

Rīgā  
22.06.2017 Nr. 01-7-6/1569  
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**JSC "Conexus Baltic Grid"**  
**Aristida Briana street 6**  
**Riga, LV-1001, Latvia**

**Re: Auction rules on ensuring availability of natural gas at the transmission system interconnection with the storage in 2017 - 2018**

JSC "Latvijas Gaze" has taken note of the announcement that the JSC "Conexus Baltic Grid" launched a public consultation on the draft Auction rules on ensuring the availability of natural gas at the transmission system interconnection with the storage in 2017 – 2018. We have thoroughly looked at the published documents and would like to submit the following comments concerning the provided information on the auction:

**1. Obligations of the storage user under the contract and contract period(s)**

Although the general objective and subject matter of the intended auction is clear to the JSC "Latvijas Gaze" the published documents in our opinion are not explicit enough with regard to several key obligations of the storage user and the respective contract period(s). The proposed conditions e.g. foresee that a certain amount of gas shall be kept in storage until a defined date (i.e. until November 1, 2017, until January 1, 2018 and March 1, 2018). At the same time Paragraph 3.5 of the Contract on guarantee obligation for natural gas availability" (hereinafter – Contract) allows the JSC "Conexus Baltic Grid" to request a nomination of quantities by the storage user at the transmission system interconnection with the storage. However, it is not clearly defined (i) during which period the JSC "Conexus Baltic Grid" can request such nomination (e.g. from 1 Oct to 1 Nov ?) and (ii) whether the initial quantity kept in storage needs to be restored by the storage user after the JSC "Conexus Baltic Grid" has exercised its right to request a nomination of quantities at the system interconnection with the storage.

**2. Nomination / Balancing**

Paragraph 3.5 of the Contract foresees the right for the JSC "Conexus Baltic Grid" to request from the storage user "to submit a nomination / renomination for input of natural gas at the transmission system interconnection with the Storage". JSC Latvijas Gaze does not regard a nomination regime to be appropriate but rather proposes a right for the JSC "Conexus Baltic Grid" to request balancing energy from the storage user. Apart from that paragraph 3.5 does not define any quantity limits with regard to the obligation of the storage user.

**SANĒMTS**  
AS „Conexus Baltic Grid”  
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### **3. Obligation to inject gas into IUGS**

The proposed rules explicitly foresee that auction winners have to *inject* the respective natural gas quantities into the IUGS. The JSC "Latvijas Gaze" proposes that auction winners may also use quantities that they already held in storage today to fulfill their storage obligation.

### **4. Penalties and limitations of claims**

The penalty scheme laid down in paragraph 4.6 of the Contract is not fully clear to JSC "Latvijas Gaze". From the current version of the text it is not fully apparent if the penalty only applies to that part of the obligation that was not fulfilled or if it is applied to the complete quantity even if the obligation was only breached partially.

JSC "Latvijas Gaze" regards certain parts of the penalty and liability scheme as unbalanced. While the penalty with regard to late payment by the combined system operator defined in paragraph 4.7 of the Contract e.g. is limited at 10% of the invoiced amount, storage users face significantly stricter penalties including the fact that "The Storage user shall be responsible for the timely fulfillment of the Guarantee obligation disregarding whether fulfillment of the obligation is not possible due to a fault of another transmission system operator." (See paragraph 3.3 of the Contract).

### **5. General remark**

The English version of the documents contains several cross references which are misleading or not correct. Paragraph 4.6 of the Contract e.g. refers "to the schedule given in clause 2.2". Clause 2.2. of the Contract, however, reads as follows: "During the Contract period, the Combined system operator undertakes to make payments for the Guarantee obligation fulfilled by the Storage user."

Sincerely,

S. Gröblichhoff

