

# Regulations for Use of the Inčukalns Underground Gas Storage Facility

Issued pursuant to [Section 15](#), Paragraph seven of [the Energy Law](#)

## I. General provision

1. These Regulations shall prescribe:
  - 1.1. The procedures for use of the Inčukalns Underground Gas Storage Facility (hereinafter - the storage facility);
  - 1.2. the procedures for receipt of storage services;
  - 1.3. the rights, obligations and responsibilities of the operator of the natural gas storage system (hereinafter - the system operator) and the user of the natural gas storage system (hereinafter - the system user);
  - 1.4. the procedures for the exchange of information between the system operator and the natural gas transmission system operator, as well as the system operator and the system users;
  - 1.5. the procedures for suspension and restriction of the storage service;
  - 1.6. the procedures under which a person shall submit an application for acquisition of the rights to use the storage facility and the procedure for conclusion of the storage service contract;
  - 1.7. the procedures, under which the system operator shall be entitled to claim security for the fulfilment of liabilities, and the amount of the security for the fulfilment of liabilities.
2. The following terms are used in the Regulations:
  - 2.1. **fuel gas** - the natural gas quantity necessary for the operation of the natural gas compressor plants to ensure the injection of natural gas into the storage facility;
  - 2.2. **capacity product** - the storage service offered by the system operator according to the capacity product types specified in Chapter III of these Regulations;
  - 2.3. **inventory** - the natural gas quantity stored in the storage facility in accordance with the storage service agreement;
  - 2.4. **free storage capacity** - the capacity of the storage facility available for booking by the system users;
  - 2.5. **storage facility cycle** - the time period from the beginning of the season of natural gas injection into the storage facility until the end of the season of natural gas withdrawal from the storage facility;
  - 2.6. **reverse-flow capacity** - transmission system capacity in the direction opposite to the actual technological mode flow of the storage facility, which can be booked by the system user;
  - 2.7. **trade notification** - notification of the system user to the system operator regarding the transfer of the natural gas quantity to another market participant at the virtual point of sale;
  - 2.8. **storage service contract** - the contract concluded between the system operator and the system user, on the basis of which the system operator provides the system user with a storage service.
3. The system operator shall provide the storage service compatible with the use of the natural gas transmission system by ensuring equal and non-discriminatory treatment of all system users.
4. In order to ensure efficient and safe provision of storage service, the system operator shall be entitled to request and receive the information from system users that is necessary for the system operator to carry out the activities laid down in these Regulations.
5. The system user, when contacting the system operator in cases provided for in these Regulations, shall submit information and documents to the system operator either in Latvian

## PROJECT

or English, at its discretion. The documents prescribed by these Regulations, which are sent in electronic form, must be signed by a secure electronic signature, unless agreed otherwise between the system operator and the system user.

6. It shall be the duty of the system users to adhere to the procedures for use of the storage facility prescribed by these Regulations and the storage service contract, to comply with the instructions of the system operator required for receipt of the storage service, to provide the system operator with the information necessary for receipt of the storage service, as well as not to use the storage service in a manner restricting, distorting or hindering competition, for example, by hidden accumulation of capacity.

### **II. Technical Characteristics of the Storage Facility**

7. No later than 15 days after the end of the injection season, the system operator shall publish a forecast on its website for the technically maximum storage quantity of natural gas that can be stored at its storage facility during the next storage cycle.

8. No later than 15 days after the end of the previous withdrawal season, the system operator shall publish on its website the specified maximum amount of natural gas that can be stored in at the storage facility during the relevant storage cycle.

9. The free capacity of the storage facility shall be calculated by the system operator as the difference between the maximum amount of natural gas to be stored and the storage capacity reserved by the users of the system during the relevant storage cycle.

10. The system operator shall publish the following information on his website every day before 15:00 o'clock:

- 10.1. the natural gas quantity stored in the storage facility (kWh);
- 10.2. the free storage capacity (kWh);
- 10.3. the reverse-flow capacity (kWh);
- 10.4. the maximum amount of natural gas that can be stored or withdrawn from the storage facility on gas day D.

11. Each year by 15 February, the system operator shall publish a forecast on its website for the following natural gas injection season and the starting date of the following withdrawal season. No later than one month before the end date of the injection season for the storage cycle in question, the system operator shall publish on its website the end date of the injection season for the relevant storage cycle, and the starting date of the withdrawal season for the relevant storage cycle which shall be published separately. No later than one month before the end of the withdrawal season of the relevant storage cycle, the system operator shall publish on its website the starting date of the withdrawal season of the relevant storage cycle, and the end date of the withdrawal season of the relevant storage cycle which shall be published separately. The withdrawal season shall end no earlier than 15 April of the relevant year.

### **III. Procedure for Booking the Storage Capacity**

12. In order to provide the system users with the possibility to book the storage capacity, the system operator shall offer the following capacity products to the system users, which have been agreed upon by the regulator and whose tariffs have been determined in accordance with the regulations laid down in Section 15(1) of the Energy Act, and that have been published on the website of the system operator:

- 12.1. long-term capacity products and short-term capacity products;
- 12.2. firm capacity products and interruptible capacity products
- 12.3. bundled and unbundled injection and withdrawal capacity products.

13. System user may book the capacity product:

- 13.1. by submitting an application to the system operator in accordance with the application form posted on the website of the system operator for storage capacity product, in the description of which the type of reservation "with an application to the operator" is indicated; or
- 13.2. in an auction of storage capacity, the description of which shall indicate the type of reservation "by auction".

14. After receiving of the capacity product application from the system user in accordance with Sub-clause 13.1 of these Regulations, the system operator shall inform the system user in

## PROJECT

an electronic form about granting the capacity product by sending the relevant notice within a period of one day.

15. If the booking of the storage capacity is performed in accordance with Sub-clause 14.2 of these Regulations, the system operator shall inform the system user in electronic form about granting the capacity product, by sending the relevant notification to the system user within three days after the closing of the auction procedure.

16. After receiving of notice on granting the capacity product, it shall be the duty of the system user to settle the accounts with the system operator for the granted capacity product in accordance with the procedures laid down in these Regulations and the storage service contract in accordance with the storage service tariffs (hereinafter - the tariffs).

17. After granting the capacity product, the system operator shall not be obliged to cancel the storage capacity booking at the request of the system user.

18. Every year the system user shall submit the following within the deadline set by the system operator:

18.1. the schedule for the injection of natural gas quantity, indicating the estimated natural gas quantity to be injected during each month of the injection season - the average minimum and maximum natural gas injection quantity per one gas day D;

18.2. the schedule for the withdrawal of natural gas quantity, indicating the estimated natural gas quantity to be withdrawn during each month of the withdrawal season - the average minimum and maximum natural gas withdrawal quantity per one gas day D.

19. If the system user has inventory at the end of the withdrawal season, which is stored within the scope of the storage capacity product that does not foresee a transfer of inventory to the next storage cycle, the user shall be deemed to have booked the storage capacity product for the next storage cycle in the respective quantity of inventory, settling the accounts for it with the system operator in accordance with the applicable product tariff for inventory transfer product.

20. In order to ensure booking of the storage capacity for the system users, the system operator may apply the storage capacity auction procedure, if the permit from the regulator has been obtained to independently establish the tariffs, when applying the auction procedure. The system operator shall post the auction regulations, coordinated with the regulator, on its website.

## IV. Use of the Capacity Products

21. Provisions regarding the procedures for the utilization of capacity products, which have been coordinated with the regulator and posted on the website of the system operator, shall apply to storage capacity reserved without applying the auction procedure specified in Paragraph 20 of these Regulations. The rules regarding the procedures for the use of a long-term capacity product longer than one storage cycle shall apply to storage capacity reserved within the scope of the auction specified in Paragraph 20 of these Regulations.

22. The system operator shall post the schedule of the natural gas quantity available for the storage of the natural gas into the storage facility and withdrawal from the storage facility for a storage cycle on its website and shall update it within one hour after processing of the trade notification of the new system users.

23. A system user, who wishes to place a certain natural gas quantity into the storage facility or withdraw it from the storage facility, shall submit trade notification to the transmission system operator in accordance with the regulations of use of the natural gas transmission system, specifying the corresponding capacity product code.

24. Trade notification for the relevant storage cycle shall be processed by the system operator from the beginning of booking of the capacity product of the relevant storage cycle.

25. The user may submit trade notifications for storing the booked storage in its capacity quantity and for withdrawal from storage in the quantity that is stored in inventory for user in capacity product specified in trade notification. The storage capacity used for placing in the storage facility or withdrawal from the storage facility by means of trade notifications shall not be used for any other actions specified in this Regulation until the nomination has been completed. The user's inventory that has been nominated for withdrawal from the storage facility shall not be used for any other activities specified in this Regulation until the nomination has been completed.

## PROJECT

26. The system operator shall assess the received trade notifications in accordance with the schedule specified in Clause 22 of these Regulations, applying the “first-come, first-served” principle by taking into account the sequence of receipt of trade notifications and limiting the capacity products to be unlocked and approving the capacity products with priority.

27. The system operator, following the processing of the trade notification submitted by the system user, by means of a standard communication procedure, shall send the system user confirmation of the natural gas quantity to be placed into the storage facility or to be withdrawn from the storage facility, but, in the event of congestion management, if necessary, - by means of a standard correspondence procedure, shall inform the system user about the changes in the natural gas quantity to be placed into the storage facility.

28. The system user shall have the right to submit a request to correct the quantity of natural gas already approved in the storage facility or the quantity to be removed from the storage facility for gas day D, by 17:00 o'clock on the following day, in the following cases:

28.1. The storage user is carrying out transportation of non-Community goods, and a correction needs to be made to ensure that the quantity that is placed in the storage facility or is withdrawn from it corresponds to the quantity of natural gas that is transferred as non-Community goods in the transmission system.

28.2. If an adjustment is made to the entry/exit point allocation of the transmission system, excluding corrections for exit point for the national consumption. It is possible to make an adjustment to the amount by which imbalance formation for system user is reduced in the transmission system.

29. The system user may choose to apply any of the booked capacity products to the inventory, in accordance with the restrictions on the transfer of storage capacity products by submitting an application to the system operator in accordance with the application form posted on the website of the system operator. The system operator shall approve the changes in the capacity products of the system used applied to the inventory in the gas day D by 17:00 o'clock on the next gas day.

30. The system operator, in agreement with the regulator, shall offer system users adequate capacity products by informing all system users prior to that and by publishing on its website the conditions and deadlines for a specific term capacity product, provided that the system operator has established the interest of the system users and has received a request from the system user to provide the relevant capacity products.

### **V. Procedures for Transfer of the Natural Gas stored and Capacity Products in Storage Facility**

31. The system user, by concluding an agreement with another system user, shall be entitled to transfer the natural gas placed into the storage facility or the capacity products booked by it to another system user, being subject to restrictions on the transfer of inventory of storage capacity products in accordance with provisions regarding the procedures for the utilization of capacity products.

32. The system user transferring the booked capacity product or the natural gas placed into the storage facility and the system user receiving the respective capacity product or the natural gas placed into the storage facility, shall submit an application to the system operator in accordance with the application form posted on the website of the system operator.

33. If the applications of the system users on the transfer of natural gas, which is a European Union product, or the transfer of the capacity products booked by the system user are received by 15:00 o'clock (13:00 UTC during the winter season and 12:00 UTC during the summer season), the system operator, by 17:00 o'clock (15:00 UTC during the winter season and 14:00 UTC during the summer season), shall electronically inform the relevant system user about the natural gas or capacity products transferred to it.

34. If the applications of the system users on the transfer of the natural gas, which is a European Union product, or the transfer of the capacity product booked by the system user are received after 15:00 o'clock (13:00 UTC during the winter period and 12:00 UTC during the summer season), the system operator, by 17:00 o'clock on the next day (15:00 UTC during the winter season and 14:00 UTC during the summer season), shall electronically inform the relevant system user about the natural gas or capacity products transferred to it.

## PROJECT

35. The natural gas or capacity products shall be available to the system user, to whom they have been transferred, on the day after the receipt of the notice from the system operator.

36. The system users, being the counterparties, shall submit the application on the transfer of the natural gas, which is not a European Union product, to the system operator, at least ten days before the beginning of the month, in which it is planned to transfer the natural gas. The system operator, within a period of three days after the receipt of the application, shall send to both counterparties the confirmation of the transfer of the natural gas and the confirmation of the registration of changes in the natural gas inventory. The transferred natural gas shall be available to the system user on the first date of the next month.

37. When transferring the booked capacity product, the system user shall transfer the rights to use the capacity product to another system user. Obligations towards the system operator, including the obligations to settle the accounts for the booked capacity product, shall be imposed on the system user, who has initially booked the capacity product.

38. Along with the approval of the transaction, the system user, who has received the relevant storage capacity or the natural gas quantity, shall obtain the rights to use it.

39. The system operator shall refuse to approve the transfer of the capacity product or the natural gas to another system user, if:

39.1. information about the conclusion of the transaction has only been received from one system user (one counterparty);

39.2. information submitted by the system users is not consistent or is incomplete;

39.3. the party involved in the transaction, who is receiving natural gas, does not have a booked capacity product in sufficient quantity.

40. The system operator shall electronically inform both counterparties about the refusal to approve the transaction within the period of two hours from the receipt of the applications specified in Clauses 33 and 34 of these Regulations and within a period of three days from the receipt of the applications specified in Clause 36 of these Regulations.

## VI. Procedures for the Determination of Natural Gas Quantity

41. The system operator shall determine the natural gas quantity placed into the storage facility, the withdrawn natural gas quantity and the inventory quantity per each gas day D for the system user.

42. The natural gas quantity placed into the storage facility per gas day D shall be determined by the following formula:

$$Q_{pla D} = Q_{grant D} - Q_{fg D},$$

where,

$Q_{pla D}$  - the natural gas quantity placed into the storage facility on the relevant gas day D (kWh);

$Q_{grant D}$  - the natural gas quantity allocated to the system user on the relevant gas day D for the placement into the storage facility (kWh);

$Q_{fg D}$  - the fuel gas quantity for ensuring the injection process of the natural gas of the system user (kWh) on the relevant gas day D. If the natural gas of the system user is injected by means of a virtual reverse flow, the fuel gas quantity shall be equal to zero.

43. The system user shall, at its own expense, ensure the fuel gas quantity necessary for the operation of the gas compressor plants in accordance with the fuel gas consumption ratio established by the system operator. The system operator, at least one month before the beginning of the injection season, shall post the fuel gas consumption ratio and the methodology for the determination thereof on its website.

## PROJECT

44. The natural gas quantity withdrawn from storage facility per gas day D shall be equal to the natural gas amount granted in the relevant gas day D to the system user for withdrawal from the storage facility.

45. The inventory quantity of the system user per gas day D shall be determined by the following formula:

$$Q_{st D} = Q_{st D-1} + Q_{plaD} - Q_{wdD},$$

where,

$Q_{st D}$  - inventory quantity of the system user per gas day D (kWh);

$Q_{st D-1}$  - inventory quantity of the system user per gas day D-1 (kWh);

$Q_{wd D}$  - The natural gas quantity withdrawn by the system user from the storage facility per gas day D (kWh).

46. Every day by 14:00 o'clock (12:00 UTC during the winter season and 11:00 UTC during the summer season) the system operator shall, by means of a standard correspondence procedure, inform the system user about the natural gas quantity, which on a gas day D-1 has been placed for storage into the storage facility, withdrawn from the storage facility, transferred to another system user or received from another system user, and about the inventory quantity at the beginning of the gas day.

47. At the end of the injection season, the system operator shall determine the actual fuel gas consumption for ensuring the natural gas injection process.

48. If the fuel gas quantity consumed by the system operator for ensuring the natural gas injection process is less than the quantity received from the system user during the injection season, the system operator shall return the unused fuel gas to the system user in proportion to the actually injected quantity during the injection season.

49. If the system user has not booked the storage capacity, when the system operator performs the return of the unused fuel gas to the system user, the system operator shall store such fuel gas quantity free of charge till the moment when the system operator has sufficient booked storage capacity, where such fuel gas quantity is to be placed.

50. If the fuel gas quantity consumed by the system operator during the injection season exceeds the fuel gas quantity transferred by the system users during the injection season, no additional settlement of accounts shall take place between the system users and the system operator.

## VII. Suspension or Restriction of the Provision of the Storage Service

51. The system operator shall be entitled, without prior warning to the system users, to restrict or suspend the injection of the natural gas into the storage facility or the withdrawal thereof from the storage facility in the following cases:

51.1. there is damage in the natural gas transmission system or the storage facility, capable of causing an accident or emergency, or an accident has occurred or there is an emergency situation;

51.2. an energy crisis has been announced under [the Energy Law](#);

51.3. there are deviations from the normal working mode in the natural gas transmission system or the physiochemical properties of the natural gas do not comply with the natural gas quality characteristics determined by the Cabinet of Ministers, and the natural gas transmission system operator has requested suspension of the injection of natural gas into the storage facility or the withdrawal thereof from the storage facility;

51.4. the natural gas flow pressure does not conform with the pressure required for ensuring the provision of the storage service;

## PROJECT

51.5. it is necessary to perform urgent repairs for the elimination of damage or consequences of the accident or prevention of an emergency situation in the natural gas transmission system or storage facility;

51.6. it is necessary to prevent threats to human health, life, property or environment, or the occurrence of damage (including losses) to the technical devices or equipment of the storage facility;

51.7. it is necessary to perform technical maintenance, repair, connection, disconnection or dismantling measures, and it is not possible to perform such works, without restricting or suspending the natural gas injection into the storage facility or the withdrawal thereof from the storage facility.

52. In the cases specified in Clause 51 of these Regulations, the system operator shall immediately, as soon as possible, but not later than within a period of 24 hours, electronically inform the system users about the suspension of the injection of the natural gas into the storage facility or the withdrawal thereof from the storage facility, the causes thereof and the forecasted time of resuming the injection of the natural gas into the storage facility or the withdrawal thereof from the storage facility, concurrently posting the relevant notification on the website of the system operator.

53. If the system operator detects physical congestion of the capacities, the system operator shall, within the scope of congestion management, allocate the natural gas injection or withdrawal capacity among the system users by taking into account the sequence of receipt of trade notifications, by approving firm capacity products for users with booked capacity priority product and by disconnecting the capacity in reverse order in which the notifications have been received, by first limiting interruptible capacity products.

54. The system operator, in compliance with the provisions of this Chapter, may reduce the natural gas quantity for injection into the storage facility and withdrawal from the storage facility determined per gas day during the period of time, when the service, maintenance and renovation works are performed in the storage facility (hereinafter - the maintenance works). The system operator shall perform the storage facility maintenance works so as not to hinder the use of the storage facility as much as possible and not to reduce the capacity of the natural gas injection into the storage facility and the withdrawal thereof from the storage facility.

55. Every year, not later than by 1 September, the system operator shall post information on its website on the planned maintenance works, their description, possible duration and the change in natural gas quantities, which could be placed into the storage facility and withdrawn from the storage facility, for the period of time from 1 October of the current year till 30 September of the following year. The system operator shall update the posted information according to the progress of the fulfilment of the maintenance works.

56. If the maintenance works affect the natural gas quantity, which can be placed into the storage facility or withdrawn from the storage facility, the system operator shall inform the system users at least 42 days before the beginning of the planned maintenance works by electronically sending the system users information about the scope, duration of the maintenance works and changes in the natural gas quantity, which is possible to be placed into the storage facility or withdrawn from the storage facility.

57. The system operator shall electronically inform the system users about the performance of unscheduled maintenance works that may affect the capacity of natural gas injection into the storage facility and withdrawal from the storage facility, as soon as possible, however not later than by 18:00 o'clock (16:00 UTC during the winter season and 15:00 UTC during the summer season) on the day preceding the performance of the unscheduled maintenance works, also specifying the natural gas quantity available for placing into the storage facility and withdrawal from the storage facility on the respective day.

58. The system operator shall not be obliged to extend the natural gas injection or withdrawal season, if the system operator has suspended the injection of the natural gas into the storage facility or withdrawal thereof from the storage facility due to unscheduled maintenance of the storage facility.

59. The system operator shall not cover the losses of the system users incurred in the cases specified in Clause 51 and 54 of these Regulations, as well as in cases when the planned

## PROJECT

maintenance works are performed in accordance with the terms published in accordance with Clause 56 and 57 of these Regulations.

### **VIII. Procedures for the Conclusion of the Storage Service Contract**

60. A person willing to receive storage service (hereinafter - the applicant) shall submit an application to the system operator for acquisition of the rights to use the storage facility ([Annex 1](#)). The applicant shall append the following to the application:

60.1. document confirming that the applicant has registered the commercial activities in accordance with the laws and regulations of the relevant country;

60.2. document confirming the representation rights, if the application is submitted by the authorized representative of the applicant;

60.3. document confirming that no insolvency proceedings of the applicant have been declared, the economic activity of the applicant has not been suspended and the applicant is not under liquidation, the document of which is issued not more than one month before the day of submission;

60.4. the annual statement for the previous three years (or for the actual period of operation, taking into account the time period of founding or beginning of operation of the applicant for whom the annual report is to be submitted) or another equivalent document confirming the economic and financial position of the applicant in accordance with the laws and regulations of the relevant country;

60.5. information about the applicant's credit rating granted by a commonly known credit agency or rating agency (shall not be submitted, if the security for fulfilment of the liabilities is planned to be provided in accordance with Chapter IX of these Regulations).

61. If the information mentioned in the documents specified in Clause 60 of these Regulations is available free of charge in the official publication or public register, the applicant shall be entitled not to submit the respective documents, specifying the website where the respective information is available in the application in detail.

62. If the applicant, concurrently with the application for acquisition of rights to use the storage facility, submits an application for acquisition of the rights to use the natural gas transmission system (in accordance with the regulations for the use of the natural gas transmission system), the documents specified in Clause 60 of these Regulations are not required, unless the documents to be appended to each application differ.

63. The system operator shall assess the application mentioned in Clause 60 of these Regulations and the documents appended thereto within a period of five business days from the day of receipt thereof, and, if necessary, shall be entitled to request the applicant to submit the missing documents or additional information.

64. If the system operator has requested that the applicant submits additional information or documents, the applicant shall submit them within a period of ten business days from the day of dispatch of the request. If the applicant fails to submit the requested additional information or documents within the set term, it shall be considered that the applicant has withdrawn its application.

65. The applicant may submit the documents and additional information mentioned in Clause 60 and 64 of these Regulations to the system operator in electronic form.

66. If the applicant has submitted all the documents and additional information mentioned in Clause 61 and 64 of these Regulations, the system operator, within a period of five business days from the date of receipt of all documents and additional information, shall prepare the storage service contract (Annex 2) and send it to the applicant. In the storage service contract, the system operator shall grant the system user the energy identification code (EIC), unless such has already been granted to the system user.

67. The applicant shall submit a signed storage service contract in two copies to the system operator within ten business days from the day of dispatch of the storage service contract. If the applicant fails to submit the signed storage service contract to the system operator within a period of ten business days from the day of dispatch of the storage service contract, it shall be considered that the applicant has withdrawn its application.



## PROJECT

68. The system operator, within a period of three business days from the day of receipt of the storage service contract signed by the applicant, shall sign the storage service contract and send one copy thereof back to the applicant.

69. During the term of validity of the storage service contract, the system operator and the system user may agree upon amendments to the contract, which are not contrary to these Regulations. The system operator shall inform the regulator to this effect within a period of ten days by submitting a copy of the relevant agreement.

70. The system operator shall inform the applicant about the refusal to conclude the storage service contract by sending the notice to the electronic mail address specified in the application of the applicant within a period of one business day after the assessment of the application of the applicant. The system operator shall send a reasoned written refusal to conclude the storage service contract by mail to the address specified in the application of the applicant, within the term set by the law [On Regulators of Public Utilities](#).

### **IX. Security for the Fulfilment of Liabilities**

71. The system operator shall assess the information specified in Sub-clause 60.5 of these Regulations in order to determine the need to request the applicant to submit the security for the fulfilment of liabilities (in the form of a financial service provider's guarantee or a security deposit) before conclusion of the storage service contract or during the term of validity thereof.

72. The system user shall submit updated information on the credit rating of the system user to the system operator at least once a year. It shall be the duty of the system user to immediately inform the system operator about the changes in the credit rating of the system user.

73. The system operator shall be entitled, before the conclusion of the storage service contract or during the term of validity of the storage service contract, to request the system user to submit the security for fulfilment of the liabilities (in the form of a financial service provider's guarantee or a security deposit), in order to cover the claims arising out of the storage service contract, if:

73.1. the system operator has reasonable grounds to consider that the system user is or will be fully or partially unable to cover its liabilities towards the system operator;

73.2. Insolvency or liquidation proceedings have been initiated with respect to the system user;

73.3. the system user does not have an appropriate credit rating in accordance with the criteria set in Clause 74 of these Regulations;

73.4. the system user has delayed the payments specified in the storage service contract at least twice during a period of twelve months.

74. The credit rating of the system user shall be deemed appropriate, if it complies with at least one of the following criteria:

74.1. Standard & Poor's long-term rating BBB- or higher;

74.2. Fitch Ratings rating BBB- or higher;

74.3. Moody's long-term rating Baa3 or higher;

74.4. Creditreform rating for a risk class II or higher, or an equivalent rating of another commonly known credit agency or rating agency.

75. If the system user does not agree with the finding of the system operator regarding the credit rating of the system user, the system user may submit proof of its creditworthiness to the system operator within a period of five business days.

76. The system user may choose the form of security for the fulfilment of liabilities - security deposit or a financial service provider's guarantee.

77. The system user shall submit the security for the fulfilment of liabilities to the system operator within a period of seven business days from the day of receipt of the request of the system operator.

78. The system operator shall recognize the financial service provider's guarantee as suitable security for the fulfilment of liabilities, if it meets the following conditions:

78.1. the guarantee is issued by a financial service provider whose or whose group's long-term borrowing in foreign currency is at least Baa1 according to Moody's agency or BBB+ according to Standard & Poor's or BBB+ according to Fitch Rating agency. If the financial service provider or its group has been granted the required long-term borrowing

## PROJECT

rating by at least one of the credit agencies mentioned in this Clause, such guarantee issued by the financial service provider or its group shall be considered as suitable;

78.2. the guarantee shall be a first-demand and irrevocable guarantee.

79. Security for the fulfilment of liabilities must be valid for the entire term of validity of the storage service contract, if the system operator has requested from the system user the security for the fulfilment of liabilities.

80. The system operator shall determine and apply the amount of the security for the fulfilment of liabilities in the amount of a two-month fee for the storage cycle for the capacity products booked by the system user in each storage cycle.

81. If the liabilities of the system user within the scope of the storage service contract exceed the sum, for which the security for the fulfilment of liabilities has been submitted, the system operator shall be entitled to claim and, within a period of seven days, receive new security for the fulfilment of liabilities from the system user, corresponding to the conditions of Clause 80 of these Regulations.

82. Upon termination of the storage service contract, the system operator shall, within a period of five business days, repay the system user the sum of the security for the fulfilment of liabilities, which has not been used for covering the outstanding liabilities of the system user, or shall return the original of the financial service provider's guarantee submitted by it to the system user.

## X. Final Provisions

83. To declare as null and void the 28 May 2018 resolution of the Public Utilities Commission No. [1/10](#) "Regulations for Use of the Inčukalns Underground Gas Storage Facility" (issue of *Latvijas Vēstnesis* from 2018).

84. The applications of the applicants for acquisition of the rights to use the storage facility, submitted to the system operator before the day of coming into effect of these Regulations, shall be assessed by the system operator and the storage service contract shall be concluded in accordance with these Regulations.

85. For the system user, who has a valid storage service contract as at the day of entering into force of these Regulations, it shall be in effect, insofar as it does not contradict these Regulations. If the conditions of the storage service contract concluded before the day of entering into force of these Regulations contradict these Regulations, these Regulations shall prevail.

86. The Regulations shall enter into force on 20 \_\_\_\_.

87. The System Operator shall issue an invoice for storage cycle 2019/2020 for the storage service booked by the System User on a monthly basis by the 10th (tenth) day of each month for part of the total storage service booking fee in proportion to the remaining months until the 31st (thirty first) March of the year 2020.

PROJECT

## Application to Acquire the Rights of Use of Inčukalns Underground Gas Storage Facility

### Application to Acquire the Rights of Use of Inčukalns Underground Gas Storage Facility

\_\_\_\_\_, 20 \_\_\_\_\_

From \_\_\_\_\_

Addressee: \_\_\_\_\_ common registration number: \_\_\_\_\_ registered office: \_\_\_\_\_  
*/Name of the natural gas storage system operator/*

The applicant: \_\_\_\_\_  
*/Name/*  
EIC \*  
Registered office:  
Phone number:  
E-mail:  
Fax:  
Bank details:  
VAT registration number:

#### Note

\* Must be specified if the applicant has been granted an EIC.

I hereby request to grant the right to use the Inčukalns underground gas storage facility and to enter into a storage service contract in accordance with the terms of use of the Inčukalns underground gas storage facility (hereinafter – the Terms of Use of the Storage Facility).

#### Contact details which the natural gas storage system operator may use at any time of the day for communication with the natural gas storage system user

Given Name, Last Name	Position	Phone Number	E-mail

#### The Annexed Documents

- A document attesting that the applicant has established his or her business in accordance with the regulatory enactments of the respective country.

\*

\_\_\_\_\_  
\_\_\_\_\_

**PROJECT**

2.  A document certifying representation, if the application is signed by a person who is not a member of the administrative authority of the applicant.

\*

3.  A document attesting that there are not declared any insolvency proceedings against the applicant, that the economic activity of the applicant has not been suspended, or that the applicant is not being liquidated.

\*

4.  An annual report for the preceding three years (or the actual duration of operation, taking into account the time of establishment or commencement of the economic activity of the applicant for which the annual report is to be submitted) or another equivalent document certifying the economic and financial situation of the applicant in accordance with the regulatory enactments of the relevant country.

\*

5.  Information on the credit rating of the applicant, which has been granted by a well-known credit agency or rating agency (not to be submitted if it is intended to submit the security for the fulfilment of liabilities).

\*

(mark the applicable field with an 'X')

\* if the document is available in an official publication or public register of a country, the website shall be specified where the respective information is available.

The applicant certifies that he or she is familiar with the terms of use of the storage facility.

The applicant certifies that he or she undertakes to submit, at the request of the natural gas storage system operator, the security for the fulfilment of liabilities (a security deposit or a financial service provider's guarantee).

**Contact Details of the Person Submitting the Application**

\_\_\_\_\_  
(given name, surname)                      (signature)                      (position)                      (phone number, e-mail, fax number)

Acceptance of the application (shall be filled out by the natural gas storage system operator)

Registration number \_\_\_\_\_

Date of registration \_\_\_\_\_

## Natural Gas Storage Service Contract Nr. \_\_\_\_\_

\_\_\_\_\_, 20\_\_\_\_\_

\_\_\_\_\_ (the common registration number No. \_\_\_\_\_), which, according to the Articles of Association (Commercial Power of Attorney) is represented by \_\_\_\_\_ (hereinafter – **the System Operator**), on the one part, and \_\_\_\_\_ (the common registration number \_\_\_\_\_), which according to \_\_\_\_\_ is represented by \_\_\_\_\_ (hereinafter – the **System User**), on the other part, hereinafter referred to as the Parties, and each of them separately referred to as the Party, based on the application submitted by the System User for obtaining the rights of use of the Inčukalns Underground Storage System, which was submitted to the System Operator on \_\_\_\_\_, 20\_\_\_\_\_.

hereby conclude the following Agreement (hereinafter referred to as the Agreement)

### 1. Terms Used in the Contract

The terms of the contract shall be used within the meaning of the [Energy law](#), the regulations for use of the natural gas transmission system (hereinafter – Regulation for Use of the Transmission System) and the terms of use of Inčukalns underground gas storage facility (hereinafter - Terms of Use of the Storage Facility).

### 2. Subject Matter of the Contract

2.1. By concluding the Agreement, the System User shall acquire the right to use the Inčukalns underground gas storage facility (hereinafter - the Storage Facility) and to receive the storage service provided by the System Operator in accordance with the Terms of Use of the Storage Facility.

2.2. The System Operator shall store and withdraw the natural gas from the storage facility in accordance with the booked quantity of natural gas within the framework of the storage service (capacity product) that is booked by the System User, as well as shall store the System User's natural gas in the storage facility in accordance with the storage service booked by the System User.

### 3. Payment and Settlement Procedure

3.1. The System User shall pay for the storage service in accordance with the storage service tariffs, which are established in accordance with the procedures specified in [the Energy Law](#).

3.2. Taxes shall be applicable in accordance with the laws and regulations of the Republic of Latvia.

3.3. The System Operator shall issue an invoice for the storage service booked by the System User on a monthly basis by the 10th (tenth) day of each month for part of the total storage service booking fee in proportion to the remaining months until the 30th

## PROJECT

(thirtieth) April of the respective year. The invoice shall be valid without signature and shall be signed with a secure electronic signature. The System User shall pay for the storage service within 10 (ten) days after the invoice is issued.

3.4. Upon receipt of the written application of the System User, the System Operator shall issue an invoice for the storage capacity booked by the System User for the total remaining storage service booking fee until the end of the storage cycle. The payment for the storage service until the end of the storage cycle shall be made by the System User within 15 (fifteen) days after the date on which an invoice is issued by the System Operator.

3.5. If the System User has not submitted any objections within 10 (ten) days of receipt of an invoice from the System Operator, the invoice amount shall be deemed accepted and shall exclude any disputes between the Parties.

3.6. The date of payment shall be deemed to be the day when the funds are credited to the System Operator's current bank account.

3.7. Money transfer operations shall be carried out at the payer's expense.

3.8. In the cases specified in the Terms of Use of the Storage Facility, the System User shall be obliged to submit the security for the fulfilment of liabilities of the Contract to the System Operator within the term specified by the System Operator. Upon termination of the Contract, the System Operator shall be obliged within 5 (five) business days to repay to the System User the sum of the security for the fulfilment of liabilities that has not been used to pay for discharge of the outstanding obligations of the System User, or to return the submitted original of the financial service provider's guarantee.

3.9. Until the full payment of the payments specified in the Contract, the natural gas of the System User stored in the storage facility shall be considered as a security for the fulfilment of payment liabilities, if the security for the fulfilment of liabilities referred to in Sub-clause 3.8 of the Contract has not been submitted for the guarantee of fulfilment of liabilities of the System User. In the event of a System User's non-compliance or inadequate fulfilment of payment liabilities, the System Operator shall be entitled to deal with the System User's natural gas stored in the storage facility in accordance with the procedures specified in Sub-clauses 5.7 and 5.8 of the Contract, as well as in accordance with the procedures specified in the [Civil Law](#).

3.10. The System User shall, at its own expense, provide the quantity of natural gas necessary for the operation of the natural gas pumping units, taking into account the natural gas consumption factor determined by the System Operator, the methodology for determining of which shall be posted by the System Operator on its website, and shall submit it to the System Operator.

3.11. No later than the last day of the storage cycle, the Parties shall perform a comparison of the inventory of natural gas and a final settlement for the storage service in accordance with the Contract.

## **4. Procedures for the Provision of Storage Service**

4.1. The Storage Service shall be provided in accordance with the procedures and within the time period specified in the Terms of Use of the Storage Facility.

## PROJECT

4.2. The System User shall undertake the following:

4.2.1. to comply with the Terms of Use of the Storage Facility and to comply with the terms of the Contract in good faith;

4.2.2 to provide the information requested by the System Operator in connection with the fulfilment of the Contract;

4.2.3. to perform all procedures related to the circulation of natural gas (including customs procedures) specified in regulatory enactments and to submit copies of documents to the System Operator certifying the completion of customs procedures within 3 (three) business days after the completion of customs procedures;

4.2.4. to follow and comply with the System Operator's instructions regarding the use of the storage facility;

4.2.5. to ensure that the System User is reachable at any time of the day during the performance of the Contract, in accordance with the contact information provided by the System User.

4.3. The System Operator shall undertake the following:

4.3.1. to comply with the Terms of Use of the Storage Facility and to comply with the terms of the Contract in good faith;

4.3.2. to provide the System User with information related to the performance of the Contract;

4.3.3. to inform the System User, in accordance with the procedures specified in the Terms of Use of the Storage Facility, regarding interruptions in the provision of storage service and the possible time of renewal of the provision of the service;

4.3.4. to inform the System User, in accordance with the procedures specified in the Terms of Use of the Storage Facility, regarding the maintenance planned during the respective natural gas injection season and withdrawal season and other operations that are necessary for the provision of operation of the storage facility, which reduce the capacity of injection, withdrawal or storage;

4.3.5. to ensure that the System Operator is reachable at any time of the day during the performance of the Contract, in accordance with the contact information specified by the System Operator.

4.4. The System Operator shall have the right to acquire and process data on the System User, as well as to cooperate with the natural gas transmission system operator in order to ensure the fulfilment of the Contract.

4.5. The Parties shall promptly inform each other in writing of any circumstances that impede or might impede the fulfilment of the Contract.

## 5. Responsibility of the Parties

## PROJECT

5.1. Other rights and obligations of the Parties are laid down in the Terms of Use of the Storage Facility.

5.2. The Parties shall indemnify for any losses incurred by the other Party if the Party at fault fails to comply or fails to comply adequately with the provisions of the Contract.

5.3. A Party which has duly fulfilled its obligations under this Contract shall be entitled to require that the other Party fully comply with its obligations.

5.4. The Parties shall be relieved of their responsibility for the failure to comply with the Contract or of poor compliance if it is caused as a result of the force majeure circumstances specified in the Contract.

5.5. For each day of payment delay, the System User shall pay the System Operator an interest of 0,15% per each day of the outstanding amount not paid in due time for each day of delay. Delay interest shall be calculated by the System Operator once a month and shall be included in the invoice for the storage service for the preceding month together with other information.

5.6. If the System Operator does not ensure the availability of the System User's booked capacity product contrary to the Terms of Use of the Storage Facility, the System Operator shall pay the System User a contractual penalty of 0.15% per day of the fee for the capacity product for which no access has been provided. The System Operator shall not be liable for paying the contractual penalty if the storage service is not provided to the System User in the cases specified in the Terms of Use of the Storage Facility. In any case, the contractual penalty shall be calculated no later than the last day of the storage service chosen by the System User.

5.7. If the System User fails to fulfil or does not adequately fulfil the payment obligations arising from the Contract, the System Operator shall have the right to use the security for the fulfilment of liabilities submitted by the System User, but, in the absence of it, to dispose of the natural gas stored by the System User as a collateral to cover the payment obligations arising from the Contract. The System Operator shall inform the System User thereof by sending the relevant notice and shall set a time limit of not less than 10 (ten) days during which the user is obliged to fulfil the payment obligations.

5.8. If the System User has not fulfilled the payment obligations within the time limit specified in Sub-clauses 3.3 or 3.4 of the Contract, the System Operator shall have the right to sell the System User's natural gas at an auction price. The System Operator shall deduct the amount obtained from the sale of natural gas, which shall cover all payments of the System User arising from the Contract. The System Operator shall transfer the amount remaining after the deduction of the said payments to the System User's current bank account specified in the Contract.

## **6. Applicable legal provisions and settlement of disputes**

6.1. The legal relations arising from this Contract shall be governed, enforced and translated in accordance with the applicable laws and regulations that are in force of the Republic of Latvia.

6.2. Any disputes and disagreements (hereinafter referred to as the "Dispute") arising between the Parties shall be settled by negotiations. In the event of a Dispute, the Party



## PROJECT

invoking the existence of a Dispute shall provide the other Party with a written statement specifying the Dispute, the proposed settlement of the Dispute and the person or persons authorized to resolve the Dispute on behalf of the Party.

6.3. If the Dispute cannot be resolved by means of negotiation within 30 (thirty) days (unless the Parties have agreed on another term) from the occurrence of the dispute, it shall be settled in accordance with the procedures prescribed by the laws and regulations that are in force in the Republic of Latvia.

### **7. Force majeure**

7.1. The Parties shall not be liable for a full or partial failure to comply with the obligations under the Contract, if such a failure is due to force majeure circumstances. A force majeure circumstance within the meaning of this Clause shall constitute an obstacle arising outside the control of the affected Party, which prevents it from fulfilling its contractual obligations and that cannot be remedied by the Party. Such circumstances shall include disasters, fire, earthquake and other natural phenomena, acts of war, as well as economic sanctions, embargoes or other circumstances, which could not have been objectively foreseen by the Parties at the time of the conclusion of the Contract.

7.2. The force majeure circumstances shall not constitute individual obstacles to the fulfilment of contractual obligations, which have arisen at a time when the non-performing Party failed to fulfil its obligations under the Contract.

7.3. If the force majeure circumstances persist for more than 30 (thirty) days, the Parties shall enter into negotiations on an acceptable solution for the fulfilment of their obligations under the Contract. In such a case, termination of the Contract shall be possible only by mutual agreement between the Parties.

7.4. The Parties shall immediately notify each other of the force majeure circumstances. Failure by the Parties to notify the occurrence of force majeure circumstances shall not be invoked by the Parties as grounds for failure to comply with this Contract.

7.5. Upon termination of the force majeure circumstances, the Parties shall immediately comply with their obligations, which were fulfilled until the time of occurrence of force majeure circumstances, unless otherwise agreed by the Parties.

### **8. Exchange of Information**

8.1. The exchange of information between the Parties shall generally take place electronically by sending the information to the electronic mail addresses of the Parties specified in the Contract.

8.2. In the exchange of information, the Parties shall comply with the time limits and procedures laid down in the Terms of Use of the Storage Facilities.

8.3. All commercial information (trade secret) which has become known to the Parties in connection with the conclusion of the Contract and the fulfilment of the obligations laid down in this Contract shall be protected and may not be disclosed to third parties without prior written consent of the Parties, except for information the disclosure of which is required by the Terms of Use of the Storage Facility or other regulatory enactments.

## PROJECT

8.4. Termination of the Contract shall not terminate the obligation of the Parties to withhold commercial (trade secret) information.

### **9. Duration of the Contract, Amendments Thereto, and Termination of the Contract**

9.1. The Contract shall enter into force on the date on which it has been signed by both Parties and shall remain in force for an indefinite period.

9.2. The Contract may be amended and supplemented by mutual agreement of the Parties. Any amendments and supplements to the Agreement shall be made in writing and shall enter into force when signed by both Parties.

9.3. The Contract may be terminated by written agreement of the Parties or unilaterally in the case referred to in Clause 9.4 of the Contract.

9.4. Either Party may unilaterally terminate the Contract if the other Party fails to fulfil or does not properly fulfil its obligations under the Contract for more than 30 (thirty) days. In such a case, the Party wishing to terminate the Contract on this basis shall notify the other Party in writing no later than 30 (thirty) days before the termination of the Contract, stating the reason for termination. The Contract shall be deemed to have been terminated on the date specified in the notice. The termination or limitation of the obligations in the cases specified in the Terms of Use of the Storage Facility shall not be regarded as a failure to comply or inadequate compliance with the contractual obligations.

9.5. If, in the case provided for in Sub-clause 9.4 of the Contract, the Contract is terminated due to the fault of the System User, the System User, within the period specified in Sub-clauses 3.3 or 3.4 of the Contract, shall pay the System Operator the full amount of the capacity products booked by the System User and approved by the System Operator, as well as cover the direct losses incurred by the System Operator in connection with the System User's failure to fulfil its duties and caused by the termination of the Contract.

9.6. If, in the case provided for in Sub-clause 9.4 of the Contract, the Contract is terminated due to the fault of the System Operator, the System Operator shall pay the System User the penalty specified in Sub-clause 5.6 of the Contract, as well as cover the direct losses incurred by the System User in relation to the failure of the System Operator to fulfil its contractual duties and caused by the termination of the Contract.

9.7. Termination of the Contract shall not exempt the Parties from the fulfilment of financial obligations incurred during the duration of the Agreement.

### **10. Other Provisions**

10.1. In order to ensure compliance with the obligations laid down in the Contract, the Parties shall be entitled to take additional measures, including insurance and other activities.

10.2. Neither Party shall be entitled to transfer or delegate any of the obligations under this Contract to any third party without the prior written consent of the other Party.

**PROJECT**

10.3. If certain clauses of the Contract expire, it shall not cause the other clauses of the Agreement to expire or to be suspended.

10.4. The Contract shall be valid in its existing version to the extent that it does not conflict with the applicable Terms of Use of the Storage Facility.

10.5. Within 3 (three) business days, the Parties shall notify each other in writing of changes in the contact details for fulfilment of their obligations laid down in the Contract.

10.6. The Contract has been drawn up in Latvian on \_\_\_\_ (\_\_\_\_\_) pages and signed in 2 (two) counterparts, one of which is kept by the System Operator, and the other - by the System User. Both counterparts of the Contract shall have the same legal effect. If an English language translation is added to the Contract, the Latvian version of the Contract shall prevail.

**11. Details of the Parties**

**System Operator:**

**System User:**

\_\_\_\_\_

\_\_\_\_\_

Registration number:

Registration number:

\_\_\_\_\_

\_\_\_\_\_

VAT number:

VAT number:

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Legal address:

Legal address:

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\_\_\_\_\_

Phone number:

Phone number:

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E-mail:

E-mail:

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Payment details:

Payment details:

Bank:

Bank:

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SWIFT code:

SWIFT code:

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