Wholesale market development group meeting

Time and place: Wednesday 12.11.2020 9.30 – 12.00, Teams meeting

Attendees:

New members:
Jusa Timgren / Helen
JuhaÄnnö / Gasum
Kaido Veldemann / Scener
Mikko Lepistö / SSAB
Antti Niemelä / Neste

Other participants:
Jarkko Avikainen / Gasum
Janis Kalejs / Latvijas Gaze
Katja Havikari / UPM
Marcis Varpa / Conexus
Marko Allikson / Baltic Energy Partners
Meri-Katriina Pyhäranta / Energy Authority
Mikko Lepistö / SSAB
Anni Orrain / Haminan Energia
Pekka Karinen / Suomen Kaasuenergia
Kaisa Salovaara / Stora Enso
Veiko Aunapuu / Elering
Leena Sivill / AFRY (on behalf of Gasgrid) (secr.)
Janne Grönlund, Anni Sarvaranta, Mika Myötyri, Ville Rahkonen (chair), Anni Nuppunen, Cea Mittler, Tiina Niinimäki / Gasgrid

Absent:

Harri Salmio / Neste
Anni Grenzmann / Elenger Oy
Gintaras Buzkys /GET Baltic
Janis Eisaks / Conexus
Jukka Kaijansinkko / Suomen Kaasuenergia
Darek Lysko / Ignitis
Pirita Mikkanen / Metsä Group (new member)

Appendices: Annex 1. Menti answers

1 Opening and agenda

Ville Rahkonen opened the meeting and presented the agenda:

1. Opening and agenda *(Ville Rahkonen, Gasgrid)*
2. Reminder about competition law *(Cea Mittler, Gasgrid) informative*

3. Regional cooperation in system development and market communication (*Janne Grönlund, Gasgrid*) *discussion*
4. Balticconnector capacity allocation method (*Janne Grönlund & Mika Myötyri, Gasgrid*) *discussion*
5. Market rules update process (*Mika Myötyri, Gasgrid*) *discussion*
6. Status of service development actions *(Tiina Niinimäki and Ville Rahkonen, Gasgrid) discussion*
7. Market update (*Mika Myötyri, Gasgrid*) *informative*

Presentation material is available at https://gasgrid.fi/en/gas-market/market-development-groups/

2 Reminder about competition law

Mittler from Gasgrid reminded the participants on the topics that are not allowed to be discussed by the participants

3 Regional cooperation in system development and market communication

Grönlund from Gasgrid presented regional gas infrastructure development projects on-going and coming up in the Baltic States and Finland. A new working group between transmission system operators of the Baltic States and Finland will be established with focus on transmission network modelling and understanding how the transmission system should be operated to optimise the system performance. This also helps capacity planning and forecasting in the future. The working group between the transmission system operators is expected to publish selected results potentially in the form of a webinar in early 2021.

Kalejs from Latvijas Gaze highlighted that there currently are many infrastructure project going on although gas demand at market is expected to decline. Grönlund from Gasgrid responded to this that Gasgrid intends to provide services in the right level in relation to the market needs.

Havikari from UPM expressed a disappointment on Elering not being able to deliver the design capacity in Balticconnector. Havikari emphasized that it is not enough that gas supply is physically secured - it must also be made cost-effectively accessible. Havikari asked if there is anything the TSOs can do by planning all the outages and maintenance work and by doing the best possible planning.

Aunapuu from Elering apologized for the situation, which is caused by an unfortunate contract with a supplier and the resulting mistakes in the communication. According to Veiko, one of the main reasons for starting the TSO working group is to see if there are possibilities to increase the Balticconnector capacity to some extent even without the delayed compressors. This comment received positive feedback from the market participants. Grönlund from Gasgrid said that potential results of the working group will be communicated to the market as soon as possible.

4 Balticconnector capacity allocation method

Grönlund from Gasgrid explained the history of Balticconnector's current capacity allocation method. The TSOs presented the current implicit model to NRAs for the following reasons:

1) TSOs did not expected congestion to take place as often as it did and expected that BC full capacity would be available from the start.
2) It was expected that market integration would take place maybe starting from the beginning of 2022.
3) Auctions would have made new costs to the market (new IT system and operative costs), and would have been only a temporary solutions for a common balancing area.
4) An auction would have been a heavier model for the market participants to operate upon. These were the reasons for recommending the implicit model to the NRAs. Considering current market situation, do you still think that the implicit method is the best option or would you prefer auctions?"

Myötyri from Gasgrid presented statistics on Balticconnector this year. He referred to the EU regulations on cross-border capacity allocation and the available IT platforms for capacity auctions readily available in the European market. He asked a question to the market participants on how they see the current capacity allocation mechanism and the potential for auctions.

Allikson from Baltic Energy Partners replied that the market parties have already learned how to operate in the current market and raised a concern whether auctions would bring any benefit to the market. He explained that pricing in the Finnish market has been higher than in the Baltics, which is why the congestion has been happening and that it is unclear for how long this prevails. He emphasized that one should focus on increasing the Balticconnector capacity to its designed value first since there already are contracts concluded for the closest years to come.

Grönlund commented the above saying that the implementation of auctions would require time. The market party who wants the capacity the most and is willing to pay for it, will get the capacity in auctions. Sarvaranta from Gasgrid added that longer term products could also be booked in advance thanks to auctions. She highlighted that if there is congestion in Balticconnector, Gasgrid is not sure if a capacity allocation method is necessary in Balticconnector in any case. Myötyri presented the description of capacity auction mechanisms and responded to a question on the pricing that only the floor price is fixed in auctions.

Pyhäranta from Energy Autority said that one option is to explore how to develop the implicit allocation method if the auctions are not preferable. The implicit method has to comply with the legal requirements. The Energy Authority is currently reviewing the schedule when the future method should be planned. Futhermore, the Energy Authority encourages the market parties to take part in the public consultation on Balticconnector that is on-going now.

Sivill from AFRY commented that the main benefit of auctions is the possibility to reserve capacity well in advance. Capacity allocation mechanisms have been discussed in Europe for years and the existing network codes have been developed as a result of this discussion.

5 Market rules update process

Mika presented the materials. Pyhäranta suggested that Energy Authority will discuss the schedule of the regulatory approval process with Gasgrid in more detail later.

6 Status of service development actions

Niinimäki from Gasgrid presented the materials.

Timgren from Helen suggested a new functionality to the Gasgridportal for the users to be able to manually nominate fixed contracts for longer periods (e.g month, quarter or year) at one time. . This would remove the need to set manually same fixed values for each day separately. Allikson suggested to take in use similar functionality as in Estonian platform, which enables to easily copy nominations from day before reducing the number of entries needed.

Veldemann asked what happens when there is a change to the number of hours per day. Niinimäki presented if it was a good idea if the TSO would take care of the transition of 24 hours to 23 or 25 hour nominations, to which Aunapuu suggested that every party should take care of their own transition mechanisms. Niemelä from Neste was in the same opinion, whereas Veldemann would like the TSO to take care of the transformation.

Veldemann continued with a proposed new feature for capacity booking so that one could withdraw a capacity request before the delivery start. Rahkonen from Gasgrid replied that "if you have an approved capacity booking, it is a contract between the TSO and the shipper. If you would be able to cancel an approved booking, that would be a breach of contract. According to rules, TSO has to approve a capacity booking within max. one hour – although trying to do it as fast as possible."

Veldemann also suggested internal validation rules to ask for confirmation to nominations that are significantly different from that of past 30 days. This would help to prevent unexceptionally high or low nominations.

Grönlund asked if it was a good idea to have the quantitative status of the system balance in addition the current traffic lights and sign of the system being short or long in the portal and if the other TSOs are showing their system balancing status. Allikson replied yes with a reference to https://capacity.conexus.lv/?id=169&lang=eng.

Rahkonen and Niinimäki continued the presentation contents without further comments from the market parties.

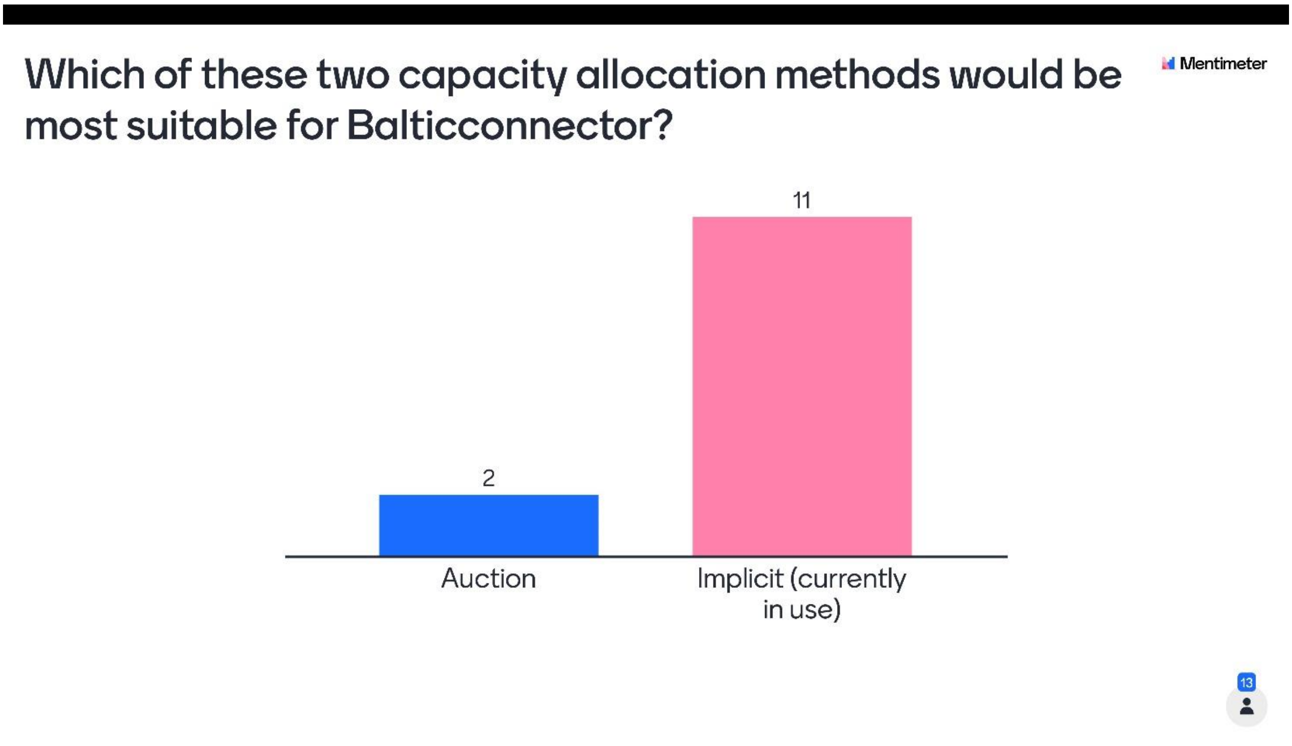
7 Market update

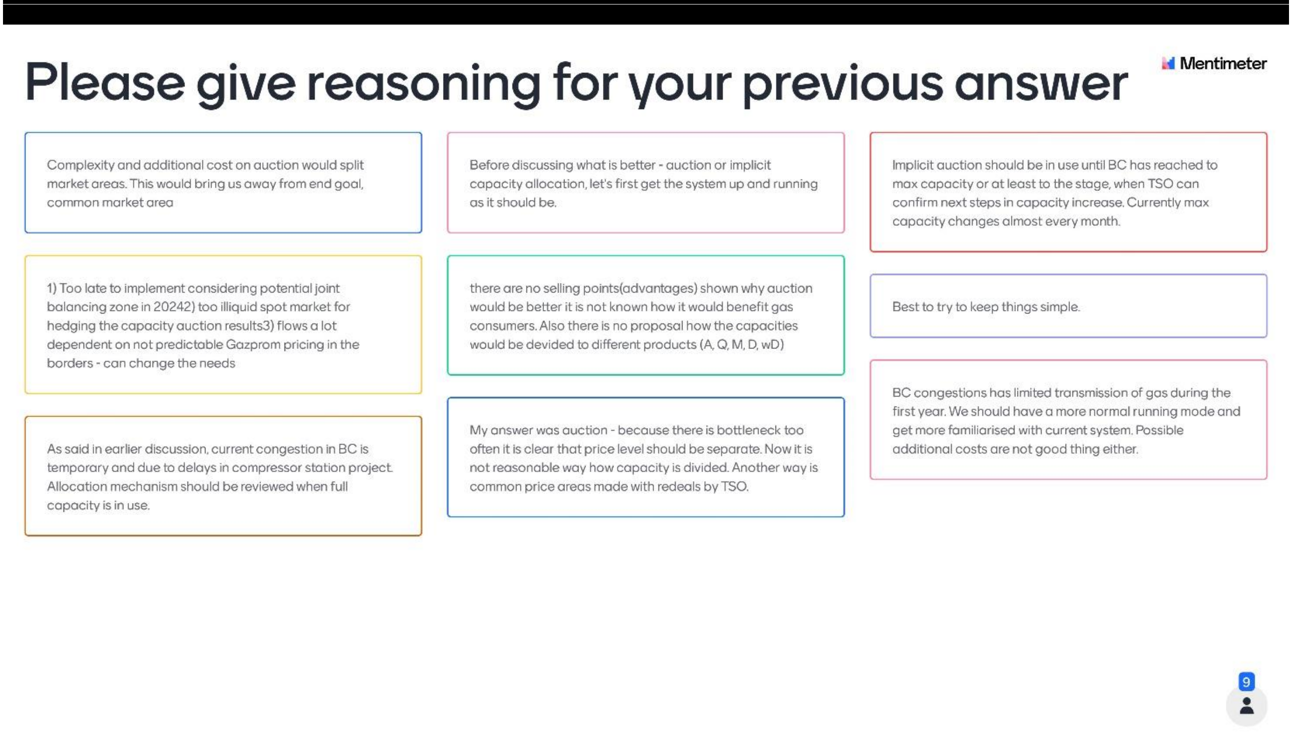
Gasgrid wishes to have feedback with type of materials the market parties would like to have in addition to the slides available. There was no time to present the materials live so the participants were encouraged to review them online.

8 Next meeting

Gasgrid will come back to the market participants about next meeting that will be arranged in 6 months from now.

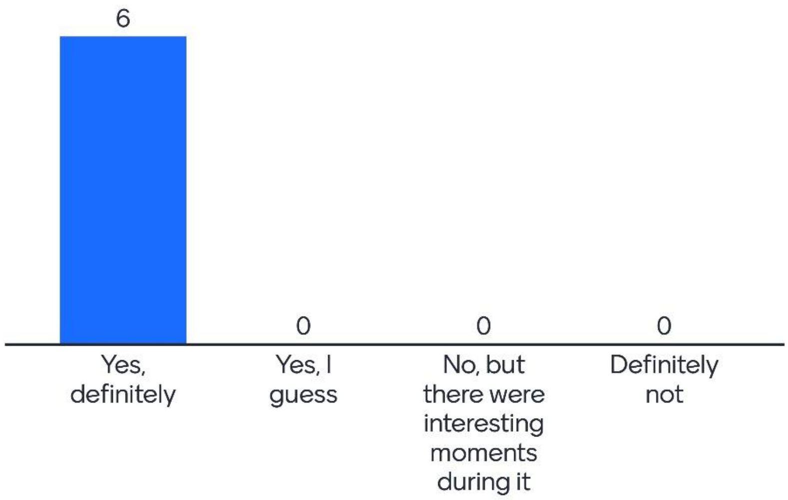
Annex 1: Menti answers





Was this meeting worth your valuable time?

Mentimeter



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Please give reasoning for your previous answer

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- Right topics were addressed
- Valuable discussion in the group. In terms of market development, it is important to hear views of different types of market participants.

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