



PUBLIC
UTILITIES
COMMISSION

Development of open gas market regulatory framework

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1. Transmission services tariffs methodology
 2. Storage and distribution system services tariffs methodology
 3. Rules for the Use of Transmission System and Storage
 4. TSO and DSO independence
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New transmission system services tariffs methodology - switching to Entry – Exit concept



New natural gas transmission service tariffs calculation methodology was adopted on November 28, 2016



Main features of the methodology:

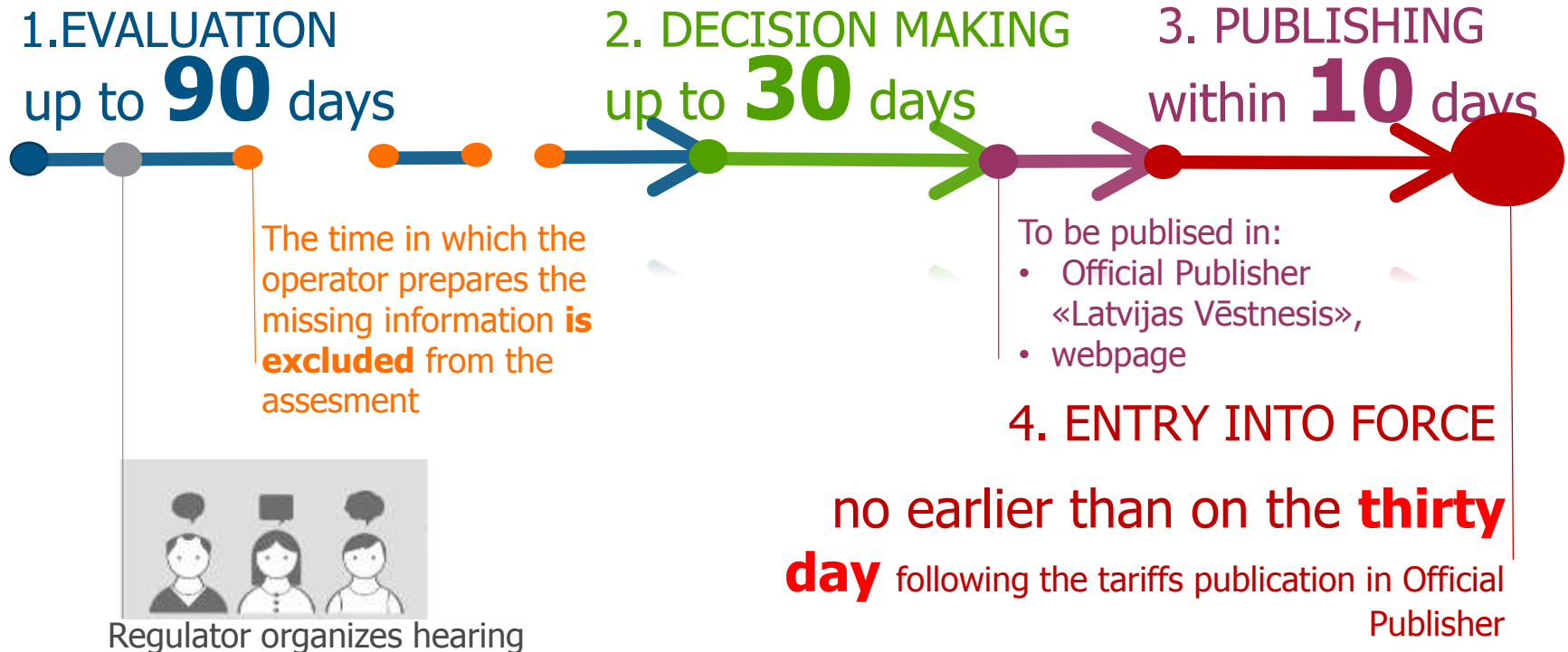
- Based on NC TAR
- Shift from m³ to kWh
- Postage stamp methodology
- Capacity/Commodity split of 100:0
- Entry/Exit split of 50:50
- Discounts for tariffs at entry points from and exit points to storage facilities justified by TSO
- Tariff review cycle – one year, first review cycle till April 1, 2019



Conexus Baltic Grid submitted tariffs project for the assessment and approval on January 5, 2017



Tariffs project evaluation procedure



Existing situation :

- The Regulator is evaluating transmission system services tariffs project and additional information submitted by the TSO



- Public consultation on **storage system services tariff methodology** ended on February 10, 2017.



Main features of the methodology:

- Reservation of storage capacity unit for the storage cycle - the time period from the start of the injection season until the end of the withdrawal season
 - No injection, withdrawal fee
 - Shift from m³ to kWh (without lose the value of gas energy)
 - Flexible approach to the application of the tariff considering to actual storage booked capacity. Increasing the total booked capacity, the tariff can be reduced, thereby reducing costs of storage services and facilitate storage fulfilment;
 - First tariff project submitted to the Regulator no later than November 15, 2017
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- Public consultation on **distribution system services tariffs methodology** from February 17, 2017 till March 3, 2017



Main features of the methodology:

- tariffs are differentiated depending on the users' annual natural gas consumption
- tariffs may also be differentiated according to the cost allocation to the maintenance and development of the distribution system capacity and to the natural gas transportation service.

Regulations Regarding the Use of Gas Transmission System and Inčukalns Underground Gas Storage Facility



- **Conexus Baltic Grid submitted Regulations Regarding the Use of Gas Transmission System and Inčukalns Underground Gas Storage Facility on January 24, 2017**
- Under evaluation of Regulator, possible public consultation
- Expected adoption - till the opening of gas market

Regulations for the Use of Transmission System determines:

- Rights and obligations of TSO and system user
- Cooperation between TSO and other gas system operators
- Capacity allocation
- Secondary capacity market
- Congestion management
- Transactions at the virtual trading point
- Procedure for nomination submission and approval
- Allocation of gas quantities
- Balancing rules
- Cases and procedures of transmission restriction or termination

Regulations for the Use of Storage determines :

- Rights and obligations of SSO and system user
- Storage service agreement
- Capacity allocation
- Allocation of gas quantities
- Storage maintenance
- Cases and procedures of storage service restriction or termination



Amendments to the Regulations Regarding Registration of Energy Producers and Traders adopted by the Regulator on October 13, 2016 states that:

- Registration of natural gas traders started on February 10, 2017
- Natural gas trader has to send a registration notification to the Regulator
- The register includes the following information regarding natural gas trader:
 - ✓ the name
 - ✓ the unified registration number
 - ✓ the registration date
 - ✓ if the natural gas trader has been excluded from the register of natural gas traders, the date when the natural gas trader was excluded from the respective register.

The natural gas trader will be removed from the register if no any trading activities are taken within one year



- **JSC «Latvijas Gāze» automatically entered in the Register**
- **Already 6 other traders have been registered**

Certification and Designation of a Transmission and storage System Operator



Single natural gas transmission and storage system operator ownership unbundling is considered to be completed at the time when the operator complies with the certification requirements



Regulations on Certification will be adopted on February 16, 2017



Single natural gas transmission and storage system operator and TSO complies with the requirements for certification if the following conditions are met*:

The holder of the capital shares of the system operator may not be directly or indirectly a holder of capital shares of such merchant which performs production, distribution and trade of natural gas activities;

The person, who appoints members of the board of directors or council of a system operator, may not directly or indirectly appoint members of the board of directors or council of such merchant which performs production, distribution and trade of natural gas activities

One and the same person may not simultaneously hold office as a member of the board of directors or council of a system operator and office as a member of the board of directors of a capital company which performs production, distribution, trade of natural gas activities;

Each year by April 1 the system operator has to submit a report to Regulator on compliance with certification requirements

Independence of Natural Gas Distribution System Operator (hereafter – DSO)



According to the Energy Law a DSO shall be a separate capital company and shall be separated from the activities of production, transmission, storage and trade of natural gas



Regulations on Requirements for Independence of DSO adopted on January 26, 2017 determines:

- ✓ which documents and information the natural DSO shall submit to the Regulator in order to certify the independence of the system operator from the transmission, storage and especially for trading activities carried out by the vertically integrated merchant
- ✓ Each year by April 1 the DSO has to submit a report to Regulator on compliance with independence requirements;
- ✓ After evaluation of the report the Regulator provides an opinion on sufficiency of the measures taken for ensuring independence
- ✓ DSO has to eliminate the deficiencies indicated in the opinion of the Regulator



The first report has to be submitted on January 1, 2018

THANK YOU!

