

BALTIC PIPE

METHODOLOGY FOR INTEGRATING BALTIC PIPE IN THE DANISH MARKET MODEL

Consultation document

Consultation from 21 December 2020 to 31 January 2021

New vocabulary in this methodology

EP II branch pipeline: Is in this methodology the name of the North Sea offshore pipeline that is part of the Baltic Pipe project. EP II stands for Europipe II.

Entry North Sea: Is the name or the point that connects the EP II branch pipeline to Europipe II.

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1. The submission obligation

Energinet must as transmission system operator submit for regulatory approval the methods that are used to calculate or establish terms or conditions for access to the transmission system, cf. section 40 (1) of the Danish Act on Natural Gas Supply.

The method is for integrating the offshore part of Baltic Pipe called EP II branch pipeline in the current Danish market model, and the choice of method is not specified in applicable law, including the Danish Act on Natural Gas Supply. Thus, the method requires Submission of Methodology for Approval (hereinafter the "Submission") to the Danish Utility Regulator (DUR).

2. The background for the Submission

The overall purpose of the Baltic Pipe Project is the transit of natural gas from Norway to Poland, Denmark, Sweden, the Baltic states and Central and Eastern European region. The project comprises different infrastructure sections among which is the North Sea offshore pipeline from the Norwegian Gassled transmission system to the Danish onshore transmission system. This section is an integral part of the Baltic Pipe transit route but is subject to an upstream regulation that is separate from the onshore parts with the transmission regulation as illustrated in Figure 1.



Figure 1: Illustration of one pipeline with two set of regulations

The present methodology paper describes a joint Danish market model that allows Shippers a seamless, transparent, and non-discriminatory access to the upstream offshore section of Baltic Pipe together with the downstream transmission system. This is fully in line with ACERs Gas Target Model¹, that is highlighting the importance of or creating coherent and larger - rather than fragmented - markets and systems.

Energinet Gas TSO and the Baltic Pipe project have had this ambition to create a joint Danish market model from the very beginning. It was presented already for the Open Season in 2016, as seen in Figure 2. Energinet has presented this joint Danish market zone to its owners, authorities, market participants, neighbouring TSOs and other stakeholders.

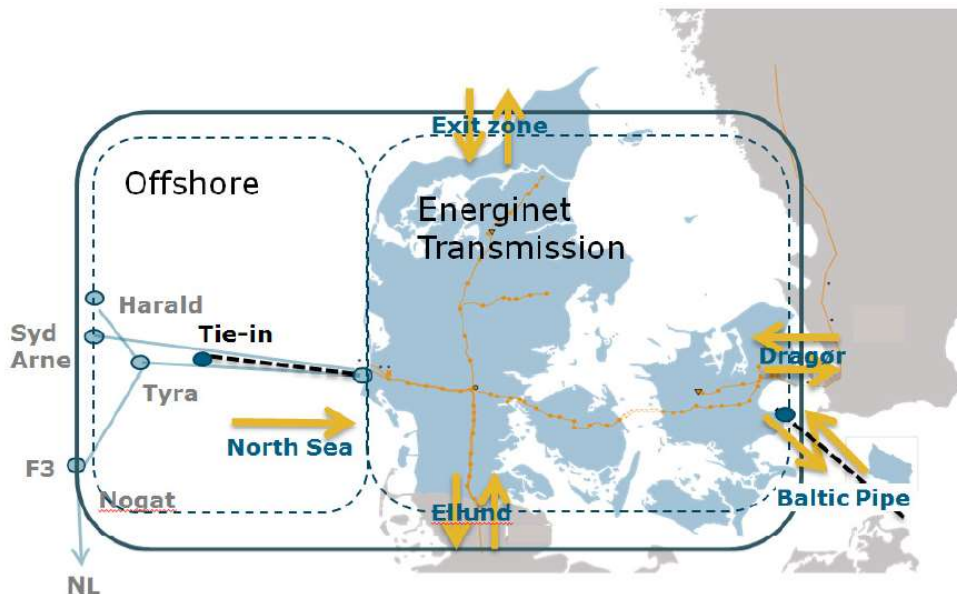


Figure 2: Presentation of plans for market design as presented in the material from Open Season 2017

¹ <http://www.acer.europa.eu/en/gas/gas-target-model/Pages/Main.aspx>
<http://www.acer.europa.eu/Events/Presentation-of-ACER-Gas-Target-Model-/Documents/European%20Gas%20Target%20Model%20Review%20and%20Update.pdf>

The idea is to include the upstream point of the Baltic Pipe with Energinet transmission system other points to create a joint Danish market model. The purpose with the joint Danish market model is:

- **Simple market access for shippers:** Shippers will only operate in one joint Danish market model (Entry/Exit system) and in one balancing area regardless of regulatory regime. Shippers capacity booking process at the new points will be comparable and familiar to other Energinet Gas TSO capacity booking processes. The aim of Energinet is to ensure that different regulation of the pipeline infrastructure and other differences shall not be experienced as a barrier or increase the complexity for the shipper.
- **Efficient operation of the pipeline systems by harvesting synergies:** It is important that synergies are ensured even if there are different regulations and other differences of the pipeline infrastructure. The entire Danish part of Baltic Pipe including EP II branch pipeline will be integrated into Energinet Gas TSO when it comes into operation. This ensures that there will be no double functions.
- **A competitive rout from Norway to Poland**

The figure below illustrates how the joint Danish market model is intended to be organised in terms of what will be joint with the transmission system and what will be separate for the upstream part.

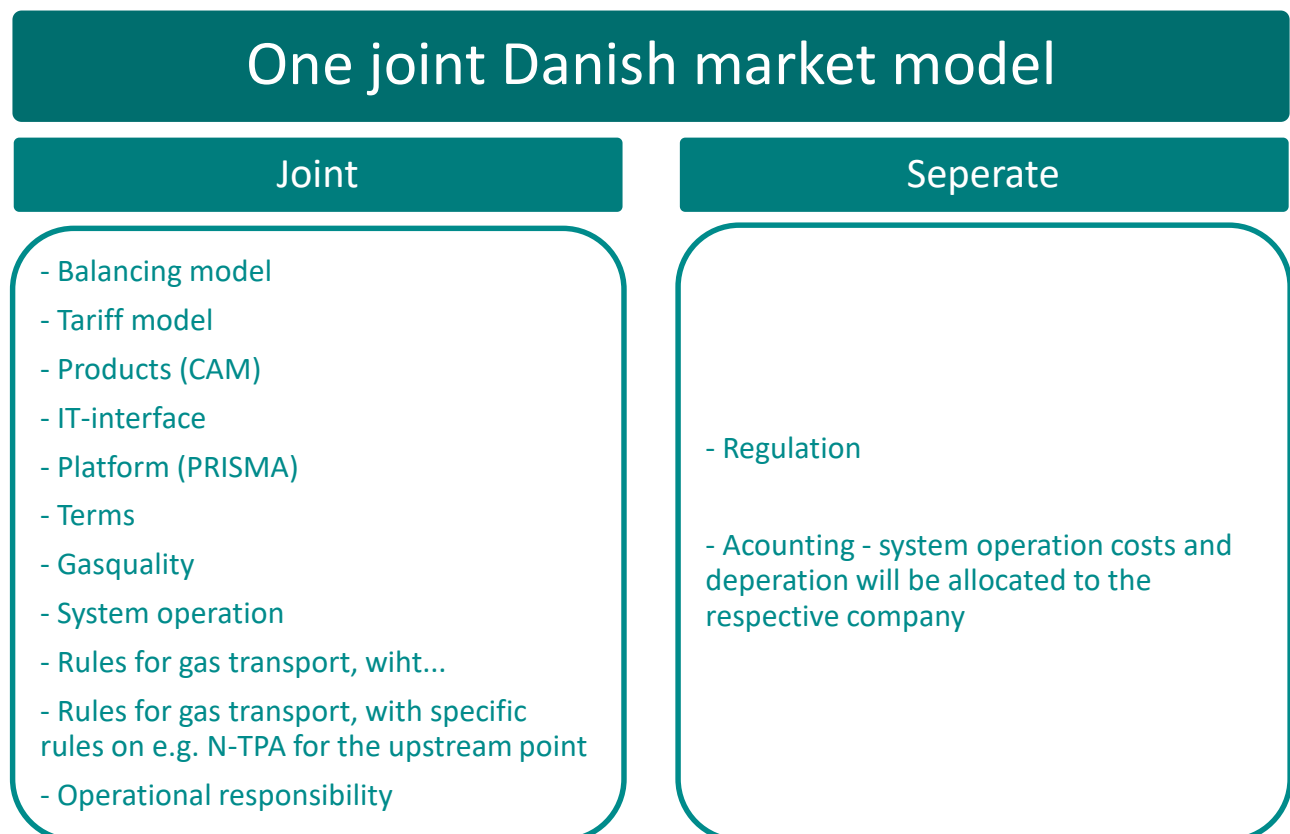


Figure 3: One joint² Danish market model with some joint topics³ while others are separate⁴

² In this methodology have two words been replaced compared to what was in the original material: Joint is used instead of common and model is used instead of zone.

³ The two topic Rules for gas transport and Operational responsibility have been moved from the "Separate" to the "Joint" box.

⁴ Source: "Tariff Principles and market design" November 2016, and is part of the 2017 Open Season information material, under Phase 2: <https://en.energinet.dk/Gas/Shippers/Baltic-Pipe-Market>

Baltic Pipe is planned to become operational in October 2022. The remaining available capacity, the capacity not sold in Open Season, is planned to be offered to the market, following this methodology as described in section 3.1. It is the ambition to offer the capacity to the market in July 2021, but at the latest in the summer of 2022.

Energinet is not aware of similar examples in Europe where we can benefit from other TSOs' experience, in including an offshore pipeline with upstream regulation in the national transmission system.

2.1 Introduction to the methodology

The present methodology on Market Model explains how the EP II branch pipeline part of the Baltic Pipe project will be integrated in the current Danish Market Model. For clarification, other methodologies also address the Baltic Pipe project:

- **Tariff methodology.** The use of a uniform capacity tariff model is described in section 3.4. Specific tariff topics such as a) a long-term multiplier, which is a possible rebate on long-term capacity bookings of e.g. 5%-10%; b) potential changes to the capacity-/commodity-split, which today is 70%/30% and c) Gas-year vs. Calendar-year are not included in this methodology but will follow in a separate methodology paper on tariffs.
- **Balancing methodology.** How the EP II branch pipeline will be part of the balancing model is described in section 3.2. The Baltic Pipe project could contribute with volumes in the order of 10 BCM a year. It is therefore likely that the current balancing model will need some adjustment to support the flows from the Baltic Pipe project. Such potential adjustments are not included in this methodology but will follow in a separate methodology paper on balancing.

2.2 The Baltic Pipe project

The Baltic Pipe project consists of 5 major sections, as shown in Figure 4:

1. The North Sea offshore pipeline (EP II branch pipeline)
2. Onshore Denmark
3. Compressor station in Denmark
4. The Baltic Sea offshore pipeline
5. Onshore Poland.

Energinet is responsible for the development of the first three components, and GAZ-SYSTEM is responsible for the offshore pipeline between Denmark and Poland and the expansion of the Polish gas transmission system.

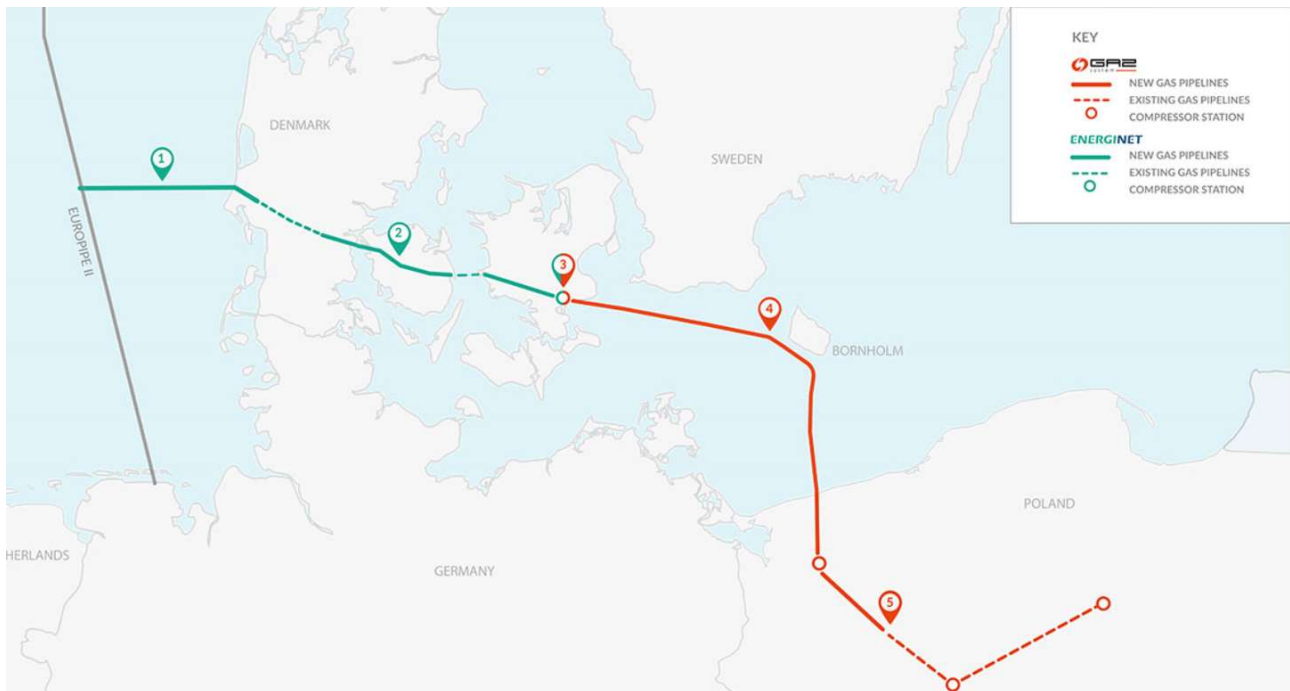


Figure 4: Baltic Pipe Project consists of 5 major components

2.3 The Danish part of Baltic Pipe

The North Sea offshore pipeline

The tie-in to the Norwegian supply source will be established by means of an offshore pipeline connected to the existing North-South infrastructure in the North Sea – Europipe II – which currently connects upstream Norwegian gas production fields with the German/Dutch downstream gas transmissions infrastructure. The offshore pipeline landfall on the west coast of Denmark is planned on the beach near Blåbjerg.

Danish onshore pipeline and compressor station

The Baltic Pipe project will provide substantial additional gas flows through the Danish transmission system. In order to accommodate these volumes, and to enable the transport of gas from the Danish West coast to the South-East part of Zealand, a number of expansions of the existing Danish onshore infrastructure are required.

The existing pipelines between Nybro and Egtved and under the Great Belt are large enough to handle the increased volume of gas, but elsewhere the onshore infrastructure needs to be expanded. A total of approx. 200 km of new onshore gas pipelines in Denmark and under the Little Belt are planned.

The planned expansions in Denmark are:

- Construction of a new pipeline from the beach near Blåbjerg to Nybro,
- Construction of a receiving plant at Nybro,
- Construction of a new pipeline from Egtved to the Little Belt,
- Construction of a new pipeline across the Little Belt,
- Construction of a new pipeline over Fyn from the Little Belt to Nyborg,
- Construction of a new pipeline on Zealand from Kongsmark to the Baltic Sea offshore landfall at the south-easter part of Zealand.

- Construction of a new compressor station which can increase the pressure of the gas, so that the gas can be transported to Poland through the offshore pipeline in the Baltic Sea. The compressor station is co-financed by GAZ-SYSTEM.

2.4 Energinet organisation of the Danish parts of the Baltic Pipe project

The regulation is different for transmission and upstream pipelines. An integrated market model, which will include both types of assets will have to comply with both types of regulations. The ownership of the Danish part of the Baltic Pipe project is all within Energinet Gas TSO. This has led Energinet to organise the Baltic Pipe project as described in this section.

2.4.1 Segment Accounts

The shipper will enter into a capacity contract with Energinet Gas TSO as today. However, it has been decided to divide the infrastructure in two separate segment accounts and this will result in two different segment reports as illustrated in Figure 5:

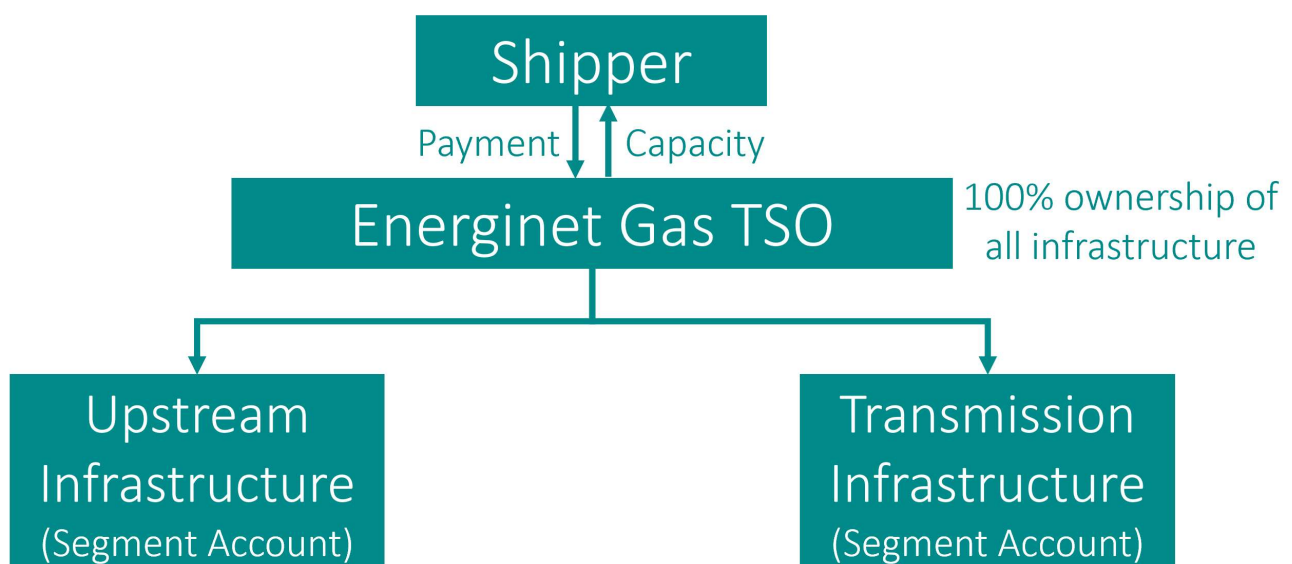


Figure 5: Energinet will use separate segment accounts

1. **Upstream infrastructure segment account:** Includes the following infrastructure:
 - EP II branch pipeline, the new North Sea offshore pipeline, which start from the tie-in to the Norwegian supply source Europipe II with landfall on the west coast of Denmark, on the beach near Blåbjerg.
 - A new pipeline from the beach near Blåbjerg to Nybro,
 - A new receiving plant at Nybro
2. **Transmission infrastructure segment account:** Includes the Energinet Gas TSO general infrastructure including the remainder of the Danish part of the Baltic Pipe project, this is the new onshore pipelines from Egtved to the Little Belt, across the Little Belt, over Fyn from the Little Belt to Nyborg, on Zealand from Kongsmark to the Baltic Sea offshore landfall at the southeaster part of Zealand and the new compressor station on Zealand.

2.4.2 Contractual setup - Administrative Basis

The following section briefly explains the setup in Energinet Gas TSO between the two segment accounts.

Within Energinet electricity TSO, the parties use the concept of a “rådighedsaftale” or in English an Availability Agreement. Here Elsystemansvar A/S as the operator has made an Availability Agreement on capacity with Eltransmission A/S, as the owner of the power transmission assets. This proven setup with an Availability Agreement will also be used within Energinet Gas TSO. However, as this is within the same company it will rather be called the Administrative Basis. With this Energinet Gas TSO has the needed basis to put forward this methodology. The Administrative Basis is illustrated in Figure 6 and further explained in the text below.

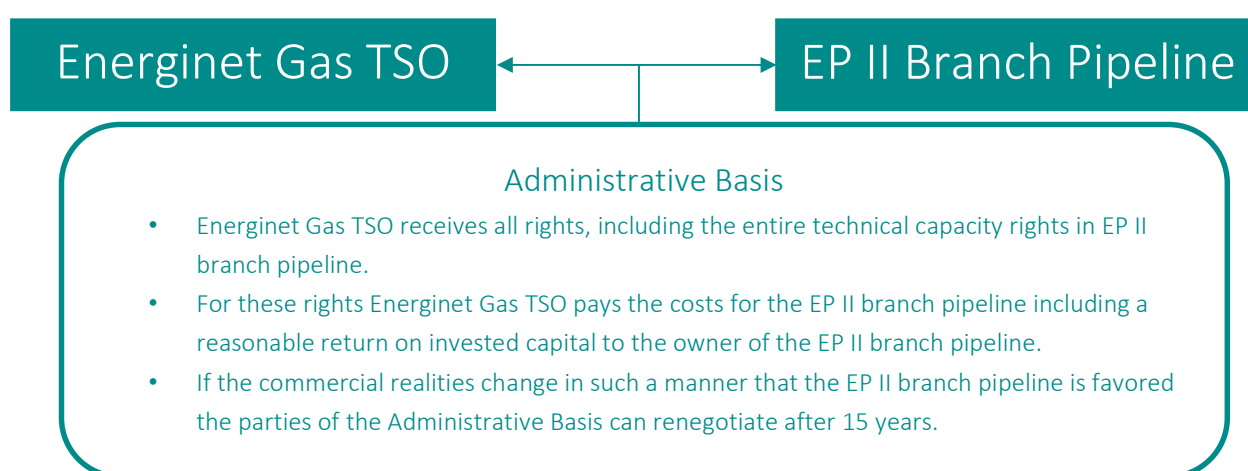


Figure 6: Illustration of the Administrative Basis

The main content of this agreement includes:

1. **The Gas TSO has all rights**, including the entire technical capacity rights in EP II branch pipeline. To ensure that the same capacity is only sold once it is only Energinet Gas TSO that has the right to offer and sell this capacity. The Administrative Basis ensures that the Gas TSO has the right to offer and commit to all capacities, including long term capacity contracts, on a yearly and ongoing basis.
2. **The Administrative Basis is for 30 years** starting in 2022 and continues until 30 September 2052. Energinet has sold 15 years contracts in Open Season. The first long term contracts are from 1 October 2022 to 30 September 2037.

However, if the commercial realities change in such a manner that the EP II branch pipeline is favoured compared to the onshore part the pipeline infrastructure the parties of the Administrative Basis can renegotiate after 15 years, which is the length of the Open Season contracts. No matter what the outcome of such renegotiations is, will all capacity contracts with shippers be valid, which the Gas TSO has entered into.

This means that if Energinet Gas TSO enters into a 15 years contract with a shipper in 2037 it will last until 2052. This approach where Energinet Gas TSO can commit to long term contracts ensures that the shippers get the service that they expect, and the risk of the Baltic Pipe project is reduced. Figure 7 therefore illustrates the length of the contracts that Energinet Gas TSO has the right to offer, even if the Administrative Basis should be terminated after 15 years.

Energinet Gas TSO is however not obliged to offer this long-term capacity. The length of the offered capacity will depend on the market situation and the legal framework at the time. It should be noted, that if Energinet offers long-term capacity, there is not necessarily shippers willing to commit to long-term contracts.

Activity	Year	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52			
Open Season Contracts	Contract commitment	▲																																						
Contract duration																																								
Future contracts																																								
Yearly contracts 2023																																								
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Yearly contracts 2037																																								

01/10/2022 - 30/09/2037

Figure 7: Commitment period of Capacity contracts in the Entry North Sea Point

3. **Payment:** The Gas TSO has acquired all rights in EP II branch pipeline and will pay an agreed amount every year. The agreed amount covers all the cost of investing in and operating the EP II branch pipeline, including a reasonable return on invested capital. The EP II branch pipeline will also pay the Gas TSO for the services it supplies. This setup is illustrated in Figure 8. These costs are part of the cost base behind the uniform tariffs in the Danish gas transmission system.

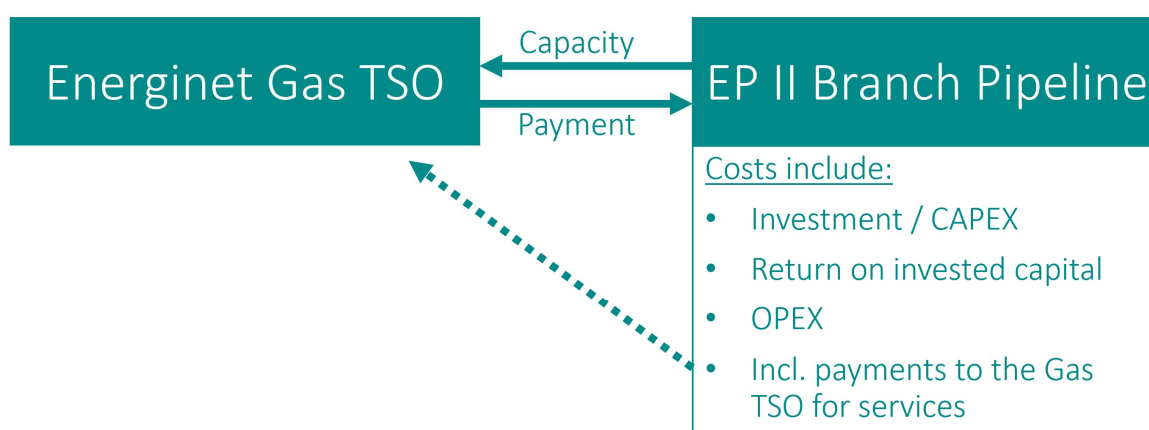


Figure 8: Payments between Energinet Gas TSO and EP II Branch Pipeline

4. Commercial operation: The Gas TSO is responsible for the commercial operation and operates the pipeline on behalf of the EP II branch pipeline, who will pay the costs of this service.
5. Technical operation: Energinet is responsible for the technical operation and maintenance on behalf of the EP II branch pipeline.

The aim of the Administrative Basis is to ensure that stable, reliable and transparent transmission services can be offered, for the entire pipeline infrastructure, including EP II branch pipeline. All contract, including capacity contracts, are made with the Gas TSO and not the EP II branch pipeline. This Administrative Basis also ensures a safe and stable framework for the shippers and the market also in the case the authorities were to decide to transfer the EP II branch pipeline out of Energinet Gas TSO at a later stage.

The Administrative Basis provides the contractual foundation for Energinet Gas TSO to put forward this methodology for integrating EP II branch pipeline in the current Danish Market Model.

The Danish Utility Regulator (DUR) will monitor the segment accounts and the cost parameters as part of the overall economic regulation of Energinet according to "Lov om Energinet" and "Gasforsyningsloven".

3. Submission of method

This submission of methods includes the market model, the balancing model, the rules, and the tariffs as defined in this chapter 3. It has been the ambition to ensure that all changes are a benefit to the shippers, as illustrated in Figure 9.

Shipper benefit

- One market model
- One balancing market
- One set of rules (RfG)
- One tariff system

Figure 9: Shipper benefits

3.1 Market model

The map below shows the transmission system of Denmark and its neighbouring transmission systems. The two current physical points in the Danish Market Model, Nybro and Ellund are highlighted together with the two new physical points of the Baltic Pipe project.



Figure 10: Map of the current physical points in the market model and the two new points of the Baltic Pipe project

The new points of the Baltic Pipe project are called:

- Entry North Sea
- Faxe

When these two new points are included in the Danish Market Model it can be illustrated as shown in Figure 11.

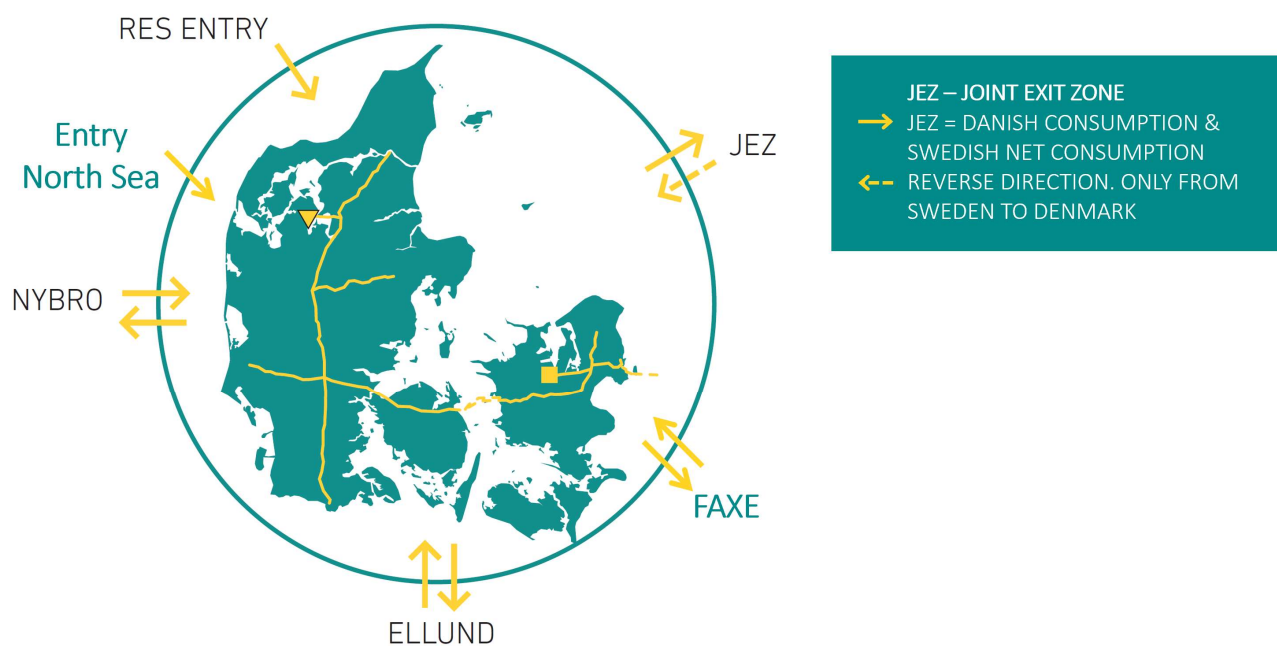


Figure 11: Illustration of the current points in the market model and the two new points Entry North Sea and Faxe

The Danish Market Model is an entry-exit capacity model. Shippers can commercially move gas into Denmark via any entry point and out via any exit point. This creates flexibility for shippers.

Shippers that have bought capacity in one entry or exit point cannot afterwards transfer this capacity to another entry or exit point. In this way it is e.g. not possible for shippers to move capacity from the Entry North Sea to Nybro.

The new Entry North Sea point is an upstream point and the new Faxe is an interconnection point. The two new points therefore have different regulations. The Faxe IP will follow the general rules that are laid down for interconnection points in Rules for Gastransport. These are the same rules that also apply for the Ellund interconnection point.

This methodology paper has focus on the EP II branch pipeline and the Entry North Sea point.

3.1.1 Introduction of the new Entry North Sea point

The new Entry North Sea point is an upstream point in the North Sea and is regulated by “Opstrømsbekendtgørelsen” and not the EU CAM Network Code. The main implication of this is that this point shall offer negotiated TPA (Third Party Access).

3.1.1.1 Allocation methodology

The technical capacity at the Entry North Sea point is set to 13 400 MWh/hour, see figure Figure 12. This responds to around 10 BCM a year. Demand for this capacity can exceed availability. The most efficient process to handle such situations is to use auctions, which ensure that the capacity goes to the shipper that values the scarce resource the most.

		Southbound capacities (From Norway to Denmark)	Northbound capacities (From Denmark to Norway)
Technical capacity (Expected) ⁵	+	13 400 MWh/hour	Physical flow not possible
Sold on open season ⁶	-	10 600 MWh/hour	Not offered
Available capacity (Expected)	=	2 800 MWh/hour	No firm capacity offered

Figure 12: Expected firm capacities at Entry North Sea point from 1 October 2022

Energinet Gas TSO will offer negotiated TPA in the EP II branch pipeline as requested by the upstream regulation. This means that all shippers are welcome to contact Energinet Gas TSO, especially if they require special considerations, which do not fit into the standardised products. The purpose and expected use of Baltic Pipe is however the transit of natural gas from Norway to member states in the European Union. Therefore, to ensure a well-know, transparent and non-discriminatory process and products Energinet Gas TSO will also offer the available capacity in the Entry North Sea point as standard capacity products that will be offered via Auctions.

Negotiated TPA is only offered in the EP II branch pipeline. Negotiated TPA is not offered in the transmission system. Therefore, if a Shipper has negotiated TPA in the EP II branch pipeline, and he wants to transport the gas into the Danish market, then the Shipper also needs to book capacity at Nybro and pay the full uniform Nybro entry tariff.

Energinet Gas TSO will in the future publish a transportations cost for the EP II branch pipeline, to be used in the negotiated TPA. Such a transportations cost has not been published and several uncertainties still need to be clarified. However, preliminary indications of the expected cost reflective transportations cost level are in the range of 2.5 DKK øre / m³. It is important to state the actual tariff can deviate from this level. As explained, if a Shipper, who has negotiated TPA into the EP II branch pipeline, needs to transport gas into the Danish market, then he also needs to pay the full tariff for the Nybro entry point.

As the Entry North Sea point is not regulated by EU CAM Network Code it is not required to conform to the ENTSOG auction calendar. However, Energinet Gas TSO expects Entry North Sea point to mirror the ENTSOG auction calendar.

The capacity in Nybro is limited by its technical installations. The gasflow from EP II branch pipeline will go through the same technical installations as the gas supplied to Nybro from the Danish part of the North Sea today. When reducing the capacity in Nybro, with the gasflow from EP II branch pipeline, the remaining capacity will be higher than the foreseen future gas production from the Danish part of the North Sea. EP II branch pipeline is therefore not foreseen to create congestion in Nybro.

⁵ <https://en.energinet.dk/Gas/Shippers/Incremental-capacity>, document "User involvement in network planning", p. 4

⁶ Baltic Pipe news: 01/02/2018 Signing of capacity agreements completes the 2017 Open Season Procedure

3.1.1.2 Capacity products

As previously stated, the Entry North Sea point is not regulated by EU CAM Network Code and does therefore not need to follow the CAM capacity product mix. Energinet Gas TSO is currently considers offering the available firm capacities through the following standardised capacity products:

- 90% of the available capacity might be offered on long term contracts via yearly auctions, for the upcoming 15 years. The majority of the long-term capacity has already been sold in the Open Season process. However, 1.460 MWh/h is available for the long-term capacity auctions. Capacities not sold at the auctions will be offered at the subsequent quarterly, monthly, daily and with-in day auctions.
- 10 % of the available capacity might be reserved for the annual quarterly capacity auction, which is 1.340 MWh/h. Any capacities not sold at the auctions will be offered at the subsequent auctions down to with-in day auctions.

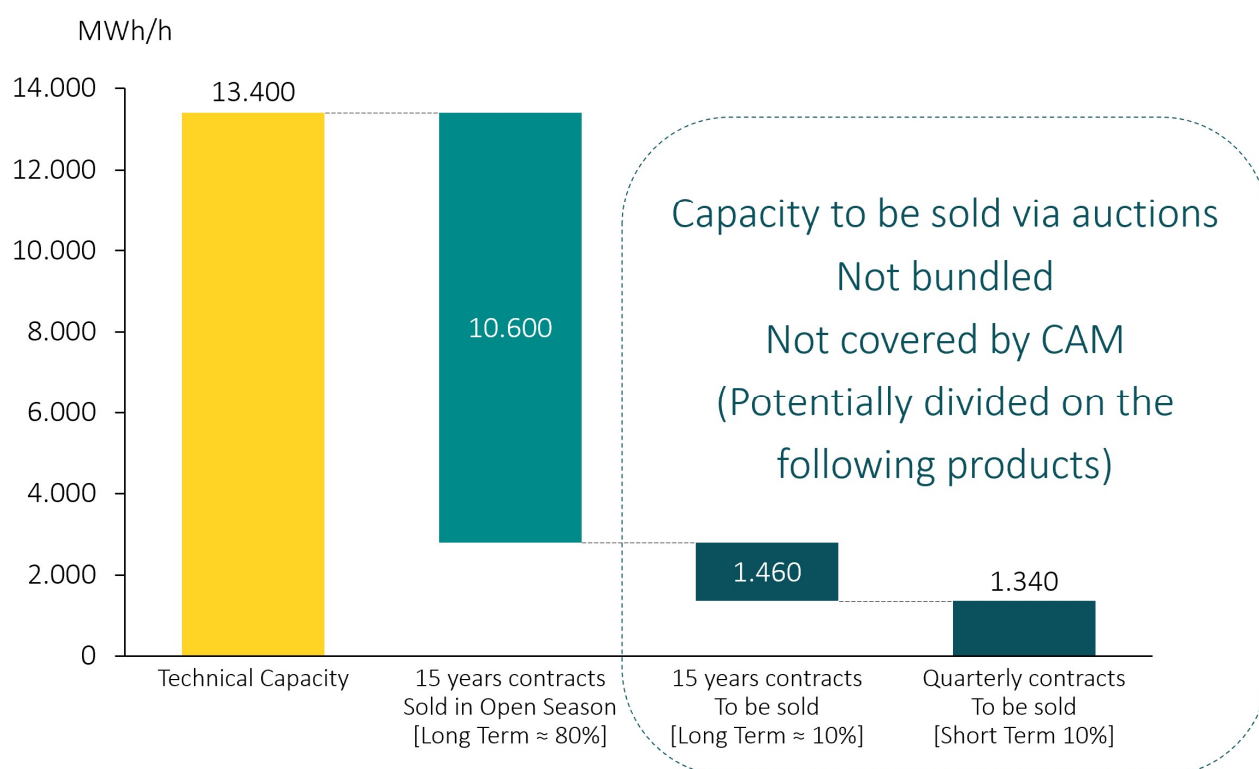


Figure 13: Proposed capacity offering for the Entry North Sea point, planned for 1 October 2022

3.1.1.3 Bundled capacities and capacity booking platform

Capacities at the Entry North Sea point will not be bundled with the capacity in Europe II.

Energinet will offer the Entry North Sea point capacity via PRISMA, the European capacity booking platform. Energinet currently uses PRISMA for the Ellund IP. The PRISMA platform is the natural choice as it is well known to the European shippers as it offers capacity for over 40 infrastructure operators (including Energinet), at over 1.700 point, in 19 markets and has over 660 shippers.

3.1.1.4 Capacity limitations

The Baltic Pipe projects will enable the transportation of around 10 BCM a year of gas from Norway to Denmark, Sweden, Poland and beyond. This comes in addition to the current gas volumes in the Danish transmission system. As explained in section 2.3, some of the existing pipelines are large enough to handle the increased volume of gas, but elsewhere the onshore infrastructure needs to be expanded.

Congestion is not expected in the new system. However, if the total demand for capacity will increase above what is expected then this can lead to a congestion of the transmission system. If this will be the case, then Energinet will use the existing known tools such as incremental capacity process and commercial market instruments in order to handle the congestion.

3.2 Balancing

The EP II branch pipeline will enter into the Danish/Swedish balancing zone JBZ (Joint Balancing Zone). It will hereby also be governed by the at any time valid version of "Rules for Gastransport". As mentioned in section 2.1, a separate methodology on balancing is expected to be presented in order to support the flows that are expected from the Baltic Pipe project.

3.3 Rules for Gastransport (RfG)

The current rules for the Danish transmission system are laid down in the Rules for Gastransport. Rules for Gastransport is a set of rules which together with the Framework Agreements and other relevant appendices govern the Shippers cooperation with Energinet regarding transport of Natural Gas through the Transmission System. The Rules for Gastransport sets out the rules for e.g.:

- Registration of Players
- Capacity Agreements in the transmission System
- Nomination
- Allocations
- Delivery and redelivery conditions
- Balancing
- Repair and maintenance
- Quality and delivery specifications
- Metering
- Technical Facilities
- Reduced capacity
- Force Majeure
- Security supply
- Charges and fees
- Invoicing and payments
- Credit approval

The EP II branch pipeline and the Entry North Sea point will be governed by the same rules and agreements. This ensures that the Shippers already know and understand the principles and rules that will govern the EP II branch pipeline. The Rules for Gastransport are regularly adapted, usually once or twice a year. The EP II branch pipeline will follow the at any time valid version of Rules for Gastransport. Specific rules that only are valid for EP II branch pipeline and the Entry North Sea point, e.g. negotiated TPA as described in section 3.1.1 will be written into Rules for Gastransport.

3.4 Tariffs

The tariff methodology is regulated by the Danish Utility Regulator (DUR) according to the principles of TAR NC. The present method application is not part of the tariff methodology and both methodologies could be modified independently from each other. Energinet will apply the at any given time approved tariff methodology to the capacity products. According to the current tariff methodology, it is a uniform capacity tariff, i.e. the same tariff in all points, including the Entry North Sea point.

DUR has in the document “Godkendelse af ny tarifmetode for det danske transmissionssystem (NC TAR)” dated 31 May 2019 approved a uniform capacity tariff model where the costs of EP II branch pipeline (the North Sea offshore pipeline of Baltic Pipe) are included in the transmission tariff. The decision can be seen in full length her:

- <https://forsyningstilsynet.dk/media/5671/afgoerelse-del-1.pdf> (Page 1-64)
- <https://forsyningstilsynet.dk/media/5672/afgoerelse-del-2.pdf>, (page 65-124)

In its approval of the uniform tariff methodology, DUR has recognised that the costs from EP II branch pipeline are part of the cost base for calculating the uniform capacity tariff for the Danish gas transmission system. See pages 29 and 96-97 in the approval.

The cost allocation principle behind the tariff setting is that the costs for the EP II branch pipeline including a reasonable return on invested capital will be paid by the Gas TSO to the owner of the EP II branch pipeline. These costs will be part of the cost base for calculating the tariffs for the Danish gas transmission system. The specific terms are defined in the Administrative Basis, which is explained in section 2.4.2.

As mentioned in section 2.1, a separate methodology on tariffs is expected to be presented in order to support some specific topics, including topics related to the Baltic Pipe project.

4. Consequences of the method

4.1 Three methods of allocating capacities

As explained in section 3.1.1.1 Allocation methodology, Auctions will also be used to offer capacity in EP II branch pipeline, due to the limited technical capacity, where capacity demand can prove to be above capacity offered.

Nybro can continue to be allocated via FCFS (First Come First Serve). The reason for this is that the capacity available at Nybro is expected to be higher than the demand for capacity. The capacity is mainly expected to be from the two offshore gas production fields Tyra and Syd Arne. The capacity available is above what has been produced in recent years and what currently is expected to be produced in the future.

The figure below illustrates that the different points follow different regulations and have different capacity allocation mechanism. The two interconnections points Ellund and Faxe are having the same allocation mechanism and are following the ENTSOG auction calendar.

	Regulation of point	Bundling status	Capacity offering
Upstream points			
- Entry North Sea	Upstream regulation	No - Not bundled	Negotiated TPA and auction
Interconnection points			
- Ellund	EU CAM	Yes - Is bundled with neighbouring TSO	ENTSOG auction calendar
- Faxe	EU CAM	Yes - To be bundled with neighbouring TSO	
Internal points			
- Nybro	Internal point	No - Not bundled	FCFS
- RES Entry	Internal point	No - Entry point for renewable production	Defined in RfG
- JEZ	Internal point	No - Exit point for consumption	Defined in RfG

Figure 14: Overview over capacity allocation methods

4.1.1 Introduction of new Faxe IP

Faxe is a new IP in the Danish Market Model as it connects the Danish part of Baltic Pipe to the Polish transmission system. This means that Faxe needs to follow the EU Commission Regulation of 16 March 2017 (2017/459) on establishing a network code on capacity allocation mechanisms (CAM NC) in gas transmission systems that applies to interconnection points (IP). Faxe will follow the CAM NC, in the same way as the Ellund IP at the border between Denmark and Germany.

4.1.1.1 Allocation methodology

The firm capacity will be offered as standard capacity products via Auctions. The capacity auctions will follow the ENTSOG auction calendar.

		Southbound capacities (From Denmark to Poland)	Northbound capacities (From Poland to Denmark)
Technical capacity (Expected) ⁷	+	13 400 MWh/hour	3 853 MWh/hour
Sold on open season ⁸	-	10 600 MWh/hour	0 MWh/hour
Available capacity (Expected)	=	2 800 MWh/hour	3 853 MWh/hour

Figure 15: Expected firm capacities at Faxø IP from 1 October 2022

4.1.1.2 Capacity products – southbound direction

Energinet will offer the available capacity according to the CAM NC requirements. The firm capacities will be offered in the following way:

- 90% of the available capacity will be offered on long term contracts via yearly auctions, for the upcoming 15 years. The majority of the long-term capacity has already been sold in the Open Season process. However, 1.460 MWh/h is available for the long-term capacity auctions. Capacities not sold at the auctions will be offered at the subsequent quarterly, monthly, daily and with-in day auctions.
- 10 % of the available capacity will be saved for the annual quarterly capacity auction, which is 1.340 MWh/h. Any capacities not sold at the auctions will be offered at the subsequent auctions down to with-in day auctions.

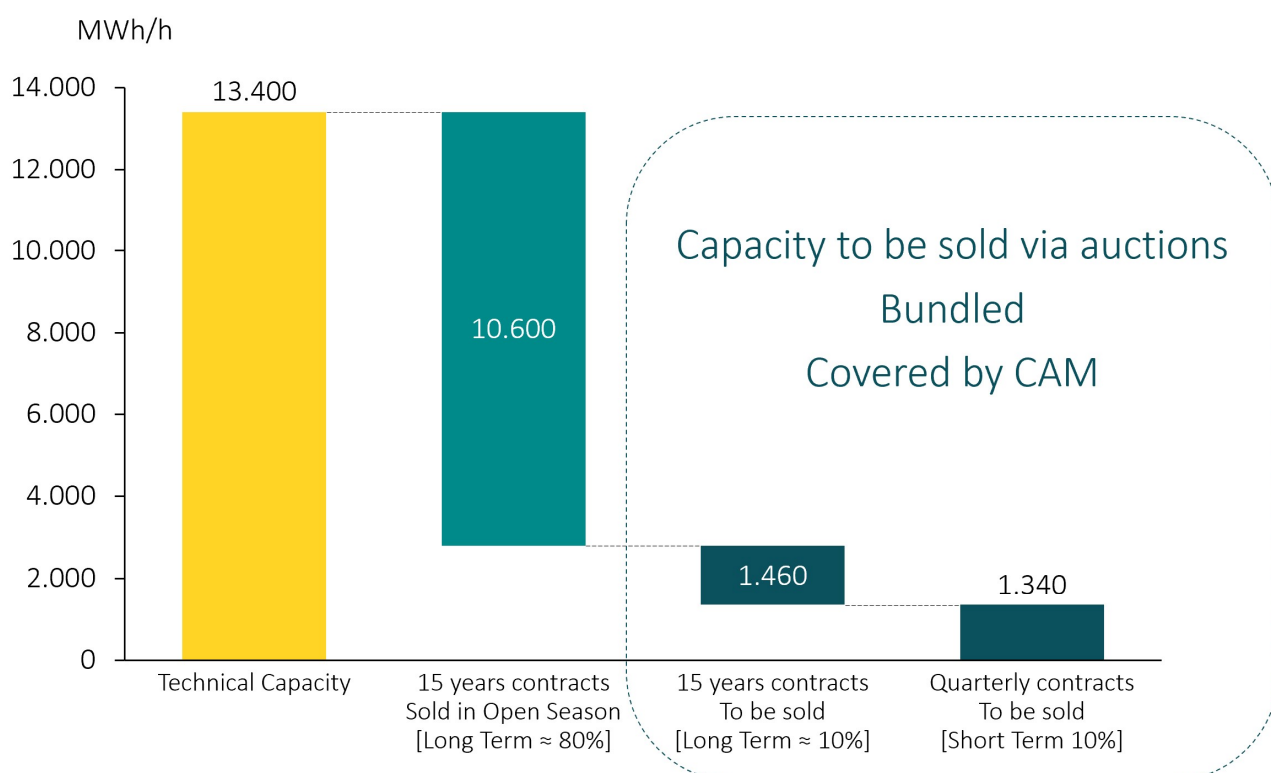


Figure 16: Proposed capacity offering for Faxø from 1 October 2022

The capacity products in northbound direction will follow the same principles as explained for southbound directions.

⁷ <https://en.energinet.dk/Gas/Shippers/Incremental-capacity>, document "User involvement in network planning", p. 4

⁸ Baltic Pipe news: 01/02/2018 Signing of capacity agreements completes the 2017 Open Season Procedure

4.1.1.3 Bundled capacities and capacity booking platform

Today Energinet offers all capacities at the Ellund IP on PRISMA, where they are bundled with the capacity products on the German side. As previously mentioned, capacity at the new EPII point will be offered via PRISMA, and Energinet Gas TSO also expects to move all internal points in Denmark on the PRISMA platform.

Energinet has the same ambition to sell bundled capacities at Faxe IP on PRISMA. For this to happen it is necessary for Energinet Gas TSO and Gaz-System to agree on a common capacity booking platform for the Faxe IP. Energinet has not yet reached agreement with Gaz-System, on choice of auction platform for the Faxe IP.

4.2 Impacts on shippers

What is the impact on big shippers vs. small shippers and is there a benefit from being one of the current shipper vs. being a new shipper?

The main impact of integrating the offshore part of Baltic Pipe in the current Danish market model is simplicity for all shippers. Simplicity from:

- One capacity booking point (Entry North Sea) instead of three capacity booking points (Entry and Exit EP II branch pipeline, Entry Nybro)
- One balancing system instead of two separate balancing systems
- One set of rules (RfG)
- One tariff system

The analyses of the impact from these changes have not identified any issue that will change the competition between big and small shippers or between current shippers and new shippers.

The benefits listed above will make it easier to be an active shipper. It might be argued that these benefits will have a bigger positive impact on a small shipper with few resources than on a big shipper with more specialised resources. It will be a simple setup to navigate and it is expected to benefit all shippers.

5. Consultation

The current suggestion for methodology for integrating Baltic Pipe in the current Danish Market model has been presented to the market's participants through:

- Shippers' forums
- User Group (14 January 2021)

Energinet has subjected this Submission for consultation for six-weeks from 21 December to 31 January 2021.

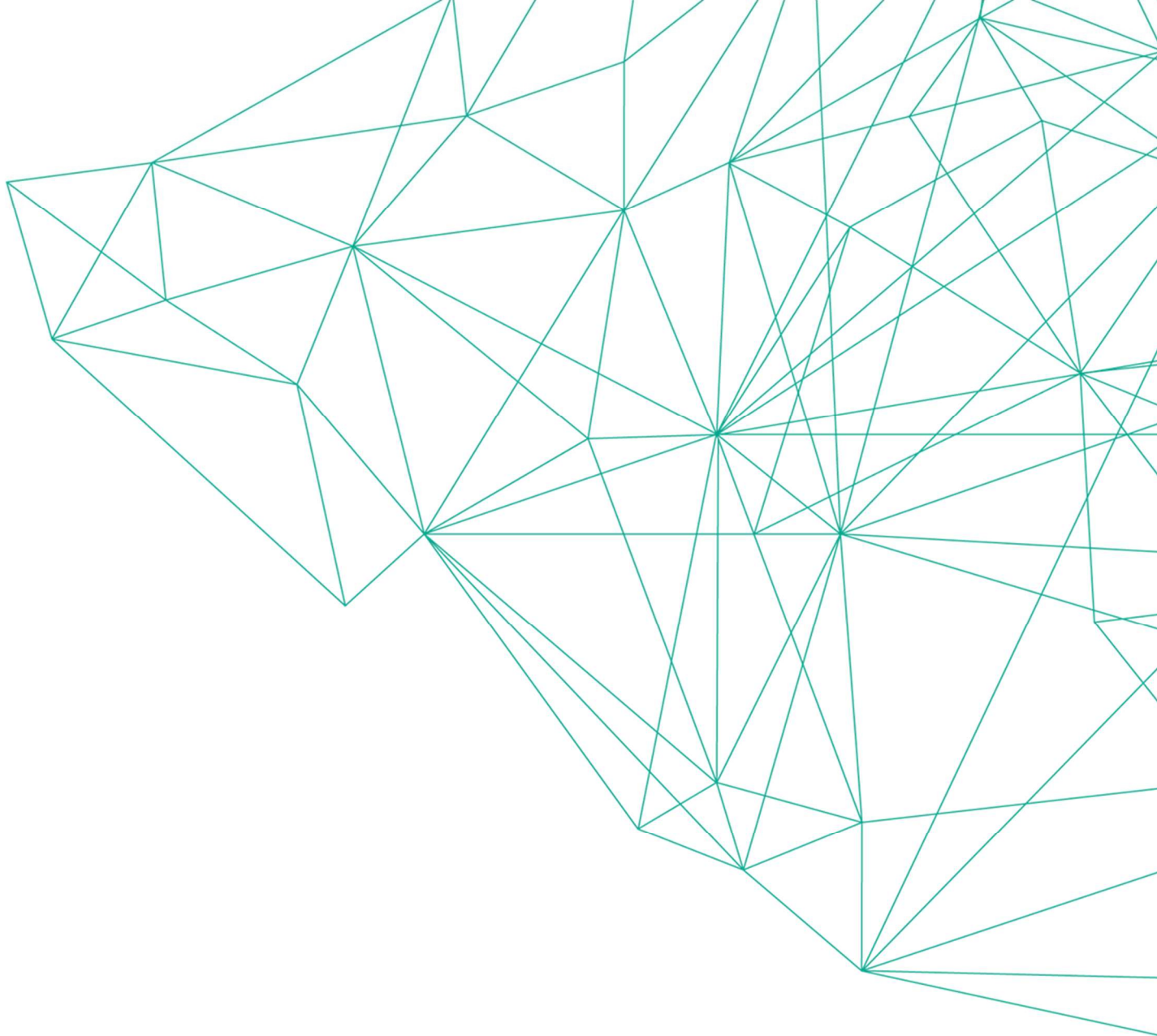
6. Time schedule

Energinet has published this methodology on the 21 of December 2020. This is the start of a six-week consultation period to the 31 of January 2021. A user group is arranged for the 14 of December 2020 to present the main ideas to the market but also to let the market voice their questions, concerns, comments, and suggestions for improvements.

It is planned to implement the written input from the consultation into the methodology within two weeks. The revised methodology is planned to be delivered to the Danish Utility Regulator (DUR) on the 15 of February 2021. DUR will then process this methodology and make a decision.

Activities	2020				2021																															
	dec				jan				feb				mar				apr				maj				jun				jul							
	49	50	51	52	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30		
Methodology published				▲																																
User group								▲																												
Consultation period (6 weeks)																																				
Updating methodology (2 weeks)																																				
Deliver methodology to DUR																																				
DUR process – a couple of months																																				

Figure 17: Guiding project plan



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