

Public Consultation on the Amendments to the Common Regulations for the Use of Natural Gas Transmission System

Summary of the public consultation

The purpose of this consultation document, developed by the Latvian gas transmission system operator JSC “Conexus Baltic Grid” and Estonian gas transmission system operator Elering AS (hereinafter separately referred to as TSO or jointly – TSOs), is to inform and ascertain the opinion of public regarding the proposed draft amendments to the “Common Regulations for the Use of Natural Gas Transmission System” (hereinafter – the Regulation), as coordinated by and between the Public Utilities Commission of Latvia (Decision No. 120 of August 4, 2022), and Estonian Competition Authority (Decision No. 7-10/2022-005 of August 1, 2022) (hereinafter – draft Amendments). Draft Amendments establish the procedure for offering the available transmission system capacity to prevent natural gas deliveries from the Russian Federation, with the exception of natural gas transit from a third country to a third country (from the Russian Federation to the Kaliningrad Oblast).

The draft Amendments are intended to enter into force 30 days after coordinated approval by the Public Utilities Commission of Latvia and Estonian Competition Authority, but no later than January 1, 2023. Until the date of entry into force of the draft Amendments, the Decision No. 120 of August 4, 2022 of the Public Utilities Commission of Latvia, and the Decision No. 7-10/2022-005 of August 1, 2022 of the Estonian Competition Authority shall apply.

Please submit your proposals and comments on the draft Amendments (in English) till November 18, 2022 by sending them (electronically) to the TSOs e-mail addresses: JSC “Conexus Baltic Grid” (Ance.Ansone@conexus.lv) or Elering AS (Hardi.Koduvere@elering.ee).

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

Justification for the development of draft Amendments

The Estonian and Latvian governments have imposed a ban on natural gas supplies from the Russian Federation, respectively as of 31 December 2022 and 1 January 2023. In order to implement this task, the Regulation needs to be amended accordingly.

In Latvia, on July 14, 2022 the amendments of to the [Energy Law](#) were adopted. Section 106 of the Energy Law was amended and foresees a ban on natural gas supplies from the Russian Federation (the Paragraph will enter into force on January 1, 2023). Namely, the supply of natural gas from the Russian Federation is prohibited. If the natural gas TSOs have agreed on the establishment of the unified natural gas transmission entry-exit system, the unified natural gas transmission and storage system operator or the natural gas TSO shall, in cooperation with the natural gas TSOs involved in the unified natural gas transmission entry-exit system, develop and submit to the national regulatory authority, and the national regulatory authority shall, in agreement with the national regulatory authorities of the relevant European Union Member States, coordinate the procedure for ensuring the prohibition of natural gas supplies from the Russian Federation. Article 2(7) of Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive

2003/55/EC foresees, that “supply” means the sale, including resale, of natural gas, including LNG, to customers.

Estonian Government has taken a decision to stop importing Russian gas by the end of the year. The Government has imposed a ban on imports and purchases of natural gas from the Russian Federation as a sanction. The sanctions will come into force on 31 December 2022.

Lithuania has adopted a law banning imports of Russian natural gas into the country. Amendments to the Lithuanian Natural Gas Law stipulate that an LNG terminal operator may not reserve and/or use LNG terminal capacity for the supply of LNG from countries which, according to the National Security Strategy, pose a threat to Lithuania's national security and national security interests, as well as from supply companies which pose a threat to Lithuania's national security. The TSO shall not grant system users the right to use the transmission system to supply natural gas to (via) Lithuania directly from countries which, according to the National Security Strategy, pose a threat to Lithuania's national security and national security interests. This requirement does not apply to the transit of natural gas to the Kaliningrad Oblast.

Finland has not made an official announcement on the ban on Russian gas imports.

Essence of draft Amendments

The proposed solution is not to offer natural gas transmission capacity (from Russia to the Estonia-Latvia Common Balancing Zone) at the entry point of Luhamaa (Russia-Estonia), Narva and Värskä, other than for the transit purposes from third country to third country.

The proposed draft Amendments stipulate that in case of transit of natural gas from a third country to a third country, the third country natural gas transmission system operator shall inform TSO of the common Estonian-Latvian balancing zone, thereof by submitting a written notification at least two weeks in advance before the actual commencement of planned transit. In addition to the written notification of the natural gas transmission system user, TSOs shall obtain written confirmation from the Russian natural gas TSO of the transit period and the volume of natural gas to be transported, which shall serve as the basis for allocation of certain amount of transmission system capacity (in the direction from Russia to the Estonia-Latvia Common balancing zone), provided, that corresponding exit capacity from the Estonia-Latvia common balancing zone for transit purposes is booked.

In addition, the Common Regulations for the Use of Natural Gas Transmission System shall explicitly foresee that the TSOs have the right to develop and apply specific procedures and requirements, that are not in line with the Common Regulations for the Use of Natural Gas Transmission System, in relation to the network users, if any of the energy crisis levels in the natural gas sector is declared by the relevant state authority either in Estonia or Latvia.

Proposed draft Amendments

1. Supplement the Regulation with sub-paragraph 2.31 as follows:

“2.31 **Third country** within the meaning of this Regulation means Russian Federation.”

2. Supplement the Regulation with sub-paragraph 2.32 as follows:

“2.32 **Transit** within the meaning of this Regulation means the transport of natural gas originating from a third country and intended for transportation to a third country across the territory of the common balancing zone.”

3. Sub-paragraph 4.3 of the Regulation shall be redrafted and expressed as follows:

“4.3 At entry/exit points with third countries:

4.3.1 entry capacity shall be allocated in accordance with sub-paragraph 4.9 of this Regulation;

4.3.2 exit capacity is allocated by FCFS principle in accordance with sub-paragraph 4.7 of this Regulation;

4.3.2 congestion management rules in accordance with section 5 of this Regulation apply;

4.3.3. if the capacity to be allocated exceeds the capacity booked by the network user it shall be deemed that network user has booked day-ahead capacity product at the respective entry/exit point for capacity exceeding the booked capacity for the respective gas day.”

4. Supplement the Regulation with sub-paragraph 4.9 as follows:

“4.9. Capacity allocation for the transit

4.9.1 Capacity is allocated to the network user as a day-ahead capacity product, in accordance with the transit notification received from the transmission system operator of the third country regarding the planned transit of network user’s natural gas (hereinafter – transit notification), provided that the corresponding exit capacity of the common balancing zone is booked by the same network user;

4.9.1.1 Transit notification shall contain information regarding the required transit flow (entry point, exact transit period, required transit capacity kWh/d, exit point of transit, EIC code of the network user to which transit applies) and shall be submitted to the TSO in writing at least two weeks in advance the actual commencement of transit, which is confirmed by the network user identified in the transit notification;

4.9.2 Capacity at the entry point with a third country:

4.9.2.1. is allocated provided that the corresponding exit capacity of the common balancing zone is booked by the same network user and, if required for the need of ensuring transit, allocations can be altered by TSO in amount of the booked exit capacity.”

5. Supplement the Regulation with sub-paragraph 7.1.5 as follows:

“7.1.5 For entry points referred to in sub-paragraph 4.3 of this Regulation a nomination for gas day D is equal to daily amount foreseen in the transit notification.”

6. Supplement the Regulation with sub-paragraph 7.13 as follows:

“7.13 Nominations made for entry points shall not include gas originating from third country, except for transit as described in sub-paragraph 4.9.”

7. Supplement the Regulation with sub-paragraph 8.1.6 as follows:

“8.1.6 If the network user has received an allocation for the transit, the principle set out in paragraph 4.9. of this Regulation shall apply;”

8. Sub-paragraph 19.4 of the Regulation shall be redrafted and expressed as follows:

“19.4 If the competent state government authority declares any of the crisis levels in the natural gas sector, including energy crisis, as foreseen in Regulation (EU) 2017/1938 of the European Parliament and of the Council of 25 October 2017 concerning measures to safeguard the security of gas supply and repealing Regulation (EU) No 994/2010 the Regulation is applicable insofar it does not conflict with the regulation established by the relevant competent state authorities in the event of the relevant crisis level.”

9. Sub-paragraph 19.5 of the Regulation shall be redrafted and expressed as follows:

“19.5 This Regulation shall come into force on 31 December 2022.”