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PAKALPOJUMU  
REGULĒŠANAS  
KOMISIJA

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## CONSULTATION DOCUMENT

# on amendments to Regulations on the use of Inčukalns underground gas storage facility

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22 November 2021

Riga

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**In the Annex:** Draft Decision "Amendments to Decision No 1/14 of the Public Utilities Commission of 1 October 2020 "Regulations on the Use of Inčukalns Underground Gas Storage Facility"".

## I Summary of the consultation document

The purpose of the consultation document is to inform the public and obtain the opinion of interested parties on the draft decision of the Public Utilities Commission (hereinafter — the Regulator) "Amendments to Decision No 1/14 of the Public Utilities Commission of 1 October 2020 "Regulations on the Use of Inčukalns Underground Gas Storage Facility"" (hereinafter — Draft Amendments).

Article 15(7) of the Energy Law provides that the Regulator shall approve the regulations on the use of natural gas transmission and storage system or the regulations for the use of natural gas storage facility drawn up by the natural gas transmission and storage, and also liquefied natural gas system operator which shall be objectively based, economically justified, fair, equal, transparent, and accessible to all system users and applicants who request access to the relevant system. The Regulator is entitled to make changes in these regulations.

On the basis of the authorisation laid down in the Energy Law, the Regulator, by Decision No 1/14 of 1 October 2020, approved the Regulations on the Use of the Inčukalns Underground Gas Storage Facility (hereinafter — the Regulations), by which it was established that storage capacity products were to be booked by means of an auction procedure.

Taking into account the experience gained during the first storage cycle in which auctions were used to book the capacity of the Inčukalns underground gas storage facility (hereinafter — storage), the joint natural gas transmission and storage system operator Conexus Baltic Grid (hereinafter JSC "Conexus Baltic Grid") prepared a proposal for amendments to the Regulations and submitted it to the Regulator on 22 September 2021 in accordance with Article 15(7) of the Energy Law.

Having assessed the proposals submitted by JSC "Conexus Baltic Grid", the Regulator prepared the Draft Amendments. The Draft Amendments include a regulation aimed at ensuring the highest possible level of transparency of storage capacity booking auctions, preventing possible congestion of the storage during the natural gas injection season, as well as clarifying the procedures for the transfer of natural gas injected into the storage and capacity product and the requirements for the natural gas storage system user (hereinafter — the system user) in relation to ensuring the fulfilment of contractual obligations.

Proposals and comments on the Draft Amendments should be submitted to the Regulator in writing by sending them to the e-mail adress [sprk@sprk.gov.lv](mailto:sprk@sprk.gov.lv) by **6 December 2021**.

**The Regulator is particularly interested in receiving the views of stakeholders on the issues addressed in the Draft Amendments** (see. the section "Justification" of the consultation document):

- 1) the breakdown of the capacity product into the capacity product for the injection quarter and the capacity product for injection month;**
- 2) the split of natural gas injection capacity corresponding to the maximum storage available capacity between capacity products for the injection quarters and capacity products for the injection months applying an allocation coefficient of 0.4 and 0.6;**
- 3) the number of auctions after which it would be appropriate to offer capacity products for injection months instead of the capacity product for injection quarter in the opening rounds of the auction.**

The Draft Amendments prepared by the Regulator are included in the Annex to this document.

## II Necessity to develop a draft legislative act

### 1) Justification

In 2020, when the common Finnish, Estonian and Latvian natural gas transmission entry-exit system started to operate, the interest of natural gas market participants in the possibility of storing natural gas in the storage increased significantly. The Draft Amendments have been prepared taking into account the need to improve the regulation of the use of the storage in order to maintain and increase the interest of natural gas market participants in the possibility of storing natural gas in the storage.

### Transparency of storage capacity booking auctions

System users should receive information in a timely manner on the timings for storage capacity booking auctions. This would increase the ability of system users to use natural gas supply sources such as liquefied natural gas terminal, from which supplies are not continuous as opposed to natural gas supplies via pipelines. It would also allow system users to plan and take the necessary actions related to the procurement of natural gas in a timely manner, thereby contributing to the efficient and maximum utilisation of storage capacity. By improving the transparency of the storage capacity product booking process, the Draft Amendments set out the obligation of the single natural gas transmission and storage system operator (hereinafter — the system operator) to publish on its website, by 10 January of each calendar year, information agreed with the Regulator on all storage capacity auctions for capacity products, the beginning of the use period of which is the next storage cycle, indicating the timing of the storage capacity auctions and the storage capacity products to which the storage capacity auctions relate. The Draft Amendments specify the period during which the auctioning of the relevant storage capacity product shall take place. The auctions of the bundled capacity product and the two-year bundled capacity product shall start no later than 15 March each year and shall end no later than the sixth working day following the date of publication of the storage technical capacity and the storage available capacity for the existing storage cycle. In turn, the first booking auction for an interruptible capacity product must take place no later than 15 June each year and the last one - not later than 29 September each year, allowing system users to start injection of natural gas on 1 October of the relevant year and continue it for two weeks.

The Draft Amendments set out the circumstances upon which the system operator has the right to cancel the storage capacity auction. The system operator shall have the right to cancel the storage capacity auction not later than five working days before the start of the auction specified in the auction rules by publishing the cancellation information if:

- the storage available capacity for the next storage cycle is less than 5 % of the storage technical capacity forecast for the next storage cycle;
- no approved or set tariffs for storage capacity products for the next storage cycle, or
- the storage capacity available for booking of the capacity product is 0 kWh.

### Natural gas injection curve

The need to introduce a mechanism to facilitate the use of the storage through specific natural gas injection schedules is justified by two main considerations: promoting the sustainability of the storage and predictability of the availability of natural gas injection capacity by preventing storage congestion for firm capacity products:

- **Storage Sustainability:** an underground gas storage facility in water-saturated porous layers (the storage belongs to this type) is a complex geological engineering facility whose operation is associated with specific risks and the resulting operating conditions. The largest possible technical capacity of the storage facility can be ensured by a specific, balanced schedule for the natural gas injection into and withdrawal from the storage. Comparing the theoretical optimal and actual natural gas injection schedule over the last

three years (see Fig.1) it can be concluded that the existing storage regime does not provide sufficient incentives for system users to submit trade notifications for the storage of natural gas in a manner that would naturally correspond to the optimal operation of the storage. It is therefore necessary to enable the system operator to dynamically determine a suitable natural gas injection schedule ensuring the sustainability of the storage.

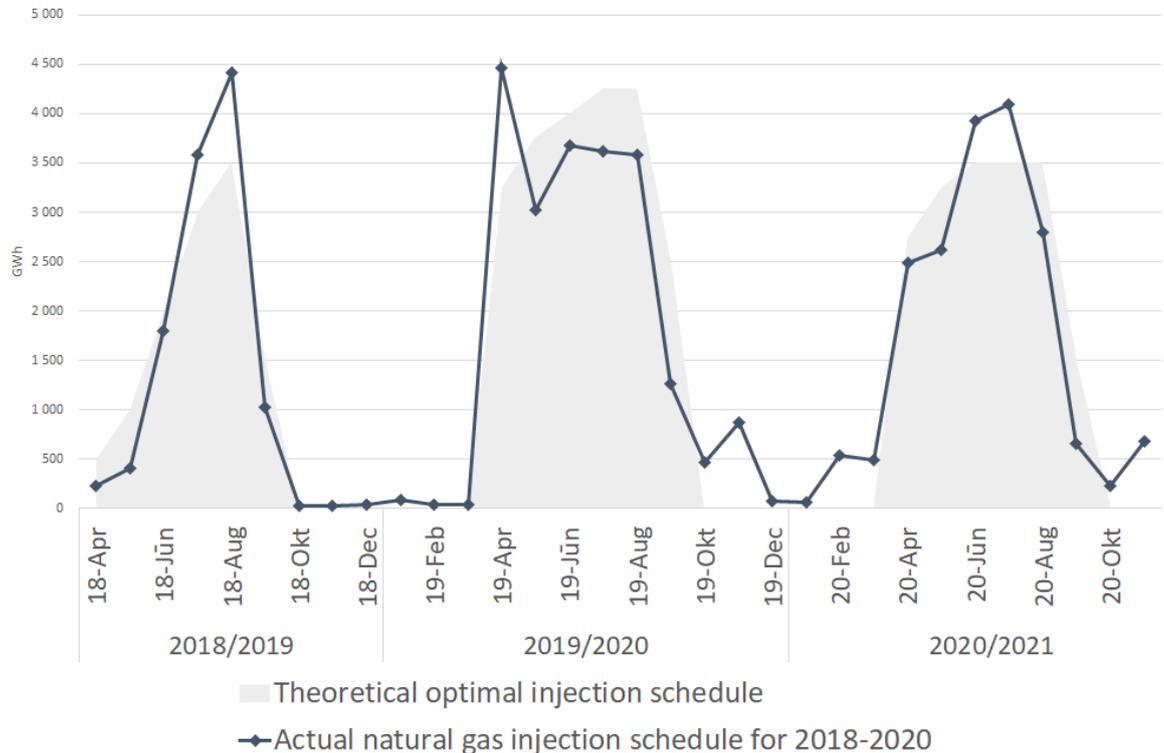


Fig. 1 Theoretical optimal and actual natural gas injection schedule for 2018-2020

- Predictability of the availability of injection capacity:** the natural gas market has undergone extremely dynamic developments in recent years. In discussions on the operation of the storage, natural gas market participants have repeatedly indicated that they are assessing the possibility to start booking storage capacity as soon as possible, thus providing the best opportunities to purchase natural gas as a resource at competitive prices. At the same time, it should be noted that not only when the storage capacity can be booked, but also whether it is possible to inject the natural gas purchased in the storage at the planned time, plays an important role in the accuracy with which a natural gas market participant can carry out its intended deals. By introducing natural gas injection curves binding to system users in the Draft Amendments it is ensured that the system user is guaranteed the possibility to use a certain natural gas injection capacity during a specified period of the injection season when booking a firm capacity product.

**The natural gas injection curve** determines the amount of natural gas, corresponding to the amount of the bundled capacity product or the two-year bundled capacity product booked by the system user, during the period of utilisation of the capacity product, broken down by gas days, which the system operator can provide with firm capacity for the storage of natural gas during the injection season.

*Supplements to the storage capacity booking auction mechanism*

The Draft Amendments are designed to balance the need for a structured and predictable natural gas storage during the injection season and the needs of system users to plan their individual

natural gas supply processes flexibly. The Draft Amendment therefore supplements the procedure for booking storage capacity by providing that:

- when booking a bundled capacity product, a system user has at the same time booked a corresponding natural gas injection curve. The Draft Amendments provide for two types of natural gas injection curves for the capacity product: for a consecutive three-month period (injection quarter) and a period of one month (injection month);
- **auctions of bundled capacity products will be organised in rounds**, ensuring that the system user is able to select and establish the most appropriate schedule for the injection of natural gas (see example in Figure 2).

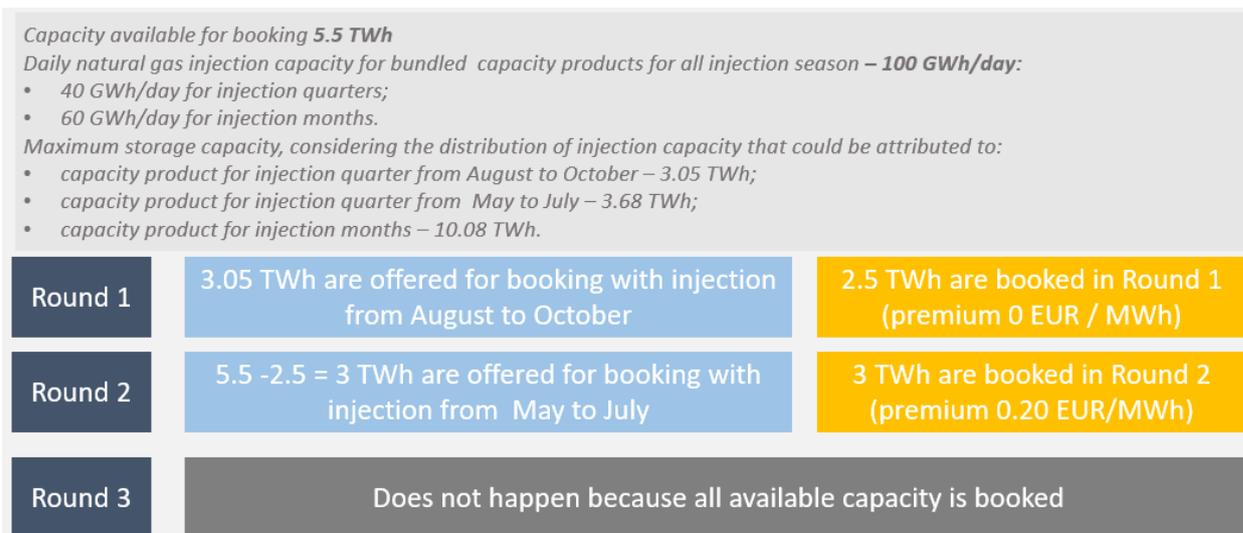


Fig.2 Example of the first auction (created illustratively and not reflecting the actual technical characteristics of the storage)

In order to facilitate the establishment of an optimal injection schedule and, at the same time, to ensure the transparency and predictability of the storage capacity booking process for system users, the Draft Amendment establish the following auction procedure (see Figure 3):

- 1) in the first and second auctions, the auction rounds are designed in such a way that the bundled capacity product is **first** offered for booking with a corresponding natural gas injection curve **for a three-month period i.e., for injection quarter**, which is one of the three calendar months of the injection season beginning on 1 May of each year (first injection quarter) and 1 August (second injection quarter). For subsequent rounds (if there is still available storage capacity), with a corresponding natural gas injection curve for the injection month, from October to May;
- 2) in subsequent auctions, the auction rounds shall be designed in such a way that the product of the bundled capacity product is **first** offered for booking with a corresponding natural gas injection curve for the relevant month from October to May. For subsequent rounds (if there is still available storage capacity), with a corresponding natural gas injection curve for the injection quarter starting with the second injection quarter;
- 3) the injection capacity corresponding to the maximum storage available capacity shall be allocated between the capacity products for the injection quarters and the capacity products for the injection months by applying an allocation coefficient of **0.4** for capacity products for **injection quarters** and **0.6** for capacity products for **injection months**;
- 4) in auctions organised after the date of publication of the storage technical capacity and the storage available capacity for the existing storage cycle, where bundled capacity products are fully booked for the injection quarters, but system users do not choose to book bundled capacity products for the injection months, the non-booked capacity shall be offered for booking for injection quarters and vice versa;

- 5) **two-year bundled capacity product** booking auctions take place in two rounds, in first round offering a capacity product for the second injection quarter and in the second – for the first quarter.

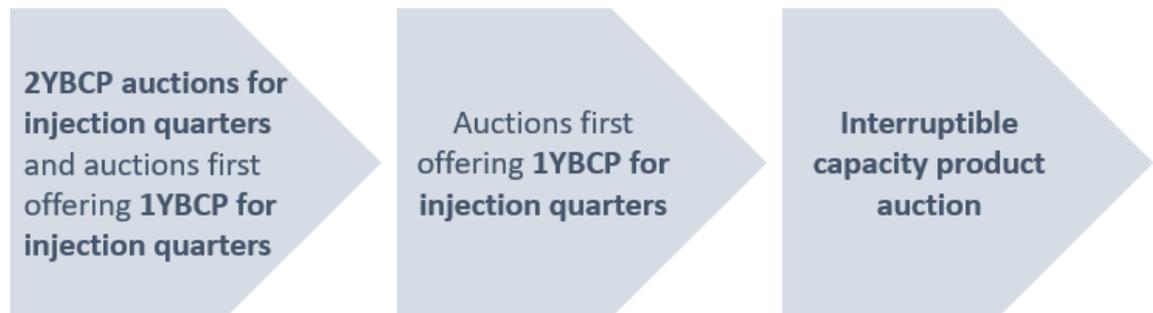


Fig. 3 Auction procedure set out in the Draft Amendments

The breakdown into capacity products for injection quarters and in capacity products for injection months of has been offered in order to enable system users to establish the most appropriate natural gas injection profile for them. The approach of first offering storage capacity with the possibility of injecting natural gas at the end of the natural gas injection season has been chosen, because the higher load at the end of the injection season contributes to a higher natural gas withdrawal capacity during the natural gas withdrawal season. In turn, the distribution of the available storage capacity and injection capacity between the injection quarters and the injection months is based on empirical observations on the functioning of the natural gas market.

*Creation of a natural gas injection curve*

Taking into account the storage management requirements, the system operator may organise the injection of natural gas into the storage in a variety of ways — ensuring constant injection capacity throughout the injection season (the injection quarter or the injection month) or changing the injection capacity, depending on the technical necessity, gradually increasing or decreasing it. Accordingly, this affects the natural gas injection curve corresponding to the storage capacity product booked by the system user, which is determined by the system operator (see Figure 4). When booking a bundled capacity product in an auction, the system user will be aware of the amount of natural gas to be injected each day.

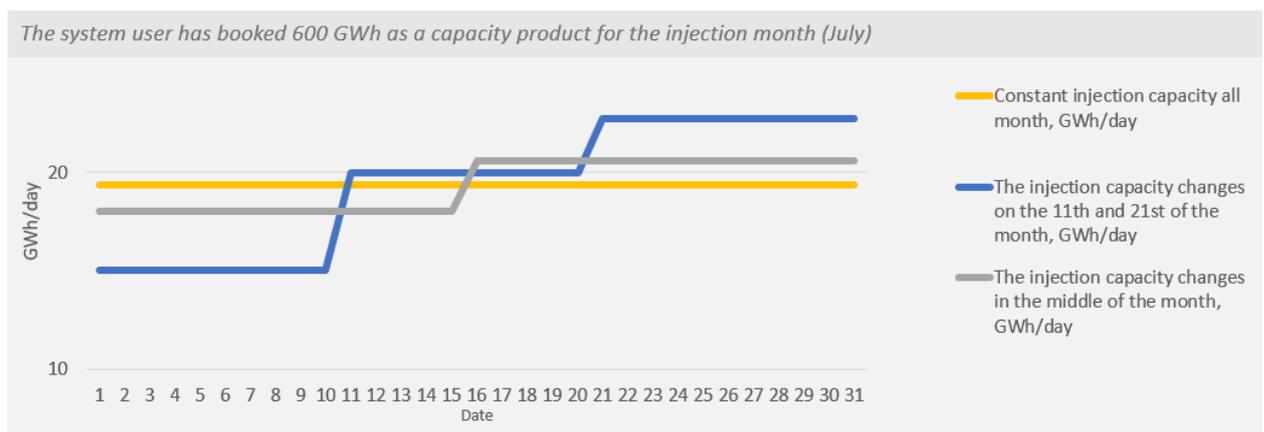


Fig.4 Possible natural gas injection curves into systems for filling the volume of storage booked by the user with natural gas (example created illustratively and does not reflect the actual technical characteristics of the storage)

The system user’s individual natural gas injection curve will be formed by the sum of the relevant natural gas injection curves for all auctions in which a bundled capacity product or a two-year bundled capacity product has been booked by the system user. In view of the uncertainty of the functioning of the natural gas market and its dynamic changes which may lead to unpredictable

delivery times of natural gas, the Draft Amendments specify that the amount of natural gas determined in the natural gas injection curve for the capacity product at the disposal of the system user may be exceeded by amount not exceeding 20% of the maximum daily amount of natural gas set in the injection curve of the capacity product, and said amount of natural gas is placed in a storage with interruptible injection capacity (see. Fig. 5). The use of interruptible injection capacity does not change the amount of storage capacity booked but allows natural gas to be injected more flexibly.

The system user has booked a total of 1,500 GWh of bounded capacity product.

The system user has booked it in two auctions:

- 900 GWh booked as capacity product for 2nd injection quarter (August– October) (~12 GWh/day)
- 600 GWh booked as capacity product for injection month (July) (~20 GWh/day)

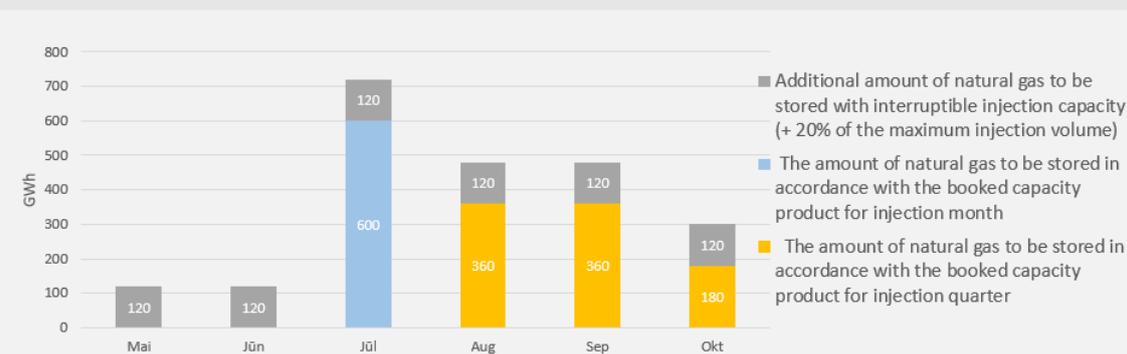


Fig. 5 System user's individual natural gas injection curve assuming a constant total injection capacity of the storage over the entire injection season (example is illustrative and does not reflect the actual technical characteristics of the storage)

#### Provision of a natural gas injection curve

In accordance with the Draft Amendments, if the system user indicates in the trade notification for storage of natural gas, submitted before 15:00 on gas day D-1, a amount of natural gas which corresponds to the injection curve of capacity product at the disposal of the user, the system operator shall be obliged to confirm the amount of natural gas indicated in the trade notification and to ensure the injection of natural gas with constant capacity.

A system operator shall place the amount of natural gas indicated in the system user's trade notification, which exceeds the amount of natural gas specified in the natural gas injection curve of the capacity product at the disposal of the system user, in a storage with interruptible capacity. That amount of natural gas shall be approved by the system operator by allocating it among system users in proportion to the amount of unused storage capacity of the capacity product specified in the trading notification. In addition, a trade notification in which gas amount exceeds 20% of the maximum daily amount of natural gas set in the injection curve of the capacity product shall be rejected.

Where trade notifications are submitted after 15:00 on gas day D-1, the system operator shall confirm the amount of natural gas indicated in the trade notifications in the order of receipt of the trade notifications, taking into account the available natural gas injection capacity.

During the withdrawal of natural gas from the storage, the system operator shall confirm the amount of natural gas indicated in the trade notifications in the order of receipt of the trade notifications.

#### Other amendments

In view of the changes to the use of the storage capacity product in the Draft Amendments by providing for the use of the natural gas injection curve, **the procedure for the transfer of the natural gas placed in the storage and capacity product has been specified.** The Draft Amendments stipulate that an application for the transfer of storage capacity product to another

system user must indicate the storage capacity auction number if the capacity product to be transferred is a bundled capacity product or a two-year bundled capacity product. Such a requirement is for the system operator to be informed of the natural gas injection curve of the capacity product that would apply to the trading notifications submitted by the system user receiving the capacity product.

Chapter IX "Interruption or Restriction of the Storage Service" of the Regulations, sets out the right of a system operator to restrict or interrupt natural gas injection into the storage or withdrawal from the storage, if there is damage to the natural gas transmission system or storage facility that may cause an accident, or an accident has occurred, an energy crisis has been declared in accordance with the Energy Law, technical maintenance, repair, connection, disconnection or disassembly are required, and in other cases. In order to provide clarity on the activities of the system operator and the ability of system users to place into the storage or withdraw natural gas from a storage in those cases, the Draft Amendments set out a **sequence in which, in cases where natural gas injection into or withdrawal from storage is restricted, the system operator shall confirm the amount of natural gas indicated in the trade notifications** (allocate the available natural gas injection or withdrawal capacity among system users).

The Draft Amendments clarify **the requirements for ensuring the fulfilment of contractual obligations** by the system user. During the term of the storage service contract, the system user may secure the fulfilment of contractual obligations by means of appropriate credit rating of the network user or collateral. In order to prevent system users from abusing the storage by creating financial difficulties for the system operator, the Draft Amendments provide for the right of the system operator to restrict or interrupt natural gas injection into a storage, withdrawal from a storage or the transfer of a natural gas placed in a storage or capacity product, if the system user fails to submit, renew or increase the collateral within the time limit laid down in the Regulations.

## 2) Institutions involved in the development of the draft legislative act

Pursuant to Article 15(7) of the Energy Law, JSC "Conexus Baltic Grid" was involved in the development of the Draft Amendments.

## 3) Target groups of society affected or likely to be affected by the legal framework

The regulation included in the Draft Amendments will affect storage users, as well as JSC "Conexus Baltic Grid".

## 4) Assessment of the impact on the target groups of society affected or likely to be affected by the legal framework

The Draft Amendments will have a positive impact on the right of system users to be informed about the timing of the storage capacity booking auctions and the ability to plan their activities in a timely manner (risk related to storage congestion excluded). The obligation imposed by the Draft Amendments on the system operator to determine natural gas injection curves increases the administrative burden of JSC "Conexus Baltic Grid". In turn, the provisions of the Draft Amendments regarding the use of natural gas injection curves prevent the storage congestion during the natural gas injection season, thereby reducing the administrative burden of JSC "Conexus Baltic Grid".

The Chair

A. Ozola

THE DOCUMENT IS SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND CONTAINS A TIME STAMP

**Amendments to Decision No 1/14 of the Public Utilities Commission of  
1 October 2020 “Regulations on the Use of the Inčukalns Underground  
Gas Storage Facility”**

*Issued in accordance with  
Article 15(7) of the Energy Law*

1. The following amendments to the Public Utilities Commission’s decision No 1/14 “Regulations Regarding the Use of the Inčukalns Underground Gas Storage Facility” of 1 October 2020 (Latvijas Vēstnesis, 2020, No 193) shall be made:
  - 1.1. the decision shall be supplemented with Sub-paragraphs 2.2.<sup>1</sup>, 2.2.<sup>2</sup> and 2.2.<sup>3</sup> as follows:
    - “2.2.<sup>1</sup> injection quarter – one of the three calendar months during the natural gas injection season beginning on 1 May (first injection quarter) or 1 August (second injection quarter) of each year;
    - 2.2.<sup>2</sup> injection month – one of the calendar months during the natural gas injection season, as well as the period from 1 October to 14 October of each year;
    - 2.2.<sup>3</sup> natural gas injection curve - the amount of natural gas specified by the system operator corresponding to the amount of the bundled capacity product or the two-year bundled capacity product booked by the system user during the period of use of the capacity product, broken down by gas days, which the system operator can provide for placement of natural gas into the storage facility during the season”;
  - 1.2. Sub-paragraph 12.6 shall be deleted;
  - 1.3. Paragraph 24 shall be amended as follows:
    - “24. If the type of storage capacity booking specified in Annex 2 to these Regulations is an auction procedure:
      - 24.1. by 10 January of each calendar year, the system operator shall publish on its website information agreed upon with the Regulator regarding all storage capacity auctions for capacity products, the start of the use period of which is the next storage cycle, indicating the time of storage capacity auctions and the storage capacity products covered by storage capacity auctions;
      - 24.2. the system operator shall publish (on its website no later than five working days before the scheduled start of the auction) the storage capacity auction regulations, which indicate the maximum amount of storage capacity

available within the auction for the capacity product in the relevant storage cycle and the corresponding natural gas injection curve and which is agreed upon with the Regulator, or information on cancellation of the storage capacity auction if any of the circumstances specified in Paragraph 24.<sup>2</sup> of these Regulations occur;

24.3. the system operator shall inform the system user regarding the amount of storage capacity allocated within the relevant capacity product, the premium applicable thereto and the natural gas injection curve not later than on the next day after the end of the storage capacity auction by electronically sending a corresponding notification to the system user;

24.4. upon receipt of the capacity product allocation notification, the system user is obliged to pay the system operator for the allocated capacity product in accordance with the procedures specified in these Regulations, the storage service contract and the auction regulations according to the storage service tariffs and the premium specified in the capacity product allocation notification.”;

1.4. the decision shall be supplemented with Paragraphs 24.<sup>1</sup>, 24.<sup>2</sup> and 24.<sup>3</sup> as follows:

“24.<sup>1</sup> The system operator shall publish on its website the criteria for determining the natural gas injection curve, which are technically justified and meet the requirements of secure storage management, ensuring the efficient provision of storage services to system users.

24.<sup>2</sup> Auctions for the booking of storage capacity shall take place in accordance with the information published in Sub-paragraph 24.1 of these Regulations, unless:

24.<sup>2</sup>1. the available capacity of the storage facility for the next storage cycle is less than 5% of the technical capacity forecast of the storage facility for the next storage cycle, which has been notified in accordance with Paragraph 7 of these Regulations;

24.<sup>2</sup>2. tariffs for storage capacity products for the next storage cycle have not been approved or set; or

24.<sup>2</sup>3. the amount of storage capacity available for the booking of the capacity product is 0 kWh.

24.<sup>3</sup> The system operator shall conduct storage capacity booking auctions in accordance with the procedure specified in Annex 2 to these Regulations, offering to book a storage capacity product for an injection quarter and an injection month, indicating the corresponding natural gas injection curve.”;

1.5. Sub-paragraph 27.1 shall be deleted;

1.6. Paragraph 31 shall be supplemented with the second sentence as follows:

“The quantity of natural gas specified in the trade notification shall be distributed evenly over all hours of the gas day.”;

1.7. Paragraph 32 shall be supplemented with the third sentence as follows:

“If the quantity of natural gas specified in the trade notification of the system user within the bundled capacity product or two-year bundled capacity product exceeds the amount of natural gas specified in Paragraph 1.8.2. and Sub-paragraph 2.8.2 of Annex 2 to these Regulations, the system operator shall reject the trade notification.”;

1.8. the decision shall be supplemented with Paragraph 33.<sup>1</sup> as follows:

“33.<sup>1</sup> By submitting a new trade notification no later than 30 minutes before the end of the gas day, during the gas day the system user may adjust the amount of natural gas indicated in the trade notification for placement into or withdrawal from the storage facility for the remaining hours of the gas day starting from the hour during which the new trade notification is submitted. The system user shall distribute the quantities of natural gas specified in the new trade notification for placement into or withdrawal from the storage facility evenly over the remaining hours, taking into account the quantity of natural gas stored or withdrawn in the previous hours. The system operator shall reject the new trade notification if the new trade notification increases the amount of natural gas and it exceeds the amount of natural gas that can be placed into or withdrawn from the storage facility during the remaining hours of the gas day, or if the new trade notification reduces the amount of natural gas and it is smaller than the quantity of natural gas stored or withdrawn during the preceding hours according to the trade notification.”;

1.9. Paragraph 34 shall be amended as follows:

“34. The system operator shall evaluate the received trade notifications in accordance with the schedule specified in Paragraph 30 of these Regulations and in accordance with the provisions of Paragraph 33.<sup>1</sup> of these Regulations, taking into account whether the capacity product is offered with constant or interruptible capacity in accordance with Annex 2 to these Regulations.”;

1.10. the decision shall be supplemented with Paragraph 34.<sup>1</sup> as follows:

“34.<sup>1</sup> The system operator shall confirm the quantity of natural gas specified in the trade notifications in the following order:

34.<sup>1</sup>1. during the natural gas injection into the storage facility, if trade notifications were submitted before 15:00 on the gas day D-1, the quantity of natural gas corresponding to the amount of natural gas to be injected shall be confirmed first, the remaining quantity of natural gas shall be approved by distributing it among system users in proportion to the amount of unused storage capacity available to the system user which is indicated in the trade notification. If trade notifications were submitted after 15:00 on the gas day D-1: in the order of receipt of trade notifications, taking into account the available natural gas injection capacity;

34.<sup>1</sup>2. during the withdrawal of natural gas from the storage facility – in the order of receipt of trade notifications. If the system operator detects physical congestion by 15:00 on the gas day D-1, the system operator shall distribute the natural gas withdrawal capacity within the framework of congestion management between the system users by prioritizing the bundled capacity product and the two-year bundled capacity product and in proportion to the storage capacity available for their use. If, after 15:00 on the gas day D-1, the system operator detects physical congestion, the natural gas withdrawal capacity shall be allocated among the system users in the order of receipt of trade notifications and the bundled capacity product and the two-year bundled capacity product specified in the trade notification shall be prioritized.”;

1.11. Sub-paragraphs 39.2. and 39.3. shall be amended as follows:

“39.2. the quantity of natural gas transferred or received (kWh) or the volume of the capacity product (kWh/ during the period of use of the capacity product);

- 39.3. the time of transfer and receipt of the natural gas or capacity product, which shall not be earlier than the next gas day after the submission of the application;”;
- 1.12. the decision shall be supplemented with Sub-paragraph 39.5. as follows:
- “39.5. the auction number of the storage capacity, if the capacity product to be transferred is the bundled capacity product or the two-year bundled capacity product.”;
- 1.13. Paragraphs 40, 41, and 42 shall be amended as follows:
- “40. The system operator shall inform the system user about the receipt of the application for the transfer of the natural gas or capacity product in accordance with the standard communication protocol.
41. The system operator shall approve the transaction referred to in the applications specified in Paragraph 39 within one hour after receipt of the second consistent application, if the information specified in both applications regarding the transaction is the same.
42. The natural gas or capacity product for the system user to whom it is transferred shall be available for use with all related rights from the beginning of the gas day of receipt specified in the application, if the transaction confirmation of the system operator has been received.”;
- 1.14. Paragraph 45 shall be deleted;
- 1.15. Chapter VIII shall be deleted;
- 1.16. the decision shall be supplemented with Paragraphs 67.<sup>1</sup> and 67.<sup>2</sup> as follows:
- “67.<sup>1</sup> If the system operator restricts the injection of natural gas into the storage facility in the cases specified in Paragraphs 60 and 62 of these Regulations, as well as in cases where maintenance work is performed within the time periods published in accordance with Paragraphs 64 and 65 of these Regulations, the system operator shall reject the amount of natural gas specified in trade notifications which is used within the interruptible capacity product, but the amount of natural gas specified in trade notifications used within the bundled capacity product and the two-year bundled capacity product shall be distributed among system users in proportion to the amount of natural gas specified in the natural gas injection curve on the relevant gas day.
- 67.<sup>2</sup> If the system operator restricts the withdrawal of natural gas from the storage facility during the gas day in the cases specified in Paragraph 60 of these Regulations, the system operator shall distribute the natural gas withdrawal capacity among system users in accordance with the congestion management procedures specified in Sub-paragraph 34.<sup>12</sup> of these Regulations.”;
- 1.17. Paragraph 68 shall be amended as follows:
- “68. During the duration of the storage service contract, the system user shall ensure the fulfilment of the contractual obligations by deploying the appropriate system user’s credit rating or collateral for the fulfilment of obligations. The system user may choose one or more types of collateral for the fulfilment of obligations (a security deposit, a guarantee by a provider of financial services or a related merchant that complies with the criteria specified in Paragraph 71 of these Regulations).”;
- 1.18. Paragraph 69 shall be supplemented with the words “if has chosen to ensure the fulfillment of contractual obligations with a credit rating” after the words “system user”;

- 1.19. Paragraph 70 shall be supplemented with the words “If the system user has chosen to ensure the fulfillment of contractual obligations with a credit rating,” before the words “system operator” and to delete the words “concluding or during its duration”;
- 1.20. Sub-paragraph 71.4 shall be deleted;
- 1.21. the second sentence of Paragraph 72 shall be deleted;
- 1.22. the second sentence of Sub-paragraph 74.1 shall be deleted;
- 1.23. Paragraph 75 shall be amended as follows:
- “75. The collateral for the fulfilment of obligations shall be valid for the entire duration of the storage service contract if the system user has chosen to ensure the performance of the contractual obligations with the collateral for the fulfilment of obligations.”;
- 1.24. the decision shall be supplemented with Paragraph 75.<sup>1</sup> as follows:
- “75.<sup>1</sup> The collateral for the fulfilment of obligations shall be valid for the entire duration of the storage service contract if the system operator has requested the collateral for the fulfilment of obligations from the system user which has chosen to ensure the performance of the contractual obligations with a credit rating in accordance with Paragraph 70 of these Regulations. If the system user fails to provide the system operator with the collateral for the fulfilment of obligations within the time period specified in Paragraph 73 of these Regulations, the system operator may restrict or terminate the injection of natural gas into the storage facility, withdrawal from the storage facility or transfer of the natural gas or capacity product stored in the storage facility.”;
- 1.25. Paragraph 76 shall be amended as follows:
- “76. The amount of the collateral for the fulfilment of obligations shall be determined and applied by the system operator in the amount of the two-month fee specified in Sub-paragraph 24.4 of these Regulations for the storage cycle for all booked capacity products of the system user in each storage cycle.”;
- 1.26. the decision shall be supplemented with Paragraph 76.<sup>1</sup> as follows:
- “76.<sup>1</sup> After using the collateral for the fulfilment of obligations in the amount specified in Paragraph 76 of these Regulations to cover the claims arising from the storage service contract, the system operator shall send a warning to the system user regarding restriction or termination of natural gas injection into the storage facility, withdrawal from the storage facility or transfer of stored natural gas or capacity product. If the system user fails to renew the collateral for the fulfilment of obligations within the time period specified in the warning, which shall not be less than ten working days, the system operator may restrict or suspend the injection of natural gas into the storage facility, removal from the storage facility or transfer of the stored natural gas or capacity product.”;
- 1.27. Paragraph 77 shall be supplemented with the second sentence as follows:
- “If the system user fails to submit a new collateral for the fulfilment of obligations within the specified time period, the system operator may restrict or suspend the injection of natural gas into the storage facility, the removal from the storage facility or the transfer of the natural gas or capacity product placed in the storage facility.”;
- 1.28. the decision shall be supplemented with Paragraphs 82.<sup>1</sup> and 82.<sup>2</sup> as follows:

“82.<sup>1</sup> Paragraph 33.<sup>1</sup> of these Regulations shall be applied from the beginning of the 2022/2023 storage cycle.

82.<sup>2</sup> The system operator shall publish the natural gas injection curve determination criteria specified in Paragraph 24.<sup>1</sup> of these Regulations on its website simultaneously with the information specified in Sub-paragraph 24.1 of these Regulations regarding all storage capacity auctions for capacity products the beginning of the usage period of which is the 2022/2023 storage cycle.”;

1.29. in Annex 1, the words “or a rating agency” shall be deleted;

1.30. Sub-paragraph 1.1 of Annex 2 shall be amended as follows:

“1.1. Storage capacity booking time: in accordance with the information published in Sub-paragraph 24.1 of these Regulations, starting the storage capacity booking not later than 15 March of the relevant year and ending no later than the sixth working day after the date of publication of the technical capacity of the storage facility and the available capacity of the storage facility for the current storage cycle in accordance with Paragraph 9 of these Regulations.”;

1.31. Sub-paragraph 1.3 of Annex 2 shall be amended as follows:

“1.3. Auction procedure used to book the capacity product:

1.3.1. the capacity product shall be booked in an auction in which the determination of a single premium is used;

1.3.2. capacity product for the injection quarter and the injection month shall be booked in an auction, applying an allocation coefficient of 0.4 for the capacity product for injection quarters and 0.6 for the capacity product for injection months to the natural gas injection curve corresponding to the maximum available storage capacity in the capacity product storage cycle;

1.3.3. out of all storage capacity auctions on which information has been published in accordance with Sub-paragraph 24.1 of these Regulations, the first and second auctions shall take place in rounds:

1.3.3.1. in the first round of the auction, the capacity product for the second injection quarter of the next storage cycle shall be booked, taking into account the available capacity of the storage facility and the maximum available storage capacity for the capacity product for the injection quarter;

1.3.3.2. in the second round of the auction, the capacity product for the first injection quarter of the next storage cycle shall be booked, if the amount of available capacity of the storage facility after the first auction round exceeds 0 kWh, taking into account the maximum available storage capacity for the capacity product for the injection quarter;

1.3.3.3. in the following auction rounds, the capacity product for the relevant injection month of the next storage cycle shall be booked, starting from October and ending in May, if the amount of available storage capacity after the second auction round and subsequent auction rounds exceeds 0 kWh, taking into account the maximum available storage capacity for the capacity product for the injection month;

1.3.4. the third and subsequent auctions out of all storage capacity auctions for which information has been published in accordance with Sub-paragraph 24.1 of these Regulations and which are held until the date of publication of the technical capacity of the storage facility and available storage capacity for the

current storage cycle in accordance with Paragraph 9 of these Regulations shall take place in rounds:

1.3.4.1. in each round, the capacity product shall be booked for the relevant injection month of the storage cycle, starting from October and ending in May, if the amount of available storage capacity after the first auction round and subsequent auction rounds exceeds 0 kWh, taking into account the maximum available storage capacity specified for the capacity product for the injection month;

1.3.4.2. if, at the end of the auction rounds for booking the capacity product by injection months, the amount of available storage capacity exceeds 0 kWh, in the following rounds the capacity product for the injection quarter of the storage cycle shall be booked, starting from the second injection quarter of the storage cycle of the capacity products and taking into account the maximum available storage capacity specified for the capacity product for the injection month;

1.3.5. subsequent auctions out of all storage capacity auctions on which information has been published in accordance with Sub-paragraph 24.1 of these Regulations and which are held after the date of publication of the technical capacity of the storage facility and available storage capacity for the current storage cycle in accordance with Paragraph 9 of these Regulations shall take place in rounds, of which in each round the capacity product for relevant injection month of the storage cycle shall be booked, starting from October and ending in May, if the amount of available storage capacity after the first auction round and subsequent auction rounds exceeds 0 kWh, taking into account the adjusted maximum available storage capacity for the capacity product for the injection month. The adjusted maximum available storage capacity volume for the capacity product for the injection month shall be determined by taking into account the part of the maximum available storage capacity volume determined in accordance with Sub-paragraph 1.3.2 of this Annex, which has not been booked within the framework of the storage capacity product's injection quarters.”;

1.32. Sub-paragraph 1.7.2 of Annex 2 shall be amended as follows:

“1.7.2. placement of natural gas in the storage facility: in a quantity that can be stored with the capacity product at the disposal of the system user;”;

1.33. Sub-paragraph 1.8 of Annex 2 shall be amended as follows:

“1.8. Placement of natural gas for storage in the storage facility:

1.8.1. according to the natural gas injection curve of the capacity product at the disposal of the system user: constant capacity product;

1.8.2. exceeding the amount of natural gas specified in the natural gas injection curve of the capacity product at the disposal of the system user on the gas day: interruptible capacity product. The amount of natural gas in the gas day specified in the natural gas injection curve of the capacity product at the disposal of the system user may be exceeded by no more than 20% of the maximum amount of natural gas per day specified in the natural gas injection curve.”;

1.34. Sub-paragraph 1.8.<sup>1</sup> of Annex 2 shall be amended as follows:

“1.8.<sup>1</sup> Withdrawal of natural gas from the storage facility: constant capacity product.”;

1.35. Sub-paragraph 2.1 of Annex 2 shall be amended as follows:

“2.1. Storage capacity booking time: in accordance with the information published in Sub-paragraph 24.1 of these Regulations, starting the storage capacity booking not later than 15 March of the relevant year and ending no later than the sixth working day after the date of publication of the technical capacity of the storage facility and available storage capacity for the current storage cycle in accordance with Paragraph 9 of these Regulations.”;

1.36. Sub-paragraph 2.3 of Annex 2 shall be amended as follows:

“2.3. Auction procedure used to book the capacity product:

2.3.1. the capacity product shall be booked in an auction in which the determination of a single premium is used;

2.3.2. capacity product for the injection quarter shall be booked in an action;

2.3.3. auctions of the capacity product on which information has been published in accordance with Sub-paragraph 24.1 of these Regulations shall take place in rounds, taking into account the maximum available storage capacity for the capacity product for the injection quarter specified in Sub-paragraph 2.4 of these Regulations:

2.3.3.1. in the first round of the auction, the capacity product for the second injection quarter of the storage cycle shall be booked;

2.3.3.2. in the second round of the auction, the capacity product for the first injection quarter of the storage cycle shall be booked.”;

1.37. the figure and words “2,000,000 (two million) MWh” shall be replaced with the figure and words “2,000,000,000 (two billion) kWh” in Sub-paragraph 2.4 of Annex 2;

1.38. Sub-paragraph 2.7.2 of Annex 2 shall be amended as follows:

“2.7.2. placement of natural gas in the storage facility: in a quantity that can be stored with the capacity product at the disposal of the system user;”;

1.39. Sub-paragraph 2.8 of Annex 2 shall be amended as follows:

“2.8. Placement of natural gas in the storage facility:

2.8.1. according to the natural gas injection curve of the capacity product at the disposal of the system user: constant capacity product;

2.8.2. exceeding the amount of natural gas specified in the natural gas injection curve of the capacity product at the disposal of the system user on the gas day: interruptible capacity product. The amount of natural gas in the gas day specified in the natural gas injection curve of the capacity product at the disposal of the system user may be exceeded by no more than 20% of the maximum amount of natural gas per day specified in the natural gas injection curve.”;

1.40. Sub-paragraph 2.8.<sup>1</sup> of Annex 2 shall be amended as follows:

“2.8.<sup>1</sup> Withdrawal of natural gas from the storage facility: constant capacity product.”;

1.41. Sub-paragraph 3.1 of Annex 2 shall be amended as follows:

“3.1. Time of booking of storage capacity: in accordance with the information published in Sub-paragraph 24.1 of these Regulations, starting the booking of the storage capacity not later than on 15 June of the relevant year and ending not later than on 29 September of the relevant year.”;

1.42. Sub-paragraph 5.3.1 of Annex 2 shall be amended as follows:

“5.3.1. during the injection season - in accordance with the information published on the website of the system operator regarding the amount of capacity available for booking, which is not less than the total amount of natural gas to be placed in the storage facility by system users within the bundled capacity product and interruptible capacity product on the relevant gas day from which 27.7 GWh/day shall be subtracted in accordance with Paragraph 36 of these Regulations. The amount of capacity available for booking shall not be less than 0;”;

1.43. The words “is equal to” shall be replaced with the words “not less than” in Sub-paragraph 5.3.2 of Annex 2.

2. The decision shall enter into force on the day following its publication in the official publication “Latvijas Vēstnesis”.

Chair

A. Ozola