



Kaspars Skrābāns
Commercial division

NEW PRODUCT DEVELOPMENT

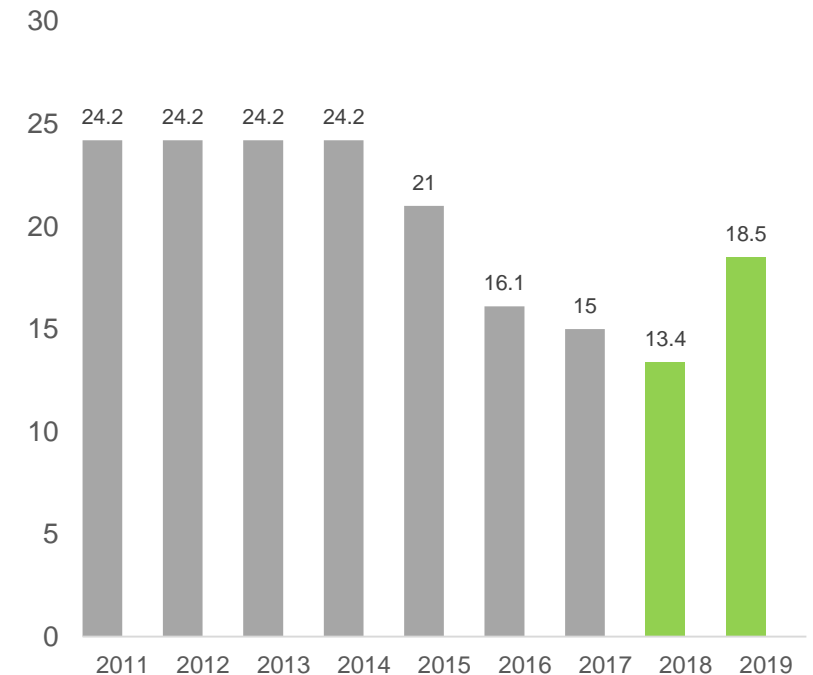
2020/2021

CONEXUS

BACKGROUND

- Since market opening storage filling has declined
- Market questioning in March 2019 indicated similar interest than in prior year
- Injection season started with flexible regime suitable for injecting 14 TWh
- Beginning of July – indicative interest to store more than 25 TWh causing reaction:
 - Decrease of daily injection rates
 - Decrease of storage capacity available for the market

Storage filling, TWh



CONEXUS

CHALLENGES AND RISKS

- No binding injection schedules, congestion relates to all injection flow
- Proportional allocation impact all market players up to the last minute of gas day – situation that is operationally difficult
- For LNG suppliers deviation of even one day is essential
- Transmission and Storage principles are different – proportional or first come, first served – system unstable in congestion (from physical flow perspective)
- Risk – injected volume is not withdrawn and it will negatively impact next injection season

CONEXUS

ACTION

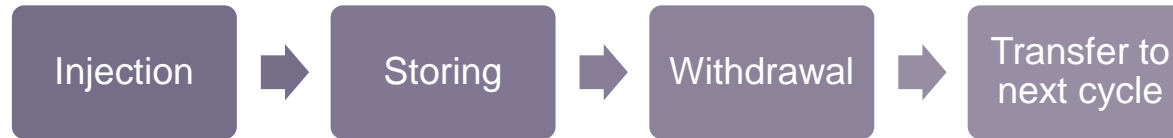
- Customers are not satisfied with capacity unavailability, congestion and injection restrictions
- Different views what caused situation in summer 2019
- Conexus action – customer meetings 1:1 with top management
- Agenda – challenges in storage, system performance, changes required
 - Eesti Energia, Alexela, Eesti Gaas, Equinor, Imlitex, Haupas, Ignitis, Achema, Latvenergo, Latvijas Gāze, Baltic Energy Partners, AJ Power
- Meeting with PUC with goal to present CONEXUS view what improvements should be introduced in 2020

TECHNICAL PROPERTIES

- Storage performance depends on pressure – injection and withdrawal curves
- Impact of remaining gas – lowest pressure is not reached and gas becomes cushion gas that can be withdrawn only with compressors (not yet in place, plan to install by 2023)
- All conditions are clear only after withdrawal season
- **Forecast for the next season if all stored volume is withdrawn (excluding 2 Year Bundled product):**

Volume to inject	20.4 TWh
Daily injection up to	125 GWh
To be finalised on	15.05.2020

CURRENT STORAGE PRODUCTS



- Virtual products
 - Title transfer products
 - Obligation to ensure certain physical flow
 - Transfer between products
- So far approach has been to bundle everything
 - Actually consist of 4 elements that **can be sold separately**



NEW

STORAGE PRODUCTS



MARKET PRODUCT

No rights to transfer, spread-based price;
Available until August, Fully interruptible
Transfer to next cycle via
Inventory transfer product



BUNDLED PRODUCT

Participates in congestion;
Can be interrupted, priority vs. MP
Transfer to next cycle via
Inventory transfer product
Injection priority via auction



2 YEAR PRODUCT

Free transfer to next cycle;
2 season storage fee
Injection priority via auction



INJECTION PRIORITY

Limited, fixed daily amount,
Bundled products only
Depends on technical flow
Example - 50GWh day/July
Auction schedule – two month before delivery month



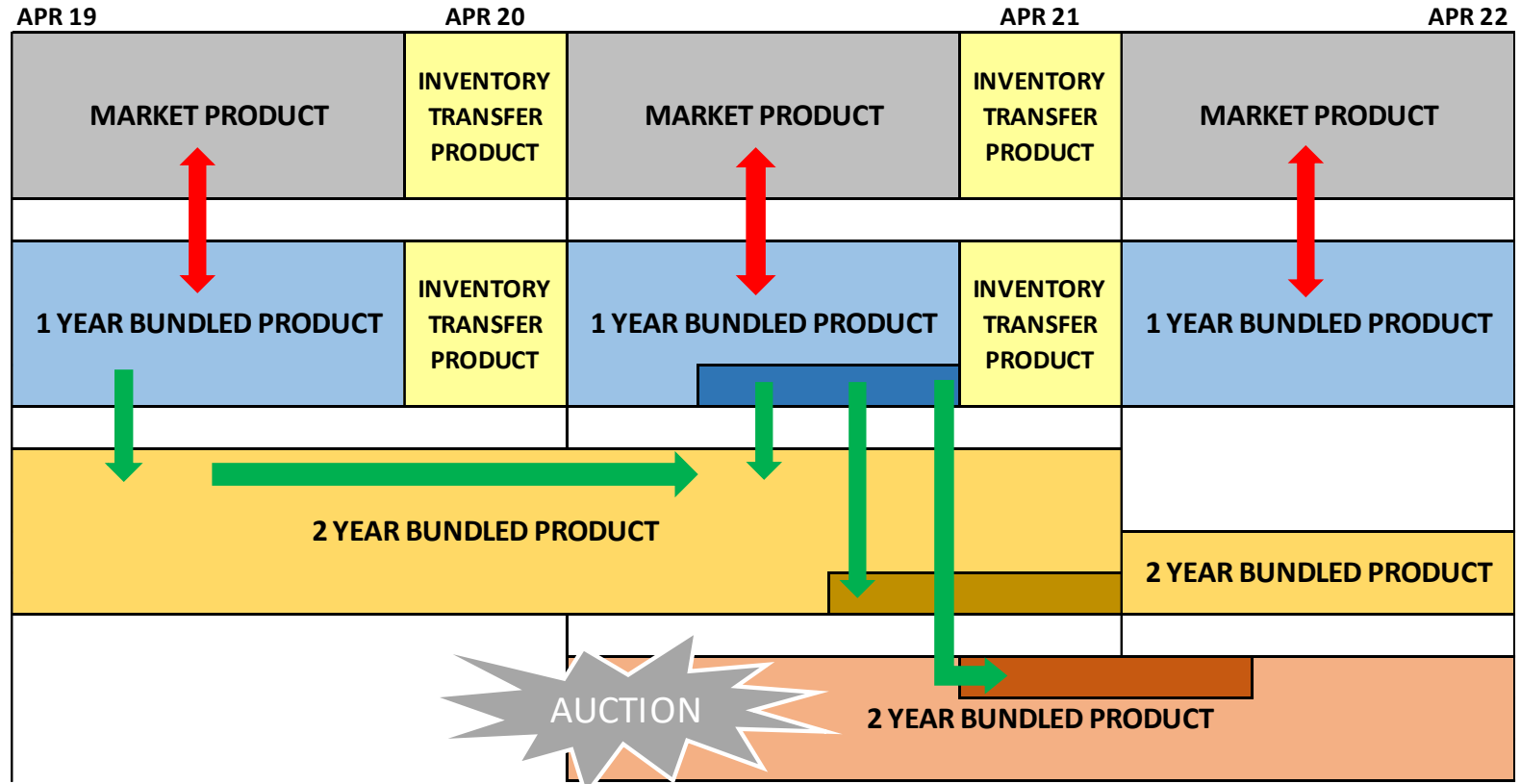
INVENTORY TRANSFER

All remaining inventory from short term
products (Market and one year bundled)
left after season

Virtual products
Title transfer products
Obligation to ensure certain physical flow
Transfer between products

INVENTORY

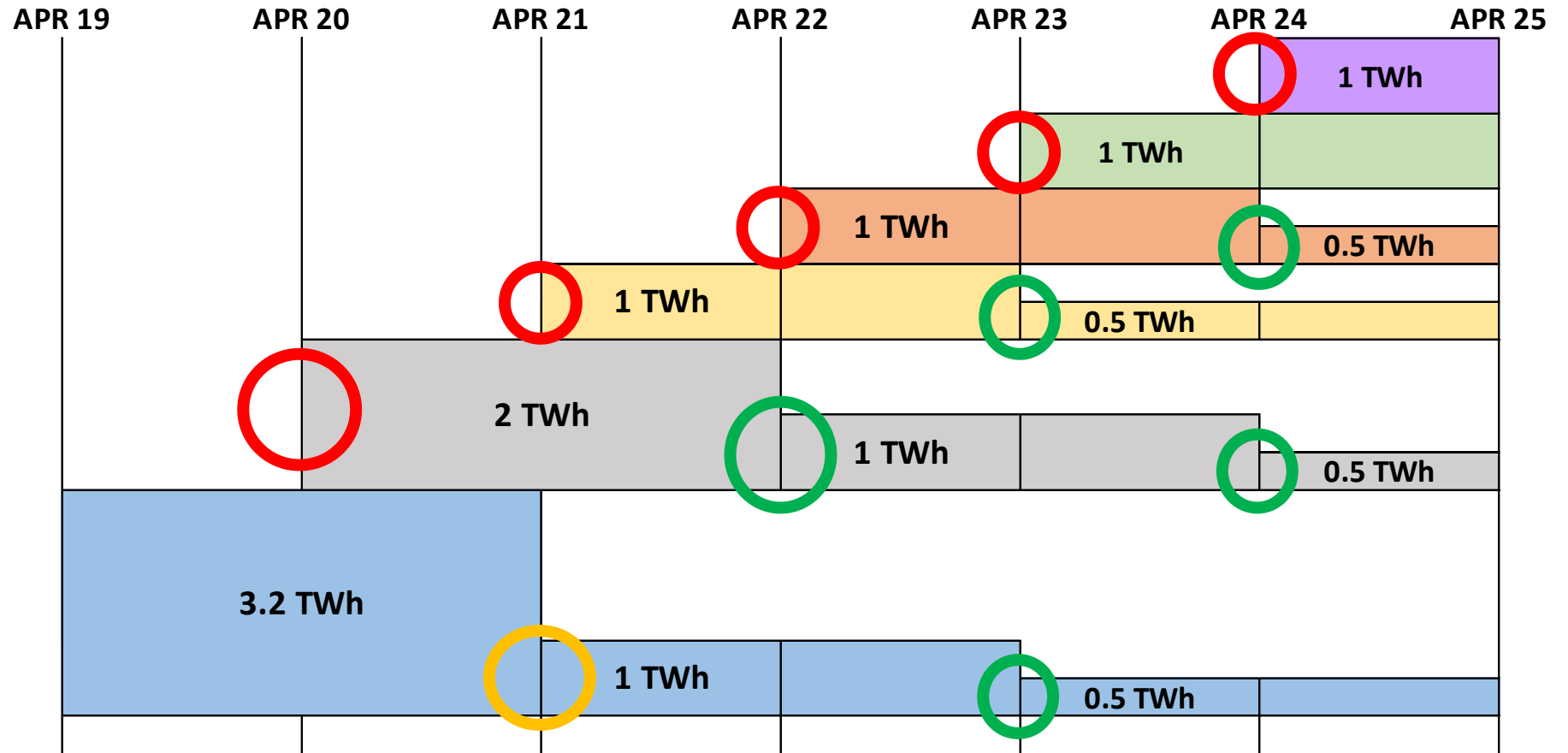
TRANSFER



- Transfer free of charge
- Inventory transfer product
- Not allowed

LONG TERM

**TWO YEAR
BUNDLED
PRODUCT**



One off transition period 2020 / 2021
31.25% of last period transferred
50/50 Auction and Pre-emption right

Pre-emption right
50% of last period transferred

Auction, New 2 Year Product
Week 10

CONGESTION

INJECTION PRIORITY

- **CONGESTION MANAGEMENT TOOL**
- Priority injection is like flight seat booking – to buy desired seat in airplane when passenger already has a flight ticket in economy class
- **Sold in Auction**
- No floor price – can be zero
- Applicable to one and two year bundled products
- Fixed capacity for fixed daily injection during month
- **Up to 50 GWh/day**

Auction schedule

On 1st working day of month for after next month:

- April 1st – June
- May 5th – July
- June 1st – August
- July 1st – September

PRIORITY vs. OTHER PRODUCTS DURING CONGESTION

NEXT STEPS

- Nov 7 – 21 public discussion:
 - Auction rules for Cabinet Regulation No. 312 (Auction on week 12)
 - Auction rules for 2 Year Bundled product (Auction on week 10)
 - Auction rules for Priority product (Auctions on Apr 1, May 5, Jun 1, Jul 1)
- Nov 28 - Document package submitted to PUC:
 - Changes in Storage Regulation
 - Product descriptions
 - Auction rules
 - Tariffs
- **Feb 1 - New products available to market!**

PRODUCT DESCRIPTIONS

	Market Product	1 Y Bundled	2 Y Bundled
Available amount	Unlimited	Unlimited	TBD
Capacity allocation	First comes, first served	First comes, first served	Auction
Duration	One storage cycle	One storage cycle	Two storage cycles
Product contains	Use of booked capacity Injection Withdrawal	Use of booked capacity Injection Withdrawal	Use of booked capacity Injection Withdrawal
Usage	Until August 31	Within cycle	Within cycle
Firmness	Interruptible	Firm	Firm
Pricing	According to PUC	According to PUC	According to PUC
Withdrawal capacity	Not limited	Not limited	Not limited
Virtual counter flow	According to PUC tariff	Free of charge	Free of charge
Transfer to next cycle	Via Transfer product	Via Transfer product	Via Transfer product
Booking	SO info 15 days before	SO info 15 days before	SO info 15 days before

PRODUCT DESCRIPTIONS

	Priority	Transfer
Available amount	SO to set (50 GWh)	Inventory from last cycle
Capacity allocation	Auction	Auto transfer if inventory is not fully used last year
Duration	One month	One cycle
Product contains	Firm injection/withdrawal	Withdrawal
Usage	Within month	Within cycle
Firmness	Firm	Interruptible
Pricing	According to PUC	According to PUC
Withdrawal capacity	According to SO	Limited
Virtual counter flow	Unlimited	Not included
Transfer to next cycle	N/A	New Transfer product
Booking	According to schedule	Next day after season end

The background of the image is a blurred photograph of industrial machinery, likely a power plant or factory. It features various pipes, valves, and structural elements in shades of grey, blue, and red. The focus is soft, creating a sense of depth and industrial scale.

THANK YOU!

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