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National Commission for Energy Control and Prices

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Subject: On the start of public consultation on the document "Consultation on Methodology on Tariffs of AB Amber Grid for 2020-2023"

Referring to the letter from the National Commission for Energy Control and Prices (hereafter – LT NRA) No. R2-(D)-509 dated March 7, 2019 with information on the start of public consultation on the document "Consultation on Methodology on Tariffs of AB Amber Grid for 2020-2023" (hereafter – Consultation document), Joint Stock Company "Conexus Baltic Grid" (hereafter – Conexus Baltic Grid) informs that it has got acquainted with the Consultation document and would like to express its opinion on the following issues:

1. Consultation document foresees 75% discount applied at Klaipeda LNG terminal entry point. Such discount in combination with existing Lithuanian aid scheme in place to support the construction and operation of Klaipeda LNG terminal, in Conexus Baltic Grid opinion introduces misleading market signals about the actual costs of such alternative gas supply route.
2. Consultation document proposes to introduce 70%-30% entry-exit split applied to the part of the allowed revenue attributable to the primary transmission network of AB Amber Grid. Taking into account that until 2022, when the Lithuanian-Polish gas interconnection pipeline (hereafter – GIPL) starts operations, Kiemėnai will be the only exit point from the Lithuanian primary network to the adjacent transmission systems of other EU member states, Conexus Baltic Grid would like to indicate that the actual commercial flows via Kiemėnai interconnection point (hereafter – Kiemėnai IP) were enabled solely due to the fulfilment of the project of common interest 8.2.3. "Capacity Enhancement of Klaipeda-Kiemėnai pipeline in Lithuania" (hereafter – PCI No 8.2.3). Since its commissioning, the goal of the PCI No 8.2.3 was to eliminate a bottleneck in the gas transmission system and enable sufficient capacity to import and transport gas volumes from LNG terminal in Klaipeda, by this creating a possibility to enhance security of gas supply and decrease energy dependency on a single source of supply in the Baltic states, as well as to enhance competition in the gas market of the Baltic states.¹

Conexus Baltic Grid would like to remind that the PCI No 8.2.3 project was implemented with the contribution of the Latvian transmission system operator and in its view, this contribution must be reflected in the estimation of the entry-exit split and resulting calculation of the Kiemėnai IP exit tariff especially for Scenario While permission to set the discount for entry point from LNG terminals is explicitly stated in the Article 9(2) of Commission regulation (EU) 2017/460 establishing a network code on harmonised transmission tariff structures for gas (hereafter – TAR NC), TAR NC does not hinder national regulatory authorities to set the entry/exit

¹ <https://ec.europa.eu/inea/en/connecting-europe-facility/cef-energy/8.2.3-0001-lt-p-m-14>

split in a way reflecting the actual circumstances. The most important ones in Conexus Baltic Grid opinion are the PCI No 8.2.3 contribution and fact that before substantial Kiemenai IP tariff increase in 2019, the Kiemenai IP was actively used by the Lithuanian shippers for portfolio optimization and lessening of the suppliers' market power influence. Thus, setting the appropriate entry-exit split, which would properly reflect the historical decisions regarding infrastructure development, cross-border cost allocation and contributions, goals to-be-reached behind them and market realities, would improve the prospects of reaching the goal of the PCI 8.2.3. of enhancing the competition among sources of gas, even in case if the Scenario 1 would be implemented.

3. Taking into account the position explained in Article item 2, Conexus Baltic Grid suggests to use above explained principle also for setting of entry and exit tariffs for GIPL in Scenario 1 or exit tariff at GIPL for Scenario 2.

Yours sincerely

Zane Kotāne
Chairperson of the Board

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