

From: Aleksei Fimaier <Aleksei.Fimaier@energia.ee>
Sent: Thursday, July 16, 2020 4:28 PM
To: SPRK <sprk@sprk.gov.lv>
Cc: ENK Gaas/Energia <gaas@energia.ee>
Subject: Eesti Energia comments for the proposed changes in Incukalns rules

Good afternoon,

Thank you very much for the given opportunity to share our comments for the proposed changes in Incukalns rules.

Storage product auctions

In general, we support the idea of pricing storage products based on auctions, but we would really prefer to have multiple auctions where limited amount of storage will be offered (let's say there should be offered only 4 TWh or 5 TWh of storage per auction that takes place every month). That will help to offer the storage at more fair price and will make it more difficult to concentrate big portions of storage products in the hands of few market competitors. Otherwise, it is highly probable that all the storage will be sold out during one single auction and the final premium paid by market participants will be much lower compared to premiums collected during multiple auctions taking place every month. Additionally, it gives a possibility to have first auctions earlier in the year that makes it easier for traders to plan their sales and supply activities.

For example, 1st auction for 4 TWh of 1-year storage product might take place on 3rd Wednesday of February 2021.

2nd auction for another 4 TWh of 1-year storage product to take place on 3rd Wednesday of March 2021.

3rd auction for another 4 TWh of 1-year storage product to take place on 3rd Wednesday of April 2021 etc.

Same approach could be applied towards 2-year storage product as well that can be offered during multiple auctions where 500 GWh or 1 TWh of 2-year storage products to be offered on each auction. That will make competition for storage products more active and will lead to more transparent and efficient functioning of the market.

Last but not least, multiple bids from market participant should be allowed.

Priority rights for injecting capacity

We would appreciate if such products will be offered on the auction to take place at least 2 months in advance (actually, preferably 3 months in advance). Such advance time is required to utilise such products for storing LNG deliveries where LNG spot trading usually takes place 2-3 months before the actual delivery date. Again it can be arranged in the way that priority injection rights will be offered in parts during multiple auctions. Let's say first 15 GWh/day priority injection rights for June 2021 to be offered on 3rd Thursday (propose here to have a different day of the week for PRIC auctions in order not to mix them with 1-year and 2-year storage product auctions) of March. Next 15GWh/day priority injection rights for the same June 2021 to be offered on 3rd Thursday of April etc.

Another proposal would be to substitute monthly PRIC products with weekly PRIC products. That will make these products more attractive for gas traders as it will give some more flexibility to plan higher injection during specific weeks of the year.

Finally it should be quite clearly stated how big part of the total planned injection capacity will be offered via PRIC auctions. Most probably, it should not be higher than 50% of the total planned injection capacity. Otherwise it will make extremely complicated to plan gas purchases for those traders who have not purchased PRIC product.

However, we share general concern of market participants that 2y storage product will become less valuable as its injection priority will be downgraded with introduction of stand-alone injection priority right product. This year when market participants booked 2y storage product, there was no information in the rules about new product that will downgrade the injection priority of 2y storage product.

Regulatory account

It should be quite strictly described in the rules what portion of revenue/costs booked to Regulatory account will be applied towards next storage cycle product tariffs. Otherwise, there is a risk that extra revenue accumulated to Regulatory account will be applied only some years later. It will result in the cases when market participants who paid that extra revenue might not benefit from lowered storage cycle in the long future.

Auction based on the principle of the “optimised last accepted bid” premium

For the market participant whose bid will be next to clearing price, how much time he will be given to make a decision whether to accept ICT product at the clearing price?

Storage capacity products

Proposed changes in the Regulations are supposed to come into force in September 2020 and by this time there will still remain Market product in the hands of market participants. Therefore the characteristics of the Market product should still be given in the Rules.

Stock transfer product

At the end of the 2020/2021 storage cycle of the system user within the capacity product, the period of use of which expires, the existing stocks shall be transferred to the next storage cycle.

For the sake of clarity, please specify whether 5% inventory from the amount of reserved storage products is allowed to be kept for (a) the system user who possesses storage product at the end of 2020/2021 storage cycle or (b) for the system user who originally booked the storage products and by the end of 2020/2021 storage cycle could sell this storage out to another market participant?

Indicative tariffs for the storage capacity products

Coefficients like K2BCP, KICP, KSTP should be published in a transparent way in advance so that market participants could make their plans accordingly.

Extra comments about the full text of the proposed Regulations

In English version there are missing paragraphs 4 and 6.

- 10. The system operator shall publish on its website the following information regarding the current storage cycle every day by 13.00:*
- 10.1. technical capacity of the storage facility (kWh);*
 - 10.2. stocks (kWh);*
 - 10.3. the available capacity of the storage facility, including the available capacity of the storage facility for the reservation of the bundled capacity product and the interruptible capacity product and the available capacity of the storage facility for the reservation of the two-year bundled capacity product (kWh);*
 - 10.4. unused storage capacity (kWh);*
 - 10.5. reverse-flow capacity on gas day D (kWh);*

10.6. the maximum quantity of natural gas which can be placed into the storage or withdrawn from the storage on gas day D.

This is not followed even today. <https://capacity.conexus.lv/?id=246&lang=eng> information is updated on a weekly basis currently

59. If the system operator detects a physical capacity congestion by 15:00 on the gas day D-1:

<...>

59.2. during the natural gas injection into the storage facility, the system operator shall, within the framework of congestion management, allocate the natural gas injection capacity among the system users by prioritising the bundled capacity product and the two-year bundled capacity product within the available capacity and in proportion to their reserved available storage capacity.

Is it allocated in proportion of (a) unused storage products of user to all unused storage products of market participants, or is it (b) in proportion of total reserved storage products of user to all reserved products of market participants?

83. At the end of the 2020/2021 storage cycle of the system user within the capacity product, the period of use of which expires, the existing stocks shall be transferred to the next storage cycle as follows:

83.1. regarding the stocks at the end of the storage cycle not exceeding 5% of the total reserved capacity within the bundled capacity product and the two-year bundled capacity product, the system user shall be deemed to have reserved the relevant capacity product for the next storage cycle in the relevant stock quantity to be settled with the system operator in accordance with the tariff for the relevant capacity product set for the next storage cycle;

83.2. regarding the stocks at the end of the storage cycle not exceeding 5% of the total reserved capacity within the market product, the system user shall be deemed to have reserved the interruptible capacity product for the next storage cycle in the relevant stock quantity to be settled with the system operator in accordance with the tariff for the interruptible capacity product set for the next storage cycle;

83.3. regarding the stocks at the end of the storage cycle in excess of 5% of the total reserved capacity within the relevant capacity product, the system user shall be deemed to have reserved the stock transfer product for the next storage cycle in the relevant stock quantity to be settled with the system operator in accordance with the tariff for stock transfer product set for the next storage cycle.

What tariff for the next storage cycle will be applied? Will it be the base tariff confirmed by PUC or will auction results be included as well? If yes, then what auction (out of 5 proposed auctions) result will be taken into account?

1.10. Payment for the capacity product: in accordance with paragraph 24 of these Regulations.

Will the payment for premium be split in 11 parts as it is right now for 1-year storage product and in 23 parts as it is right now for 2-year storage product?

6. Priority rights for injection capacity

6.1. Reservation time of priority rights for injection capacity:

6.1.1. for the next storage cycle:

6.1.1.1. in accordance with the notification of the system operator regarding the auction on 15 April of the relevant year or on the next working day, if the said date is a non-working day or an official holiday;

6.1.1.2. in accordance with the notification of the system operator regarding the auction on 15 May of the relevant year or on the next working day, if the said date is a non-working day or an official holiday;

If the second auction takes place on 15 May, then it will be held for current storage cycle already as storage cycle begins on 1 May

Thank you very much

Kind regards

Aleksei Fimaier

Trader

Eesti Energia AS

+372 5569 9276 | +372 465 2845 | aleksei.fimaier@energia.ee

Lelle 22, 11318 Tallinn | www.energia.ee

