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**Sent:** Monday, December 6, 2021 2:21 AM

**To:** SPRK <sprk@sprk.gov.lv>

**Cc:** ENK Gaas/Energia <gaas@energia.ee>

**Subject:** Eesti Energia opinion about proposed amendments to Regulations on the use of Inčukalns underground gas storage facility

Dear Public Utilities Commission,

We would like to thank you for the given opportunity to provide our feedback about proposed amendments to Regulations on the use of Inčukalns underground gas storage facility. We are sure that the best Terms and Conditions of the use of Incukalns storage capacity can be achieved via dialogue with market participants.

In general we do not support the idea of introduction of storage capacity products with firm injection curve attached. Proposed changes do not solve the issue of (1) lack of confidence in firm injection capacity; and (2) non-optimal injection time plan from the viewpoint of reaching the maximum technical capacity of the storage. Moreover, proposed changes might lead to even worse market condition when market players who did not inject the gas in accordance with the initial injection curve they got allocated will miss a possibility to inject the gas later during the injection season (for example, ssLNG vessel got cancelled or some unexpected maintenance works were announced making it impossible to bring the gas to Estonian-Latvian common balancing zone in time in accordance with initial schedule).

Auction system that we had in 2021 showed pretty good results and high storage product utilisation rate. The injected quantities could be higher if bundled storage capacity product auctions would take place for a longer period of time. So the storage product booking system that we had in 2021 just need some tiny improvements, not a complete shake-up.

Please find our detailed questions and concerns below:

1. What happens to the storage product that was booked by storage user, but the gas was not injected in time in accordance with injection curve linked to the storage product? Will the storage user have a chance to utilise the storage product later?
2. Should the interruptible product be booked in advance in order to inject up to extra 20% on top of injection curve linked with booked storage products? What will be the price of interruptible storage product?
3. What will happen with 2yBCP product booked in 2021? Will the owner of the 2021/2023 2yBCP storage product have the right of free choice when to inject the gas? Doesn't it make 2021/2023 2yBCP more valuable product wherefore making it more attractive to own compared to all the other storage products? Shouldn't then new storage products with linked injection curves be introduced only when currently booked storage products are utilised and expired?
4. When does the second injection quarter end? Does it happen on October 14th or October 31st?
5. Does the introduction of storage products with linked injection curves basically eliminate the use of virtual counterflow? In other words, what storage products should user have in order to inject gas in April or November for example?
6. Will it be still required to register to every auction separately or could the registration be applied towards the entire series of auctions?
7. Do all rounds of the same auction take place on the same day?
8. We think there is no big need to define the latest date when 1yBCP and 2yBCP auction could take place. It would be beneficial for the market to keep those BCP product auctions happening till the moment when all storage capacity is sold out or till the end of September (whatever happens first). In 2021 the entire technical capacity could be sold out if 1yBCP auctions would keep taking place during the summer (market price spreads were very favourable for utilisation of such product, but it was not possible to book that product).
9. In general it is very difficult for gas traders to stick to predefined injection curve when plan of maintenance works is in a constant limbo. Even if gas traders would like to plan their injection closer towards the end of injection season it might be not doable because of

unpredicted maintenance works at the entry points to Latvian-Estonian common balancing zone that time.

10. [confidential]
11. There are easier ways how to motivate the storage users to plan their injections in a way that correspond to the optimal operation of the storage. For example, storage operator can introduce cash-backs or pay-backs to the storage users who inject the gas during the most optimal period of time (for example, users who inject the gas in October get 0.30 EUR/MWh discount for the storage product they have utilised during the injection in October. In September discount can be lower etc.). Storage operator knows exactly how much gas can be injected during the most optimal period of time. Therefore, the total budget of cash-backs can be calculated and such budget could be included in the “allowed revenue” while calculating the base tariffs. That would be a clear and transparent way to motivate storage users to inject more gas during that period of time when it is optimal for the storage.
12. As an intermediate solution for the introduction of injection curves, storage products with linked injection curve can be offered for up to 20% of the total daily injection capacity. In this case users who require confidence in their injection plan, will get a chance to book storage product that give such confidence. All the other storage users will share and split remaining 80% of the daily injection capacity in a similar way like it was done in 2021.

In case of any questions related to previously shared feedback and raised concerns, please do not hesitate to contact us to discuss raised issues in a more detailed way.

Thank you

Kind regards

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