

Ministry of Economics
Republic of Latvia

Open gas market conditions from perspective of traders and consumers

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Goals for liberalising natural gas market

➤ Creation of effective natural gas market due to competition and greater transparency of supplies and grid operation

- ✓ competitive prices;
- ✓ High quality service;
- ✓ New products;
- ✓ Bigger market due to cross-border trade;
- ✓ Higher economic activity, etc.





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Design of legal framework

Amendments to the Energy Law: February 11, 2016.

➤ Regulations by the Cabinet of Ministers:

Adopted by the Cabinet of Ministers:

- ✓ The Cabinet Rules Nr.650, October 4, 2016: Requirements for injection and transportation of bio-methane and liquefied natural gas in the natural gas transmission and distribution system.
- ✓ The Cabinet Rules Nr.733, December 13, 2016: Rules on national significance status for section of subterranean depths «Inčukalns underground natural gas storage».
- ✓ The Cabinet Rules February 7, 2017: Rules on usage and trade of natural gas.

Submitted to the Cabinet of Ministers:

- ✓ The Cabinet Rules on access to the natural gas storages.
- ✓ The Cabinet Rules on amendments to the Cabinet rules Nr.312, April, 19, 2011 «Provisions on supplying energy users and trading of fuel in event of announced energy crisis and national threat»



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Design of legal framework

➤ Regulations by the Public Utilities Commission:

- ✓ Rules on access to the natural gas storage.
- ✓ Rules on registration of energy producers and traders.
- ✓ Rules on requirements for independence of natural gas distribution system operator.
- ✓ Rules on certification of natural gas transmission system operator.
- ✓ Rules on informing end-users of electricity and natural gas.
- ✓ Methodology for calculation of tariffs for natural gas transmission services.
- ✓ Methodology for calculation of tariffs for natural gas storage services.
- ✓ Methodology for calculation of tariffs for natural gas distribution services. .
- ✓ Methodology for calculation of price for natural gas for protected customers.
- ✓ Rules on issuing permissions for installation of direct connection line to the natural gas system.



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Design of legal framework

➤ Regulations by the System Operator:

- ✓ Rules on the connection to the distribution grid.
- ✓ Rules on the connection to the transmission grid.
- ✓ Rules on use of Inčukalns underground natural gas storage.

All together 17 legal acts.

Four main halping hands: Ministry of Economic Affairs, Public Utilities Commission, Transmission System Operator, Distribution System Operator.

May 1, 2018 – review of the gas market functioning



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Focus on gas consumer!

➤ Simple system, simple communication.

➤ Single agreement for change of trader

The trade agreement includes also information on usage of gas system

➤ Single bill

Gas trader prepare the single bill for consumer, which includes all costs related with natural gas supply services and taxes.

➤ Single customer service

Gas trader provides services to customers in all the cases related with natural gas supply, with an exception of issues within direct competence of the system operator.





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Main principles of natural gas trading

- ❑ The price for natural gas is set in mutual agreements by market participants.
- ❑ As of April 3, 2017 all natural gas users have right to change natural gas traders.
- ❑ Procedures related to the change of natural gas trader, is a responsibility of natural gas trader.
- ❑ Household consumers will maintain the status of *related customers* and will be allowed to buy natural gas at a price, set by the Public Utilities Commission.
- ❑ The public gas supply utility will have an obligation to supply gas to *related customers* at a regulated price.



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Smooth gas market opening!

➤ New gas supply agreement should be signed **till July 1, 2017** (change of trader till 15 date of a month!)



Conditions for last guaranteed supply:

- If consumer has not entered any agreement on natural gas trade.
- If natural gas trader discontinues trading natural gas.
- If the owner or user of property with natural gas connection has not ensured the access of the system operator to the property to stop gas supplies.



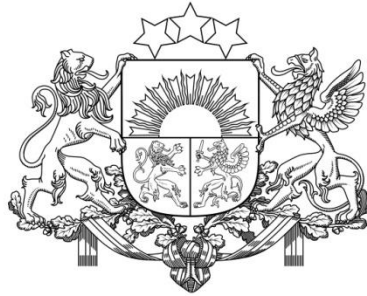
Providers of last guaranteed supply

➤ For non-household consumers:

- ✓ Until Q2 2018 – JSC Latvijas Gāze;
- ✓ From Q2 2018 – natural gas trader, selected by the system operator (or the system operator in case if no natural gas trader is selected).



- For Household consumers – the public natural gas trader at tariffs, set by the Public Utilities Commission.



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Thank you!

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