

Gasum Oy  
[janne.gronlund@gasum.com](mailto:janne.gronlund@gasum.com)

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Copy:

The Ministry of Economic Affairs and Employment [kirjaamo@tem.fi](mailto:kirjaamo@tem.fi)  
The Energy Authority [kirjaamo@energiavirasto.fi](mailto:kirjaamo@energiavirasto.fi)  
Estonian Competition Authority [info@konkurentsiamet.ee](mailto:info@konkurentsiamet.ee)  
The Public Utilities Commission [sprk@sprk.gov.lv](mailto:sprk@sprk.gov.lv)  
National Commission for Energy Control and Prices [rastine@regula.lt](mailto:rastine@regula.lt)

Suomen Kaasunsiirtopalvelut Oy [info@figas.fi](mailto:info@figas.fi)  
Elering AS [info@elering.ee](mailto:info@elering.ee)  
JSC "Conexus Baltic Grid", [info@conexus.lv](mailto:info@conexus.lv)  
AB „Amber Grid“ [info@ambergrid.lt](mailto:info@ambergrid.lt)

## REGARDING FINNISH GAS TRANSMISSION SYSTEM PRELIMINARY TARIFFS

With this letter UAB Lietuvos energijos tiekimas is expressing its opinion on proposed Finnish natural gas transmission system rules and tariffs.

Capacity overrun charge is proposed to be three (3) times the unit price based on intraday firm capacity for the quantity exceeding the reserved capacity. In our view, penalties (multipliers) for usage of transmission system in certain cases as Capacity overrun shall be justified and represent costs incurred by transmission system operator. If there are no actual costs incurred by TSO, based on experience in Latvia, there is no need to put such a heavy penalties for system users. Shippers and traders have interest to optimize transportation costs and any multiplier (also much lower than 3) is a perfect incentive to order only such amount of capacities as actually needed. High multiplier only creates additional costs to Shippers, and eventually are passed to end consumers, making gas less competitive compared to alternative fuels. Therefore, we propose to consider using much lighter multiplier.

In addition, we understand capacity overrun charge will only be applied at exit points to Finnish Distribution System Operator (further – DSO). If applied, it seems also relevant at entry points to Finnish transmission system where congestion could potentially occur.

Gas nominations are proposed to be used on hourly basis. Given current practice in Estonia, Latvia and Lithuania daily nominations works just fine both for transmission system users (shippers, traders) and transmission system operators. At some EU markets it might make sense to have hourly nominations given the parameters of their infrastructure (number of gas users, shippers, and gas flows). Meanwhile, we strongly support easy and cost efficient use of infrastructure in the Baltic region. Unfortunately, we do not see added value of having hourly nomination, especially when common Baltic market will be established. It will only create additional costs to system users, transmission system operators via high amount of excessive flows of information. For the long run, we propose to review current practice and consider using daily nominations.

With natural gas consumption in the region trending down we are in favor of creating the most favorable and simple conditions for gas consumers without any excessive regulations.

Chief Financial Officer



Virgilijus Motiejūnas