

**REGARDING PUBLIC CONSULTATION ON THE REGULATIONS OF THE USE OF THE INČUKALNS UNDERGROUND GAS STORAGE FACILITIES**

With this letter UAB Ignitis expresses its view to the consultation regarding the amendments to Regulations of the Use of Inčukalns Underground Gas Storage Facilities.

Par.	Draft	Proposal	Comment
Indicative price and capacity product tariff	Tariff modification coefficient. The coefficient shall be determined by taking into account the advantages of the medium-term cost stability of the two-year bundled capacity product for system users.	Not to include a tariff modification coefficient as its application is in conflict with the entire concept of tariff. It is transparent and unclear who is responsible for coefficient value, how often and according to what methodology it would be applied.	<p>1) Tariff regulation and approval is the exclusive competence of NRA, therefore if modification coefficient is applied, then the fundamentals of tariff regulation are breached. Suggest removing modification coefficients from product pricing. The lack of transparent coefficient setting mechanism, the absence of the coefficient value restricts possibilities to plan gas supply activities, despite the fact that the tariffs shall be announced and known in advance.</p> <p>2) Shall there be clear and publicly available deadline for tariff approval it would bring more transparency and support planning processes for storage users. Suggest setting tariff approval deadlines and.</p>
Open opinion			<p>Proposed regulation ensures collection of the revenues for storage system operator and at the same time leaves open discussion on overcollection of revenues. Currently proposed mechanism stimulates to over collect revenues in high degrees, in order to have control over that we suggest to:</p> <p>1) Have a price ceiling for storage product auctions</p>

			<p>2) Establish a clear distribution mechanism for overcollected funds.</p> <p>It would be fair to redistribute overcollected funds to storage users during the same storage season (as per current practice). Otherwise some users would be paying higher price in one year and possibly not having any return on that during later periods what might lead to user's discrimination.</p>
24.2	The system operator shall inform the system user regarding the amount of the storage capacity allocated within the relevant capacity product and the premium applicable thereto by sending an appropriate notification to the system user electronically within three working days after the end of the storage capacity auction procedure;	The system operator shall inform the system user regarding the amount of the storage capacity allocated within the relevant capacity product and the premium applicable thereto by sending an appropriate notification to the system user electronically on the storage capacity auction day;	System users submit bids based on the market conditions at that time, three days carries too much risk for storage users. Auction results shall be automated and known as fast as technically possible, in our view within the same working day.
24.1 26.1	„...on its website not later than five working days before the start time of the auction specified in sub-paragraph“	„...on its website not later than ten working days before the start time of the auction specified in sub-paragraph“	In order to ensure higher level of preparedness, propose prolonging the time given to market participants to get acquainted with auction regulations and prepare for the auction.
Additional par.		Auction documents in Latvian and English language shall be made available to the public simultaneously.	Seeking to ensure transparency, the auction documents in Latvian and English language shall be made available to the public simultaneously.
67	During the injection season specified in paragraph 11 of these Regulations, the system operator may make a transition from the injection mode to the withdrawal mode due to unplanned repairs to the natural gas transmission system or the adjacent	During the injection season specified in paragraph 11 of these Regulations, the system operator may make a transition from the injection mode to the withdrawal mode due to unplanned repairs to the natural gas transmission system or the adjacent natural gas transmission system. Storage users shall be offered	In order to maintain market confidence in the decisions and actions of storage system operator System users shall be insured with stable injection capacities.

	natural gas transmission system.	with usual injection capacities during such periods.	
Annex 2 par. 3.1	Interruptible capacity product (product code IPGKAP). Storage capacity reservation time for the current storage cycle: Not later than June 1 Not later than July 1 Not later than August 1	Interruptible capacity product (product code IPGKAP). Storage capacity reservation time for the current storage cycle: First-Come-First-Served (FCFS) principle.	Interruptible capacity product is meant for low season year with little demand for storage services. In order to increase incentive and give full flexibility for market participants to quickly react to market situations we propose to use FSFC storage product booking principle instead of proposed Auction 3 to 5. This would create the most favorable conditions for booking extra capacities whenever market conditions appear. In low season year it would be a win for storage system operator in terms of revenue and win for storage users.
Annex 2 par. 5.3	Storage capacity available for reservation: 27.7 GWh/d in the amount of bundled capacity product or interruptible capacity product available to the user.		Suggest increasing the flow for virtual-reverse flow product up to the amount reasonable to storage system operator. This would allow to optimize the use of the storage system and maximize storage operator's revenues.
Annex 2 6.11.2	The system user may transfer the priority rights of the injection capacity to another system user.	The system user may transfer the priority rights of the injection capacity to another system user. Storage user may choose one or more specific dates during the month in question for which priority rights are transferred to another storage user.	Suggest adding wording that storage system user may choose specific days (out of the entire month) for which the user wishes to transfer the priority rights to another user.

Head of wholesale trading



Tadas Adomaitis

Darek Lysko, tel. +370 5 278 2815, e-mail: darek.lysko@ignitis.lt