

Public Utilities Commission of Latvia  
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In response to Public Utilities Commission (hereinafter PUC) article published on their webpage 11.03.2022 (hereinafter the Article) regarding the amendments to the regulatory framework of Inčukalns gas storage facility to strengthen security of gas supply.

As explained in the Article, Inčukalns storage facility is mainly used for the supply of natural gas to Latvian end-users in winter. This is not true statement, as Latvia and Estonia act under jointly agreed general Transmission System conditions and **have common gas balancing zone**. Latvia and Estonia have combined area of the natural gas transmission network where common terms and conditions must be followed by TSO-s, system users and all other market participants. Strengthening the security of natural gas supply and securing largest possible amounts of stocks should be **done mutually and not according to perspective of only Latvian end users and companies**. Please note that establishing rules that favour some company, might lead to anti-competitive discrimination and possible illegal state aid.

Eesti Gaas AS, as defined "system user" according to regulations Regarding the Use of the Inčukalns Underground Gas Storage Facility, has fulfilled all obligations according to legislation and the contracts. Conexus Baltic Grid (hereinafter Conexus) has held several public procurements for the upcoming storage season, concluded contracts accordingly and has already confirmed capacity for the upcoming 2022/2023 season. All the buyers of the capacity products offered their prices and agreed to buy under conditions set in current rules **and developed their portfolio accordingly**.

According to the Article, natural gas stocks which are not withdrawn at the end of this (2021/2022) storage cycle will be transferred to the capacity products booked at auctions for the next (2022/2023) storage cycle. This does not meet the conditions that parties (Conexus and Eesti Gaas) have agreed according to Natural Gas Storage Service Contract No. CON 2021/301. **Eesti Gaas demands maintaining of existing conditions for already purchased bundled capacity product, 2 year bundled capacity product, interruptible capacity product and stock transfer product.**

The Article states that in response to the escalation of the Russia-Ukraine conflict, on 25 February 2022, PUC received a Conexus proposal to amend the Regulations on the use of the storage facility. **The amendments cannot apply to existing terms that have been agreed between TSO's and system users** as this is not in line with the current market regulation and conditions that Conexus and Eesti Gaas AS have agreed on. New rules should be negotiated with all market

participant and may be established only for the periods not yet covered by contracts.

To conclude, changes proposed by PUC will not have any positive effect on storage injection volumes as Klaipeda LNG terminal is already fully booked and so is Kiemenai border capacity. Therefore, proposed changes look more like illegal state aid rather than enhancement of the security of supply of the region.

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**Ants Noot**

Chairman of the Management Board