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REGARDING PUBLIC CONSULTATION ON THE METHODOLOGY FOR CALCULATION OF NATURAL GAS STORAGE SYSTEM SERVICE TARIFFS

With this letter UAB Ignitis expresses its view to the consultation regarding the amendments to the methodology for calculation of natural gas storage system service tariffs.

Draft clause	Proposed amendment to draft	Comment
2.3 natural gas losses – the difference between the volumes of natural gas injected into the storage facility and withdrawn from the storage facility during the storage cycle, excluding the natural gas consumption for technological needs;	Clarify the wording.	The difference between injected and withdrawn amount of natural gas depends on actions of storage users and shall not be treated as a loss.
37.1 & 37.3 If the balance of the regulatory account submitted in accordance with paragraph 32 of this Methodology is positive/negative and on 15 November of the current tariff period it is larger than 1% of the planned revenue of the current tariff period and does not exceed 10% thereof, the part of the correction of the planned revenue shall be equal to the balance of the regulatory account and it shall decrease/increase the costs of the capacity booking service for the next tariff period;	If the balance of the regulatory account submitted in accordance with paragraph 32 of this Methodology is positive/negative and on 15 November of the current tariff period does not exceed 20% of the planned recenue of the current tariff period thereof, the part of the correction of the planned revenue shall be equal to the balance of the regulatory account and it shall decrease/increase the costs of the capacity booking service for the next tariff period;	In practice 10% is relatively low making little impact on tariffs. Regulatory period is sufficiently long to compensate deviations between allowed and actual revenues and costs. Suggest amending proposed 1-10% and use 0-20% instead.

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37.2 If the balance of the regulatory account submitted in accordance with paragraph 32 of this Methodology is negative and it is larger than 10% of the planned revenue on 15 November of the current tariff period, the part of the balance of the regulatory account equal to 10% of the planned revenue shall be allocated to the correction of the planned revenue to which half of the remaining balance of the regulatory account shall be added and it shall increase the costs of the capacity booking service for the next tariff period;	if the balance of the regulatory account submitted in accordance with paragraph 32 of this Methodology is negative and it is larger than 20% of the planned revenue on 15 November of the current tariff period, the part of the balance of the regulatory account equal to 20% of the planned revenue shall be allocated to the correction of the planned revenue and it shall increase the costs of the capacity booking service for the next tariff period;	Alignment of suggested percentages within clause 37.
37.4 If the balance of the regulatory account submitted in accordance with paragraph 32 of this Methodology is positive and it is larger than 10% of the planned revenue on 15 November of the current tariff period, the part of the balance of the regulatory account equal to 10% of the planned revenue shall be allocated to the correction of the planned revenue to which half of the remaining balance of the regulatory account shall be added and it shall reduce the costs of the capacity booking service for the next tariff period;	If the balance of the regulatory account submitted in accordance with paragraph 32 of this Methodology is positive and it is larger than 20% of the planned revenue on 15 November of the current tariff period, the part of the balance of the regulatory account equal to 10% of the planned revenue shall be allocated to the regulatory account for future periods, another 10% of the planned revenue shall be allocated to the next tariff period and the remaining balance shall be allocated to the correction of tariffs in the current season.	Shall actual revenue be more than 20% compared to planned revenue it means that storage users that particular year are active and their actions and ability to pay extra for storage services result in overcollection of funds. It is only fair if after the injection season part of that overcollected funds are returned to the same users who contributed to such overcollection – returning funds, exceeding 20% to storage users within current storage season (as next year that same users might not use storage services).
43. The tariff for the stock transfer product shall be determined using the following formula: $T_{KPP}=\frac{Ie_{2GJPP\ y-1p}}{2} \times K_{KPP}$,	The tariff for the stock transfer product shall be determined using the following formula: $T_{KPP} = \frac{T_{GJP}}{2} \times K_{KPP}$	1. Proposed formula suggest to divide revenue by 2 (two) in order to calculate the tariff. This would result in relatively high number in the range of millions units. Trust the intension is to use tariff value as the numerator instead of revenue. 2. Proposed connection of the transfer product pricing with two year product

		suggests that users shall use two-year product for longer term storage utilization. However, two-year product is offered only in limited volumes and from practice is short in supply. It might be discriminatory to suggest buying two-year product which is barely available. On the other hand, there may occur a situation when due to some unforeseen situations (like pandemic this year) storage user's portfolio demand drops due to reasons not under its control. High transfer prodcut cost may result in a bunkrupcy of some companies and we trust it is not the intension of the tariff. Suggest transfer product pricing to base on one year bunled product with small adjustment.
44. The tariff for the virtual reverse-flow product shall be determined using the following formula: $T_{VPP} = \frac{T_{GJP\ y\text{-}1}}{2},$	The tariff for the virtual reverse-flow product shall be determined using the following formula: $T_{VPP}\ \frac{T_{GJP\ y-1}}{5}$	Proposed pricing for virtual flow in some cases may be higher than interruptable capacity product, such setup suggests virtual flow pricing being too steep – virtual flow and actual flow pricing shall not be near one another in order to incentive use of virtual flow. Suggest to use one year product price divided by 5 (five).
Security of supply product		For a decade neighboring countries with Latvia use storage facility for security of supply reasons. Recent changes in storage rules and products remodified such cooperation. Suggest to consider part of the storage space to dedicate for longterm security of supply service reservation,

		which could be used only in/for emergency cases.
Interruptable capacity reservation proccedure		Shall there be a storage year when demand for storage services is limited, storage operator shall be able to market storage capacity on first-come-first-served (FCFS) basis after two-year and one-year bundled capacity products are auctioned but not fully sold out. FCFS principle would drastically increase the chances of additional storage utilization during summer. Low storage demand indicates little or no economic possibility to use the services and by applying suggested auctions for interruptable capacity would mean having 3 chances (auctions) for the natural gas market to be in a right structure in order to insentive users to book extra storage capacities. Alternatevily, FCFS would allow booking of capacities during any of 120 days from June to October allowing market participants to quickly react to any gas market changes and book capacities whewnever market conditions allows.

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