

Results of Survey on Capacity allocation and congestion management at Kiemenai IP

The goal of this survey was to gather feedback from stakeholders regarding capacity allocation mechanism and possible solutions for the frequent congestion issues at Kiemenai entry-exit point. TSOs was summarized received feedback and will take it into account to prepare amendments for respective third-party access rules governing capacity allocation at Kiemenai entry-exit point.

The results of this survey will be presented to the national regulatory authorities.

This survey related specifically only to the rules on capacity allocation mechanism and congestion management procedures and excludes any other topic of the transmission regulation.

The survey was available on AS Conexus Baltic Grid home page and AB Amber Grid home page from 23.10.2023 until 06.11.2023.

12 network users filled out the survey.

Explanatory note on the capacity allocation and congestion management procedures mentioned:

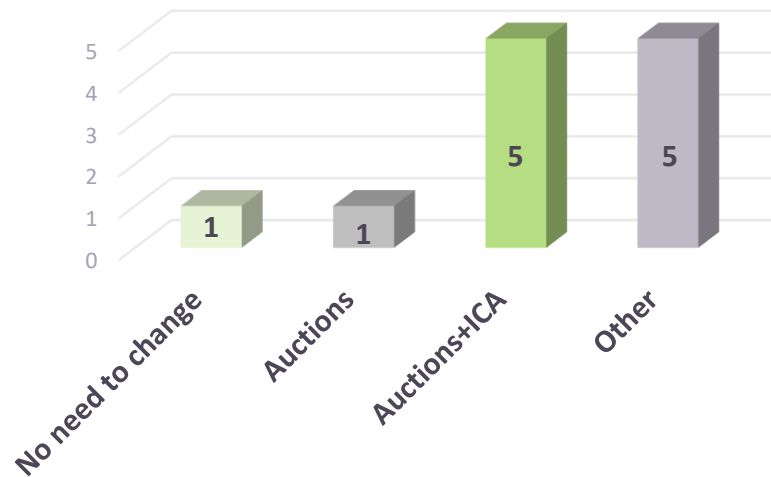
Auction – capacity allocation mechanism as foreseen in Commission Regulation (EU) 2017/459 of 16 March 2017 establishing a network code on capacity allocation mechanisms in gas transmission and repealing Regulation (EU) No 984/2013 (CAM NC), meaning, that capacity is allocated by using auctions. Yearly, Quarterly and Monthly capacity products are auctioned with algorithm foreseeing subsequent bidding rounds (the period of time during which network users can submit, amend and withdraw bids). Auctions are organised in accordance with auction calendar as published by ENTSOG.

ICA – capacity allocation method when IP capacity is allocated at the same time with corresponding quantity of gas trade on trading platform. ICA reduces the complexity of capacity booking for network users when obtaining gas in exchange over border and merging different market zones, however in cases of high capacity demand for certain capacity products increases congestion level as offered capacity with ICA process has to be set aside for the booking of day-ahead and within day capacity products.

UIOLI – use-it-or-lose-it mechanism, which is procedure of reoffering transmission capacity that is underutilised at an IP, triggering the partial or complete withdrawal of a network user's capacity as described in Annex I of Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005.

NU – Network user

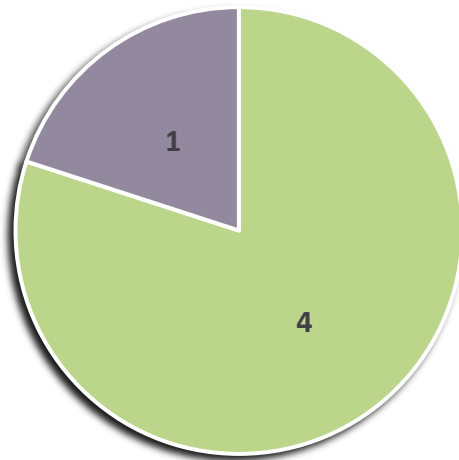
Please choose one, in your opinion most suitable capacity allocation principle for Kiemenai IP



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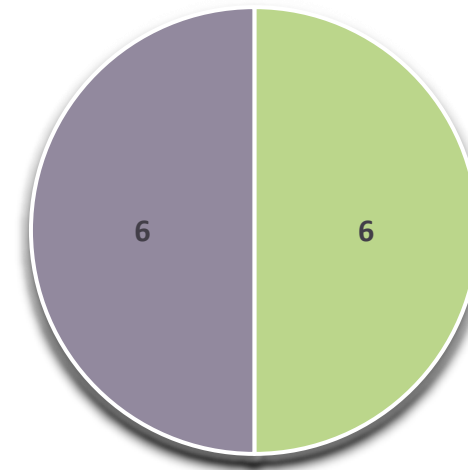
- NU 1 ✓ Auctions+ICA+UIOLI.
- NU 2 ✓ No need for auctions.
✓ Proportions by products: ICA - 10%; yaerly - 40%; rest - 50%.
- NU 3 ✓ Increase technical capacities to support both flows from Klaipeda and GIPL to LV. Allocation proces: Stage 1) - ICA - 10%; Stage 2) - 45% for corridor Klaipeda LNG-Kiemenai (Qualified participants); Stage 3) - after stage 2 rest 45% auctioned.
- NU 4 ✓ No need for auctions, proportions based on annual consumption and confirmed nominations.
✓ Proportions by products: ICA - 10%; yaerly - 40%; quarter - 30%; rest - 20%
- NU 5 ✓ No need to change+on secondary market the same quality products (in case of congestion).
✓ Allow to surrender capacities received on the secondary market.

Do you agree that current share of 10% of technical capacity allocated via ICA is reasonable?



■ Yes (4) ■ No (0) ■ Other (1) -higher, e.g.20%

Do you see current capacity allocation calendar meets all your needs

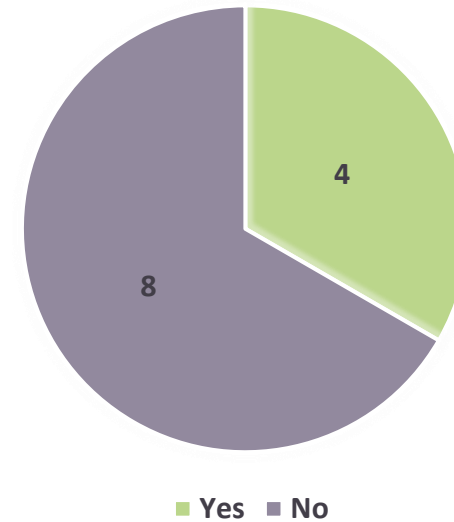


■ Yes ■ No

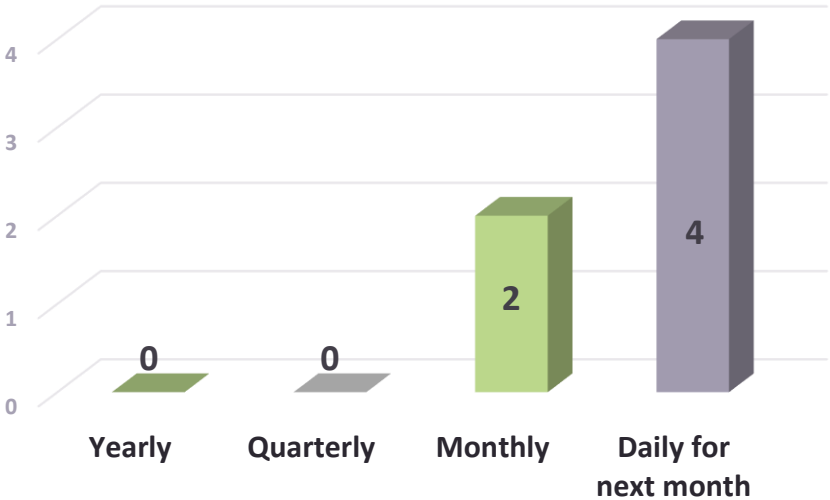
If current capacity allocation calendar doesn't meet all your needs, please provide what could be changed

- NU 1 ✓ It should be possible to buy monthly/quarterly capacity more in advance
- NU 2 ✓ Not in line with CAM NC Calendar
- NU 3 ✓ Yearly capacity should take place earlier, e.g. in the beginning of August
- NU 4 ✓ Gas year with Klaipeda LNG should be aligned
- NU 5 ✓ Sincronization with GIPL
✓ Earlier allocation

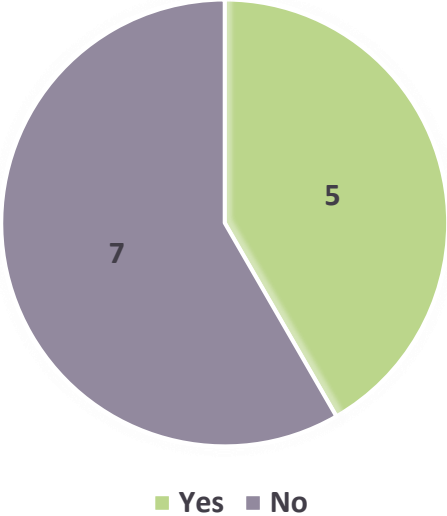
Do you agree that allocation of interruptible capacity for longer period than day ahead would be beneficial?



Please indicate what interruptible capacity products should be available for booking:



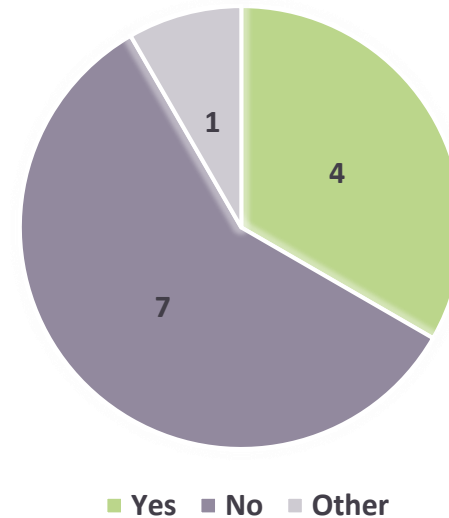
Do you agree that allocation of yearly capacity product for several upcoming years would be beneficial?



Please indicate how many years you would book in advance:

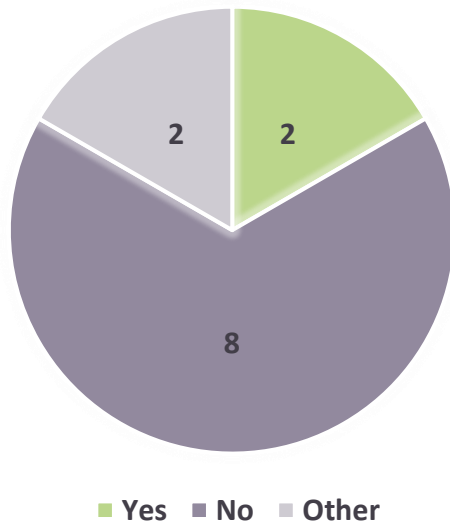
- NU 1 2 years
- NU 2 1 year (in current situation; but the standard for other TSOs is between 8-10 years)
- NU 3 3 years
- NU 4 2 – 5 years

Do you agree that short term UIOLI limitations to nominations should be implemented (ST UIOLI – submitted nominations can be updated to a limited amount only during renomination cycle)?



Other: Yes, if proposal is to reduce flexibility for renominations. Meaning that after nominations are confirmed, renominations would be treated on FCFS basis

Should UIOLI evaluation for capacity withdrawal from network user be applied earlier than the previous day of the gas day?

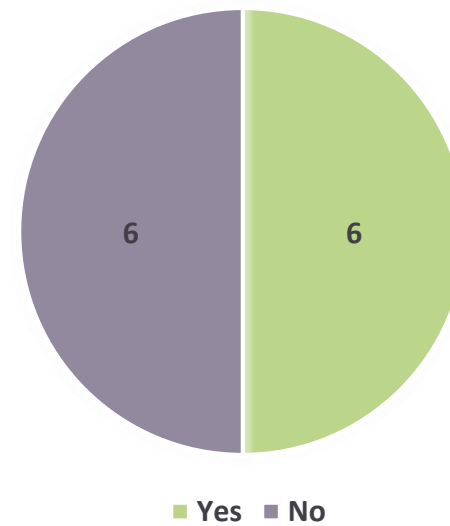


Other: *difficult to say; question not clear*

Please comment how the procedure should be carried out:

- NU 1 ✓ Not sure
- NU 2 ✓ If not used for 5-10 gas days in a row, then UIOLI procedure could be triggered. NU keep max capacity used during past 5-10 days. procedure could be repeated every month starting from 5th business day

Should UIOLI be applied at different timeframes for different standard capacity products?



Any other comments and suggestions how TSOs could improve capacity allocation

- NU 1** Implementing the auction mechanism is important to reveal the true value of the transport capacity. Again, we have seen that transport capacity was sold out already with the yearly capacity booking process.
- NU 2** Current market situation on gas year 2023/2024, where there's a lack of available capacity at Kiemenai, is not actually that much a matter of capacity allocation rules. In our opinion it's created by market abuse by one of the market participants. We sincerely hope the regulators do everything in their power to correct the situation already in this gas year. Otherwise, it will encourage improper behaviour during following capacity booking requests.
- NU 3** In order to prevent system users from blocking capacities in the capacity booking process, it is necessary to develop a deterring liability mechanism that would be triggered when the booked capacity is not utilised in full, thus minimising and/or precluding such conduct.
- NU 4** Current procedure of allocating Kiemenai capacity definitely does not meet its true purpose. Current procedure is open to market abuse; therefore, it should be changed. UIOLI principle should be applied far more often and far quicker in order to maximize the utilisation of interconnection points. Those market users who have lost booked capacity because of UIOLI should communicate the reasons of such behaviour openly to regulator and other network users. Also, temporary increase of transmission tariffs for those who have lost booked capacities previously because of UIOLI could be applied.