



**Public consultation on capacity bundling at  
Kiemenai interconnection point**

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## 1. Summary of the public consultation

The purpose of this consultation document, developed by the Latvian gas transmission system operator AS “Conexus Baltic Grid” and Lithuanian gas transmission system operator AB Amber Grid (hereinafter – TSOs) and coordinated with Estonian gas transmission system operator Elering AS, is to inform and ascertain the opinion of public regarding the proposed draft changes (hereinafter – draft Amendments) in the “Common Regulations for the Use of Natural Gas Transmission System”, as coordinated by and between the Public Utilities Commission of Latvia (Decision of the Board No.45, dated April 23, 2020), and Estonian Competition Authority (Decision No. 7 10/2020 001 23.04.2020) (hereafter – LV-EE Regulations) and AB Amber Grid Rules for Access to the Natural Gas Transmission System approved by National Energy Regulatory Council by its Resolution as of 29 December 2021 (hereinafter – LT Regulations).

The draft Amendments, considering current geopolitical situation in Europe, aims to improve gas flows at the Kiemenai interconnection point. Such improvement can be assured by reduction of the administrative burden for network users related to the use of the interconnection point as well as by introducing capacity bundling to the respective interconnection point.

The draft Amendments are intended to enter into force 30 days after coordinated approval by the Public Utilities Commission of Latvia, Competition Authority of Estonia and Lithuanian National Energy Regulatory Council.

Please submit your proposals and comments on the draft Amendments (in English) till 24.07.2022. by sending them electronically to the TSOs e-mail addresses: [capacity@conexus.lv](mailto:capacity@conexus.lv).

Whenever time is mentioned throughout the draft Amendments, it will be understood as UTC time, unless the draft Amendments set out otherwise. During periods when Daylight Savings Time applies, time indicated in the draft Amendments shall be automatically modified accordingly

## 2. Necessity of changes

In current market situation, caused by geopolitical conditions, transmission system operators are obliged to take action in order to facilitate steady and safe gas flows in amounts as high as possible by means available to transmission system operators. Interconnections have a key role towards market integration, therefore the TSOs have reached common understanding on principles and procedures for capacity bundling at the Kiemenai interconnection point (hereinafter – Kiemenai IP) and provides them to the market for opinion.

Capacity bundling at Kiemenai interconnection point will affect all the network users, which will use the Kiemenai interconnection point for cross-border gas transmission activities starting from October 1<sup>st</sup>, 2022.

## 3. Essence of proposed amendments

### 3.1. Capacity bundling

Pursuant to point 12 of Article 3 of Commission regulation No. 2017/459 of 16 March 2017 establishing a network code on capacity allocation mechanisms in gas transmission systems and repealing Regulation (EU) No 984/2013 (hereafter – CAM NC), bundled capacity is a standard capacity product offered on a firm basis which consists of corresponding entry and exit capacity at both sides of every interconnection point.

Bundling of the capacity at the Kiemenai IP is intended for introduction of the single capacity booking procedure with the aim to facilitate access to cross-border capacity resulting in easy and transparent use of the interconnection point, which is especially important in the existing market situation. As the result of the capacity bundling, market will be provided with the set of the firm and interruptible capacity products by merging exit and entry products having standard validity periods.

As additional benefit of the capacity bundling at the Kiemenai IP the TSOs see improved capacity calculation for providing maximum available capacity of the interconnection point in coordinated and simultaneous way. Nevertheless, providing reduction of the administrative burden for network users related to the use of it.

**For proposed amendments of LV-EE Regulations, please refer to Section “Capacity bundling” of Annex 1 of this document.**

#### 3.1.1. Interruptible capacity

Pursuant to point 13 of paragraph 1 of Article 2 of Regulation No 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005 (hereafter – Gas regulation), “interruptible capacity” means gas transmission capacity that may be interrupted by the transmission system operator in accordance with the conditions stipulated in the transport contract.

Pursuant to Recital 21 of the Preamble of the Gas regulation, there is substantial contractual congestion in the gas networks. The congestion-management and capacity-allocation principles for new or newly negotiated contracts are therefore based on the freeing-up of unused capacity by enabling network users to sublet or resell their contracted capacities and the obligation of transmission system operators to offer unused capacity to the market, at least on a day-ahead and interruptible basis. Given the large proportion of existing contracts and the need to create a true level playing field between users of new and existing capacity, those principles should be applied to all contracted capacity, including existing contracts.

The TSOs have agreed to offer interruptible capacity booking for within-day and day ahead capacity products. The interruptible capacity products will be offered **if** standard firm capacity products would be fully booked. The interruptible capacity products as bundled capacity will be offered **without pre-determined limits and will be published before allocation.**

**For proposed amendments of LV-EE Regulations, please refer to Section “Interruptible capacity” of Annex 1 of this document.**

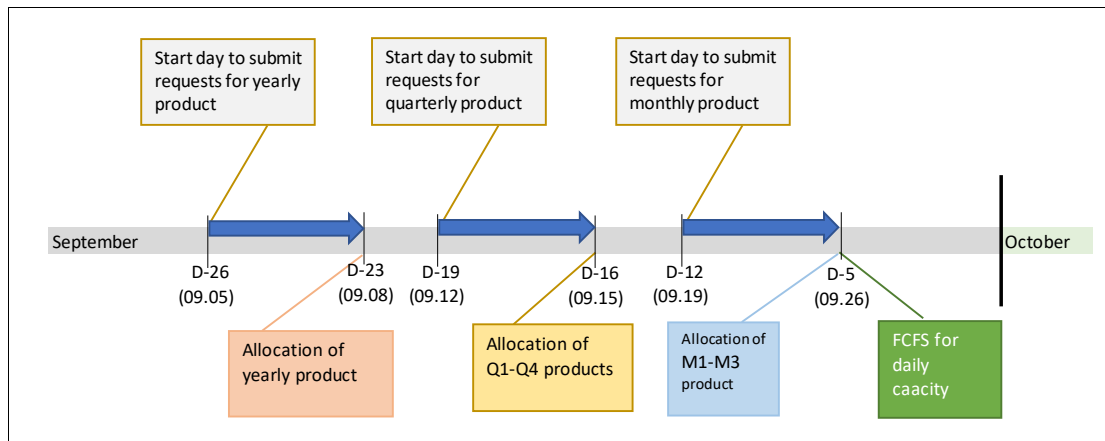
### 3.2. Capacity booking calendar

3.2.1. Proposed capacity booking calendar for bundled capacity products before the start of gas year\*

Product	Booking principle	Reserved, %	Offered capacity level	Booking window opens	Allocation
Yearly	Pro rata		90 % of technical capacity	26 days before start of the gas year	23 days before start of the gas year
Quarterly	Pro rata		90 % of technical capacity minus yearly allocation	19 days before start of the gas year	16 days before start of the gas year
Month	Pro rata		90 % of technical capacity minus yearly and quarterly allocation	12 days before start of the gas year	5 days before start of the gas year
Daily	FCFS		90 % of technical capacity minus yearly, quarterly and monthly allocation	Allocation starts 5 days before the gas year	Last allocation no later than day before delivery day 15:00
Daily implicit capacity allocation	ICA	10% of technical capacity	10% of technical capacity	N/A	
Within day	FCFS		20% of available capacity	Day before delivery day at 17:00	Last allocation no later than 3 hours before the end of gas day
Within-day implicit capacity allocation	ICA		80% of available capacity	N/A	

\* See Figure 1

**Figure 1. Booking and allocation procedure for bundled capacity products before the start of gas year.**



### 3.2.2. Proposed capacity booking calendar for bundled capacity products during the gas year\*

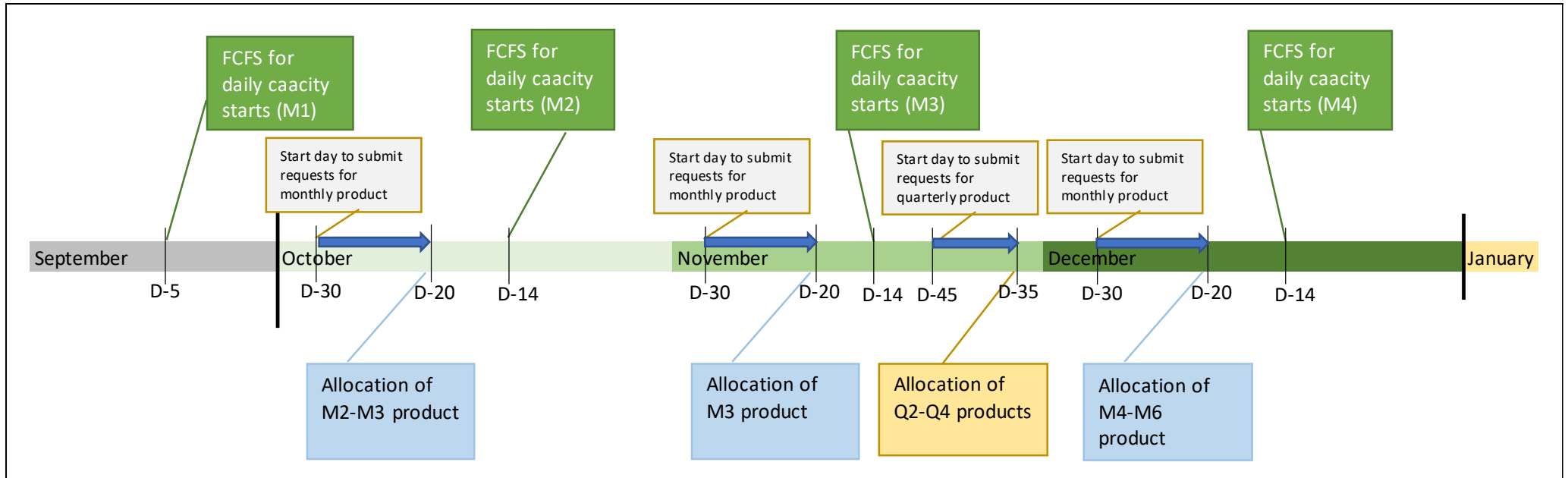
Product	Booking principle	Reserved, %	Offered capacity level	Booking window opens	Allocation
Quarterly	Pro rata		90 % of technical capacity minus yearly allocation	45 days before start of each quarter	35 days before start of each quarter
Month	Pro rata		90 % of technical capacity minus yearly and quarterly allocation	30 days before start of: - each quarter (all months of that quarter); - each month (remaining months of that quarter).	20 days before start of each quarter or month
Daily**	FCFS		90 % of technical capacity minus yearly, quarterly and monthly allocation	Allocation starts 14 days before the gas year	Last allocation no later than day before delivery day 15:00
Daily implicit capacity allocation***	ICA	10% of technical capacity	10% of technical capacity	N/A	See Figure 4
Within day**	FCFS		20% of available capacity	Day before delivery day at 17:00	Last allocation no later than 3 hours before the end of gas day
Within-day implicit capacity allocation***	ICA		80% of available capacity	N/A	See Figure 4

\* See Figure 2

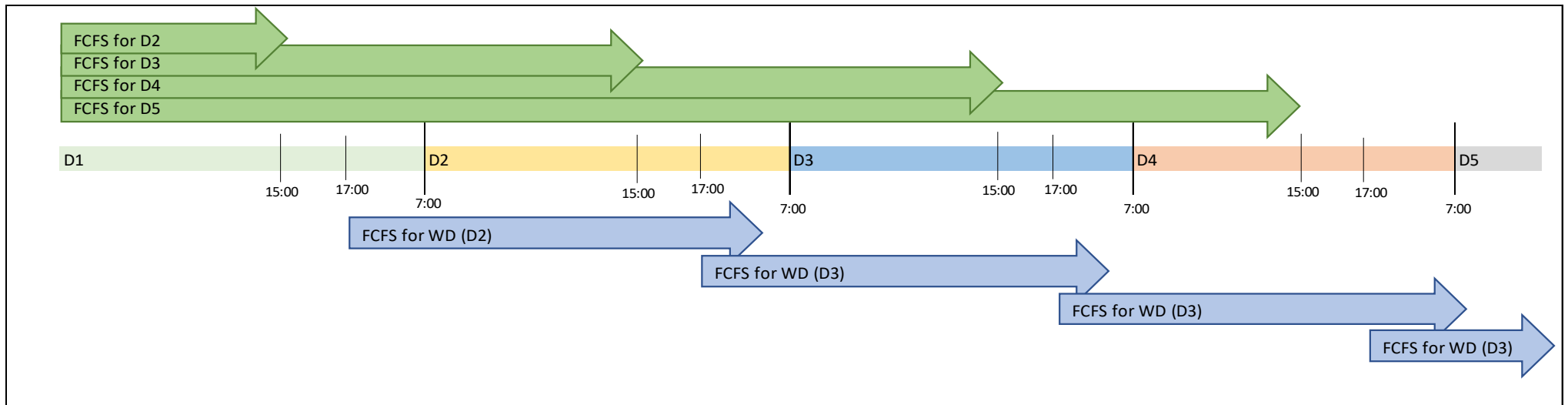
\*\* See Figure 3

\*\*\* See Figure 4

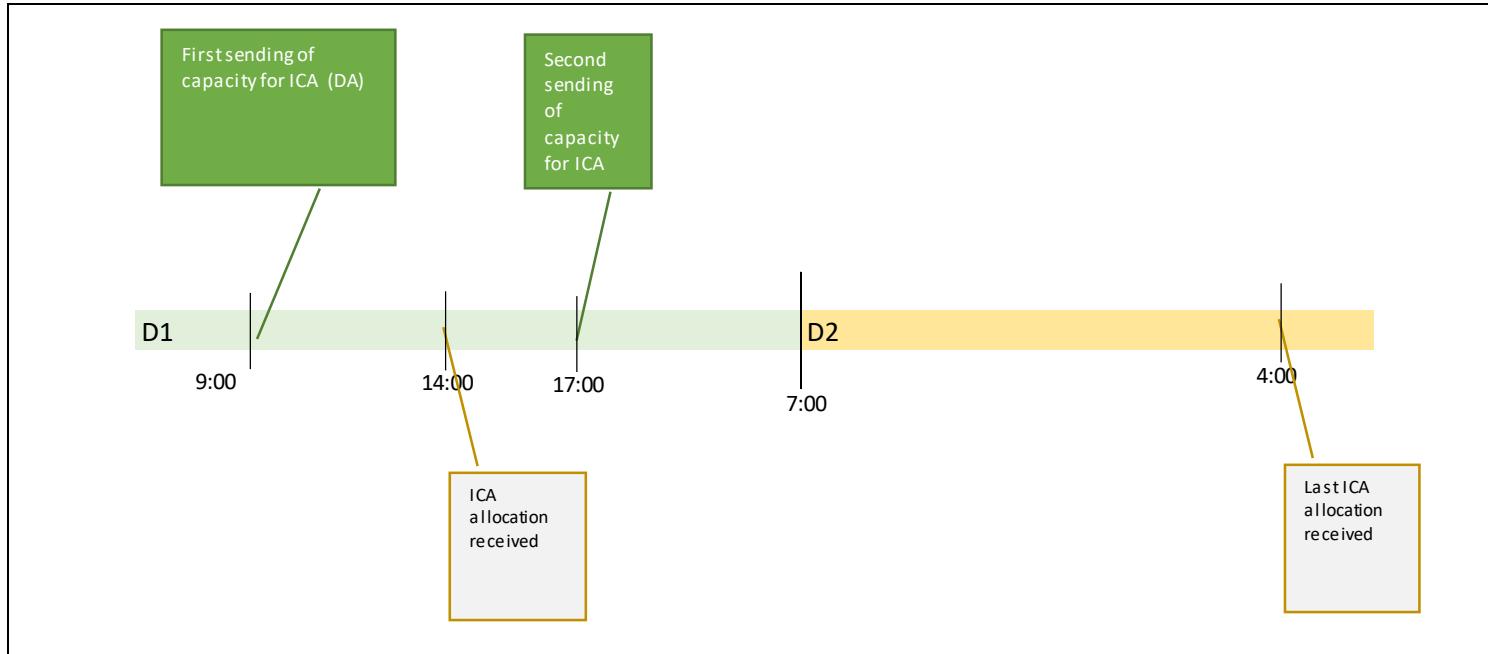
**Figure 2. Booking and allocation procedure for bundled capacity products during Q1.**



**Figure 3. Daily products allocation scheme.**



**Figure 4. Implicit capacity allocation**





### 3.3. Capacity allocation procedure

Capacity allocation procedure for yearly, quarterly and monthly products - according to proportionality principle (*pro-rata*). For daily and within-day products as well as for implicit capacity allocation to daily and within-day products – *first come first served* principle shall apply.

**Pro-rata** means the principle of allocation of capacity when the available transmission capacity is allocated in proportion to the capacity booked.

**First Come – First Served principle** means allocation method whereby the requests of network users, in the limit of available capacity, are served exclusively according to the time of their reception and without applying any other criteria.

**For proposed amendments of LV-EE Regulations, please refer to Section “Capacity allocation procedure” of Annex 1 of this document.**

#### 3.3.1. Pro-rata allocation

Request to allocate yearly, quarterly and monthly capacity shall be submitted not earlier than 13:00 on the day when allocation window for particular product is opened. Requests for capacity shall be submitted by 12:00 of the last day of allocation window.

Afterwards, from 12:00 till 13:00 the TSOs will allocate capacity accordingly and provide corresponding information to the network users by 13:00.

The next window for request submissions shall open at 13:00. First come first served principle for within-day products initiates at 17:00.

**For proposed amendments of LV-EE Regulations, please refer to Section “Pro-rata allocation” of Annex 1 of this document.**

#### 3.3.2. FCFS allocation

Requests to allocate daily product shall be submitted not earlier than 13:00 on the day when allocation window for particular product is opened. Requests for capacity shall be submitted by 15:00 on the day before delivery day. The results of capacity booking will be available to Network User immediately after request is received by the TSOs.

Afterwards, from 17:00 on the day before delivery day the TSOs will allocate within-day capacity. Requests for within-day capacity shall be submitted no later 3 hours before the end of the gas day.

**For proposed amendments of LV-EE Regulations, please refer to Section “FCFS allocation” of Annex 1 of this document.**

#### 3.3.3. Calculation of allocable capacity

##### 1. Yearly product

All technical capacity should be allocated via yearly product allocation, maintenance periods are not taken into account.

$$Y = T - Ica \text{ 10\% reservation}$$

## 2. Quarterly product

All technical capacity available after yearly product allocation should be allocated via quarterly product allocation, maintenance periods are not taken into account.

$$Q = T - \text{Ica } 10\% \text{ reservation} - Y_{\text{allocated}}$$

## 3. Monthly product

All technical capacity available after yearly and quarterly product allocation should be allocated via monthly product allocation.

$$M = T - \text{Ica } 10\% \text{ reservation} - Y_{\text{allocated}} - Q_{\text{allocated}}$$

## 4. Daily product

All technical capacity available after yearly, quarterly and monthly product allocation should be allocated via daily product allocation. Maintenance periods should be taken into account. Daily product allocation during previous daily allocations should be taken into account.

$$D = T - \text{Ica } 10\% \text{ reservation} - Y_{\text{allocated}} - Q_{\text{allocated}} - M_{\text{allocated}} - \text{Maintenance} - D_{\text{previous allocation}}$$

## 5. Implicit capacity

### First sending:

10% of technical capacity is reserved for ICA (not available for pro-rata allocation). Only reserved capacity should be sent for ICA for day ahead booking.

### Second sending:

80% of available capacity should be sent to ICA

TSOs shall have the right to take back capacity that is not allocated at the time as implicit capacity.

## 6. Within-day FCFS allocation

All available capacity shall be allocated.

### 3.4. Capacity booking platform

Bundled capacity products of the Kiemenai IP will be provided for booking using the Common Zone Platform operated jointly by Conexus and Elering using the standard capacity booking procedures available (interactive and using EDIG@S\_V5.1/AS4 messages).

### 3.5. Nomination procedure of the bundled capacity

For the use of the bundled capacity products at the Kiemenai IP, double-sided nomination procedure shall be used, which means that the current procedure is maintained.

A double-sided nomination means that both shippers must submit nominations independently to their respective system operators on each side of the connection point.

### 3.6. Over-nomination procedure

**Over-nomination** means the entitlement of network users who fulfil minimum requirements for submitting nominations to request interruptible capacity at any time

within-day by submitting a nomination which increases the total of their nominations to a level higher than their contracted capacity.

TSOs have agreed to not offer over-nomination services at the beginning, when bundled capacity products would be offered. However, the functionality of service will be provided in future.

### 3.7. Surrender or termination of capacity rights

Principle of bundled capacity surrender or termination shall apply. Meaning that lost capacity rights at one side of the Kiemenai IP would trigger loss of capacity rights also at the other side of the interconnection point.

When surrendering bundled capacity, network user can surrender not only yearly, quarterly, and monthly products, but also daily products. Surrender of unbundled daily capacity is unaffected by draft Amendments.

Unless these draft Amendments set out otherwise, notification requirements, allocation rules and other network user and TSO rights and obligations in case of bundled capacity surrender shall be the same as in the case of unbundled capacity surrender.

**For proposed amendments of LV-EE Regulations, please refer to Section “Surrender or termination of capacity rights” of Annex 1 of this document.**

### 3.8. Secondary market

Pursuant to paragraph 8 of Article 19 of CAM NC, the obligations to offer bundled capacity also apply, to the extent that they are relevant, to secondary capacity markets. Without prejudice to paragraph 1 of Article 19 of CAM NC, capacity originally allocated as bundled capacity can only be resold as bundled capacity on the secondary market.

Any product initially offered as bundled capacity shall also be offered as bundled product in the secondary market.

**For proposed amendments of LV-EE Regulations, please refer to Section “Secondary market” of Annex 1 of this document.**

### 3.9. Invoicing

Network users using the bundled capacity products at the Kiemenai IP will be invoiced for the capacity booked by both TSOs using the applicable entry and exit tariffs for the capacity included in the capacity bundle.

*For example – for the monthly bundled capacity product “Exit LT-Entry LV” network user will receive an invoice from AB Amber Grid for the “exit LT” capacity using tariff approved for monthly exit capacity product by Lithuanian NRA and an invoice from AS Conexus Baltic Grid for the “entry LV” capacity using tariff approved for the same validity capacity product by Latvian NRA.*

Invoicing shall be done by each TSO separately, following the existing procedures.

## 4. Current booking calendars

<b>Amber Grid</b>	
Yearly	Pro-rata. Booking window starts 6 months before the start of the year (submission deadline - 21 day before the start of the year)
Quarterly	Starts 20 days before start of the quarter
Monthly	Starts 20 days before start of the quarter
Daily	Starts 14 days before start of the month

### Conexus Baltic Grid

Calendar year	Period	Start	End	Booking from
YEARLY				
2022 / 2023	Year	01.10.2022	01.10.2023	01.07.2022
QUARTERLY				
2022	Q1	01.10.2022	01.01.2023	01.08.2022
2023	Q2	01.01.2023	01.04.2023	01.08.2022
2023	Q3	01.04.2023	01.07.2023	01.08.2022
2023	Q4	01.07.2023	01.10.2023	01.08.2022
MONTHLY				
2022	Oct	01.10.2022	01.11.2022	11.09.2022
2022	Nov	01.11.2022	01.12.2022	11.09.2022
2022	Dec	01.12.2022	01.01.2023	11.09.2022
2023	Jan	01.01.2023	01.02.2023	12.12.2022
2023	Feb	01.02.2023	01.03.2023	12.12.2022
2023	Mar	01.03.2023	01.04.2023	12.12.2022
2023	Apr	01.04.2023	01.05.2023	12.03.2023
2023	May	01.05.2023	01.06.2023	12.03.2023
2023	Jun	01.06.2023	01.07.2023	12.03.2023
2023	Jul	01.07.2023	01.08.2023	11.06.2023
2023	Aug	01.08.2023	01.09.2023	11.06.2023
2023	Sep	01.09.2023	01.10.2023	11.06.2023
DAILY				
2022	Oct	01.10.2022	01.11.2022	17.09.2022
2022	Nov	01.11.2022	01.12.2022	18.10.2022
2022	Dec	01.12.2022	01.01.2023	17.11.2022
2023	Jan	01.01.2023	01.02.2023	18.12.2022
2023	Feb	01.02.2023	01.03.2023	18.01.2023
2023	Mar	01.03.2023	01.04.2023	15.02.2023
2023	Apr	01.04.2023	01.05.2023	18.03.2023
2023	May	01.05.2023	01.06.2023	17.04.2023
2023	Jun	01.06.2023	01.07.2023	18.05.2023
2023	Jul	01.07.2023	01.08.2023	17.06.2023
2023	Aug	01.08.2023	01.09.2023	18.07.2023
2023	Sep	01.09.2023	01.10.2023	18.08.2023

## **The proposed draft Amendments of the Common Regulations for the Use of Natural Gas Transmission System of Latvia and Estonia**

### **Capacity bundling**

**Section 2 of the LV-EE Regulations shall be supplemented with a new sub-paragraph 2.4. as follows:**

“2.4. Bundled capacity means a capacity product which consists of corresponding entry and exit capacity at both sides of an interconnection point;”

**Sub-paragraph 4.4.1 of the LV-EE Regulations shall be modified and expressed as follows:**

“4.4.1 capacity is allocated as bundled capacity;”

### **Interruptible capacity**

**Sub-paragraph 4.4.1 of the LV-EE Regulations shall be modified and expressed as follows:**

“4.4.1.1 by implicit capacity allocation rules in accordance with sub-paragraph 4.6.2. of this Regulation for daily and within day capacity products;”

### **Capacity allocation procedure**

**Section 2 of the LV-EE Regulations shall be supplemented with a new sub-paragraph 2.25 as follows:**

“2.25. Pro-rata means the principle of allocation of capacity when the available transmission capacity is allocated in proportion to the capacity booked by the network user.”

### **Pro-rata allocation**

**Sub-paragraph 4.4 of the LV-EE Regulations shall be supplemented with a new sub-paragraph 4.4.1.3 as follows:**

“4.4.1.3. by pro-rata principle in accordance with sub-paragraph 4.7.5. of this Regulation for yearly, quarterly and monthly capacity products.”

**Sub-paragraph 4.7.1.1., 4.7.1.3., and 4.7.1.4. of LV-EE Regulations shall be modified and expressed as follows:**

“4.7.1.1 the long-term capacity product - yearly standard capacity product is the capacity offered in the same amount for all gas days of one gas year starting on 1 October, except Kiemenai entry/exit point, where allocation of bundled capacity using pro-rata principle shall apply pursuant to sub-paragraph 4.7.5.;

[...]

4.7.1.3 quarterly standard capacity product is the capacity offered in the same amount for all gas days in a particular quarter starting from 1 October, from 1 January, from 1 April or from 1 July, respectively, except Kiemenai entry/exit point, where allocation of bundled capacity using pro-rata principle shall apply pursuant to sub-paragraph 4.7.5. of this Regulation;

4.7.1.4 monthly standard capacity product is the capacity offered in the same amount for all gas days in a calendar month starting on the first day of each month, except Kiemenai entry/exit point, where allocation of bundled capacity using pro-rata principle shall apply pursuant to sub-paragraph 4.7.5. of this Regulation;”

**Sub-paragraph 4.7. of the LV-EE Regulations shall be supplemented with a new sub-paragraph 4.7.5. as follows:**

“4.7.5. If the capacity is offered as bundled capacity, then the capacity for the standard capacity products foreseen in sub-paragraph 4.7.1.1., 4.7.1.3. and 4.7.1.4. shall be allocated using pro-rata principle, as governed by Article 4.8.”

**Section 4 of the LV-EE Regulations shall be supplemented with a new sub-paragraph 4.8 as follows:**

“4.8. Capacity allocation using pro-rata principle

4.8.1. Capacity allocation with pro-rata principle is made by allocating quantities after taking into account last submitted capacity bookings of network users which are submitted by specific capacity product capacity booking deadline.

4.8.2. If capacity requested by network user booking applications for specific product does not exceed offered capacity, all requested capacity is allocated to network users.

4.8.3. If capacity requested by all network user booking applications for specific product exceeds available capacity, capacity for each network

user is allocated proportionally of requested amount by network user out of total requested capacity of booking applications for specific product.

4.8.3. Network users can submit capacity booking applications for certain product for no more than available capacity for booking for certain product. If capacity amount requested by network user in booking application exceeds available capacity amount for specific product, requested capacity amount by network user is considered equal to available capacity.

4.8.4. The network user shall submit capacity booking applications within the following periods:

a) yearly capacity product 26 gas days before beginning of the gas year until 23 gas days before beginning of the gas year in conformity with the standard information exchange user guide.

b) for the quarterly standard capacity products:

1) starting 19 gas days before gas year including respective gas quarter until 16 gas days before gas year;

2) starting 45 gas days before 2nd gas quarter until 35 gas days day before 2nd gas quarter;.

3) starting 45 gas days before 3rd gas quarter until 35 gas days day before 3rd gas quarter;.

4) starting 45 gas days before 4th gas quarter until 35 gas days day before 4th gas quarter;.

c) for the monthly standard capacity product:

1) starting 12 gas days before the gas year until 5 gas days before the beginning of the 1<sup>st</sup> gas quarter

2) starting 30 gas days before the gas quarter including the gas month until 20 gas days before the beginning of the respective gas quarter.

3) starting 30 gas days before the 2nd month of the gas quarter including the gas month until 20 gas days before the 2nd month of the respective gas quarter

2) starting 30 gas days before the 3rd month of the gas quarter including the gas month until 20 gas days before the 3rd month of the respective gas quarter

4.8.5. After receiving the capacity booking application, the TSO shall notify the network user of receiving the capacity booking request in one hour and the status of received request in conformity with the standard communications protocol.

4.8.6. TSO shall, not later than by the next working day which follows the deadline of the submission of the capacity booking application at 12:30 UTC (or 11:30 UTC if daylight saving is applicable), inform the network user of the allocated firm capacity and make the capacity available for network user in conformity with the standard communications protocol.”

#### **FCFS allocation**

**Sub-paragraph 4.4.1.2 of the LV-EE Regulations shall be modified and expressed as follows:**

“4.4.1.2 by FCFS principle in accordance with sub-paragraph 4.7. of this Regulation for daily and within day capacity products;”

#### **Surrender or termination of capacity rights**

**Sub-paragraph 5.3.3 of the LV-EE Regulations shall be supplemented with a second sentence as follows:**

“5.3.3 TSO shall accept surrender of firm capacity booked by the network user which is longer than day-ahead capacity products (monthly, quarterly, yearly). TSO shall accept the firm capacity surrender also for daily products, provided the capacity is contracted as bundled capacity.”

#### **Secondary market**

**Section 6 of the LV-EE Regulations shall be supplemented with a new sub-paragraph 6.11 as follows:**

“6.11 The network user shall maintain bundled capacity as bundled on the secondary market. Bundled capacity shall only be transferred to the other network user as bundled.”