory to TAP, TAP will repay to the Participant those amounts, if any, received by TAP on the calling of the Post-Bid Guarantee on account of the circumstances set out in limb (i) to the

extent such sums have not been utilised by TAP in accordance with this Project Proposal.

The Post-Bid Guarantee provided to TAP by each Participant will be returned by TAP to such Participant:

- Upon the Participant's GTA becoming fully effective in accordance with its terms; or
- If the Participant's GTA is terminated, provided that such Post-Bid Guarantee shall only be returned once all of such Participant's obligations and liabilities in relation to such termination have been satisfied and discharged (see further below).

Notwithstanding the above, TAP may at its sole discretion (and to the extent agreed in advance with TAP) accept an alternative form of credit support acceptable to it in place of a Bank Guarantee. If such alternative credit support is provided, it must be provided such that it can be called on by TAP in the circumstance in which TAP would be permitted to call on the Bank Guarantee. All of TAP's rights, remedies and entitlements in connection with the Bank Guarantees (as set out this Project Proposal) shall apply equally to such alternative form of credit support.

Notified Value Calculation

The Notified Value of the Post-Bid Guarantee is calculated on the principle of TAP being able in all cases to recover Termination Costs, up to, and as a result of, a TAP GTA being terminated in accordance with its terms, and which TAP cannot recover as part of a continued or reduced Expansion Project. As a result, it can only be calculated and notified by TAP after a positive EVT and capacity allocation has occurred since such costs will depend on whether TAP implements a Limited Expansion Project (Level 1A/1B/1C), Partial Expansion Project or Full Expansion Project (see Section A2.1 above) as well as the composition of Binding Bids that are allocated capacity as part of such Expansion Project.

In order to calculate such Notified Value for the purposes of providing the Post-Bid Guarantee, TAP will utilise the following figures (each a **Termination Cost Estimate** or **TCE**):

- If a **Limited Expansion Project** Level 1A is implemented, the Termination Cost Estimate will be **142 MEUR**
- If a **Limited Expansion Project** Level 1B is implemented, the Termination Cost Estimate will be **150 MEUR**
- If a **Limited Expansion Project** Level 1C is implemented, the Termination Cost Estimate will be **187 MEUR**
- If a **Partial Expansion Project** is implemented, the Termination Cost Estimate will be **251 MEUR**
- If a **Full Expansion Project** is implemented, the Termination Cost Estimate will be **313 MEUR**

The Notified Value shall be calculated as the greater of:

- ✓ The Participant's pro rata share (i.e. the maximum capacity allocated to the Participant divided by the total capacity allocated in the relevant Binding Phase) of the applicable Termination Cost Estimate.
- ✓ The difference between (A) the Termination Cost Estimate applicable to the level of Expansion Project selected by TAP following the initial positive EVT and (B) the

Termination Cost Estimate applicable to the maximum level of Expansion Project in respect of which TAP would be able to obtain a positive EVT if the relevant Participant exited the Expansion Project.

Termination of TAP GTAs

a. If the Conditions Precedent are not met or waived in accordance with the terms of the Transportation Confirmation and the deadlines set out therein, TAP may, on or before the Conditions Precedent longstop date of 31 December 2024, terminate the GTAs (in each case, as applicable and in accordance with the terms of the GTAs) and/or close the Incremental Capacity Project.

b. If a Participant does not provide a Post Bid Guarantee on or before 15th February 2024 (or any replacement of the Post Bid Guarantee required to be delivered in accordance with this Project Proposal), TAP shall have the right to terminate the GTA with immediate effect.

c. If the Start Date (as defined in the Transportation Confirmation) has not occurred by the date falling thirty-six (36) months after the REOD then either Party may terminate the GTA with immediate effect.

d. A Participant may terminate the GTA up until the Credit Support Longstop Date, either:

    i. at its option; or
    ii. in case REOD is delayed from the originally planned start date:
        1. by more than 3 months (if the Participant's capacity was allocated as part of a Limited Expansion Project Level 1A); or
        2. by more than 6 months (if the Participant's capacity was allocated as part of a Limited Expansion Project Level 1B, Limited Expansion Project Level 1C, Partial Expansion Project or Full Expansion Project).

Consequences of Withdrawal of Bid or Termination of TAP GTA

Participants should note that Termination Costs in connection with a termination of an Expansion Project that has passed an EVT shall (subject, if relevant, to the Termination Cap) be recoverable from Participants as set out in the paragraphs below. If there are Termination Costs which TAP is unable to recover from Participants or include within a lower level of Expansion Project, TAP shall include such Termination Costs within the eventual tariff cost base used in the calculation of the EVT for future Binding Phases.

(A) Withdrawal of a Binding Bid prior to TAP countersigning the GTA or termination of the GTA after TAP countersigns the GTA but prior to Participant providing the Post-Bid Guarantee.

This paragraph (A) applies:

I. where a Participant withdraws, voids or otherwise cancels its Binding Bid **prior to** completion of Capacity Allocation and/or TAP's countersignature of the GTA; or

II. **after** TAP's countersignature of the GTA but prior to provision of the Post-Bid Guarantee, if a Participant terminates its GTA at its option or does not provide the Post-Bid Guarantee on or before 15 February 2024 and TAP exercises its right to

terminate the GTA.

- TAP will first re-run the EVT, excluding such Participant's Binding Bid or Allocated Capacity.
- If the re-run EVT is negative, TAP may hold discussions with any remaining Participants as to whether any adjustments can be made to their Binding Bids or Allocated Capacity in order to retain a positive EVT for the Expansion Project.
- In the event that TAP concludes (acting in its sole discretion):
    1. that notwithstanding any discussions it may have held with remaining Participants, the re-run EVT remains negative and/or TAP closes the Incremental Capacity Project, the withdrawing Participant shall be liable for the Termination Costs as a result of such termination or withdrawal, provided that such liability shall not exceed the withdrawing Participant's Bid Guarantee Cap**.** TAP shall be entitled to claim such amounts under the Bid Guarantee if such amounts are not paid by the Participant within fifteen (15) days of a written notice from TAP. In the event that the relevant Termination Costs exceed the Participant's Bid Guarantee Cap, TAP shall be entitled to claim from each remaining Participant (up to each remaining Participant's Bid Guarantee Cap) a pro-rata share of the remaining portion of Termination Costs, calculated in proportion to each Participant's maximum annual incremental capacity as a share of the total maximum annual incremental capacity allocated as part of the Expansion Project.
    2. that such re-run EVT is positive for a reduced level of Expansion Project:
        i. the terminating or withdrawing Participant shall be liable (up to its Bid Guarantee Cap) for the Termination Costs which, as a result of such termination or withdrawal, TAP determines (in its sole discretion) that it is unable to recover as part of such reduced level of Expansion Project. TAP shall be entitled to claim such amounts up to the amount available under the Bid Guarantee in the event that such amounts are not paid by the Participant within fifteen (15) days of a written notice from TAP. In the event that the relevant Termination Costs exceed the Participant's Bid Guarantee Cap, then provided that the EVT remains positive when accounting for such remaining portion of the Termination Costs, such costs shall remain within the cost base of the Expansion Project.
        ii. If, at the time of such termination, the Notified Value of the Post-Bid Guarantees required to be provided by the Participants has been notified by TAP to the Participants, TAP may notify the remaining Participants of a revised Notified Value, in order to reflect the reduction in the level of Expansion Project being pursued.
    3. that the re-run EVT is positive for the same level of Expansion Project, the exiting Participant shall have no further liability to TAP, and all costs incurred by TAP as part of the Incremental Capacity Project remain with the cost base. However, if at the time of such termination, TAP had already notified the remaining Participant(s) of the Notified Value of Post-Bid Guarantee(s), then any remaining Participant(s) shall be required to provide a Post-Bid Guarantee(s) equal to a revised Notified Value (as notified to such Participant(s) by TAP), in order to reflect each Participant's revised pro-rata share of the applicable Termination Costs Estimate due to

the initial termination.

4. If a Participant elects not to provide a Post-Bid Guarantee in an amount equal to the revised Notified Value or otherwise fails to provide a Post-Bid Guarantee in an amount equal to the revised Notified Value on or before 15th February 2024, the GTA may be terminated either by TAP or the relevant Participant with immediate effect. If such right is exercised and the EVT remains positive for a reduced level of Expansion Project, then all exiting Participants (including the Participant that terminated first) shall pay a pro-rata share of the Termination Costs which, as a result of such termination, TAP determines (in its sole discretion) that it is unable to recover as part of such reduced level of Expansion Project. If as a consequence of such further termination the EVT is determined by TAP to be negative, the consequences set out in limb 1 above shall apply to all Participants.

(B) Termination of the GTA after Participant provides Post-Bid Guarantee but before the Credit Support Longstop Date or Condition Precedent Longstop Date (as applicable under the GTA)

(B1) If after a Participant provides the Post-Bid Guarantee:

I. A Participant terminates the GTA at its option;

II. TAP terminates the GTA due to not having received notice from the applicable adjacent TSO that the Participant's corresponding capacity booking in the applicable interconnected system is unconditional (other than in respect of any condition relating to the unconditionality of the TAP Gas Transportation Agreement); or

III. TAP terminates the GTA due to failure by the Participant to provide its GTA credit support by the Credit Support Longstop Date,

TAP shall first re-run the EVT, excluding such Participant's Allocated Capacity.

If the re-run EVT is negative, TAP may hold discussions with any remaining Participants as to whether any adjustments can be made to their Allocated Capacity in order to retain a positive EVT for the Expansion Project. In the event that TAP concludes (acting in its sole discretion):

1. that notwithstanding any discussions it may have held with remaining Participants, the re-run EVT remains negative and/or TAP closes the Incremental Capacity Project, the relevant Participant shall be liable, up to its Termination Cap, for the Termination Costs. In the event that the relevant Termination Costs exceed the Participant's Termination Cap, TAP shall be entitled to claim from each remaining Participant (up to each remaining Participant's Termination Cap) a pro-rata share of the remaining portion of Termination Costs calculated in proportion to each Participant's maximum annual incremental capacity as a share of the total maximum annual incremental capacity allocated as part of the Expansion Project. TAP shall be entitled to claim such amounts under the Post-Bid Guarantee in the event that such amounts are not paid by the relevant Participant within fifteen (15) days of a written notice from TAP.

2. that such re-run EVT is positive for a reduced level of Expansion Project:

    i. the relevant Participant shall be liable (up to the Termination Cap) for the Termination Costs which, as a result of such termination, TAP determines (in its sole discretion) that it is unable to recover as part of such reduced

level of Expansion Project. TAP shall be entitled to claim such amounts under the relevant Participant's Post-Bid Guarantee in the event that such amounts are not paid by such Participant within fifteen (15) days of a written notice from TAP.

ii. The remaining Participants' Post-Bid Guarantees shall be re-sized to reflect the reduction in the level of Expansion Project being pursued.

3. that the re-run EVT is positive for the same level of Expansion Project, the exiting Participant shall have no further liability to TAP, and all costs incurred by TAP as part of the Incremental Capacity Project remain with the cost base. Any remaining Participant(s) shall be required to provide a revised Post-Bid Guarantee(s) equal to a revised Notified Value (as notified to such Participant(s) by TAP), in order to reflect each Participant's revised pro-rata share of the applicable Termination Costs Estimate due to the initial termination.

4. If a Participant elects not to provide a resized Post-Bid Guarantee, or otherwise fails to provide a resized Post-Bid Guarantee as required under sub-paragraph (B1)(2)(ii) or (B1)(3) within 10 days of notification by TAP to the relevant Participant of the amount of such resized Post-Bid Guarantee, the GTA may be terminated either by TAP or Participants within 15 days of notification by TAP to the relevant Participant of the amount of such resized Post-Bid Guarantee. If such right is exercised and the EVT remains positive for a reduced level of Expansion Project, then all exiting Participants (including the Participant that terminated first) shall pay a pro-rata share of the Termination Costs which, as a result of such termination, TAP determines (in its sole discretion) that it is unable to recover as part of such reduced level of Expansion Project. If as a consequence of such further termination the EVT is finally determined by TAP to be negative, all exiting/terminating Participants (including the Participant that terminated first) shall pay a pro-rata share of the Termination Costs, up to their respective Termination Cap. In the event that any portion of the relevant Termination Costs exceeds the exiting Participants' respective Termination Caps, TAP shall be entitled to claim from each remaining Participant (up to each remaining Participant's Termination Cap) a pro-rata share of the remaining portion of Termination Costs.

(B2) If one or more Participants terminates the GTA in connection with a REOD notification, in accordance with the terms of the GTA, TAP shall first re-run the EVT, with the Allocated Capacity bookings in place at the time of such termination.

If the re-run EVT is negative, TAP may hold discussions with any remaining Participants as to whether any adjustments can be made to their Allocated Capacity in order to retain a positive EVT for the Expansion Project.

In the event that TAP concludes (acting in its sole discretion):

1. that notwithstanding any discussions it may have held with remaining Participants, the re-run EVT is negative, and TAP closes the Incremental Capacity Project, each Participant shall be liable, up to its respective Termination Cap, for a pro-rata share of TAP's Termination Costs, calculated in proportion to each Participant's maximum annual incremental capacity as a share of the total maximum annual incremental capacity allocated as part of the Expansion Project. TAP shall be entitled to

claim such amounts under a Participant's Post-Bid Guarantee in the event that such amounts are not paid by such Participant within fifteen (15) days of a written notice from TAP.

2. That such re-run EVT is positive for a reduced level of Expansion Project:

    i. each Participant (including the exiting Participant) shall be liable, up to its respective Termination Cap, for a pro-rata share of the Termination Costs which, as a result of such termination, TAP determines (in its sole discretion) that it is unable to recover as part of such reduced level of Expansion Project. TAP shall be entitled to claim such amounts under a Participant's Post-Bid Guarantee in the event that such amounts are not paid by such Participant within fifteen (15) days of a written notice from TAP.

    ii. The remaining Participant's Post-Bid Guarantees shall be re-sized to reflect the reduction in the level of Expansion Project being pursued.

3. that the re-run EVT is positive for the same level of Expansion Project, the exiting Participant shall have no further liability to TAP, and all costs incurred by TAP as part of the Incremental Capacity Project remain with the cost base. Any remaining Participant(s) shall be required to provide a revised Post-Bid Bank Guarantee(s) equal to a revised Notified Value (as notified to such Participant(s) by TAP), in order to reflect each Participant's revised pro-rata share of the applicable Termination Costs Estimate due to the initial termination.

4. If a Participant elects not to provide a resized Post-Bid Guarantee, or otherwise fails to provide a resized Post-Bid Guarantee as required under sub-paragraph B2(2)(ii) or B2(3) within 10 days of notification by TAP to the relevant Participant of the amount of such resized Post-Bid Guarantee, the GTA may be terminated by either TAP or the Participants within 15 days of notification by TAP to the relevant Participant of the amount of such resized Post-Bid Guarantee. If such right is exercised and the EVT remains positive for a reduced level of Expansion Project, then all exiting Participants (including the Participant that terminated first) shall pay a pro-rata share of the Termination Costs which, as a result of such termination, TAP determines (in its sole discretion) that it is unable to recover as part of such reduced level of Expansion Project. If as a consequence of such further termination the EVT is determined by TAP to be negative, the consequences set out in limb 1 above shall apply to all Participants.

(B3) If the EVT no longer yields a positive EVT result having accounted for updated FEED cost estimates and the capacity bookings which are still in effect from time to time, TAP may hold discussions with Participants as to whether any adjustments can be made to their Allocated Capacity in order to retain a positive EVT for the Expansion Project.

If TAP concludes (acting in its sole discretion):

1. that notwithstanding any discussions it may have held with remaining Participants, the re-run EVT is negative, and TAP closes the Incremental Capacity Project and terminates the GTAs, each Participant shall be liable, up to its respective Termination Cap, for a pro-rata share of TAP's Termination Costs, calculated in proportion to each Participant's maximum annual incremental capacity as a share of the total maximum annual incremental capacity allocated as part of the Expansion Project.

TAP shall be entitled to claim such amounts under the Post-Bid Guarantee in the event that such amounts are not paid by the Participant within fifteen (15) days of a written notice from TAP.

2. That following discussions held by TAP with Participants, a positive EVT can be obtained for a reduced level of Expansion Project:

   i. each Participant shall be liable, up to its respective Termination Cap, for a pro-rata share of the Termination Costs which, as a result of such termination, TAP determines (in its sole discretion) that it is unable to recover as part of such reduced level of Expansion Project. TAP shall be entitled to claim such amounts under the Post-Bid Guarantee in the event that such amounts are not paid by the Participant within fifteen (15) days of a written notice from TAP.

   ii. The remaining Participant's Post-Bid Guarantees shall be re-sized to reflect the reduction in the level of Expansion Project being pursued.

   iii. If any of the remaining Participants elect not to provide a resized Post-Bid Guarantee or otherwise fail to provide such resized Post-Bid Guarantee within 10 days of notification by TAP of the amount of such resized Post-Bid Guarantee, the GTA can be terminated by either TAP or the Participants within 15 days of notification by TAP to the relevant Participant of the amount of such resized Post-Bid Guarantee. If such right is exercised and the EVT remains positive for a reduced level of Expansion Project then all Participants shall each pay a pro-rata share of the resulting Termination Costs which, as a result of such termination, TAP determines (in its sole discretion) that it is unable to recover as part of such reduced level of Expansion Project. If as a consequence of such further termination the EVT is determined by TAP to be negative, the consequences set out in limb 1 above shall apply to all Participants.

Termination Costs Cap

In no case shall the maximum amount that TAP can claim from a Participant in connection with a termination which occurs under this paragraph (B) exceed the "**Termination Cap**", which in each case shall be equal to the percentage of the Notified Value of each Participant's Bid Guarantee (depending on the level of Expansion Project and when such termination takes place) applicable to the relevant Participant, as set out below:

	Covered by Post-Bid Guarantee from Participant (percentage of Notified Value of each Participant's Post-Bid Guarantee that TAP can claim in connection with termination from the relevant Participant)			
	Termination occurs no later than 30 April 2024	Termination occurs between 1 May and 30 June 2024	Termination occurs between 1 July 2024 and 31 August 2024	Termination occurs between 1 September 2024 and 31 December 2024
Limited Expansion Project Level 1A	40%	55%	80%	**100%**

Limited Expansion Project Level 1B	30%	40%	55%	**100%**
Limited Expansion Project Level 1C				
Partial Expansion Project Level 2				
Full Expansion Project Level 3				

Furthermore, and notwithstanding anything to the contrary in this Project Proposal, TAP shall not be entitled to recover in aggregate from the Participants any amount in excess of the corresponding percentage (set out above) of the applicable TCE depending on the level of Expansion Project being implemented.

SRG

In the event of a positive EVT, the Participant is bound to the commitments expressed in relation to the successful Offer Level. SRG will countersign the GTA within 31 January 2024.

It is intended that the final positive outcome of the EVT leading to the realization of the Incremental Capacity Project is subject to the subscription to the relevant GTA(s) by all Participant(s) with successful binding commitments.

The GTA(s) will each become effective upon a Condition Precedent being met to the satisfaction of SRG namely the relevant GTAs between the Participant and all TSOs Concerned have become fully effective by the longstop date.

If the condition is not met or waived by SRG and the Participant by a longstop date of 31 December 2024, SRG will void the relevant GTAs.

It is understood that in the case of any potential prolongation of the commitment under the GTA to a maximum of 20 years, if required as described above in paragraph E.7 IV c), the GTA between the successful Participant and SRG will be amended accordingly.

As a requirement under the relevant GTA, the Participant shall present to SRG, by 31 January 2024, the “Contract Guarantees”: two Bank Guarantees , cashable at first request, issued by an Italian financial institute or Italian insurance company or Italian branch of a foreign bank or foreign insurance company with a minimum credit rating of BBB- at Standard and Poor’s or Fitch Ratings, Baa3 at Moody's or BBB low at DBRS or non-interest-bearing security deposits, respectively equal in value to the amount required in SRG Network Code (Chapter 5 Paragraph 1.3.4 and 1.3.5). It is understood that in case of any amendment of the GTA according to the conditions described above, the Contract Guarantees will have to be amended accordingly.

The Contract Guarantees shall remain valid for the entire duration of the relevant GTA, with an expiry date at the end of the sixth month following the end of the relevant GTA.

Once the Contract Guarantees described here above will be presented to SRG, the First Guarantee equal to 20% of the maximum annual capacity charge, indicated in Section E.1, will be returned.

In the event of a positive EVT, if the Participant does not issue the Contract Guarantees above described in this Section (SRG Network Code Chapter 5 Paragraph 1.3.4 and 1.3.5), it shall pay a fee to SRG equal to the value of the First Guarantee described in Section E.1.SRG and the contract will be void.

If the GTAs do not become effective, as provided in this Section E.7., SRG will invoice to the relevant Participant a fee equal to the amount of the First Guarantee presented. The guarantee will be returned to the Participant after the fulfilment of the payment. Following the execution of the GTA, the Participant shall be required to pay to SRG all the applicable transmission charges with start date from the date the capacity is made available and for full duration of the GTA.

In the case that a Participant does not issue the Contract Guarantees or in case SRG will void the GTAs resulting in a negative EVT for the remaining Participants, SRG will first re-run the EVT, excluding such Participant's Binding Bid or Allocated Capacity.
If the re-run EVT is negative, SRG may hold discussions with any remaining Participant as to whether any adjustments can be made to their Binding Bids or Allocated Capacity in order to retain a positive EVT for the Expansion Project.

If SRG concludes that notwithstanding any discussions it may have held with remaining Participants, the re-run EVT is negative, and SRG closes the Incremental Capacity Project and terminates the GTAs.

DESFA

In case of a positive EVT, each Participant is bound to the commitments expressed in relation to the successful Offer Level.
DESFA will send to the Participant(s) that have been allocated capacity the GTA, which must be returned to DESFA, signed by the Participant no later than 31 January 2024.

It is intended that the final positive outcome of the EVT leading to the realization of the Incremental Capacity Project is subject to the execution of the GTA(s) by all the Participants(s) with successful binding commitments. DESFA may waive said requirement for execution of the GTA(s) by all the Participants(s) with successful binding commitments, in case the non-execution of one or more of the GTAs does not alter the result of the EVT to negative and upon consultation with RAE.

The signed by both parties (DESFA and the Participant) GTA(s) will each become fully effective upon a set of Conditions Precedent being met to the satisfaction of DESFA, including:

- DESFA's relevant part of the Project, as described in A.2 (DESFA section), has been unconditionally included in DESFA's latest approved TYNDP and DESFA has proceeded with an FID by 31 December 2024 (Long Stop Date).
- The relevant GTAs between the Participant and all TSOs Concerned (TAP and DESFA, in case of Nea Mesimvria IP) have become fully effective by the Long Stop Date.
- Other TSOs Concerned (TAP in case of Nea Mesimvria IP) have decided to proceed with the Incremental Capacity Project, due to the fact that their specific Conditions Precedent, as described in the Project Proposal have been met or waived and have notified DESFA by the Long Stop Date.
- DESFA's updated estimations for the cost of the Project, which will be based on the detailed design that will follow the Capacity Allocation, will not alter the result of a positive EVT.

If the Conditions Precedent are not met or waived by DESFA by 31 December 2024, DESFA may close the Incremental Capacity Project and void the GTAs and return the GTA Bank Guarantee to the Participant.

It is understood that in case of any potential prolongation of the commitment as described above in paragraph E.7 (TAP section, case d iii), and only in case of an initial positive EVT for DESFA, the GTA between the Participant and DESFA will be amended accordingly, if possible.

The Participant shall present to DESFA 5 days before GTA execution the required Bank Guarantee (**GTA Bank Guarantee**), cashable at first request, issued by any Greek financial institute supervised by the ECB (systemic Banks, namely any of Alpha Bank, Eurobank, National Bank of Greece and Piraeus Bank) including their subsidiaries or any Greek branch of an internationally reputable bank with a minimum investment grade credit rating from the following Agencies: BBB at Standard and Poor's, BBB at Fitch or Baa3 at Moody's, or any internationally reputable bank with a minimum investment grade credit rating (as described above), or any subsidiary of an internationally reputable bank with a minimum investment grade credit rating (as described above), or any subsidiary of an internationally reputable bank without a minimum investment grade credit rating (or without any rating at all), provided that the Bank Guarantee is counter-guaranteed by any internationally reputable bank with a minimum investment grade credit rating (as described above); which has been approved in advance by DESFA, at its sole discretion. The GTA Bank Guarantee shall be equal to the maximum annual capacity charge for the capacity allocated to that Participant. Once the GTA Bank Guarantee described here above is presented to DESFA, the Bank Guarantee indicated in Sections E.1 and E.5, will be returned. It is understood that in case of any prolongation of the GTA according to the conditions described above due to paragraph E.7 (TAP section, case d iii), the Bank Guarantees will be required to be amended accordingly by the relevant Participants.

The GTA Bank Guarantee shall have a duration and shall remain valid until the end of the sixth month succeeding the end of the first year of the transportation services provided to that Participant in relation to the capacity allocated to the said Participant within the framework of the incremental capacity process. One (1) month before the E-COD for DESFA at Nea Mesimvria, the Participant shall present to DESFA the guarantee required according to the relevant provisions of the NNGS Standard Transmission Agreement (Government Gazette B 4802/30.10.2020) and Chapter 3A of the Greek NNGS Network Code (Government Gazette B 4269/11.08.2022) for the capacity allocated to that Participant in the context of the Incremental Capacity Process. For the capacity allocated to that Participant in the context of the Incremental Capacity Process the guarantee under the NNGS Transmission Agreement is calculated as per article 21H of the Greek NNGS Network Code. For the avoidance of any doubt, all other Participant's obligations should be fulfilled pursuant to the relevant provisions of the aforementioned NNGS Network Code and the NNGS Transmission Agreement, as applicable from time to time.

The Participant has the right to request the reduction of its GTA Bank Guarantee up to the amount corresponding to the part of the guarantee provided for the capacity booked under the NNGS Transmission Agreement. No later than six (6) months after the end of the first year of the transportation services provided to that Participant, and only if said Participant has duly and timely paid the charges invoiced by DESFA for that year, the GTA Bank Guarantee shall be returned to the Participant.

In the event of a positive EVT, if the successful Participant does not issue the GTA Bank Guarantee or does not execute the GTA it shall pay a penalty to DESFA equal to the value of the Binding Bid Bank Guarantee described in Sections E.1. and E.5 DESFA.

If the GTAs do not become effective, as provided for in this Section, DESFA will allocate the actual costs incurred by DESFA for the Incremental Capacity Process up to that point to each Participant with a GTA, pro rata to the amount of their GTA Bank Guarantees described in Sections E.7 and E.5. The GTA Bank Guarantee will be returned after such actual costs have been settled.

Following the execution of the GTA, the Participant shall be required to pay to DESFA all the applicable transmission charges with start date from the date the capacity is made available and for full duration for which capacity has been allocated to that Participant, in accordance with the terms of the GTA.

E.8 Project progress, lack of permits, delays in making available transportation capacity

SRG, TAP and DESFA will share with the relevant Participants the progress of the Incremental Capacity Project.

By signing a GTA, the Participant shall be deemed to have accepted that, if the authorizations, permissions, easements, and any other relevant land rights necessary for the construction phase of the project are not obtained or delayed, then the execution times for the implementation of the Incremental Capacity Project will be considered correspondingly extended, and TSOs shall have no liability to any Participant in connection with such delays, other than what may be set out in the relevant GTA.

E.9 Force Majeure

Force Majeure conditions of the different TSOs are defined in their respective contractual provisions as indicated below.

TAP

Force Majeure provisions are as set out in the TAP GTA.

SRG

With references to the interventions indicated in the paragraph “A.2 Description of the Incremental Capacity Project – SRG section”, related to the Offer Levels 1a, 1b, 1c, 2 and 3 it is to consider that the Force Majeure includes any event, act, fact or circumstance (including any form of blockage or suspension, even partial, on the construction works) occurring on the methane pipeline network of the TSO not attributable to the third party who invokes it - which is such as to make impossible, in whole or in part, the fulfillment of the obligations set out in the Transportation Contract, including compliance with the realization timeline. In the latter case, Snam Rete Gas will notify the Shipper as soon as possible of the effect of Force Majeure on the realization timeline and on the possibility for Snam Rete Gas to make the capacity available within the indicated Operability Data.

In particular, Snam Rete Gas will indicate the estimated realization timeline exceeding the

Operability Date determined at that moment, which may become necessary due to Force Majeure. It follows that the date on which the capacity will actually be made available will correspond to the Operability Date as last determined increased by the delays, not attributable to Snam Rete Gas but reportable to Force Majeure.

In accordance with the Network Code, the Force Majeure includes the delay or failure, by the TSO, to obtain the necessary permits and/or concessions by the competent authorities as regards the realization of the pipes and the operation of the transport infrastructures, as well as any potential occupations and coercive enslavements requested from the competent authorities and revocation of the aforementioned permits and/or concessions, if this is not determined by malicious behaviour. negligent or omissive by the Transporter; as well as the "acts, denials, or silence not implying consent of the competent authorities that are not determined by the wilful, negligent or omissive behaviour of the Interested Party to which they refer - the parties agree that the suspension, revocation and cancellation of the permits obtained, as well as the deeds relating to fulfilment of the requirements imposed in the context of the environmental impact verification will constitute cause of Force Majeure pursuant to Chapter 19, paragraph 4.2, of the Network Code, provided that the definition of Force Majeure referred to in Chapter 19, paragraph 4.1, of the Network Code is satisfied in the specific case.

For the avoidance of doubt, the above provisions apply also to the realisation of the projects required to reduce the capacity constraints, reflecting the maximum simultaneous capacity transportable at the entry points in competition in the Italian system, as indicated in Paragraph E.4 SRG Section.

DESFA

“Force Majeure” for the DESFA part of the project is defined in art. 104 of the Greek Network Code (Government Gazette B4269/11.08.2022).

E.10 Element IND and RP for fixed price approach (Art. 28 (1) lit. g NC CAM)

TAP

Based on the specific TAP regulatory framework, this section is not applicable to TAP.

SRG

To be consistent with the tariff regulatory framework in place, SRG proposes to apply floating applicable prices derived from its reference price methodology also to the incremental capacity. SRG is therefore not considering the adoption of a fixed price approach and consequently elements IND and RP foreseen by Regulation 2017/460 are not relevant.

DESFA

To be consistent with the tariff regulatory framework in place, DESFA proposes to apply floating applicable payable price derived from its reference price methodology also to incremental capacity. DESFA is therefore not considering the adoption of a fixed price approach and consequently elements IND and RP foreseen by Regulation 2017/460 are not relevant.

G. Economic Test Parameters (Art. 28 (1) lit.d CAM NC)

This chapter describes the TSOs proposal for the level of the user commitments (f-factor) to be considered in the execution of the EVT envisaged in articles 22 and 24 of the Regulation 2017/459 (NC CAM).

TAP

Based on the specific TAP regulatory framework, this section is not applicable to TAP. A short description of TAP's tariff methodology as well as the tariffs that will apply to TAP's Economic Viability Test can be found in Annex I.

SRG and DESFA

The final proposal by the TSOs on the level of f-factor(s) is comprised within this Project Proposal. The f-factors used to perform the economic test will be finally approved by the Italian and Greek Authorities according to article 28 NC CAM.

G.1 Economic test parameter for SRG

G.1.1 Reference Price (Art. 22(1) lit. a (i) NC CAM))

Consistently with the current tariff regulatory framework, SRG considers applying a floating reference price. For the purpose of the economic test this has been estimated equal to:

- 2.123634 €/year/Smc/day equivalent to 0.191170 €/year/kWh/day for Offer level 1a in the first year of expected operation
- 2.108589 €/year/Smc/day equivalent to 0.189816 €/year/kWh/day for Offer level 1b in the first year of expected operation
- 2.075103 €/year/Smc/day equivalent to 0.186801 €/year/kWh/day for Offer level 1c in the first year of expected operation
- 2.060736 €/year/Smc/day equivalent to 0.185508 €/year/kWh/day for Offer level 2 in the first year of expected operation
- 1.997375 €/year/Smc/day equivalent to 0.179804 €/year/kWh/day for Offer level 3 in the first year of expected operation

For the sole economic test purposes, the above reference prices for each Offer level are assumed to be yearly updated in the years of the period to which the capacity booking requests of this incremental capacity allocation process are concerned according to the inflation index considered in the WACC currently applied to SRG.

For the avoidance of doubt, the reference price to be effectively applied will be finally determined according to the provisions of the regulatory framework in place at the time the transmission service will be provided and considering the actual costs incurred by the TSO.

G.1.2 Mandatory minimum premium (Art. 22 (1) lit. a(ii) NC CAM)

No mandatory premium is envisaged.

G.1.3 Present value of estimated increase in allowed revenue (Art. 22 (1) lit. b NC CAM)

Based on the regulatory framework currently in place, the present value of the estimated increase of the allowed revenues associated to the investments for Offer level 3 is estimated to approximately 270 M€[42].
Since to deliver the other Offer levels included in this document the already existing infrastructures on Snam Rete Gas side would be enough and no additional investments are needed, this section is not relevant for these Offer levels.

G.1.4 F-factor (Art. 22 (1) lit.c NC CAM)

Offer Levels 1 and Offer Level 2
For the same reasons as in the previous paragraph, the levels of user commitments (f-factor) for the individual EVT on the Italian side are not relevant.
Offer Level 3
The level of user commitment (f-factor) for the individual EVT on the Italian side is 1.

G.2 Economic test parameter for DESFA

G.2.1 Reference Price (Art. 22(1) lit. a No. i NC CAM)

The tariffs for the allocated capacity shall be governed by the principles and methodology detailed in the Greek Tariff Regulation as in force at any given time. Consistently with the current tariff regulatory framework, DESFA considers applying a floating reference price.

For indicative purposes, the tariff for the current regulatory period for long term bookings at Nea Mesimvria, in the direction from DESFA System towards TAP, according to the applicable tariff regulation, as in force at the time of publication of these guidelines is equal to 5,4442044 €/(kWh/h)/y without taking into account any regulatory adjustment provisioned in the applicable Tariff Regulation.

For the avoidance of doubts, the reference price effectively applied will be finally determined according to the provisions of the regulatory framework in place at the time of the transmission service and considering the actual costs incurred by the TSO.

G.2.2 Mandatory minimum premium (Art. 22 (1) lit. a. No. ii NC CAM)

For the Offer Level in the direction from DESFA System towards TAP no mandatory premium is envisaged.

G.2.3 Present value of estimated increase in allowed revenue (Art. 22 (1) lit. b NC CAM)

Since to deliver the Offer Level included in this document the already projected infrastructures on DESFA side would be enough and no additional investments are needed, this section is not relevant.

G.2.4 F-factor (Art. 22 (1) lit.c NC CAM)

The level of user commitments (f-factor) for the individual EVT on the Greek side of the IP Nea Mesimvria is not relevant.

[42] This value is referred to the actualization of the cash flows related to the incremental capacity project in the first year of expected operation, assuming a discount rate equal to the regulatory WACC currently in place, expressed in nominal terms pre-tax.

H. Additional demand Indication

By the publication date of this document no further demand indications have been received after the deadline of the non-binding phase for incremental transmission capacity.[43]

Any non-binding demand indications received after the launch of the 2023 incremental capacity process on 3 July 2023 have not been taken into consideration for the purposes of this Project Proposal. A Demand Assessment Report covering such non-binding demand indications is expected to be issued after the closing of the Binding Phase governed by this Project Proposal.

H.1 Contact information

Marija Savova

Head of Commercial

Trans Adriatic Pipeline AG

Lindenstrasse 2

6340 Baar, Switzerland

www.tap-ag.com

market.test@tap-ag.com

Alessandro Russello

Manager of Interconnection Agreements

20097 San Donato Milanese, Italy

www.snam.it

ipa@snam.it

Georgios Doumouras

System Access Department

Dimitrios Skouras

Head of Contracts & Customer Operations Department

357-359 Messogion Ave.,

Athens, 15231

Greece

www.desfa.gr

market-test@desfa.gr

[43] TAP has however received a non-binding connection request for entry to TAP at Amfitriti in Greece, for the potential Transportation of natural gas from Alexandroupolis LNG Terminal & Thrace LNG Terminal. This request has been reflected in TAP's Non-Binding Phase Notice for the 2023 Market Test, published on 3 July 2023.

Annex I - TAP Specific Provisions

This Annex is for information purposes only. It provides readers with a further insight on the specific regulatory framework of TAP. For more information, readers are referred to the FJO[44] and the TAP Tariff Code[45].

TAP Regulatory Framework

The exemption from regulated tariffs and ownership unbundling, granted to TAP by the Authorities applies to TAP's Expansion Capacity offered in connection with this document. Incremental capacity in TAP is open to third party access (i.e. the rules as set by the EU NC CAM) to the extent they do not conflict with the FJO (as per Paragraph 4.6 of the FJO) and consequent tailor-made regulatory framework.

An amount of 10% of the actually built Expansion Capacity is set aside and offered as Forward Firm Short-Term Capacity according to Paragraph 4.1.10 of the FJO.

Key concepts of TAP Tariff code

Clause 3.3.1 of the TAP Tariff Code specifies the EVT that TAP will conduct to decide on incremental capacity. The methodology for the EVT is as follows:

I. Cost estimates[46] are evaluated for each Offer Level in the Incremental Capacity Project by taking into account capital, operational expenditures and working capital.

II. The incremental revenue is calculated as the sum of the product of the currently applicable TAP Tariff (prior to the expansion) and the capacity requests submitted in each Binding Phase, for all years during which capacity products are offered.[47]

III. The net present value ("NPV") of cost estimates and incremental revenues (items (a) and (b) above) is evaluated by applying the TAP target IRR as the discount factor.

After passing the EVT, the recalculation of the TAP Target Revenue and the TAP Tariff to be applied from the beginning of the Expansion Recovery Period is done by applying as a boundary condition that TAP Tariffs do not increase from their pre-expansion levels[48]. Thus, an EVT with a zero NPV implies that unit tariffs do not change compared to the situation prior to the Incremental Capacity Process. An EVT with a positive NPV leads to a reduction in TAP Tariffs[49]. In the case of a negative NPV, the TAP Tariff Code calls for TAP to investigate alternative (technical) solution(s) meeting only part of the demand. This requirement of the TAP Tariff Code has been

[44] 2019 Market test › Trans Adriatic Pipeline (TAP) (tap-ag.com)

[45] 2019 Market test › Trans Adriatic Pipeline (TAP) (tap-ag.com), *approved in November 2013 by the Italian, Greek and Albanian National Regulatory Authorities. A subsequent amendment was approved in July 2018.*

[46] Clause 3.3.1(c) of the TAP Tariff Code.

[47] Clause 3.3.1(a) of the TAP Tariff Code.

[48] Clause 3.3.3(b) of the TAP Tariff Code.

[49] Reduction refers to current tariff levels without considering the TAP Target Revenue escalation due to inflation as per Clause 2.1 of the TAP Tariff Code.

implemented in Section E.6 where TSOs consider a lower Offer Level in case of a negative EVT.

If negative NPV values are still calculated, even in cases of alternative solutions as above, then the EVT is considered as failed[50]. This requirement is also implemented in Section E.6.

There are two main differences between the EVT of TAP and the EVT of Article 22 of EU NC CAM.

1. In EU NC CAM incremental revenues are calculated by taking into account a potential auction premium and a potential Mandatory Minimum Premium. Binding commitments typically include an inherent willingness of interested parties to pay ("WTP") for the capacity increase. WTP is expressed through incremental capacity auctions (including the standard ascending clock auctions of Article 17). This is not the case with TAP. Under TAP's the incremental process, Participants submit binding commitments that express a willingness to reserve a certain amount of capacity over a certain period of time. The resulting unit tariffs will be the same for all allocated Participants (and also TAP's current shippers). Allocation in case of congestion takes place through ranking of bids by the ratio of the NPV of the capacity request over the annual capacity requested.[51] This is core to the TAP business model. An auction for TAP is only foreseen for a very specific case of congestion (Allocation of Equal Marginal Bids, Section E.5).
2. EU NC CAM allows for the socialisation of part of the cost of the expansion to the remaining users of a transmission system (this is through the f-factor of Article 22 of EU NC CAM). For TAP the risk of expansion is borne solely by TAP.

TAP Tariff Methodology

This Section highlights only the main elements of tariff regulation. Readers are referred to the TAP Tariff Code for a full description.

The TAP tariff is an amount in EUR/kWh/Gas Day/Gas Year. The breakdown between the Target Revenue allocated to the entry point of Kipoi and the TAP Target Revenue allocated to all exit points is 50/50. The level of the exit tariff depends on the distance of each IP from TAP's entry point at Kipoi.

The TAP Target Revenue has been updated annually from 2016, according to the formula in Clause 2.1 of the TAP Tariff Code, to ensure an escalation of tariffs at the start of each calendar year. The escalation is a function of the Euro area HICP[52] and of the respective inflation indices of Greece, Italy and Albania. Tariffs for incremental capacity are determined in accordance to a model (the "Tariff Calculation Model") developed by TAP, which is based on a discounted cash flow methodology that calculates the TAP Target Revenue. The methodology for recalculating Target Revenue and tariffs upon expansion is specified in Clause 3.3.3 of the TAP Tariff Code.

As a short summary, a key provision is that unit tariffs will never increase as a consequence of an expansion. In case of bookings underpinning an expansion having an end date prior to the expiry of the TAP's exemption, this means that TAP Target Revenue will be reprofiled to ensure that unit tariffs do not increase when FFLT capacity bookings tail off. Further, this means that TAP carries the risk of actual costs increasing beyond what would have given a positive EVT, as such cost increases cannot be reflected in the tariff.

[50] Clause 3.3.1(d) of the TAP Tariff Code.
[51] Clause 3.3.1(c) and (e) of the TAP Tariff Code.
[52] "Harmonised Indices of Consumer Prices" as defined in the Regulation (EU) 2016/792 of the European Parliament and of the Council of 11 May 2016.

Tariffs applicable for the Economic Viability Test of TAP

The tariffs that will be used for the purposes of the Economic Viability Test are the tariffs as published on TAP's website for calendar year 2023 and reproduced in the table below, also including the potential exit points in Albania. The tariffs will be escalated in accordance with TAP's tariff methodology as described above, assuming projected inflation of 2% per annum for future periods applying both to costs and as input to the tariff escalation formula, as indicated in Clause 2.1 of the TAP Tariff Code.

IP	TAP Tariff for Forward Firm Long Term and Annual Products
	EURO / KWh / Day / Year
Entry Kipoi	1.125679
Entry Nea Mesimvria	1.125679
Entry Fier	1.125679
Exit Komotini	0.130602
Exit Nea Mesimvria	0.538217
Exit Kucove	1.058262
Exit Roskovec	1.083230
Exit Fier	1.119278
Exit Melendugno	1.296123

Annex II – Definitions and Abbreviations

This Annex contains key definitions and abbreviations used in this document

a) **Alternative Allocation Mechanism** or **AAM** as *[defined in art 30 EU NC CAM].*

b) **Annual Requests** means the bids for capacity for a period shorter than 3 consecutive years and that may be for individual gas years or other durations.

c) **Applicant** means the interested party that registers to the Binding Phase according to Section E.1.

d) **Authorities, National Regulatory Authorities or NRAs** means the National Energy Regulatory Authorities of Italy ('ARERA'), Greece ('RAE') and Albania ('ERE').

e) **Bank Guarantee** means the on-demand bank guarantees or alternative form of credit support, in a form acceptable to each TSO which are required to be submitted to each TSO in order to participate in each Binding Phase (including to participate in the Equal Marginal Bids process in accordance with Section E.5) and to enter into a GTA, which:

- in respect of a bank guarantee to be submitted to TAP, meet the requirements set out under par. E.1 and/or E7 as the case may be (TAP) and may be either a Bid Guarantee or a Post-Bid Guarantee; and
- in respect of a bank guarantee to be submitted to SRG, meet the requirements set out under par. E.1(SRG) and in par. E.7.(SRG).
- in respect of a bank guarantee to be submitted to DESFA, meet the requirements set out under par.E.1 (DESFA) and in par E.7.(DESFA).

f) **Bid Guarantee** has the meaning given to it in Section E.1.

g) **Bid Guarantee Cap** means, in relation to each Participant, an amount equal to the value of such Participant's Bid Guarantee.

h) **Bid Submission Window** means the period during which Participants may submit a Binding Bid.

i) **Binding Bid** means a bid submitted by a Participant during each Binding Bidding Phase.

j) **Binding Bid Form** – the form to be filled out by the Participant in order to participate in this Binding Bidding Phase of the 2021 Market Test.

k) **Binding Bidding Phase** means each final phase of the Incremental Capacity Process whereby interested parties can submit Binding Bids to TAP, SRG and DESFA in accordance with Section E and during which TAP, SRG and DESFA will perform the Economic Viability Test and will proceed to Capacity Allocation.

l) **Binding Phase(s)** means each general phase of the Incremental Capacity Process which is composed of an Information Phase and a Binding Bidding Phase and could include both the first Binding Phase, and (if applicable) the second Binding Phase.

m) **Binding Phase Registration Form** means the forms attached to the Joint Notice, in each TSO's section, to be used by Applicants for their registration to each Binding Phase by which Participants will declare acceptance of the conditions set by TSOs.

n) **Business Days** shall mean any calendar day, but not a Saturday, Sunday, or a public holiday either in Italy or Switzerland.

o) **Capacity Allocation** means allocated capacity to the successful Participants after the positive outcome of a Binding Bidding Phase and EVT.

p) **Capacity Caps** means the pro-competitive measures for the Italian, Greek and Albanian market as set out in as imposed by Sections 4.7.3, 4.7.6 and 4.7.9 of the FJO.

q) **Condition(s) Precedent** means all of the events or actions that must be completed (or otherwise waived) before each GTA becomes fully effective pursuant to the terms of the relevant GTA(s), as required by each TSO in their respective sub-section of Section E.7.

r) **Connection Request** means a binding and/or non-binding request to TAP from an interested party to build a new entry and/or exit point in Albania or Greece and/or to increase the technical capacity of an already existing entry and/or exit point in Albania, in accordance with Sections 4.7.5, 4.7.7 and 4.7.8 FJO.

s) **Coordinated Design Phase** means the design phase *[defined in Article 27 of EU NC CAM].*

t) **Credit Support Longstop Date** has the meaning given to it in the TAP GTA.

u) **CRF means** commercial reverse flow.

v) **Demand Assessment Report or DAR** means the report published jointly by TAP, SRG and DESFA on 25 October 2021 *[defined in Article 26 of EU NC CAM].*

w) **Economic Viability Test or EVT** means a test applied to assess the economic viability of the Incremental Capacity Project.

x) **Energy Community Treaty** means the treaty establishing the Energy Community signed in October 2005.

y) **Estimated Operation Date** has the meaning given to it in the Transportation Confirmation.

z) **Expansion Capacity** means capacity in the TAP Transportation System made available in addition to Initial Capacity, up to 10 BCMA.

aa) **Expansion Project** means a project to expand TAP's capacity in TAP's existing entry and/or exit points or to establish new entry and/or exit points on the TAP transportation system, in accordance with the FJO, the CAM NC and TAP's Tariff Code and includes a Limited Expansion Project, Partial Expansion Project and/or Full Expansion Project.

bb) **Expansion Recovery Period** means, in respect of any Expansion, the period starting on the day on which the relevant Expansion first becomes commercially operational and ending on the earlier of (a) the day on which the gas transportation agreements regarding the relevant Expansion Capacity expire, and, if such gas transportation agreements expire on different days, on the day of expiry which falls last in time and (b) the day falling 25 years after the first day of such period [*defined in the TAP Tariff Code].*

cc) **Equal Marginal Bids** means the bids that have the same ratio of NPV of incremental revenues from each binding request per unit of annual capacity requested and the available capacity at the Offer Level is not enough to meet capacity requested**.**

dd) **Equal Marginal Bids process** – process for the allocation of marginal capacity as described at Section E.5 of the Project Proposal.

ee) **Equal Marginal Bids Binding Bind Form or EMB Binding Bid Form** means the form which is required to be submitted in accordance with Section E.5 of the Project Proposal.

ff) **Expansion Commercial Operation Date (E-COD)** means the commercial operation date of the incremental capacity realised following a positive EVT.

gg) **Final Joint Opinion or FJO** means the Final Joint Opinion of the Italian, Albanian and Greek energy regulators on TAP AG's Exemption Application, issued on June 6, 2013**.**

hh) **Forward Firm Long-Term Capacity, FF, Forward Firm,** or **FFLT Capacity** means Capacity Products for transportation capacity booked by reference to one or more Interconnection Points for the forward transportation of natural gas, and which the Transporter is not permitted to interrupt except for planned maintenance, capacity restrictions or a force majeure.

ii) **FEED** means front end engineering and design.

jj) **Full Expansion Project** means the expansion project described as "Level 3: TAP Full Expansion Project" under Section A.2.1 above.

kk) **GTA** or **Gas Transportation Agreement** shall, in respect of each TSO, have the meaning given to it in each TSO's Transportation Confirmation.

ll) **GTA Bank Guarantee** has the meaning given to it in Section E.7.

mm) **Guidelines** means the Guidelines for the 2021 Market Test of Trans Adriatic Pipeline, approved by the Authorities in 2021. The Guidelines set out how TAP will perform the Market Test launched in 2021, with a view to offer all interested parties Expansion Capacity up to the Total Capacity of the pipeline as per Paragraph 4.1.7 of the FJO and to accommodate Connection Requests.[53]

nn) **Incremental Capacity Process** means the current process to assess market demand for incremental capacity along TAP route, including the interconnection points of Nea Mesimvria and Melendugno with DESFA and SRG *[established according to EU NC CAM].*

oo) **Incremental Capacity Project** means the project described in this document aiming to increase the amount of technical capacity at the Interconnection Points along TAP route with Adjacent TSOs *[defined in art 3 (9) EU NC CAM].* This concerns the project to increase the amount of technical capacity following the demand assessments performed by TAP, SRG and DESFA.

pp) **Information Phase** has the meaning given to it in Section D.1.

qq) **Initial Capacity** means the 10 bcm/year of initial capacity in the TAP pipeline.

rr) **Interconnection Points (IPs)** means the entry and exit points along TAP route *[referred in art 2 EU NC CAM].*

ss) **Joint Notice** means the notice jointly published by the TSOs Concerned according to Art. 28.3 CAM NC at the start of the Information Phase.

tt) **Linked Bid** means a bid where the participant has indicated that its binding request at a TAP entry point is subject to allocation of an equal amount of capacity and duration at a second IP/exit point *[referred in art 30 (3a) EU NC CAM]*.

uu) **Limited Expansion Project** means the expansion project described as "Level 1: TAP Limited Expansion Project" under Section A.2.1 above, and which may comprise Level 1A, Level 1B or Level 1C (as described in further detail under Section A.2.1 above).

vv) **Marginal Bid** means a bid where capacity cannot be met by TSOs Concerned at one Offer Level. This bid is the immediate lowest NPV/capacity ratio bid following all other bids were requested capacity has been allocated in full**.**

ww) **Mandatory Minimum Premium** means an additional amount added on the Reference Price

[53] For avoidance of doubt, these Guidelines for the 2021 Market Test of Trans Adriatic Pipeline are distinct from the guidelines for TAP's first market test, jointly approved by the Authorities in April 2012, as referenced in the FJO.

applicable to SRG and DESFA to ensure a positive EVT *[according to Article 33 of EU NC TAR].*

xx) **Member State** means a member state of the European Union.

yy) **Offer Level** means the respective level of incremental capacity offered for each of the yearly standard capacity products at an interconnection point for each incremental technical solution.

zz) **Partial Expansion Project** means the expansion project described as "Level 2: TAP Partial Expansion Project" under Section A.2.1 above.

aaa) **Participant** means an Applicant that is considered compliant by TSOs Concerned (in accordance with Section E.1) with the requirements for registration process and to further participate in the next phases of each Binding Phase (Bid Submission Window, Capacity Allocation, signature of GTAs).

bbb) **Permitted Delay** has the meaning given to it in the Transportation Confirmation.

ccc) **Post Bid Guarantee** has the meaning given to it in Section E.7.

ddd) **Reserve Price** shall equal the sum of the Reference Prices set by TAP (TAP Tariff), SRG and DESFA *[referred in EU NC TAR]*.

eee) **Reference Price** means the price for a capacity product for firm capacity of duration of one year at one IP.

fff) **Registered Parties** has the meaning given to it in Section E.1 above.

ggg) **Revised Estimated Operating Date** or **REOD** has the meaning given to it in the Transportation Confirmation.

hhh) **Start Date** has the meaning given to it in the TAP GTA.

iii) **TAP Credit Support Criteria** means the requirements set by TAP as defined in the GTA made available with the Joint Notice (TAP Section).

jjj) **TAP GTA** means a Gas Transportation Agreement to be entered into between a Participant in respect of capacity allocation in the TAP pipeline,

kkk) **TAP Target Revenue** means the annual revenue stream, required to achieve the TAP target IRR by the end of the Recovery Period, as may be recalculated upon an Expansion pursuant to Clause 3.3.3 of the TAP Tariff Code and as further defined in the TAP Tariff Code.

lll) **TAP Tariff** has the meaning given to it in the TAP Tariff Code.

mmm) **TAP Tariff Code** or **Tariff Code** means the tariff code available at https://www.tap-ag.com/shippers/tariff-information

nnn) **Termination Costs** means the actual costs, expenses and losses (including demobilization, subcontractor breakage fees and cancellation fees) incurred or committed by TAP in connection with the Expansion Project.

ooo) **Termination Cost Estimate** or **TCE** has the meaning given to it in Section E.7.

ppp) **Transportation System** means any natural gas pipeline system, including pipes above and below ground and all other related equipment owned, or used and operated, by a TSO in order to provide natural gas transportation services.

qqq) **Transportation Confirmation** shall mean, in respect of each TSO, a transportation confirmation in the form provided with the Joint Notice issued by each TSO.

rrr) **TSOs Concerned** means TAP and SRG for the IPs of Melendugno, TAP and DESFA for the IP of Nea Mesimvria, and TAP only for the other IPs and exit points.

sss) **TSO** means transmission system operator, being TAP, SRG and DESFA (as relevant).