

## Regulations Regarding the Use of the Inčukalns Underground Gas Storage Facility

Issued pursuant to Article 15 Paragraph Seven of the Energy Law

### I. General Provisions

1. The Regulations shall determine:
  - 1.1. the procedure for the use of the Inčukalns Underground Gas Storage Facility (hereinafter – the storage facility);
  - 1.2. the procedure for receipt of the natural gas storage service (hereinafter – the storage service);
  - 1.3. the rights, obligations and liability of the unified natural gas transmission and storage system operator (hereinafter – the system operator) and the natural gas storage system user (hereinafter – the system user);
  - 1.4. the procedure for the exchange of information between the system operator and the system user;
  - 1.5. the procedure for the interruption and restriction of the storage service;
  - 1.6. the procedure according to which a person submits an application for the acquisition of the rights to use the storage facility and according to which the storage service contract is concluded;
  - 1.7. the procedure according to which the system operator is entitled to request a collateral for the fulfilment of obligations and the amount of the collateral.
2. The following terms are used in the Regulation:
  - 2.1. **working day** – any day from Monday to Friday, which is not determined as a public holiday in the Republic of Latvia, and a working day that has been transferred on the basis of Article 133 of the Labour Law;
  - 2.2. **fuel gas** – quantity of the natural gas required for the operation of natural gas compression units to ensure the injection of natural gas into the storage facility;

- 2.3. **capacity product** – the storage service offered by the system operator in accordance with the types of the capacity product specified in Annex 2 of these Regulations;
  - 2.4. **stocks** – quantity of the natural gas stored in the storage facility under a storage service contract;
  - 2.5. **storage cycle** – the time period from the start of the season for the natural gas injection into the storage facility until the end of the season for the natural gas withdrawal from the storage facility;
  - 2.6. **unused storage capacity** – the part of the technical storage capacity booked by the system users and not used for the storage of stocks;
  - 2.7. **available storage capacity** – the part of the technical capacity of the storage that has not been allocated and is available to the system users for booking, taking into account the integrity of the storage facility and the requirements for the storage management; and the procedures for booking storage capacity products specified in Chapter IV of these Regulations;
  - 2.8. **technical storage capacity** – the ability of the storage facility to ensure the maximum quantity of natural gas stored in the storage facility which the system operator can offer to the system users within storage cycle;
  - 2.9. **applicant** – a person which submits to the system operator an application for the rights to use the storage;
  - 2.10. **reverse-flow capacity** – the natural gas transmission system capacity for the direction opposite to the flow of the actual technological mode of the storage facility available to the system users for booking;
  - 2.11. **trade notification** – the system user’s notification to the system operator in accordance with the standard communication protocol regarding the transfer of the quantity of natural gas to the natural gas transmission system user or receipt from the natural gas transmission system user;
  - 2.12. **storage service contract** – a contract concluded between the system operator and the system user on the basis of which the system operator provides a storage service to the system user.
3. The system operator shall provide a storage service which is compatible with the use of the natural gas transmission system, ensuring equal and non-discriminatory treatment of the system users.
  4. To ensure efficient and secure provision of storage service, the system operator has the right to request and receive from the system user information that the system operator needs to perform the activities specified in these Regulations.
  5. Upon communication with the system operator in the cases provided in these Regulations, the system user shall submit information and documents to the system operator either in Latvian or in English. The electronically sent documents specified in these Regulations should be signed with a secure electronic signature, unless agreed otherwise between the system operator and the system user.
  6. The system user is obliged to follow the procedure for the use of the storage facility stipulated in these Regulations and in the storage service contract, follow the system operator’s instructions for the receipt of the storage service, provide to the system operator

the information required for the receipt of the storage service, as well as not to use the storage service in a way that limits, distorts or prevents competition, for example, through hidden capacity accumulation.

## **II. Publication of Information on Storage**

7. The system operator shall publish on its website the forecast of the technical capacity of the storage facility for the next storage cycle by November 4<sup>th</sup> each year.
8. The system operator shall publish on its website the provisional available storage capacity, including the provisional available storage capacity within bundled capacity product and the interruptible capacity product and the provisional available storage capacity within two-year bundled capacity product in the following order:
  - 8.1. the first notice regarding the next storage cycle shall be published no later than one working day before the beginning of the storage capacity booking for the next storage cycle;
  - 8.2. thereafter, by April 30<sup>th</sup>, a notice regarding the next storage cycle shall be published every day by 13:00 (hereinafter - Riga time);;
  - 8.3. from May 1<sup>st</sup> until the date of publication of the technical capacity of the storage facility and the available capacity of the storage facility for the current storage cycle in accordance with Paragraph 9 of these Regulations, a notice regarding the current storage cycle shall be published every day by 13:00.
9. The system operator shall publish on its website the technical capacity of the storage facility and the available capacity of the storage facility for the existing storage cycle, including the available capacity of the storage facility within bundled capacity product and the interruptible capacity product and the available capacity of the storage facility within two-year bundled capacity product by May 21<sup>st</sup> each year. The available storage capacity for the current storage cycle shall be calculated by the system operator as a difference between the technical capacity of the storage facility and the storage capacity booked by the system users for the existing storage cycle.
10. The system operator shall publish on its website the following information regarding the current storage cycle every day by 13.00:
  - 10.1. technical capacity of the storage facility (kWh);
  - 10.2. stocks (kWh);
  - 10.3. the available capacity of the storage facility, including the available capacity of the storage facility within bundled capacity product and the interruptible capacity product and the available capacity of the storage facility within two-year bundled capacity product (kWh);
  - 10.4. unused storage capacity (kWh);
  - 10.5. reverse-flow capacity on gas day D (kWh);
  - 10.6. the maximum quantity of natural gas which can be injected into the storage or withdrawn from the storage on gas day D.
11. The natural gas injection season of the storage cycle shall begin on May 1<sup>st</sup> of the relevant year and end on October 14<sup>th</sup> of the relevant year. The natural gas withdrawal season of the

storage cycle shall begin on October 15<sup>th</sup> of the relevant year and end on April 30<sup>th</sup> of the following year.

### **III. Procedure for Conclusion of a Storage Service Contract**

12. The applicant shall submit to the system operator an application for acquiring the rights to use the storage facility (Annex 1). The applicant shall annex the following documents to the application:
  - 12.1. a document that proves that the applicant has registered for commercial activity pursuant to the national laws and regulations;
  - 12.2. a proof of representation, if the application is submitted by an authorised representative of the applicant;
  - 12.3. a document that has been issued no earlier than one month before the date of submission and proves that the applicant is not under insolvency proceedings, the applicant's economic activity is not suspended, and the applicant is not under liquidation;
  - 12.4. the annual report for the previous three years (or the actual operation period, taking into account the time of the establishment or beginning of operation of the applicant on which the annual report is to be submitted) or an equivalent document proving the applicant's economic and financial position under the laws and regulations of the relevant country;
  - 12.5. information on the identification code assigned to the applicant in accordance with the Energy Identification Code Scheme;
  - 12.6. information on the applicant's credit rating assigned by a commonly known credit agency or rating agency (not required if it is planned to provide a collateral in accordance with Chapter X of these Regulations).
13. If the information in the documents specified in Paragraph 12 of these Regulations is available in Latvian or English free of charge in an official gazette or a public register, the applicant is entitled to not submit the relevant documents, specifying in its application the website where the relevant information is available.
14. If along with an application for the right to use the storage facility the applicant submits an application for the right to use the natural gas transmission system (pursuant to the regulations on the use of the natural gas transmission system), the documents listed in Paragraph 12 of these Regulations are not required unless they differ for each application.
15. The system operator shall review the application and the attached documents thereto referred to in Paragraph 12 of these Regulations within five working days from the date of receipt and, if necessary, is entitled to request the applicant to submit the missing documents or additional information.
16. If the system operator has requested the applicant to submit additional information or documents, the applicant shall submit them within ten working days from the day of dispatch of the request. If the applicant fails to submit the additional information or documents within the given deadline, the applicant shall be deemed to have withdrawn its application.

17. The applicant may submit the documents and additional information referred to in Paragraphs 12 and 15 of these Regulations to the system operator electronically.
18. If the applicant has submitted all the documents and additional information referred to in Paragraphs 12 and 15 of these Regulations, the system operator shall within five working days from the day of receipt of all the documents and additional information prepare the natural gas storage service contract and send it to the applicant. The system operator shall publish a draft natural gas storage service contract on its website.
19. The applicant shall submit to the system operator a signed storage service contract in two copies within ten working days from the day of the dispatch of the storage service contract. If the applicant has not submitted to the system operator a signed storage service contract within ten working days from the day of the dispatch of the storage service contract, the applicant shall be deemed to have withdrawn its application.
20. The system operator shall sign the storage service contract within three working days after the receipt of the storage service contract signed by the applicant and send one copy to the applicant.
21. The system operator shall notify the applicant of the refusal to conclude the storage service contract by sending a notice to the e-mail address indicated in the application within one working day after the review of the application. The system operator shall send a motivated refusal to conclude the storage service contract in writing to the postal address indicated in the application within the deadline specified in the Law of Regulators of Public Utilities.

#### **IV. Procedure for the Booking of the Storage Capacity Product**

22. In order to ensure the booking of the storage capacity for the system users, the system operator shall, within the deadlines specified in Annex 2 to these Regulations, offer system users the capacity products specified in Annex 2 to these Regulations.
23. The system user shall book the capacity product in accordance with the booking method specified in Annex 2 to these Regulations.
24. If the storage capacity booking method specified in Annex 2 to these Regulations is an auction procedure:
  - 24.1. the system operator shall publish the storage capacity auction regulations, which has been agreed on with the Regulator, on its website not later than ten working days before the auction start time specified in the auction regulations;
  - 24.2. the system operator shall inform the system user regarding the amount of the storage capacity allocated within the relevant capacity product and the premium applicable thereto by sending an appropriate notification to the system user electronically next day after the end of the storage capacity auction procedure;
  - 24.3. upon the receipt of the capacity product allocation notification, the system user is obliged to pay the system operator for the allocated capacity product according to the procedure specified in these Regulations, the storage service contract and the auction regulations in accordance with storage service tariffs and the premium specified in the capacity product allocation notification.
25. If the storage capacity booking method specified in Annex 2 to these Regulations is a different procedure from the auction procedure:

- 25.1. the system operator shall inform the system user regarding the amount of the storage capacity allocated within the relevant capacity product not later than within one hour after the receipt of the trade notification or the deadline specified in Sub-paragraph 4.1 of Annex 2 to these Regulations by sending an appropriate notification to the system user electronically;
- 25.2. upon the receipt of the capacity product allocation notification, the system user is obliged to pay the system operator for the allocated capacity product according to the procedure specified in these Regulations and the storage service contract in accordance with the storage service tariffs.
26. After the allocation of the capacity product, the system operator shall not be obliged to cancel the storage capacity booking upon the request of the system user.
27. Upon the request of the system operator, the system user shall submit:
  - 27.1 Within five working days the schedule of injection of the natural gas quantity indicating the estimated natural gas quantity to be injected in each gas month of the injection season - the average minimum and maximum natural gas injection quantity per gas day D or; the schedule of withdrawal of the natural gas quantity indicating the estimated natural gas quantity to be withdrawn in each gas month of the withdrawal season - the average minimum and maximum natural gas withdrawal quantity per gas day D;
  - 27.2. A schedule for the injection of the amount of natural gas within 24 hours, indicating the estimated amount of natural gas to be injected in the next two weeks, the average minimum and maximum amount of natural gas injection per gas day D, or the natural gas withdrawal schedule, indicating the average minimum quantity of natural gas expected to be withdrawn in the next two weeks, and amount of natural gas withdrawal per gas dayD.
28. The system user's stocks at the end of the storage cycle shall be transferred to the next storage cycle in accordance with the stock transfer procedure for the relevant capacity product specified in Annex 2 to these Regulations.

## **V. Use of the Storage Capacity Product**

29. The system user shall use the capacity products booked according to the procedure specified in Chapter IV of these Regulations in accordance with the procedure for the use of the relevant capacity product specified in Annex 2 to these Regulations.
30. The system operator shall publish on its website a schedule of the quantity of natural gas available for injection into the storage and withdrawal from the storage for the current storage cycle and it shall be updated within one hour after the processing of trade notifications of new system users.
31. The system user which has booked a capacity product and wishes to inject a certain quantity of natural gas into the storage or withdraw it from the storage in the current storage cycle shall submit a trade notification to the system operator within the deadlines for the submission specified in the Regulations Regarding the Balancing of Natural Gas System Virtual trading point and in accordance with the standard communication protocol by indicating the appropriate capacity product code.
32. The system user may submit trade notifications for the injection of natural gas into the storage facility in the amount of unused storage capacity at the disposal of the system user

and for the withdrawal of natural gas from the storage system in the quantity of the system user's stocks stored within the capacity product specified in the trade notification. If the quantity of natural gas specified in the system user's trade notification exceeds the unused storage capacity or the quantity of stocks at the disposal of the system user, the system operator shall apply the rule of the smallest quantity of natural gas.

33. The storage capacity indicated in the system user's trade notification for the injection of the quantity of natural gas or its withdrawal from the storage facility shall not be used for other activities specified in these Regulations until the execution of the trade notification. The quantity of natural gas specified in the system user's trade notification for the withdrawal of the quantity of natural gas from the storage facility shall not be used for other activities specified in these Regulations until the execution of the trade notification.
34. The system operator shall evaluate the received trade notifications in accordance with the schedule specified in Paragraph 30 of these Regulations, taking into account whether the capacity product is offered with firm or interruptible capacity in accordance with Annex 2 to these Regulations and the order of receipt of trade notifications.
35. After processing the trade notification submitted by the system user using the standard communication protocol, the system operator shall send a confirmation to the system user regarding the quantity of natural gas to be injected into the storage facility or withdrawn from the storage facility, but in case of congestion, if necessary, using the standard communication protocol, inform the system user of changes in the storage facility or the quantity of natural gas to be injected into or withdrawn from the storage facility.
36. The system user may correct the already approved quantity of natural gas to be injected into the storage facility or withdrawn from the storage facility for gas day D until 17:00 of the next day in the following cases:
  - 36.1. the system user performs the transportation of natural gas as a non-Union commodity, and the correction is necessary so that the quantity of natural gas injected into the storage facility or withdrawn from the storage facility corresponds to the quantity of natural gas transmitted as a non-Union commodity in the natural gas transmission system;
  - 36.2. if an adjustment is made to the allocation determined at the entry or exit point of the natural gas transmission system, except for the exit point for the supply of natural gas to users of Latvia. It is possible to correct the quantity of natural gas to be injected into or withdrawn from the storage facility in the amount by which the formation of an imbalance in the natural gas transmission system is prevented for the system user.
37. The system user shall allocate the stocks among the capacity products at the disposal of the system user in accordance with the stock transfer procedure specified in Annex 2 to these Regulations by submitting an application to the system operator regarding the application of the capacity product to the stocks in accordance with the application form published on the system operator's website. The system operator shall electronically inform the system user no later than by 17:00 of the gas day D+1 about the approved or rejected changes in the capacity products applied to the system user's stocks on the gas day D.

## **VI. Procedure for the Transfer of Natural Gas injected into the Storage Facility and the Capacity Product**

38. The system user, in agreement with another system user, is entitled to transfer its capacity product or natural gas injected into the storage facility to another system user. When transferring its natural gas injected into the storage facility, the system user shall comply with the procedure for the transfer of stocks stored within the relevant capacity product specified in Annex 2 to these Regulations.
39. The system user which transfers its capacity product or natural gas injected into the storage facility and the system user which receives the relevant capacity product or natural gas injected into the storage facility shall inform the system operator in accordance with the standard communication protocol by submitting the following information to the system operator:
  - 39.1. the type of the capacity product in accordance with Annex 2 to these Regulations;
  - 39.2. the quantity of the transferred natural gas (kWh) or the quantity of the transferred capacity product (kWh/storage cycle);
  - 39.3. the commencement of the use of the transferred natural gas or capacity product;
  - 39.4. Energy Identification Codes of both system users.
40. If the applications of the system users regarding the transfer of natural gas, which is a European Union commodity, injected into the storage facility, or the transfer of the capacity products booked by the system user are received by 15:00 (13:00 UTC during the winter period and 12:00 UTC during the summer period), the system operator shall confirm the transaction by 17:00 (15:00 UTC during the winter period and 14:00 UTC during the summer period) according to the standard communication protocol.
41. If the applications of the system users regarding the transfer of natural gas, which is a European Union commodity, injected into the storage facility, or the transfer of the capacity products booked by the system user are received after 15:00 (13:00 UTC during the winter period and 12:00 UTC during the summer period), the system operator shall confirm the transaction by 17:00 on the next day (15:00 UTC during the winter period and 14:00 UTC during the summer period) according to the standard communication protocol.
42. Natural gas or capacity product shall be available for use by the system user to whom they are transferred on the next day after receipt of the transaction confirmation of the system operator.
43. An application for the transfer of natural gas, which is not a commodity of the European Union, injected into the storage facility shall be submitted by the system users, which are parties to the transaction, to the system operator only for natural gas for which specific procedures have been completed in accordance to European Parliament and Council Regulation Nr. 952/2013 dated October 9, 2013 establishing the Union Customs Code.
44. Upon the transfer of its capacity product, the system user shall transfer the right to use the capacity product to the other system user. During the term of the use of the capacity product, the obligations towards the system operator, including the obligation to pay for the booked capacity product, shall be incumbent on the system user who originally booked the capacity product.



45. As soon as the transaction is confirmed, the system user having received the relevant storage capacity or natural gas quantity shall become entitled to use it.
46. The system operator shall refuse to confirm the transfer of natural gas injected into the storage facility or capacity product to another system user if:
  - 46.1. information on the conclusion of the transaction is received only from one system user (one transaction party);
  - 46.2. the information submitted by the system users does not match or is incomplete;
  - 46.3. the transaction party receiving natural gas has not booked a capacity product in the appropriate quantity.
47. The system operator shall electronically notify both transaction parties of refusal to confirm the transaction within two hours after the receipt of the applications specified in Paragraphs 40 and 41 of these Regulations and within three days after the receipt of the applications specified in Paragraph 43 of these Regulations.

## **VII. Procedure for the Determination of the Natural Gas Quantity**

48. The system operator shall determine the injected natural gas quantity, the withdrawn natural gas quantity and the stock quantity for the system user for each gas day D.
49. The natural gas quantity injected into the storage facility on a gas day D shall be determined by the following formula:

$$Q_{inj\ D} = Q_{alloc\ D} - Q_{fuel\ D} ,$$

where

$Q_{inj\ D}$  – the natural gas quantity injected into the storage facility on the relevant gas day D (kWh);

$Q_{alloc\ D}$  – the natural gas quantity allocated to the system user for injection into the storage facility on the relevant gas day D (kWh);

$Q_{fuel\ D}$  – the fuel gas quantity to ensure the process of injection of the system user’s natural gas (kWh) on the relevant gas day D. If the system user’s natural gas is injected using the virtual reverse-flow, the fuel gas quantity shall be zero.

50. The system user shall provide, at its own expense, the quantity of fuel gas necessary for the operation of natural gas pumping units in accordance with the fuel gas consumption coefficient specified by the system operator. The system operator shall publish on its website the fuel gas consumption coefficient and the methodology to determine the coefficient at least one month before the start of the injection season.
51. The quantity of natural gas withdrawn from the storage facility on gas day D shall be equal to the quantity of natural gas allocated to the system user for withdrawal from the storage facility on the relevant gas day D.
52. The system user’s stock quantity on gas day D shall be determined by the following formula:

$$Q_{stock\ D} = Q_{stock\ D-1} + Q_{inj\ D} - Q_{with\ D} ,$$

where

$Q_{\text{stock D}}$  – the system user’s stock quantity on gas day D (kWh);

$Q_{\text{stock D-1}}$  – the system user’s stock quantity on gas day D-1 (kWh);

$Q_{\text{with D}}$  – the natural gas quantity withdrawn from the storage facility by the system user on gas day D (kWh).

53. Every day by 14:00 (12:00 UTC during the winter period and 11:00 UTC during the summer period) the system operator, using a standard communication protocol, shall inform the system user of the natural gas quantity injected into the storage, withdrawn from the storage, transferred to another system user or received from another system user on gas day D-1, and of the stock quantity at the beginning of the gas day.
54. Within 14 days after the end of the injection season, the system operator shall determine the actual fuel gas consumption for the provision of the natural gas injection process.
55. If the amount of fuel gas consumed by the system operator to ensure the natural gas injection process is less than the quantity received from the system user during the injection season, the system operator shall return the unused fuel gas to the system user in proportion to the quantity actually injected during the injection season.
56. If the system user does not have bundled capacity product, two year bundled capacity product or interruptible capacity product in the appropriate amount when the system operator returns the unused fuel gas to the system user, the system operator shall store this quantity of fuel gas free of charge until the system user has sufficient storage capacity to inject this quantity of fuel gas. The system user shall specify the storage capacity product at its disposal within which unused fuel gas is to be injected.
57. If the quantity of fuel gas consumed by the system operator during the injection season is greater than the quantity of fuel gas delivered by the system users during the injection season, no additional settlements shall be made between the system users and the system operator.

### **VIII. Congestion Management of the Storage Facility**

58. If the system operator detects a physical capacity congestion by 15:00 on the gas day D-1:
  - 58.1 during the withdrawal of natural gas from the storage facility, the system operator shall, within the framework of congestion management, allocate the natural gas withdrawal capacity among the system users by prioritising the bundled capacity product and the two-year bundled capacity product and in proportion to their booked storage capacity, first providing the system user which supplies natural gas to protected customers and only in the amount natural gas to be provided to protected customers;
  - 58.2 during the natural gas injection into the storage facility, the system operator shall, within the framework of congestion management, allocate the natural gas injection capacity among the system users by prioritising the bundled capacity product and the two-year bundled capacity product within the available capacity and in proportion to their booked unused storage capacity.
59. If the system operator detects a physical capacity congestion after 15:00 on the gas day D1:
  - 59.1. during the withdrawal of natural gas from the storage facility, the system operator shall, within the framework of congestion management, allocate the natural gas withdrawal capacity among the system users in the order of receipt of trade

notifications and by prioritising the bundled capacity product and the two-year bundled capacity product indicated in the trade notification, first providing the system user which supplies natural gas to protected customers and only in the amount of natural gas to be provided to protected customers;

59.2. during the natural gas injection into the storage facility, the system operator shall, within the framework of the capacity and congestion management available for injection of the natural gas for storage, allocate the natural gas injection capacity among the system users in the order of receipt of trade notifications by prioritising the bundled capacity product and the two-year bundled capacity product.

### **IX. Interruption or Restriction of the Storage Service**

60. The system operator has the right restrict or interrupt the injection of natural gas into the storage facility or withdrawal from the storage facility without a prior warning to the system users in the following cases:

60.1 there is damage in the natural gas transmission system or in the storage facility that may cause an accident or emergency situation, or an accident has occurred or an emergency situation has developed;

60.2 an energy crisis has been declared in accordance with the Energy Law;

60.3 there are deviations from the normal operating mode in the natural gas transmission system or the physio-chemical properties of the natural gas do not comply with the natural gas quality characteristics specified by the Cabinet of Ministers and the system operator has requested to stop the natural gas injection into the storage facility or withdrawal from the storage facility;

60.4 the pressure of the natural gas flow does not correspond to the pressure necessary for the provision of the storage service;

60.5 it is necessary to perform urgent repair work in order to eliminate damage or consequences of an accident or to prevent an emergency situation in the natural gas transmission system or storage facility;

60.6 it is necessary to perform technical maintenance, repair, connection, disconnection or dismantling measures, and such work cannot be performed without restricting or interrupting the injection of natural gas into the storage facility or the withdrawal from the storage facility.

61. In the cases specified in Paragraph 60 of these Regulations, the system operator shall immediately, as soon as possible, but not later than within 24 hours, publish a notice and indicate the publishing time thereof on the system operator's website regarding the reasons for the interruption or restriction of natural gas injection into the storage facility or withdrawal from the storage facility and the estimated time for the renewal of natural gas injection into the storage facility or withdrawal from the storage facility, at the same time sending an appropriate electronic notification to the system users and the Regulator.

62. The system operator may, in compliance with the provisions of this Chapter, reduce the quantity of natural gas injected into and withdrawn from the storage facility for a period of maintenance, service and renovation works at the storage facility (hereinafter – maintenance works). The system operator shall carry out the maintenance works so as to minimise

restrictions to the use of the storage facility and reduction of the natural gas injection and withdrawal capacity.

63. Every year, no later than by September 1<sup>st</sup> the system operator shall publish on its website information on the planned maintenance works, their description, possible duration and changes in the natural gas quantity that may be injected into or withdrawn from the storage facility for the period from October 1<sup>st</sup> of the relevant year up to September 30<sup>th</sup> of the next year. The system operator shall update the published information depending on the course of the maintenance works.
64. If the maintenance works affect the amount of natural gas that can be injected into the storage or withdrawn from the storage, the system operator shall inform the system users not later than 42 days before the planned maintenance works, electronically sending information to the system users on the amount, duration and changes in the quantity of natural gas; which can be injected in the storage facility or withdrawn from the storage facility.
65. Regarding the performance of unscheduled maintenance works that may affect the capacity of natural gas injection into the storage facility and withdrawal from the storage facility, the system operator shall inform the system users and the Regulator electronically as soon as possible, but not later than by 18:00 (16:00 UTC during the winter period and 15:00 UTC during the summer period) of the previous day before performing the unscheduled maintenance works, also indicating the quantity of natural gas available for injection into the storage facility and withdrawal from the storage facility on that gas day.
66. During the injection season specified in Paragraph 11 of these Regulations, the system operator may make a transition from the injection mode to the withdrawal mode due to unplanned repairs to the natural gas transmission system or the adjacent natural gas transmission system. The system operator shall publish the relevant notice on its website immediately, but not later than 24 hours before the change of the operating mode of the storage facility, indicating the time of publication, at the same time informing the system users and the Regulator about the change of the operating mode of the storage facility.
67. The system operator shall not indemnify the system user for losses incurred in cases specified in Paragraphs 60 and 62 of these Regulations, as well as when the planned maintenance works are performed within deadlines published in accordance with Paragraphs 64 and 65 of these Regulations.

#### **X. Collateral for the fulfilment of obligations**

68. The system operator shall evaluate the information specified in Sub-paragraph 12.6 of these Regulations in order to determine the necessity to request the applicant to submit a collateral for the fulfilment of obligations (a security deposit, a guarantee of the financial service provider or related merchant which meets the criteria specified in Paragraph 71 of these Regulations) before concluding a storage service contract or during its duration.
69. After the first full calendar year from the conclusion of the storage service contract until May 1<sup>st</sup> and October 15<sup>th</sup> of the relevant year, the system user shall submit to the system operator updated information regarding the credit rating of the system user. The system user is obliged to immediately inform the system operator about any changes in the system user's credit rating. The system operator is entitled to request the system user to submit updated information on the system user's credit rating.

70. During the conclusion of a storage service contract or its duration, the system operator is entitled to request the system user to submit a collateral for the fulfilment of obligations (a security deposit, a guarantee of the financial service provider or related merchant which meets the criteria specified in Paragraph 71 of these Regulations) to cover claims arising from the storage service contract if:
- 70.1. the system operator has grounds to believe that the system user is unable or will not be able to fully or partially cover the obligations arising from the storage service contract;
  - 70.2. the system user is under insolvency or liquidation proceedings;
  - 70.3. the system user does not have an appropriate credit rating pursuant to the criteria set out in Paragraph 71 of these Regulations;
  - 70.4. the system user has twice within twelve months delayed the payments specified in the storage service contract.
71. The system user's credit rating shall be deemed appropriate if it complies with at least one of the following criteria:
- 71.1. a long-term rating of BBB- or higher under Standard & Poor's;
  - 71.2. a long-term rating of BBB- or higher under Fitch Ratings;
  - 71.3. a long-term rating of Baa3 or higher under Moody's;
  - 71.4. equivalent rating mentioned in sub-points 1-3 in this chapter of another commonly known credit agency or rating agency and the amount of credit specified in the rating statement issued to the system user, shall correspond to or exceed the amount of the collateral specified in Paragraph 76 of these Regulations.
72. If the system user or related merchant does not agree with the system operator's finding regarding non-compliance of the credit rating of the system user or related merchant, the system user or related merchant may submit appropriate evidence within five working days to objectively assess the creditworthiness of the system user. The system user may choose one or more types of the collateral for the fulfilment of obligations (a security deposit, a guarantee of the financial service provider or related merchant which meets the criteria specified in Paragraph 71 of these Regulations).
73. The system user shall submit the collateral to the system operator within seven working days from the day of receipt of the system operator's request.
74. The system operator shall recognize a guarantee as an adequate collateral for the fulfilment of obligations if it complies with the following conditions:
- 74.1. the guarantee has been issued by a financial service provider with a long-term foreign currency credit rating of at least Baa1 according to Moodys's or BBB + according to Standard & Poor's or BBB + according to Fitch Ratings. Where a financial service provider or group of financial service providers has been assigned a long-term borrowing rating by at least one credit rating agency referred to in this Paragraph, the guarantee issued by such financial service provider or group thereof shall be deemed to be appropriate;
  - 74.2. the guarantee has been issued by a related merchant whose credit rating complies with Paragraph 71 of these Regulations;

- 74.3. it is an irrevocable first demand guarantee.
75. The collateral for the fulfilment of obligations shall be valid for the entire term of the storage service contract if the system operator has requested a collateral from the system user. The system operator shall send a warning to the system user regarding the limitation or interruption of the storage service - withdrawal or injection of natural gas from or to the storage or the transfer of the natural gas stored in the storage or transfer of capacity product, in case the collateral amount is used in amount to the extent specified in Paragraph 76 of these Regulations for covering liability resulting from the storage service contract. If the system user does not renew the performance security within the period specified in the warning, which is not less than ten working days, the system operator shall limit or suspend the injection of natural gas into storage, withdrawal from storage or transfer of the natural gas placed in storage or capacity product. The amount of the collateral shall be determined and applied by the system operator in the amount of a two-month fee per storage cycle for the capacity products booked by the system user in each storage cycle.
76. The amount of collateral for the fulfilment of obligations shall be determined and applied by system operator in the amount of two months charge for storage cycle for the capacity products reserved by the system user in the each storage cycle.
77. If the system user's obligations under the storage service contract exceed the amount for which the collateral has been submitted, the system operator has the right to request the system user to increase the amount of the collateral and submit collateral that complies with the conditions of Paragraph 76 of these Regulations to the system operator within seven days.
78. Upon the termination of the storage service contract, the system operator shall refund the amount of the collateral, which has not been used to cover the system user's outstanding obligations, to the system user within five working days or return the submitted original of the guarantee to the financial service provider or related merchant whose credit rating complies with Paragraph 71 of these Regulations.

## **XI. Final Provisions**

79. The system operator shall evaluate the applications for the acquisition of the rights to use the storage facility, which have been submitted to the system operator before the date of entry into force of these Regulations, and conclude a storage service contract in accordance with these Regulations.
80. For a system user which has a storage service contract in force on the date of entry into force of these Regulations, the contract shall be in force in so far as it does not contradict these Regulations. If the terms of a storage service contract concluded before the date of entry into force of these Regulations contradict these Regulations, these Regulations shall apply.
81. At the end of the 2020/2021 storage cycle of the system user within the capacity product, the period of use of which expires, the existing stocks shall be transferred to the next storage cycle as follows:
- 81.1. regarding the stocks at the end of the storage cycle not exceeding 5% of the total booked capacity within the bundled capacity product and the two-year bundled capacity product, the system user shall be deemed to have booked bundled capacity product for the next storage cycle in the relevant stock quantity to be settled with

- the system operator in accordance with the tariff for the relevant capacity product set for the next storage cycle;
- 81.2. regarding the stocks at the end of the storage cycle not exceeding 5% of the total booked capacity within the market product, the system user shall be deemed to have booked the interruptible capacity product for the next storage cycle in the relevant stock quantity to be settled with the system operator in accordance with the tariff for the interruptible capacity product set for the next storage cycle;
- 81.3. regarding the stocks at the end of the storage cycle exceeding 5% of the total booked capacity within the relevant capacity product, the system user shall be deemed to have booked the stock transfer product for the next storage cycle in the relevant stock quantity to be settled with the system operator in accordance with the tariff for stock transfer product set for the next storage cycle.
82. The system operator and system users shall, by April 30<sup>th</sup> 2021, for storage capacity products booked and the amount of natural gas injected in storage during the 2020/2021 year storage cycle, use of capacity products, transfer of natural gas and capacity products in storage and physical congestion management of capacity shall be carried out in accordance with the Public Utilities Commission Decision No. 1/10 of March 28<sup>th</sup> 2018, Regulations for the Use of Inčukalns Underground Gas Storage.
83. Decision No. 1/10 of the Public Utilities Commission of March 28<sup>th</sup> 2018 “Regulations Regarding the Use of the Inčukalns Underground Gas Storage Facility” (*Latvijas Vēstnesis*, 2018, No. 105) is repealed.
84. The Regulations shall enter into force on next day after publication in official gazette *Latvijas Vēstnesis*. The requirements stipulated in Chapters V, VI and VIII of these Regulations shall apply from May 1<sup>st</sup> 2021.

Chairman of the Public Utilities Commission Council      *R. Irklis*

**Application for the Right to Use the Inčukalns Underground Gas Storage Facility**

\_\_\_\_\_, 20 \_\_\_\_

No \_\_\_\_\_

Addressee: \_\_\_\_\_, unified registration No \_\_\_\_\_,

*/name of the storage operator/*

Registered office: \_\_\_\_\_

Applicant: \_\_\_\_\_

*/name/*

EIC\*

Legal address:

Phone number:

E-mail address:

Fax number:

Bank details:

VAT registration  
number:

Note

\* To be specified if the applicant has been given an EIC.

I hereby request the right to use the Inčukalns Underground Gas Storage Facility and to conclude a storage service contract under the Regulations Regarding the Use of the Inčukalns Underground Gas Storage Facility (hereinafter – the Regulations Regarding the Use of the Storage).

**Information about the representative**

	Name, surname	Position	Phone, e-mail address, fax



The person authorised to represent the applicant and to conclude a storage service contract			
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	Phone	E-mail
Contact details which the storage operator may use at any time for communication with the storage user		

### Annexed documents

1.  A document that proves that the applicant has registered for commercial activity pursuant to the laws and regulations of the relevant country.  
\* \_\_\_\_\_
2.  A proof of representation if the application is signed by a person who is not a member of the applicant's administrative body.  
\* \_\_\_\_\_
3.  A document that proves that the applicant is not under insolvency proceedings, the applicant's economic activity has not been suspended, and the applicant is not under liquidation.  
\* \_\_\_\_\_
4.  The annual report for the previous three years (or the actual operation period, taking into account the time of establishment or beginning of operation of the applicant on which the annual report is to be submitted) or an equivalent document proving the applicant's economic and financial position in accordance with the regulatory acts of the relevant country.  
\* \_\_\_\_\_
5.  Information about the applicant's credit rating granted by a well-known credit agency or rating agency.  
\* \_\_\_\_\_

(please mark with "x" as appropriate)

\* If the document is available in an official publication or a public register of the country, the website shall be specified.

The applicant confirms that they have familiarized themselves with the Regulations Regarding the Use of the Inčukalns Underground Gas Storage Facility.

The applicant confirms that they undertake to submit collateral (a security deposit or a guarantee by a financial service provider) at the storage operator's request.

### Contact details of the person submitting the application

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(name, surname)

(signature)

(position)

(phone, e-mail, fax)

Receipt of the application (to be completed by the storage operator)

Registration number

Registration date

Chairman of the Public Utilities Commission Council

*R. Irklis*

## **The Capacity Products of the Inčukalns Underground Gas Storage, the Procedure for Booking and Use Thereof**

### **1. Bundled capacity product (product code IPGK1YP)**

- 1.1. Storage capacity booking time:
  - 1.1.1. for the next storage cycle - in accordance with the notification of the system operator regarding the auction of storage capacity, but not later than March 15<sup>th</sup> of the relevant year;
  - 1.1.2. for the existing storage cycle - on the second working day after the day of publication of the technical capacity of the storage facility and the available capacity of the storage facility for the existing storage cycle in accordance with Paragraph 9 of these Regulations.
- 1.2. Type of storage capacity booking: auction procedure.
- 1.3. Auction procedure used to book the capacity product: auction based on the principle of using the setting of a single premium.
- 1.4. Storage capacity available for booking: unlimited amount within the available capacity of the storage facility, from which is deducted available storage capacity for booking of two year bundled capacity product according with Section 2.1. and 2.4. in this Annex.
- 1.5. Procedure for the allocation of storage capacity: in accordance with Paragraph 24 of these Regulations.
- 1.6. The duration of use of the capacity product: one storage cycle.
- 1.7. The capacity product includes:
  - 1.7.1. the use of storage capacity in the amount of the bundled capacity product at the disposal of the user;
  - 1.7.2. injection of natural gas into the storage facility: unlimited amount, ensuring injection of stocks in a quantity that can be stored with the available capacity product;
  - 1.7.3. withdrawal of natural gas from the storage facility: unlimited amount, ensuring withdrawal of stocks stored with the product;
  - 1.7.4. the use of virtual reverse-flow to use the storage capacity up to the amount of capacity available to the user: free of charge.
- 1.8. Injection of natural gas for storage in the storage facility and withdrawal of natural gas from the storage facility: firm capacity product.
- 1.9. The transfer of stocks in a storage facility: within a standard bundled capacity product and a two-year bundled capacity product.
- 1.10. Payment for the capacity product: in accordance with paragraph 24 of these Regulations.
- 1.11. Stock transfer to the next storage cycle: regarding the quantity of stock at the end of the storage cycle that is stored within a bundled capacity product, the system user is deemed to have booked the stock transfer product for the next storage cycle in the corresponding quantity of stocks for which it pays the system operator according to the tariff for the stock transfer product set for the next storage cycle.

## **2. Two-year bundled capacity product (product code IPGK2YP)**

### **2.1. Storage capacity booking time:**

- 2.1.1. for the next storage cycle - in accordance with the notification of the system operator regarding the auction of storage capacity, but not later than March 15<sup>th</sup> of the relevant year;
  - 2.1.2. for the existing storage cycle - on the second working day after the date of publication of the technical capacity of the storage and the available capacity of the storage for the existing storage cycle in accordance with Paragraph 9 of these Regulations, if the amount of storage capacity available for capacity product booking is greater than 0 kWh.
- 2.2. Type of storage capacity booking: auction procedure.
  - 2.3. Auction procedure used to book the capacity product auction based on the principle of using the setting of a single premium.
  - 2.4. Storage capacity available for booking: 2 000 000 (two million) MWh for two consecutive storage cycles.
  - 2.5. Procedure for the allocation of storage capacity: in accordance with Paragraph 24 of these Regulations.
  - 2.6. The duration of use of the capacity product: two consecutive storage cycles.
  - 2.7. The capacity product includes:
    - 2.7.1. the use of storage capacity in the amount of the two-year bundled capacity product at the disposal of the user;
    - 2.7.2. injection of natural gas into the storage facility: unlimited amount, ensuring injection of stocks in a quantity that can be stored with the available capacity product;
    - 2.7.3. withdrawal of natural gas from the storage facility: unlimited amount, ensuring withdrawal of stocks stored with capacity product;
    - 2.7.4. the use of virtual reverse-flow to use storage capacity up to the amount of capacity available to the user: free of charge.
  - 2.8. Injection of natural gas for storage in the storage facility and withdrawal of natural gas from the storage facility: firm capacity product.
  - 2.9. The transfer of stocks in a storage facility: within a bundled capacity product and a two-year bundled capacity product.
  - 2.10. Payment for the capacity product: in accordance with Paragraph 24 of these Regulations.
  - 2.11. Stock transfer:
    - 2.11.1. at the end of the first storage cycle of the capacity product operation, the stocks shall be transferred to the second storage cycle of the two-year bundled capacity product operation;
    - 2.11.2 at the end of the second storage cycle of the capacity product operation for the inventory at the end of the storage cycle, stored within a two-year bundled capacity product, the system user is considered to have booked the stock transfer product for the next storage cycle for the corresponding inventory quantity to be settled by the system operator according to the next storage cycle the specified stock transfer product tariff.

## **3. Interruptible capacity product (product code IPGKAP)**

### **3.1. Storage capacity booking time for the current storage cycle:**

- 3.1.1. in accordance with the notification of the system operator regarding the auction of the storage capacity, but not later than on June 1<sup>st</sup> of the relevant year, if the available capacity of the storage facility exceeds 0 kWh;
- 3.1.2. in accordance with the notification of the system operator regarding the auction of the storage capacity, but not later than on June 15<sup>th</sup> of the relevant year, if the available capacity of the storage facility exceeds 0 kWh;
- 3.1.3. in accordance with the notification of the system operator regarding the auction of the storage capacity, but not later than on July 1<sup>st</sup> of the relevant year, if the available capacity of the storage facility exceeds 0 kWh;
- 3.1.4. in accordance with the notification of the system operator regarding the auction of the storage capacity, but not later than on July 15<sup>th</sup> of the relevant year, if the available capacity of the storage facility exceeds 0 kWh;
- 3.1.5. in accordance with the notification of the system operator regarding the auction of the storage capacity, but not later than on August 1<sup>st</sup> of the relevant year, if the available capacity of the storage facility exceeds 0 kWh.
- 3.1.6. in accordance with the notification of the system operator regarding the auction of the storage capacity, but not later than on August 15<sup>th</sup> of the relevant year, if the available capacity of the storage facility exceeds 0 kWh;
- 3.2. Type of storage capacity booking: auction procedure.
- 3.3. Auction procedure used to book the capacity product auction based on the principle of using the setting of a single premium.
- 3.4. Storage capacity available for booking: unlimited amount within the available storage capacity.
- 3.5. Procedure for the allocation of storage capacity: in accordance with Paragraph 24 of these Regulations.
- 3.6. The duration of use of the capacity product: one storage cycle.
- 3.7. The capacity product includes:
  - 3.7.1. the use of storage capacity in the amount of interruptible capacity product at the disposal of the user;
  - 3.7.2. injection of natural gas into the storage facility: unlimited amount, ensuring injection of stocks in a quantity that can be stored with the capacity product;
  - 3.7.3. withdrawal of natural gas from the storage facility: unlimited amount, ensuring withdrawal of stocks stored with the product;
  - 3.7.4. the use of virtual reverse-flow to use storage capacity up to the amount of capacity available to the user: at the virtual reverse-flow tariff.
- 3.8. Injection of natural gas for storage in the storage facility and withdrawal of natural gas from the storage facility: interruptible capacity product.
- 3.9. The transfer of stocks in the storage facility: within interruptible capacity product.
- 3.10. Payment for the capacity product: in accordance with Paragraph 24 of these Regulations.
- 3.11. Stock transfer to the next storage cycle: regarding the quantity of stocks at the end of the storage cycle that are stored within interruptible capacity product, the system user is deemed to have booked the stock transfer product for the next storage cycle in the corresponding quantity of stocks for which it settles with the system operator according to the tariff for the stock transfer product set for the next storage cycle.

#### **4. Stock Transfer Product (product code INTP)**

- 4.1. Storage capacity booking time for the current storage cycle: on the second day after the end of the previous storage cycle in accordance with Paragraph 11 of these Regulations.
- 4.2. Procedure for allocation of storage capacity: in accordance with Sub-paragraphs 1.11.1, 2.11.2 and 3.11 of this Annex.
- 4.3. Storage capacity available for booking: unlimited stocks at the end of the storage cycle in accordance with Sub-paragraphs 1.11.1, 2.11.2 and 3.11 of this Annex.
- 4.4. Procedure for allocation of storage capacity: in accordance with Sub-paragraphs 1.11.1, 2.11.2 and 3.11 of this Annex.
- 4.5. The duration of use of the capacity product: one storage cycle.
- 4.6. The capacity product includes:
  - 4.6.1. the use of storage capacity in the amount of the current stock transfer product;
  - 4.6.2. injection of natural gas into the storage facility: not possible;
  - 4.6.3. withdrawal of natural gas from the storage facility: in the amount of stocks that are stored with the stock transfer product;
  - 4.6.4. the use of virtual reverse-flow for the withdrawal of natural gas from the storage in the booked amount of capacity at the user's disposal: at the virtual reverse flow tariff.
- 4.7. Natural gas withdrawal from the storage: interruptible capacity product.
- 4.8. Stock transfer in the storage: within the stock transfer product.
- 4.9. Payment for the capacity product: in accordance with Paragraph 25 of these Regulations.
- 4.10. Stock transfer to the next storage cycle: regarding the quantity of stock at the end of the storage cycle that is stored within a stock transfer product, the system user is deemed to have booked the stock transfer product for the next storage cycle in the corresponding quantity of stocks for which it settles with the system operator according to the tariff for the stock transfer product set for the next storage cycle.

## **5. Virtual reverse flow product**

- 5.1. Storage capacity booking time for the current storage cycle:
  - 5.1.1. during the use of the bundled capacity product;
  - 5.1.2. during the use of the interruptible capacity product.
- 5.2. Booking of natural gas injection into storage and withdrawal from storage: by submitting trade notification to the operator
- 5.3. Storage capacity available for booking:
  - 5.3.1. During the injection season - in conformity with the information published on the website of the system operator regarding the amount of capacity to be booked, which shall be determined from the total gas day of the system user storage approved in accordance with Paragraph 36 of these Regulations, subtracting 27,7GWh/day of the amount of natural gas bundled capacity product and interruptible capacity product. The capacity available for booking shall not be less than 0;
  - 5.3.2. During the withdrawal season - in conformity with the information published on the website of the system operator regarding the amount of capacity to be booked, which is equal to the total amount of natural gas to be withdrawn by the system user and storage approved in accordance with Paragraph 36 of these Regulations in the framework of the bundled capacity product and the interruptible capacity product on the relevant gas day.
- 5.4. Procedure for allocating storage capacity: in the order of receipt of trade notifications.

- 5.5. Duration of the use of the capacity product: a gas day for which the capacity product was booked.
- 5.6. The capacity product includes: injection of natural gas into the storage facility and withdrawal of natural gas from the storage facility in the opposite direction to the flow direction of the actual technological mode of the storage facility.
- 5.7. Injection of natural gas for storage: firm or interruptible capacity product, depending on the capacity product indicated in the trade notification.
- 5.8. Stock transfer in the storage: not applicable.
- 5.9. Payment for the capacity product: in accordance with Paragraph 25 of these Regulations.
- 5.10. Stock transfer to the next storage cycle: not applicable.

Chairman of the Public Utilities Commission Council

*R. Irklis*