The summary of responses
received on the consultation document on the application of the Methodology for the Calculation of Natural Gas Transmission System Service Tariffs pursuant to Article 26 and Article 28 of the Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas

The public consultation took place from 15 December 2022 to 17 February 2023

No.	Wording of paragraph of Draft Methodology on which a market participant comment was received	Market participant and its comment
1.	*Draft Methodology*	**JSC "Conexus Baltic Grid"** Conexus is requesting clarification in the Draft Methodology regarding the impact of short and long years (365 days or 366 days) on the calculation of allowed revenue attributable to the tariff period, as well as on the quarterly, monthly, daily, and intraday capacity product tariffs.
2.	*Draft Methodology*	**JSC "Conexus Baltic Grid"** Paragraph 6 of the Draft Methodology states that the cost of the capacity booking service must be determined to one decimal place in [EUR thousand]. However, other paragraphs of the Draft methodology specify that the costs should be quoted in [EUR]. Conexus suggests that all costs should be quoted in [EUR thousand] to one decimal place, rather than using a combination of [EUR] and [EUR thousand].
3.	*Draft Methodology*	**Association of Building Materials Manufacturers (BRA)** It is admissible that the transmission tariff mechanism will be based on booked/nominated capacity (capacity-based) tariffs, which will ensure an accurate transfer of costs to traders (and consumers) and will contribute to optimal infrastructure utilization. At the same time, BRA is not in favour of maintaining the current procedure that national exit tariffs in Latvia are converted to transmitted energy (commodity-based) tariffs, which leads to significant market distortions. The Latvian natural gas distribution system operator applies to all users the tariffs for the permitted capacity and these data can be fully used to provide capacity tariffs also at the national exit (subject to a proportionate adjustment taking into account the difference of the total distribution capacity from the corresponding transmission exit capacity). The transmission operator must ensure an appropriate exchange of information with the distribution system operator and traders for the purpose of applying appropriate exit tariffs. We would like to note that industrial and household consumers have significantly different connection capacity loads and by maintaining the current

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		transmitted energy tariffs approach industrial consumers will as a result cover a disproportionately large part of the transmission operator's national exit revenue. We invite you to make changes to paragraph 57 of the Draft Methodology and other paragraphs intending to set a charge for the use of the exit point for supplying gas users in Latvia in proportion to the permitted capacity of user connections.
4.	*Draft Methodology*	**Association of Building Materials Manufacturers (BRA)** In the total tariff, a significant part of the costs for the transmission system operator are the costs of ensuring the technological process and natural gas losses, which are based on the market price, as well as the procurement and cost forecasting strategy of the operator. In BRA's view, it is necessary to restrict the operator's right to carry out cost forecasting on short-term data in the tariff project, for example based on periods of high volatility and significant political risks. Such an approach, for example, increased the estimated costs of the electricity transmission system operator for future periods to an inadequate extent compared to other system operators in the region. In such cases, the operator must carry out a fundamental price analysis in order to exclude unjustified short-term tariff increases based on the high price fluctuations in the natural gas markets in the last months. Between 2020 and 2022, natural gas prices experienced huge fluctuations from record low prices due to the COVID19 crisis, to unprecedentedly high prices in certain months of 2021 and 2022 due to Russian aggression in Ukraine and Gazprom's market distortion policies. The impact of past events needs to be appropriately adjusted and, in order to limit the increase in the cost of uncertainty for consumers, the Public Utilities Commission should follow a lower price forecast by changing the regulatory account more frequently if necessary rather than allowing the system operator to provide an excessively high price forecast in the long term.
5.	*Draft Methodology*	**Association of Building Materials Manufacturers (BRA)** In the natural gas transmission system of Latvia and the region, due to the suspension of Russian natural gas imports, the load and importance of individual infrastructure sections in the overall transmission system has changed. It is not justified to continue full depreciation accounting for the section of the

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		transmission line connecting the Corneti gas metering station and the branch to the Karksi gas metering station, since the most important role of this section was the maintenance of Russian import flows, which is no longer foreseen in the foreseeable future. Please supplement the methodology with a mechanism that stops or reduces the attribution of depreciation costs in the tariffs for the infrastructure of the Russian direction and applies reduced capital costs if the pipeline load is lower than 10% of the technical capacity.
6.	*Draft Methodology*	**Association of Building Materials Manufacturers (BRA)** For a Latvian energy-intensive industrial company, the stability of electricity and natural gas tariffs is one of the cost items. A lower standard deviation in tariff levels can in the long run increase predictability and consequently reduce costs resulting from supply price volatility. In several countries, regulators set stability limits in the methodologies, such as the maximum % of price changes and the frequency of changes. This would allow us to better focus on the tariff and the regulator and system operator to focus on how to achieve such stability. The limit of fluctuations in natural gas transmission proposed by BRA would be that the tariff increase should not exceed 2.2% and the frequency of changes should not be shorter than 1 year. This allowed level of tariff increase would correspond to the average inflation rate of the last 10 years in OECD countries, multiplied by the CPI cost pass-through factor of 0.7 (since the consumer price index is only partially correlated with infrastructure costs).
7.	*Draft Methodology*	**JSC "Latvijas Gāzes"** Section II, Chapter 8 of the Consultation Document states that there is no transit of natural gas in FinEstLat's single natural gas transmission entry-exit system and there will be virtually no transit of natural gas in the foreseeable future and that the entire system operates to meet domestic demand for natural gas. On the other hand, Finland has built the Inkoo LNG terminal, whose customers could also be natural gas traders ready to supply gas to end-users in Lithuania (which is not a member of the Baltic Single Natural Gas Trading Area). Thus, the supply of natural gas from the Inkoo LNG terminal to Lithuania can be qualified as transit. Accordingly, classifying the volume required for gas supply to Lithuania as transit would increase the revenue of the transmission system operator and provide an opportunity to reduce the charge for the use of the

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		exit point for supplying gas users in Latvia. Table 5 of the Consultation Document shows the scenarios of natural gas flows from/to FinEstLat and Lithuanian natural gas transmission systems from 2023 onwards, as well as the natural gas transmission volumes at the Kiemenai entry/exit point. However, the volumes of natural gas flows to/from FinEstLat specified in the scenarios are not included in the calculation of transmission tariffs (Table 7 of the Consultation Document), which would thus allow for a reduction of the charge for the use of the exit point for supplying gas users in Latvia.
8.	*Paragraph 2 of Daft Methodology* 2.The following terms are used in the methodology: ..	**JSC Conexus Baltic Grid"** Given that the Draft Methodology refers several times to the concept of 'revenue adjustment', Conexus requests that paragraph 2 of the Draft Methodology be supplemented and that this term be clarified.
9.	*Paragraph 4 of Daft Methodology* 4. The duration of the regulatory period is from two to five gas years. The duration of the tariff period is one gas year. When submitting a tariff proposal, the system operator shall submit a justification for the regulatory period used in the tariff calculation and, if necessary, for the tariff period. The Public Utilities Commission (hereinafter - the Regulator) shall determine the regulatory period by decision and may decide to extend the tariff period.	**JSC "Conexus Baltic Grid"** 2. Paragraph 4 of the Draft Methodology requires the system operator to provide a justification for the regulatory period used in the tariff calculation. According to Conexus, the system operator only has to provide a justification if the regulatory period used in the tariff calculation differs from the limit of two to five gas years set out in paragraph 4. Conexus requests that paragraph 4 of the Draft Methodology be clarified to require the system operator to provide a justification for the regulatory period used in the tariff calculation if it is not between two and five years.
10.	*Paragraph 5 of Daft Methodology* 5. If there are several tariff periods in the regulatory period, the same share of the allowed revenue shall be allocated to each of the tariff periods. If there are several tariff periods in the regulatory period and one of the tariff periods is longer than a gas year, then the amount of the allowed revenue (planned revenue) attributable to each tariff period shall be determined in proportion to the duration of the tariff period. The planned revenue shall not change,	**JSC "Conexus Baltic Grid"** Paragraph 5 of the Draft Methodology states, inter alia, that "if there are several tariff periods in the regulatory period and one of the tariff periods is longer than a gas year, then the amount of the allowed revenue (planned revenue) attributable to each tariff period shall be determined in proportion to the duration of the tariff period." Conexus suggests that paragraph 5 of the Draft Methodology should be modified to read as follows: "5. If there are several tariff periods within a regulatory period and the duration of a tariff period is not equal to that of a gas year, the amount of allowed revenue attributed to each tariff period should be calculated in proportion to the duration of the tariff period."

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	except if the revenue attributable to the tariff period changes in the cases referred to in Chapter 3.2 of this Methodology.	
11.	*Paragraph 8 of Daft Methodology* 8. When determining the total exit capacity of the transmission system, the capacity of the exit points to other transmission systems, which are part of the single natural gas transmission entry-exit system, shall not be taken into account. The total exit capacity of the transmission system shall be determined according to the following formula: $P_{iz} = \sum_{i=1}^{n_{iz}} P_{iz\,c}(i) + \sum_{i=1}^{n_{iz\,kr}} P_{iz\,kr}(i) + P_{iz\,v}$, where: P_{iz} – total exit capacity of the transmission system [kWh/day]; n_{iz} – the number of exit points to another transmission entry-exit system; $P_{iz\,c}(i)$ – forecasted average daily capacity of the exit point i of the transmission system to another transmission entry-exit system [kWh/day]; $n_{iz\,kr}$ – the number of exit points from the natural gas storage facility; $P_{iz\,kr}(i)$ – forecasted average daily capacity of the exit point i to the natural gas storage facility [kWh/day]; $P_{iz\,v}$ – the forecasted maximum daily capacity of the exit point for supplying gas users in Latvia [kWh/day].	**JSC "Conexus Baltic Grid"** Paragraph 8 of the Draft Methodology states that the total exit capacity of the transmission system should be determined by summing up the forecasted average daily capacity of the exit point of the transmission system to another transmission entry-exit system, the forecasted average daily capacity of the exit point of the transmission system to a natural gas storage facility and the forecasted maximum daily capacity of the exit point for supplying gas users in Latvia. Conexus requests that the last sentence of paragraph 8 of the Draft Methodology should be modified to read as follows: "$P_{iz\,v}$ - forecasted average daily capacity [kWh/d] of the exit point for supplying gas users in Latvia."
12.	*Paragraph 22 of Daft Methodology* 22. The operating costs of the national transmission system shall be determined according to the following formula:	**JSC "Latvijas Gāze"** The Draft Amendments are based on the principle that if the costs of using the natural gas cross-border transmission system are higher than the revenue, this difference is compensated at the expense of Latvian natural gas end-users, with the charge for using the

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	$I_{ekspl\ nac} = I_{tehn\ proc\ nac} + I_{pers\ nac} + I_{rem\ nac} + I_{saim\ nac} + I_{sist}$, where: $I_{tehn\ proc\ nac}$ – natural gas losses of the national transmission system and the cost of ensuring the technological process [EUR]; $I_{pers\ nac}$ – personnel and social costs of the national transmission system [EUR]; $I_{rem\ nac}$ – costs of routine operational repairs necessary and carried out for the property maintenance of the national transmission system [EUR]; $I_{saim\ nac}$ – other operating costs of the national transmission system [EUR]. (I_{sist} – cost of securing natural gas supply [EUR])	transmission system almost doubling in the next tariff period (Table 9 of the Consultation Document, column named "Charge for the use of the exit point for supplying gas users in Latvia (EUR/kWh)", cell named "Indicative tariffs EUR/KWh/day/year 0.0036101"). The costs related to the obligation of the natural gas transmission system operator to provide the necessary natural gas withdrawal capacity from the Inčukalns Underground Gas Storage Facility (hereinafter referred to as "IUGS") during an energy crisis, as stipulated in the Cabinet of Ministers Regulation No 312 of 19 April 2011 " Procedures for the Supply of Energy Users and Sale of Heating Fuel During Declared Energy Crisis and in Case of Endangerment to the State", are related to the provision of the capacity booking service and shall be included in the costs of the transmission service. According to the Draft Amendments, the costs of costs of securing natural gas supply are included in the operating costs of the national transmission system and are taken into account when determining the charge for the use of the exit point for supplying gas users in Latvia. The need to store 3160 GWh of natural gas in the IUGS to pressurise the transmission system is not only justified by the need to supply Latvian domestic customers with gas but is equally necessary to supply customers in other countries with gas from the IUGS. It would therefore be fair to allocate these costs also to cross-border transmission system users who use the transmission system to supply their domestic customers and participate in auctions organised by the transmission system operator for the storage of the required amount of natural gas in the IUGS until a certain date. The Republic of Latvia is territorially located in the middle of the Baltic region, with a unique underground natural gas storage in its territory. Latvijas Gāze does not understand why it is necessary to increase the charge for the use of the exit point for supplying gas users in Latvia almost twofold when it is possible to allocate entry to and exit from IUGS costs to all users of the FinEstLat cross-border transmission system.
13.	*Paragraph 22 of Daft Methodology* 22.The operating costs of the national transmission system shall be determined according to the following formula: $I_{ekspl\ nac} = I_{tehn\ proc\ nac} + I_{pers\ nac} + I_{rem\ nac} + I_{saim\ nac} + I_{sist}$,	**JSC "Latvenergo"** JSC Latvenergo draws attention to the following: 1. The Latvian transmission system is actively used not only for ensuring the Latvia's internal natural gas consumption, but also for the transit of Lithuania and the FinEstLat zone with and without natural gas storage in the Inčukalns underground gas storage facility (hereinafter - IUGS). This is evidenced by

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	where: $I_{tehn\ proc\ nac}$ – natural gas losses of the national transmission system and the cost of ensuring the technological process [EUR]; $I_{pers\ nac}$ – personnel and social costs of the national transmission system [EUR]; $I_{rem\ nac}$ – costs of routine operational repairs necessary and carried out for the property maintenance of the national transmission system [EUR]; $I_{saim\ nac}$ – other operating costs of the national transmission system [EUR]. (I_{sist} – cost of securing natural gas supply [EUR])	the planned natural gas flows at Karksi and Kiemena exit points of Latvia compared to Latvia's domestic consumption in a ratio of 1:1. At the same time, projects to improve these interconnections are being implemented to further increase the efficiency of natural gas flows in the Finnish and Baltic natural gas markets and to provide network users with better access to IUGS. In turn, the planned natural gas amount at the IUGS exit point significantly exceeds not only the natural gas consumption of Latvian consumers, but also exceeds a third of the total natural gas consumption of Lithuania and FinEstLat zone — so IUGS already plays an important role in ensuring the safety and continuity of natural gas supply of all Baltic States and Finland. 2. Since IUGS is the only operational underground gas storage in the FinEstLat zone and ensures the security and continuity of natural gas supply across the region, the 100 % discount to tariffs at entry points from IUGS and exit to IUGS is welcome and it contributes to a more active use of IUGS. 3. The determination of a compensation obligation only for Latvian consumers due to the reduction in revenue of the natural gas transmission system operator caused by the actual costs of the entry point from IUGS and the exit point to IUGS is not economically justified, and it imposes a disproportionate burden of natural gas costs only on the natural gas consumers of one of the countries that uses the IUGS. In view of the above, we invite FinEstLat Zone Regulatory Authorities to agree on the allocation of IUGS exit and entry point costs to FinEstLat entry tariffs. Such a solution will also promote the use of IUGS.
14.	*Paragraph 27 and 28 of Daft Methodology* 27. The costs of securing natural gas supply, which are related to the system operator's obligation to ensure the necessary natural gas extraction capacity from the Inčukalns underground gas storage facility during the energy crisis, as stipulated in the regulations of the Cabinet of Ministers, shall be included in the tariff proposal in accordance with	**JSC "Conexus Baltic Grid"** In Paragraph 27 of the Draft Methodology, it is stated that the of securing natural gas supply are to be included in the Draft tariffs according to their actual value, with a provision for their recovery within two gas years from the moment of incurring the costs of securing natural gas supply. Conexus considers that there is no need for a specific regulatory framework for the recovery of these costs. The existing regulation and the proposed paragraph 27 of the Draft Methodology create unnecessary accounting differences and complexities, which result in an increase of costs for the 2023/2025 regulatory period by EUR 3 072.6 thousand. EUR.

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	the actual, justified value, providing for their recovery in two gas years from the moment of the occurrence of the costs of obligation fulfilment regarding the provision of natural gas supply. 28. The economically justified costs of storing energy supply security reserves, which are related to the obligation of the Cabinet of Ministers (set out in the Energy Law) to ensure the purchase of energy supply security reserves and their injection into the Incukalns underground gas storage facility, shall be included in the tariff proposal according to their actual value.	Namely, these are costs resulting from the procurement (auctioning) of the 2020 and 2021 securing obligations which, due to the specific conditions of the tariff Methodology, were not included in the projected (allowed) revenues of the corresponding period, and for the further recovery of which the conditions of subparagraph 85.1. of the Draft Methodology are proposed to be applied. Conexus objects to the wording of paragraph 27 of the Draft Methodology and requests the Regulator to provide in the tariff Methodology that the costs of securing natural gas supply shall be included in the Draft tariff on an equal basis with all other costs of the capacity booking service. In view of the above, and in line with the guiding principle set out in Article 17(1)(b) of Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a network code on harmonised gas transmission tariff structures (NC TAR) that the level of transmission tariffs shall be such as to ensure that transmission system operators recover transmission service revenues in a timely manner, the amount of costs of securing natural gas supply shall be set at a projected value and their recovery shall be expected in the single gas year to which these costs relate. The above applies to the provision in paragraph 28 of the Draft Methodology that the cost of energy supply security reserves is included in the Draft tariffs according to the actual value. Conexus requests that in the tariff Methodology, the costs of energy supply security reserves are also included in the tariff project on equivalent terms as all other capacity booking service costs. Specifically, the amount of the costs would be determined in the planned value, and their recovery is expected in a single gas year to which these costs relate.
15.	*Paragraph 28 of Daft Methodology* 28. The economically justified costs of storing energy supply security reserves, which are related to the obligation of the Cabinet of Ministers (set out in the Energy Law) to ensure the purchase of energy supply security reserves and their injection into the Inčukalns underground gas storage facility, shall be included	**JSC "Conexus Baltic Grid"** The second paragraph of Article 82^1 of the Energy Law stipulates that the unified natural gas transmission and storage system operator shall ensure the availability of the Inčukalns underground gas storage facility for energy supply security reserves. The costs of storing energy supply security reserves shall be included in the tariffs for transmission services of the single transmission and storage system operator for natural gas. In view of the above, Conexus objects to the proposed paragraph 28 of Draft Methodology as it does not comply with the second paragraph of Article 82^1 of

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	in the tariff proposal according to their actual value.	the Energy Law and requests that it be worded as follows: "28. The economically justified costs of storing energy supply security reserves, which are related to the obligation of the Cabinet of Ministers (set out in the Energy Law) to ensure the purchase of energy supply security reserves and their injection into the Inčukalns underground gas storage facility, shall be included in the tariff proposal according to the planned value."
16.	*Paragraph 29 of Daft Methodology* 29. The system operator shall create a regulatory account in which, in accordance with paragraphs 30, 31, 36, 37 and 38 of this Methodology, the difference between the allowed (planned) and actual revenue and the difference between the planned and actual costs shall be recorded, separating the revenue attributable to the cross-border and national transmission system. The balance of the regulatory account shall be applied to the next tariff and regulatory periods in accordance with paragraphs 33 and 39 of this Methodology. At the start of a new regulatory period, the balance of the regulatory account shall be set equal to zero euro.	**JSC "Conexus Baltic Grid"** Paragraph 29 of the Draft Methodology provides that the difference between the allowed (planned) and actual revenue is to be recorded to the regulatory account. Conexus requests to make this norm unambiguous by specifying that the difference is to be determined between planned and actual revenues.
17.	*Paragraph 30 of Daft Methodology* 30. Six months before the end of the tariff period, the system operator shall record the following in the regulatory account: 30.1. the difference between the actual (forecasted) and planned revenue in the tariff period, which is determined by summing the actual difference for the ended months in the relevant tariff period and the forecasted	**JSC "Conexus Baltic Grid"** Paragraph 30 of the Draft Methodology provides that the regulatory account shall include: − the difference between the actual (forecasted) and planned revenue in the tariff period; − the difference between the actual (forecasted) and planned costs of ensuring the technological process and natural gas losses; − the difference between the planned inflation-induced cost increase in the regulatory period and the forecasted inflation-induced cost increase in the tariff period; − the difference between the planned increase in costs caused by changes in nominal gross wages during the tariff period and the forecasted

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	difference at the time of calculation, for the remaining months of the relevant tariff period; 30.2. the difference between the actual (forecasted) and planned costs of ensuring the technological process and natural gas losses, which is determined by taking into account the actual price of natural gas in the ended months of the tariff period and the forecasted price of natural gas for the remaining months of the tariff period at the time of calculation. When determining the difference between the costs of ensuring the technological process and natural gas losses, the amount of natural gas losses, which does not exceed the approved amount of natural gas losses attributable to the relevant tariff period, shall be used in the calculations; 30.3. the difference between the planned inflation-induced cost increase in the regulatory period and the forecasted inflation-induced cost increase in the tariff period, which shall be determined according to the following formula: $IIP_{tpr} = \left(\left(I_{pers,t} + I_{rem,t} + I_{saimn,t} \right) - I_{ne,t} \right) \times \left(PCI_{pl} - PCI_{pr} \right)$, where: $IIP_{t\ pr}$ – the forecasted difference between the	increase in the costs caused by changes in nominal gross wages in the tariff period; – the difference between the actual (forecasted) and planned amount of the inter-transmission system operator compensation in the tariff period; – the difference between the actual (forecasted) and planned costs of securing natural gas supply and the economically justified costs of storing energy supply security reserves. Conexus notes that in some of the subparagraphs of paragraph 30 of the Draft Methodology, the difference is calculated between actual and planned revenues or costs, while in others the difference is calculated between planned and actual revenues or costs. As the value of the difference (positive or negative) influences whether the regulatory account is increased or decreased, Conexus requests to make point 30 of the Methodology project unambiguous, by specifying that the revenue difference is to be determined between actual (forecasted) and planned revenues, and the cost difference is to be determined between planned and actual (forecasted) costs.

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	planned inflation-induced cost increase in the regulatory period and the forecasted inflation-induced cost increase in the tariff period [EUR]; $I_{pers,t}$ – personnel and social costs included in the tariff calculation, calculated by using the inflation forecast, and attributable to the specific tariff period [EUR]; $I_{rem,t}$ – the costs of the necessary maintenance of the property and routine maintenance repairs carried out by other companies included in the tariff calculation, which are attributable to the relevant tariff period [EUR]; $I_{saimn,t}$ – other operating costs included in the tariff calculation, which are attributable to the relevant tariff period [EUR]; $I_{ne,t}$ – operating costs included in the tariff calculation, which are attributable to the relevant tariff period and for which inflation-induced cost changes are not planned in the regulatory period [EUR]; PCI_{pl} – planned cumulative consumer price inflation used in tariff calculation for the relevant tariff period [%]; PCI_{pr} – forecasted cumulative consumer price inflation for the relevant tariff period [%];	

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	30.4. the difference between the planned increase in costs caused by changes in nominal gross wages during the tariff period and the forecasted increase in the costs caused by changes in nominal gross wages in the tariff period, which shall be determined according to the following formula: $PIP_{tpr} = I_{persBAI,t} \times (BAI_{pl} - BAI_{pr})$, where: $PIP_{t\ pr}$ – the forecasted difference between the planned cost increase caused by changes in nominal gross wages in the regulatory period and the actual cost increase caused by changes in nominal gross wages in the tariff period [EUR]; $I_{pers\ BAI,t}$ – personnel costs included in the tariff calculation, calculated using the forecast of changes in nominal gross wages and attributable to the relevant tariff period [EUR]; BAI_{pl} – the planned cumulative indicator of changes in nominal gross wages used in the tariff calculation for the relevant tariff period [%]; BAI_{pr} – forecasted cumulative indicator of changes in nominal gross wages for the relevant tariff period [%]; 30.5. the difference between the actual (forecasted) and	

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	planned amount of the inter-transmission system operator compensation in the tariff period, which shall be determined by summing the actual difference for the ended months in the relevant tariff period and the forecasted difference at the time of calculation, for the remaining months of the relevant tariff period; 30.6. the difference between the actual (forecasted) and planned costs of securing natural gas supply and the economically justified costs of storing energy supply security reserves, which shall be determined by summing the actual difference for the ended months in the relevant tariff period and the forecasted difference at the time of calculation, for the remaining months of the relevant tariff period; 30.7. justified actual unexpected costs due to changes in external regulatory acts or prevention of emergency situations, which occurred in the previous or current tariff period of the relevant regulatory period and cannot be recovered otherwise; 30.8. differences between the actual and forecasted costs and revenue for the months of the previous tariff period referred to in subparagraphs 30.1, 30.2, 30.3, 30.4, 30.5 and 30.6 of this Methodology, including the months of the last tariff	

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	period of the previous regulatory period, for which cost forecasts were used when calculating the regulatory account for the previous tariff period, including the last tariff period of the previous regulatory period.	
18.	*Subparagraph 30.2. of Daft Methodology* 30. Six months before the end of the tariff period, the system operator shall record the following in the regulatory account: .. 30.2. the difference between the actual (forecasted) and planned costs of ensuring the technological process and natural gas losses, which is determined by taking into account the actual price of natural gas in the ended months of the tariff period and the forecasted price of natural gas for the remaining months of the tariff period at the time of calculation. When determining the difference between the costs of ensuring the technological process and natural gas losses, the amount of natural gas losses, which does not exceed the approved amount of natural gas losses attributable to the relevant tariff period, shall be used in the calculations; ..	**JSC "Conexus Baltic Grid"** Subparagraph 30.2 of the Draft Methodology provides that the amount of natural gas losses to be used for the calculation of the difference between the costs of ensuring the technological process and natural gas losses shall not exceed the approved attributable natural gas quantity for the relevant tariff period. Conexus requests to remove the aforementioned limitation from Subparagraph 30.2 of the Draft Methodology, as it restricts the system operator's right to fully recover the costs of ensuring the technological process and natural gas losses, such as gas pipeline repairs involving gas release and venting, rescheduling of gas year schedules, or the impact of weather conditions on natural gas technological consumption volume.
19.	*Paragraph 21., 22., 23. And subparagraph 30.2. and 33.1.2. of Daft Methodology* 21.The operating costs of the cross-border transmission system shall be determined according to the following formula: $I_{ekspl\ st} = I_{tehn\ proc\ st} + I_{pers\ st} + I_{rem\ st} + I_{saim\ st}$, where:	**JSC "Conexus Baltic Grid"** Subparagraph 30.2 of the Draft Methodology refers only to the difference between the actual (forecast) and the planned costs of ensuring the technological process and natural gas losses. Conexus requires to add a third component in this subparagraph: natural gas consumed for heating. The same change should be made in other paragraphs of the Draft Methodology, such as paragraphs 21, 22, 23 and subparagraph 33.1.2.

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	$I_{tehn\ proc\ st}$ – the cost of natural gas losses and technological process provision of the cross-border transmission system [EUR]; $I_{pers\ st}$ – personnel and social costs of the cross-border transmission system [EUR]; $I_{rem\ st}$ – costs of operational repairs necessary and carried out for the routine property maintenance of the cross-border transmission system [EUR]; $I_{saim\ st}$ – other operating costs of the cross-border transmission system [EUR]. 22. The operating costs of the national transmission system shall be determined according to the following formula: $I_{ekspl\ nac} = I_{tehn\ proc\ nac} + I_{pers\ nac} + I_{rem\ nac} + I_{saim\ nac} + I_{sist}$, where: $I_{tehn\ proc\ nac}$ – natural gas losses of the national transmission system and the cost of ensuring the technological process [EUR]; $I_{pers\ nac}$ – personnel and social costs of the national transmission system [EUR]; $I_{rem\ nac}$ – costs of routine operational repairs necessary and carried out for the property maintenance of the national transmission system [EUR]; $I_{saim\ nac}$ – other operating costs of the national transmission system [EUR]. 23. The costs of natural gas transmission losses of the cross-border and national transmission system and of ensuring the technological process shall be related to the difference between the amount of natural gas injected into the transmission system and withdrawn from the transmission system during the relevant period	

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	of time, which consists of natural gas losses and natural gas consumption for technological needs. The costs of natural gas losses and technological process provision shall be determined according to the following formula: $I_{tehn\ proc\ (st,nac)} = I_{zud\ (st,nac)} + I_{teh\ (st,nac)} = (E_{zud(st,nac)} + E_{teh\ (st,nac)}) \times C_{zud}$, where: $I_{tehn\ proc\ (st,nac)}$ – the costs of natural gas losses and technological process provision of the cross-border and national transmission system [EUR]; $I_{zud\ (st,nac)}$ – the charge for natural gas losses in the cross-border and national transmission system [EUR]; $I_{teh\ (st,nac)}$ – the charge for the consumption of natural gas for technological needs in the cross-border and national transmission system [EUR]; $E_{zud\ (st,nac)}$ – the forecasted natural gas losses in the cross-border and national transmission system [kWh]; $E_{teh\ (st,nac)}$ – the forecasted consumption of natural gas for technological needs in the cross-border and national transmission system [kWh]; C_{zud} – the forecasted average price of natural gas losses [EUR/kWh]. 30. Six months before the end of the tariff period, the system operator shall record the following in the regulatory account: .. 30.2. the difference between the actual (forecasted) and planned costs of ensuring the technological process and natural gas losses, which is determined by taking into	

No.	Wording of paragraph of Draft Methodology on which a market participant comment was received	Market participant and its comment
	account the actual price of natural gas in the ended months of the tariff period and the forecasted price of natural gas for the remaining months of the tariff period at the time of calculation. When determining the difference between the costs of ensuring the technological process and natural gas losses, the amount of natural gas losses, which does not exceed the approved amount of natural gas losses attributable to the relevant tariff period, shall be used in the calculations; .. 33. If there are several tariff periods in the regulatory period, the part of the revenue adjustment attributable to the next tariff period shall be determined as follows: 33.1. if the balance of the regulatory account is negative, the system operator has the right to attribute the balance of the regulatory account to the next tariff period and increase the planned revenue of the next tariff period, subject to the following conditions: .. 33.1.2. the portion of the revenue adjustment attributable to the tariff period shall not exceed six percent of the planned operating costs of the tariff period. The six percent limit does not apply to the difference in costs, which is formed as a result of deviations in the costs of ensuring the technological process and natural gas losses, if the average actual price of natural gas in the relevant tariff period was six or more euros per MWh higher than the planned price of natural gas; ..	

No.	Wording of paragraph of Draft Methodology on which a market participant comment was received	Market participant and its comment
20.	*Subparagraph 30.3. of Daft Methodology* 30. Six months before the end of the tariff period, the system operator shall record the following in the regulatory account: .. 30.3. the difference between the planned inflation-induced cost increase in the regulatory period and the forecasted inflation-induced cost increase in the tariff period, which shall be determined according to the following formula: $IIP_{t\ pr} = ((I_{pers,t} + I_{rem,t} + I_{saimn,t}) - I_{ne,t}) \times (PCI_{pl} - PCI_{pr})$, where: $IIP_{t\ pr}$ – the forecasted difference between the planned inflation-induced cost increase in the regulatory period and the forecasted inflation-induced cost increase in the tariff period [EUR]; $I_{pers,t}$ – personnel and social costs included in the tariff calculation, calculated by using the inflation forecast, and attributable to the specific tariff period [EUR]; $I_{rem,t}$ – the costs of the necessary maintenance of the property and routine maintenance repairs carried out by other companies included in the tariff calculation, which are attributable to the relevant tariff period [EUR]; $I_{saimn,t}$ – other operating costs included in the tariff calculation, which are attributable to the relevant tariff period [EUR]; $I_{ne,t}$ – operating costs included in the tariff calculation, which are attributable to the relevant tariff period and for which inflation-induced cost changes are not	**JSC "Conexus Baltic Grid"** Conexus requests to clarify that subparagraph 30.3 of the Draft Methodology refers to the planned increase in costs due to inflation during the tariff period, not during the regulatory period.

No.	Wording of paragraph of Draft Methodology on which a market participant comment was received	Market participant and its comment
	planned in the regulatory period [EUR]; PCI_{pl} – planned cumulative consumer price inflation used in tariff calculation for the relevant tariff period [%]; PCI_{pr} – forecasted cumulative consumer price inflation for the relevant tariff period [%]; ..	
21.	*Subparagraph 30.3. of Daft Methodology* 30. Six months before the end of the tariff period, the system operator shall record the following in the regulatory account: .. 30.3. the difference between the planned inflation-induced cost increase in the regulatory period and the forecasted inflation-induced cost increase in the tariff period, which shall be determined according to the following formula: $IIP_{t\ pr} = ((I_{pers,t} + I_{rem,t} + I_{saimn,t}) - I_{ne,t}) \times (PCI_{pl} - PCI_{pr})$, where: $IIP_{t\ pr}$ – the forecasted difference between the planned inflation-induced cost increase in the regulatory period and the forecasted inflation-induced cost increase in the tariff period [EUR]; $I_{pers,t}$ – personnel and social costs included in the tariff calculation, calculated by using the inflation forecast, and attributable to the specific tariff period [EUR]; $I_{rem,t}$ – the costs of the necessary maintenance of the property and routine maintenance repairs carried out by other companies included in the tariff calculation, which are attributable to the relevant tariff period [EUR];	**JSC "Latvijas Gāze"** According to subparagraph 30.3 of the Draft Amendment, annexed to the Consultation Document, an adjustment of the operating costs of the transmission system should be foreseen, using the difference between the planned and forecast inflation factors. It is not clear from the wording of the Draft Amendment whether the cost increase based on the inflation factor applies to the entire transmission system or only to the supply of Latvian users.

No.	Wording of paragraph of Draft Methodology on which a market participant comment was received	Market participant and its comment
	$I_{saimn,t}$ – other operating costs included in the tariff calculation, which are attributable to the relevant tariff period [EUR]; $I_{ne,t}$ – operating costs included in the tariff calculation, which are attributable to the relevant tariff period and for which inflation-induced cost changes are not planned in the regulatory period [EUR]; PCI_{pl} – planned cumulative consumer price inflation used in tariff calculation for the relevant tariff period [%]; PCI_{pr} – forecasted cumulative consumer price inflation for the relevant tariff period [%]; ..	
22.	*Subparagraph 30.4. of Daft Methodology* 30. Six months before the end of the tariff period, the system operator shall record the following in the regulatory account: .. 30.4. the difference between the planned increase in costs caused by changes in nominal gross wages during the tariff period and the forecasted increase in the costs caused by changes in nominal gross wages in the tariff period, which shall be determined according to the following formula: $PIP_{t\,pr} = I_{pers\,BAI,t} \times (BAI_{pl} - BAI_{pr})$, where: $PIP_{t\ pr}$ – the forecasted difference between the planned cost increase caused by changes in	**JSC "Conexus Baltic Grid"** Conexus requests to clarify that that subparagraph 30.4 the Draft Methodology refers to the planned increase in costs due to changes in nominal gross wages during the tariff period, not during the regulatory period.

No.	Wording of paragraph of Draft Methodology on which a market participant comment was received	Market participant and its comment
	nominal gross wages in the regulatory period and the actual cost increase caused by changes in nominal gross wages in the tariff period [EUR]; $I_{pers\ BAI,t}$ – personnel costs included in the tariff calculation, calculated using the forecast of changes in nominal gross wages and attributable to the relevant tariff period [EUR]; BAI_{pl} – the planned cumulative indicator of changes in nominal gross wages used in the tariff calculation for the relevant tariff period [%]; BAI_{pr} – forecasted cumulative indicator of changes in nominal gross wages for the relevant tariff period [%]; ..	
23.	*Subparagraph 30.7. of Daft Methodology* 30. Six months before the end of the tariff period, the system operator shall record the following in the regulatory account: .. 30.7. justified actual unexpected costs due to changes in external regulatory acts or prevention of emergency situations, which occurred in the previous or current tariff period of the relevant regulatory period and cannot be recovered otherwise; ..	**JSC "Conexus Baltic Grid"** Subparagraph 30.7 of the Draft Methodology provides that only to changes in external regulatory acts or prevention of emergency situations, which occurred in the previous or current tariff period of the relevant regulatory period and cannot be recovered otherwise are to be included in the regulatory account. Conexus considers that the regulatory account should include not only actual but also forecasted costs that have arisen due to changes in external regulatory acts or prevention of emergency situations.
24.	*Paragraph 31 of Daft Methodology*	**JSC "Conexus Baltic Grid"** Paragraph 31 of the Draft Methodology provides that the differences referred to in paragraph 30 are

No.	Wording of paragraph of Draft Methodology on which a market participant comment was received	Market participant and its comment
	31. The differences referred to in paragraph 30 of this Methodology shall be determined for the following period: 31.1. the differences referred to in subparagraph 30.1, 30.2, 30.3, 30.4 and 30.5 of this Methodology shall be determined on the last day of the tariff period; 31.2. the costs referred to in subparagraph 30.6 of this Methodology shall be determined at the time of submission of the calculations; 31.3. the costs referred to in subparagraph 30.7 of this Methodology shall be determined on the last day of the last tariff period of the previous tariff period, including the previous regulatory period.	determined in different ways: on the last day of the tariff period, at the time of submission of the calculation or on the last day of the last tariff period. Conexus requests that the Regulator explains why the differences mentioned in paragraph 30 should be differentiated and proposes that all cost differences be determined uniformly, as provided for in subparagraph 31.1 and paragraph 38 of the Draft Methodology.
25.	*Paragraph 33 of Daft Methodology* 33. If there are several tariff periods in the regulatory period, the part of the revenue adjustment attributable to the next tariff period shall be determined as follows: 33.1. if the balance of the regulatory account is negative, the system operator has the right to attribute the balance of the regulatory account to the next tariff period and increase the planned revenue of the next tariff period, subject to the following conditions: 33.1.1. the balance of the regulatory account exceeds one percent of the planned operating costs of the tariff period;	**JSC "Conexus Baltic Grid"** 18. Conexus notes that paragraph 33 of the Draft Methodology is ambiguous as to how to determine the positive or negative nature of the regulatory account balance. Conexus requests the elimination of the provision in paragraph 33 of the Draft Methodology that allows for various interpretations. Paragraph 33 of the Draft Methodology is asymmetric in terms of reducing and increasing the projected revenues, obliging the balance of the regulatory account to be passed on in full to system users, while at the same time significantly limiting the system operator's ability to recover the uncovered costs.

No.	Wording of paragraph of Draft Methodology on which a market participant comment was received	Market participant and its comment
	33.1.2. the portion of the revenue adjustment attributable to the tariff period shall not exceed six percent of the planned operating costs of the tariff period. The six percent limit does not apply to the difference in costs, which is formed as a result of deviations in the costs of ensuring the technological process and natural gas losses, if the average actual price of natural gas in the relevant tariff period process and natural gas losses, if the average actual price of natural gas in the relevant tariff period was six or more euros per MWh higher than the planned price of natural gas; 33.2. if the balance of the regulatory account is positive, the system operator is obliged to allocate the balance of the regulatory account to the next tariff period and reduce the planned revenue of the next tariff period, if the balance of the regulatory account exceeds one percent of the planned operating costs of the tariff period; 33.3. the balance of the regulatory account, which is not attributed to the next tariff period according to subparagraph 33.1 or 33.2 of this Methodology, shall be taken into account by the system operator when determining the part of the revenue adjustment attributable to the tariff period for the next tariff period or the next regulatory period.	

No.	Wording of paragraph of Draft Methodology on which a market participant comment was received	Market participant and its comment
26.	*Subparagraph 33.1.2. of Daft Methodology* 33. If there are several tariff periods in the regulatory period, the part of the revenue adjustment attributable to the next tariff period shall be determined as follows: 33.1. if the balance of the regulatory account is negative, the system operator has the right to attribute the balance of the regulatory account to the next tariff period and increase the planned revenue of the next tariff period, subject to the following conditions: .. 33.1.2. the portion of the revenue adjustment attributable to the tariff period shall not exceed six percent of the planned operating costs of the tariff period. The six percent limit does not apply to the difference in costs, which is formed as a result of deviations in the costs of ensuring the technological process and natural gas losses, if the average actual price of natural gas in the relevant tariff period was six or more euros per MWh higher than the planned price of natural gas; ..	**JSC "Conexus Baltic Grid"** Conexus objects to the limitation in subparagraph 33.1.2 of the Draft Methodology regarding the non-recovery of the regulatory account balance in the next tariff period if the applicable revenue correction exceeds six percent of the planned operating costs for the tariff period. According to Conexus' estimates, six per cent of the tariff period's planned operating costs corresponds to almost EUR 1 million, which, given the expected decrease in natural gas consumption, will lead to an unnecessary and permanent increase in the regulatory account balance that will not be cleared within a reasonable timeframe, thus limiting the system operator's right to full cost recovery. 20. Conexus objects to the limitation of the cost of ensuring the technological process and natural gas losses deviation set out in subparagraph 33.1.2 of the Draft Methodology in case the average actual natural gas price during the relevant tariff period was lower by EUR 6 per MWh than the planned natural gas price. The proposed wording of subparagraph 33.1.2 creates unnecessary complexity in the calculation of the regulatory account balance and limits the ability of the system operator to fully recover costs in the following tariff period. Conexus requests the deletion of this provision.
27.	*Paragraph 33 and 34 of Daft Methodology* 33. If there are several tariff periods in the regulatory period, the part of the revenue adjustment attributable to the next tariff period shall be determined as follows:	**JSC "Conexus Baltic Grid"** Given that paragraph 33 of the Draft Methodology already determines the amount of the revenue adjustment, Conexus requests clarification of paragraph 34 of the Draft Methodology. Conexus has found that paragraph 33 and paragraph 34 of the Draft Methodology are mutually contradictory.

No.	Wording of paragraph of Draft Methodology on which a market participant comment was received	Market participant and its comment
	33.1. if the balance of the regulatory account is negative, the system operator has the right to attribute the balance of the regulatory account to the next tariff period and increase the planned revenue of the next tariff period, subject to the following conditions: 33.1.1. the balance of the regulatory account exceeds one percent of the planned operating costs of the tariff period; 33.1.2. the portion of the revenue adjustment attributable to the tariff period shall not exceed six percent of the planned operating costs of the tariff period. The six percent limit does not apply to the difference in costs, which is formed as a result of deviations in the costs of ensuring the technological process and natural gas losses, if the average actual price of natural gas in the relevant tariff period process and natural gas losses, if the average actual price of natural gas in the relevant tariff period was six or more euros per MWh higher than the planned price of natural gas; 33.2. if the balance of the regulatory account is positive, the system operator is obliged to allocate the balance of the regulatory account to the next tariff period and reduce the planned revenue of the next tariff period, if the balance of the regulatory account exceeds one percent of the planned operating costs of the tariff period;	

No.	Wording of paragraph of Draft Methodology on which a market participant comment was received	Market participant and its comment
	33.3. the balance of the regulatory account, which is not attributed to the next tariff period according to subparagraph 33.1 or 33.2 of this Methodology, shall be taken into account by the system operator when determining the part of the revenue adjustment attributable to the tariff period for the next tariff period or the next regulatory period. 34.The balance of the regulatory account determined in paragraph 30 of this Methodology shall be equal to the revenue adjustment part, and it increases or decreases the cost of the capacity booking service specified in paragraph 17 of this Methodology for the next tariff period.	
28.	*Subparagraph 30.5. and Paragraph 35 of Daft Methodology* 30. Six months before the end of the tariff period, the system operator shall record the following in the regulatory account: .. 30.5.the difference between the actual (forecasted) and planned amount of the inter-transmission system operator compensation in the tariff period, which shall be determined by summing the actual difference for the ended months in the relevant tariff period and the forecasted difference at the time of calculation, for the remaining months of the relevant tariff period; .. 35. When determining the adjustment of revenue specified in paragraphs 30-33 of this Methodology, the difference between the planned and actual	**JSC "Conexus Baltic Grid"** Conexus asks the Regulator to clarify the difference between the provisions defined in paragraph 35 and 30.5 of the Draft Methodology regarding the inclusion of the difference between the planned and actual inter-transmission system operator compensation in the revenue adjustment.

No.	Wording of paragraph of Draft Methodology on which a market participant comment was received	Market participant and its comment
	inter-transmission system operator compensation shall be taken into account.	
29.	*Subparagraph 36.1. of Daft Methodology* 36. The system operator, together with a new tariff proposal, shall submit to the Regulator information about the balance of the regulatory account and its justification. When determining the current balance of the regulatory account, the system operator shall record: 36.1. until the submission of a new tariff proposal, the balance of the regulatory account not allocated to the planned revenue, listed in accordance with paragraphs 30 and 31 of this Methodology; ..	**JSC "Conexus Baltic Grid"** Subparagraph 36.1 of the Draft Methodology provides that when a new Draft tariff is submitted, the balance of the regulatory account shall include the balance of the regulatory account not attributed to planned revenues until the submission of the new Draft tariff. Given that the actual amount of the regulatory account balance not attributed to planned revenues is not yet known at the time of the submission of the Draft tariff, Conexus requests that subparagraph 36.1 of the Draft Methodology be clarified as follows: "36.1. until the submission of a new tariff proposal, the forecasted balance of the regulatory account not allocated to the planned revenue, listed in accordance with paragraphs 30 and 31 of this Methodology;".
30.	*Subparagraph 36.2. of Daft Methodology* 36. The system operator, together with a new tariff proposal, shall submit to the Regulator information about the balance of the regulatory account and its justification. When determining the current balance of the regulatory account, the system operator shall record: .. 36.2. cost savings by cost groups, determined as the difference between actual costs and planned costs in the corresponding regulatory period, for those cost groups whose actual costs during the regulatory period were lower than planned and which were not included in the regulatory account in accordance with paragraph 30 and 31 of this Methodology;	**JSC "Conexus Baltic Grid"** In order to allow the system operator to recover all economically justified costs, Conexus requests that subparagraph 36.2 of the Draft Methodology should be modified to read as follows: "36.2. the cost differential by cost group, defined as the difference between the projected costs on the one hand and the planned costs, adjusted for the differences specified in paragraph 30 of this Methodology on the other".

No.	Wording of paragraph of Draft Methodology on which a market participant comment was received	Market participant and its comment
	..	
31.	*Paragraph 39 of Daft Methodology* 39. The adjustment of revenue specified in paragraph 11 of this Methodology for the next regulatory period shall be determined as follows: 39.1. if the balance of the regulatory account is negative, the system operator has the right to allocate the balance of the regulatory account in full or in part to the next regulatory period, accordingly increasing the allowed revenue for the next regulatory period specified in paragraph 11 of this Methodology; 39.2. if the balance of the regulatory account is positive, the system operator is obliged to allocate the balance of the regulatory account to the next regulatory period and reduce the planned revenue of the regulatory period specified in paragraph 11 of this Methodology.	**JSC "Conexus Baltic Grid"** Paragraph 39 of the Draft Methodology states that the balance of the regulatory account must be carried forward to the next regulatory period. Conexus requests that this provision be supplemented by specifying that the balance of the regulatory account should be attributed to one or more regulatory periods. At the same time, a provision should be made to compensate Conexus for the financing costs incurred in carrying forward the regulatory account balance. The financing costs should be calculated by applying the principle of stock financing cost recovery set out in paragraph 25 of the Draft Methodology.
32.	*Paragraph 51 of Daft Methodology* 51. The system operator, when calculating the allowed revenue recoverable from the capacity booking of entry points from other transmission entry-exit systems and of exit points to other transmission entry-exit systems, shall apply the allowed revenue allocation factor of 0.50 to the revenue for the capacity booking of entry points and the allowed revenue allocation factor of 0.50 for the revenue from the capacity booking of exit points. The system operator shall submit a justification simultaneously with the tariff proposal if the allowed	**Association of Building Materials Manufacturers** Please supplement the Methodology with justification criteria for the allocation coefficient of entry-exit costs, because in the current wording there is no restriction on the right of system operators to significantly deviate from the 0.5-0.5 distribution, which in accordance with the network code has been proven to be the most optimal allocation of tariff costs. A significant difference between entry tariffs and exit tariffs may result in additional tariff costs for consumers and do not contribute to the existence of efficient infrastructure usage signals on the market.

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	revenue allocation factors are adjusted.	
33.	*Paragraph 52 of Daft Methodology* 52. The revenue reallocation factor (K_{reg}) of the entry point from the natural gas storage facility and the exit point to the natural gas storage facility between the transmission system and the exit point for supplying gas users in Latvia, as well as the discount (D_{kr}) applicable to the tariffs of the entry point from the natural gas storage facility and the exit point to the natural gas storage facility shall be determined by the system operator. The system operator may determine a discount applicable to the tariffs of the entry point from the LNG facility. The system operator shall submit the justification of the determined reallocation factor and the size of the discount simultaneously with the tariff proposal.	**JSC "Conexus Baltic Grid"** Paragraph 52 of the Draft Methodology provides that the system operator shall justify the revenue reallocation factor for of the entry point from the natural gas storage facility and the exit point to the natural gas storage facility between the transmission system and the exit point for supplying gas users in Latvia, as well as the discount to be applied to the tariffs for the entry point from natural gas storage and the exit point to natural gas storage and shall submit the justification together with the Draft tariffs. Conexus requests that this provision be expressed in such a way that justification is provided only if the mentioned reallocation factor and the storage entry-exit discount amount are changed compared to the previous regulatory period.
34.	*Paragraph 52 of Daft Methodology* 52. The revenue reallocation factor (K_{reg}) of the entry point from the natural gas storage facility and the exit point to the natural gas storage facility between the transmission system and the exit point for supplying gas users in Latvia, as well as the discount (D_{kr}) applicable to the tariffs of the entry point from the natural gas storage facility and the exit point to the natural gas storage facility shall be determined by the system operator. The system operator may determine a discount applicable to the tariffs of the entry point from the LNG facility. The system operator shall submit the justification of the determined reallocation factor and the size of	**JSC "Latvijas Gāze"** According to the Draft Amendments, a discount of 100% is to be applied to the tariffs for the entry point from the natural gas storage and the exit point to the natural gas storage. However, the costs incurred by the transmission system operator at this entry/exit point are planned to be allocated to Latvian end-users and included in the charge for the use of the exit point for supplying gas users in Latvia. In view of the above argument about the division of the use of the IUGS and of the transmission system between Latvian and non-Latvian users, it is necessary to apply the principle of solidarity in the allocation of costs, i.e. to allocate them not only to Latvian but also to all users of the transmission system (Latvian and non-Latvian). Latvijas Gāze also draws attention to the fact that at the beginning of the liberalisation of the natural gas market, there was an entry/exit transmission tariff to/from the IUGS in Latvia. By restoring this mechanism, it is possible to reduce the charge for the use of the exit point for supplying gas users in Latvia.

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	the discount simultaneously with the tariff proposal.	Paragraph 52 of the Draft Amendment provides for the right of the system operator to set a discount applicable to the tariffs at the entry point of the LNG facility. Please clarify whether, according to the wording of this paragraph, the discount applicable at the entry/exit point for natural gas storage will depend on the tariffs applicable to LNG facilities in other countries?
35.	*Paragraph 52 of Daft Methodology* 52. The revenue reallocation factor (K_{reg}) of the entry point from the natural gas storage facility and the exit point to the natural gas storage facility between the transmission system and the exit point for supplying gas users in Latvia, as well as the discount (D_{kr}) applicable to the tariffs of the entry point from the natural gas storage facility and the exit point to the natural gas storage facility shall be determined by the system operator. The system operator may determine a discount applicable to the tariffs of the entry point from the LNG facility. The system operator shall submit the justification of the determined reallocation factor and the size of the discount simultaneously with the tariff proposal.	**Association of Building Materials Manufacturers (BRA)** BRA categorically opposes compensating the discount of the underground natural gas storage from the Latvian national exit tariffs, as the storage facility is used by all regional traders and the financing of this discount from Latvian consumer bills significantly affects the competitiveness of industrial enterprises compared to other countries of the region. Given that Russian natural gas supplies have been cut off and the use of the storage facility has become demanded for the use of liquefied natural gas terminals, additional support from transmission tariffs cannot be justified. The natural gas storage operator must be able to ensure the attractiveness of this asset on the market without a discount, which makes national exit to Latvian industrial consumers more expensive.
36.	*Paragraph 57 of Daft Methodology* 57. The charge for the use of the exit point for supplying gas users in Latvia shall be determined according to the following formula: $$K_{pārv} = \frac{AIe_{PSO\ nac}}{Q_{nod\ liet\ (g)}}$$ where: $K_{pārv}$ – the charge for the use of the exit point for supplying gas users in Latvia [EUR/kWh]; $Q_{nod\ liet\ (g)}$ – forecast of the amount of natural gas delivered to gasified facilities connected to the natural gas transmission	**JSC "Conexus Baltic Grid"** In paragraph 57 of the Draft Methodology, in the formula for calculating the charge for the use of the exit point for supplying gas users in Latvia, the allowed revenues from the capacity booking service attributable to the national transmission system are divided by the forecast of the amount of natural gas delivered to gasified facilities connected to the natural gas transmission and distribution system in a gas year. Conexus requests that the Regulator explain why the allowed revenues are used in the calculation formula for the f the charge for the use of the exit point for supplying gas users in Latvia, rather than the planned revenues for the tariff period.

No.	Wording of paragraph of Draft Methodology on which a market participant comment was received	Market participant and its comment
	and distribution system in a gas year [kWh]. ($AIe_{PSO\ nac}$ - allowed revenue from the capacity booking service attributable to the national transmission system [EUR])	
37.	*Paragraph 49., 58. and 62 of Daft Methodology* 49. The allowed revenue of the system operator shall be divided into the revenue of the cross-border transmission system and the national transmission system according to the following formula: $AIe_{PSO} = AIe_{PSO\ nac} + AIe_{PSO\ st}$, where: $AIe_{PSO\ nac}$ – allowed revenue from the capacity booking service attributable to the national transmission system [EUR]; $AIe_{PSO\ st}$ – allowed revenue from the capacity booking service attributable to the cross-border transmission system [EUR]. 58. The yearly standard capacity product tariff for entry points from another transmission entry-exit system shall be determined according to the following formula: $T_{ie\ (g)} = \frac{Ie_{PSO\ st} \times V_{ie} \times \left(1 - \frac{P_{ie\ kr}}{P_{ie}} \times D_{kr} \times K_{reg}\right)}{P_{ie} - P_{ie\ kr} \times D_{kr}}$ where: $Ie_{PSO\ st}$ – the planned revenue attributable to the cross-border transmission system [EUR]; V_{ie} – the planned revenue allocation factor for revenue from booking the capacity of entry points from another transmission entry-exit system;	**JSC "Conexus Baltic Grid"** Conexus asks the Regulator to clarify how the abbreviation "$A_{IePSO\ nac}$ - allowed revenues from the capacity booking service attributable to the national transmission system" in the formula in paragraph 49 of the Draft Methodology differs from the abbreviation "$Ie_{PSO\ nac}$ - allowed revenues of the national transmission system" in paragraph 62. The same applies to the abbreviation '$A_{IePSO\ st}$' referred to in paragraph 49 and the abbreviation "$Ie_{PSO\ s}$" referred to in paragraph 58. Overall, Conexus suggests that the same wording and the same terminology be used for terms of the same meaning in the Draft Methodology.

No.	Wording of paragraph of Draft Methodology on which a market participant comment was received	Market participant and its comment
	$P_{ie\ kr}$ – the forecasted average daily capacity of the entry point from the natural gas storage facility during the tariff period [kWh/day]; P_{ie} – entry capacity of the transmission system during the tariff period [kWh/day]; K_{reg} – the revenue reallocation factor of the entry point from the natural gas storage facility and the exit point to the natural gas storage facility between the transmission system and the exit point for supplying gas users in Latvia. 62. The charge for the use of the exit point for supplying gas users in Latvia shall be proportional to the forecasted amount of natural gas supplied to the gasified facilities connected to the natural gas transmission and distribution system, and it shall be determined according to the following formula: $$K_{pārv} = \frac{Ie_{PSO\ nac} + Ie_{PSO\ st} \times D_{kr} \times K_{reg} \times \left(\frac{P_{ie\ kr} \times V_{ie}}{P_{ie}} + \frac{P_{iz\ kr} \times V_{iz}}{P_{iz}}\right) + T}{Q_{nod\ liet\ (g)}}$$ where: $Ie_{PSO\ nac}$ – allowed revenue of the national transmission system [EUR].	
38.	*Paragraph 63 of Daft Methodology* 63. The system operator shall submit the economic justification of the size of the multipliers and seasonal factor used in the tariff proposal, taking into account the system operator's obligation to ensure an efficient use of the transmission system for the provision of the capacity booking service and covering the total costs	**JSC "Conexus Baltic Grid"** Paragraph 63 of the Draft Methodology provides that the system operator shall justify the multiplier and the seasonal factor and submit the justification together with the Draft tariffs. Conexus requests that this provision be expressed in such a way that justification is provided only if the values of the multipliers and seasonal factor are changed compared to the previous regulatory period.

No.	Wording of paragraph of Draft Methodology on which a market participant comment was received	Market participant and its comment
	of the capacity booking service, together with the tariff proposal.	
39.	*Paragraph 79 of Daft Methodology* 79. By February 1 of the year of the beginning of the regulatory period, the system operator shall submit to the Regulator for evaluation in written and electronic form (calculations of the tariffs and the constituent costs thereof in Excel format): 79.1. the calculation of the tariffs, the allowed revenue and their corresponding costs for the regulatory period determined in paragraph 79 of this Methodology, together with the justification of the afore-mentioned costs, including the explanation of the change in costs compared to the previous regulatory period, and documents supporting the costs in accordance with the regulator's regulations on the justification of the tariff-forming costs, as well as the planned revenue and the corresponding costs for the tariff period; 79.2. information about the inter-transmission system operator compensation forecasted in the regulatory period and the tariff periods included therein and its justification; 79.3. information on the revenue of the previous regulatory period from the capacity booking service and the total actual costs of the transmission system's capacity booking service.	**JSC "Conexus Baltic Grid"** Paragraph 79 of the Draft Methodology provides that the system operator shall submit the tariff calculation by 1 February of the year of the start of the regulatory period. Conexus concludes that the deadline for the submission of the Draft tariff is set unreasonably early, seven months before the start of the regulatory period. Taking into account the deadlines for the assessment and approval of the Draft tariff set out in Article 19(2) and (7) of the Law on Public Service Regulators, the deadlines for the booking of capacity products set out in the Common Regulations for the Use of Natural Gas Transmission System, the system operator's resource load at the end of the year and the resources necessary for Draft tariff preparation, Conexus concludes that the deadline for submitting the Draft tariff should be brought forward to 1 May of the year of the beginning of the regulatory period. This change of deadline is in line with the requirement in subparagraph 85.3 of the Draft Methodology that the Draft tariff should be submitted by 1 May 2023.
40.	*Subparagraph 79.1. of Daft Methodology*	**JSC "Conexus Baltic Grid"** Subparagraph 79.1 of the Draft Methodology provides that for the purposes of the assessment of the Draft tariff,

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	79. By February 1 of the year of the beginning of the regulatory period, the system operator shall submit to the Regulator for evaluation in written and electronic form (calculations of the tariffs and the constituent costs thereof in Excel format): 79.1. the calculation of the tariffs, the allowed revenue and their corresponding costs for the regulatory period determined in paragraph 79 of this Methodology, together with the justification of the afore-mentioned costs, including the explanation of the change in costs compared to the previous regulatory period, and documents supporting the costs in accordance with the regulator's regulations on the justification of the tariff-forming costs, as well as the planned revenue and the corresponding costs for the tariff period; ..	the system operator shall submit both the allowed revenues and the corresponding costs for the regulatory period and the planned revenues and the corresponding costs for the tariff period. Conexus requests that paragraph 79.1 of the Draft Methodology should be modified to read as follows: "79.1. the calculation of the tariffs, the allowed revenue and their corresponding costs for the regulatory period determined in paragraph 79 of this Methodology, together with the justification of the afore-mentioned costs, including the explanation of the change in costs compared to the previous regulatory period, and documents supporting the costs in accordance with the regulator's regulations on the justification of the tariff-forming costs, as well as the planned revenue and the corresponding costs for the tariff period".
41.	*Subparagraph 79.1. and 79.2. of Daft Methodology* 79. By February 1 of the year of the beginning of the regulatory period, the system operator shall submit to the Regulator for evaluation in written and electronic form (calculations of the tariffs and the constituent costs thereof in Excel format): 79.1. the calculation of the tariffs, the allowed revenue and their corresponding costs for the regulatory period determined in paragraph 79 of this Methodology, together with the justification of the afore-mentioned costs, including the explanation of the change in costs compared to the previous regulatory period, and	**JSC "Conexus Baltic Grid"** 3Subparagraph 79.2 of the Draft Methodology provides that, for the purposes of the assessment of the Draft tariffs, the system operator shall submit information on the inter-transmission system operator compensation forecasted in the regulatory period and the tariff periods included therein and its justification. Conexus requests an explanation as to why both the planned revenue from the inter-transmission system operator compensation (as part of the calculation of allowed revenues set out in subparagraph 79.1) and the forecasted revenue from the inter-transmission system operator compensation should be submitted at the time of the submission of the Draft tariff. At the same time, Conexus requests an explanation as to why it should be assumed that the planned revenue at the time of submission of the Draft tariff are not equal to the forecasted revenues. Additionally, Conexus requests an evaluation of whether subparagraph 79.2 of the Draft Methodology does not duplicate subparagraph 79.1 of the Draft

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	documents supporting the costs in accordance with the regulator's regulations on the justification of the tariff-forming costs, as well as the planned revenue and the corresponding costs for the tariff period; 79.2. information about the inter-transmission system operator compensation forecasted in the regulatory period and the tariff periods included therein and its justification; ..	Methodology, which states that the allowed revenue and corresponding costs are submitted for assessment.
42.	*Subparagraph 79.3. of Daft Methodology* 79. By February 1 of the year of the beginning of the regulatory period, the system operator shall submit to the Regulator for evaluation in written and electronic form (calculations of the tariffs and the constituent costs thereof in Excel format): .. 79.3. information on the revenue of the previous regulatory period from the capacity booking service and the total actual costs of the transmission system's capacity booking service.	**JSC "Conexus Baltic Grid"** Subparagraph 79.3 of the Draft Methodology provides that for the purposes of the assessment of the Draft tariff, the system operator shall submit information on the revenue from the capacity booking service for the previous regulatory period and the total actual costs of the transmission system capacity booking service. Given that paragraph 36 of the Draft Methodology already requires the above, Conexus asks for clarification on the difference between paragraph 36 of the Draft Methodology and subparagraph 79.3. At the same time, subparagraph 79.3 does not stipulate that actual revenue and actual costs are not yet known at the time of submission of the Draft tariff.
43.	*Subparagraph 85.1. of Daft Methodology* 85. The system operator, when developing the tariff proposal, which is planned to enter into force from October 1, 2023, shall observe that: 85.1. the adjustment of the costs of securing natural gas supply, the obligations to cover which were fulfilled in 2021 and 2022, shall be included in the calculation of the charge for the use of the exit point for supplying gas users in Latvia. The adjustment shall be	**JSC "Conexus Baltic Grid"** Subparagraph 85.1 of the Draft Methodology states that costs of securing natural gas supply in 2020 and 2021 are to be included in the calculation of allowed revenue as the difference between the recoverable costs and the costs actually recovered. Conexus has already explained and maintains its position that these costs should be included in the full amount of EUR 3 072.6 thousand in the allowed revenue. The requirement to include only the difference between recoverable costs and actually recovered costs in the allowed revenue is contrary to the current Methodology for the Calculation of Natural Gas Transmission System Service Tariffs, paragraph 40 of which states that the difference between the planned revenue and the actual revenue shall be included in the regulatory account. The contradiction lies in the fact that

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	determined by taking into account the recoverable costs of securing natural gas supply and the costs actually recovered; ..	the actual revenue provided for in paragraph 40 of the current Methodology should be reduced by the amount relating to the recovery of the costs of securing natural gas supply. Conexus would therefore have to submit updated regulatory account calculations for the period 1 October 2020 to 30 September 2022, in which the regulatory account balances would have to be increased. Conexus considers that such an action, which is not foreseen in the current Methodology, limits the system operator's ability to fully recover costs of securing natural gas supply for the 2020 and 2021 auctions.
44.	*Paragraph 85 of Daft Methodology* 85. The system operator, when developing the tariff proposal, which is planned to enter into force from October 1, 2023, shall observe that: 85.1. the adjustment of the costs of securing natural gas supply, the obligations to cover which were fulfilled in 2021 and 2022, shall be included in the calculation of the charge for the use of the exit point for supplying gas users in Latvia. The adjustment shall be determined by taking into account the recoverable costs of securing natural gas supply and the costs actually recovered; 85.2. the allowed revenue for the time period from October 1, 2022 to September 30, 2023 shall correspond to the actual economically justified costs of this period, taking into account the actual inflation level in the relevant period and the rate of return on capital for the calculation of the tariff proposal for the natural gas transmission system service for the specified period; 85.3. information according to paragraph 80 of this Methodology shall be submitted	**JSC "Conexus Baltic Grid"** Conexus requests that an additional provision be included in paragraph 85 of the Draft Methodology, which provides that the allowed revenue of the Draft tariff scheduled to enter into force on 1 October 2023 must include the costs that the system operator will incur as a result of the implementation of the Lithuanian-Polish Interconnector (GIPL). The cost per gas year is to be determined by the planned amount of EUR 14 700 thousand. The payment of EUR 1,14 million (the value of the Regulatable Asset Base (RAB)) is multiplied by the stated rate of return on capital of 2.72%, plus EUR 735 thousand (the value of the RAB). EUR 14 700 thousand for 20 years from May 2023, representing the depreciation cost of the payment. Although the payment has not yet been made, the interconnection is complete, operational and provides the intended benefits to system users. Conexus considers that these costs should be recovered evenly over the next regulatory periods and therefore it is important to include them already in this Draft tariff, scheduled to enter into force on 1 October 2023, rather than accumulating them as an adjustment already for the next regulatory period. The inclusion of the GIPL payment in the RAB value of fixed assets is thus in line with the spirit of the NC TAR and the regulatory principle of including in the RAB value those assets necessary for the efficient provision of the public service. The actual amount of the payment will be clarified by the time the tariffs enter into force.

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	to the Regulator for evaluation no later than May 1, 2023.	