

---

**IGB PIPELINE MARKET TEST**  
**EXPRESSION OF INTEREST PHASE NOTICE**  
**(December 2015)**

---

**In accordance with the "Updated Guidelines for management and allocation of capacity on the IGB INTERCONNECTOR according to paragraph 6 of article 36 of the Directive 2009/73/EC"**

## TABLE OF CONTENT

1. INTRODUCTION .....	3
2. DEFINITIONS.....	4
3. PROJECT TECHNICAL DESCRIPTION AND INDICATIVE TIMEFRAME .....	6
4. STATUS OF THE PROJECT.....	7
5. DESCRIPTION OF THE INTERCONNECTED SYSTEMS.....	8
6. THE SERVICES OFFERED THROUGH THIS MARKET TEST .....	9
7. TARIFF PRINCIPLES .....	9
8. HOW TO PARTICIPATE TO THE EOI PHASE .....	10
9. REQUESTS FOR CLARIFICATION.....	11
10. SUBMISSION OF DOCUMENTS .....	11
11. CONFIDENTIALITY.....	12
12. SUSPENSION AND TERMINATION OF THE MT PROCEDURE .....	12
13. LIABILITY.....	12
14. ASSIGNMENT.....	12
15. ATTACHMENTS.....	13

## 1. INTRODUCTION

ICGB AD is a company incorporated on an equal basis by BULGARIAN ENERGY HOLDING EAD and IGI POSEIDON SA under the Bulgarian Law with the scope of developing, designing, financing, building, owning and operating an interconnecting pipeline between the Greek and Bulgarian gas network systems (the IGB Pipeline), for transporting natural gas into the Bulgarian gas system through the Greek gas system (forward flow) and vice-versa in a reverse flow mode.

The IGB Pipeline has obtained intergovernmental support by Greece and Bulgaria via an MoU signed in 2009 and the qualification of Project of national priority under Bulgarian Council of Ministers` Decisions No. 615/14.07.2009, No. 452/07.06.2012 and under Greek Law 4001/2011. At European level the Project obtained a 45M€ contribution under the EEPR (European Energy Program for Recovery) through EU Commission Decision C(2010) 5813, amended by Commission Decision (2012)6405 and Commission Decision (2015) 3005.

In the forward flow direction from Komotini (Greece) to Stara Zagora (Bulgaria), the IGB Pipeline is **designed for transporting approx. 3 bNcm/y** of natural gas and is **pre-engineered for increasing its capacity up to approx. 5 bNcm/y** (through the installation of a compressor station). The pipeline will also be able to operate in a reverse flow mode (Bulgaria to Greece).

On November 27<sup>th</sup> 2012 ICGB requested to the Authorities an exemption under art. 36 of Directive 2009/73/EC (hereinafter, the Directive) from:

- Unbundling provisions
- Regulated tariffs on the forward and reverse flow capacity
- Third party access on the forward flow capacity

As foreseen by the Directive, ICGB has performed a Market Test between May 2013 and September 2014, which was terminated by the company for revealing insufficient market indications. In order to allow ICGB to test again the market on its interest for reserving capacity of the IGB Pipeline and obtain sufficient relevant information to assess a refined exemption, the Authorities have approved in November 2015 the "Updated Guidelines for management and allocation of capacity on the IGB INTERCONNECTOR according to paragraph 6 of article 36 of the Directive 2009/73/EC" (hereinafter, the "Guidelines"), under Decision of EWRC No. № Y-2 /27.11.2015 and Decision of RAE No. 438/2015.

According to the Updated Guidelines, ICGB intends to perform the **Market Test** in two phases:

1. The **Expression of Interest Phase** (hereinafter the EoI Phase) in which all potential users, including Transmission System Operators (hereinafter the TSOs), are invited to express their interest in contracting capacity on, or in connecting to, the IGB Pipeline submitting the set of documents forming the EoI Notice as described in art. 8.

2. The **Bidding Phase** , in which EoI Participants will be asked to submit binding requests in contracting capacity on, or in connecting to, the IGB Pipeline, in accordance with the Bidding Phase Guidelines to be eventually approved by the Authorities following the conclusion of the EoI Phase. ICGB will allocate capacity on the IGB Pipeline according to the Bidding Phase Guidelines.

Through the present EoI Notice, ICGB starts the EoI Phase of the Market Test in order to:

- collect interest from:
  - i) any party **shipper and TSO** in being allocated with a quota of forward flow and/or a quota of the reverse flow capacity of the IGB Pipeline; and/or
  - ii) any party **TSO** in being connected to the IGB Pipeline.
- collect data and information useful to the Authorities to assess the criteria set in art. 36.1 of the Directive.

All potential creditworthy interested parties, including the Sponsors, are herein invited to express their interest to participate in the EoI Phase of the Market Test for the IGB Pipeline.

The participation in such EoI Phase does not constitute a commitment by the Applicants to buy capacity on, or connect to, the IGB Pipeline, as well as the conducting of such EoI Phase by ICGB does not constitute a commitment by ICGB to actually invest and realize the IGB Pipeline. However, the **participation in the EoI Phase is a prerequisite for the Applicants in order for them to be able to participate in the Bidding Phase**, should the Authorities decide it to take place in accordance with art. 3.5 of the Guidelines.

In case the Authorities deem necessary to perform a Bidding Phase, capacity will be allocated in accordance with the Bidding Phase Guidelines.

The purpose of this EoI Notice is to provide general information on the IGB Pipeline and the projected available services to Applicants and to set out the conditions for participation in the EoI Phase. Failure to comply with these conditions will result in Applicant being disqualified from participating further in this EoI Phase and in the subsequent Bidding Phase.

ICGB will respect the confidentiality of any information received by the Applicants. ICGB AD reserves the right to disclose only the aggregated capacity, to which the market has expressed interest during the EoI Phase and the names of the applicants, as long as the applicants have not explicitly requested that their names be kept confidential. In addition, ICGB will disclose to the Authorities any information and/or data required by them to complete the assessment of the exemption application submitted by ICGB.

## 2. DEFINITIONS

This EoI Notice uses the definitions of Art.1 of the Guidelines. In addition, the terms below shall have the following meaning:

**Applicant** shall mean any interested party, including the Sponsors, which will send an EoI form, attached here as Exhibit II or as Exhibit III as the case may require;

**bNcm** shall mean billion of normal cubic meters of natural gas;

**Expression of Interest Deadline** shall mean the **date 29 February 2016**, by which the EoIs should be submitted to be considered valid;

**Expression of Interest Notice or EoI Notice** shall mean this Notice;

**Minimum Credit Rating** shall mean a credit rating attributed to the Applicant, provided by a primary international rating agency, at least equivalent to Baa3 (as per Moody's Investor Services rating rank) or BBB- (as per Standard & Poor's Corporation rating rank);

**kNcm** shall mean thousands of normal cubic meter of natural gas;

**Ncm** shall mean normal cubic meter of natural gas at 0°C and 1.01325 bar absolute;

**Participation Fee** shall mean a fee equal to €5,000 to be paid in accordance to art. 8. set here forth by Applicants in order to participate to this Market Test;

**Sponsors** shall mean Bulgarian Energy Holding EAD, DEPA S.A. and EDISON S.p.A.;

### 3. PROJECT TECHNICAL DESCRIPTION AND INDICATIVE TIMEFRAME

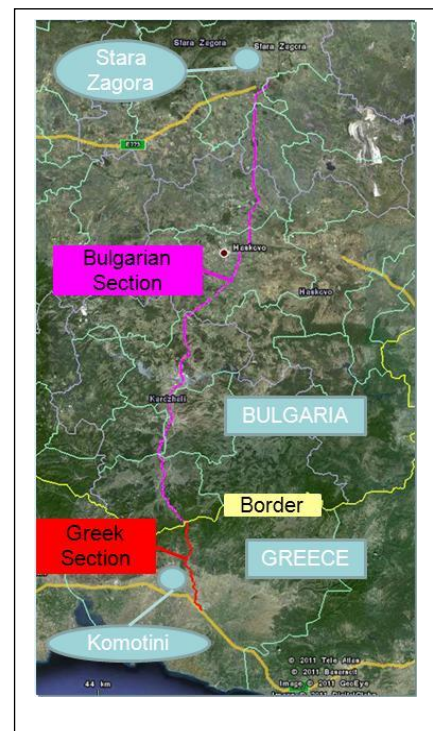
The IGB Pipeline will interconnect the two natural gas systems of Greece and Bulgaria between the **IGB Entry Point in the vicinity of Komotini** and the **IGB Exit Point in the vicinity of Stara Zagora**, with a 32" pipeline having an overall length of 182 km.

The IGB Pipeline is designed for transporting gas from Greece to Bulgaria with:

- an IGB Minimum Capacity of approx. 380,5 kNcm/h (approx 3 bNcm/y) with 57 barg in Komotini at the interconnection point with DESFA S.A. and/or another Transmission System Operator in the same area and 42 barg in Stara Zagora at Bulgartransgaz EAD interconnection point;
- an IGB Maximum Capacity of up to 634,2 kNcm/h (approx. 5 bNcm/y) with the installation of an intermediate compression station and with the same operating pressures as above.

The IGB Pipeline will also be equipped to offer reverse flow services, in accordance with Regulation on Security of Supply 994/2010 and in light of the results of this Market Test.

The technical design of the pipeline envisages possibility for two intermediary off-takes close to the cities of **Kardjali** and **Dimitrovgrad** in Bulgaria.



The natural gas delivered into the IGB Pipeline shall meet the specifications to be transported at the required flow rate, without compromising safety and pipeline integrity and shall meet the specifications of the Greek and Bulgarian regulations.

The current time schedule foresees completion of the necessary corporate activities, in order to proceed to the Final Investment Decision by 2015 and completion of construction activities to enable the **commercial operation date of IGB Minimum capacity in 2H 2018**.

As of 2015, the construction **CAPEX of the project is estimated at approximately 220 Euro million** and the annual **OPEX during pipeline operation at approximately 4,5 Euro million per year**. The total amount of investments (including the development costs from the inception of the IGB project) is estimated at approximately 240 Euro million up to the operation start. These figures relate to the configuration without compression station. Additional CAPEX requirements for the installation of the compression station depends on the localisation of it along the route and may be preliminarily estimated in the range of 25 to 35 Euro million.

Any decision for the installation and commercial operation of a compression station will be made at a later stage, taking into consideration the results of the Market Test and depending on planned upgrades of the interconnected systems by the relevant TSOs. In case the Market Test results will evidence the appropriateness of a compression station installation, the implementation of the project may be split into phase 1, and phase 2 with the installation of the compression station. The implementation of the latter phase entails the activation for that purpose of all the activities of engineering, permitting, procurement and construction and consequently the schedule for the capacity upgrade is to be developed accordingly, following the approval of the Authorities.

#### **4. STATUS OF THE PROJECT**

The following tasks have been completed or are under progress:

- Engineering - Front End Engineering Design was completed in September 2015 and is under technical certification assessment. The Technical Design, a detailed engineering phase in accordance to Bulgarian law, was completed in 1<sup>st</sup> half of 2015 and is under the final approval by the Bulgarian Authorities.
- Environmental Impact Assessments - The Environmental Impact Assessments in both Countries, Bulgaria and Greece, have been completed and the relevant EIA Authorizations have been obtained:
  - For the Bulgarian Territory upon Decision Pr. No.1-1/2013 dated 6 February 2013 by the Ministry of Environment and Waters;
  - For the Greek Territory upon Decision with Pr. No171379 of the Ministry of Environment, Energy and Climate Change / EYPE on 29.10.2013.
- Permitting Activities - i) The detailed routing for the Bulgarian Territory (Detailed Spatial Plan – Parceling Plan, DSP-PP) has been completed. Upon authorizations n. PД-02-15-114/31.07.2014, PД-02-15-116/31.07.2014, PД-02-15-140/27.10.2014, PД-02-

15-65/04.05.2015, ПД-02-15-78/29.05.2015, DSP-PP has come into force according to Bulgarian law (Spatial Development Act) on the territory of the 9 municipalities crossed by the pipeline. The coming into force of the DSP-PP has allowed ICGB AD to start the right of way and land plots acquisition procedure, necessary for completing the construction permit procedure in the Bulgarian territory. The authorization procedure in Bulgaria is expected to be completed by the Q3 2016. The Installation Act Decision for the Greek section was issued on 28.05.2014 (Pr. No Δ3/Γ/6273 of the Ministry of Environment, Energy and Climate Change) and the Installation Permit procedure, in accordance to the Greek law, has been initialized with a submission of the relevant application in November 2015. This procedure is expected to be completed by Q3 of 2016.

- Financial Activities- i) The European Commission has confirmed the financial aid up to 45 M€ under the EEPR Programme. The ICGB Shareholders are currently investigating the combination of Shareholders` loan and Multilateral Institution financial structure for being ready to inject investments by Q4 of 2016 in accordance to the schedule of the construction permits obtainment. The Bulgarian Government has provided the project with an option for Sovereign Guarantee of 80 M€ under the 2015 state budget and has proposed an increase of that amount to 110 M€ under the 2016 state budget.
- Procurement Activities: ICGB has conducted a prequalification process for Line Pipe supply. The Company is in the process of preparing the prequalification of EPIC Suppliers. The Procurement Award procedures are expected to be completed in 1<sup>st</sup> half of 2016, in line with the expected obtainment of the construction permits.

## 5. DESCRIPTION OF THE INTERCONNECTED SYSTEMS

Since the initial operation does not include any auxiliary compression, the capacity of the IGB Pipeline will be driven by the pressure/flow availability at IGB Entry & Exit Points. It will be up to the Allocated Participant to contract transportation services with Transmission System Operators in Bulgaria and Greece capable to be interconnected with IGB and to secure the required delivery and redelivery contracts.

Please, note that the transportation capacity up to the IGB Maximum Capacity (approx. 5 bNcm/y) will involve the realization of the following provisional conditions:

- 57 barg pressure at Komotini interconnection point
- Installation of a Compressor Station on IGB pipeline with capacity of ~ 10 MW. On a preliminary basis the location of the Compressor Station is assumed in the vicinity of the town of Haskovo in Bulgaria.
- 52 barg outlet pressure at Stara Zagora interconnection point.

For what concerns the Bulgarian Network, the tie-in of the IGB Pipeline will be performed on the 28" national network pipeline close to the city of Stara Zagora. The operator of the national gas transmission system in Bulgaria is "**Bulgartransgaz**" EAD and further information on the rules and the development of the Bulgarian natural gas system can be found at <http://www.bulgartransgaz.bg/>.



For what concerns the Greek National Gas Transmission Network, the tie-in of the IGB Pipeline will be performed on the 36" national network pipeline in the vicinity of Komotini. The operator of the Greek gas system is **DESFA S.A.** (Hellenic Gas Transmission System Operator) and further information on the rules and the development of the Greek natural gas system can be found at [www.desfa.gr](http://www.desfa.gr).

In January 2014, ICGB AD and Trans Adriatic Pipeline A.G. concluded a Memorandum of Understanding concerning cooperation between the parties on technical and commercial aspects of a potential physical interconnection and interconnection agreement between the IGB pipeline and the Trans Adriatic Pipeline (TAP). The parties have proceeded to implement the objectives of the MoU. Further information on the future TAP pipeline being developed by Trans-Adriatic Pipeline A.G. can be found at [www.tap-ag.com](http://www.tap-ag.com).

## **6. THE PRODUCTS OFFERED THROUGH THIS MARKET TEST**

Any interested party may express its interest in booking forward and/or reverse capacity of the IGB Pipeline (if shipper, TSOs included) or in interconnecting the IGB Pipeline with another system (if TSO) through this EoI phase of the Market Test.

In particular, parties which are interested in booking capacity of the IGB Pipeline may request at their convenience access to capacity for a standard duration of 5, 10, 15, 20 or 25 years, or for a duration other than the above standard options, starting from the provisional IGB Pipeline commercial operation date or from any other commencement date.

The transportation services provided by ICGB will include:

- Firm forward flow capacity from IGB Entry Point, or other entry points in Greece along IGB Pipeline route to the IGB Exit Point and/or other proposed exit points in Greece or Bulgaria along IGB Pipeline route.
- Firm and/or Interruptible (commercial) Reverse flow capacity from IGB Exit Point, or other point in Bulgaria along IGB Pipeline route, to IGB Entry Point, or any other point in Greece along IGB Pipeline route.

ICGB intends to reserve, depending from the results of this Market Test and on the Authorities instructions, a part of the capacity of the IGB Pipeline for short term contracts, i.e. contracts with duration of less than a year.

Please note that, the forward flow capacity above the IGB Minimum Capacity and the reverse flow capacity, as well as capacities at entry or exit points along IGB Pipeline route different from IGB Entry and IGB Exit Point, are not part of the ongoing design activities, permitting procedures and decision making process concerning the realization of the infrastructure. Thus the availability of such capacities will be subject to the evaluation of the results of this Market Test, following consultation with the Authorities.

## **7. TARIFF PRINCIPLES**

Tariff calculation principles and methodology will be defined by the Bidding Phase Updated Guidelines. However, it is currently envisaged that Tariff will be set in order to secure project financial viability and Sponsors` targeted profitability. The tariffs will be cost reflective, non-

discriminatory and uniform for all shippers in the IGB Pipeline having access to the same services.

## **8. HOW TO PARTICIPATE TO THE EOI PHASE**

Applicants to this Eoi Phase are requested to deliver the attached Exhibit II (if Shipper) or III (if TSO) duly filled and signed, together with the following mandatory supporting documentation, by no later than the Expression of Interest Deadline (**i.e. 29 February 2016**), by courier or registered mail, to the address of ICGB, reported in art. 10.

Mandatory supporting documents attached to Applicant`s expression of interest include:

- Declaration that no person employed at senior management level in the Applicant`s company or representing that company has been convicted for being a member of a criminal organization or has been convicted for fraud, corruption or money laundering.
- Declaration that the Applicant is not bankrupt or is under a procedure of any form of insolvency one or more of the procedures.
- Attested affidavit by the legal representative or the authorized representative of the Applicant;
- Certified copy of a certificate of current corporate registration issued no more than 3 months prior to the Eoi Deadline;
- Audited financial statements of the three most recent completed financial years of the Applicant (or the shareholders of that Applicant in the event that such audited financial statements cannot be produced for the last three financial years);
- Minimum Credit Rating/evidence of creditworthiness in accordance to the definition set above in art.2. In case the Applicant has no Credit Rating or does not have the minimum credit rating, it shall indicate how it intends to prove comparable creditworthiness (such as through Parent/Sovereign/State Guarantee, letter of Credit or other);
- Proof of payment of the Participation Fee.

All documents are to be in English and duly signed by an authorized representative of the Applicant. Proof of power to sign shall be included in the documentation.

If part of the documentation is missing or incomplete or delivered late, ICGB will inform the Applicant that he has not been admitted to participate to the Bidding Phase and therefore is excluded from this Market Test.

The Participation Fee shall be paid to the following bank account at the Bulgarian Development Bank:

IBAN: BG07NASB96201410249402

Applicants shall submit a copy of their Expression of Interest (Exhibit II or III and mandatory supporting documentation) also to the Authorities. On a separate copy to the Authorities, the Applicants shall provide the information requested in art. 6.4 of the Guidelines.

Within 15 days from the EoI Deadline, ICGB will deliver to the Authorities the report summarizing the results of the EoI Phase in accordance with art. 7 of the Guidelines

Applicants will be informed about the results of the EoI Phase in due course but no earlier than completion of the procedure described in art. 3.5 of the Guidelines.

For the avoidance of doubt, all costs associated with the participation in the phases of the Market Test shall entirely be borne by the respective Applicant or EoI Participant. An exclusion from further phases of the Market Test during the EoI Phase shall not give rise to any right of the respective Applicant to claim reimbursement of any costs associated with the participation in the Market Test.

An Applicant may be excluded from the procedure when one or more of the following occurrences happen:

- i. Part of the requested documentation is missing or incomplete or not signed by an authorized signatory or delivered after the EoI deadline;
- ii. Mandatory documentation has not been received in its proper form by ICGB on time or at all;
- iii. The authorized signatory has been convicted for being a member of a criminal organization or has been convicted for fraud, corruption or money laundering.
- iv. The company has been declared bankrupt or is under a procedure of any form of insolvency.

## **9. REQUESTS FOR CLARIFICATION**

Within and not later than 2 weeks from the publication of this EoI Notice, requests for clarification exclusively regarding the participation to the EoI Phase, can be addressed to the following email address:

[office@icgb.eu](mailto:office@icgb.eu)

with copy to:

[Fabio.Santambrogio@edison.it](mailto:Fabio.Santambrogio@edison.it); and [lzlatanov@bgenh.com](mailto:lzlatanov@bgenh.com)

## **10. SUBMISSION OF DOCUMENTS**

All documents and declarations to be submitted to ICGB under this Market Test (with the exception of the requests for clarifications pursuant to art. 9 here above) shall be made via courier or registered mail, to the following address:

ICGB AD  
Veslets Street, No.16  
Sofia 1000  
Bulgaria  
“IGB PIPELINE MARKET TEST EXPRESSION OF INTEREST PROCEDURE”

Anticipated via fax addressed to each of the following fax numbers:

+359 2 925 03 92

+39 2 62 22 70 55  
+30 210 275 08 24

#### **11. CONFIDENTIALITY**

ICGB on one side, and Applicants/Participants on the other (for the purposes of this EoI Notice jointly referred to as “the Parties”) shall treat confidentially all documents and information that they obtain or exchange with each other in connection with this Market Test (hereinafter, the Confidential Information) and shall not disclose such Confidential Information or make it accessible to third parties without the prior written consent of the Party affected. The Parties undertake to use the confidential Information obtained exclusively for the purposes of the Market Test, in accordance with the principle contained in the EoI Notice.

Either Party shall be entitled to disclose without the written consent of the other Party any Confidential Information obtained from the other Party:

- i. to the Authorities or any other competent authority for the purposes of the evaluation of the ICGB exemption application;
- ii. to its representatives, consultants, banks and insurers if and to the extent that disclosure is needed for proper performance of its obligations under this Market Test ;
- iii. to the extent that the confidential information was legitimately known to the Party receiving the information at the time
  1. it was obtained from the other Party,
  2. or was already in the public domain or becomes publicly available other than through an act or omission of the receiving Party, or
  3. has to be disclosed by a Party due to a statutory provision or a court or official order or a request of the regulatory authorities; in any such case, the disclosing Party shall inform the other Party thereof without undue delay.

The confidentiality obligations of the Parties shall commence upon receipt by ICGB of the EoI documentation and for 3 years after the completion of the Market Test.

#### **12. SUSPENSION AND TERMINATION OF THE MT PROCEDURE**

ICGB shall have the right to suspend and/or terminate the Market Test at any time, by giving notice to the Applicants and to Authorities, as the case may be, by courier or registered mail, anticipated via fax. In case of suspension, notice of cessation of the suspension must be given in the same forms. In the event of termination of the Market Test, ICGB is obliged to return to the Applicants the Participation Fee in full.

#### **13. LIABILITY**

No Party shall be liable to the other Parties for any damage arising out of or in connection with this EoI Phase unless such damage is the result of a willful act or omission, or arises from the gross negligence, of the Party concerned.

#### **14. ASSIGNMENT**

The Applicants shall have the right to assign to third parties any of their rights or obligations in connection with the Market Test, whether in whole or in part. Applicants acknowledge and agree that the staff of the Sponsors shall conduct the Market Test on behalf of ICGB.

**15. ATTACHMENTS**

EXHIBIT I: UPDATED GUIDELINES

EXHIBIT II: EoI STANDARD FORM (Shipper and TSO)

EXHIBIT III: EoI STANDARD FORM (TSO)