Public consultation on Common Network and Balancing rules in the Common Balancing Zone of Estonia and Latvia

Introduction

In line with development of EU internal energy market and development of regional gas infrastructure projects, Baltic countries and Finland work towards a vision of the regional gas market. To achieve the vision, gas market involving Estonia and Latvia (and in the future possibly Finland and Lithuania) would have to be reorganized by adopting clear and common rules for adequate functioning of the regional gas market.

The TSOs of Estonia and Latvia have worked together and in co-operation with Lithuanian and Finnish TSOs to draft Common Network rules and Common Balancing rules to be applied in the common zone starting from 2020. These rules have been drafted to be applicable in the common entry-exit system consisting of Estonia and Latvia.

Hereby the TSOs are seeking input from stakeholders and market participants on these rules. After the public consultation, the TSOs will assess the comments submitted by the stakeholders, update where relevant the draft rules and will apply for coordination of the rules to National Regulatory Authorities of the countries forming regional gas market zone. Also, the assessment of comments provided by the stakeholders will be published. Please take note that comments received in the course of the public consultation may be kept anonymous, if the party providing comments indicates to remain anonymous.

Scope of Common Network rules

Network rules have been prepared on the basis of relevant EU and national legislation, [“Principles for transmission capacity management in common Baltic gas market”](https://www.ambergrid.lt/uploads/documents/capacity%20management%20principles.pdf) concept model, Latvian and Estonian and network rules and practices and other EU TSOs network rules and practices.

Common Network rules set out provisions for:

* Capacity booking procedures;
* Congestion management procedures;
* Secondary capacity trading;
* Interruptible capacity;
* Nomination and Renomination procedures and terms;
* Allocation, Reconciliation, Matching procedures;
* Gas Quality, Accounting, Maintenance, Invoicing, Credit Management etc.;
* Main rights and obligations, liability;

Scope of Common Balancing rules

The balancing rules have been prepared on the basis of relevant EU and national legislation, Estonian and Latvian network rules, other EU TSOs balancing rules and the Baltic TSO’s study carried out by DNV GL to design the balancing framework and balancing rules for the Baltic states (and Finland)

Common Balancing Rules set out provisions for:

* Rights and obligations of the TSO and the Network User
* Procedures for the use of Virtual Trading Point
* Information provision procedures regarding the Network User’s balance status
* Methodology for the calculation of daily imbalance price
* Balance settlement and Invoicing

**Questionnaire for public consultation**

|  |  |  |
| --- | --- | --- |
| **No** | **Question** | **Answer** |
| 1. | What is your name? |  |
| 2. | What is your email address? |  |
| 3. | What is your organisation? |  |
| 4. | In which country is your organisation based? |  |
| 5. | Do you wish that your response to this consultation would be treated confidential, i.e. published without disclosing the name? |  |

**Questions for Common Network rules**

Please **add your feedback on Common Network rules document as “Acceptable” or “No opinion” or “Disagree”** to the above enquiry, by placing a cross in the appropriate box as “X”. Also, please provide your comments and arguments for you position.

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| --- | --- | --- | --- | --- | --- | --- |
| **No** | **Article** | **Question** | **Acceptable** | **No opinion** | **Disagree** | **Comment** |
|  | 2. | Definitions |  |  |  |  |
| 1. 6 | 3. | Conclusion of transmission agreement |  |  |  |  |
|  | 4. | Capacity allocation |  |  |  |  |
|  | 5. | Management of contractual congestions |  |  |  |  |
|  | 6. | Nomination |  |  |  |  |
|  | 7. | Allocation |  |  |  |  |
|  | 8. | Reconciliation |  |  |  |  |
|  | 9. | Operations and gas entry provisions |  |  |  |  |
|  | 10. | Suspension or restriction of the transmission system service |  |  |  |  |
|  | 11. | Invoicing and settlement |  |  |  |  |
|  | 12. | Creditworthiness, credit management and collaterals |  |  |  |  |
|  | 13. | Dispute settlement, applicable law etc |  |  |  |  |
|  | 14. | Validity period, amendment and termination of the Transmission service agreement |  |  |  |  |
|  | 15. | Liability |  |  |  |  |
|  | 16. | Force majeure |  |  |  |  |
|  | 17. | Confidentiality |  |  |  |  |
|  | 18. | Provisions applicable for the transition period |  |  |  |  |
|  | 19. | Final provisions |  |  |  |  |
| **Additional questions** | | | | | | |
|  | In the Network rules it is foreseen that the capacity would be booked at all entry and exit points of the system except Latvian and Estonian domestic exit points, entry points from biomethane production facilities and Inčukalns Underground Gas Storage (UGS) entry and exit points. Do you agree with such approach? Do you have any proposals? | |  |  |  |  |
|  | On the points other than interconnection points (IPs) with other EU Member States, the capacity is planned to be allocated based on First-Come-First-Served (FCFS) principle (meaning that capacity is allocated at first to the network users who have applied for capacity booking at the earliest. Do you agree with the FCFS provisions stipulated in the Common Network rules? Do you have any proposals? | |  |  |  |  |
|  | Before performing congestion management procedures TSO shall firstly:  • organize secondary capacity market;  • offer interruptible capacity.  TSO shall perform following procedures of congestion management:  • accepting surrendered capacity (at IPs, entry-exit points with 3rd countries);  • applying long-term UIOLI mechanism (at IPs).  Do you agree with these provisions? Do you have any proposals? | |  |  |  |  |
|  | Merit order is planned to be established for congestion management procedures:  I. surrendered capacity shall be offered;  II. capacity made available as a result of the application of long-term UIOLI procedure shall be offered;  Do you agree with following order? Do you have any proposals? | |  |  |  |  |
|  | For secondary trading Bilateral (network users agree on a capacity trade and its conditions in advance bilaterally) and FCFS (the first network user from among those indicated by the offer creator, which accepts the offer, participates in the transfer) secondary trade procedures will be available.  Are these options suitable? Do you have any other proposals? | |  |  |  |  |
|  | Nomination and re-nomination submission and approval terms have been unified in all countries.  Do you agree with these terms? Do you have any reasoned proposals? | |  |  |  |  |
|  | The TSO will allocate gas quantity for a network user for each Gas Day D at each entry or exit point.  • At IP’s allocation shall be equal to the last confirmed nomination or re-nomination.  • At UGS entry-exit point Preliminary allocation shall be equal to the last confirmed nomination or re-nomination and Final allocation shall be available after update from UGS operator .  • A network user’s allocation at entry points from 3rd countries shall be determined based on following criteria:  o If there is an agreement establishing Operational balancing account between adjacent operator or NU(s) and TSO, allocation shall be equal to nomination;  o In case there is no agreement establishing Operational balancing account, TSO shall allocate the difference between the nominated flow and the measured quantity pro-rata to all nominated gas quantity between all network users with flexible delivery agreements;  o For NU with fixed delivery agreement allocation shall be equal to the last confirmed nomination or re-nomination  • At domestic exit point:  o At daily metered points - based on measured data;  o At non daily metered points - based on data provided by forecasting party.  Do you agree with these allocation principles and provisions? Do you have any proposals? | |  |  |  |  |
|  | Do you prefer the timeline set out for Allocation and Invoicing in the Network rules? Do you have any reasoned proposals? | |  |  |  |  |
|  | Do you agree with this transitional period Gas year schedule from 1st of January 2020 till 1st of October2020? | |  |  |  |  |
|  | It is foreseen that Network rules and Transmission service agreement will exist in both National language (according to the place where the TSO has its registered office) and English versions. In case of unintentional contradictions the binding version shall be English. Do you agree with these provisions? Do you have any proposals? | |  |  |  |  |
|  | It is foreseen to use these data exchange solutions:  • Data exchange through the standard communication protocol (EDIG@S messages);  • Online via web-application, using the Common IT platform;  • By e-mail – in case of interruption of the Common IT platform) operation (web-application and communication protocol) channel  Do you have a preference for any of these solutions? Do you have any proposals? | |  |  |  |  |
|  | In order to limit the large changes in gas flow that are not possible to technically deliver TSOs have internally discussed formulas to limit the large changes close to the end of the gas day. Below are added implied nomination flow rate limit that would limit the downwards nomination by the gas already imported based on passed hours confirmed quantity: The implied nomination flow rate is calculated by the following formula: Where,  - Nomination flow rate  - Latest confirmed values  - Hour of gas day representing end of nomination cycle (intraday)  - Total number of hour in gas day  To limit large changes upwards during the end of the gas day the ramping flow limit has been proposed by TSOs. This would mean that the remaining hours hourly flat capacity would limit the nomination amount upwards. Ramping Flow change limitation. Taking Where,  - Ramping Flow change  - Latest confirmed values | |  |  |  |  |
|  | Do you have additional comments for Network rules? | |  | | | |

**Questions for Common Balancing Rules**

Please **add your feedback on 'Balancing rules document' as “Acceptable” or “No opinion” or “Disagree”** to the above enquiry, by placing a cross in the appropriate box as “X" and provide your comments and arguments regarding your opinion

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| --- | --- | --- | --- | --- | --- | --- |
| **No** | **Article** | **Question** | **Acceptable** | **No opinion** | **Disagree** | **Comment** |
|  | 2. | Definitions |  |  |  |  |
|  | 3. | Conclusion of Balancing Agreement |  |  |  |  |
|  | 4.. | Credit management and collaterals |  |  |  |  |
|  | 5. | Balance responsibility and Transfer of Balance responsibility |  |  |  |  |
|  | 6. | Virtual Trading Point of the Common Balancing Zone |  |  |  |  |
|  | 7. | Balance Status of Network User |  |  |  |  |
|  | 8. | Settlement of Imbalances |  |  |  |  |
|  | 9. | Reporting and Clearing of Daily Imbalance Charges |  |  |  |  |
|  | 10. | Operational balancing |  |  |  |  |
|  | 11. | Invoicing and payments |  |  |  |  |
|  | 12. | Rights and obligations of the system operator |  |  |  |  |
|  | 13. | Rights and obligations of the Network User |  |  |  |  |
|  | 14. | Liability and compensation for damage |  |  |  |  |
|  | 15. | Modification of the balancing rules and the balancing agreement |  |  |  |  |
|  | 16. | Declaration of intent |  |  |  |  |
|  | 17. | Force majeure |  |  |  |  |
|  | 18. | Confidentiality |  |  |  |  |
|  | 19. | Applicable law and dispute settlement |  |  |  |  |
|  | 20. | Final provisions |  |  |  |  |
| **Additional questions** | | | | | | |
|  | For the balancing agreement collateral management rules foresee different rules depending on with which TSO agreement is concluded. Do you agree with such approach? | |  | | | |
|  | Common rules provide the possibility to transfer the balance responsibility to another Network User. Do you see the need to offer the possibility to transfer balance responsibility? | |  | | | |
|  | The proposed imbalance calculation methodology foresees, that the balancing costs of the TSO would be covered with the neutrality adjustment that will be added to daily imbalance price and adjusted at times. Do you have any comments regarding the methodology? | |  | | | |
|  | Do you have any comments regarding the proposed timeline for the calculation of imbalance settlement reports and invoicing? | |  | | | |
|  | Do you have any additional comments to the balancing rules? | |  | | | |

**Please provide your answers to the questions (preferably in English) until 05.04.2019 by email to:**

* AS „Conexus Baltic Grid” – Jānis Skubeņičs consultation@conexus.lv
* Elering AS – Kaisa Jette Särekanno [kaisa.sarekanno@elering.ee](mailto:kaisa.sarekanno@elering.ee)

Should you have any questions please contact the respective representatives listed above.