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To: SPRK <sprk@sprk.gov.lv>

Cc: Peeter Pikk <Peeter.Pikk@balticenergy.ee>; Kaido Veldemann <Kaido.Veldemann@scener.eu>

Subject: Comments/questions to the draft Regulations Regarding the Use of the Inčukalns Underground Gas Storage Facility

Dear Sirs,

Please find here Baltic Energy Partners OÜ and Scener SIA comments to the draft Regulations Regarding the Use of the Inčukalns Underground Gas Storage Facility.

- 1) We would propose to delay for 1 year the introduction of storage capacity auction based system for 1 year products as
 - a. Change to auctions would discriminate and depreciate the value of current 2-year bundled product owners. In Spring 2021 only the auction for 2 year bundled product would give a market a proper time to adjust and learn and would not discriminate current 2-year product owners at the same time.
 - b. We also find that in the context where the Estonian/Latvian joint gas market has just been connected to Finland via Balticconnector and as a result we have a lot of new gas market members who are already confused and trying to adopt to the new situation additional big changes in short timeframe would be discouraging in terms of market development. Better timing to introduce the changes would be in connection with the introduction of joint Finnish-Baltic balancing area in 2022
- 2) With regards to the logic of applying the different auction mechanisms to different products we would tend to agree that „pay as cleared“ is best for capacity products and „pay as bid“ for injection products. Otherwise the application of „pay-as-bid“ to capacity products could push out smaller players from the storage capacity market entirely while „pay-as-cleared“ enables to ensure a certain amount of capacity by bidding at high price.
- 3) We propose not to introduce the priority injection rights product.
 - a. Firstly, we see that the introduction of priority injection products in general distorts the market as it does not target directly the ones needing the priority rights in certain time periods. Firm capacity needs to be reserved for LNG deliveries that are not following always the calendar monthly schedule, but need certainly maybe 2 month before the delivery week. On the other hand the pipeline buyers may need the firmness of injection ca 2 weeks before the start of calendar month. So therefore it's better either to have flexible system (in terms of time to order before the time of use and in terms of periods (month/week) where both needs can be met or no priority rights at all that would simplify the system and keep the discrimination of market parties equal as today.
 - b. Secondly, the priority rights product devaluates the value of bundled capacity product as the share given out as priority rights might affect a lot the possibility to use the capacity for the ones that have not obtained priority rights.
 - c. Thirdly, the introduction of injection priority rises the question why there is no withdrawal priority product as the congestion could happen there as well in cold winter. It's just a cascade of additional small services that complicate the general storage offering.

- 4) Do we understand correctly that Creditinfo rating AA in Estonia would be equivalent to a risk class rating of II or higher under Creditreform for evaluation system user collateral need?

With regards,

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