



**Baltic Transmission System Operators' Public Consultation on
"Principles for transmission capacity management in common Baltic gas market",
"Analysis on Alternatives for the Establishment of Market Area Manager"
and
„Concept Model for the Coordinated Balancing Zone“**

Overview

The Baltic Gas Transmission System Operators (hereafter TSOs) AB Amber Grid, AS Conexus Baltic Grid and Elering AS under the umbrella of Regional Gas Market Coordination Group (RGMCG) hold common public consultation at an early stage and in an open and transparent manner on the "Principles for transmission capacity management in common Baltic gas market", and the "Concept Model for the Coordinated Balancing Zone".

Why TSOs Are Consulting

In line with development of EU internal energy market and development of regional gas infrastructure projects, Baltic countries and Finland work towards a vision of joint regional gas market by 2020. To achieve the vision, gas market involving Estonia, Latvia and Lithuania (and Finland) must be reorganized by adopting clear and common rules for adequate functioning of the regional gas market.

In line with the RGMCG action plan, TSOs have analysed the Principles for transmission capacity management in common Baltic gas market, the alternatives for the arrangement of various market related functions and the topic of whether taxation could have an impact on trading in merged market zone. Furthermore, the proposal for the concept model for the coordinated balancing zone has been developed. Hereby the TSOs are seeking input from stakeholders and market participants on those proposals as an important feature of the future common gas market. After the public consultation, the TSOs will assess the comments submitted by the stakeholders, update where relevant the proposals and provide market parties with the assessment of their answers. Please take note that comments received in the course of the public consultation may be kept anonymous, if the party providing comments indicates to remain anonymous.

Overview of the topics consulted

Principles for transmission capacity management in common Baltic gas market

Analysis on the Principles for transmission capacity management in common Baltic gas market describes the capacity management principles to be used in common Baltic gas market zone. Capacity allocation principles and allocation calendar, capacity products, congestion management procedures, capacity restriction and usage of over-booked capacity have been analysed.

Overview on Analysis on Alternatives for the Establishment of Market Area Manager (MAM)

Analysis has shown that various market-related functions (e.g. handling of trade notifications, allocation of gas quantities at the Virtual Trading Point, calculation of balancing positions, handling of imbalance fees and settlement, capacity allocation in common Baltic zone, exchange of the data related to nominations and quantity allocation) should be centrally handled. There are many options for such central handling and the TSOs have evaluated several alternatives of MAM establishment from market, costs effectiveness, business and market development, business operation and management, and legislative perspectives, taking into account their advantages and disadvantages.

Based on conducted analysis, TSOs have identified two preferred options among all alternatives:

- The first option is a MAM as a new entity owned by TSOs. In this option, TSOs delegate their balancing responsibilities for one entity in a common market and newly created entity serves as a single contractual and contact point for all market participants for VTP operation and balancing. In addition, it would manage joint portal for transmission services.
- In case of the second option, TSO-TSO cooperation model, there would be one IT solution for the market participants, but contractual relations and responsibilities for balancing, VTP operation would remain with the TSOs.

Both options need to be more thoroughly investigated to make a decision on the best one. However, TSOs already in current stage would like to hear the opinion of market participants and stakeholders on some questions provided in the questionnaire.

Taxation

The analysis revealed that current VAT and excise duty regulations allow implementation of common gas market zone in Baltic States, and no actions towards changes in tax related legislation and administration are proposed.

Concept Model for the Coordinated Balancing Zone

Various aspects with regard to balancing have been analysed – including different functionalities that could be centrally managed, data exchange issues, harmonised balancing products and balancing rules. Operational balancing challenges have also been considered for the common balancing zone.

The consultation documents are provided here <https://elering.ee/en/gas-market>.

Consultation questionnaire

1. What is your name?
2. What is your email address?
3. What is your organisation?

4. Do you wish that your response to this consultation would be treated confidential, i.e. published without disclosing the name?
5. Please provide your answers with explanation to the following questions on the TSOs' proposal **"Principles for transmission capacity management in common Baltic gas market"**.

| No | Description | Question |
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| 1 | <p><i>The Principles for transmission capacity management in common Baltic gas market</i> describes that capacity allocation on interconnection points with other Member States (IPs) should follow the requirements of European network code on capacity allocation mechanisms (NC CAM) in gas transmission systems. In other entry-exit points all capacity products available at IPs also should be offered for booking. The range of capacity products should include both long-term and short-term products.</p> <p>Capacity at IPs with other EU member countries (for example Poland) will be auctioned following the requirements of NC CAM. Capacity at other entry exit points will be allocated using Pro Rata principle and at the non-congested points – First Come First Served method could be used.</p> | <p>a) Do you agree with the principles and the list of capacity products proposed for common Baltic gas market zone on slides 9-11? Please provide your views on this section.</p> <p>b) Do you agree that all standard capacity products available on IPs would be offered on entry-exit points other than IPs?</p> <p>c) Do you have proposals for the provided capacity allocation calendar?</p> <p>d) Do you agree that on non-congested entry-exit points First Come First Served capacity allocation method would be used?</p> <p>e) Do you have any other proposals for the transmission capacity management in common Baltic gas market?</p> |
| 2 | <p>Regulation does not define how the tariff can be applied for domestic points and if the tariff should be capacity or energy based. <i>The Principles for transmission capacity management in common Baltic gas market</i> describes different schemes of capacity booking which could be applied for domestic points:</p> <ol style="list-style-type: none"> a) No capacity is allocated, only energy based tariff is applied; b) The capacity is booked by network user; c) The capacity is booked by the connected party (DSOs or directly connected consumption sites owners). | <p>Please indicate whether you would prefer option a), b) or c) with your reasoning.</p> <p>Please provide your detailed views on this section.</p> |
| 3 | <p><i>The Principles for transmission capacity management in common Baltic gas market</i> lists the congestion management procedures and facilitation of the capacity usage. It is proposed that the surrender of contracted capacity, secondary capacity trading and interruptible capacity should be available at all entry/exit points, but</p> | <p>Do you see a need to use all congestion management methods as set in regulation also for non-IPs?</p> <p>Please provide your detailed views on this section.</p> |

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| | only in IPs as required by regulation, over-subscription and buyback scheme, long and short-term use-it-or-lose-it procedures are foreseen to be applied. (Please see slides 13-15). | |
| 4 | <i>The Principles for transmission capacity management in common Baltic gas market</i> describes that the capacity in Baltic gas market zone should be marketed in common booking platform, which should be managed by MAM, which would also act as a common gate for exchange of information, related to transmission services and balancing services. | <p>a) Do you support TSOs proposal that MAM could also act as a Capacity Booking Platform for capacity at entry/exit points in addition of MAM other core functions?</p> <p>b) Do you have a preference regarding allocating capacity on entry-exit points: (1) capacity would be allocated on joint portal (capacity booking platform) operated by MAM, or (2) each TSO would allocate capacity of their country entry-exit points on their own capacity booking platforms?</p> |

6. Please provide your answers with explanation to the following questions on the TSOs' proposal **for MAM alternatives:**

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| 1 | <p>The TSOs have evaluated several alternatives of MAM establishment from market, costs effectiveness, business and market development, business operation and management, and legislative perspectives, taking into account their advantages and disadvantages. Based on conducted analysis of MAM alternatives, TSOs have identified two preferred options among all alternatives:</p> <ul style="list-style-type: none"> - The first option is a MAM as a new entity owned by TSOs. In this option, TSOs delegate their balancing responsibilities for one entity in a common market and newly created entity serves as a single contractual and contact point for all market participants for VTP operation and balancing. In addition, it would manage joint portal for transmission services. - In case of second option, TSO-TSO cooperation model, there would be one IT solution for the market participants, but contractual relations and responsibilities for balancing, VTP operation would remain with TSOs and would be shared in later agreed manner. | <p>a) Do you have a preference for any of the mentioned MAM alternatives? If yes, please specify why?</p> <p>b) Please provide your views on this section for the options preferred by the TSOs.</p> <p>c) Is there any other aspects, in your opinion, which should be considered when choosing a particular MAM alternative?</p> |
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7. Please provide your answers with explanation to the following questions on the TSOs' proposal „**Concept Model for the Coordinated Balancing Zone**“

| No | Description | Question |
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| 1 | <p>Concept model describes the target model for the merged balancing zone. Balancing zone means an entry-exit system to which a specific balancing regime is applicable. To achieve the target the harmonised (single) balancing rules shall be developed and implemented, also single imbalance settlement management as well.</p> | <p>Do you agree that the proposed target model for regional balancing zone should be achieved?</p> <p>Please provide your views on this section.</p> |
| 2 | <p>Concept model (slide 12) describes the functions that shall be provided centrally at least via single web interface solution. The proposal includes providing central functionalities as:</p> <ul style="list-style-type: none"> a) balancing group management, imbalance settlement, data provision, and operational balancing – as “MAM Basic” functions b) Accepting gas flow nominations and allocating gas flow at entry and exit points from/for network users c) Organizing entry and exit transmission capacity booking to network users – as “MAM additional” functions | <p>Do you agree that all functionalities described shall be managed between TSOs centrally at least via single web interface solution?</p> <p>Please provide your detailed views on this section.</p> <p>Do you see any other functions that should be centrally managed?</p> |
| 3 | <p>Concept model (slide 14) describes the preliminary options for possible data exchange solution between market participants and TSOs (MAM).</p> <p><u>Option A</u> includes the vision that nomination by network user and trade notification by trading participant shall be aggregated by MAM (central platform) who shall submit the results to TSOs and balance portfolio managers (BPMs). This option would ensure the confidentiality for the network users on their trading operations.</p> <p><u>Option B</u> includes the vision that nomination by network user shall be submitted to MAM (central platform) via BPM and the trade notifications shall be provided to MAM (central platform) by BPMs for OTC trades or by gas exchange operator for the trades in trading platform per BPM portfolios. As a summary each BPM will have direct information about its portfolio and MAM (central platform) shall perform the imbalance calculation per BPMs.</p> | <p>Please provide your views on this section for both options.</p> |
| 4 | <p>TSOs proposal Concept Model for the Coordinated Balancing Zone slide 22 describes short-term standardised products for balancing purposes.</p> | <p>Please provide your views for short-term products that should be available for day ahead and within day purposes.</p> |

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| 5 | Balancing Network code sets out options for non-daily meter data provision. In slide 24 the different information models are described and as a result of the study Baltic TSOs propose to implement “Base case” model. | Do you agree that “Base case” model shall be implemented for Baltic gas systems for non-daily meter data allocation? |
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8. Please feel free to share any other ideas and considerations regarding the topics.

Please provide your answers to the questions, comments and opinions in English until November 23, 2017 by email to Airi.Noor@elering.ee.

Should you have any questions please contact the respective representative via e-mail:

- Amber Grid AB – Mr Mindaugas Protas M.Protas@ambergird.lt;
- AS „Conexus Baltic Grid” – Mr Jānis Skubeņičs Janis.Skubenics@conexus.lv;
- Elering AS – Ms Airi Noor Airi.Noor@elering.ee.