Incremental capacity process

Introduction and overview of 1st INC process initiation in 2017

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Introduction to INC capacity
Incremental capacity

What is incremental capacity?
“a possible increase in technical capacity that may be offered based on investment or long term capacity optimisation and subsequently allocated subject to the positive outcome of an economic test”

- Incremental capacity process = market-base procedure to satisfy all economically reasonable and technically feasible demand for capacity
- At existing interconnection points, by establishing a new interconnection point or a physical reverse flow capacity at an interconnection point, which has not being offered before
- Core is a harmonised and simultaneous assessment of demand for incremental capacity across the EU
Process for Incremental Capacity Projects

**Non-Binding Phase**
- Yearly Auctions
- DA phase
- Design Phase
- Public Consultation
- Project Finalisation

**Binding Phase**
- NRA decision
- Publish Notice
  - Min 2 months
  - Max 6 months
- Yearly Auctions

**Network User**
- has interests in incremental capacity
- provides TSOs with non-binding capacity demand, including conditionality (volume, duration, location)
- receives the indications on project conditions and can interact
- approves all necessary for binding phase
- gets the capacity allocated

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TSOs decide to initiate or not the needed studies.

Publication of DAR
Overview of 1st INC process initiation in April 2017
INC process - 1st initiation in April 2017

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First Demand Assessment in 2017

> ENTSOG published the Demand Assessment Reports on 27<sup>th</sup> July

> Network users submitted non-binding demand indications at **19 market area borders / interconnection points**

> In 11 cases, demand indications led to technical studies of the Incremental capacity projects being initiated by the affected TSOs
  - AT-HU, AT-SI, AT-DE, HR-SI, DE-NL, DE-RU, DE-PL, GR-IT, IT-Malta, HU-SK-AT

> At the 8 remaining market area borders
  - The indicated demand was below the available capacity for the requested period;
  - The indicated demand was considered (by the TSO) to be too low to pass the economic test;
  - Network development projects were already initiated covering the expressed demand
Overview on INC projects
Conclusion on INC process so far

> First INC process has been used at 19 E/X boarders

> Demand indications led to technical studies in 11 cases

> However, projects can be considered as successful only after a positive economic test. Most of the INC projects will have binding allocation and test in 2019

> Process completed for 2 projects. Binding auctions held in July 2018:
  - Network Users did not provide sufficient binding bids to pass the economic test
  - INC process completed for these projects
  - Projects are not being progressed / built