



To:

2024-09-20 No.

Public Utilities Commission

[sprk@sprk.gov.lv](mailto:sprk@sprk.gov.lv)

Conexus Baltic Grid AS

[capacity@conexus.lv](mailto:capacity@conexus.lv)

**REGARDING PUBLIC CONSULTATION ON AMENDMENTS TO THE REGULATIONS OF USE OF THE INČUKALNS UGS FACILITY**

UAB Ignitis provides a response to the public consultation on amendments to the regulations of use of the Inčukalns UGS facility announced on September 9<sup>th</sup>, 2024. UAB Ignitis view is express in the annex of this letter.

Head of gas wholesale trading department

Asta Virbickienė

Asta Virbickienė, tel. +370 699 59465, email: [asta.virbickiene@ignitis.lt](mailto:asta.virbickiene@ignitis.lt)

**UAB „IGNITIS“ (FURTHER – IGNITIS) SUBMITS AN OPINION REGARDING PUBLIC CONSULTATION ON AMENDMENTS TO THE REGULATIONS OF USE OF THE INČUKALNS UGS FACILITY**

2024-09-20

No.	Statement of the document under review	Ignitis comment	Ignitis suggestion
<b>Common Regulations for the Use of Natural Gas Transmission System</b>			
1.	<p>Consultation document provides information that according to draft law "Amendments to the Energy Law" (Reg.No.637/Lp14) has been submitted to the Parliament of the Republic of Latvia for consideration, according to which it is envisaged that from 1 May 2026 natural gas storage services in the Storage Facility will no longer be provided at tariffs set by the Regulator or at tariffs set by the service provider according to the tariff calculation methodology set by the Regulator, if the Regulator's permission has been obtained.</p>	<p>Ignitis expresses concern regarding this provision that from 1 May 2026, natural gas storage services in the Storage Facility will no longer be provided at tariffs set by the Regulator or at tariffs set by the service provider according to the tariff calculation methodology set by the Regulator, if the Regulator's permission has been obtained.</p> <p>This proposed change introduces significant uncertainty for all storage users. The absence of a regulated tariff framework could lead to unpredictable pricing, which would complicate financial planning and risk management for businesses relying on natural gas storage services. Moreover, the reliance on service provider-set tariffs, even with Regulator permission, does not guarantee transparency. Users would be left in a position where they lack clear, consistent, and predictable cost structures.</p> <p>In Ignitis opinion, this amendment would not only create an environment of uncertainty but would also likely diminish transparency in tariff setting for natural gas storage services. For now, regarding information in the Consultation document, it looks like there is a lack of assurance as to how it will be ensured that the interests of all storage users will be adequately safeguarded. Please comment on how tariffs will be calculated in case of non-compliance with rates set by the Regulator and how it would be ensured transparency and legitimate expectations of storage users.</p>	<p>Adjust according to the comment provided.</p>

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2.	<p>6.5 The amount of storage capacity available for booking: capacity for the five-year bundled capacity product and capacity for the reserve part of the storage shall not exceed 80% of the technical capacity of the storage. If, at the end of the booking period for the five-year bundled capacity product, the allocated storage capacity is less, the unbooked storage capacity shall be included in the storage capacity available for booking for the bundled capacity product.</p>	<p>Approach to natural gas as a product by market players differ and it is not all market players' interest to reserve storage infrastructure for a proposed 5 years period as it may be considered being too long.</p> <p>Ignitis suggests product period no longer than 2-3 years.</p> <p>Amount of capacity to be offered as long-term product shall be reduced to no more than 25% of technical storage capacity (4-6 TWh).</p> <p>Long-term capacity product is a financial liability to the capacity holder. By accepting associated risks one estimates possible use of the product. There are no need to apply extra fee for stocks transferring from one storage cycle to another as storage user has already paid for long-term product.</p>	<p>Based on the comment, suggested to adjust as follows:</p> <p>Long-term product:</p> <ul style="list-style-type: none"> <li>a. Suggested product period of 2-3 years</li> <li>b. Amount of capacity 4-6 TWh</li> <li>c. Transfer from one season to other without extra charge.</li> </ul>
3.	<p>6.12.2 &lt;...&gt; The system operator shall set the transfer fee for the entire lifetime of the capacity product by applying the higher of the following two indicators at the time of the auction announcement: (1) one EUR per MWh of transfer storage balance; (2) 0,75 times the arithmetic average of the EEX Natural Gas Futures TTF four consecutive winter/summer price spreads per MWh of transfer storage balance.</p>	<p>Could you please elaborate, in case this rule approved, would the same calculated price spread be applied for the entire lifetime of capacity product, or it would be recalculated every year?</p>	<p>Adjust according to the comment provided.</p>
4.		<p>It is noted in consultation document that if system user has stocks at the end of the storage cycle and does not have a storage capacity product reserved for the next storage cycle, the system user shall be obliged to release the storage.</p> <p>Ignitis underlines that in such case both storage operator and storage user must make maximum effort to have gas withdrawal schedule mutually agreed.</p> <p>In case of failure to reach the agreement, unilateral decision of storage operator may be taken. It is suggested to adjust accordingly.</p>	<p>Adjust according to the comment provided.</p>

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5.	58.1. during the withdrawal of natural gas from storage, the system operator shall, as part of congestion management, allocate the natural gas withdrawal capacity among system users in priority for the bundled capacity product and the five-year bundled capacity product and in proportion to their booked storage capacity, first providing natural gas withdrawal capacity to the system user which supplies natural gas to the users to be supplied in the amount necessary for the supply of those users.	It is not clear from the regulation, does “system users which supplies natural gas to the users to be supplied in the amount necessary for the supply of those users” means gas supply to vulnerable customers?	Adjust according to the comment provided.
6.	59.1. during the withdrawal of natural gas from storage, the system operator shall, within the framework of congestion management, allocate the natural gas withdrawal capacity among system users in the order of receipt of the trade notifications and in priority for the bundled capacity product and the fiveyear bundled capacity product specified in the trade notification, first providing natural gas withdrawal capacity to the system user which supplies natural gas to the users to be supplied in the amount necessary for the supply of those users.	Same comment as regarding 58.1. above.	Adjust according to the comment provided.
7.	82. <sup>18</sup> For a bundled capacity product and a stock transfer product with a 2024/2025 storage cycle as the start of the period of use, the system user shall be deemed to have booked the stock transfer product for the <b><u>2025/2025</u></b> storage cycle for the amount of stock at the end of the storage cycle that is stored under the bundled capacity product or the stock transfer product. The storage transfer product shall be deemed to be used for the storage cycle of 2025/2026 in the corresponding amount of stocks, which shall be settled with the system operator in accordance with the storage transfer product tariff for the following storage cycle.	Kindly clarify the bold and underlined part.	Adjust according to the comment provided.