

Public Utilities Commission

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Eesti Gaas AS feedback to the discussion “Expected changes to the regulation of natural gas supply”

According to the public consultation for “Expected changes to the regulation of natural gas supply” we send our comments and feedback to the discussed topic. With this letter we would like to present our viewpoint and to draw attention to what Eesti Gaas AS sees as the key issues regarding the potential changes in storage products and regulation.

The biggest obstacle to agreeing with potential regulation changes is that some of the elements of the proposed changes would create additional injection uncertainty and price risk for our company. Below we bring out some problems regarding that:

1. Injection priority rights (PRIC)

We sense this priority auction severely reduces the certainty of the regular bundled product, having detrimental effect of the supply plans of market participants. We therefore prefer no such separate injection priority rights. Furthermore, as discussed in the public consultation, market participants have already bought the 2-year bundled product with the assumption that they will be able to inject gas on this and next season based on the current pro-rata principles. By introducing priority injection rights, this will not be the case anymore and actual storage product costs would be changed after selling the product to market participants.

2. Auction type

The second issue, that we would address is the auction type for storage products. In the meeting we got the feeling that Regulator is in favour of „Pay-as-cleared optimised” method but we would agree that simpler „Pay-as-cleared” would be the preferred method, as it is simpler and the common auction method in other auctions, for example Nordpool Spot auctions for electricity.

3. Storage product tariffs should be announced as soon as possible

Also, we would stress again that storage product tariffs and coefficients for

calculating them (for example for the stock transfer product) should be known as soon as possible, preferably already in this year, sooner than the regulator's indication of the end of February 2021. This is due to the fact that commercial transactions with customers are made already now for the next storage cycle.

Additionally, we would like to add that the complexity of new tariffs and auctions makes it hard to fully comprehend their implications before putting them in practice and obtaining live experience. Considering the complex storage rules, we would recommend a gradual update of them and to decide about the injection priority rights separately after the next storage cycle.

As a recommendation how to tackle the potential bottleneck issue, we also support the previously sent suggestion to allocate a specific volume for injection capacity when booking the bundled product, as is common best practice in most European countries.

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Member of the Board