



conexus
B A L T I C G R I D

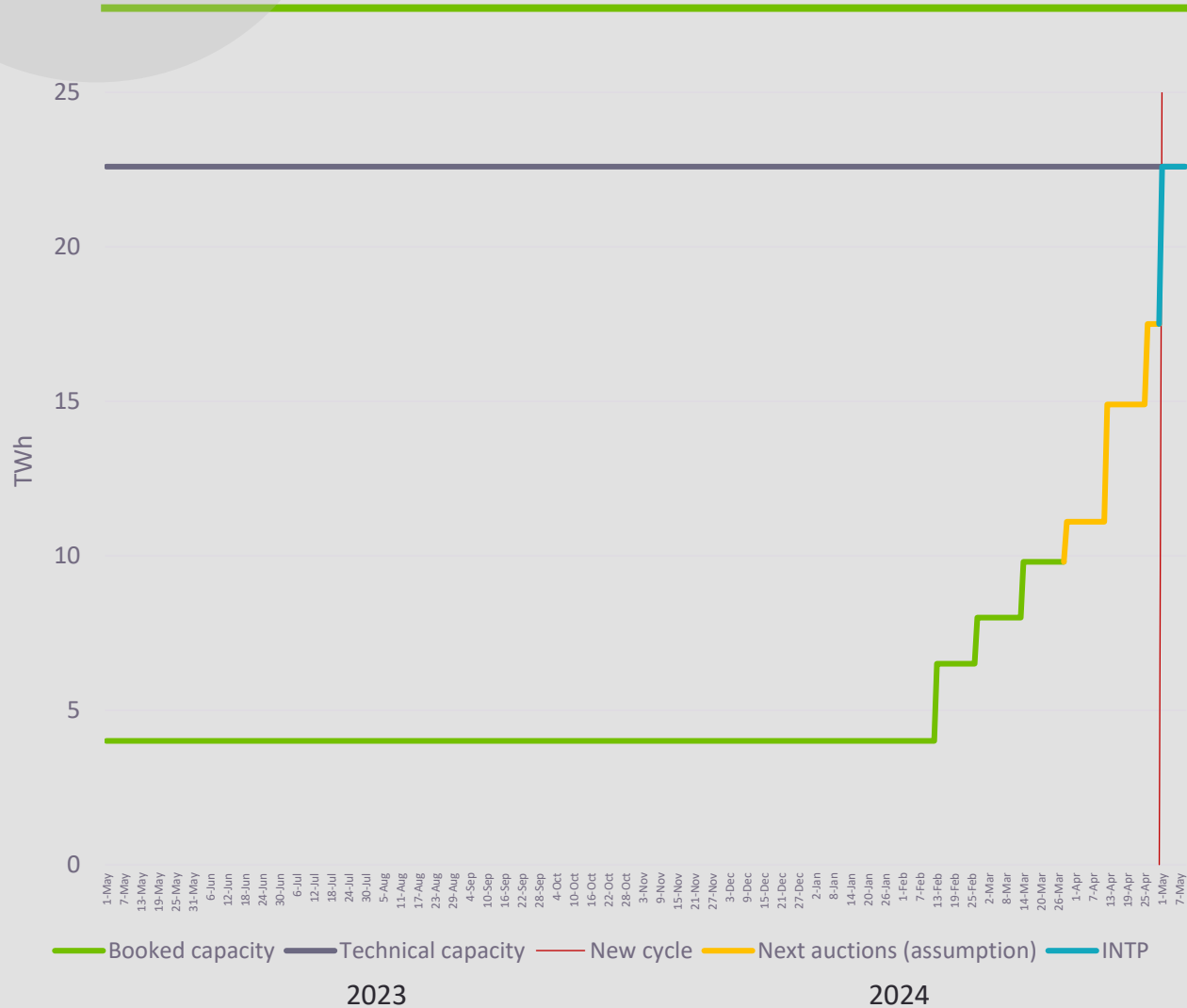
About Inčukalns underground gas storage regulation improvement and product development

March 26, 2024, Riga

Uldis Bariss, Chairman of the Board

Jānis Akmens, Head of Commercial division

BACKGROUND



- Capacity booking auctions take place extremely late with significant amount even at the beginning of May. That is due to number of reasons where the main ones are existing design of storage products, introduced injection flexibility and general market dynamics that could result in some years with relatively full gas storages at the end of withdrawal season
- Currently there is no longer term products available
- Increased role of gas supply security due to planned re-synchronisation of the Baltics with the European electric power networks
- There is a proposal* by Ministry of Climate and Energy to create a separate long-term product (Security Capacity Product), which would be aimed to neighbouring countries to keep security of supply reserves up to 4TWh

*<https://titania.saeima.lv/LIVS14/saeimalivs14.nsf/0/7187E00FA15B8749C2258AC8004CD051?OpenDocument>

BACKGROUND

- Conexus has prepared conceptual proposal for the new capacity products that has been shared with Public Utilities Commission, however, we do not see how it could be timely implemented under existing regulatory framework and practice.
- Therefore, Conexus supports proposal for the amendments to the Energy Law (hereinafter – proposed law amendments) for introduction of negotiated third party access approach that would allow introducing necessary storage products in order to accommodate market demand and adapt to evolving market circumstances.
- The aim of Conexus is to introduce the new capacity products to be available for booking by the end of 2024, except for the Security Capacity Product, which would be available for use from May 1, 2024.
- Conexus undertakes to hold a public consultation with system users prior introduction of new products, including main terms and conditions for the storage access, as soon as legal framework under which those changes are possible will be clarified. Therefore, the aim of this presentation is to introduce conceptual proposal for the new products and give market participants to provide feedback and recommendations as soon as possible.

PROPOSAL FOR BOOKING AND USE OF CAPACITY PRODUCTS IN INČUKALNS

AS IS

Bundled
Capacity
product

2 year
Bundled
Capacity
product

Interruptible
Capacity
product

Stock
Transfer
product

Virtual
Counterflow
product

CONEXUS PROPOSAL

Security
Capacity
product

Long Term
product

Bundled
Capacity
product -
NEW

2 year
Bundled
Capacity
product -
TRANSITIONAL

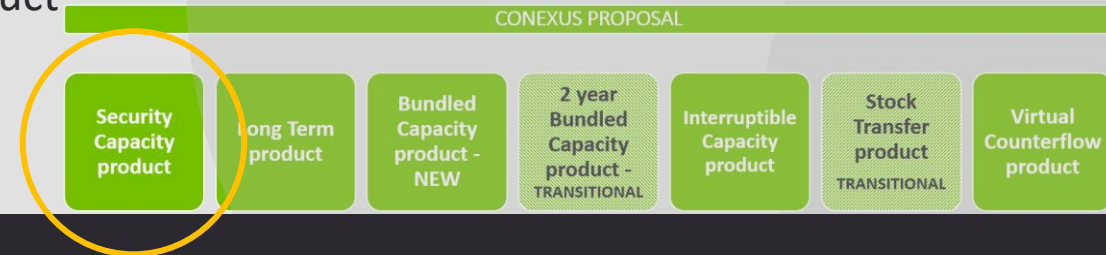
Interruptible
Capacity
product

Stock
Transfer
product
TRANSITIONAL

Virtual
Counterflow
product

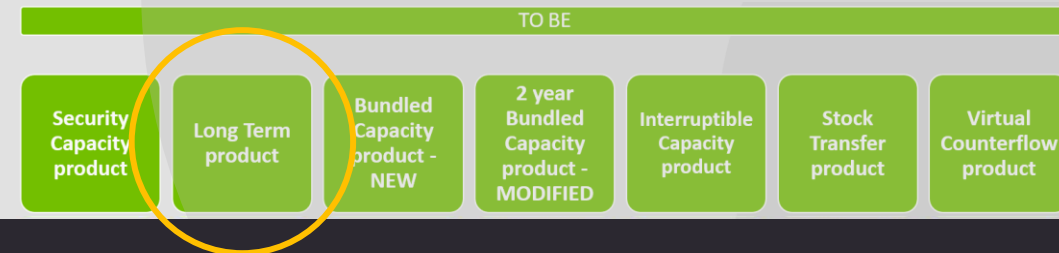
SECURITY CAPACITY PRODUCT

- 5 – 7 consecutive storage cycles
- Booking –according to proposed law amendments, tbd.
- Available for booking from May 1, 2024
- Available Capacity 4 TWh for 5 – 7 consecutive storage cycles
- Fee according to Energy law, 1,3581 EUR/MWh/cycle (according to proposed law amendments)
- Stock Transfer – limited with national competent authority approval
- Firm Capacity
- Withdrawal – according to approval from national competent authority
- Transfer between cycles – free of charge
- Transfer to other products – according to condition of other product



LONG TERM PRODUCT

- 5 – 7 consecutive storage cycles
- Booking – Auction (“pay-as-cleared”).
- Available for booking no later than November 2024 for use from May 1, 2025
- Available Capacity 10 - 12 TWh
- Auction opening price set based on long term OPEX forecast and Market assessment
- Guaranteed injection rate according to schedule approx. 5,95 MWh/d for 1 GWh storage capacity
- Stock Transfer between cycles up to 30% free of charge
- Transfer above 30% of stock at cost*:
 - To same product 1,00 EUR/MWh
 - To other Capacity product 2,00 EUR/MWh
 - To Security Capacity product free of charge
- Firm Capacity
- Transfer to other products – to bundled and long-term products only

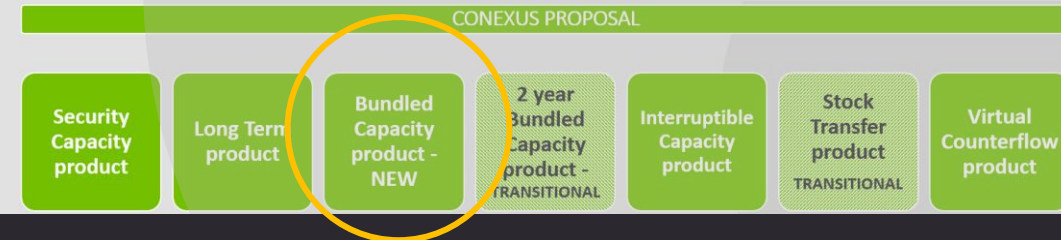


* Indicative cost

BUNDLED CAPACITY PRODUCT - NEW

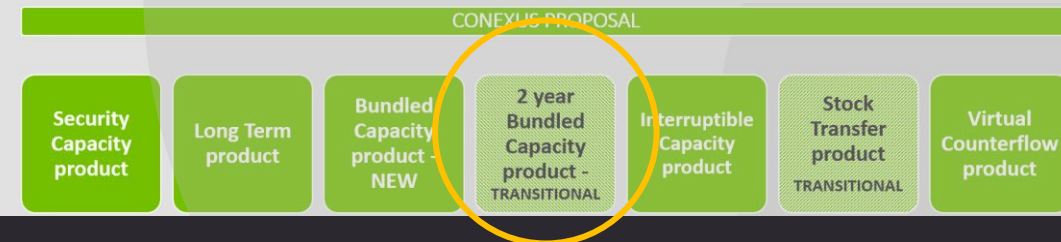
- Booking – Auctions (“pay-as-cleared”) after Long Term product auctions
- Auction opening price set based on medium term OPEX forecast and Market assessment
- At the end of product use Transfer to similar product free of charge for max 5% from new product
- Transfer above 5% of stock at cost* 2,00 EUR/MWh
- Transfer to Security Capacity product free of charge
- Firm capacity
- Transfer to other products – to bundled and long-term products only

* Indicative cost



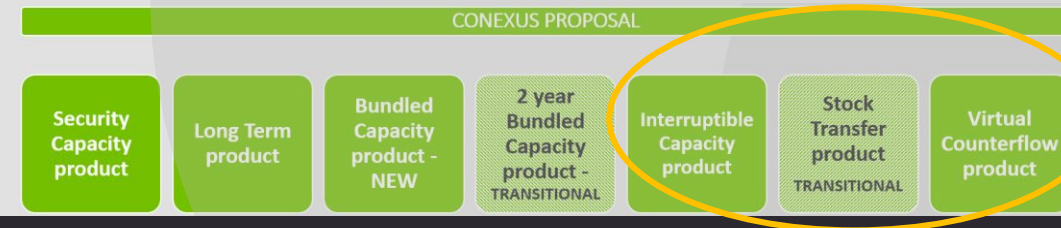
2 YEAR BUNDLED CAPACITY PRODUCT - TRANSITIONAL

- No changes in use of current 2 year Bundled Capacity product during its entire life span – from booking to expiry after 2 cycles
- Stock Transfer from 2 year Bundled Capacity product:
 - To the long-term product and the new one year Bundled capacity product, subject to the stock transfer conditions of the respective end product
 - To Security Capacity product – free of charge



OTHER PRODUCTS

- Planned to be designed identical to the conditions of use as in the current Storage regulation.
 - Interruptible Capacity product
 - Virtual counterflow product
- Stock Transfer product – Transitional
- Transfer possible only if Capacity for the next storage cycle is booked in amount to be transferred
- Transfer rules also apply at the end of capacity period.





THANK YOU!

**PLEASE PROVIDE YOUR FEEDBACK
BEFORE APRIL 10, 2024
capacity@conexus.lv**