

Public Consultation on the Amendments to the Common Regulations for the Natural Gas Balancing of Transmission System

Summary of the public consultation

The purpose of this consultation document, developed by the Latvian gas transmission system operator AS “Conexus Baltic Grid” and Estonian gas transmission system operator Elering AS (hereinafter separately referred to as TSO or jointly – TSOs), is to inform and ascertain the opinion of public regarding the proposed draft amendments to the “Common Regulations for the Natural Gas Balancing of Transmission System” (hereinafter – the Regulation), as coordinated by and between the Public Utilities Commission of Latvia (Decision No. 135 of November 25, 2021), and Estonian Competition Authority (Decision No. 7-29/2021-002 of November 29, 2021) (hereinafter – draft Amendments).

The draft Amendments are intended to enter into force 30 days after coordinated approval by the Public Utilities Commission of Latvia and Estonian Competition Authority. Until the date of entry into force of the draft Amendments, the Decision No. 135 of the Public Utilities Commission of Latvia November 25, 2021 and the Decision No. 7-29/2021-002 of the Estonian Competition Authority shall apply.

Please submit your proposals and comments on the draft Amendments (in English) till September 16, 2022 by sending them (electronically) to the TSOs e-mail addresses: AS “Conexus Baltic Grid” (Marcis.Varpa@conexus.lv) or Elering AS (Marie.Kalmet@elering.ee).

Should you have any further questions please contact the respective representatives listed above.

The proposed draft Amendments and justification for the development of draft Amendments

Determination of the imbalance price

Sub-paragraph 8.6.1.1. of the Regulation foresees, that the marginal sell price (MSP) for gas day D shall be equal to the lower of, inter alia, the lowest price of any sales of title products in which a TSO was involved at relevant trading platforms in respect of gas day D. Whereas sub-paragraph 8.6.2.1. of the Regulation foresees, that the marginal buy price (MBP) for gas day D shall be equal to the greater of, inter alia, the highest price of any purchases of title products in which a TSO was involved at relevant trading platforms in respect of gas day D.

The TSOs have established the necessity to elaborate in the Regulation, that the price of TSO balancing action carried out using balancing services is also considered when determining the imbalance price. This would allow to address the situations where it is not possible to set the imbalance price, for instance, due to the lack of liquidity of the trading platform.

Sub-paragraph 8.6.1.1. of the Regulation shall be redrafted and expressed as follows:

8.6. For each gas day D, the TSO shall determine the daily imbalance prices on gas day (D+1) as follows:

8.6.1. the marginal sell price (MSP) for gas day D shall be equal to the lower of:

“8.6.1.1. the lowest price of any sales of title products in which the TSO is involved in respect of the gas day D (at the relevant trading platform or by using the balancing service agreement);”

Sub-paragraph 8.6.2.1. of the Regulation shall be redrafted and expressed as follows:

“8.6.2.1. the highest price of any purchases of title products in which the TSO is involved in respect of the gas day D (at the relevant trading platform or by using the balancing service agreement);”

Title Transfer Facility (TTF) price as the reference price

Provided, that there still might arise situation, when the TSO does not have the possibility to determine either the marginal sell price or the marginal buy price, the TSOs have ascertained the necessity to use the price of Dutch Title Transfer Facility (TTF) as the reference price in the event if there is no liquidity in the default trading platform or due to any other objective and substantiated reason. Also, Article 22(4) of Commission Regulation (EU) No 312/2014 of 26 March 2014 establishing a Network Code on Gas Balancing of Transmission Networks (hereinafter - BAL NC) foresees, that “a default rule shall be defined in case paragraph 2(a) and (b) do not allow for the derivation of a marginal sell price and/or a marginal buy price.”

Sub-paragraph 8.9. of the Regulation shall be redrafted and expressed as follows:

“8.9. In case it is not possible to determine either the marginal sell price, as per sub-paragraph 8.6.1.2 of the Regulation, or the marginal buy price, as per sub-paragraph 8.6.2.2. of the Regulation, due to the lack of liquidity at the relevant trading platform or any other objective and substantiated reason, the weighted average price of all trades in title products at the Dutch gas trading exchange Title Transfer Facility (TTF) in respect of gas day D multiplied by the respective incentive factor shall be used. If the weighted average price of all trades in title products at the TTF for the gas day D is not available, then the latest price available for the gas day before gas day D multiplied by the respective incentive factor shall be used.”

The attribution of neutrality charge

Sub-paragraph 8.15.2. of the Regulation provides, that the neutrality charge shall be set considering any costs and revenues of TSO arising from the balancing actions. The TSOs have recognized the necessity to implement the provisions addressing issue with high neutrality charge caused by positive or negative network user imbalance at end of the month or end of the year respectively. Therefore, clarification on the principles of neutrality charge calculation and application shall be made.

Supplement the Regulation with sub-paragraph 8.20. as follows:

“8.20. When calculating the neutrality charge the TSO shall take into account such costs and revenues arising from the balancing actions, pursuant to sub-paragraph 8.15.2. of the Regulation, which are undertaken by the TSO in the current calendar month (M), but are attributable to the previous calendar month (M-1) for which the monthly settlement as foreseen in sub-paragraph 9.2. of the Regulation, is carried out.”

Negative imbalance reduction plan

According to Regulation of the Cabinet of Ministers of 9 August 2022 No. 503 “Regulation for the supply of energy users during the declared early warning and alert level”, the unified natural gas transmission system and storage operator (of Latvia) by 1 October, 2022, shall develop and coordinate with the

transmission system operators of the Common Balancing Zone of Estonia and Latvia the procedures and requirements for preventing negative imbalances. Therefore, the Regulation shall explicitly foresee situations, when the TSOs have the right to develop and apply specific procedures and requirements, that are not in line with the Regulation, in relation to the network users, if any of the energy crisis levels in the natural gas sector is declared by the relevant state authority either in Estonia or Latvia.

Supplement the closing provisions of Regulation with sub-paragraph 21.4. as follows:

“21.4. If the competent state government authority declares any of the crisis levels in the natural gas sector, including energy crisis, as foreseen in Regulation (EU) 2017/1938 of the European Parliament and of the Council of 25 October 2017 concerning measures to safeguard the security of gas supply and repealing Regulation (EU) No 994/2010:

21.4.1. the Regulation is applicable insofar it does not conflict with the regulation established by the relevant competent state authorities in the event of the relevant crisis level;

21.4.2. the network user shall comply with the procedure and requirements for preventing negative imbalances, which is coordinated between the TSOs and published on the internet website of the TSO.”