

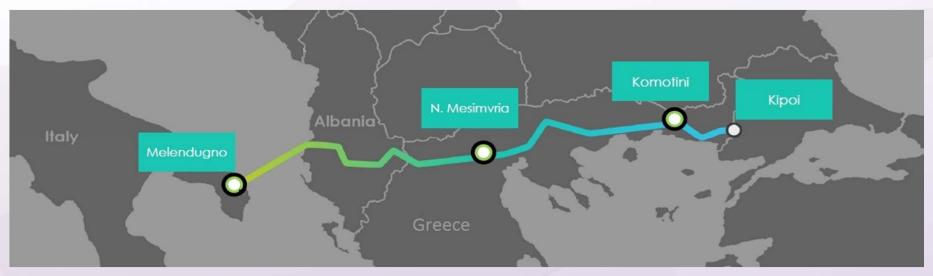
Trans Adriatic Pipeline Current status and future incremental capacity allocation

Regulatory Authority for Energy

Gas Regional Initiatives –SSE 6 & 7 May 2019



Trans Adriatic Pipeline



Forward Capacity

Entry Point: Kipoi (connection with TANAP)

Exit Points: Komotini, N. Mesimvria, Melendugno

1 more Exit Point in Greece: near Kastoria 2 more Exit Points in Albania: Kuçovë & Fier Initial Capacity 10bcm/year Expansion Capacity 10bcm/year

FJO provisions – forward flow

Initial Capacity

exemption from TPA and Regulated Tariffs for 25 years from the COD

subject to:

- Allocation of Initial Capacity to Shah Deniz II gas buyers and release any residual Initial Capacity to market test
- Obligation to perform the Booking phase of the first market test
- Tariff Code Submission for approval by the NRA's
- Obligation to perform subsequent market tests
- Obligation to build expansion capacity, above initial 10 bcm/year
- Possibility to further expand capacity , beyond 20 bcm/year
- Obligation to offer short term products (up to a year) at least 5% of IC and 10% of actual build EC

Expansion Capacity

Allocated to the market through Market Tests (1st and subsequent)

Exemption from Regulated Tariffs for 25 years from the COD

FJO provisions – reverse flow

shall be regulated with the following restrictions:

- Reverse flow capacity products will be offered through auctions in market tests
- Tariff for a reverse flow product cannot be higher than 5% of the tariff for the equivalent forward flow product
- Reserve auction price will be the applicable tariff of that product
- Auction revenues, beyond reserve price will be transferred to a special fund and after NRAs decision shall be redistributed to final customers
- At least 5 bcm/year capacity is provided for physical reverse flows for emergency operations
- Al least 5 bcm/year capacity is provided for reverse flows for commercial operations

Project Milestones



TAP's regulatory regime

In principle there are two market tests that should be run in parallel:

- 1st concerns the expansion of the pipeline, under FJO and Tariff Code
- 2nd concerns the expansion at the IPs or the construction of new IPs connecting TAP pipeline to the national transportation systems, under CAM NC

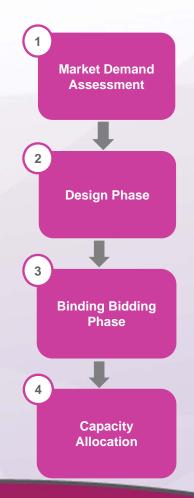
TAP expansion should be designed in a strict coordination with IP expansion

Under FJO, TAP will have to comply with the provisions of EU Regulations as long as they are not in conflict with the provisions of the FJO

Market Test

- According to FJO, "TAP is obliged to perform Market Tests on a regular basis starting no later than COD and subsequently at least every two years. TAP will perform market tests under guidelines approved by the Authorities with the view to offer to all interested parties additional available capacity up to the Total Capacity"
- According to CAM (art. 26), "Immediately after the start of the annual yearly capacity auction TSOs shall cooperate in the processes of assessing market demand for incremental capacity and of conducting technical studies for incremental capacity projects for their joint interconnection points"

Overview of the Market Test



Interested parties may submit non-binding demand indications to TSO requesting expansion of the entry and/or of the exit capacity on the TAP Transportation System, as well the construction of new IPs along TAP. In association with adjacent TSOs TAP shall publish a market demand assessment report, which will include a decision to initiate or not an incremental capacity project.

If the demand assessment report identifies demand for incremental capacity project, TSOs shall conduct technical studies as part of the design and refinement of the Expansion Project. TAP with the relevant adjacent TSOs will consult on the proposed Project. If Technical Feasibility test is negative, the Authorities may request TAP to provide the opinion of a 3rd party.

Interested Parties that participated in phase 1 of the Market Test may submit Binding Bids for Expansion Capacity on the TAP Transportation System.

TAP verifies satisfaction of the Economic Viability Test as set out in the TAP Tariff Code and allocates capacity to the successful bidders.

Way Forward

Market Test Guidelines

Finalization of the document after discussion with NRAs and TAP Pending issues: Standard or Alternative mechanism, Market Test Timeline Submission for approval from the NRAs by the end of May 2019

Network Code

Already submitted for approval from the NRAs 21/12/2018

Pending issues: Commercial Reverse Product, LTUOLI, Bundled products