

Consultation document on amendments to the Regulation on the Use of Inčukalns Underground Gas Storage Facility and changes to the storage capacity auction regulations

1. Summary of Consultation document

The purpose of the consultation document, developed by Conexus Baltic Grid AS, is to inform the public and to obtain the opinion of interested parties on the changes (amendments) proposed by Conexus Baltic Grid AS to the Decision No 1/14 of the Public Utilities Commission of October 1, 2020 "Regulation on the Use of Inčukalns Underground Gas Storage Facility" (hereinafter - the Draft Amendments) (Annex No 1) and the amendments to the Rules of the Capacity Auction of the Inčukalns Underground Gas Storage Facility (hereinafter - the Facility) (hereinafter - the Draft Rules) (Annex No 2).

The draft amendments and the draft Regulations have been prepared taking into account the current geopolitical situation in Europe, the need to promote the sustainable operation of the storage facility and the need for predictability in the availability of injection capacity. The draft amendments contain a regulation aimed at reducing the possibility of congestion of storage facility during the natural gas injection season and creating the conditions for storing as much natural gas as possible.

Proposals and comments on the Draft Amendments and the Draft Regulations should be submitted to AS "Conexus Baltic Grid" in writing to the e-mail address capacity@conexus.lv by September 15, 2022.

2. Necessity of the draft amendment

Natural gas supplies from the Russian Federation via the Luhamaa entry-exit point have been sporadic since March 2022. After the natural gas supply from the Russian Federation via the Imatra entry-exit point to Finland was interrupted on May 21, 2022, the Klaipeda LNG terminal became the main source of supply in the region. Natural gas is transported in small volumes from Poland via the Lithuanian-Polish interconnector (GIPL). At the same time, the Finland-Estonia LNG terminal is expected to start operations at the end of 2022, as well as a small-scale LNG terminal in Hamina, Finland.

The fourth paragraph of Article 106 of the Energy Law, which enters into force on January 1, 2023, provides, inter alia, that the supply of natural gas from the Russian Federation is prohibited.

It follows from the above that LNG supplies will be the most important source of natural gas supplies for the Baltic Sea region countries Finland, Estonia, Latvia and Lithuania, as well as possible pipeline supplies from Poland.

LNG deliveries have historically been planned by market participants on a monthly basis. In particular, market participants book firm capacity from the LNG terminal for all days of the month, and book firm capacity in Lithuania or in the Estonian-Latvian balancing area, respectively. In such circumstances, it is also important to ensure firm injection capacity into the storage facility, with the system operator avoiding, as far as possible, congestion of commercial flows, which, according to the current regulation on storage use, is managed through a pro-rata calculation depending on the unused storage capacity booked by the system user.

Given the nature of LNG supply, in order to promote and facilitate market participants' access to storage and the predictability of the availability of natural gas injection capacity, as

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well as to facilitate the sustainable operation of storage, it is necessary to introduce an injection management mechanism using defined natural gas injection schedules or natural gas injection curves.

Sustainable operation of the storage

A repository in water-saturated porous layers is a complex engineering geological object, the operation of which is associated with specific risks and resulting operating conditions. The technical capacity of the storage facility can be maximised by injecting natural gas into and out of the storage facility according to a specific, balanced schedule. A comparison of the theoretical optimal and the actual natural gas injection schedule over the last three years shows that the current regulation on the use of storage does not provide sufficient incentives for system users to submit trade notifications for the storage of natural gas in a manner that would naturally correspond to the optimal operation of the storage. It is therefore necessary to give the system operator the possibility to dynamically determine an appropriate natural gas injection schedule that is conducive to the sustainability of the storage facility.

Predictability of availability of storage injection capacity

Recent years have seen extremely dynamic changes in the natural gas market. In discussions on storage, natural gas market participants have repeatedly indicated that they value the opportunity to start booking storage capacity as early as possible, thus providing the best opportunity to purchase natural gas as a resource at competitive prices. At the same time, it should be noted that not only when storage capacity can be booked, but also whether the natural gas purchased in the transaction can be placed in storage at the planned time, plays an important role in the accuracy with which a natural gas market participant can implement its intended transactions. The introduction of natural gas injection curves binding on system users ensures that, by booking a fixed capacity product, a system user is guaranteed the right to use certain natural gas injection capacities during a certain period of the injection season.

The conditions for the use of the bundled capacity product and the two-year bundled capacity product need to be clarified in the regulation on the use of storage by specifying that guaranteed injection without congestion management arrangements under the bundled capacity product and the two-year bundled capacity product is to be carried out in a specific month. In the auction of storage capacity, the system user would be allocated the bundled capacity product or the two-year bundled capacity product, as the case may be, with the month of guaranteed injection specified for it, and for the rest of the injection season the system operator would apply the congestion management arrangements set out in the storage conditions to the bundled capacity product or the two-year bundled capacity product, as the case may be, for the rest of the injection season.

Specifying the conditions for storage congestion management

Given the introduction of the natural gas injection curve and the injection month concept, it is also necessary to clarify the manner in which curtailment should be carried out in the event that the system operator nevertheless needs to curtail the storage injection capacity. Firstly, the capacity for the interruptible capacity product is curtailed, whereas if curtailment of the bundled capacity product and the two-year bundled capacity product is necessary, this is done in proportion to the amount of capacity of the bundled capacity product and the two-year bundled capacity product allocated to each user.

Impact of changes on the two-year bundled capacity product

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It is planned to organise separate auctions for the bundled capacity product and the two-year bundled capacity product, but not to book available capacity in case the two-year bundled capacity product is not fully booked, and to offer all available storage capacity at the time of organising the auction for the bundled capacity product.

The injection month associated with the two-year bundled capacity product shall be one month in both storage cycles, during the period of use of the capacity product.

The already booked two-year bundled capacity product will retain its injection capacity characteristic at the time of its booking, i.e. injection will be available throughout the injection season at a proportion of the daily injection capacity, the system operator having booked such amount of capacity product for the previously booked two-year bundled capacity product.

3. Need for draft Rules

Auctioning of storage capacity

Taking into account the provisions of the Draft Amendment, it is envisaged to offer for booking in the auction of storage capacity a bundled capacity product and a two-year bundled capacity product, broken down by month for injection. Consequently, changes are to be made to the storage capacity auction rules currently agreed by the Public Utilities Commission.

The draft Regulation provides that Connexus Baltic Grid shall publish for each storage capacity auction the amount of capacity available for a given injection month. The bidder must indicate in its bid the injection month for which the bid is submitted.

The storage capacity auction will evaluate bids for each injection month separately and the capacity auction premium will also be set for each injection month separately. In order to give market participants additional flexibility in submitting bids, in the event that storage capacity cannot be booked for the injection month specified in the bid, it is possible to submit bids in unlimited quantities, specifying the maximum amount of capacity product to be accepted by the bidder in the storage capacity auction, after which the bidder's other bids are not taken into account. This approach will allow bidders to submit their bids, mitigating the risk of not receiving the full amount of storage capacity in the event that a bid submitted for a injection month falls outside the approved capacity product amount, while allowing an alternative bid to be submitted within the bid for other injection months.

Bids are evaluated on a best-value basis (starting with the highest bid), assessing bids for the amount of storage capacity requested for a given injection month. Once the available storage capacity for a given injection month has been reached, the remaining bids for that injection month shall not be considered. However, once the maximum amount of storage capacity to be confirmed by a particular bidder has been reached, the remaining bids of that particular bidder shall not be considered in the storage capacity auction.

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**Amendments to the decision No. 1/14 of the Public Utilities Commission of
October 1, 2020 “Inčukalns Underground Gas Storage Facility Terms of Use”**

*Issued in accordance with the
Paragraph 7 of Section 15 of the Energy Law*

1. To make the following amendments in the decision No. 1/14 of the Public Utilities Commission of October 1, 2020 “Inčukalns Underground Gas Storage Facility Terms of Use” (*Latvijas Vēstnesis*, 2020, No. 193):
 - 1.1. to supplement the decision with subparagraphs 2.2.¹ and 2.2.² as follows:
 - “2.2.¹ injection month – one of the calendar month-long time periods in the natural gas injection season, as well as the period from October 1 to October 14 of each year;
 - “2.2.² natural gas injection curve – the amount of natural gas determined by the system operator for the quantity of the bundled capacity product booked by the system user or the quantity of the two-year bundled capacity product during the period of use of the capacity product, divided by gas days, which the system operator can provide with firm capacity for injecting natural gas in the storage during the injection season;”;
 - 1.2. to express subparagraphs 24.2 and 24.3 as follows:
 - “24.2. the system operator publishes the storage capacity auction regulation, which indicates the maximum available storage capacity for the capacity product in the relevant storage cycle within the auction and the corresponding natural gas injection curve and which has been agreed with the regulator, or information about the cancellation of the storage capacity auction, if one of the conditions specified in clause 24.1 of these Regulations occur, on its website no later than five working days before the specified start of the auction;
 - 24.3. the system operator informs the system user about the quantity of storage capacity allocated within the relevant capacity product, the premium applicable to it, and the natural gas injection curve no later than the day after the end of the storage capacity auction, by electronically sending a relevant notification to the system user;”;
 - 1.3. to supplement the decision with paragraphs 24.² and 24.³ as follows:
 - “24.² The system operator publishes on its website the criteria for determining the natural gas injection curve, which are technically justified and meet the requirements of safe management of the storage, ensuring the efficient provision of storage services to system users.
 - 24.³ The system operator conducts storage capacity reservation auctions in accordance with the procedure specified in Annex 2 of this Regulation, offering to book storage capacity for the month of product injection, indicating the corresponding natural gas injection curve.”;
 - 1.4. to supplement paragraph 32 with the third sentence as follows:
 - “If the amount of natural gas specified in the system user’s trade notification within the bundled capacity product or the two-year bundled capacity product exceeds the amount of natural gas specified in subparagraphs 1.8.2 and 2.8.2 of Appendix 2 to these Regulations, the system operator rejects the trade notification.”;
 - 1.5. to supplement the decision with paragraph 34.¹ as follows:
 - “34.¹ The system operator confirms the amount of natural gas indicated in the trade notifications in the following order:
 - 34.¹ during the injection of natural gas into the storage, if the trade notifications are submitted by 15:00 on the gas day D-1, the amount of natural gas that

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corresponds to the amount specified for the injection of natural gas is first approved, the remaining amount of natural gas is approved by dividing it among the system users in proportion to the amount of unused storage capacity of the capacity product specified in the trade notification. If trade notifications are submitted after the gas day D-1 at 15:00, – in the order of receipt of trade notifications, observing the available natural gas injection capacity;

34.^{1,2} during the withdrawal of natural gas from the storage – in the order of receipt of trade notifications. If by 15:00 of the gas day D-1, the system operator detects a physical congestion of capacity, the system operator, within the framework of congestion management, distributes the natural gas withdrawal capacity between the system users for the priority bundled capacity product and the two-year bundled capacity product and in proportion to the storage capacity available for their use. If, after the gas day D-1 at 15:00, the system operator detects a physical capacity congestion, the natural gas withdrawal capacity is distributed among the system users in the order of receipt of trade notifications and on a priority basis for the bundled capacity product and the two-year bundled capacity product specified in the trade notification.”;

1.6. to express paragraphs 67.¹ and 67.² of the decision as follows:

“67.¹ If the system operator limits the injection of natural gas into the storage in the cases specified in clauses 60 and 62 of these regulations, as well as in cases where maintenance work is carried out within the deadlines published in accordance with clauses 64 and 65 of these regulations, the system operator rejects the amount of natural gas indicated in the trade notifications that is used within the framework of the interruptible capacity product, but the amount of natural gas indicated in the trade notifications, which is used within the framework of the bundled capacity product and the two-year bundled capacity product, is distributed among the users of the system in proportion to the amount of natural gas specified in the natural gas injection curve on the relevant gas day.”

67.² If the system operator limits the withdrawal of natural gas from the storage during the gas day in the cases specified in clause 60 of these Regulations, the system operator distributes the natural gas withdrawal capacity among system users in accordance with the congestion management procedure specified in sub-clause 34.^{1,2} of these regulations.”;

1.7. to express subparagraph 1.3 of Annex 2 as follows:

“1.3. The auction procedure used to book the capacity product:

1.3.1. the booking of the capacity product is done in an auction where the determination of a single premium is used;

1.3.2. in the auction, books the capacity product for the month of injection, for the natural gas injection curve corresponding to the maximum amount of available storage capacity in the capacity product storage cycle.”;

1.8. to express subparagraph 1.8 of Appendix 2 as follows:

“1.8. Placement of natural gas for storage in storage facility:

1.8.1. according to the natural gas injection curve of the capacity product available to the system user: firm capacity product;

1.8.2. upon exceeding the amount of natural gas specified in the natural gas injection curve of the capacity product at the disposal of the system user on the gas day: interruptible capacity product.”;

1.9. to supplement Appendix 2 with paragraph 1.8.¹ as follows:

“1.8.¹ Withdrawal of natural gas from storage facility: firm capacity product.”

1.10. to express subparagraph 2.8 of Appendix 2 as follows:

“2.8. Placement of natural gas for storage in storage:

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2.8.1. according to the natural gas injection curve of the capacity product available to the system user: firm capacity product;

2.8.2. upon exceeding the amount of natural gas specified in the natural gas injection curve of the capacity product at the disposal of the system user on the gas day: interruptible capacity product.”;

- 1.11. to supplement Appendix 2 with paragraph 2.8.¹ as follows:
“2.8.¹ Withdrawal of natural gas from storage facility: firm capacity product.”



Annex 2
to AS "Conexus Baltic Grid"
Consultation document

Year ____ / ____ Storage Cycle
Bundled capacity product Auction
Regulation

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1. Purpose of the Auction, general information

- 1.1. The purpose of the Auction is to ensure a clear, transparent and non-discriminatory allocation of Inčukalns underground gas storage capacity (hereinafter - storage) to users of the natural gas storage system (hereinafter - system user) when carrying out storage capacity booking.
- 1.2. Joint Stock Company "Conexus Baltic Grid" (hereinafter - AS "Conexus Baltic Grid"), unified registration number: 40203041605, address: Stigu Street 14, Riga, LV – 1021, taking into account the Decision No 1/14 of the Public Utilities Commission of 1 October 2020 "Regulations Regarding the Use of the Inčukalns Underground Gas Storage Facility", "(hereinafter - "Storage Regulation"), as defined in Annex 2, points 1.1 and 1.2, the system user Bundled capacity product (hereinafter – Capacity product) for the year ____/____ storage cycle shall be allocated by applying the auction procedure ("Auction").
- 1.3. The Auction item is a specific storage capacity usage right in the year ____/____ storage cycle within Capacity product, using which the system user can store natural gas at the amount of storage capacity allocated as a result of the Auction, place natural gas in storage and remove natural gas from storage.
- 1.4. Type of Auction method: "pay- as-clear".
- 1.5. The maximum amount of Capacity Product and the corresponding natural gas injection curve for the storage cycle of year ____/____ shall be published on the website of AS "Conexus Baltic Grid" not later than five business days prior to the Auction Date.
- 1.6. Any user of the natural gas transmission system and system user (who has signed transmission system services agreement and balancing agreement with one of the natural gas transmission system operators of Common Estonia and Latvia balancing zone and the natural gas storage service agreement with AS "Conexus Baltic Grid") may participate in the auction (hereinafter - Auction Participant).
- 1.7. AS "Conexus Baltic Grid" shall, at the request of the Applicant, provide an explanation of the requirements contained in this Regulation. The Applicant shall submit the request for clarification electronically to the contact persons of AS "Conexus Baltic Grid" specified in Sub-paragraph 2.22 of this Regulation not later than three working days prior to the date of the Auction referred to in Sub-paragraph 2.1 of this Regulation. AS "Conexus Baltic Grid" shall reply to the request for clarification electronically not later than one working day prior to the date of the Auction.
- 1.8. The Applicant when contacting AS "Conexus Baltic Grid" in the cases provided for in this Regulation, submits the information and documents on Applicant's own discretion either in Latvian or English.

2. Auction process, submission of applications and offers

- 2.1. AS "Conexus Baltic Grid" shall conduct the Auction in accordance with the information published on the website of AS "Conexus Baltic Grid" in accordance with Sub-paragraph 24.1 of the Storage Use Rules.
- 2.2. The Offer Sheet in accordance with the Annex to this Regulation (hereinafter - Offer) may be submitted by an Auction Participant who meets the conditions set out in sub-paragraph 1.6 of these Regulations.
- 2.3. The Auction Participant shall submit the Offer to AS "Conexus Baltic Grid" by uploading it to the unified IT Platform of the Common Balancing Area (hereinafter - IT Platform) by 11:00 a.m. (Latvian time) on the Auction Day.

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- 2.4. Auction Participant shall submit one Offer per upload. If multiple Offers are submitted with one upload, all Offers submitted by the Auction Participant shall be rejected by AS "Conexus Baltic Grid" and shall not be considered.
- 2.5. Offer shall be presented in an electronic format (.xlsx or .ods) and is protected by Microsoft Office or Libre Office Encryption using a password.
- 2.6. The Offer shall be submitted by the person indicated by the Auction Participant in the contact details for carrying out activities on the IT platform on behalf of the Auction Participant.
- 2.7. AS "Conexus Baltic Grid" immediately, but not later than 11:05 (Latvian time) of the auction day, shall electronically inform the Auction Participant regarding receipt of the Offer. A notification regarding receipt of an Offer shall not be regarded as a notification that the Offer submitted by an Auction Participant has been made or submitted in conformity with the requirements of this Regulation.
- 2.8. Auction Participant on auction day 11:00 until 12:00 (Latvian time) on auction day sends to AS "Conexus Baltic Grid" the password of Offer file to the e-mail address auction@conexus.lv. AS "Conexus Baltic Grid" immediately, but not later than 12:05 (Latvian time) on auction day, shall electronically inform the Auction Participant regarding receipt of the password submitted electronically. If the password of the Offer file is not submitted, it is not possible to open the Offer file or the Offer file password is submitted outside the time limit specified in this Sub-paragraph, the Offer shall not be considered.
- 2.9. Offers submitted to AS "Conexus Baltic Grid" shall be opened after the expiry of the deadline for the delivery of the Offer file password specified in Sub-paragraph 2.8 of this Regulation. AS "Conexus Baltic Grid" only opens Offers received within the time limit specified in Sub-paragraph 2.3 of this Regulation. All Offers received after the deadline referred to in Sub-paragraph 2.3 of this Regulation, and Offers which from 11:00 (Latvian time) of auction day have been withdrawn, are not considered.
- 2.10. Auction Participant may withdraw the submitted Offer until the end of the time period for the submission of the Offer, which is specified in Sub-paragraph 2.3 of this Regulation. If Auction Participant withdraws the Offer after the deadline referred to in Sub-paragraph 2.3 of the Regulation, the Offer shall be evaluated in accordance with Paragraph 4 of this Regulation and the Auction Participant shall be bound by the results of the Auction and the amount of the commitments announced by AS "Conexus Baltic Grid" in accordance with Paragraph 5 of this Regulation.
- 2.11. The content of the Offer and information regarding the submission and evaluation process of the Offer shall be limited access information, which shall be regarded as such in accordance with Section 112 Clause 18 of the Energy Law, Section 2 of the Trade Secret Protection Law and Section 5, Paragraph two, Clause 3 of the Freedom of Information Law.
- 2.12. AS "Conexus Baltic Grid" may, after the opening of the Offers, request additional information from the Auction Participant regarding the Offer submitted. The Auction Participant shall send the reply to the request for additional information to AS "Conexus Baltic Grid" electronically within the time limit specified in the request for additional information, which may not be less than 1 (one) hour.
- 2.13. Auction Participant may include, within the scope of the Offer, several price bid offers for an Auction Participant's freely selected amount of storage capacity (hereinafter - Bid).
- 2.14. Auction Participant Bids for the amount of the requested Capacity product is not less than 1 MWh and greater than the maximum amount of storage capacity of the Capacity product specified in Sub-paragraph 1.5 of this Regulation, rounded to an integer.

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- 2.15. The Auction Participant shall specify in the Offer whether the requested amount of the Capacity product is considered to be fixed or variable, in order to avoid the allocation of a minor amount of storage capacity, if the circumstances specified in Sub-paragraph 4.4.4 of this Regulation occur.
- 2.16. The Auction Participant shall indicate in its Bid the month of injection in which it intends to use the capacity product within its applicable natural gas injection curve.
- 2.17. The Auction Participant shall indicate in the Bid the maximum amount of capacity product it requires for the Auction, upon reaching which the Bids of the Auction Participant exceeding the maximum available storage capacity of capacity product set out in sub-paragraph 1.5 of these Terms and Conditions shall be rejected.
- 2.18. Within the time limit specified in Sub-paragraph 2.3 of this Regulation, an Auction Participant may submit a new Offer. The last Offer submitted by the Auction Participant shall be used when evaluating the Offer in accordance with Paragraph 4 of this Regulation.
- 2.19. AS “Conexus Baltic Grid” rejects the Offer if it does not comply with the requirements laid down in this Regulation.
- 2.20. AS “Conexus Baltic Grid” may terminate the Auction at any time if it has objective justification.
- 2.21. The Auction Participant shall bear all costs incurred by it in connection with the preparation and submission of the Offer. AS “Conexus Baltic Grid” does not compensate or reimburse the Auction Participants for the losses associated with the Auction.
- 2.22. When submitting several Bids within the framework of the Offer, the Participant shall assume the responsibility that such structured Offer may be rejected in part in accordance with Sub-paragraph 4.2 of this Regulation.
- 2.23. AS “Conexus Baltic Grid” has the right to reject the Offer of an Auction Participant which has not renewed the security for the fulfilment of liabilities from the beginning of the year ____/____ storage cycle withdrawal season until the date of the Auction and to which the storage system operator has sent the warning notice provided for in Paragraph 76.¹ of the Storage Regulation.
- 2.24. AS “Conexus Baltic Grid” has authorised the Head of Division, Jānis Akmens, to provide information on the Auction procedure and the requirements included in this Regulation, phone +371 29373375 and Deputy Head of Division Kaspars Skrābāns phone +371 29213960, email: auction@conexus.lv.

3. Bid price

- 3.1. Minimum Bid price for Capacity product is EUR 0/MWh.
- 3.2. The Auction Participant shall present the Bid price per MWh *in euro* (EUR) with an accuracy of up to two decimal places without value added tax (VAT).

4. Evaluation of Offers, setting the premium

- 4.1. AS “Conexus Baltic Grid” shall evaluate only Offer submitted in accordance with the requirements of Paragraph 2 of this Regulation.
- 4.2. Conexus Baltic Grid shall rank the Bids meeting the requirements of this Regulation in order of economic advantage according to the Bid Price (EUR/MWh) submitted in the Bid, starting with the highest Bid Price offered, and shall confirm the Bids until the

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maximum available storage capacity of the Capacity Product for the injection month or the maximum amount of Capacity Product required by the Auction Participant as specified in Sub-paragraph 1.5 of this Regulation or Sub-paragraph 2.17 of this Regulation is reached.

- 4.3. If the total amount of the Capacity product required by the Offers of the Auction Participants is less than the amount specified in Sub-paragraph 1.5 of this Regulation, AS “Conexus Baltic Grid” shall be granted to the Auction Participant the total amount of the Capacity product requested in the Offer.
- 4.4. If the total amount of the Capacity product requested in the Offers of the Auction Participants exceeds the amount specified in Sub-paragraph 1.5 of this Regulation, AS “Conexus Baltic Grid” allocates Capacity product in the following order and sequence:
 - 4.4.1. If the evaluation of Bids reaches the maximum amount of the Capacity Product for the injection month, the remaining Bids with the relevant injection month feature shall be rejected;
 - 4.4.2. If the evaluation of the Bids reaches the maximum amount of Capacity Product to be confirmed as indicated by the Auction Participant, the remaining Bids shall be rejected;
 - 4.4.3. An Auction Participant whose Bid price indicated in the Bid is not the closing Bid Price shall be awarded the Capacity Product in the requested amount upon reaching the volume of Capacity Product specified in sub-paragraph 1.5 of this Regulation in accordance with the procedure specified in sub-paragraph 4.2 of this Regulation.
 - 4.4.4. The amount of Capacity Product equal to the difference between the amount set out in sub-paragraph 1.5 of this Regulation and the amount of Capacity Product allocated in accordance with sub-paragraph 4.4.3 of this Regulation shall be allocated in proportion to the proportion of the Capacity Product requested by the Auction Participant in the total amount of Capacity Product requested in the Bids in which the closing price is offered. No Capacity Product shall be allocated to a Bid which is indicated as fixed and for which it is not possible to allocate the full amount of Capacity Product. This Bid shall be excluded from the determination of the proportion and the proportion and the amount of Capacity Product to be allocated to the Auction Participant shall be redetermined.
 - 4.4.5. The Capacity product amount shall be allocated to the Auction Participant up to a full MWh, which is rounded down to full integer. Capacity product amount, which cannot be allocated to full MWh, is not allocated to Auction Participant.
- 4.5. The premium applicable to the amount of the Capacity product awarded to the Participants of AS Conexus Baltic Grid Auction shall be determined in accordance with the following procedure:
 - 4.5.1. if the total amount of the Capacity product requested in the Offers submitted in the Auction does not exceed the amount specified in Sub-paragraph 1.5 of this Regulation, the premium applicable to the amount of the Capacity product allocated to the Auction Participants shall be equal to the minimum Bid price specified in Sub-paragraph 3.1 of this Regulation.
 - 4.5.2. if the total amount of the Capacity product requested in the submitted Offers exceeds the amount specified in Sub-paragraph 1.5 of this Regulation, the premium applicable to the amount of the Capacity product allocated to the Auction Participants shall be equal to the price indicated in the closing Bid before the amount of storage capacity set in sub-paragraph 1.5 has been reached or exceeded in accordance with Sub-paragraph 4.4 of the Regulation.

5. Notification of the results of the Auction, procedures for dispute, extent of the obligations and settlement procedures

- 5.1. Until 11:00 following day after the Auction AS “Conexus Baltic Grid” simultaneously publishes on Common Estonia-Latvia balancing zone IT platform, informing all Participants of the Auction of the results on the website of AS “Conexus Baltic Grid”. On website of the AS “Conexus Baltic Grid” shall publish information on the total requested amount of storage capacity in the course of Auction, the total amount of storage capacity allocated within the Capacity product as a result of the Auction and the premium applicable to it (EUR/MWh). AS “Conexus Baltic Grid” shall send information regarding the results of the Auction to the respective Auction Participant on the IT platform Common Estonia-Latvia balancing zone and electronically only in the part attributable to the Offer submitted by the respective Auction Participant.
- 5.2. The winner of the Auction within three working days from the date of notification of the results of the Auction, as specified in Sub-paragraph 5.1 of this Regulation, within framework of review of Auction results has rights to dispute Auction results in the part that do not comply with Offer submitted by Auction Winner (hereinafter – Complaint). Auction Winner sends to AS "Conexus Baltic Grid" email address auction@conexus.lv justified Complaint stating non-conformity between notification of Capacity product allocation and the Offer. AS "Conexus Baltic Grid" reviews the Complaint and within two working days informs respective Auction Winner about taken decision. Complaint shall not affect obligation of Auction Winner that is stated in Sub-paragraph 5.4 of this Regulation unless AS "Conexus Baltic Grid" in the decision of Complaint review provides otherwise.
- 5.3. AS “Conexus Baltic Grid” shall inform the Auction Participant of the amount of the Capacity product (MWh) allocated and the premium EUR/MWh (excluding VAT) applicable to it in the Capacity product allocation notification specified in Sub-paragraph 5.1 of this Regulation.
- 5.4. Following receipt of the notification of allocation of the Capacity product, Auction Participant shall be obliged to settle with AS “Conexus Baltic Grid” for the Capacity product allocated as a result of the Auction according to the terms of Storage Regulation, the storage service contract and in accordance with the procedures specified in this Regulation in accordance with the Capacity product Tariff and the premium set as the result of the Auction. The premium (EUR/MWh) for the amount of the Capacity product allocated shall be paid by the Auction Participant to AS “Conexus Baltic Grid” in addition to the tariff for the Capacity product for the year 2022/2023 storage cycle.
- 5.5. The Auction Participant's fee to AS “Conexus Baltic Grid” for the allocated storage capacity as the result of the Auction is determined by multiplying the premium (EUR (excluding (VAT))) by the amount of the Capacity product (MWh) allocated as the result of the Auction.
- 5.6. The fee for the premium as the result of the Auction set for the Auction Participant shall be included in the invoice issued by AS “Conexus Baltic Grid” for the storage service booked by the Auction Participant for part of the total premium fee in proportion to the remaining months.
- 5.7. Payment for the premium set as a result of the Auction shall be made by the Auction Participant in accordance with the procedures for payment and settlement specified in the storage service agreement.
- 5.8. The mutual obligations and liability of the parties for the amount of Capacity product allocated to the Auction Participant as a result of the Auction and the set premium shall be determined under the storage service agreement.

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- 5.9. As a result of the Auction, the premium set for the amount of Capacity product allocated to the Auction Participant shall be included in the calculation of the amount of the security for the fulfilment of liabilities determined in accordance with Paragraph 76 of the Storage Regulation.

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Annex
Year ____/____ Storage Cycle

Bundled capacity product Auction Regulation

Auction Offer Sheet (OFFER)

Bundled capacity product auction

The auction participant:

_____ EIC code:

Legal address:

Phone number:

Email address:

We are hereby submitting our offer for the auction of year ____/____ storage cycle Bundled capacity product (“Auction”) under the following conditions:

Maximum amount what Auction Participant wants to book _____ MWh.

Auction participant name	Price bid No.	Bundled capacity product amount ** (MWh)	Bundled capacity product amount *		Price (EUR/MWh) without VAT ***	Injection month ****
			Fixed	Variable		

Note:

** For each bid, it shall be indicated whether the amount of the Bundled capacity product indicated therein is fixed or variable, marked with ✓ in the corresponding column.*

If the Auction Participant has chosen to submit several bids, the Auction Participant shall complete several bid boxes.

*** The amount of the Bundled capacity product shall be indicated rounded to an integer.*

**** The bid price shall be indicated to two decimals.*

***** must be a numeric value, an integer between 5 and 10, where 5 is May, 6 is June, 7 is July, 8 is August, 9 is September, 10 is October.*

By signing this offer, we confirm that we have prepared the offer independently.

By signing this offer, we shall confirm that we comply with the requirements of the Auction Participants set out in the Auction Regulation and agree with the procedures for the performance of the Auction, the evaluation of offers and the allocation of storage capacity.

UNOFFICIAL TRANSLATION

By signing this offer, we confirm that in regards to us as Auction participant, to members of our Management board or Council members, to our authorised persons or procurators who are authorised to represent us, there are no international or national sanctions, there are no sanctions imposed by a Member State of the European Union or of the North Atlantic Treaty Organisation affecting significant financial and capital market interests which could have an impact on the fulfilment of obligations under the Auction and the Natural Gas Storage Service Agreement.