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CONSULTATION DOCUMENT

on amendments to the Regulations of Use of the Inčukalns Underground Gas Storage Facility

Riga, 5 September 2024

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Attached:

Draft Decision "Amendments to Decision No 1/14 of the Public Utilities Commission of 1 October 2020 "Regulations Regarding the Use of Inčukalns Underground Gas Storage Facility".

Summary of the consultation document

The aim of the consultation document is to inform the public and to find out the opinion of interested parties on the draft decision of the Public Regulatory Commission (hereinafter - the Regulator) "Amendments to the Decision No 1/14 of the Public Utilities Regulatory Commission of 1 October 2020 ""Regulations of Use of Inčukalns Underground Gas Storage Facility"" (hereinafter - the Draft Amendments).

Article 15(7) of the Energy Law provides that the Regulator shall approve the rules for the use of natural gas storage facilities developed by the natural gas storage system operator for all system users and applicants requesting access to the relevant system. The natural gas storage system operator shall submit proposals on the rules for the use of natural gas storage to the Regulator within the time and scope specified by the Regulator. The Regulator shall be entitled to make changes to these rules.

On the basis of the authorization provided for in the Energy Law, the Regulator by its Decision No 1/14 of 1 October 2020 approved the Inčukalns Underground Gas Storage Facility (hereinafter - the Storage Facility) Regulations (hereinafter - Regulations), which determine the procedure for use of the Storage Facility and the procedure for receiving natural gas storage service.

The Unified System Operator for Transmission and Storage of Natural Gas (hereinafter - System Operator) Conexus Baltic Grid (hereinafter - Conexus Baltic Grid) submitted to the Regulator for approval proposals for amendments to the Regulations, which envisage changes to the capacity products of the Storage Facility and the procedure for their use.

Having assessed the proposals submitted by Conexus Baltic Grid AS, the Regulator prepared the Draft Amendments.

Proposals and comments on the Draft Amendments should be submitted to the Regulator in writing to the address Ūnijas iela 45, Rīga, LV-1039, or to the e-mail address sprk@sprk.gov.lv **by 20 September 2024**.

The draft Amendments prepared by the Regulator are attached as an Annex to this Consultation Document.

Need for draft legislation

Background

The 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. From 1 January 2026, it is foreseen that the fee for the natural gas storage system service shall be determined by auction in accordance with the Storage Market Capacity Auction Regulations developed by the system operator and published on the website. At the same time, the draft law provides that natural gas will be stored in part of the Storage Facility in accordance with Regulation 2017/1938 of the European Parliament and of the Council of 25 October 2017 on measures to safeguard security of gas supply and repealing Regulation No 994/2010. Finally, the draft law "Amendments to the Energy Law" intends to instruct the system operator to develop and the Regulator to amend the Regulations Regarding the Use of Inčukalns Underground Gas Storage Facility, providing for the possibility of booking long-

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term storage capacity products. The draft law is to be considered as urgent by the Parliament of the Republic of Latvia and is to be submitted to the plenary session on 12 September 2024 for the second reading.

Product offer of the Storage Facility

In order to ensure the possibility to continue to use the Storage Facility for inter-seasonal arbitrage purposes as well as for short-term flexibility needs of system users, the Amendment Project provides for the allocation of up to 80% of the Storage Facility's technical capacity in aggregate to Storage Facility capacity products with a term of use longer than one year. If the demand for long-term capacity products is lower, the entire unclaimed Storage Capacity will be offered to the natural gas storage system users (hereinafter referred to as Storage Users) through auctions as a one-year Bundled Capacity Product (hereinafter referred to as BCP).

By allocating Storage Capacity to the long-term product, it is estimated that market participants purchasing the long-term capacity product could reduce competition in the auctions for the short-term capacity product, as the terms of the long-term product are also favorable for short-term storage needs. In particular, the regulation essentially incentivizes the use of half of the reserved capacity of the long-term product for long-term storage, while the other half of the capacity of the long-term product is pumped out and injected once a year. Repeated pumping and pumping perform essentially similar functions as the short-term product.

After the next Storage Capacity Auction cycle, namely after Storage capacity auctions for cycle 2025/2026, Conexus Baltic Grid will consult with natural gas market participants on the need for other Storage Capacity products. At the same time, in line with the existing commitments to the Storage users, the capacity available for long-term products for the auctions for the 2025/2026 Storage cycle may be well below 80% of the technical capacity of the Storage, however, the natural gas market should also be provided with flexible short-term capacity, therefore the system operator shall provide at least 1TWh of one-year BCP for this Storage cycle.

Justification for the need to ensure cyclical operation of the storage

Introducing of a long-term capacity product is must to continue the cyclical operation of the Storage Facility in order to ensure that the maximum possible amount of the Storage Facility's technical capacity remains available to natural gas market participants in the future. According to the information available to Conexus Baltic Grid AS, the regular storage of 8 to 10 TWh of natural gas (i.e. leaving it in the Storage Facility before the start of the injection season) does not entail a risk of losing the technical capacity of the Storage Facility in the long term, including the possibility to withdraw all stocks during the withdrawal season if the Storage Facility is regularly filled during the injection season. In order to balance the need to ensure the cyclical operation of the Storage Facility with the desire of natural gas market participants to build and store long-term natural gas reserves, the terms of the long-term capacity product of the Storage Facility provide for the transfer of stocks between years of the long-term capacity product as well as to another long-term capacity product at 50% of the volume of the long-term capacity product booked by the Storage Facility User, free of charge.

Principles for determining the financial parameters of storage capacity products

When determining the starting price for the auction of the Storage Capacity Product and other conditions for the use of the Storage Capacity Product, the system operator shall take into account the operating costs of the Storage Facility, the demand of potential

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natural gas market participants for the relevant capacity product, the purpose of its potential use, while balancing the system operator's obligation to ensure the safe and sustainable operation of the Storage Facility with the risks borne by the natural gas trader at the time of the auction. All financial parameters of the Storage Capacity Product will be made publicly available at the time of the next auction of the relevant Capacity Product.

Under the current legal framework, the system operator is obliged to coordinate with the Regulator information on all auctions of storage capacity for capacity products starting from the next storage cycle, as well as the regulations of the storage capacity auction.

The starting price for the five-year BCP auction is determined by AS Conexus Baltic Grid based on such considerations:

- Estimation of the long-term operating costs of the Storage Facility;
- an assessment of the market demand for natural gas;
- learnings of previous auctions for storage capacity.

In order to balance the need to ensure the cyclical operation of the Storage Facility with the desire of natural gas market participants to build and store long-term natural gas reserves, the terms of the Storage Facility's long-term capacity product provide for the transfer of stocks between years of the long-term capacity product as well as to another capacity product with a life of five years in the amount of 50% of the volume of the long-term capacity product reserved by the Storage Facility user free of charge. The transfer fee for volumes above 50% of the Storage User's booked 5-year BCP capacity shall be set for the entire lifetime of the capacity product, applying the higher of two indicators at the time of the auction announcement: 1) one EUR per MWh of surplus stocks to be transferred; 2) 0,75 times the arithmetic average of the EEX Natural Gas Futures TTF Settlement price¹ spread of the four following winter/summer prices per MWh of surplus stocks to be transferred.

¹ <https://www.eex.com/en/market-data/natural-gas/futures#%7B%22snippetpicker%22%3A%22292%22%7D>

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For example, if the five-year BCP auction was announced on 30.08.2024, the stock transfer fee calculated according to the second criterion would be 1.12 EUR/MWh:

| Day | Season | Settlement price EUR/MWh | Winter/summer price spread EUR |
|------------|----------------------|-----------------------------|-----------------------------------|
| 29.08.2024 | 2025-04 | 39.764 | |
| 29.08.2024 | 2025-10 | 40.781 | 1.017 |
| 29.08.2024 | 2026-04 | 32.647 | |
| 29.08.2024 | 2026-10 | 34.052 | 1.405 |
| 29.08.2024 | 2027-04 | 26.814 | |
| 29.08.2024 | 2027-10 | 28.585 | 1.771 |
| 29.08.2024 | 2028-04 | 24.010 | |
| 29.08.2024 | 2028-10 | 25.788 | 1.778 |
| | Average price spread | | 1.493 |
| | Multiplier 0.750 | | 1.12 |

(source: European Energy Exchange, 29.08.2024)

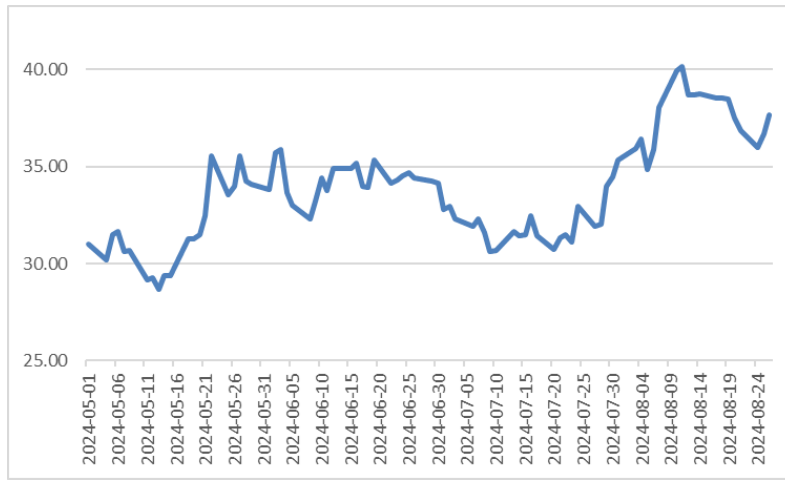
As the one-year BCP product is designed for short-term planning, the transfer of remaining stock at the end of use of the capacity product to another product of the same type is subject to a fee calculated at the time of the auction announcement by applying the higher of (1) two EUR per MWh of the remaining stock to be transferred; (2) 1,25 times the difference between the EEX Natural Gas Futures TTF Settlement price next winter/summer.

For example, if a one-year BCP auction was announced on 30.08.2024, the stock transfer fee would be EUR 2/MWh (given that the product derived from the price data in the table above is the smallest of the benchmarks, the first benchmark applies).

Charges for storage of remaining stocks without booking of a capacity product

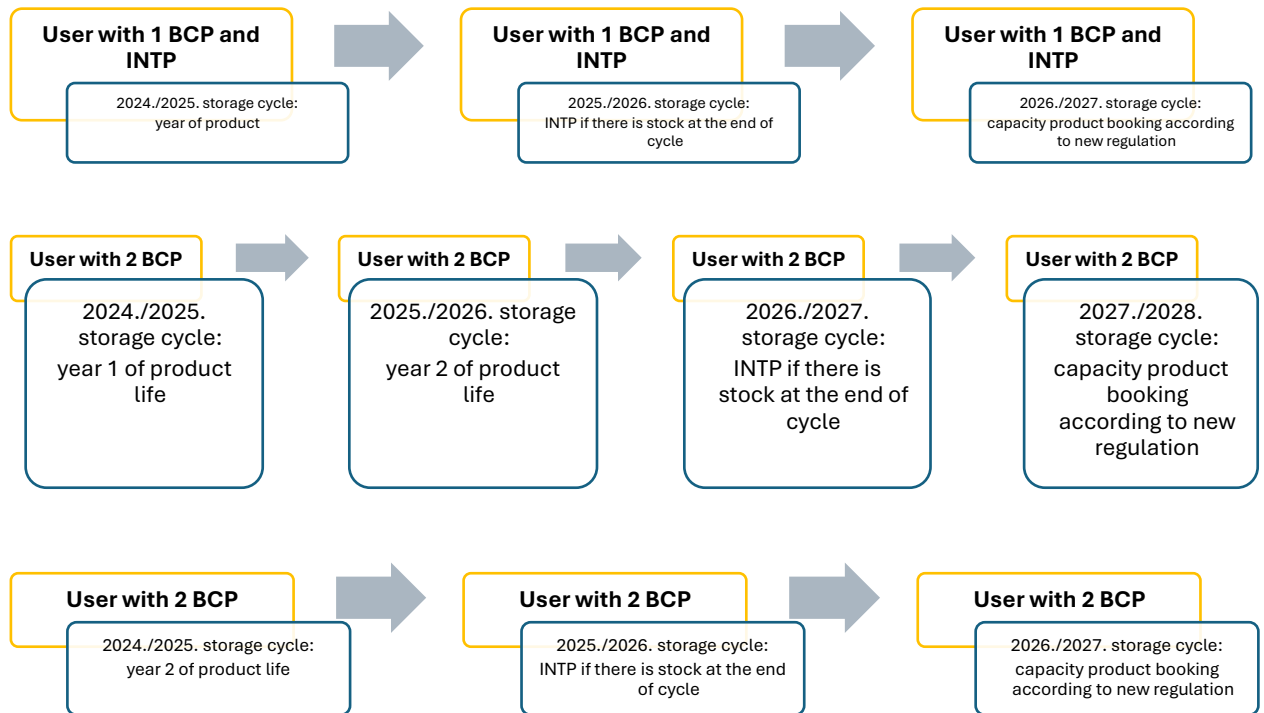
Charging for the storage of natural gas without Storage Capacity Product, i.e. at the end of the Storage Cycle without further booking of Storage Capacity Product, is a way to encourage Storage Users to plan their storage activities in advance. The fee is to be set at 0.15% of the value of the stored stocks, calculated for each gas day on the basis of the stock balance in the Storage Facility at the beginning of the gas day, applying the last published price of the EEX Natural Gas Spot TTF Day Ahead financial instrument (*Last price*)² at the beginning of the gas day. The level of the fee is set with the aim to guarantee Storage Users the undisturbed use of their booked Storage Capacity Products, while balancing the provision for the release of Storage with reasonable flexibility in case of contingencies, allowing for temporary storage of natural gas in Storage after the expiry of the right to use a Storage Capacity Product, even if no Storage Capacity has been booked for the next Storage Cycle. At the same time, the Storage User also has access to the secondary market for Storage Capacity and other market instruments which can be used to avoid the application of the above fee.

² <https://www.eex.com/en/market-data/natural-gas/spot>



EEX Natural Gas Spot TTF Day Ahead Last price for the 2024/2025 cycle

Transition period



Taking into account that the users of the Storage Facility could rely on the existing Regulations Regarding the Use of Inčukalns Underground Gas Storage Facility, in particular on the characteristics of the capacity products described therein, when booking the Storage capacity for the 2023/2024 and 2024/2025 Storage cycles, the Amendment Project provides for a transition period from the currently applicable legal framework to the new legal framework.

2GJP. Under the terms of the Draft Amendment, two-year BCP will no longer be offered in future auctions of Storage Capacity Products. At the same time, two-year BCP was auctioned in both the 2023 and 2024 capacity product auctions. Accordingly, the last Storage Cycle for which Storage Users have reserved a two-year BCP is the 2025/2026 Storage Cycle, after which Storage Users for whom the 2025/2026 Storage Cycle is the second Storage Cycle of a two-year BCP are entitled to a Stock Transfer Product

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("INTP"). Consequently, the two-year BCP regulation will expire on 1 May 2026, when the 2026/2027 Storage Cycle starts.

INTP. Under the terms of the Draft Modification, no new INTP will be granted from the 2025/2026 Storage Cycle onwards. At the same time, the INTP shall be due to the Storage Users who have been awarded a two-year BCP as a result of the 2023 and 2024 Storage Capacity Auctions, who have been awarded a one-year BCP as a result of the 2024 Storage Capacity Auction and who have been awarded a INTP for the 2024/2025 Storage Cycle. For those Storage Users for which the 2024/2025 Storage Cycle is the second Storage Cycle of a two-year BCP, the INTP will only be awarded for a further 2025/2026 Storage Cycle. For those Storage users for whom the 2024/2025 Storage cycle is the first Storage cycle of a two-year BCP, the INTP will only be granted for a further 2026/2027 Storage cycle. On the other hand, for those Storage Users who have been awarded a one-year BCP as a result of the 2024 Storage Capacity Auctions and have been awarded a INTP for the 2024/2025 Storage Cycle, the INTP will only be awarded for a further 2025/2026 Storage Cycle. Consequently, the regulation on the INTP will expire on 30 April 2027. Given that the two-year BCP will no longer be offered in the subsequent auctions of the Storage Capacity Products, the transitional regulation in the Draft Amendment provides that the tariff for the INTP booked for the 2026/2027 Storage Cycle is equal to the tariff for the INTP for the 2025/2026 Storage Cycle.

CO₂ allowance payment

Currently, the Regulations Regarding the Use of Inčukalns Underground Gas Storage Facility require the system user to provide, at its own expense, the amount of fuel gas required for the operation of the natural gas injection units. The Draft Amendment foresees an additional obligation for the system user to pay also for the CO₂ quotas corresponding to the fuel gas consumption. At the same time, the transitional provision in the Draft Amendments provides that as long as the system operator holds the free CO₂ allowances allocated to it, no charges will be applied to system users.

Institutions involved in project development

Pursuant to Article 15 (7) of the Energy Law, Conexus Baltic Grid AS was involved in the development of the Draft Amendments.

Target groups of society affected or likely to be affected by the legislation

The draft amendments will affect natural gas end-users, storage system users and JSC Conexus Baltic Grid.

Assessment of the impact on target groups of society affected or likely to be affected by the legal framework

The amendments to the Regulations Regarding the Use of Inčukalns Underground Gas Storage Facility will give the users of the Storage an additional tool for long-term planning of their activities. The phasing out of the INTP will allow the system operator to better plan the available storage capacity and to conduct more timely auctions of storage capacity products, which will promote certainty about the storage capacity available to storage users and significantly improve the ability of storage users to plan in advance for the build-up of supply stocks. Planned amendments will not increase the administrative burden as they do not require additional information to be prepared and submitted to the Regulator.

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The Chair

A. Ozola

THE DOCUMENT IS SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND CONTAINS A
TIME STAMP

Amendments to Decision No 1/14 of 1 October 2020 of the Public Utilities Commission "Regulations Regarding the Use of Inčukalns Underground Gas Storage Facility"

*Issued in accordance with the Energy Law
Article 15, seventh paragraph*

1. To amend the Decision of the Public Utilities Commission No.1/14 of 1 October 2020 "Regulations Regarding the Use of Inčukalns Underground Gas Storage Facility" (Latvijas Vēstnesis, 2020, No. 193; 2021, No. 245; 2022, No. 65; 2022, No. 212) as follows:
 - 1.1. add a new point 2.7¹ to the Decision to read as follows:

"2.7.¹ **storage part for reserves** - the part of the storage where natural gas is stored in the amount of reserves prescribed by the regulatory enactments or for security of natural gas supply reasons;"
 - 1.2. Amend point 2.8 to read as follows:

"2.8. **technical capacity of the storage facility** - the capacity of the storage facility to provide the maximum amount of natural gas to be stored in the storage facility per storage cycle;"
 - 1.3. amend point 2.10 to read as follows:

"2.10. **virtual counterflow** - virtual storage injection or withdrawal capacity to be used within the booked virtual counterflow product in accordance with the procedure for the use of the virtual backflow product set out in Annex 2 to this Regulation;"
 - 1.4. Paragraph 7 shall read as follows:

"7. The system operator shall announce the technical storage capacity forecast for the next storage cycle by publication on its website by 4 November each year, but no later than 10 working days before the first storage capacity auction of the next storage cycle.";
 - 1.5. delete point 8;
 - 1.6. Paragraph 9 shall read as follows:

"(9) The system operator shall communicate the technical capacity of the storage and the available capacity for each capacity product for the current storage cycle by 21 May each year by publication on its website. The system operator shall calculate the available storage capacity for the current storage cycle by deducting from the technical storage capacity the storage capacity reserved by system users for the current storage cycle, the capacity required

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for the reserve part of the storage and the capacity required for the technical operation of the system operator.";

1.7. delete point 10.3;

1.8. amend point 10.5 to read as follows:

'10.5. the virtual counterflow capacity per gas day D (kWh);';

1.9. amend point 24.1 to read as follows:

"24.1. by 10 January of each calendar year, but no later than one month before the first storage capacity auction of the following storage cycle, the system operator shall publish on its website information on all storage capacity auctions for capacity products for which the start of the period of use is the following storage cycle, agreed with the regulator, indicating the time of storage capacity auctions and the storage capacity products to which the storage capacity auctions relate;"

1.10. add a new point 28¹ to the Decision to read as follows:

" 28.11. If the system user's stocks at the end of a storage cycle exceed the storage capacity booked by the system user for the next storage cycle:

¹ Within 10 working days after the end of the withdrawal season, the system operator shall inform the system user of the schedule according to which natural gas stored without storage capacity product will be injected into the transmission system. The system operator shall submit, on behalf of the system user, trading notifications for the natural gas to be injected into the transmission system in accordance with the established schedule;

28.12. the system user shall pay a storage charge for the storage of stocks without a capacity product of 0,15% of the value of the stored stocks, calculated for each gas day on the basis of the balance of stocks in storage at the beginning of the gas day, applying the last published price of the EEX Natural Gas Spot TTF Day Ahead financial instrument (*Last price*) at the beginning of the gas day.";

1.11. amend point 31 to read as follows:

"A system user that has booked a capacity product and wishes to inject in storage or withdraw from storage a certain quantity of natural gas during an existing storage cycle shall submit a trade notice to the system operator within the time limits and in accordance with the standard communication protocol set out in the Common Regulations for the Use of Natural Gas Transmission System, indicating the relevant capacity product code. The quantity of natural gas specified in the trade notice shall be distributed evenly over all hours of the gas day;

1.12. in paragraph 50, after the words 'shall be provided by the system user', in the first sentence, add the words 'and shall bear the cost of CO₂ allowances corresponding to the fuel gas consumption, as calculated by the system operator';

1.13. amend point 56 to read as follows:

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"56. If the system user does not have a capacity product in an appropriate volume when the system operator transfers the unused fuel gas to the system user, the system operator shall transfer that volume of fuel gas to the system user within one month after the end of the off-take season at the virtual trading point.";

1.14. add a new point 57⁵ to the Decision, as follows:

"57.⁵ After the system operator has determined the actual fuel gas consumption in accordance with Paragraphs 54 and 54¹ of this Regulation, the system user shall account for the CO₂ allowances actually used for the combustion of fuel gas in accordance with the calculation provided by the system operator.";

1.15. Paragraphs 58 and 59 shall be replaced by the following:

"58. If the system operator detects a physical overload of capacity before 15.00 on gas day D-1:

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;

58.2. during natural gas injection into storage, the system operator shall, as part of congestion management, allocate natural gas injection capacity among system users on a priority basis for the bundled capacity product and the five-year bundled capacity product within the available capacity and in proportion to their booked unused storage capacity.

59. If, after 15.00 on Gas Day D-1, the system operator detects a physical overload of capacity:

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 five-year 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;

59.2. during the injection of natural gas into storage, the system operator shall, within the congestion management and capacity available for the storage of natural gas, allocate the natural gas injection capacity among system users in the order of receipt of trade notifications and with priority to the bundled capacity product and the five-year bundled capacity product specified in the trade notification.";

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1.16. add to the Decision a point 82¹³ , 82¹⁴ , 82¹⁵ , 82¹⁶ , 82¹⁷ , 82¹⁸ , 82¹⁹ , 82²⁰ , 82²¹ to read as follows:

"82.¹³ The fee set out in paragraph 57⁵ of this Regulation shall be calculated by the system operator when the free CO₂ allowances allocated to the system operator have expired.

82.¹⁴ The two-year bundled capacity product for the 2025/2026 storage cycle is not auctioned.

82.¹⁵ By the end of the 2025/2026 storage cycle, in the cases specified in Paragraphs 58 and 59 of this Regulation, the system operator shall allocate natural gas injection and withdrawal capacity among system users on a priority basis for the bundled capacity product, the two-year bundled capacity product and the five-year bundled capacity product within the framework of congestion management.

82.¹⁶ Until 30 April 2026, in the cases referred to in Sub-paragraphs 1.9 and 6.10 of Annex 2 to this Regulation, the transfer of stocks into storage shall also be possible under the two-year bundled capacity product.

82.¹⁷ Paragraph 2 of Annex 2 to this Regulation shall expire on 1 May 2026.

82.¹⁸ 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 2025/2025 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.

82.¹⁹ The tariff for the stock transfer product reserved for the 2026/2027 storage cycle shall be equal to the tariff for the stock transfer product for the 2025/2026 storage cycle.

82.²⁰ Paragraph 4 of Annex 2 to this Regulation shall expire on 1 May 2027.

82.²¹ For the 2025/2026 cycle, no less than 1 TWh of storage capacity shall be made available for booking of the bundled capacity product;

1.17. Annex 2 shall read as follows:

'Annex 2
Public Utilities Commission
Decision No 1/14 of 1 October 2020

Capacity products of the Inčukalns Underground Gas Storage Facility, their booking and use procedures

1. Bundled Capacity Product (product code IPGK1YP)

1.1 Time of reservation of storage capacity: in accordance with the information published in Sub-paragraph 24.1 of this Regulation, starting the booking of storage

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capacity no later than 15 March of the relevant year and ending it no later than 15 June of the relevant year.

1.2. Method of reserving storage capacity: auction procedure.

1.3 Auction procedure used to book the capacity product: auction using a flat-rate premium.

1.4 Storage capacity available for booking: unlimited storage capacity available for reservation less storage capacity available for booking of the five-year bundled capacity product as set out in sub-paragraphs 6.1 and 6.5 of this Annex. Where a part of the storage that was booked as part of the storage for the reserve is released, its amount shall be included in the amount of storage capacity available for the booking of the bundled capacity product.

1.5 Procedure for allocation of storage capacity: in accordance with Paragraph 24 of this Regulation.

1.6 Duration of use of the capacity product: one storage cycle.

1.7 The capacity product includes:

1.16.1. the use of storage capacity to the extent of the bundled capacity product available to the user;

1.16.2. storage of natural gas: unlimited, ensuring storing of a amount that can be stored with the capacity product at the disposal of the system user

1.16.3. withdrawal of natural gas from storage: unlimited, ensuring the withdrawal of stocks stored with a capacity product;

1.16.4. the use of virtual counterflow for the use of storage capacity to the extent of the capacity available to the user: free of charge.

1.8 Storage and withdrawal of natural gas: firm capacity product.

1.9 Stock transfers in storage: under the standard bundled capacity product and the five-year bundled capacity product.

1.10 Settlement of the capacity product: in accordance with Clause 24 of this Regulation.

1.11. Transfer of stocks to the next storage cycle on a bundled capacity product is possible if the system user has a bundled capacity product in the next storage cycle by paying the transfer fee specified in the auction regulations for the specific storage capacity product. The system operator shall calculate the transfer fee by applying the higher of (1) two EUR per MWh of the remaining stocks to be transferred; (2) 1,25 times the EEX Natural Gas Futures TTF Settlement price spread of the next winter/summer price.

1.12. If system user does not have a storage capacity product booked for the next storage cycle, the system user shall be obliged to release the stock.

2. 2 Year Bundled Capacity Product (product code IPGK2YP)

2.1. storage capacity booking time: in accordance with the information published in Sub-paragraph 24.1 of this Regulation, starting the storage capacity booking no later

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than 15 March of the relevant year and ending it no later than on the sixth working day after the date of publication of the storage technical capacity and storage available capacity for the current storage cycle in accordance with Paragraph 9 of this Regulation.

2.2. Method of booking storage capacity: auction procedure.

2.3 Auction procedure used to book the capacity product: auction using a flat premium.

2.4 Storage capacity available for booking: 4 000 000 000 (four billion) kWh for two consecutive storage cycles. If, at the end of the booking period for a capacity product, there is less than 4 000 000 000 (four billion) kWh of storage capacity booked within the capacity product, the amount of storage capacity not booked shall be included in the amount of storage capacity available for reservation in the bundled capacity product.

2.5 Procedure for allocation of storage capacity: in accordance with Paragraph 24 of this Regulation.

2.6 Duration of use of the capacity product: two consecutive storage cycles.

2.7 The capacity product includes:

2.7.1. the use of storage capacity up to the amount of the two-year bundled capacity product available to the user;

2.7.2. storage of natural gas: unlimited, ensuring the storage of stocks in a quantity that can be stored with the capacity product at the disposal of the system user;

2.7.3. withdrawal of natural gas from storage: unlimited, providing for the withdrawal of stocks stored with a capacity product;

2.7.4. the use of virtual counterflow for the use of storage capacity to the extent of the capacity available to the user: free of charge.

2.8 Storage and withdrawal of natural gas: firm capacity product.

2.9 Stock transfers in storage: within the Bundled Capacity Product, the Two-Year Bundled Capacity Product and the Five-Year Bundled Capacity Product.

2.10. Settlement of the Capacity Product: in accordance with Clause 24 of this Regulation.

2.11. Stock transfers:

2.11.1. at the end of the first storage cycle of the capacity product, the stocks are transferred to the second storage cycle of the two-year bundled capacity product;

2.11.2. at the end of the second storage cycle of the capacity product, the system user shall be deemed to have booked a stock transfer product for the next storage cycle for the relevant quantity of stock at the end of the storage cycle, which shall be settled with the system operator at the stock transfer product tariff for the next storage cycle.

3. Interruptible Capacity Product (product code IPGKAP)

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3.1. time of booking of storage capacity: in accordance with the information published in Sub-paragraph 24.1 of this Regulation, starting the reservation of storage capacity no later than 1 July of the relevant year and ending no later than 29 September of the relevant year.

3.2. Method of booking storage capacity: auction procedure.

3.3 Auction procedure used to book the capacity product: auction using a flat premium.

3.4 Amount of storage capacity available for booking: unlimited storage capacity.

3.5 Procedure for allocation of storage capacity: in accordance with Paragraph 24 of this Regulation.

3.6 Duration of use of the capacity product: one storage cycle.

3.7 The capacity product includes:

3.7.1. the use of the storage capacity to the extent of the interruptible capacity product available to the user;

3.7.2. storage of natural gas: unlimited, ensuring the storage of stocks in a quantity that can be stored with the available capacity product;

3.7.3. withdrawal of natural gas from storage: unlimited, providing for the withdrawal of stocks stored with a capacity product;

3.7.4. the use of virtual counterflow for the use of storage capacity to the extent of the capacity available to the user: at the virtual counterflow tariff.

3.8 Storage and withdrawal of natural gas: the interruptible capacity product.

3.9 Transfer of stocks in storage: within the product of interruptible capacity.

3.10. Settlement of the Capacity Product: in accordance with Clause 24 of this Regulation.

3.11. Transfer of stocks to the next storage cycle shall be possible under the conditions of the capacity product to which the stocks are transferred.

3.12 If system user does not have a storage capacity product booked for the next storage cycle, the system user shall be obliged to release the storage.

4. Stock transfer product (product code INTP)

4.1 Storage capacity booking time for the current storage cycle: the second day after the end of the previous storage cycle in accordance with Paragraph 11 of this Regulation.

4.2 Type of storage capacity booking: in accordance with the stock transfer procedure set out in sub-paragraph 2.11.2 of this Annex.

4.3 Amount of storage capacity available for booking: unlimited stocks at the end of the storage cycle in accordance with point 2.11.2 of this Annex.

4.4. Procedure for allocation of storage capacity: in accordance with point 2.11.2 of this Annex.

4.5 Duration of use of the capacity product: one storage cycle.

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4.6 The capacity product includes:

4.6.1. the use of storage capacity to the extent of the available stock transfer product;

4.6.2. injection of natural gas: not possible;

4.6.3. natural gas withdrawals from storage: the quantity of stocks stored with a stock transfer product;

4.6.4. the use of virtual counterflow flow for the withdrawal of natural gas from storage within the amount of capacity booked for the User: at the virtual counterflow tariff.

4.7 Withdrawal of natural gas from storage: a product of switch-off capacity.

4.8 Inventory transfer in storage: within the inventory transfer product.

4.9 Settlement of the Capacity Product: in accordance with Clause 25 of this Regulation.

4.10. Carry-over of stocks to the next storage cycle shall be possible under the conditions of the capacity product to which the stocks are carried over.

4.11 If system user does not have a storage capacity product reserved for the next storage cycle, the system user shall be obliged to release the storage.

5. Virtual counterflow product

5.1 Capacity reservation time for the current storage cycle:

5.1.1. during the use of the bundled capacity product;

5.1.2. the interruptible capacity during the use of the product.

5.2. the method of booking the capacity for storage and withdrawal of natural gas: by submitting a trade notice to the system operator.

5.3. the amount of capacity available for booking:

5.3.1. during the injection season - according to the information published on the website of the system operator on the amount of capacity available for booking, which shall not be less than the total amount of natural gas to be stored in the storage of system users approved in accordance with Paragraph 36 of this Regulation under the bundled capacity product and the interruptible capacity product on the gas day concerned, less the maximum amount of natural gas withdrawal capacity on the gas day concerned. The amount of capacity available for booking shall not be less than 0;

5.3.2. in the withdrawal season - according to the information published on the website of the system operator on the amount of capacity available for booking, which shall not be less than the total amount of natural gas to be withdrawn from storage by system users under the bundled capacity product and the interruptible capacity product approved in accordance with Paragraph 36 of this Regulation on the gas day concerned, less the maximum amount of natural gas injection capacity on the gas day concerned. The amount of capacity available for booking shall not be less than 0.

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- 5.4 Order of capacity allocation: in order of receipt of trade notifications.
- 5.5 Duration of use of the Capacity Product: the gas day for which the Capacity Product has been booked.
- 5.6 Capacity product includes: injection of natural gas into storage against the direction of withdrawal capacity and withdrawing natural gas from storage against the direction of injection capacity.
- 5.7 Storage of natural gas: firm or interruptible capacity product depending on the capacity product specified in the sales notification.
- 5.8 Transfer of stock in storage: not applicable.
- 5.9 Settlement of the Capacity Product: in accordance with Clause 25 of this Regulation. Where the amount of capacity available for booking in accordance with point 5.3 of this Annex is simultaneously available in both the injection and the withdrawal directions, the charge for the virtual counterflow capacity product shall not apply.
- 5.10 Transfer of stocks to the next storage cycle: not applicable.

6. 5-year bundled capacity product (product code IPGK5YP)

- 6.1 Time for booking storage capacity: in accordance with the information published in Sub-paragraph 24.1 of this Regulation, starting the booking of storage capacity no later than 15 March of the relevant year and ending no later than the sixth working day after the date of publication of the technical capacity of storage and the available capacity of storage for the current storage cycle in accordance with Paragraph 9 of this Regulation.
- 6.2. Method of booking storage capacity: auction procedure
- 6.3 Auction procedure used to book the capacity product: auction using a flat premium.
- 6.4 Starting price of the capacity product auction: determined by the system operator on the basis of the such considerations:
- 6.4.1. an assessment of the long-term operating costs of the Storage;
 - 6.4.2. an assessment of the natural gas market demand;
 - 6.4.3. previous experience of auctions for storage capacity.
- 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.
- 6.6 Procedure for allocation of storage capacity: in accordance with Paragraph 24 of this Regulation.
- 6.7 Duration of use of the capacity product: five consecutive storage cycles.
- 6.8 The capacity product includes:

6.8.1. the use of storage capacity within the five-year aggregated capacity product available to the user;

6.8.2. storage of natural gas: unlimited, ensuring the storage of stocks in a quantity that can be stored with the capacity product at the disposal of the system user;

6.8.3. withdrawal of natural gas from storage: unlimited, providing for the withdrawal of stocks stored with a capacity product;

6.8.4. the use of virtual reverse flow for the use of storage capacity to the extent of the capacity available to the user: free of charge.

6.9 Storage and withdrawal of natural gas: firm capacity product.

6.10. Stock transfers in storage: within the Bundled Capacity Product, the Two-Year Bundled Capacity Product and the Five-Year Bundled Capacity Product.

6.11 Settlement of the Capacity Product: in accordance with Clause 24 of this Regulation.

6.12. Stock transfers:

6.12.1. at the end of the storage cycle (during and at the end of the life of the capacity product), stocks can be transferred to the five-year bundled capacity product from any product up to 50% of the five-year bundled capacity product available to the system user for the next storage cycle, the system user shall inform the system operator of the amount of stocks to be transferred not later than 5 days before the end of the storage cycle;

6.12.2. the transfer of stocks to a five-year bundled capacity product in excess of 50% of the five-year bundled capacity product available to the system user for the next storage cycle shall be possible at a stock transfer fee to the five-year bundled capacity product, which shall be specified in the auction regulations for the specific storage capacity product. 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.

6.13. In the event that a system user does not have a storage capacity product booked for the next storage cycle, the system user shall be obliged to release the storage."

2. The Decision shall enter into force on the day following its publication in the official gazette "Latvijas Vēstnesis".