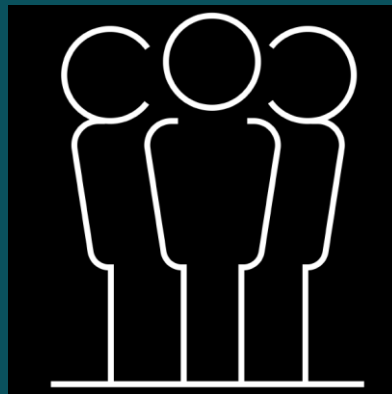


USER GROUP

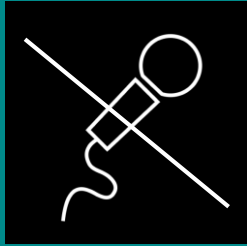
14 January 2021

Baltic Pipe related topics

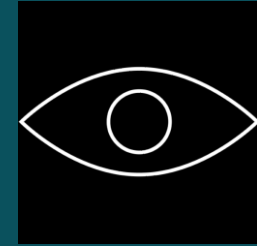


WELCOME

Jeppe Danø, Energinet Gas TSO



MUTE YOUR MICROPHONE,
WHEN YOU DON'T SPEAK



SWITCH ON YOUR CAMERA, ONLY
WHEN YOU ARE GIVEN THE
WORD TO SPEAK



USE THE 'RAISE HAND'
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...YOU CAN ALSO WRITE YOUR
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THE HOST WILL ASK THE
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PROGRAMME – BALTIC PIPE RELATED TOPICS

09.00 – 11.00

Methodology for integrating Baltic Pipe in the Danish Market Model

*Poul Johannes Jacobsen,
Energinet Gas TSO*

- Presentation
- Questions and Comments

11.00 – 11.30 BREAK

BREAK



11.30 – 13.00

Tariffs

*Nina Synnest Sinvani,
Energinet Gas TSO*

- Presentation
- Questions and Comments

Closing remarks

*Jeppe Danø,
Energinet Gas TSO*



METHODOLOGY AND TARIFFS

Poul Johannes Jacobsen, Energinet Gas TSO

Contact: pjj@energinet.dk

CONSULTATION

Methodology published 21 December 2020
Consultation until 31 January 2021

We appreciate Shippers' comments:

- Today: by using 'RAISE HAND' function or by writing in the CHAT
- Afterwards: Send us an email or give me a call with your questions or comments.
- Energinet does not record this user group

The screenshot shows the Energinet website with a teal header. The main navigation bar includes 'GREEN TRANSITION', 'ELECTRICITY', 'GAS', and 'INFRASTRUCTURE PROJECTS'. The 'GAS' section is highlighted. Below the navigation bar, the breadcrumb trail reads: 'FRONTPAGE > GAS > GAS NEWS > METHODOLOGY FOR INTEGRATING BALTIC PIPE IN THE DANISH MARKET MODEL'.

The main content area features the title 'METHODOLOGY FOR INTEGRATING BALTIC PIPE IN THE DANISH MARKET MODEL' in bold. Below the title, it states 'PUBLISHED 21.12.2020 01.00'. The text continues: 'Energinet Gas TSO hereby starts the consultation on Methodology for integrating Baltic Pipe in the Danish Market Model'. A link is provided: 'Energinet Gas TSO now publishes the "Methodology for integrating Baltic Pipe in the Danish Market Model"'. A paragraph follows: 'This is also the start on the consultation process which last until the 31 January 2021. It is the hope that the various stakeholders will voice their questions, concerns, comments and suggestion for improvements.' Another paragraph states: 'Energinet will also hold a user group on this Methodology on the 14 January 2021. Further practical information regarding participation and links for attending the meeting will be communicated in the first week of 2021.'

On the right side, there is a 'CONTACT' section with the name 'Poul Johannes Jacobsen', email 'PJJ@ENERGINET.DK', and phone '+45 30 51 34 76'. Below this is a 'DOCUMENT' section with a link to 'METHODOLOGY FOR INTEGRATING BALTIC PIPE IN THE DANISH MARKET MODEL >'. At the bottom right is a 'SHARE' section with social media icons for Facebook, LinkedIn, Twitter, and Email.

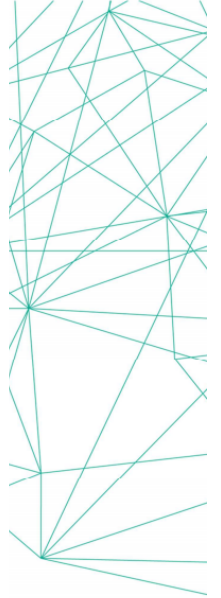
THE METHODOLOGY

Clarification

- The title might change
- The method is described in chapter 3

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PIPE IN
MODEL

January 2021

ENERGINET



Baltic Pipe

Offshore part of Baltic Pipe

- Upstream regulation

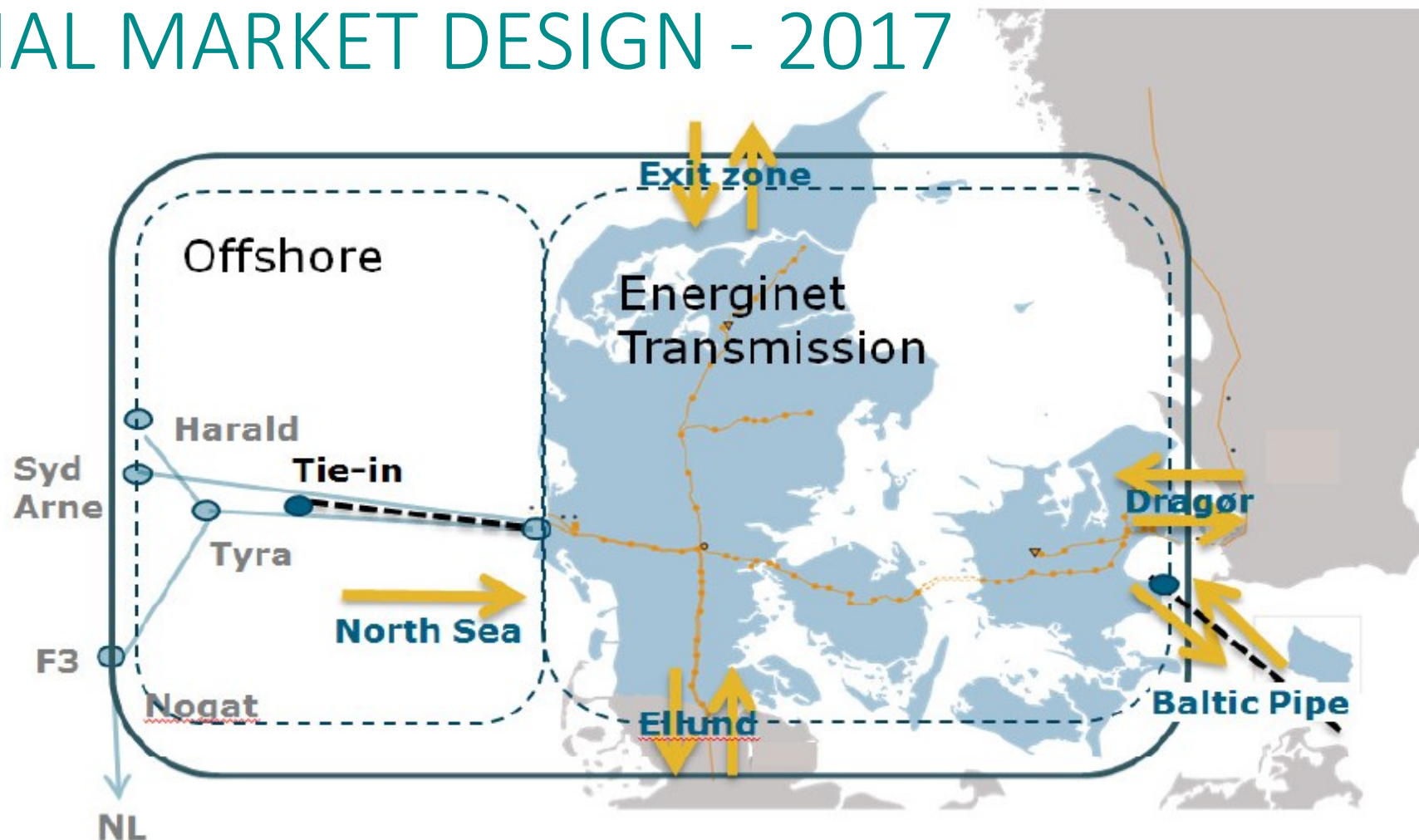
Onshore part of Baltic Pipe

- Transmission regulation

Main aim of the methodology is to create a simple model for shippers which is seamless, transparent by:

- One Market Model
- One Balancing Model
- One set of rules (RfG)
- One Tariff system

ORIGINAL MARKET DESIGN - 2017



One joint Danish market model

Joint

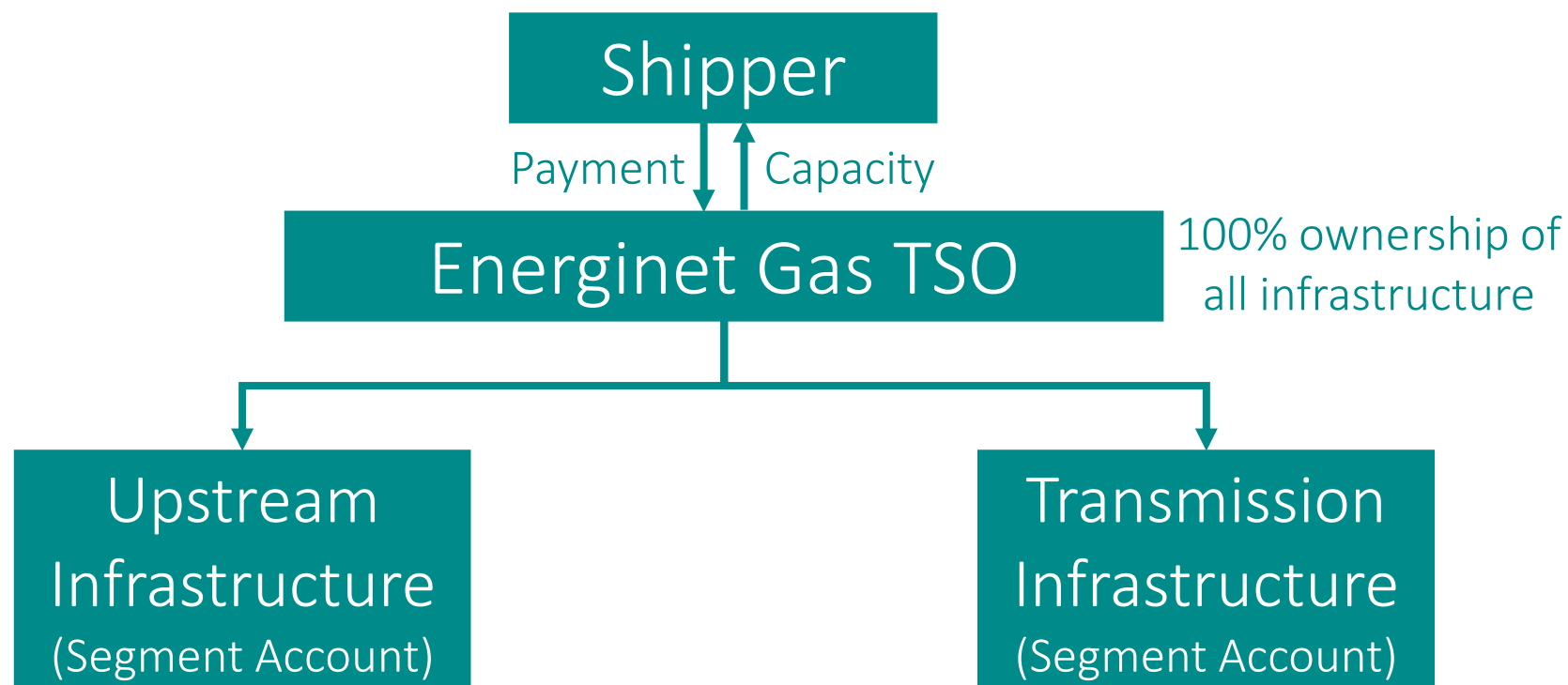
- Balancing model
- Tariff model
- Products (CAM)
- IT-interface
- Platform (PRISMA)
- Terms
- Gas quality
- System operation
- Rules for gas transport, with specific rules on e.g. N-TPA for the upstream point
- Operational responsibility

Separate

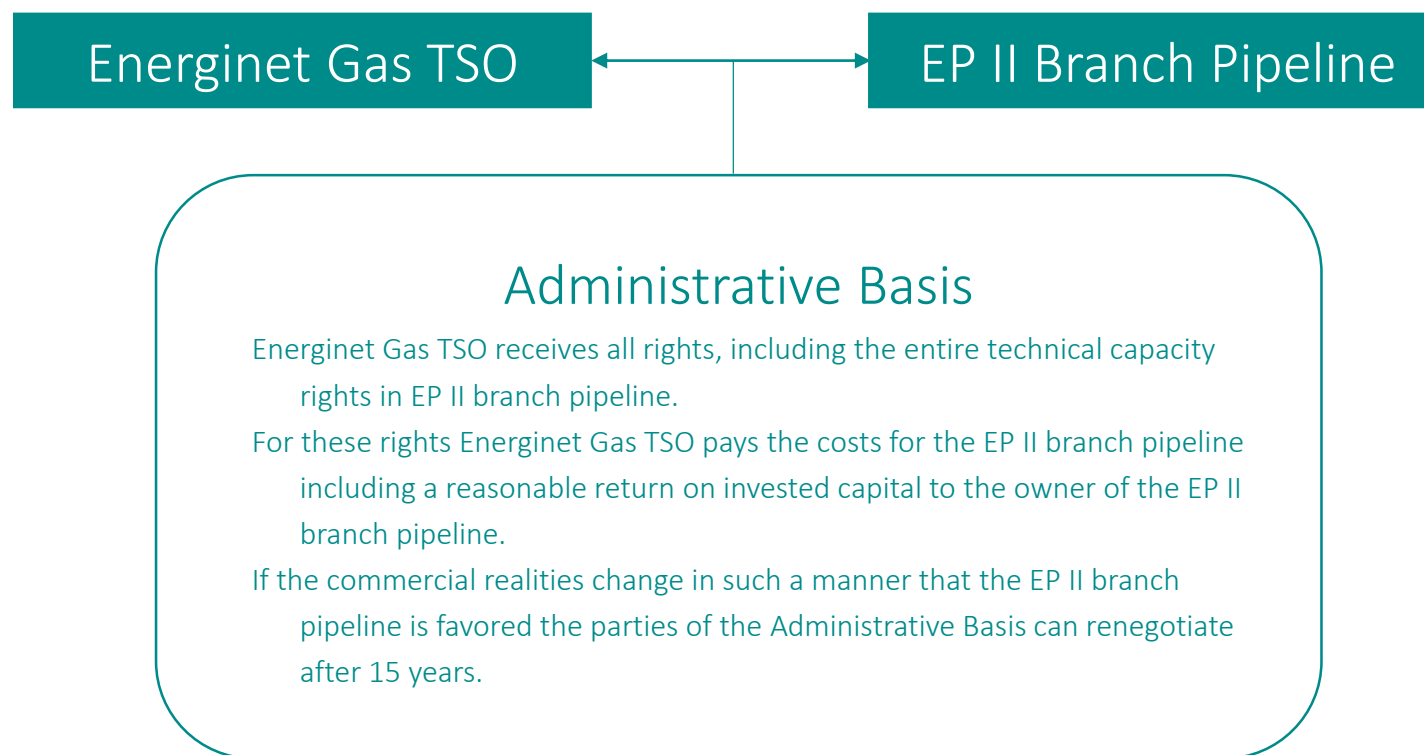
- Regulation
- Accounting - system operation costs and depreciation will be allocated to the respective company



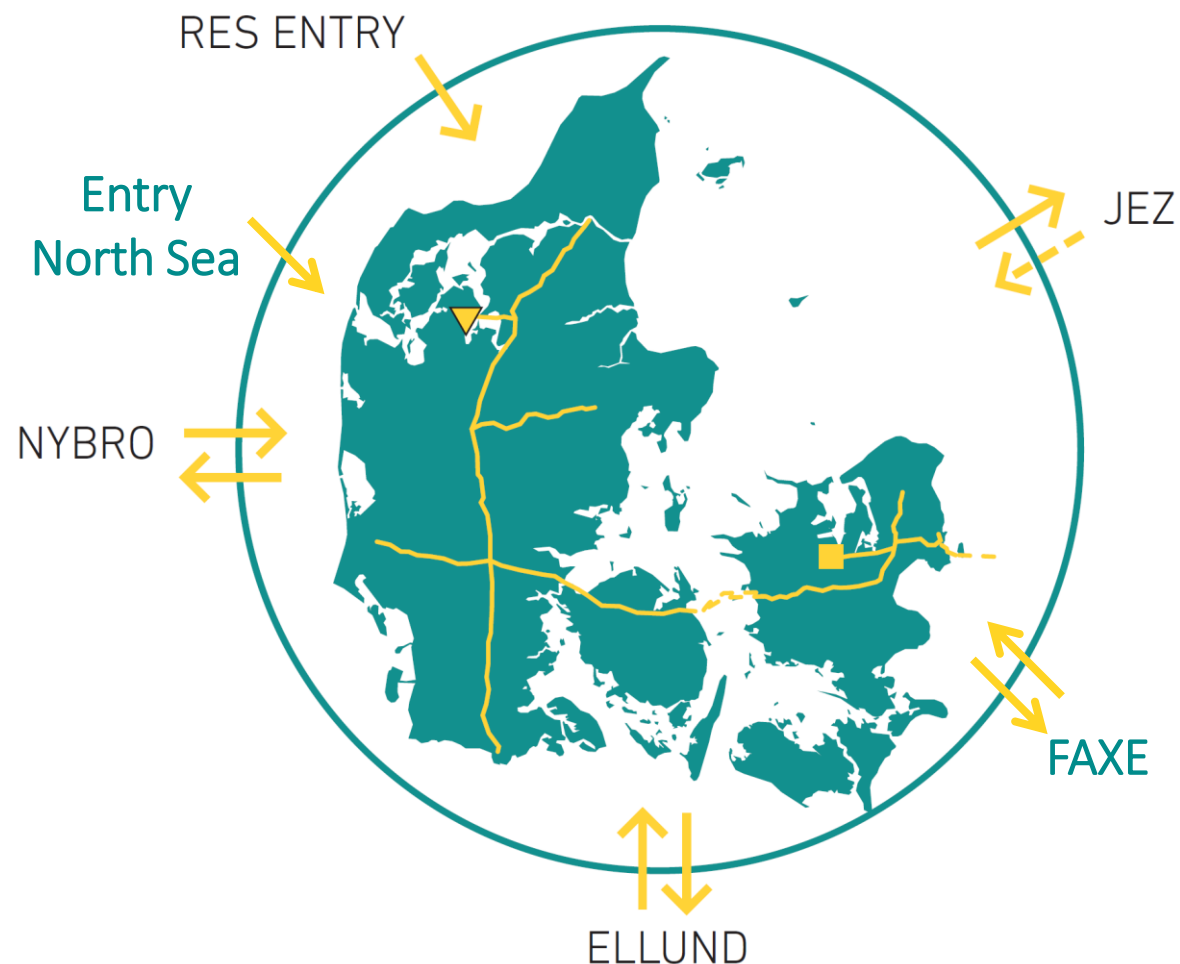
SEGMENT ACCOUNTS



ADMINISTRATIVE BASIS



NEW POINTS - PART OF THE ENTRY/EXIT SYSTEM



JEZ – JOINT EXIT ZONE

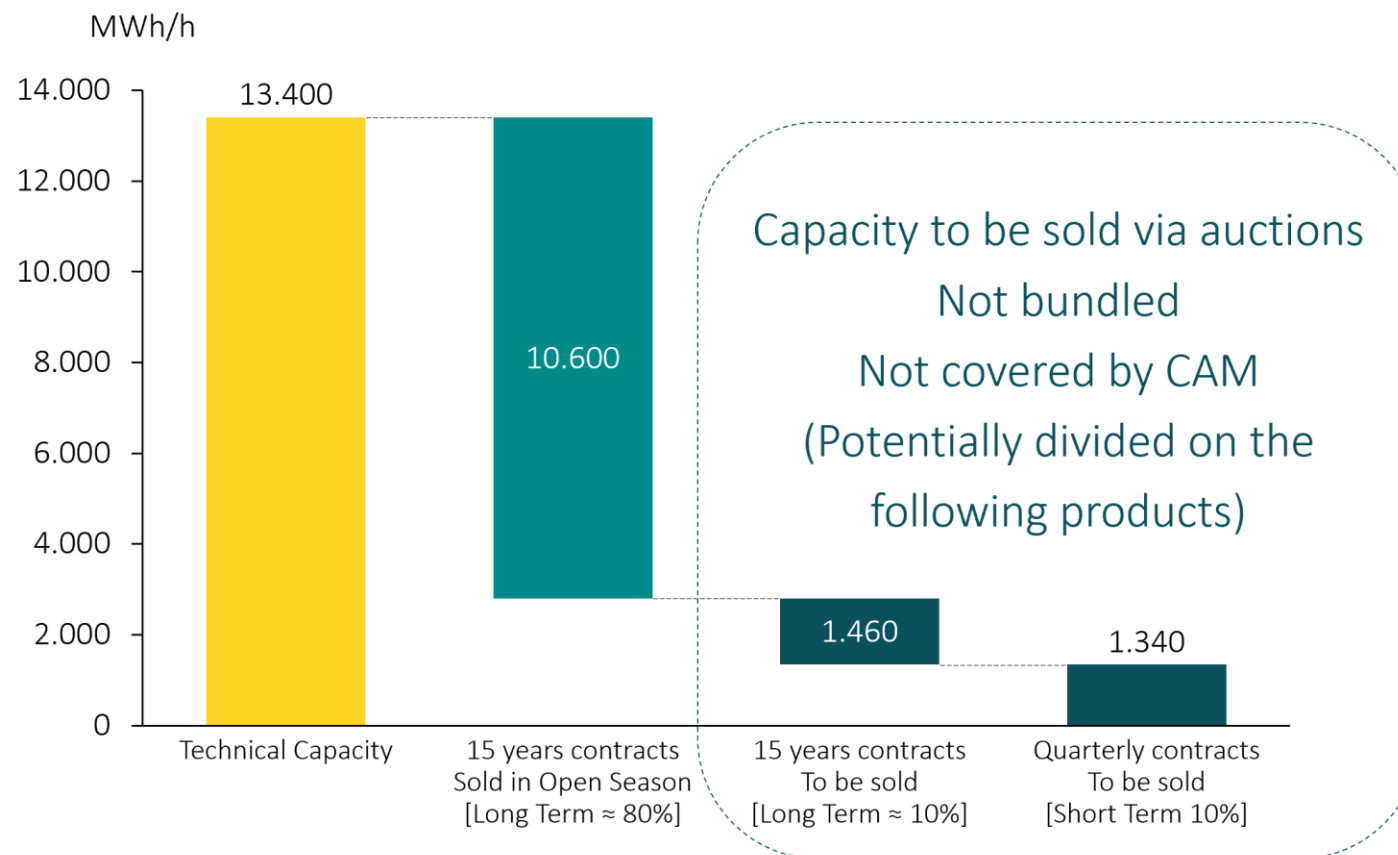
- JEZ = DANISH CONSUMPTION & SWEDISH NET CONSUMPTION
- ←- REVERSE DIRECTION. ONLY FROM SWEDEN TO DENMARK

Shipper benefit

- One market model
- One balancing market
- One set of rules (RfG)
- One tariff system

CAPACITY AT ENTRY NORTH SEA POINT

Available capacity of:
2.800 MWh/h

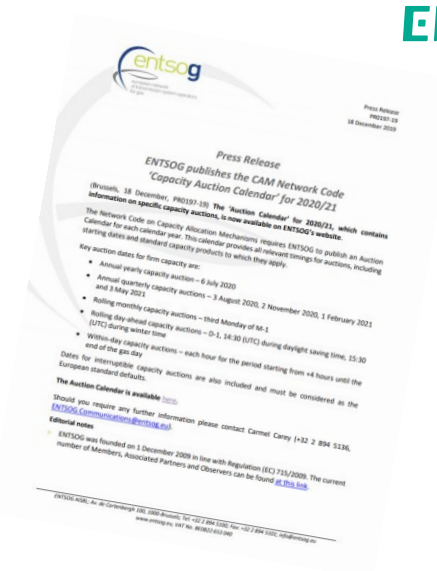


SHALL WE FOLLOW THE ENTSOG AUCTION CALENDAR?

Yearly auction 5 July 2021

Is this practical?

Most likely, not received approval from regulator at this time



Product	Frequency of auctions	Number of products per auction	Publication of available capacity	Start of the auction	Bidding rounds	Notification of allocation results to participants	Algorithm type
Auction calendar for firm capacity types							
Year	annual	min Y5 to max. Y15	1 month before the auction starts*	1 st Monday of July	First round 3h: 9:00 – 12:00 Following rounds: 13:00 – 14:00 15:00 – 16:00 17:00 – 18:00	No later than the next business day***	Ascending clock
Quarter	quarterly	Q1 to Q4 Q2 to Q4 Q3 to Q4 Q4	2 weeks before the auction starts*	1 st Monday of August 1 st Monday of November 1 st Monday of February 1 st Monday of May			
Month	monthly	M1	1 week before the auction starts*	3 rd Monday of the month			
Day	daily	D1	With the start of the auction	16:30	30 minutes	No later than 30 minutes***	Uniform price
Within day	hourly	H+4	With the start of the auction	Every hour	30 minutes		



QUESTIONS

Comments, questions and suggestions on the
consultation document

GENEREL REMARKS

What it good and what shall be improved in the consultation document?

ENTRY NORTH SEA, EARLY AUCTION

- 1) Is there a need for capacity auction in the summer 2021 for the gas year 2022/23?
- 2) Should an auction follow the ENTSOG auction calendar (5. July auction)?
- 3) Regulatory decision is likely to be after July

NEGOTIATED TPA

Do you see a demand for negotiated TPA (third party access) to the upstream pipeline?

OTHER COMMENTS

We also appreciate all other comments and remarks

SUMMARY OF THE DIALOG AT THE USER GROUP

This slide is a short summary of the dialog at the user group on the methodology, held on the 14 January 2021. There were only a few questions. The session lasted from 9.00 to 9.45

- Comment: Would like to see the pros and cons for other alternatives than the selected solution.
- Comment: The proposed solution was the basis for those committing for Open Season contracts, therefore are there no other alternatives.
- Comment: Could the current Danish upstream infrastructure be included in the Danish Market model, in a similar way as the upstream part of Baltic Pipe. Reply: Yes, this can be considered for the future, but not in this methodology.
- Request: Would like to have the tariffs calculations for the upstream point, if only using the upstream part of Baltic Pipe. Reply: Yes, we will look into delivering this material.
- Question: Regarding the new upstream point in the North Sea. Will there be offered FCFS (First come first served) in addition to the auctions at Entry North Sea? Reply: This is not the plan, but will now be evaluated.

➤ Comments are welcomed until the 31 January 2021 (pjj@energinet.dk / +45 30513476)

9.45 – 11.30

BREAK



PROGRAMME – BALTIC PIPE RELATED TOPICS

09.00 – 11.00

Methodology for integrating Baltic Pipe in the Danish Market Model

*Poul Johannes Jacobsen,
Energinet Gas TSO*

- Presentation
- Questions and Comments

11.00 – 11.30 BREAK

BREAK



11.30 – 13.00

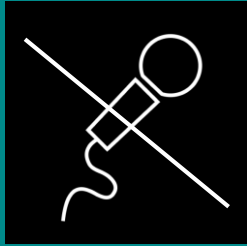
Tariffs

*Nina Synnest Sinvani,
Energinet Gas TSO*

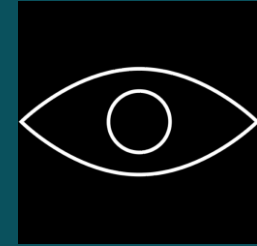
- Presentation
- Questions and Comments

Closing remarks

*Jeppe Danø,
Energinet Gas TSO*



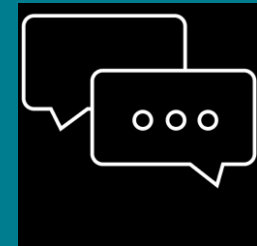
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TARIFF METHODOLOGY

Nina Synnest Sinvani, Energinet Gas TSO

AGENDA

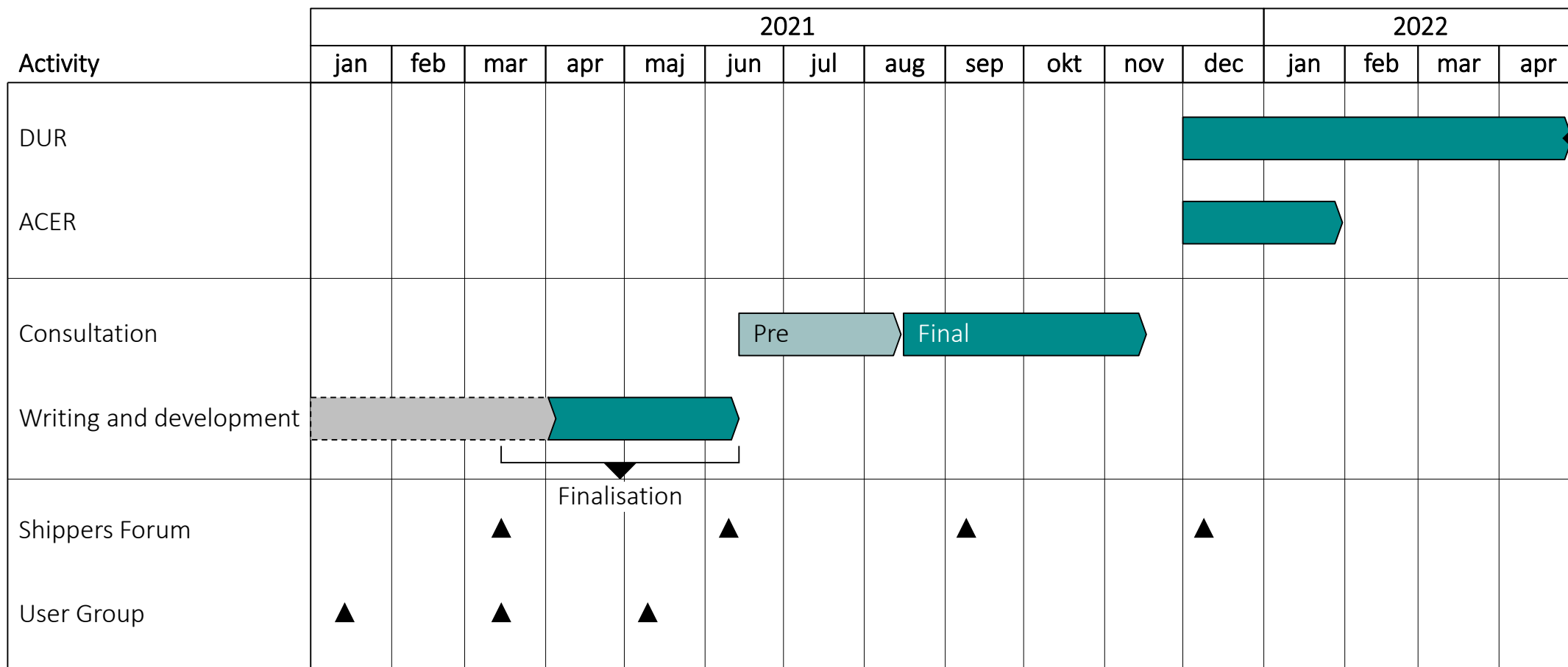
- Status and timeline
- Capacity-/commodity-split
- Long-term multiplier
- Gas-year versus calendar-year
- Next step
- AOB

A photograph of a modern office environment. Four people are working at desks with multiple computer monitors. A woman in a red top and grey cardigan stands behind a man, looking at his screen. Another woman with blonde hair sits at a desk, looking at her phone. A man in a blue sweater sits at a desk on the right, typing on a keyboard. Large windows in the background show a view of green trees. A teal overlay covers the bottom left portion of the image, containing white text.

STATUS

Energinet are not planning on any major changes to the tariff methodology

TIMELINE



KEEPING FROM THE
2019 APPROVAL

100 % DISCOUNT ON
STORAGE POINTS

UNIFORM TARIFF
PRINCIPLE

THE MULTIPLIER LEVEL

KEY TOPICS IN THE 2022 METHODOLOGY

LONG-TERM MULTIPLIER

The possibility to offer a discount for shippers who make long-term capacity bookings.

CAPACITY- /COMMODITY-SPLIT

We need to changes this due to DUR and ACER respond on the 2019 approval

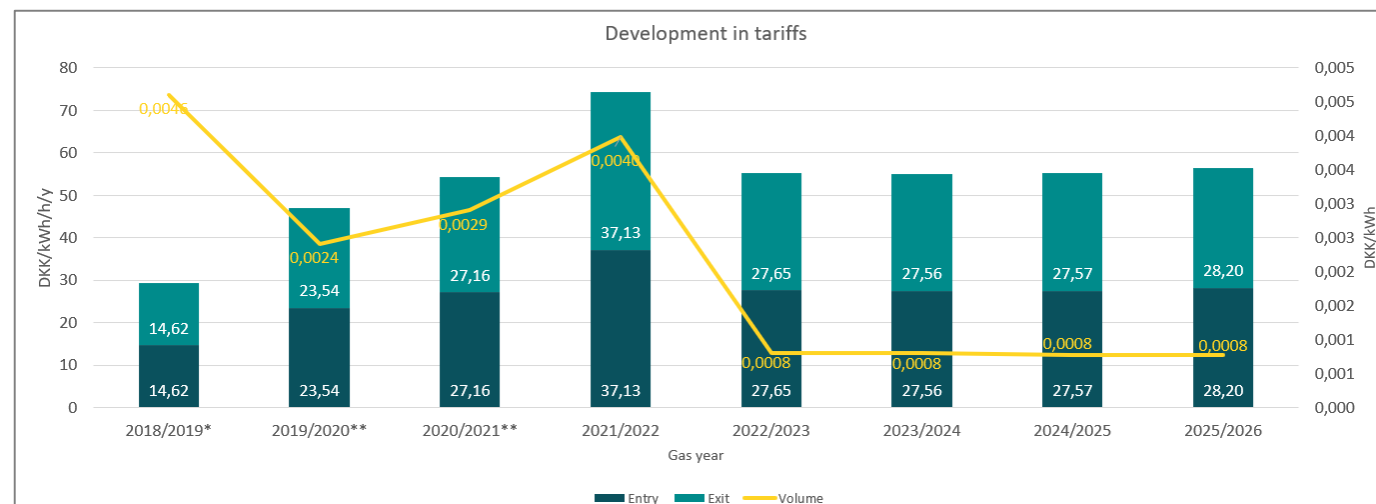
GAS YEAR VS. CALENDAR YEAR

Nice to have – not need to have

CAPACITY-/COMMODITY-SPLIT

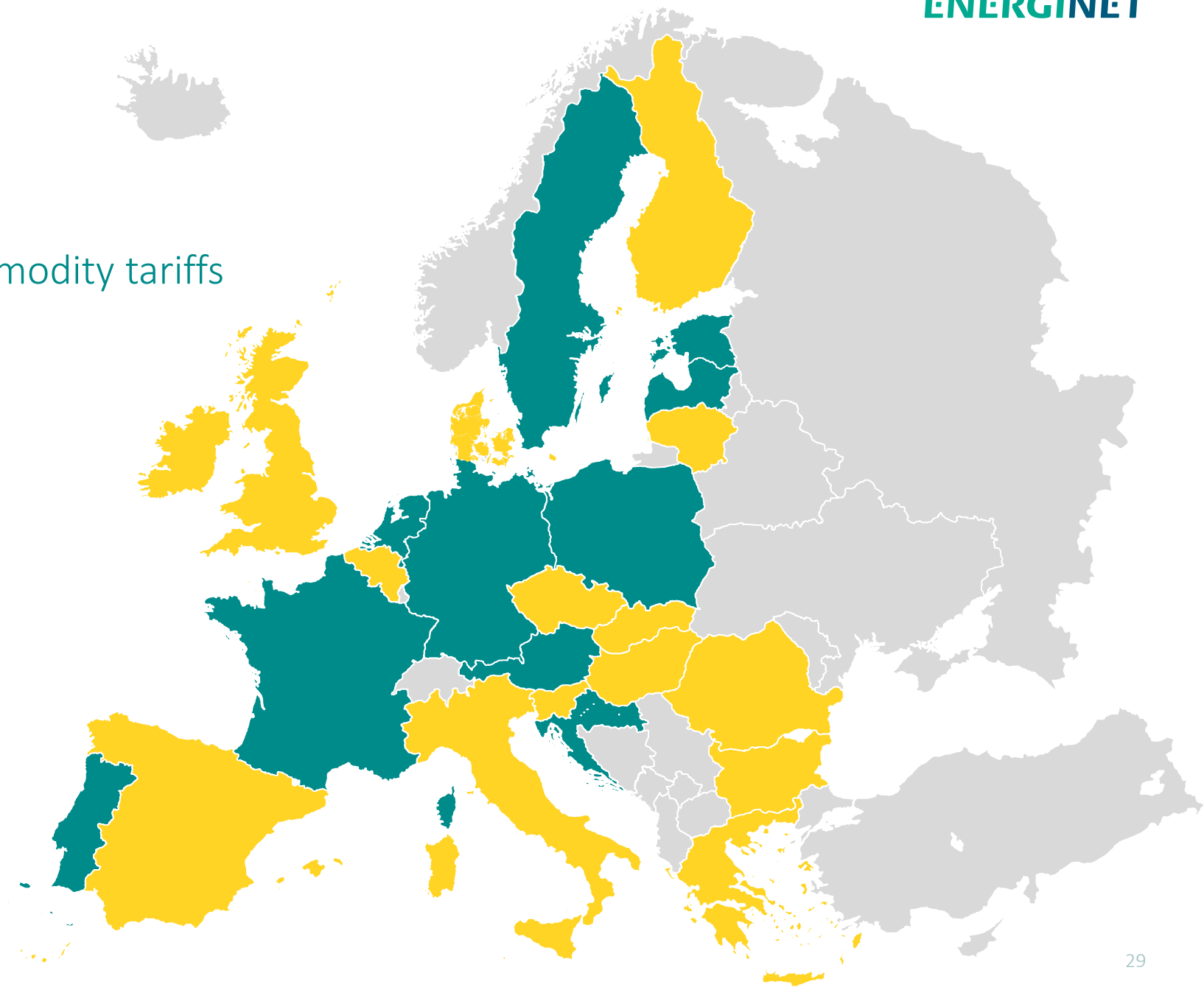
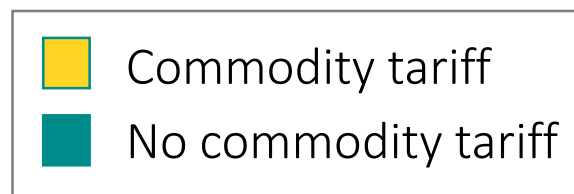
Article 4.3(a) a flow-based charge, which shall comply with all of the following criteria: (i) levied for the purpose of covering the costs mainly driven by the quantity of the gas flow;

- The only cost which is covering flow driven activities is compressor costs
- Historically it has been in a range of 1-6 mDKK
- 6 mDKK is approx. 1% of the total cost base
- A 90%/10% split will result in a commodity tariff of approx. 0,00008 kr./kWh



COUNTRY

The overall Picture is that commodity tariffs are being phased out



WHAT ARE YOUR THOUGHTS ON THIS?

- Does it make sense to keep the commodity charge?
- Possible booking behaviour effects?
- Discriminatory effects?
- Any other things that we should be aware of?



LONG-TERM MULTIPLIER

“The Danish Utility Regulatory Authority notes that even though the Authority cannot approve a multiplier in this form, this does not mean that a multiplier (discount) on long and / or medium-term contracts cannot be introduced in the future.”

In the approval DUR (among other things) are highlighting 3 key issues:

- Discrimination between Open Season Customers and non-Open Season customers, since long capacity booking were not a standard capacity product
- Competitive advances for OS2009 in Ellund under a critical situation with the Tyra redevelopment
- Need for an impact assessment, that shows the likely market- and economic impact (redistributive effects) between different groups of shippers.

STANDARD CAPACITY PRODUCTS

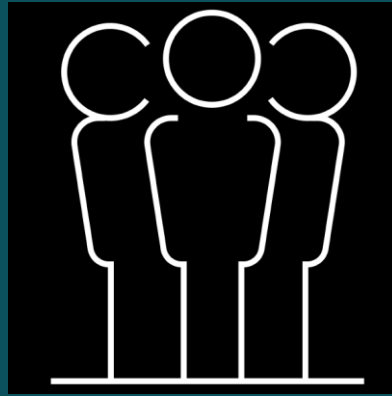
Is on the way...

- 5 year capacity products will be offered from the next gas year
- Based on an incremental process Energinet have agreed to offer up to 15 year capacity product south bound
- Also on the future point, Faxe, Energinet will offer 15 year capacity product
- For that reason it will probably make good sense to include Nybro and Entry North Sea



TODAYS SITUATION

- Energinet will implement standard capacity products > 1 year
- The OS09 contracts expires in 2023
- The redevelopment of Tyra is expected to be finished in 2023



INPUT ON LONG-TERM MULTIPLIERS

METHOD

The intention is to make a rebate that increases with the number of years booked

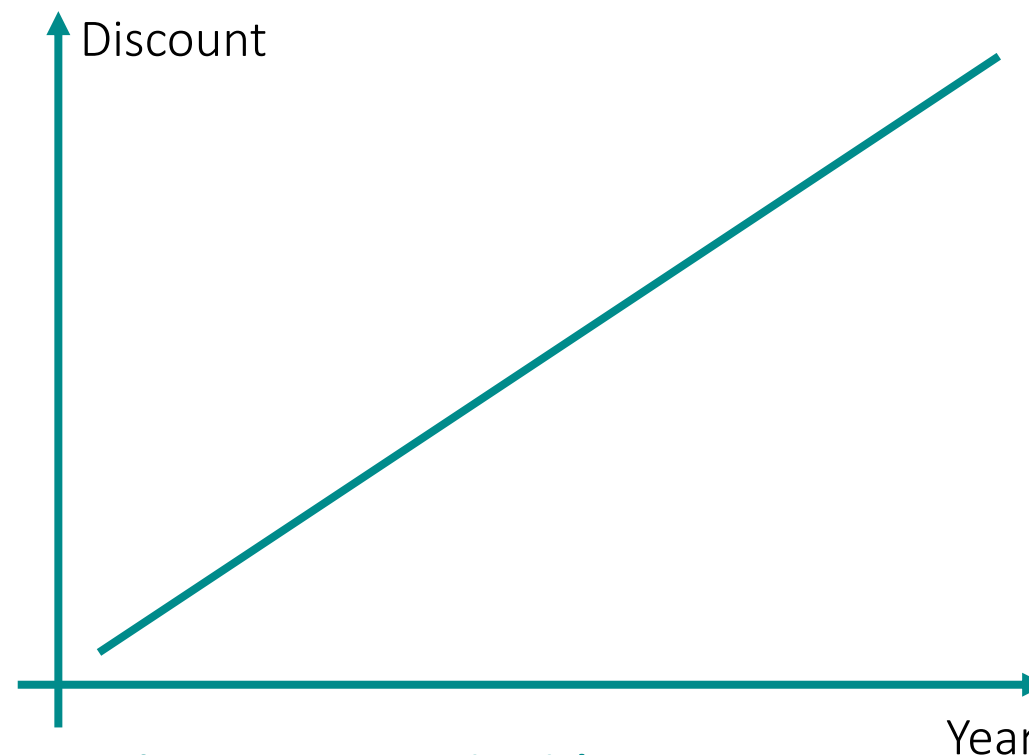
It could in formula look something like this:

$$\text{Multiplier} = (1 + x) - (x * \text{number of year})$$

e.g. if $X = 0.004$:

$$\text{Multiplier}(15 \text{ year}) = 0.94$$

INPUT ARE VERY WELCOME!



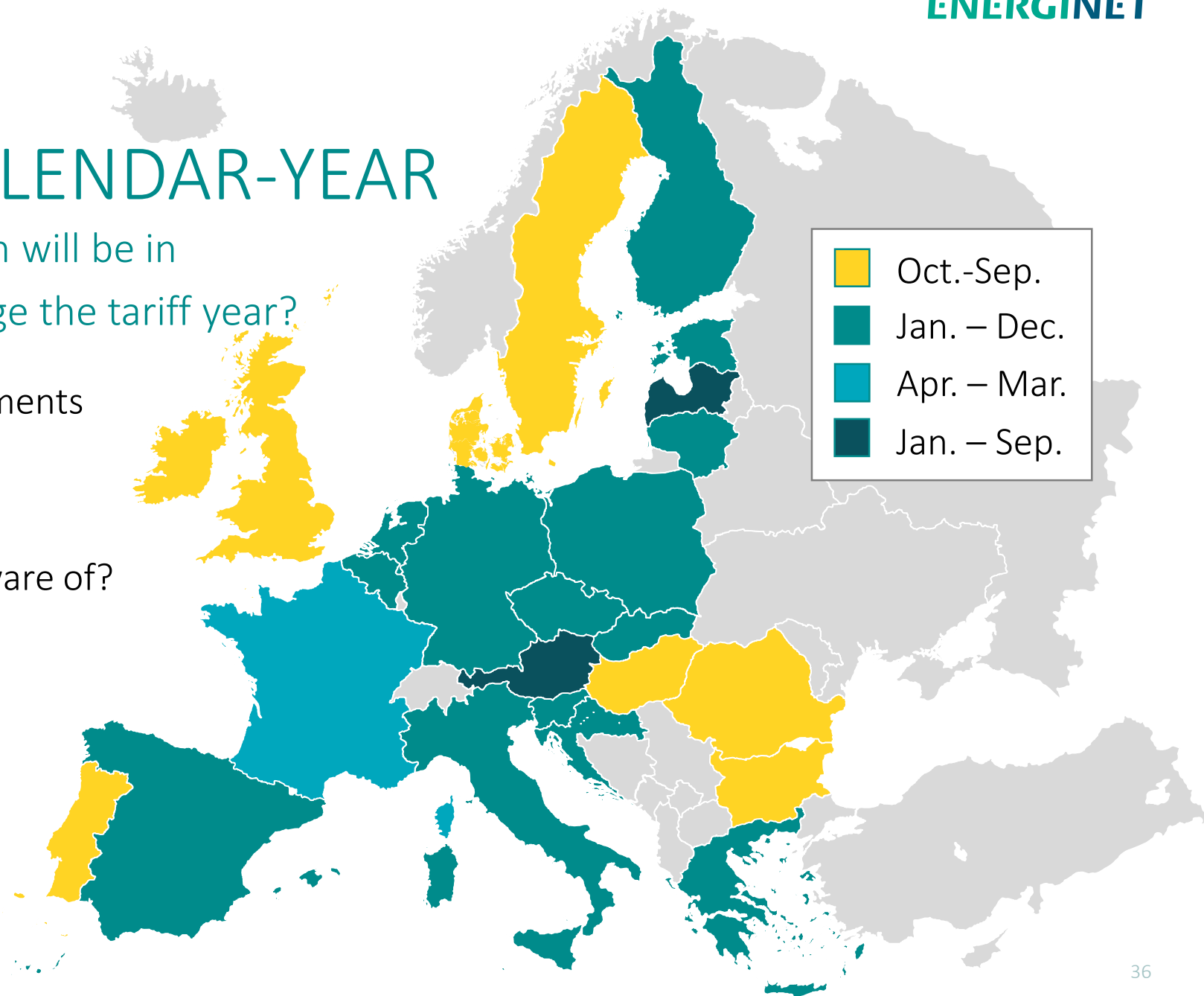
(NOTE: This is just an example, further analysis is needed.)

GAS-YEAR VS. CALENDAR-YEAR

The future economic regulation will be in calendar year. Should we change the tariff year?

What are your thoughts and comments on this?

- Pros and cons?
- Anything that we should be aware of?



NEXT STEP AND AOB

- User Groups will be in March and May
 - Pre-consultation will start in June
 - Final-consultation from August to November
- Thoughts on way of working and shipper involvement
- AOB



SUMMARY

Thank you for a good dialogue and input. We have noted following to the different points and will continue the work on that basis

- Capacity-/Commodity split:
 - There were no wishes to keep the commodity tariff, therefor Energinet will continue with a tariff methodology with 100 % capacity tariff
- Multiplier for long-term capacity booking:
 - Energinet will continue the work to introduce a multiplier on long-term bookings as it was communicated in the OS process for Baltic Pipe
- Gas year vs. Calendar year:
 - Energinet will explore the possibilities to change the tariff year from gas year to calendar year and thereby align toward Germany and Poland

If you have any other questions or comments,
please contact Nina Synnest Sinvani (+452333 8902/nsy@energinet.dk)